Democratic Developments in Hong Kong

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Executive Summary

- Hong Kong’s political development is at a critical juncture after its government launched a political consultation paper in late 2013 to gauge public views about how best to introduce more democratic leadership elections. The consultation marks the beginning of a new round of electoral reform procedures that could see the city’s voters directly elect its Chief Executive for the first time, in as early as 2017.

- The reform process was given the green light by the Beijing leadership, which has expressed support and commitment to universal suffrage in Hong Kong after years of stalled democratic reforms. However, Beijing and Hong Kong officials have stressed that any reform must conform to requirements stipulated in the Basic Law, Hong Kong’s de facto constitution.

- The consultation process has sparked a vigorous debate about the extent of democratization allowed under the Basic Law. The Beijing and Hong Kong leadership envision a Nomination Committee backing a limited number of candidates before they go to the public for a direct vote. Pro-democracy lawmakers and activists, however, object because this would not be representative of the general populace and would be unfair to liberal candidates. Instead, they propose a system that allows everyone an equal chance to run for office.

- Beijing’s priorities – a manageable and stable transition, a leader who is loyal and to be trusted to work with the central government, and avoiding any change that could risk Hong Kong’s economic stability and prosperity – appear incompatible with the pro-democrats’ demands. Any reform package must be endorsed by both local lawmakers and approved by Beijing. Should a consensus be reached, it is likely that “one person, one vote” would take place in 2017, though this would come after a Beijing-controlled nomination procedure.

- Failure to achieve meaningful suffrage in 2017 could deal a strong blow to the Hong Kong government’s already shaky governance mandate, which has been troubled by social tensions and anti-China grievances in recent years. In the longer term, it would also erode trust between Hong Kong and Beijing and introduce further uncertainties for the city’s future place vis-à-vis the rest of China.

- The international community, including the EU, has a limited role in Hong Kong’s democratic developments. It must tread a delicate line between upholding genuine democratic values and supporting the preservation of Hong Kong’s autonomy and freedoms, while maintaining crucial diplomatic and economic relations with Beijing.
1. Introduction

After years of vigorous debates and thwarted democratic aspirations, Hong Kong now faces crucial political changes that could result in residents directly electing their leader for the very first time. Beijing has agreed that Hong Kong may have a Chief Executive selected through some kind of direct election process as early as 2017, when the term for the current leader, Leung Chun-ying, ends. Efforts to reform the current election system were kicked off in December 2013, when the Hong Kong government launched a public consultation on how best to achieve universal suffrage. But even at this early stage, the question of whether the reforms may lead to genuine or meaningful democratic elections is fraught with uncertainty.

Pro-democratic lawmakers in Hong Kong have long argued for a more representative and publicly accountable system of government. Although the territory is promised a high degree of autonomy under the “One Country, Two Systems” principle agreed between the Chinese and British governments before the city’s reversion to Chinese rule in 1997, it has never chosen its leader by Western-style direct elections. Instead, all three Chief Executives since the handover were selected by a pro-Beijing committee comprised of a few hundred members, and appointed by the central government. The current Chief Executive, Leung, came to office in 2012 after the frontrunner’s campaign was marred by controversy. He was picked by an election committee of 1,193 people in a process widely derided locally as “small circle elections”. With the lack of a popular mandate, over the last 15 years leaders were at best tolerated, at worst forced to resign. None of the three Chief Executives since 1997 have served out two full terms. Meanwhile in the Legislative Council, half of the seats are returned by direct elections, while the rest are selected by industry groups.

The years since the 1997 handover have seen a series of frustrating political tussles between a vocal group of pro-democracy lawmakers and activists on the one hand, and the Mainland Chinese government and its supporters in Hong Kong on the other. Much of the debate over political reform has been over legal technicalities in the Basic Law, Hong Kong’s “mini constitution” negotiated between the British and Beijing before the reversion of sovereignty to the PRC. But Beijing’s control over the city’s political development, deep distrust between the two sides and a failure to compromise on constitutional reform packages meant that negligible progress has been made on the democratisation front.

The new reform process promises to break new ground. In public speeches, Hong Kong leaders, Mainland Chinese officials and Beijing leaders have repeatedly stated their support for and commitment to achieving universal suffrage in electing the Chief Executive in 2017. Yet it seems that the good news stops there. It is all too clear that Beijing wants to retain control over the process and it will not tolerate a radical democrat to run Hong Kong, even if he or she can secure popular support among the voting populace. Loyalty to the Beijing leadership and ability to maintain the city’s stability and prosperity are among Beijing’s requisites for the new leader. That Mainland Chinese officials have already laid down these requirements before the consultation has even concluded appears inherently incompatible with what most observers would understand as democratic elections.

The current political debate has centered on the question of how candidates can be nominated, and by whom. Hong Kong’s pro-democracy lawmakers want genuinely democratic reforms that not only allow everyone to have the right to vote for their leader, but also allow anyone the right to run for office. Suspecting that Beijing would introduce
mechanisms that will screen out candidates with liberal leanings, activists and lawmakers have proposed a so-called civic nomination that lets the public or political parties nominate candidates. There is little doubt that such a proposal, with its potential to introduce multiple anti-Beijing candidates into the race, will never be deemed acceptable. Instead, Mainland Chinese officials have suggested that they prefer a nominating body – composed of members who are supposedly representative of the broader population - that has the power to vet hopefuls before they become formal candidates. Such a process appears ideal for Beijing, as it would filter out anyone deemed confrontational or unsuitable, but still allow a “one person, one vote” election. Hong Kongers, however, may well reject such an arrangement as “fake democracy”.

As before, the key challenge is whether compromise can be reached between Hong Kong’s more hardline pro-democratic lawmakers and the Mainland Chinese government. Any constitutional reform will require both Beijing’s approval and the endorsement of a two-thirds majority in Hong Kong’s Legislative Council. Anticipating the difficult negotiations, many Hong Kongers are already preparing for either a watered-down version of democratic elections, or no reform at all.

Whatever the outcome of the reforms, they will have important economic and political implications for Hong Kong and beyond. The Beijing and Hong Kong leadership are concerned that political turmoil in the lead-up to the poll and uncertainty surrounding more open elections could upset the market and alarm businesses and investors in one of Asia’s foremost financial hubs, and one that has had a shaky return to growth in the last few years since the 2008 economic crisis. However, failure to pass meaningful and progressive reforms would also undercut Hong Kong’s appeal as a uniquely open society with transparent institutions within China. In the political realm, failure to introduce a more popular mandate for the leader will deal a hard blow to the Hong Kong government’s already shaky governance, which has been troubled by simmering social tensions in recent years. A widening wealth gap, unaffordable housing, signs of erosion of Hong Kong’s press freedom and an anti-China backlash over the influx of immigrants and tourists are among the issues that plague the Hong Kong administration. Another leader effectively hand-picked by the central government would struggle to gain popular support as a credible people’s representative who could take up these issues with Beijing effectively. Such a scenario would also further erode the trust between the city’s residents and the Beijing leadership, spelling gloom for Hong Kong’s future and its integration into the greater Chinese polity. Looking beyond Hong Kong’s borders, the extent to which Beijing responds to local aspirations and allows democratic change in the city will give some indication of the current leadership’s attitudes toward reform and modernization in the rest of the country.

This paper will first outline the current election system and Hong Kong’s recent political developments, before examining the political debate surrounding the Hong Kong government’s constitutional reform consultation process, the roles played by various parties, and the possible scenarios for direct elections. It will then analyse the key challenges that Hong Kong faces before 2017. Finally, it will consider the economic and political implications of the potential outcome, and the possible role of the international community, including the EU, in these developments.
2. Existing electoral system and political developments since 1997

2.1 Current method for selecting the Chief Executive
Hong Kong’s 7 million residents have had very limited say in choosing their leader since the handover. Until 2012, the Chief Executive was picked by a specially selected 800-member electoral committee, estimated to have an electoral base equivalent to about 7% of the general voting public. The committee is composed of many conservative businessmen and professional representatives, themselves drawn from four sectors (called commerce, professional, social and political, respectively). It also includes a number of “corporate votes” controlled by companies, not individuals. The inclusion of pro-Beijing union groups and local members of the National People’s Congress means that the odds of the voting results are firmly stacked in favour of Beijing. In 2012 the electoral committee was expanded to 1,200 members. Candidates become eligible to run only if they have secured the backing of one-eighth of the Election Committee – that is 150 people. The voting is conducted by secret ballot.

In the 2012 leadership race, Leung, a businessman with long-established ties to the Mainland Chinese leadership, received some 700 votes; his main rival, the career civil servant Henry Tang, received 285; while Albert Ho, then chairman of the opposition Democratic Party, received only 76. Like his predecessors, Leung was then formally appointed leader by Beijing. The Democratic Party was also able to nominate a candidate in the preceding election, though it was widely understood he ran with no chance of winning. None of the three Chief Executives appointed since 1997 was affiliated with any political party.

2.2 The Basic Law and Interpretations by NPCSC
The key document and the framework that guides and constrains how far democratization can develop in Hong Kong is the Basic Law, which stipulates that the city – officially known as a Special Administrative Region (SAR) - enjoy a political and economic structure separate from that of Mainland China. Hong Kong has its own rule of law and legislature, both largely modeled after the British system. It also retains other pre-1997 institutions, including an independent police force, financial regulatory regime, its own currency and the city’s status as an independent customs territory. However, Beijing, the sovereign power, has the final say on matters including foreign affairs, defense, and political reform. As the leadership selection process outlined above shows, the central government also has strong, if indirect, control over who runs the territory.

The Sino-British Joint Declaration signed by the British and Chinese governments in 1984 provided that, after the handover, Hong Kong’s Chief Executive should be selected locally and be appointed by the central government in Beijing. The Basic Law, drafted as a result of the Declaration, enshrines the principle that Hong Kong people should administer Hong Kong. The document also stipulates that the city should eventually elect its leader by universal suffrage, and allow for gradual changes to the system of election to facilitate that goal. Crucially, however, it does not include details on how or when such a goal should be achieved.

1 It is worth noting that no democratic arrangements were available under British rule before 1997, either, when Hong Kong governors were appointed in London and the civil service was dominated by British expatriates. The deciding difference before and after the handover was not so much the system of government, but an increasing political awareness and growing aspirations for public participation in politics.
achieved. Article 45, which contains the key wording concerning electoral reform, has been a bone of contention for years:

“The method for selecting the Chief Executive shall be specified in light of the actual situation in the Hong Kong Special Administrative Region and in accordance with the principle of gradual and orderly progress. The ultimate aim is the selection of the Chief Executive by universal suffrage upon nomination by a broadly representative nominating committee in accordance with democratic procedures.”

Nor did the Basic Law provide much guidance regarding the background of the candidate. According to Article 44, anyone who is Chinese and over 40 years old, is a permanent Hong Kong resident, and has lived in the territory for over 20 years is eligible.

Disagreements over the extent and pace of democratization allowed under the Basic Law have dominated Hong Kong’s political debate since 1997. Much of the pro-democrats’ frustration stems from the fact that it is Beijing, rather than the local legislature or judicial system, that holds the power to interpret or change the constitution. Over the years, the Standing Committee of the National People’s Congress (NPCSC) had stepped in with a series of official “interpretations” of and rulings about the constitution. The first such decision was made in 2004, when the NPCSC issued a document that ruled out changes to the methods for selecting the Chief Executive and for forming the Legislative Council in 2007 and 2008, respectively. According to the NPCSC, the Chief Executive may initiate the procedures for amending both processes by submitting a report to Beijing, and the NPCSC would then determine whether electoral reforms are necessary. After that, any changes would require a two-thirds majority endorsement by Legislative Council (LegCo) members, the consent of the Chief Executive, and finally the approval of the NPCSC.

Beijing’s 2004 move was criticized by many as an erosion of Hong Kong’s rule of law. The interpretation not only halted the progress of democratization in the city; critics also argued that it essentially amounted to an amendment of the Basic Law, giving Beijing much greater control over initiating political change in Hong Kong and undercutting the role of the local Legislative Council.²

Three years later, the NPCSC issued its second significant decision regarding constitutional change in Hong Kong. This time, it said the election of the Chief Executive in 2017 may be conducted through direct elections. It was the first time a tangible timeframe was given for the achievement of a long-aimed for goal. Further, it also stipulated that after the election of the leader by universal suffrage, all Legco members may thereafter be chosen through full direct elections. 2020 is the soonest this could happen. The operative word is “may”, meaning that another round of constitutional reform procedures are required before any direct elections take place. The 2007 decision still leaves many questions unanswered,

although it did provide more detailed guidance on the process of new elections:

- A “broadly representative” nomination committee is to be formed; this organization may be modeled after the current 1,200-member Election Committee;
- Any eligible candidate (in accordance with Article 44) may ask to be nominated;
- The nominating committee will then, “in accordance with democratic procedures”, formally nominate a number of candidates;
- A general election will then be held to elect the leader by “one person, one vote”.
- The elected leader will be appointed afterwards by the central government.

3. Current political debate

After some delay, the Hong Kong government finally took the first step in kicking off a new round of constitutional reform process in December 2013. A five-month public consultation was launched, outlining the options on hand and gauging public views on how best to choose the Chief Executive in 2017. The consultation also includes questions on how to elect Legislative Council members in 2016, although the focus is clearly on the leadership election.

It is worth noting that the consultation is merely a preliminary step in what’s expected to be a long and cumbersome procedure. According to the government, the consultation will result in a report to Leung, who will then decide whether to submit a report to the NPCSC to formally initiate reform proceedings. A second round of public consultation is expected in the latter half of 2014, after the NPCSC gives the green light to proceed with any amendments to the Basic Law.

The section below outlines the two most prominent arguments and proposals put forth by officials and the opposition over how election reforms should unfold.

3.1 Proposals for direct leadership elections

The Hong Kong government’s proposed reform framework

From the start, the Hong Kong and Beijing governments have been at pains to underline two messages: one, that officials in both Hong Kong and Beijing are united in their commitment to achieving universal suffrage; and two, that any reform must be strictly within the framework of the Basic Law and the relevant decisions of the NPC, which are legally binding. Citing the constraints, the Hong Kong government has proposed a 3-step election framework, under which the public could submit their proposals on the following questions:

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1. Nomination of candidates by a “broadly representative” Nomination Committee, in accordance with democratic procedures

- What should the size and composition of the Nomination Committee be?
- How should the Committee nominate candidates?

2. Universal plebiscite by all registered voters

- What should the voting system be?
- Should an election be held if there is only one candidate?

3. Appointment by the central government

- Should local laws be amended to follow up on the appointment decision of the central authorities?

Within weeks, the government’s consultation paper triggered a heated political and legal debate focusing on the nomination process. In particular, questions have focused on the definition of a “broadly representative” nomination committee working with “democratic procedures” – the specific wording of Article 45 of the Basic Law. The discourse that has emerged can be summarized as a dispute between two viewpoints: those who argue for a broader-based nomination process that ensures candidates will not be “pre-screened” on the one hand, and those who maintain that the Basic Law prohibits such procedures.

The pan-democrats’ proposals

The pan-democrats – an umbrella name given to a group of pro-democratic lawmakers, political parties, civic groups and activists – have voiced strong objections to the premise of the government’s proposed election framework, and are hostile to the notion of a Nomination Committee modeled on the existing 1,200-member Election Committee, as suggested by the Beijing and Hong Kong governments. Although the group is made up of a spectrum of moderate to radical democrats, all maintain that such a nominating body will be anything but broadly representative. Members in the camp also argue that any electoral reform must avoid any mechanism that allows authorities to vet candidates before they join the leadership race. As the Civic Party and HK2020, two pro-democracy groups, put it: “A nomination system that excludes potential candidates with strong popular support will turn the CE election into a farce, and the winner will lack credibility and authority to govern.”

Instead, many in the camp advocate a reform package that features so-called “civil nomination”, that is for all registered voters to have the right to nominate or recommend candidates. The precise methodology of such proposals isn’t yet clear, but the Alliance for True Democracy, a group that includes 26 pan-democratic lawmakers, proposes that anyone

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who wins a sufficient number of public nominations – that is at least 2 percent of all the city's voters - should automatically win the Nomination Committee’s endorsement as leadership candidates. The Alliance also proposes that political parties that receive a certain level of support in the 2016 Legco election should have the right to nominate candidates. Both suggestions have been rejected by officials including Hong Kong Secretary for Justice Rimsky Yuen, who maintain that the Basic Law does not allow for any proposal that undermines or does away with the role of the Nomination Committee. Since then, various politicians and legal experts have proposed more moderate alternatives, to be outlined in Chapter 5.

The pan-democratic camp has so far driven the reform debate, and they have attracted considerable support from the public. In a sign of the unpopularity of the government and increasing aspirations for more democratic elections, at least 11,000 protesters took to the streets of the city on January 1, 2014 to call for genuine universal suffrage and the resignation of Leung. On the same day, some 60,000 people took part in a mock referendum conducted by the University of Hong Kong, with an overwhelming majority voting for civic nomination procedures. Hong Kong’s leadership has dismissed the results of the mock referendum as irrelevant.

4. Challenges

Through various statements given by Mainland Chinese legal experts, officials and loyalists, Beijing has made it crystal clear that a public nomination process as outlined above is off the table, not least because it strays too far from the current system and is not, it says, compatible with the Basic Law. These pro-Beijing voices have repeatedly insisted that the Basic Law clearly states that a Nomination Committee is the only legal body empowered to nominate candidates. They also argue that universal suffrage refers to the right of the Hong Kong public to vote, not to nominate candidates. The message is that the size and formation of the Nomination Committee is up for discussion, though it must not be drastically different to the current Election Committee. Beijing has always prioritized stable and manageable political transitions in Hong Kong, and this preference will not change in 2017.

More proposals are bound to join the fray, and it is too early to tell how the various competing perspectives on electoral reform, as outlined above, will play out in the months before 2017. But what is already clear is that the significant differences between the desires and demands of the many stakeholders will make a compromise extremely difficult. Because any reform must be endorsed by a two-thirds majority in the Legislative Council before it could be submitted to the central government for approval, the key challenge is coming up with a viable reform package that is acceptable to all sides. A half-baked attempt at democratization favoured by Beijing – for example, a proposal that sets the bar too high for candidates - may be vetoed by Hong Kong’s pro-democracy lawmakers, and no progress in electoral reform would have been made. Even if a compromise between the political parties and the governments is reached, that package may create more problems if it doesn’t have the support of the general public.

4.1 Beijing’s bottom line

Although much of the political debate has revolved around legal details and what the Basic Law does or does not allow, that is only half the story. Beijing may have affirmed its respect
for Hong Kong’s democratic aspirations after blocking them for more than a decade, but there is no doubt that such support is highly qualified. The central leadership’s position on the electoral reforms has been for the most part transparent and consistent. First and foremost, the central government has made it known that any leadership candidate who confronts Beijing will not realistically stand a chance. Several Mainland Chinese officials, academics and loyalists have spoken on the topic, some more directly than others.

One of the first to do so was Zhang Xiaoming, director of China’s Liaison Office in Hong Kong and Beijing’s top representative in the city. At a luncheon with Hong Kong lawmakers in mid-2013, Zhang underlined Beijing’s priorities when he said: “We must handle well the relationship between the HKSAR and central government, and ensure that the country’s sovereignty and security, as well as the central government’s legal rights, are protected. These requirements are not unreasonable.” He also stressed that “Hong Kong is not a country”, but “a local administration region enjoying a high degree of autonomy within the People’s Republic of China.” In other words, Hong Kong’s leader must be someone who can be trusted to maintain a good relationship with Beijing, and not so ambitious and independent-minded that he would forget his place.

Several months later, Li Fei, the chairman of the Basic Law Committee, made more pointed comments about the qualities expected of a Chief Executive. “Anyone opposed to the central government” cannot take the top job, he said, warning that such a leader would seriously damage the relationship between Hong Kong and Beijing under the “One Country, Two Systems” principle and threaten the city’s stability and prosperity. Further, Li said that Hong Kong’s leader must be someone who “loves the country and loves Hong Kong” – a phrase widely understood to mean loyalty toward the Beijing government, thus ruling out pro-democrats critical of the Communist Party and the central government. Li’s message was nothing new: his predecessor, Qiao Xiaoyang, had made similar comments in early 2013. But the mention of patriotism – an ill-defined requirement not found in the Basic Law – renewed local frustrations that Beijing has already firmly set down its own parameters for a suitable leader.

A more telling and somewhat unexpected set of comments came from Wang Zhenmin, a legal expert at Tsinghua University and a former Basic Law Committee member. According to Wang, Hong Kong’s business sector must continue to be represented in the nomination committee in order to “retain meritocracy in politics... and capitalism”. Wang’s comments reflect not only Beijing’s long-standing distrust of mass participation in Hong Kong’s politics, but also the high importance it places on securing the city’s continued financial prosperity and stability.

However, the Beijing leadership has shown that despite its hardline approach to controlling

political development in Hong Kong, it knows better than to endorse a leader who is loyal but wildly unpopular with local residents. The territory’s first Chief Executive, shipping magnate Tung Chee-hwa, was so incompetent that half a million people staged a demonstration protesting his leadership in 2003. He was forced out of his job during his second term in 2005, widely believed to be sacked by Beijing. In 2012 mainland leaders quietly dropped their endorsement of leadership frontrunner Henry Tang when it became clear that a series of scandals had damaged Tang’s credibility among locals. Instead, Beijing shifted their allegiances to favor Leung. Beijing has shown that it is not oblivious to Hong Kongers’ dissatisfaction against its leader of choice. However, it may take large-scale protests and loud clamours for Beijing to respond.

4.2 Finding a compromise
For its part, the Hong Kong government has shown little political will to deviate from Beijing’s position. Leung’s administration is no doubt keen to be able to reach a reform milestone before the leader’s term ends, and so will do all it can to try to broker a deal between Mainland Chinese hardliners and Hong Kong’s liberal democrats. It has been argued that although the Hong Kong leadership’s hands are tied under the peculiarities of the “One Country, Two Systems” arrangement, its consultation process could be more open and accepting of local opinions, even if they ruffle a few feathers. But Leung and his government have so far appeared unwilling to confront their employers in Beijing. As a result, Hong Kong’s government officials have been transmitting more or less the exact same messages as the Beijing leadership. They have, however, attempted to adopt a less abrasive and prescriptive tone and at least appear to take up a more conciliatory stance.

One of the Hong Kong government’s most difficult tasks will be negotiating with the pan-democratic camp, a loose grouping that brings together democrats with a wide spectrum of views. The group’s members are the most vocal among local politicians in putting forward their demands, and command about one-third of the LegCo votes necessary to pass any reform. But the group’s political capital and public credibility is undercut by internal splits that pitch a moderate faction against more radical activists. Many of the moderates do not believe that all voters should have the right to nominate candidates for the leadership race, for example, arguing that holding on to such a demand is impractical and will only lead to a hardening of Beijing’s stance. In return, more radical members say settling for compromise betrays the true spirit of the movement and amounts to “selling out” Hong Kong. The camp is also split over the “Occupy Central (District)” movement, a civil disobedience pro-democracy protest that aims to block up the city’s financial center in the summer should the government fail to propose an acceptable roadmap for democratic elections. The movement’s uncompromising attitude has already alienated some locals from the democrats’ cause, and is clearly seen by Beijing as a nuisance and a threat to public security. As such, it could potentially derail reform proceedings.

Past experience has shown that bitter disagreements within the pro-democracy camp can make or break electoral reform negotiations. In 2005 a reform deal proposed by the government was voted down by pro-democracy lawmakers, who criticized the package as too timid. Similarly in 2010, negotiations around another round of proposed reforms almost collapsed, but were eventually settled after Beijing officials agreed to reach a last-minute compromise with the pro-democrats. That deal, which resulted in a slight expansion in the Chief Executive’s election committee, left the Democratic Party in disarray and still reeling from attacks from fellow pan-democrats that it signed off reforms that didn’t go far enough.
The worry among some observers is that the Democrats may not have the courage to compromise with the Hong Kong and Beijing leaderships again for fear of losing core supporters.

There is no question, however, that patient negotiation and compromise is required from both Beijing and the pan-democrats for any reform to take place. Indeed, some form of candidate vetting is almost impossible to avoid, and many in Hong Kong believe that a proposal along the lines of Tong’s moderate plan is most likely to be accepted. Yuen, the Hong Kong Justice Secretary, spelt out the situation more pragmatically than most when he reportedly said that the city should accept an “imperfect” reform as a first step. “Let’s make a start first, and then we can find ways to improve the system,” he said.8

4.3 Regaining public trust
In the longer term – that is, looking beyond the parties’ political struggles and 2017 – a continuing challenge is how the Hong Kong and Beijing leaderships can regain the public’s trust after years of stalled democratization and a perceived erosion in Hong Kong’s ability to self-govern. The stern prescriptions from Mainland Chinese officials in recent months have reinforced perceptions that the consultation process is insincere, and that Hong Kong’s aspirations to exercise a “high degree of autonomy” as promised by the Basic Law are increasingly futile. The political chatter surrounding the reforms so far has not suggested any lessening of the mutual distrust between the Beijing ruling elite and the Hong Kong public.

5. Possible outcomes
Judging from the challenges outlined above and the current political situation, it appears most likely that the 2017 elections will introduce more democratic elements than the current model and go some ways toward fulfilling the universal suffrage promise, but fail to deliver genuinely democratic elections that open the field to all candidates. Public nomination will almost certainly be ruled out; the question, then, is whether the pan-democrats are willing to compromise with Beijing for a middle way, and how far they are prepared to do so.

Based on the range of proposals being floated and officials’ response to them, the possible outcomes to be considered include:

- No compromise. Should the more uncompromising factions within the pan-democratic camp stand by their demands for public nomination and veto any reform package that fails to meet their requirement, the reform process could collapse without making any headway in improving the current election model. This would be the worst outcome, and given the public mood of discontent and the high stakes all parties would seek to avoid this scenario.

- Both sides agreeing on moderate reforms. Moderates in the pan-democratic camp,


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including former Chief Secretary Anson Chan, Civic Party lawmaker Ronnie Tong and several prominent legal experts, have made a strong case for various reform measures that work within the confines of the government’s framework – that is, nomination of the leader by a Nomination Committee – but that introduce ways to make the committee more representative of the general public. Such proposals are sympathetic to the democratic cause but are more pragmatic, and much more likely to be accepted by Beijing in one form or another. If successfully passed, moderate reforms would go some ways toward addressing the public demand for more representational government and serve as a foundation for longer-term democratic development in the city. A number of methods have been proposed, including:

i) Modeling the formation of the Nomination Committee on that for the current Electoral Committee, but with a significantly broadened electoral base. In other words, the new committee should still be mostly elected from specific industry sectors, but this process should be made open to more electors in each industry. Crucially, the elections would become more direct by including more individual voters, instead of corporate block votes. In addition, Tong and others suggest that some 400 popularly elected district councilors (district-level political representatives) should be added to the body. According to Tong’s proposal, a maximum of 10 candidates would be nominated by a 1,514-member Nomination Committee that will be broadly representative of Hong Kong people. To encourage party politics, there should be no restrictions on the party background of candidates.

ii) Some, including Albert Chen, a law professor and a member of the Basic Law Committee, suggest that the Hong Kong public could vote to make non-binding candidate “recommendations” that the Nomination Committee should consider in good faith. Under one such proposal, anyone with the support of more than 2 percent of the public should automatically be considered by the nominating body. Such proposals aim to incorporate the spirit of a public nomination into the system, without undermining the authority of the formal Nomination Committee. However, it is unclear whether the public would be convinced by the democratic value of non-binding recommendations.

iii) Making the 70-strong Legislative Council the nominating body, or including it in a body balanced by representatives from Beijing loyalist groups, such as members from the National People’s Congress. Officials have been lukewarm to the idea, which appears unlikely to get Beijing’s approval.

• Beijing vetoing the winning candidate. Contentiously, Chen, the law professor, proposed that should Beijing find the winning candidate unsuitable, it could exercise veto power and appoint the runner-up instead. Beijing could, in theory, veto the winner, but given the uproar that this would cause it will almost certainly try to eliminate this possibility by making sure no one deemed unsuitable gets in the race in the early stages.

• Mass abstention from the public. Even if a deal were to be reached between Beijing
and the pan-democrats, such a political victory may mean little to the Hong Kong public if the resulting reform package does not realistically advance the democratic cause. One scenario could see voters abstaining en masse in protest – a situation that does not improve the mandate of the winner in any way.

Despite these uncertainties, it is worth noting that contrary to Beijing’s fears, Hong Kong voters still prize pragmatism although they are anxious to see more representative government. They are most unlikely to back anyone whose stance could potentially jeopardize the city’s economic stability and capitalist system. A strong pro-establishment business lobby in the city is aligned with the Hong Kong and Beijing leaderships in opposing drastic political change that could bring turmoil to the stock markets and alarm investors. Nor are radical democrats – the kind that Beijing distrusts the most – likely to win over enough of the public vote to become a real threat.

6. Implications

This chapter aims to outline what the 2017 election reforms would mean for the city’s economic and socio-political life, both in the short term and the longer term.

6.1 Economic implications

As argued above, Hong Kongers are as loath to see politics jeopardise the city’s economy as Beijing. As one of Asia’s top financial hubs and a city frequently named the world’s freest economy, Hong Kong used to be nicknamed a “political desert” because most residents were more concerned about making money than talking politics. That political indifference has changed since the 1997 handover, but public opinion is still overwhelmingly in favour of politics that does not threaten the markets and businesses. Both businessmen and officials are also equally concerned that political instability in the lead-up to and around the time of the poll, as well as the uncertainty surrounding more open elections, could tarnish Hong Kong’s international reputation for economic freedom, as measured by organizations such as the U.S. Heritage Foundation and the Canadian Fraser Institute.

While there is a real risk that protests and political instability could send markets down and chill investment in Hong Kong in the short term, it is imperative to recognise that in the longer term, resistance to change toward a more open and democratic political system is equally, if not more, detrimental to Hong Kong’s economy and international standing. In 2012, The Economist denounced Hong Kong’s leadership election as an “elaborate charade” and “not an election at all.” The magazine also embarrassed Hong Kong officials when it placed the city at the top of a global “crony capitalism” index in 2014, highlighting the overly-cosy relationship between the government and big business. Hong Kong’s positioning as a SAR enjoying a free economy, Western-style freedoms, transparent institutions and information flow within China holds unique appeal to investors and expatriates; observations such as those made by The Economist undercut that appeal. Beijing and Hong Kong’s leadership need to take seriously the long-term economic implications of social unrest and governance without popular mandate, as well as the short-term impact that political instability could bring.

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9 The Economist: “The worst system, including all the others,” 12/3/12, http://www.economist.com/node/21551482
6.2 Implications for governance and society

Whatever the election reforms deliver, the lead up to 2017 marks an important turning point in the long-term development of the city’s political culture. For the first time in its history, Hong Kong is devoting full attention to creating a universal suffrage model that best suits its needs and unique circumstances. The debate surrounding the reforms has already highlighted the inherent contradictions in trying to make a leadership that is currently accountable first and foremost to Beijing and more accountable to the people. Two fundamental governance problems have long plagued the local administration. The first is officials’ slow and inefficient response to public grievances, and perceived indifference to growing social pressures including rocketing housing costs and one of the world’s largest wealth gaps. The second is the administration’s difficult relationship with the Legislative Council. The Hong Kong government’s effectiveness and credibility has been compromised by the constant tussle between Legco and a Chief Executive who is completely independent from party politics. Without a ruling party, the Legislative Council at times becomes no more than a talking shop with little impact on the executive-led administration, which often struggles to gain support from lawmakers. Going forward, the debate around the 2017 elections could kick-start the development of more sophisticated party politics and introduce leaders with a better mandate to address the above problems. It must be noted, however, that the city has never had a Chief Executive with any party background, and it is not clear how Beijing would react to proposals to change the status quo. While Beijing could plausibly allow a moderate pro-democratic lawmaker to be elected Chief Executive, it seems highly unlikely that it would let a democratic party become the ruling party in the city.

Hong Kong officials have made no qualms about the negative impact on the city’s governance should the reform process end in elections that are democratic only in name. Partly they have done so to rally support for its consultation process and to call for the pan-democrats to take a more pragmatic approach to the negotiating table. But like the rest of Hong Kong, they must also be aware of how precarious the government’s leadership has become. A failure to pass a reform package that genuinely improves the support base of the Chief Executive would be intolerable to many voters, and the “Occupy Central” movement could seize the public mood to stir up disruption, create havoc for businesses, and draw international attention to their cause – the last thing Beijing wants to see. Even supporters of the Beijing leadership, an unlikely grouping of Hong Kong businessmen and unionists joined together only by a common desire to preserve the status quo, could find their patience tested. For all its emphasis on preserving stability, Beijing’s efforts to ensure a controlled democratization process could more easily destabilize Hong Kong’s political life than calm it down.

Leung, who was never a popular politician to start with, has struggled to gain credibility and support since he became Chief Executive in 2012. Within the civil service, at least five senior officials resigned within months in 2013, fueling rumours of an internal rebellion; while in public, Leung found it challenging to recover from the dubious way he came to office, effectively as a shoo-in after scandals ruined the frontrunner’s campaign. Distrust of the administration became clear in 2013 when the government’s decision not to award a broadcasting license to a new television network sparked anti-censorship protests and even hunger strikes. Data from the University of Hong Kong’s public opinion programme, which conducts regular polls on the Chief Executive’s popularity, show that Leung’s popularity
rating has been consistently low – though no lower than his predecessors. Tung’s ratings were abysmal during his second term. Donald Tsang, the career civil servant who took over, was much better received but he, too, was perceived as helpless to deal with worsening social problems such as sky-high property prices, income inequality, and widespread public resentment over the influx of Mainland Chinese tourists and migrants. Complaints of overcrowding in the tiny city grow stronger every year; in 2013, some 40 million Chinese tourists visited, and instead of fostering closer cross-border social relations they heightened local resentment of the “invaders”.

Indeed, the Hong Kong leadership has repeatedly exposed its powerlessness to respond to rising anti-China grievances and social tensions as the pace of social, political and economic integration between Mainland China and the city intensifies. Although such integration is crucial to Hong Kong’s economic future, it has brought about numerous undesirable side effects, particularly increasing concerns that prosperity on the back of the Chinese economy has come at the price of eroding the city’s treasured autonomy and democratic values. The recent ousters of several journalists prompted widespread suspicion of government or press self-censorship, concerns that erupted into alarm when a former editor at the Ming Pao newspaper was critically injured in a violent knife attack in February 2014. Many suspect the attack is related to the newspaper’s reporting of Mainland Chinese corruption. In housing, an inflow of Mainland Chinese investment has pushed up already disproportionately high property values, pricing ordinary workers out of the market. In education, increasing numbers of new immigrant children are seen to squeeze the city’s school resources, and in 2012 a political storm erupted when the government proposed to make national education – seen as “Communist brainwashing” - a compulsory subject for schoolchildren. The government was forced to shelve the policy after mass protests.

At the heart of all these grievances is anger at the Hong Kong government’s perceived inability to stand up for its people as local priorities become overtaken by preferences and policies made across the border. Too often the Chief Executive and his administration are caught between local aspirations to protect the city’s autonomy and Western-style rights such as freedom of speech, and the need to adapt to greater dependency on central Chinese policies. Mainland tourism is a case in point. While Hong Kongers are increasingly vocal in opposing policies allowing an endless stream of tourists to visit the city, it would be highly impolitic for the government to try to block the measures, which were introduced by Beijing to help stimulate the city’s economy. Such tensions are only set to add more pressure to the government in coming years as the pace of integration intensifies. The Hong Kong government is caught in an unenviable position, made all the more untenable by a leader with no credible mandate.

6.3 Implications beyond Hong Kong

To be sure, Beijing is also closely controlling the political development in Hong Kong to check its potential impact across the rest of the country and in Taiwan. Although under “One Country, Two Systems” any electoral changes in Hong Kong will only apply to the territory and cannot be expected to have any direct spill-over effects, the city’s ever deepening integration into the Chinese economic and political system means that events there become more relevant than ever to the rest of the mainland. So far, what the central leadership wants to see Hong Kong become, and whether it regards the city as a kind of experimental ground for reforms in the rest of China, is still very much a matter of speculation. The likely
answer is that there is no clearly defined or planned out endgame. Still, the degree to which Beijing will allow direct elections in Hong Kong would offer valuable insight into larger questions about the central leadership’s attitudes toward reform, and therefore will carry great symbolic significance. Some will also argue that Beijing wishes to use Hong Kong to show Taiwan that it is serious about peaceful unification under a similar formula. The “One Country, Two Systems” principle, after all, was first devised by Deng Xiaoping in the early 1980s as a proposed policy to resolve the Taiwan question, although its use has since been applied almost exclusively to Hong Kong and Taiwan.

7. Policy implications for the EU

The EU has a delicate line to tread between upholding genuine democratic values in Hong Kong and risking Beijing’s ire. On the one hand, the EU must not deviate from its long-standing policy of supporting substantial progress toward the goal of universal suffrage as set out in the Basic Law. On the other, the central government has always been extremely testy when Western governments and diplomats comment on Hong Kong political affairs. In the past, Beijing has typically accused them of meddling in domestic affairs, no matter how innocuous the statements may seem. Comments from Britain appear to be particularly ill received, despite – or because of – its historic ties to the city. When British Foreign Office minister Hugo Swire wrote in the South China Morning Post that Hong Kong people should have a genuine choice in electoral reform and offered his support for a smooth transition, he was strongly rebuked by Chief Executive Leung, who said the city did not need “the British [or] any other foreign government’s support.” The matter was strictly for Hong Kong and the Beijing leadership to decide, he added. Similarly, state media warned Washington that meddling could damage U.S.-China relations when its senior politicians met with two Hong Kong pro-democracy campaigners in April 2014.

Like the U.S., the EU has a limited role to play in Hong Kong political development, especially in light of its substantial and growing trade and business stakes in the territory. Strident protests against Beijing’s interference in the city’s democratisation – or worse, “lecturing” the Beijing and Hong Kong leadership about democratic values – would be a surefire way to strain crucial diplomatic and economic relations. The EU, with its many democratic member states, has valuable lessons to share about existing models of democracy and their history. One way of increasing EU visibility could be to sponsor or host academic forums, student exchange programs with EU institutions or other similar academic activities to exchange views and promote the EU’s interest in the issue in a non-threatening and objective manner. In the meantime the EU should continue to take a pragmatic approach to the issue and closely monitor the progress of electoral reform in Hong Kong. It should ensure it responds to significant developments through official statements and commentary when necessary, but refrain from using a patronising or overly critical tone.

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8. Conclusion

Hong Kong’s democratic development is at its most important juncture since 1997. There is no question that the current system is flailing and has to be replaced. Yet there is no easy answer as to what form the new system should take. After all, the city will, for the first time in its history, need to come up with a universal plebiscite model that is permitted by the Basic Law and works for its unique circumstances. Should a consensus be reached and a reform package passed, Beijing’s promises to back universal suffrage by 2017 would mean that the Hong Kong public would, at the very least, get to cast a vote to choose their leader. That progress will likely be compromised by a Beijing-controlled nomination procedure, but that may be the best Hong Kong can do for now. 2017, however, is only the start in a long and uncertain road toward defining the city’s future place in the rest of China. Hong Kong’s aspirations for more representative government have shown no sign of ebbing, even as the city becomes more integrated into the rest of the country. How Beijing responds to that, and the way the three sides – the central leadership, the Hong Kong government, and local civil society – interact, will determine whether the city can carve out a sustainable political model that works for all sides.