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INTRODUCTION

The Hong Kong Special Administrative Region: 1997-2017

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Abstract

In this survey of the two decades since Hong Kong's return to the motherland, the author chooses to focus on the performance of the economy, Beijing's policy towards the territory and the development of the pro-democracy movement. These three variables probably have the most important impact on Hong Kong's political and social stability and its challenges ahead.

Keywords: *Hong Kong, pro-democracy movement, political reforms, localism, independence, gap between the rich and poor, young people*

1. Economic Performance and Challenges

In the refugee crises in Western Europe and in the U.S. presidential election in November 2016, one perceives the frustration and anger generated by the deteriorations in the economy. The stagnation in

economic growth has spread from the Western economies to East Asia, and the common adverse impact associated with it are keenly felt by the younger generations: declines in real incomes, lack of upward social mobility opportunities, difficulties in acquiring one's own accommodation etc. Hong Kong is no exception, and the economic problems have been exacerbated by the absence of democracy which deprives the Special Administrative Region government of legitimacy and makes it much more difficult to prescribe unpopular measures to overcome the economic structural challenges.

Hu Angang, a famous economic scholar at Tsinghua University in Beijing, examined Hong Kong's economic difficulties and offered the following set of statistics. From 1970 to 1994, per capita gross domestic product (GDP) in Hong Kong rose from US$925 to US$21,421, maintaining double-digit growth every year with the exception of 1985. From 1997 to 2010, per capita GDP in Hong Kong increased from US$27,170 to US$31,758, a nominal rise of only 21.4% in fourteen years.

In 1997, GDP in Mainland China amounted to US$265.926 billion, while that of Hong Kong reached US$177.353 billion. Guangdong's GDP at that time was about one tenth that of the whole Mainland China, and one sixth to one seventh that of Hong Kong. Since 1998, Mainland China enjoyed a fifteen-year period of double-digit growth. In 2014, Mainland China's GDP reached US$10.36 trillion, about 38 times that of Hong Kong which amounted to US$273.667 billion. Guangdong's GDP in 2014 already exceeded US$1 trillion, more than three times that of Hong Kong. Among China's provincial units, Hong Kong ranked fifteenth in terms of GDP in 2014 (Hu, 2016: 26).

Hu's views are representative of those of the think tanks in Mainland China engaging in research on Hong Kong. They consider that the Hong Kong economy has not been performing well, and they often

believe that the HKSAR government has to be more proactive in its economic policies. They also tend to hold the view that the Hong Kong economy has been more and more dependent on the Mainland China economy, and the territory's contribution to China's economic modernization has been in decline.

As Hong Kong becomes a mature economy, its economic growth rates are expected to slow down. According to government statistics, per capita GDP rose from HK$284,919 (US$36,528) in 2010 to HK$316,635 (US$40,594) in 2015 in terms of chained (2014) dollars, an increase of 11.13% in five years.[1] These figures have to be interpreted in the context that among the major cities in the world, Hong Kong has the largest gap between the rich and poor.

The stagnation in income is perhaps best illustrated by the real wage index. Using September 1992 as the base (i.e., 100), it rose slowly to 116.1 in 2005 and remained stagnant at 117.7 in 2015.[2] Hong Kong people often make comparisons with their counterparts in Singapore and Macao; and they are rather disappointed to discover that at current market prices, per capita GDP in Hong Kong stood at US$42,066 in 2015, while the corresponding figure for Singapore is US$52,889 and Macao US$71,984.[3] In fact, the comparison with Singapore emerged in the Chief Executive election campaign in early 2017.

Kenichi Ohmae's book, *The impact of rising lower-middle class population in Japan: What can we do about it?*, was a best-seller in Japan about ten years ago, and had generated much discussion in Taiwan as well.[4] Dr Ohmae considers that a vast majority of Japanese would fall into the lower-middle class socio-economic group because globalization would lead to further widening of the gap between the rich and poor, and exacerbate social polarization.

Perhaps Hong Kong's new university graduates can most easily associate with Dr Ohmae's arguments. A sociology professor of a local

university told the author this true story in late 2003, when Hong Kong's economy had hit rock bottom. He was talking to some new graduates, and when he addressed them as the young middle class, one student said he did not feel like they belonged to the middle class. The economy today is, of course, better. But the median monthly salary of new graduates is between HK$11,000 and HK$12,000; many also owe the government HK$200,000 or so in student loans. Unless they can depend on their parents for food and accommodation, they would hardly be able to maintain a middle-class lifestyle. Neither can they expect steady promotions and salary increases.

The post-war generation in Hong Kong enjoyed satisfactory salary increases on the basis of hard work. Dr Ohmae argues that this cannot be expected in today's Japan, where employee's salaries probably peak when they hit 40. Further rises would be difficult, and Hong Kong's situation is probably similar. Dr Ohmae suggests that the Japanese should adjust their lifestyles, since not everyone would join the middle class. They may have to forget about owning cars or houses in the suburbs, or paying expensive tuition fees to prepare their children for top universities.

Up till the end of the last century, university graduates expected that eventually they would get married, have two children, and possess their own cars and accommodation; that was the middle-class dream then. Today young people in Hong Kong realize that they have to make hard choices among these items, as they can hardly expect to fulfill this dream. In most cases, they have lost the incentive to save on a long-term basis; they would simply save enough to go for short holidays, spend the money and save again.

In contrast to China, social stability in the territory is more brittle in two key aspects. The vast majority of people in China experienced very substantial improvements in living standards since 1978 in the era of

economic reforms and opening to the external world, and they expect further improvements in the years ahead. In the case of Hong Kong, most people believe that their living standards have deteriorated since 1997, and they are pessimistic about their improvements in the foreseeable future.

Hong Kong, however, has frequent budgetary surpluses; and it has accumulated government reserve balances amounting to about HK$8.40 billion (US$109 billion) at the end of March 2016, exceeding 35% of its annual GDP, and enough to pay for 23 months of government expenditure (Chen Li Ailun, 2017: 320). This certainly means that the government enjoys a sound fiscal position, and can overcome challenges arising from unfavourable external conditions and crises. But increasingly critics raise questions as to how the government can employ its fiscal reserves in a more constructive manner.

There is a consensus that they should not be used to subsidize routine government expenditure; but there is no strong opposition to use the reserves to enhance the territory's long-term international competitiveness. The government, however, has not come up with any major policy programmes towards this end.

The government has often indicated that it has to make preparations for the territory's ageing population. People aged 65 years and above constituted 16% of the population in 2015, and this proportion will rise to 36% in 2064. But the C. Y. Leung (梁振英) administration in the consultation exercise in 2016 on a universal pension scheme adamantly refused to accept the financial responsibility for such a scheme and instead opted for various policy measures to help the elderly on a means-tested basis.[5] The government's position was disappointing in the eyes of the social service sector and the pro-democracy movement, and reflected the fiscal conservatism on the part of the political Establishment.

Despite relative slow economic growth and stagnant incomes, the unemployment rate remains low in Hong Kong and naturally contributes to social stability. In the period of 2011-2015, the unemployment rate stayed at a level of 3.3-3.4% and underemployment 1.4-1.7%.[6] Though Hong Kong people can no longer say that anyone who is willing to work should have no difficulty finding a job, the tertiary sector still offers many job opportunities. Job satisfaction poses a serious challenge though, as jobs in the lower-end of the tertiary sector do not offer job security, benefits and career development opportunities. Hence young people frequently change jobs.

Hong Kong will continue to function as an international financial centre and business services centre. Though the territory's unique position in the China market will decline, the China market is expected to maintain its impressive growth in the foreseeable future. Hence the absolute size of a declining share of an expanding pie (the China market) may still expand. The territory will have to work hard to improve its productivity and competitiveness so that the share of the pie will not shrink too much. This also means that Hong Kong has to remain a cosmopolitan metropolis and avoid becoming just another coastal city in China.

Hong Kong will continue to seek new niches to prosper, which has been its typical mode of operation. An increasing share of the accumulated wealth of the major business groups in the territory will go to Mainland China and overseas; this partly explains why while Hong Kong's GDP has continued to grow, the lower socio-economic strata do not experience an improvement in living standards. There must be more investment in education and human resources development; the major challenge is to ensure that the education system encourages creativity and innovation.

The development of hi-tech industries in Hong Kong has not made much progress, in contrast to the other three "little dragons of Asia". Meanwhile, the re-allocation of manufacturing industries to the Pearl River Delta in southern China and beyond had been completed by the turn of the century. The employment situation may well tighten because the service industries will continue to adopt automation and other cost-cutting measures to maintain their competitiveness and profit margins.

In the past, there was a suggestion that hi-tech industries might be developed in the territory with Hong Kong's capital, marketing skills and international network, as well as the scientific and technological talents from Mainland China and its advanced industrial base. Unfortunately, nothing much has been achieved so far. Hong Kong's only connection with hi-tech industries is its financial institutions which serve to raise venture capital supporting their development.

Hong Kong is the fourth global financial centre; and according to the Lausanne International Institute for Management Development, Hong Kong was ranked the most competitive economic entity in 2016 (Chen Li Ailun, 2017: 332). Among cities in China, according to the Chinese Cities Competitiveness Research Association, Hong Kong has lost its leading position and ranked second in 2016 after Shanghai. Without doubt, Hong Kong has very advanced financial and business service sectors, but they cannot provide satisfactory employment for its entire labour force (3.9 million in 2015); and this explains the widening gap between the rich and poor in the territory.

2. Beijing's Hong Kong Policy

In the initial years after Hong Kong's return to the motherland in 1997, the Chinese authorities attempted to show respect for the "one country, two systems" model. It was said that when American diplomats asked

the Chinese Ministry of Foreign Affairs to help arrange their visits to Hong Kong, they were politely advised to approach the Hong Kong Special Administrative Region (HKSAR) government directly. The first test came with the Article 23 legislation.[7]

Admittedly, most people in Hong Kong did not have the time and expertise to go through the bill in detail. But they certainly became concerned and worried when the legal profession, social workers, journalists, librarians, bankers, the Catholic Church and Christian churches, etc. came out to articulate their opposition. The resentment rapidly escalated because of the arrogance of Regina Ip Lau Suk-yee (葉劉淑儀), former Secretary for Security, who was responsible for "selling" the bill to the public. In the beginning of 2003, the C. H. Tung (董建華) administration decided against the introduction of a "white bill" for further consultation of the public.

With the benefit of hindsight, this was probably the fatal decision. If the government had been willing to spend more time consulting the public in the form of a "white bill", and had offered the three important amendments it announced later on July 5, 2003, the legislation most probably would have been able to go through the legislature. The rejection of the "white bill" approach was seen as further evidence of the lack of concern for public opinion on the part of the Tung administration, and that it was determined to complete the legislative process to fulfill its commitment to Beijing.

The severe acute respiratory syndrome (SARS) outbreak and the economic difficulties it brought further exacerbated the anger of the public. As a result, more than half a million people participated in the protest rally on July 1, 2003. The Chinese authorities have been sending many agents to the HKSAR to collect information after the massive protest rally as their confidence in the Central Liaison Office, the State Council's Hong Kong and Macao Affairs Office and the Tung

administration was badly shaken. It was said that all the three had informed the Chinese leaders that they expected a turnout of about 30,000 to 40,000 people for the protest rally. The actual turnout of more than half a million people, therefore, showed that they did not have a good understanding of the situation, and that they probably had been sending unrealistically favourable reports on the territory to the Chinese leadership.

The victory of the pro-democracy camp in the District Council elections in November 2003 and its being perceived to have a small chance of securing half of the seats in the Legislative Council elections in September 2004 symbolized the revival of the pro-democracy movement, as well as the extent of public dissatisfaction with the Tung administration threatening Beijing's fundamental policy towards Hong Kong.

The Chinese authorities, therefore, had to be involved to ensure that the pro-Establishment candidates would be able to retain a solid majority in the Legislative Council elections in 2004. Support from Beijing included some shadowy activities too. It was reported in the media that Hong Kong people doing business and working in the Pearl River Delta were contacted by cadres advising them to vote for pro-China candidates and not to support the pro-democracy candidates. Town and township heads in China also rang up their acquaintances in Hong Kong repeating the same message. The successive resignations of three popular radio talk-show hosts before the protest rally on July 1, 2004 were widely believed to have been caused by pressure from the pro-Beijing United Front, if not from the Chinese authorities. Finally, there was a prostitution case involving a Democratic Party candidate in Dongguan in the Pearl River Delta just before the Legislative Council elections, and apparently the public security organ in Dongguan was involved in propaganda activities discrediting the pro-democracy camp. In sum, the

pro-democracy camp felt that they were fighting against a powerful state machinery in the elections.

The heavy involvement of the Chinese authorities in Hong Kong affairs further weakened the legitimacy and effectiveness of the HKSAR government. Business leaders probably felt that if they needed anything, they should lobby Beijing. Soon after July 1, 2003 protest rally, Vice-President Zeng Qinghong (曾慶紅) received delegations from the three pro-Beijing parties, namely, the Democratic Alliance for the Betterment of Hong Kong (DAB, 民主建港協進聯盟), the Hong Kong Progressive Alliance (HKPA, 香港協進聯盟) and the Liberal Party (自由黨), in a high-profile manner and praised them for their contributions to Hong Kong. This was unprecedented and may be interpreted as political intervention in support of the pro-Beijing political parties, as the Chinese authorities had been refusing any contact with the territory's pro-democracy camp since the Tiananmen Incident. Further, the DAB visited the Guangdong and Shanghai authorities roughly at the same time; and with the help of the latter, it can claim to serve Hong Kong by reflecting the community's views and demands to the provincial governments, a service which obviously could not be delivered by the pro-democracy camp.

Once the firewall has been broken, the involvement has become deeper and broader in scale. The most conspicuous has been the grassroots service network of the DAB and other pro-Beijing groups, which have been able to visit elderly people as well as needy families with monthly gifts of rice, noodles, edible oil, etc. and offer other benefits like weekend outings with seafood lunches, moon cakes for Mid-Autumn Festival, etc. These networks have facilitated these groups to establish strong support bases able to deliver votes in elections.

It has also been observed by journalists that the pro-Beijing United Front has established thousands of civic groups with substantial

mobilization power. The pro-Beijing camp in recent years can easily mobilize hundreds of thousands of supporters in rallies articulating support for its political causes and opposing those of the pro-democracy camp; it can easily collect hundreds of thousands of signatures in petitions too. Some of these groups do not hesitate to disrupt the political activities of the pro-democracy movement leading to mildly violent conflicts.

With the backing of a powerful machinery, the pro-Beijing United Front has been able to infiltrate almost every pro-democracy group. Most pro-democracy activists believe that their emails and phones have been hacked or trapped; in recent years, they normally leave their mobile phones outside the meeting rooms when participating in political discussions. At the same time, the HKSAR government has been exercising its appointment powers to reward its supporters with positions in the official system of advisory committees. Without the voices of the opposition, government officials have an easier task, but the entire system of advisory committees has lost its value and legitimacy.

The weaknesses of the Donald Tsang (曾蔭權) and C. Y. Leung administrations and the divisions within the pro-Beijing camp have led the Central Liaison Office to intervene. When the C. Y. Leung administration fails to lobby for a majority support in the Legislative Council to endorse its policy proposals, it has to rely on the Central Liaison Office to do the lobbying. When the pro-Beijing legislators made a serious tactical mistake in voting on the political reform bill on June 18, 2015, they immediately went to explain to the Central Liaison Office; they then apologized to the public while ignoring the C. Y. Leung administration.[8] Leading Central Liaison Office officials publicly acknowledged that lobbying the Legislative Council had become its normal work. Journalists in the territory also understand that the Central Liaison Office co-ordinates the election campaigns on behalf of the pro-

Beijing camp. All these cast doubt on the maintenance of Hong Kong's high degree of autonomy within the "one country, two systems" framework.

Confrontation between the Chinese authorities and the pro-democracy movement finally arrived with the political reform deliberations and the Occupation Campaign in 2013-14. The Chinese authorities in 2007 had promised to consider universal suffrage for the Chief Executive election in 2017 and further democratization of the Legislative Council electoral system afterwards. The pro-democracy movement therefore initiated consultations and presented its proposals in early 2013, while Benny Tai (戴耀廷) and others planned for an Occupy Central campaign modelled after the Occupy Wall Street campaign in the United States. The Chinese authorities agreed to grant universal suffrage but would like to maintain tight control over the nomination process within the Nomination Committee dominated by the Establishment; in other words, Hong Kong people may choose the Chief Executive from a list of candidates endorsed by the Chinese authorities.

The Chinese authorities basically refused to negotiate, and the Occupation Campaign started in late September 2014. The confrontation hardened the Chinese leadership's position on Hong Kong. In the first place, it realized that conciliatory promises of "gradual progress in democratization" and "democratic elections when conditions are ripe" would no longer work; Hong Kong people have to be taught to accept the parameters of the "one country, two systems" model as defined by the Chinese authorities. At the same time, the pro-Beijing United Front has been spreading the argument that the Hong Kong economy is now highly dependent on that of the Mainland and not the other way round. The implicit message is that Hong Kong's bargaining power has been in decline and it should not make excessive demands.

Chinese leaders and the HKSAR government now appeal to the Hong Kong community to concentrate on the economy and make good use of the opportunities offered by Beijing's "one belt, one road" schemes. They blame the pro-democracy movement for delaying the administration's policy programmes through its obstruction tactics, but actually the executive branch of the government has ample powers, and the Establishment controls a comfortable majority in the legislature through an undemocratic electoral system. The pro-democracy camp remains in the minority despite capturing 55%-60% of the popular vote in the Legislative Council elections.

In the aftermath of the Occupation Campaign, support for the pro-democracy movement has been maintained and in fact slightly improved despite the setbacks in political reforms and its internal divisions, as reflected by the results of the District Council elections in November 2015, the Legislative Council elections in September 2016 and the Chief Executive Election Committee elections in December 2016. The support for the pro-democracy candidates and the high voter turnout rates reflected that Hong Kong people value the opportunities to articulate their demands and maintain some form of checks and balances.

The alleged abductions of booksellers to Mainland China in 2016 and the similar abduction case of Xiao Jianhua (肖建華) in early 2017 eroded the confidence of Hong Kong people in the firewall provided by the "one country, two systems" model. In the eyes of Hong Kong people, intense power struggles in Beijing may well prompt Chinese leaders to ignore the autonomy granted to the special administrative region. Hong Kong may increasingly become just another coastal city in Mainland China; this worry supports the sentiments against the mainlandization of Hong Kong.

Naturally, advocacy for independence or even an official referendum on the territory's future is a political taboo attracting a

severe crackdown as perceived by the Chinese leadership. The activists concerned now face many court cases and judicial attempts have been made to remove the pro-independence legislators. The crackdown has blunted the development of the radical groups, but dissatisfaction among the young people continue to accumulate.

No constructive dialogue now exists between the Establishment and the entire spectrum of the pro-democracy movement; this means that the political polarization will remain. It is difficult to ensure effective government and the administration hesitates to initiate major policy programmes. The result is the decline of Hong Kong's international competitiveness. It appears that Beijing is rolling to renew contact with the moderates of the pro-democracy camp without making any substantial concessions; this is not acceptable from the latter's point of view.

3. The Pro-democracy Movement

The pro-democracy movement began to feel the pressure in the early years of the HKSAR. The internal determination and willpower to maintain solidarity before the return to the motherland gradually weakened. There was also considerable frustration with the absence of the prospects for progress before 2007, according to the timetable for political reforms set by Beijing. Even the political parties in the pro-democracy camp did not believe that democratization was an issue with much political appeal.

The Democratic Party (民主黨), the party with the most seats in the legislature until September 2004, and its allies could make very little impact on the government's policy-making process. As the C. H. Tung administration enjoyed the backing of a safe majority in the legislature, it did not have to lobby for the approval of the pro-democracy groups

which were treated as the opposition. In fact, there had been little meaningful consultation between the pro-democracy groups and the government.

The sense of political impotence on the part of the pro-democracy groups was exacerbated by Hong Kong people's strengthening trust in China. Attacking the Chinese authorities' infringements of the community's freedoms and human rights had become less attractive to voters than before. The most important concerns of Hong Kong people were obviously the economy and unemployment, and the pro-democracy groups were not perceived to have much to offer.[9]

Under such circumstances, the "young Turks" of the Democratic Party felt frustrated and attempted to challenge the leadership in December 1998. It appeared that intra-party differences were concentrated in three issues: a) the party's relationship with the Chinese authorities and the HKSAR government; b) whether the party should attempt to aggregate class interests or to articulate more distinctively labour interests; and c) whether the party should try to effect change by working within the legislature, or resort to mass movements outside the political establishment.[10]

The "young Turks" and the non-mainstream factions were opposed to efforts to improve relations with the Chinese authorities by means such as presenting candidates to compete for seats in China's National People's Congress. They were not interested in a better relationship with the HKSAR government and publicly called for the resignation of C. H. Tung. Regarding the party's policy platform, they warned the party leadership against opportunism in attempting to represent the interests of all classes. In turn, they were accused of trying to turn the party into a labour party and adopting a populist approach. Above all else, the "young Turks" and the non-mainstream factions appealed for a return to a radical position which might contribute to a sharp image with a strong

appeal to a significant minority of the electorate, though this move might alienate the moderate majority in the community. Emily Lau (劉慧卿) adopted this approach successfully, and she had been followed by "Long Hair" Leung Kwok-hung ("長毛" 梁國雄). At the other end of the pro-democracy political spectrum, the Hong Kong Association for Democracy and People's Livelihood (ADPL, 香港民主民生協進會) avoids controversial political issues and concentrates on district work in Sham Shui Po (深水埗). These different political orientations make the maintenance of solidarity within the pro-democracy camp more problematic.

The above cleavages basically remain till now, though they have been further exacerbated, and the general approach of the pro-democracy movement has been shifting towards radicalism because successive HKSAR administrations have been refusing to maintain a dialogue with the movement and its relationship with the government has become one of contradictions between enemies.

The decline of the Democratic Party prompted the emergence of a similar moderate mainstream pro-democracy party, the Civil Party (公民黨), which was formally established in 2006. The League of Social Democrats (LSD, 社會民主連線), representing the radical wing of the pro-democracy movement, declared its inauguration in October 2005. This radical wing went through a process of splitting in the early years of this decade, People Power (人民力量) was formed in 2011 and Civic Passion (熱血公民) was formed in 2012. Meanwhile, the Labour Party (工黨) was established in 2011.

The frustration of remaining in the opposition without prospects of breakthroughs continued to exacerbate the divisions within the pro-democracy movement, and this was compounded by the electoral system. Election to the Legislative Council is based on a multi-seat, single-vote system, similar to that in Japan and Taiwan in the previous

century before their respective reforms. Take the case of New Territories East and New Territories West which both return nine seats, and assuming a normal voter turnout rate of 50%, this means that a candidate commanding the support of 5% of the electorate would be quite certain of winning a seat to the Legislative Council. This system encourages the splitting of political groups and discourages co-operation among them.

The pro-democracy political parties have encountered difficulties too in their relationship with grassroots community organizations which emerged and developed in the late 1960s and 1970s and had been supporting pro-democracy political groups. The pro-democracy political parties certainly could help to raise issues of importance to grassroots community organizations in the legislature or with senior government officials, thus exerting pressure on the administration to provide solutions. But their high profile and eagerness for publicity often resulted in failures to compromise and in delays in achieving settlements. Many grassroots community organizations worried that they might be taken for a ride, and they often preferred to act without the involvement of political parties. After all, grassroots community organizations were issue-oriented; they wanted concrete solutions to their problems. As a result, pro-democracy political parties often have difficulties in securing the support of grassroots community organizations which want to maintain a distance from the political parties and uphold their autonomy.

The emergence of the localism groups during and after the Occupation Campaign in 2014 has been a significant development in the pro-democracy movement. Young people's general frustration with their socio-economic conditions and their anger with the undemocratic and repressive C. Y. Leung administration have prompted them to advocate for the independence of Hong Kong. To some extent, it is a kind of youthful defiance rather than a serious independence movement. The

groups involved have not developed credible political discourses, nor have they offered any action plans and timetables. Hong Kong people are fully aware that independence is not a realistic option, yet in the September 2016 Legislative Council elections, these localism groups secured 18% of the popular votes in the record high turnout (58% turnout rate).[11]

In 2016, almost every student union in the tertiary institutions in the territory adopted a localism position, and many young people now declare that they are not Chinese. The change of sentiments had taken place very rapidly, as public opinion surveys indicated that Hong Kong people's identification with the Chinese nation and their trust in the Chinese leadership had reached a peak in 2008, the year of the Beijing Olympics.

The rapid increase of tourists from Mainland China amounting to 47.2 million in 2014 and 45.8 million in 2015 caused considerable resentment among the local population, especially due to the former's behaviours and shopping patterns. The deterioration in the human rights conditions in China including the harsh suppression of human rights lawyers, autonomous trade unions and underground churches also alarmed Hong Kong people. Above all else, the increasing interferences from Beijing in Hong Kong affairs and the rejection of political reforms by the Chinese leadership in 2013-14 put the Chinese authorities in bad light in the eyes of the local community which now fears that its core values and lifestyles have been threatened. Hence some critics have called the Chief Executive C. Y. Leung "the father of Hong Kong independence".

During the Occupation Campaign in 2014, the student activists seized the leadership and organization of the campaign from the original initiators, namely, Benny Tai, Chan Kin-man (陳健民) and Chu Yiu-ming (朱耀明). Differences emerged between the activists and the

leaders of the pro-democracy political parties. In general, the former felt that the latter were too conservative, and they believed that the time had come for them to assume leadership. While some of these "umbrella groups" openly articulated support for Hong Kong independence, others like Demosistō (香港眾志, the political party emerging from the student group Scholarism / 學民思潮) adopted a more moderate stand calling for an official referendum on the future of Hong Kong.

In the September 2016 Legislative Council elections, Democracy Groundwork (小麗民主教室), Land Justice League (土地正義聯盟), Demosistō, Civic Passion and Youngspiration (青年新政) all won seats, demonstrating the appeal of their cause, and the supporters of the pro-democracy movement's preferences for new faces.[12] In these elections, the mainstream pro-democracy parties all faced the challenge of inter-generational leadership changes; the Democratic Party and the Civic Party which had prepared well achieved satisfactory results in the elections, while the Labour Party and the Hong Kong Association for Democracy and People's Livelihood which had neglected the challenge suffered badly.

While the espousal of the causes of Hong Kong independence and localism serves to distinguish the mainstream pro-democracy groups and the newly-emerging young radical groups, their differences in style, the lack of trust between them and the accumulated frictions have made it difficult for them to co-operate. They seem to enjoy the support of different constituencies: the mainstream groups receive support from liberals who are often forty years of age and above, well-educated with middle-class status; while the radical groups attract the support of the younger generations. The former uphold the principle of non-violent political campaigns, and they share a concern for the developments in China. The latter are sometimes tempted to engage in confrontations with the police, and believe that Hong Kong should maintain a separate

identity as well as a certain distance from China.

After the September 2016 Legislative Council elections, the two Youngspiration legislators displayed controversial gestures in their oath-taking ceremony, resulting in the C. Y. Leung administration adopting the judicial review procedure in an attempt to deprive them of their legislator status. This was followed by an interpretation of Article 104 of the Basic Law by the Standing Committee of the National People's Congress in Beijing. The C. Y. Leung administration also adopted the same judicial review process to try to disqualify four other legislators who had refused to follow the routine in their respective oath-taking ceremonies. At the time of writing, the court cases are still in process, though it appears likely that the two Youngspiration legislators will lose their seats.

The oath-taking behaviour of the Youngspiration legislators aroused considerable resentment among the Hong Kong public, and their weaknesses in subsequent protest activities also disappointed their own supporters. Meanwhile, the C. Y. Leung administration has adopted a tough line against the radical localism groups whose leaders have been bogged down by court cases; even the banks refuse to allow these groups to open bank accounts. In early 2017, it appears that the localism groups have lost some of their appeals, and their future development becomes uncertain. However, the crackdown has not reduced the frustration and anger among the young people, whose political identification and participation patterns mean that the deep polarization in the society has been far from healed.

While the pro-Establishment candidates in the Chief Executive election in 2017 all indicated recognition of the problem of political and social polarization, they still talked about Article 23 legislation and offered no promises of political reforms. Understandably these issues are to be decided by the Chinese leadership, and unless it is willing to alter

its Hong Kong policy, no resolution is in sight. Obviously given the political climate in Beijing, Xi Jinping appears to be in no mood to engage in a constructive dialogue with the pro-democracy camp on democratization and political reforms.

4. Conclusion

The Chinese leadership probably had intended to maintain the "one country, two systems" model in Hong Kong. Its desire to secure a high level of control to avoid risks, however, proved to be a stronger motivation. The demand to introduce Article 23 legislation triggered the first severe test. The perception of the danger of losing control as demonstrated by the massive protest rally on July 1, 2003 led to strong intervention through the cultivation of networks and a machinery to guarantee that the Chinese authorities would not be challenged.

While the maintenance of stability has largely succeeded, the hearts of Hong Kong people have not returned, as admitted by the Chinese leadership. Successive Chief Executives selected by Chinese leaders failed to deliver and the HKSAR government, in contrast to the British administration, could not claim to achieve legitimacy by performance. After all, times have changed. Young people cannot be persuaded to accept an authoritarian regime; they even refuse to accept the elderly leaders of the pro-democracy camp.

Confrontation was inevitable as the Chinese leadership has no plan to grant Hong Kong genuine democracy. When the chips were down, Beijing demanded Hong Kong to accept its baseline, hence the existing political impasse. Given the fact that the status quo in Hong Kong is quite tolerable and that Hong Kong people are generally pragmatic, stability is not expected to deteriorate in any significant way, though sporadic small-scale riots may well be unavoidable. In view of the

absence of any achievable concrete political objectives, it is difficult to launch another mass campaign like the Occupation Campaign.

Under such circumstances, exit re-emerges as an option (Hirschman, 1970). Recent public opinion surveys indicate that over 40% of young people would like to emigrate. It does not imply that they want to depart immediately, but it means that they are ready to go if opportunities arise. More than one million people in Hong Kong already have foreign passports or permanent resident status overseas secured in the 1980s and 1990s. While the commitment weakens, Chinese leaders probably believe that professionals leaving Hong Kong can be replaced by talents from Mainland China without much difficulty.

Notes

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1. Census and Statistics Department, Hong Kong Special Administrative Region. *Hong Kong Annual Digest of Statistics 2016*, p. xi.
2. *Ibid.*, p. x.
3. See Chen Li Ailun (2017) and Research Group of "The Analysis and Prospect of the Economy in Macao" (2017).
4. See Ohmae (2006).
5. See the final policy address delivered by the Chief Executive C. Y. Leung on January 18, 2017 and the media commentaries on the following day.
6. Census and Statistics Department, Hong Kong, *op. cit.*, p. x.
7. Article 23 of the Basic Law (Hong Kong's constitution) states: "The Hong Kong Special Administrative Region shall enact laws on its own to prohibit any act of treason, secession, sedition, subversion against the Central People's Government, or theft of state secrets, to prohibit foreign political organizations or bodies from conducting political activities in the Region, and to prohibit political organizations or bodies of the Region from establishing ties with foreign political organizations or bodies." This article was written into the draft Basic Law after the massive protest rallies in Hong Kong during the Tiananmen Incident in 1989; obviously, the Chinese

authorities were concerned with a repetition of such activities.

The C. H. Tung administration was wise enough not to initiate the controversial legislative process in his first term. In response to the open prompting of the Chinese authorities, a paper addressing the implementation of Article 23 of the Basic Law was finally unveiled for public consultation in September 2002. As expected, the proposal stirred fears of a crackdown on human rights groups and the Falungong (法輪功). The pro-democracy camp in the territory also perceived the proposal a threat to civil liberties. See *South China Morning Post* (an English-language newspaper in Hong Kong), September 25, 2002.

It appears that the Chinese authorities are eager to complete the legislative process in the near future, and it again emerged as a controversy in the Chief Executive election campaign in early 2017.

8. See the major newspapers in Hong Kong on June 19-20, 2015.
9. The results of an opinion survey among young people (16-25 years of age) released in late June 1998 indicated that 61.6% of the respondents considered the economy to be the priority of the elected legislature, and 36% of the respondents considered employment to be the most pressing issue. Moreover, about 70% of the respondents did not trust the legislators. See *Ming Pao* (a Hong Kong Chinese newspaper), June 29, 1998. In another series of public opinion polls conducted by university academics, 46.6% of the respondents identified employment as the most serious social problem that should receive top priority in 1999; and 35.7% of the respondents did the same in 2001. (See Zheng and Wong (2003: 80).
10. See Choy (1998).
11. See all major newspapers in Hong Kong in the two days after the Legislative Council elections on September 4, 2016.
12. *Ibid.* Another group, Hong Kong Indigenous (本土民主前線), had its political star Edward Leung Tin-kei (梁天琦) disqualified and unable to take part in the elections.

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