

# A city past the point of no return?

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HONG KONG -- Beijing's decision on Aug. 31 to not allow open elections in Hong Kong was more than just a blow to democracy, it rattled the city's confidence in the qualities that have made it so special: a fair legal system, efficiency, the free flow of information, and a pragmatism untainted by ideology other than untrammelled capitalism.

Seventeen years after becoming the only British colony to be handed over to a communist regime, this modern-day economic miracle is again being tested over its ability to thrive in the face of adversity.

It won't be easy. The Chinese Communist Party is an autocratic ruler with little tolerance for dissent. It does, however, purport to abide by the Basic Law, a "mini-constitution" that guarantees a high level of autonomy for Hong Kong. The charter contains the promise that the city's head of government will eventually be chosen on the basis of one person, one vote -- a level of democracy, Beijing likes to remind the world, that Britain refused to grant during its 155-year rule over Hong Kong.

## **Fuzzy democracy**

But the Aug. 31 announcement revealed that Beijing's idea of "one person, one vote" comes with conditions. The National People's Congress -- China's legislature -- declared that while the people of Hong Kong can vote in the 2017 chief executive election, only a maximum of three candidates can run for the top post, and they must all be approved by a small nomination committee heavily loyal to Beijing. Being a "patriot" is also a condition.

This screening mechanism, which China says is necessary for national security, immediately drew comparisons with North Korea's version of universal suffrage. As Willy Lam writes in this issue, even Beijing's staunchest supporters in Hong Kong were surprised by the decision.

There are practical reasons why the people of Hong Kong want universal suffrage. Having a chief executive without a public mandate is not effective in an increasingly politicized society with a penchant for protest marches. The head of government is selected by just 1,200 voters, and there is no ruling party. Yet, there are enough directly elected lawmakers to block, or at least delay, government bills.

The NPC's electoral reform package, which has not yet been passed into law in Hong Kong, can still be vetoed by pro-democracy legislators. But that would leave the city stuck in its current political quagmire, while Beijing's heavy-handedness over election reform has exacerbated concerns about civil liberties and rule of law. Meanwhile, pro-democracy activists are threatening a new era of civil disobedience. Nobody knows what is coming next.

## **Material world**

Whether under British or Chinese rule, serving as a free-market port where a lot of money can be made has always been Hong Kong's *raison d'etre*. For that reason, its rulers to the north have preserved institutions and values that do not sit well with their own beliefs but are vital for an international financial center.

Now, the pro-democracy camp sees the NPC's decision as a signal that the authorities have run out of patience with Hong Kong's obstreperousness.

"What we face now is not only the struggle for a democratic political system; we have to work very hard to maintain our core values, lifestyles and personal dignity," said Joseph Cheng Yu-shek, a professor of political science and an official of the Alliance for True Democracy, a group that wants to include the public and political parties in the nomination process.

In recent years, journalists have complained of a creeping campaign to silence anti-China views in the press, while legal professionals fear the neutrality of the judicial system is at risk. That fear deepened after a white paper published in June by China's State Council described Hong Kong judges as "administrators" and required them all to be "patriots."

"Sensitive news stories are vital to making economic and finance decisions," said Mark Michelson of IMA Asia, a consultancy and network of executives from multinational corporations. He said foreign companies did not yet feel there was any change in the rule of law and freedom of the press, qualities he cited as key reasons why global corporations place senior personnel in Hong Kong.

A big question is whether China will decide that the need to protect the Communist Party and the country's unity against perceived threats outweighs Hong Kong's importance as a business hub.

"I think the general consensus in Beijing, and among many party members, is that Hong Kong is getting out of control," said Bernard Charnwut Chan, president of Asia Financial Holdings in Hong Kong.

He was referring to protests calling for the end of China's one-party rule. "Given the choice (between Hong Kong's prosperity) and national security, I think we know which one they will choose," Chan said. "To Beijing, the 'one country, two systems' model for Hong Kong means that 'I will leave you alone if you leave me alone.'"

The Hong Kong-born Chan is very much a part of the business establishment. He is also a member of the Executive Council, the local cabinet, and is one of just 36 Hong Kong representatives in the NPC. In his circle, people are afraid.

"They don't see a way out of the (political) divisions," he said. "Hong Kong will become more like developed, democratic economies where changes take time." But he added that much of Asia was moving at "light speed" and Hong Kong risked falling behind.

### **Vested interests**

The city's tycoons -- who wield the real power here -- abhor political conflict. Many of them have benefited from mainland policies, such as the Closer Economic Partnership Arrangement, which gives favorable trade access for Hong Kong companies. For these titans of industry, protests such as the Occupy Central movement -- a mass sit-in planned for the main business district -- are simply destructive.

Occupy Central is unlikely to seriously disrupt economic activity, but it is symptomatic of wider changes across society that are spooking the establishment, said Denis Wang Yu-long, a professor at the Chinese University of Hong Kong Business School.

"It is not Occupy Central that's going to have an impact on Hong Kong's competitiveness," Wang said. "The key thing is that politics have become a mainstream agenda for the first time in Hong Kong. That dilutes our focus and energy away from economic development. This is uncharted territory."

### **Successful yet unsatisfied**

Social uprisings are common in times of economic distress. But Hong Kong's economy is doing well. Gross domestic product grew an average of 4.5% in the decade to 2012, unemployment is at a historic low of around 3%, the local stock market is at a six-year high, and close ties with the mainland are creating new business opportunities every day.

Yet discontent is growing. That is reflected by the electoral success of more radical, fiercely anti-Beijing lawmakers. Hong Kong has the highest level of income inequality among developed economies, according to the United Nations. Meanwhile, visiting mainlanders are being blamed for everything from sky-high property prices to jampacked public transport.

Protesters in Hong Kong have scored a win before. In 2003, half a million people took to the streets and forced the delay of a controversial anti-sedition law. Tung Chee-hwa, the city's first chief executive, resigned amid mounting pressure. But the central government has made it clear to Hong Kong that protests are futile. Chan said the authorities have a deep fear of uncertainty, and he hopes that pro-democracy legislators will refrain from vetoing the NPC's electoral reform package, despite its flaws.

"There will be people who do not agree to it, but if millions vote in the next chief executive election, then there's a clear mandate," Chan said. That would go some way toward making the government more legitimate, he added.

Ultimately, people of all political stripes are counting on Hong Kong's famous pragmatism to shine through.

"I am optimistic that sooner or later, there will be a consensus that will make Hong Kong function again," said Wang from the Chinese University of Hong Kong.