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State Capacity in Hong Kong, Singapore and Taiwan: Coping with Legitimation, Integration and Performance

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Introduction

Hong Kong, Singapore and Taiwan are all predominantly Chinese societies with a colonial history.[1] During the 1980s and 1990s they all enjoyed rapid economic growth and affluence in the so-called 'East Asia miracle' (World Bank, 1995). While Singapore and Taiwan subscribed to a model of state-led development (Low, 1998; Wade, 1990), Hong Kong was exceptional in officially championing 'positive non-interventionism', though some critics argue that it adopted a growth model of another kind (Schiffer, 1983). Together with South Korea, these countries became the newly industrialized 'Four Little Dragons' of Asia (or the 'Asian Tigers' as others called them). And with Japan being a fully developed economy and China emerging as a major growth area after just two decades of economic reforms, in combination all the countries mentioned made up an economic prosperity belt with a shared Confucian cultural tradition, prompting the study of 'Confucian capitalism' (for example Redding, 1990), in much the same way as Max Weber saw a link between Protestant ethics and the rise of early European capitalism.

But the Four Little Dragons suffered a significant setback during the 1997–98 Asian financial crisis. Meanwhile both Hong Kong and Taiwan have undergone a regime change and each has had to face the problems inherent in political transition.[2] Hong Kong reverted to China in July 1997 as a special administrative region (SAR) and Taiwan saw the ascendancy to power of the former opposition party – the Democratic Progressive Party (DPP) – after the March 2000 presidential election, drawing to a close 55 years of dynastic rule by the Kuomintang (KMT) since the Japanese occupation ended in 1945. Even in Singapore, where the ruling People's Action Party (PAP) has been in power since self-government was granted in 1959, there have been continuous attempts to reinvent the model of governance,

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especially since the second-generation leadership under Prime Minister Goh Chok Tong took over in 1990.

For a long time all three states enjoyed a relatively strong state capacity and an effective policy performance in terms of economic development and social progress, which constituted the *raisons d'être* of the governing regimes until the more recent uncertainties emerged. Nowadays both Taiwan and Hong Kong are facing a policy capacity crisis that has weakened their capacity to mobilize, integrate and perform. They also feel the need to seek legitimation or relegitimation of the state in the midst of political quagmire and regime transition. Even in Singapore, where there is not the same kind of political instability, the ruling party's hitherto unquestioned supremacy and its capacity to sustain its policy performance will be cast in doubt if the economy deteriorates.

This chapter examines the different trajectories taken by these three roughly similar jurisdictions (economic tigers, affluent, Confucian yet modernized, and democratizing) in order to identify both the measures that served to forge their state policy capacity and the causes of their present failings in this capacity.

The conceptual framework

The major outputs of the modern state are in the form of policies. To the extent that policies and policy results define the competence of the state, policy capacity in the sense defined in chapter 1 is obviously a crucial ingredient of effective governance, and is related to the general capacity of the state itself. Policy capacity cannot be understood in isolation from the state's capacity to secure support for and acceptance of policy measures, as well as its capacity to ensure effective policy implementation through the bureaucracy and strong links with society, the economy and the political elites. What contributes to state capacity is therefore equally pertinent to building policy capacity and implementation capacity.

The academic debate on state capacity, especially in Asia, has gained considerable momentum since the benchmark study by Johnson (1982) of Japan's Ministry of International Trade and Industry, portraying what he described as a model of the developmental or 'plan-rational' state. Wade's (1990) seminal study of Korea, Taiwan and Japan resulted in an understanding of East Asian developmentalism as the 'governed market'. In a similar vein Chan and Unger (1996) pointed to the emergence of a corporatist developmental state in China. In contrast with the earlier state–business emphasis, Evans (1989, 1995) opted for a notion of 'embedded autonomy' that gives the state the capacity to combine two apparently contradictory features, namely 'Weberian bureaucratic insulation' and 'intense immersion in the surrounding social structure' (Evans, 1989, p. 561).

Conventional discussions of state capacity have tended to be located within the notion of 'the strong state'. According to Migdal (1988, p. 4) a

strong state has the capacity to complete four tasks: penetrate society, regulate social relations, extract resources, and appropriate resources in predetermined ways. But some argue that a strong–weak state dichotomy does not always help to delineate state capacity because the state does not always need to subdue the economy (industry) or society in order to achieve results and realize its goals. Colonial Hong Kong is a case in point. Besides, it is difficult to identify states with a strong capacity in all policy areas (Sorensen, 1993). In a rebuttal of Johnson (1982), Steffensen (2000) points out that Japan achieved impressive economic growth despite its weak state and fractured centre. Khosla (2000) similarly claims that the Japanese experience indicates that a strong state is neither a necessary nor a sufficient condition for economic development.

Weiss's (1998) theory of state capacity posits the state as insulated from undue special interests but firmly embedded in society, and as maintaining effective linkages with industry and other societal/economic actors to ensure results through what she calls 'governed interdependence'. In her words, 'governed interdependence' is 'a relationship that evolves over time, whereby the state exploits and converts its autonomy into increasing coordinating capacity by entering into cooperative relationships with the private sector, in order thereby to enhance the effectiveness of its economic and industrial policies' (ibid., p. 39). State autonomy should not be at the expense of connectedness with society and the economy. Brodsgaard and Young (2000, p. 3) seem to be making the same point:

> 'The state' . . . is autonomous from 'society' and 'particular interests' to a greater or lesser degree, and therefore is able to *formulate* and *impose* policy upon them. But how does this happen? What mechanisms are used to implement policy? On what basis are the policies formed, and by whom? And how does a state so separate, so autonomous, from society, obtain adequate information and get society to conform to its policies?

In an analysis of British governmental changes Rhodes (1997, ch. 3) identifies a new form of governance: 'governing without government', expressed as 'a collection of interorganizational networks made up of governmental and societal actors with no sovereign actor able to steer or regulate . . . [a] key challenge for government is to enable these networks and seek out new forms of co-operation' (ibid., p. 57). While Rhodes might be advocating a form of governance for advanced Western nations with an active and willing civil society, the point about interconnectedness and networking and the enabling role of the government (or state) resonates with the experience of the role of the state in the Asian growth model. In other words the state is not a static institution but a conglomeration of overlapping strategic linkages. The framework presented in Figure 12.1 links four dimensions, namely the 'bureaucracy' (organizational strength and insulation following the Weberian formula), 'economy/industry' (governed interdependence, as

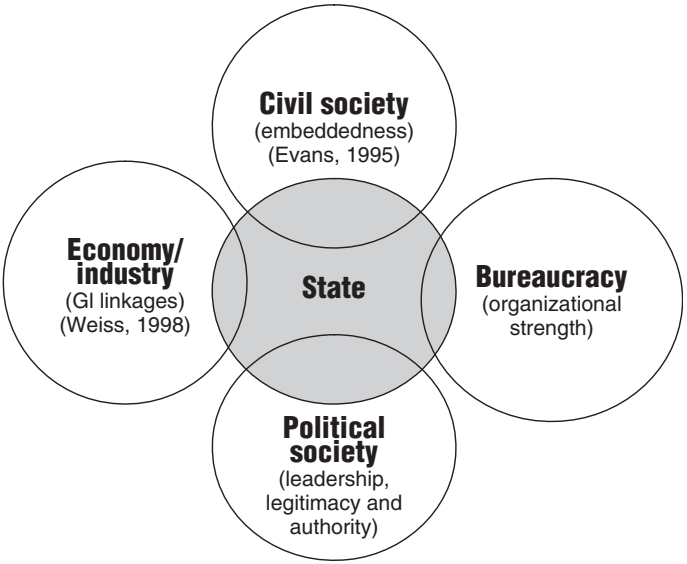

Figure 12.1 State capacity in relation to bureaucracy, political society, economy/industry and civil society

articulated by Weiss, 1998), 'civil society' (drawing on Evans', 1995, notion of social embeddedness) and 'political society' (in terms of strong leadership, legitimacy and authority).

A comparative overview

All three of the states studied here were highly regarded in the past for the way in which they pursued economic development and brought about social stability, although Hong Kong took a non-interventionist approach while Singapore and Taiwan were highly interventionist. In all three jurisdictions the state trod a similar path during the postwar years in building up and sustaining its formation, though with differing degrees of tenor, intensity and vigour. The result was a relatively strong capacity to promote growth and maintain or facilitate stability. In Hong Kong the state was arguably less strong than in the other two jurisdictions, but was still able to incorporate key economic and community interests (at both the elite and the grassroots level) and to negotiate some form of institutionalized order. Both Singapore and Taiwan practised authoritarian rule of one form or another, the former having secured formal electoral legitimation and the latter justifying its actions by an anticommunist emergency that became increasingly unrealistic for the indigenous Taiwanese population. State dominance of the economy and society resulted in industry linkages and social embeddedness

that enabled each of the governments to engage vigorously in industrialization and economic and social interventions that were geared to satisfying public needs and expectations outside the political realm. All three governments actively nurtured a strong bureaucracy.

While all three jurisdictions enjoyed impressive economic booms, social development and political stability, in Singapore and Taiwan this was not necessarily due to authoritarian governance. Rather it was due to the effectiveness of each state – whether moderately or highly interventionist – in developing a network of linkages that could also cope with the crucial problems of legitimation, integration and performance. In his analysis of the KMT state in Taiwan, Gold (2000) used Bourdieu's (1994, p. 4) conception of an 'accumulation of a process of concentration of different species of capital' to analyze state and institutional strength. The latter's notions of political, coercive, cultural, informational and symbolic capital are relevant to the state capacity discussion. The three jurisdictions' state capacity-building processes reflected the story of how political, economic and social capital was created (whether by institutional, coercive or informal means) and invested and reinvested in. Problems, though, re-emerged in the 1980s because of changing political and later economic circumstances.

Hong Kong was embroiled in the politics of the post-1984 transition towards the return of sovereignty to China in 1997, and as a consequence used limited representative government and administrative reforms to make the state more inclusive and accountable, and thus secured continued legitimation. Despite the political uncertainties the economy kept on growing, which attested to the performance of the colonial regime and added to its strength and capacity. Meanwhile in Singapore, which in the 1980s suffered its first post-independence electoral setback, the PAP launched a process of political reinstitutionalization through constitutional innovations, party regeneration and merit-oriented administrative reforms to enhance its legitimation, integration and performance. Taiwan, though a latecomer compared with the other two states, had been able to catch up very quickly after the end of martial law and the demise of suppressive authoritarianism in the late 1980s. Under President Lee Teng-hui, bold steps were taken to liberalize and democratize the KMT regime so as to achieve a softer, more inclusive kind of authoritarianism. Political and administrative reforms were implemented to achieve legitimation and maintain performance. In all three jurisdictions, a powerful, autonomous, merit-based bureaucracy (though still constrained by KMT politicization in the case of Taiwan) played a crucial role in ensuring sound economic management and effective policy delivery. The state–economy–industry linkages varied among the three, and all took their own measures to strengthen these linkages both institutionally and policy-wise.

In the aftermath of the 1997 Asian financial crisis, and as the impact of global recession was increasingly felt in all three economies, Singapore con-

tinued to exhibit policy vigilance and a proactive stance, Hong Kong became embroiled in a serious crisis of governance and state capacity[3] and Taiwan struggled with its post regime-change readjustment. The ways in which previous elements of state capacity were disrupted or weakened in the latter two deserve particular attention. Table 12.1 summarizes the changing conditions of the state and state capacity in the three territories in order to provide an analytical context for understanding the complex nature of governance and its consequences for state and policy effectiveness. The nature of the state in terms of social embeddedness, the politics–bureaucracy linkage and the state–economy linkage (*à la* Weiss's 'governed interdependence' and transformative capacity notions), the external and domestic pressures faced by the state and the general effectiveness of its policy responses are highlighted.

Hong Kong: from institutionalization to deinstitutionalization – a case of disabled state policy capacity

From indirect rule to institutionalization

The early colonial state was an 'exclusionary corporatist state' (Stepan, 1978) that only sought the involvement of local social and business elites and provided for minimal interaction between and integration of state and society. Regime stability was built on a low level of popular mobilization and participation, resulting in what some have described as a 'minimally-integrated socio-political system' (Lau, 1982). The suppression of political activity, together with the transient refugee nature of the early population, resulted in a sense of political apathy and impotence (Miners, 1975; Rear, 1971). The question of state capacity did not arise because expectations of the government were low anyway. The ends of the government were accepted with 'an efficient administration within an accepted social and economic framework, bound up with a laissez-faire economy' (Endacott, 1964, p. 244).

This style of governance, however, changed drastically after the 1967 pro-communist riots, which seriously challenged the administration's legitimacy. Although no attempt was made to democratize the system, major reforms were implemented to modernize the bureaucracy and to establish links between government and society, including institutional efforts to combat corruption and introduce a nascent form of participatory local administration. The government knew that in order to be seen as legitimate it had to impress the population with its performance – constitutional reform was ruled out as an option. The 1970s and 1980s were therefore a period of administrative reform and expansion in pursuit of bureaucratic growth and excellence. With improvements in salaries and conditions, and helped by anticorruption efforts, the civil service attained the image of an efficient, honest and well-paid workforce of the highest calibre and able to deliver results.

Table 12.1 Nature of the state and state capacity in Hong Kong, Singapore and Taiwan

	Nature of the state	*State embedded-ness*	*Politics–bureaucracy relationship*	*Political/policy leadership*	*Interventive/ transformative capacity*	*External pressures*	*Domestic pressures*	*State and policy effectiveness*
Hong Kong	Weak corporatist state compelled to engage in social bargaining	State–society separation	From coupled to decoupled model; tension, divergence in governance agenda	Weak and fragmented; lack of legitimacy; failure to deal with political opposition and civil society; deinstitutionalized	From moderate to weak; limited state–economy linkages	Economic recession and globalization	Ungovernability following regime change	Used to be effective but becoming ineffective; organizational weakening and poor linkages with society and the economy
Singapore	Strong state –coercive, developmental	State–society integration	Integrated; shared agenda growth	Strong and undivided leadership; institutionalization of loyal opposition and other checks	Strong; extensive state–economy linkages	Economic recession and globalization	Rising expectations by citizens	Effective; organizational vibrancy and strong linkages with society and the economy
Taiwan	Corporatist developmental state, becoming less strong and compelled to engage in social bargaining	From state–society integration to separation	Recoupling of politics and the bureaucracy following regime change	Reinstitutionalization in progress; coping with regime change; electoral legitimacy	From strong to moderate; seeking to reinvent state–economy linkages	Economic recession and globalization	Regime change	Effectiveness subject to constraints; organizational weakening and problematic linkages with society and the economy

Strengthening the bureaucracy and building links with industry and society

During the late 1970s the economic philosophy of the government shifted from *laissez faire* to 'positive non-interventionism' to justify strategic interventions for the sake of public interest (Haddon-Cave, 1984). The part played by the government in the economy could be seen in regulatory policies and social provisions (housing, education, social security and healthcare) that effectively subsidized wages. This contributed to export competitiveness, which in turn powered the city's industrialization (Schiffer, 1983). Government–industry relations were strengthened institutionally through industry-related advisory boards and government-instigated trade and industry bodies. By the mid 1980s, the government was no longer the *laissez-faire* regime it had been for so long. The provision of public housing, education, healthcare and welfare services was vastly expanded and labour reforms pursued. Large-scale transportation and infrastructural projects were launched. Economic growth and affluence helped to legitimize the colonial rule, and moderate interventionist strategies were aimed at capitalist accumulation for businesses. In order to contain societal politics, the colonial bureaucracy opted for institutional rejuvenation and policy intervention, moving towards a more 'inclusionary' form of state corporatism (Stepan, 1978). Partially elected district boards were set up in the 1980s, followed by restricted elections to the legislature.[4] In the mid 1990s, with the advent of electoral politics, Financial Secretary Hamish Macleod formally declared that positive non-interventionism was outdated and pronounced a new era of 'consensus capitalism' that would include societal interests at all levels.

The power of the legislature to scrutinize administrative performance was strengthened and public services were made more customer-oriented. Management reform, in tandem with the global trend for administrative reforms, served to strengthen bureaucratic autonomy (Cheung, 1996). The ministerial role of top bureaucrats was enhanced, which helped to complete the journey towards political institutionalization. By the eve of the handover of sovereignty to China in 1997, and stopping short of instituting a democratic regime, the colonial government had managed to develop a desirable level of state capacity, backed by an efficient and autonomous bureaucracy, increasingly proactive economic policies, strengthened state–society and state–industry linkages, and a partially inclusionary political system (with popular and functional representations in the legislature).

Reversal and institutional erosion after 1997

After Hong Kong's return to China in 1997 it was not only hit by the worst economic recession in decades as a result of the Asian crisis but also suffered a deterioration of government performance and political trust. Scott (2000, p. 29) sums up the crisis as 'the disarticulation of Hong Kong's post-

handover political system'. Not only did the political executive and bureaucracy of the new special administrative region (SAR) suffer a crisis of credibility, but also institutions such as the legislature and political parties were in decline.[5] Despite the introduction of a new ministerial system of political appointments by Chief Executive Tung Chee-hwa in July 2002, the government remained in a quagmire of policy impasse and an inability to deliver results. The recent outbreak of the deadly 'severe acute respiratory syndrome' (SARS) revealed Hong Kong's vulnerability and worsened its economic plight and confidence crisis.

Such a dramatic reversal in state capacity requires more fundamental explanations than externally induced adversity. State capacity building and decline before and after 1997 can be depicted as a process of institutionalization and deinstitutionalization. The main features of this are presented in Table 12.2. The desire by the 'takeover' elites, headed by Chief Executive

Table 12.2 Elements of state capacity in Hong Kong, pre- and post-1997

	Pre-1997	*Post-1997*
Political society	From depoliticization to limited accommodation of local politics; government by discussion and cooption; legitimation by performance and acquiescence	Disintegration of political institutions; concurrent crises of performance, legitimacy, integrity and confidence
Bureaucracy	Administrative domination and modernization; bureaucracy used to improve performance	Decoupling of political and administrative elites; from government by bureaucrats to government by politically appointed ministers; public dismay with the civil service's performance
Economy	From laissez-faire to 'positive non-interventionism' to 'consensus capitalism'; government–industry linkages through boards and committees	Asian crisis and ensuing economic recession exposed structural fiscal deficits; government's economic philosophy fluctuates between more or less intervention
Civil society	From exclusionary corporatist system to partially inclusionary state; from hands-off approach to integrationist approach in community building	Growing disconnection between government and society; social cohesion in jeopardy

Tung Chee-hwa, to reform the inherited colonial policies and chart a new course for the SAR encouraged further state expansion. Whereas in the colonial era state interventionism was endogenously driven by bureaucratic reformism, the new interventionism is subject to exogenous forces driven by mechanisms of political representation (which emphasizes functional interests in society) and changing global and regional economic conditions. The lack of a popular mandate for the SAR government has put pressure on it to improve its performance through better state services and goods and more social and economic interventions. In the aftermath of the Asian economic crisis, and amidst a prolonged recession, new uncertainties and anxieties have induced expectations of the government to deliver relief measure and better results. All these forces have led to a new form of state interventionism (Cheung, 2000). However the SAR government's ability to respond to public expectations, incorporate various interests and deliver governance results is constrained by institutional defects and fiscal limitations. As its performance declines, its lack of legitimacy is becoming increasingly apparent.

The decapacitation of political and bureaucratic institutions

The fundamental reason for the current quagmire is structural. A political straitjacket is imposed by the design of the Basic Law, which combines the essence of the previous colonial constitution with an executive-led system under an all-powerful chief executive. However the executive lacks an electoral mandate and the legislature is only partially elected on the basis of universal franchise. Constrained by the Basic Law, the latter is unable to play an effective role. Legislators and parties alike are aggrieved that the administration largely ignores their demands and proposals, resulting in the paradox of their having votes but no power. For its part the government views elected legislators as unconstructive and prone to blocking government initiatives.

Instead of opening up the system further to accommodate politics, Tung moved to depoliticize the system of government (for example by abolishing the previously elected municipal councils and reinstating government-appointed seats in district councils), thereby reversing the process of political institutionalization started by the colonial government. There is also evidence of political patronage and closet decision making. Senior bureaucrats have tried to take advantage of the post-1997 conservative backlash to regain their supremacy under the executive-led paradigm, which had been challenged by elected legislators in the final days of British rule (Cheung, 1997). Consequently the struggle for policy domination has intensified between the bureaucracy and the new 'takeover' elite, headed by Tung.

Suspicious of the British-groomed mandarinate and eager to shift the blame for misgovernment to the civil service, in his second term of office Tung introduced a new ministerial system of political appointments in the

name of enhancing executive accountability. Since the new ministers are not elected politicians but executive appointees of a chief executive who lacks a popular mandate,[6] their own political legitimacy is very much in question. The new ministerial team is keen to tame the civil service not only politically but also managerially by downsizing it to produce a leaner and cheaper bureaucracy. Instead of having a highly integrated executive, as in the colonial days, there are increasing signs of political–bureaucratic disjunction and conflicts.

Meanwhile Tung's new government has not exhibited any improvement in its ability to govern. His ministerial team is disorganized and accused of repeated policy blunders.[7] Although he has coopted two progovernment parties into his executive council, he is not guaranteed to receive their voting support in the legislature. His cabinet is poorly coordinated and harbours intra-elite rivalries. All these conflicts have run counter to building a strong regime, as has Tung's failure to improve executive–legislative cooperation, institutionalize party politics and incorporate the prodemocracy opposition.

Weakening state capacity and policy and the performance deficit

The Tung government recognizes the importance of performance in political acceptance and legitimacy. However as it lacks a strong and loyal bureaucracy and increasingly suffers from structural fiscal deficits and a declining ability to produce results, it is unable to deliver what is demanded. The more economic hardship the population experiences in comparison with the colonial days, the less people will be prepared to acquiesce to the nondemocratic nature of SAR rule and give it support for hard policy choices. While all sides agree that Hong Kong has to go through a major economic restructuring in order to face globalization and improve competitiveness, there is neither sufficient political will to do so nor a clear blueprint for it.

Although Tung is steering a probusiness political course, state–business relations tend to be in terms of various business and industrial interests seeking to capture the government for their own gains rather than facilitating state leadership and management of economic development. For a while Tung harboured thoughts of greater state direction.[8] In March 2002 his newly appointed financial secretary, Antony Leung, announced in his maiden budget speech that a 'proactive market enabler' approach would be taken to the economy, which free-market economists suspected might mean embarking on a path of state planning. However subsequent pressures and circumstances forced Tung to retreat to a 'small government, big market' stance a year later. The government is still undecided about whether or how to play a steering role in economic development.

Despite the colonial administration's nurturing of an active civil society characterized by a free press and civil rights protection, state–society relations detiorated after the handover, with the political exclusion exercised by

the Tung government leading to social alienation. A move to introduce a national security law, which many in society perceived as draconian and a threat to civil rights and freedoms, fuelled public anger and ultimately resulted in massive protests in July 2003. The Tung government has embarked on a variety of policy reforms over the past few years (in the civil service, education, housing, social welfare and financial services markets) but has largely mishandled them, to the extent of creating discontented stakeholders across the social spectrum. Harsh measures to reduce fiscal deficits have angered bureaucrats and middle-class taxpayers alike, and prolonged budget deficits have reduced the government's capacity to take initiatives to meet growing service demands.

With institutional and policy shortfalls and its popularity on the wane, the government has become increasingly ineffective in making and implementing policies. Indeed any new policies or administrative measures could easily provoke objection and protests by interest groups. In order not to antagonize any sectors, Tung's efforts have ground almost at a standstill, which is not good for Hong Kong as there is an urgent need for economic transformation and major policy adjustments. No doubt the unprecedented economic difficulties faced by Hong Kong have largely been induced by external factors, but the erosion of state capacity due to failures of performance, legitimation and integration is largely responsible for its inability to cope with domestic and international challenges and the current policy immobilism.

Singapore: from institutionalization to reinstitutionalization – permanent reinvention of state policy capacity

Political institutionalization

Chan (1975, 1993, p. 230) has described Singapore as an administrative state in which the PAP government has consistently sought to 'depoliticize' a population that politically was highly mobilized at the time of independence. The overall effect has been 'disdain of the need for conciliation while trust is placed on the expertise and the judgment of the leadership to plan and implement with complete and irreversible power' (Chan, 1975, p. 53). The emergence of the administrative state has to be understood in the context of Singapore's struggle for political and economic survival after its traumatic separation from the Malaysian Federation and forced independence in August 1965. The Singaporean trajectory in state capacity building can be described as institutionalization in the early years of self-rule and independence, and reinstitutionalization since then. Table 12.3 summarizes the main features.

For all that critics have derided the nature of Singaporean democracy – 'one-party dominant system' (Chan, 1976), 'hegemonic party system'

Table 12.3 Elements of state capacity in Singapore

Political society	One-party system, institutionalized political leadership and electoral legitimation
Bureaucracy	Political–bureaucratic alliance between the PAP and the civil service; the bureaucracy used to achieve desired policy outcomes
Economy	Multinational corporations used to bring in international capital and expand overseas markets; government-linked corporations run by the bureaucracy used to control and manage the economy, thereby forging strong government–industry linkages
Civil society	Communitarian ideology and organizations used to create a top-down system of societal institutionalization; social cohesion and trust strengthened by government initiatives and campaigns; promotion of national vision and values

(Chan, 1987), 'illiberal democracy' (Rodan, 1993) – Singapore remains a developmental state with a clear agenda, a proactive and effective governing elite of political leaders and bureaucrats, and a society that is very much under control and organized. And it is not as though the welfare of the people is ignored under the state's illiberal political style. Communitarian cohesion and nation building remain at the forefront of the PAP's governance strategy 40 years into its rule. Unchallenged political leadership is essential to the PAP, which sees its mission as nurturing a nanny state run by wise men. PAP leaders also pride themselves on creating constitutional mechanisms to ensure they do not become despotic.[9]

Prime Minister Goh Chok Tong, who succeeded Lee Kuan Yew in November 1990, had earlier declared his intention to work towards a 'kinder, gentler society' and to introduce policies with 'a human face' (*Straits Times*, 27 September 1990). In the face of globalization, and heeding demands for renewed nation building, the Singapore 21 (S21) initiative was launched in 1997 to spearhead a twenty-first century vision for the nation. Five major concerns were identified by the S21 committee (*Straits Times*, 7 March 1998):

- The needs of senior citizens versus the aspirations of the young.
- Internationalization/regionalization versus Singapore as home.
- Less stressful life versus continuing the forward drive.
- Attracting outside talent versus fostering Singaporeans.
- Consultation/consensus versus decisiveness/quick action.

In terms of political governance, the PAP leadership has always tried to fend off social and political signs of discontent or anxiety by instilling new vigour

or introducing innovative systems. Recognition of this pre-emptive, and proactive nature of the governing elite is essential to understanding the politics of state capacity building and administrative rejuvenation in Singapore.

Bureaucratic modernization and excellence

A meritocratic and powerful bureaucracy is the PAP's instrument of state policy and economic development. Government-linked corporations (GLCs) were initially staffed by senior civil servants (Vennewald, 1994). Having fallen out with senior bureaucrats – whom Lee Kuan Yew did not fully trust in the early years of PAP rule and sought to remould through political re-education and anticorruption measures (Quah, 2000) – the PAP quickly realized that it needed to form a strong alliance with the bureaucracy in order to fight against its procommunist antagonists. From the 1970s PAP recruitment was increasingly targeted at intellectuals and technocrats, and many of the second-generation leaders were recruited from the bureaucracy, GLCs and even the military. Khong (1995, p. 117) observes that an 'alliance, based on a convergence of interests between an increasingly technocratic civil service and the political leadership, has played a vital role in conferring legitimacy on the government'. The amalgamation of the political elite and the bureaucracy has been so extensive and intensive that 'there is a widespread belief among Singaporeans and observers that the party exercises little influence on government. The PAP is everywhere, but it is the PAP government, not the party apparatus' (Mauzy and Milne, 2002, p. 49).

Within the bureaucracy administrative reform has been a permanent feature since the 1960s in the drive to improve merit and productivity, and hence performance. The several decades of reform can be divided into different stages, each addressing a particular need or theme: survival in the 1960s, efficiency in the 1970s and a people-centred agenda in the 1980s (Commonwealth Secretariat, 1998, p. 14). Since the 1990s the focus has been on change to cope with the global challenge, as implemented through the PS21 (Public Service for the 21st Century) programme. The mentality behind the incessant merit-based reforms has been neatly described by Vogel (1989, p. 12) as 'macho-meritocracy'. Like many public management reforms elsewhere, PS21 (launched in May 1995) has its share of rhetoric on improving attitudes towards work and inculcating in public servants a sense of service excellence. Unlike the tendency for bureaucrat-bashing that can be found in many civil service reforms elsewhere, PS21 is not about denigrating the public sector and relying on the private sector for performance and results. Quite the contrary, it seeks to reinvigorate the public service to make it first class with superior leadership (Lim, 1998, p. 130; see also Cheung, 2003). Moreover the civil service is expected to provide talented leaders for statutory boards and corporations. All the top public sector jobs, including the chairmanship, CEO and directorship of GLCs, as well as ambassadorships, are open to Administrative Service officers (Lim, 1996). As a result the

administrative corps of the bureaucracy has been strengthened in terms of its leadership role in the state.

State–economy integration

The main instruments used by Singapore to spearhead economic growth were multinational corporations (MNCs) and GLCs. In the early days of independence the PAP government adopted a state-directed industrialization policy, and social policy served more to complement economic development than to deal with social dislocation (Wijeysingha, 2001). Various statutory boards and GLCs were created, numbering some 500 by the mid 1980s (Public Sector Divestment Committee, 1987, p. 19, Table 2.1), to attend to public utilities, port development, transportation, finance and banking, productivity, research and development, urban renewal, tourism, broadcasting, trade development, rapid mass transportation, construction and civil aviation.

The foundations of a much-expanded role for MNC investment in the domestic economy were laid by the labour legislation of 1968, which shifted the balance of rights in favour of managers at the expense of employee protection (Khong, 1999, p. 299). The state actively regulated wage levels in line with what it regarded as being in the nation's best economic interests, through a state-dominated tripartite (government, employers, employees) National Wages Council, set up in 1972. The country's only labour federation, the Singapore Trade Union Congress, was politically controlled by PAP and usually headed by a cabinet minister. The managers of MNCs, though not part of the governing elite, unlike their counterparts in the GLCs, nevertheless played an important role in government policy formulation through their links with statutory boards and GLCs (ibid.) State–economy linkages were protected by an informal alliance between the PAP and the bureaucracy on the one hand and GLCs and MNCs on the other.

When Singapore began privatization in the late 1980s, this was not because the public enterprises were deemed to be inefficient, loss-making or contributing to government deficits and debts (Low, 1991, pp. 104–7). Rather it was aimed at strengthening the overall capacity of the state in economic management and development. Government holding companies – especially the Government of Singapore Investment Corporation (GSIC), which managed the government's reserves from overseas investments – were restructured to become more regionalized and globally more competitive as economic entities. Economic globalization became the political basis for new kinds of state intervention or rearticulation of the state (Low, 2000). The impact of the Asian financial crisis and globalization provided a new rationale for the PAP government to strengthen state intervention by reinventing state-economy linkages. By the end of the 1990s the government, together with the GLCs, still accounted for 60 per cent of the economy (Tan, 2001, p. 31).

Societal institutionalization, managing dissent and reinvigorating state policy capacity

The PAP, based on its bitter experience of working with and subsequently struggling against procommunist grassroots organizations during and immediately after the fight for independence, recognized the great importance of societal organization. Soon after it came to power it began work on building a tightly organized society through the establishment of multiple networks of parastatal grassroots institutions throughout the country and exhortations for social discipline, accompanied by marginalization of the political opposition (Chan, 1993, p. 226). Nowadays the People's Association system – which has permeated all local communities, embracing networks of community centres, citizens' consultative committees and residents' committees ultimately linked to the Prime Minister's Office as the nerve-centre – forms the backbone of government–society integration (Mauzy and Milne, 2002, pp. 95–6).

Its domination of social and civic space aside, the PAP government has nurtured a form of communitarianism that emphasizes responsibilities to the wider community. From the late 1980s, as Singapore society became more affluent and its middle-class citizens more demanding and individualistic, redoubled efforts were made to find national values that could 'counteract the adverse effects of excessive individualism as well as unify both the government and citizens' (Quah, 1990, p. 2). Though characterized as illiberal, the government has tried to consolidate 'the politics of the middle ground' (Khong, 1999, p. 297) by including the majority of Singaporeans in its institutionalized political process but excluding or marginalizing those perceived to be at the political extremes. Dissent is not totally forbidden, but it is tightly managed. The PAP keeps a constant eye on the varying shades of public opinion and acts quickly to deal with contrary views, 'either through suppressing them or through going some way to meeting them' (ibid.)

The most recent measure to strengthen the state–society linkage was the setting up of a Remaking Singapore Committee in February 2002. On a par with the Economic Review Committee, which mapped out the post-Asian financial crisis economic strategy, the Remaking Singapore initiative has focused on 'the political, social and cultural aspects of our survival as a nation' (Remaking Singapore Committee, 2002). While local critics are sceptical of the campaign, treating it as mere rhetoric to reassure the increasingly restless Singaporeans in the face of economic uncertainties, it nonetheless underscores the government's recognition that it has to make an effort to understand the post-independence generation's aspirations and goals, as well as to explore new ideas and possibilities. Thus it has moved to an emphasis not on additional material objectives but on community development and cohesion, as indicated by its proposal to go beyond the '5Cs':

- Beyond careers to new roads to success.
- Beyond condominiums to a sense of ownership and belonging.
- Beyond clubs to ethnic and religious cohesion.
- Beyond credit cards to income, distribution, social safety net and the arts.
- Beyond cars to balancing physical development needs.

In a sense this initiative is an extension of Singapore 21. In response to global economic challenges and domestic demands for a more diversified and less government-controlled society and polity, particularly by the post-independence generation, the PAP leadership has realized that both economic and social transformations are needed if the nation is to survive and prosper. Although it has not had to confront any significant political challenge or crisis, the PAP has had to reorientate the developmental state and re-engineer its public sector in order to maintain its *raison d'être*. Through popular initiatives such as the Singapore 21 and Remaking Singapore campaigns, a new agenda is in formation for keeping a strong state and nurturing a more active civil society, and in the process strengthening the state–society linkage. That the government is able to look ahead in such a manner and chart the course for change illustrates that the state's capacity is still strong and that the government has retained the ability to set new policy directions.

Taiwan: from authoritarianism to deauthoritarianization – regime relegitimation and the rebuilding of state policy capacity

The institutionalization of an authoritarian regime

The island state of Taiwan[10] has undergone traumatic political, economic and social changes over the past five decades. From the 1950s to the late 1980s it was governed by a one-party authoritarian regime that used martial law to suppress freedoms and political dissidents. In the final years of President Chiang Ching-kuo's rule there were signs of opening up, notably in the gradual promotion of indigenous Taiwanese to senior government and military positions that hitherto had been monopolized by mainlanders who had fled with the ruling Kuomintang (KMT) to Taiwan in 1949. Chiang's successor, Lee Teng-hui, gradually liberalized the KMT regime with the tacit support of the opposition Democratic Progressive Party (DPP), a pro-independence force. Previous KMT institutions were either reformed or destroyed. The presidency was subsequently turned into a directly elected office. Lee was popularly re-elected as president in 1996 and continued the vigorous 'Taiwanization' measures. In 2000, as a result of a split in the KMT,[11] DPP candidate Chen Shui-bian was elected president, marking the completion of regime change as part of the democratic transition.

Much of the institutional configuration of Taiwan is the product of its authoritarian legacy. Until political liberalization in 1987, the KMT's developmental success illustrated its capacity to 'mobilize and deploy resources and induce citizens to risk their own personal resources out of confidence in the ability of the state to sustain a conducive environment for private business' (Gold, 2000, p. 92). Following democratization and regime change, the existing institutions had to be redesigned, reinvented or relegitimated in order to sustain state capacity. Table 12.4 summarizes the changes.

In essence the KMT established a Leninist-style corporatist system in which it not only controlled the military, government and police machinery but also dominated all economic and societal institutions: public utilities and enterprises, chambers of industry and commerce, farmers' associations, trade unions, schools and universities, youth and women's groups, cultural bodies and the mass media (ibid., p. 96; Cheng, 1993, p. 197). State–society and state–economy amalgamation was almost total. Despite the KMT's long-lasting authoritarian rule, which frequently involved the bloody suppression of political dissent and calls for basic freedoms, it was successful in steering Taiwan's socioeconomic development, which was widely regarded as phenomenal. Aware that it was perceived as an émigré regime without indigenous legitimation,[12] the KMT government was conscious of the need to use economic and social reforms to buy support and reduce resistance. With total control over society and the economy under

Table 12.4 Changes to state capacity in Taiwan during regime transition

Political society	From one-party authoritarian state with total state control over society and the economy to democratic competition and political power sharing; from KMT focus on war against communism to electoral legitimation
Bureaucracy	From political–bureaucratic–military alliance under the KMT to relegitimating the state bureaucracy through administrative reforms and indigeneity
Economy	From state-directed and mainlander-controlled economy to cooption of indigenous capital interests through renewed government–industry linkages
Civil society	From anticommunist and mainland-oriented ideology, societal control and indoctrination to Taiwanese nationalism and ethnically oriented ideology; from docile society under the KMT to active civil society demanding political participation and able to put pressure on political parties

martial law, it was able to introduce extensive land reforms and thus secure the support of local factions and power brokers.[13] This helped to institutionalize a grassroots support base in addition to its support by societal, economic, cultural and economic organizations. Social embeddedness was achieved in a top-down manner. In order to improve its bureaucratic effectiveness the KMT also engaged in incessant rounds of administrative reforms, mainly geared to organizational restructuring, administrative efficiency, and policy development and evaluation (Cheung, 2003, pp. 96–8).

In the past Taiwan had simply been a supplier of agricultural produce and minerals to Japan during its colonial rule and to mainland China after the end of Japanese occupation. Under KMT rule it was transformed from an agricultural economy into an industrial one. This took place in stages. The early postwar years were marked by import substitution and tight foreign exchange controls. Public enterprises and state monopolies, which controlled strategic industries, were the main channels for boosting agricultural production to meet local consumption needs and earn much-needed foreign exchange to pay for industrial development. The shift to an export-led strategy in the 1960s resulted in the rise of export-oriented private enterprises whose share of industrial output eventually surpassed that of public enterprises. However the latter still dominated the supply of power, raw materials and intermediate goods. All banks and financial institutions were state-owned and favoured public enterprises in the granting of credit. Through its control of public enterprises the KMT state was able not only to extract much needed tax revenues, provide patronage and employment to its supporters and achieve social welfare objectives (such as providing cheap electricity to farmers), but also to keep indirect control over indigenous Taiwanese entrepreneurs (then mostly small and medium-sized enterprises), who had to depend on state bodies for credit and the supply of raw materials (Cheung, 2002, p. 71).

The production system thus had a dual structure, with mainlander-controlled large enterprises supplying materials for domestic production and indigenous small and medium-sized enterprises producing goods for export. As Taiwan gradually moved towards becoming a fully fledged export economy, indigenous capital grew and its owners eventually became a formidable force. Faced with expulsion from the United Nations, the devaluation of the US dollar and the oil crises of the 1970s, Taiwan's economic performance suffered a serious setback, which in turn set in train a major legitimacy crisis (Hsiao and Cheng, 1999, p. 118). This created pressure to accelerate economic restructuring: state enterprises expanded their role as domestic investors, large private businesses were encouraged to form into conglomerates, and those small and medium-sized enterprises which had survived the oil crisis and recession were helped to re-energize for further growth (ibid., p. 119).

Political and bureaucratic reforms under deauthoritarianization and renewed linkages with society and the economy

In the 1980s there was a gradual transition from 'hard' authoritarianism to 'soft' authoritarianism (Winckler, 1984). Civil liberties were restored and the so-called Temporary Provisions (which imposed martial law) were finally repealed in 1990. Free elections were held, unleashing oppositional forces and giving the opposition a foothold in the system of governance. Constitutional amendments[14] and the reinstitutionalization of various layers of the representative institutions not only restored some degree of constitutional democracy but also – because of the incorporation of opposition forces – legitimized the state institutions. A larger number of native Taiwanese were allowed to enter the system and take up key posts. Accompanying this democratization was a move towards 'Taiwanization', that is, the adoption of a new Taiwanese identity and a nation-building ideology to replace the previous anticommunist stance, thereby relegitimizing the state. Hsiao and Cheng (1999) see indigenization as a decisive factor in the survival of the KMT regime even under the strong pressure for full democratization.

President Lee pushed for the modernization and improvement of bureaucratic capacity through a process of reconstitution and reinstitutionalization, and adoption of the newly popular values of efficiency, transparency and citizen orientation. There had already been a gradual depoliticization of the bureaucracy, administrative streamlining and greater emphasis on performance and merit (Shiau, 1994, pp. 16–20). Lee's two premiers, Lien Chan and Vincent Shiew, put administrative renovation and government reinvention, respectively, at the top of their agendas in the 1990s (Commission on Research, Development and Evaluation, 1995; Government Reinvention Steering Committee, 1998; see also Cheung, 2003).

As liberalization and democratization progressed the subjugation of society and the economy to state control gave way to an indigenous-dominated private sector economy and a highly mobilized civil society. By the 1990s indigenous business interests were fully established, fuelled by booming exports and economic links with mainland China, which had expanded rapidly after the lifting of the trade ban in the late 1980s. These now constituted economic forces to be reckoned with, and were actively incorporated into the KMT's structure at the same time as the DPP sought their political support. State–economy and state–society linkages were redesigned to suit the context of the new political era, although they were still under the shadow of the KMT as the dominant party with well-entrenched economic and social controls coupled with extensive networks of KMT-affiliated local political factions. The KMT's display of political flexibility and institutional adaptability had helped to maintain its dominance (Hsiao and Cheng, 1999, p. 126). During this period state capacity was largely sustained by reinstitutionalizing the political system and the bureau-

cracy to meet the public's demand for democratization and Taiwanization. Though openly in fierce rivalry, under Lee Teng-hui the KMT actually shared some common political ground with the DPP. It is said that Lee adopted many important policies that had first been advocated by the DPP.[15] This provided a basis for stability on the eve of the regime change.

The opposition becomes the government: relegitimation of the state and reinvigoration of the state's policy capacity

As an opposition party positioned to challenge the highly centralized, authoritarian and bureaucratic regime of the KMT, the DPP emphasized that decentralization and community participation were important ingredients of governance reform. Decentralization also had *realpolitik* implications for the party because until its dramatic success in the 2000 presidential election it could only harbour hopes of representation in city and county governments.

Newly elected President Chen Shui-bian had based his election campaign on a 'new centre path' and a stakeholders' society, borrowing the European 'third way' rhetoric. However in terms of administrative reform and government reinvention the DPP blueprint was no different from that of the previous KMT regime. Moreover the government has since stumbled into great difficulties with the bureaucracy and the economy. Limited headway has been made with administrative reform because of the legislators' fear of granting too much power and discretion to the Executive Yuan. Factionalism within the DPP and fierce party competition within the Legislative Yuan have also rendered reform issues highly controversial. The KMT legacy was built on a tradition of legislative controls that were purely formalistic and had little impact on executive power as the KMT was in total command. Such controls have now become means to block the government in a partisan legislature. With Chen openly admonishing the Executive Yuan for the problems of incoherence, lack of coordination, sectionalism and bureaucratic delay,[16] public discontent with his government's performance has been on the rise.[17]

Although the DPP's original reform vision was clearly communitarian and grounded in a redefinition of state–society relations, it was keen to make full use of the existing authoritarian though partially opened-up state institutions to secure its hold on presidential power. Chen's vision of forming a 'whole nation government' to reunify political forces after his inauguration failed to materialize as his rift with the KMT widened. Party government was soon restored and the DPP aggressively recruited into its ranks civil servants, police, military officers and local political factions formerly loyal to the KMT.[18] Chen also used his considerable presidential power of patronage, again a KMT legacy, to appoint his supporters as heads of state monopolies and public enterprises, including media establishments and financial institutions. There are now accusations that the DPP government is as embroiled

in political corruption – involving secret societies and vote buying (so-called 'black gold' politics)[19] – as the previous KMT regime. It looks as though the DPP is emulating the KMT in seeking to form some kind of political–bureaucratic–military alliance, reinforced by extensive networks of local political factions and clientele interests, in order to consolidate its political linkages and power. In the process it is alienating some of its allies in society, including the environmental and labour movements.[20]

With the persistence of global economic recession and the hollowing out of Taiwan's industries as more and more local investors and businesses move their investments and operations to mainland China, the economy has experienced a downturn that is more serious than any seen during the decades of KMT rule.[21] Moreover differences between Chen and powerful local business leaders over cross-straits policy and restrictions on investment in mainland China have caused a growing rift between state and business. Although indigenous economic interests historically supported the DPP, they cannot be taken for granted as natural allies of the government now. Indeed as the economy has deteriorated, disagreements have broken out between the political and the economic elites over whether to form closer ties with mainland China or go for more diversified investments that are less dependent on the mainland.[22]

The DPP regime is caught in uncertainties. Although Chen Shui-bian managed to get re-elected as president in March 2004, he did so only by a very small margin and amidst suspicions surrounding the mystery of an alleged assassination attempt on the eve of polling day. It was alleged by the opposition that this incident, which some suspected to be staged, had helped to win Chen a sympathy vote, resulting in his narrow victory. The question mark over the government's legitimacy and integrity remains in the eyes of many KMT supporters. DPP's relations with dominant economic interests also remain under stress because of the incompatibility between its economic policy and its political stance on cross-straits relations. China's refusal to deal with Chen on grounds of his alleged plans for Taiwan independence, and its increasingly jittery language in favour of a military option to force reunification, have caused new uncertainties about Taiwan's political and economic future, adversely affecting investment sentiments.

Civil society has become more demanding and highly mobilized; and whereas many societal groups once regarded DPP as the party most likely to rid Taiwan of authoritarianism, the activities of the DPP as a government, possessing all the power trappings inherited from the KMT legacy, have provoked growing suspicions of the party's intentions and integrity, which has not been helped by its own brand of 'black gold' politics. To compensate for his failure to perform as expected, Chen has stepped up his confrontations with China so as to exploit the anti-mainland sentiments of the indigenous Taiwanese. But this can only buy him time; it cannot provide the government with the kind of state policy capacity that worked under KMT. A more

fundamental rebuilding of the state's links with political elites, the bureaucracy, society, industry and (since the election) the opposition is essential. Meanwhile, the government will be constrained by policy stagnation and its inability to push for major reforms. The political quagmire is likely to persist as Taiwan tackles the difficulties of regime relegitimation and capacity rebuilding under conditions of economic crisis and social inequality. There may well be a further polarization of society, fragmentation of the party system and the rise of militant politics (Haggard and Kaufman, 1997).

Concluding remarks

This chapter has reviewed how in Hong Kong, Singapore and Taiwan the state has often been highly successful in forging effective linkages with the bureaucracy, political elites, economy/industry and society. In the past such linkages were at times imposed by a centralized, authoritarian regime, as in the case of Taiwan. The political nature of the state also ensured that politics and the bureaucracy were either closely aligned or combined into one (as in colonial Hong Kong, and in Taiwan under KMT rule). In Singapore and Taiwan the adoption of a developmental state approach by the regime resulted in state–society and state–economy integration by political and institutional means. The SAR government of Hong Kong did not opt for state-directed development, although the previous colonial administration had maintained some control over business and society, prodding and facilitating when necessary for strategic purposes.

Until regime change and political transition in Hong Kong and Taiwan, the state by and large enjoyed policy supremacy and was successful in securing support for and acceptance of its policies by industry and society, although institutional bargaining took place from time to time. In Singapore the ruling PAP continued to hold onto power and imposed its developmental blueprint on society and the economy. Policy capacity in all three jurisdictions, in terms of the ability to take strategic decisions and produce policies that were appropriate and enforceable, was never a problem.

Things have changed in recent years. Domestic and external pressures have intensified, presenting new and more daunting challenges to each of the states. While none is in any risk of demise, both Taiwan and Hong Kong face the real prospect of a weakening of state capacity, which will in turn erode their policy capacity in the areas of economic development and public administration. In Taiwan the DPP faces the problem of legitimizing the institutions it inherited from the KMT. Moreover these institutions may not be appropriate for the new political and social environment. The demise of KMT authoritarianism removed the driving force that had shaped the political landscape over the past half century, hence both the polity and society have to come to grips with a new era in which party competition and government change will rest on popular support and economic perfor-

mance. The Taiwanese state system is in considerable need of reform to rebuild its institutional capacity and linkages with society and the economy. Otherwise it will get bogged down in incessant political conflicts and make little progress with improving its policy capacity. Political fragmentation and policy stagnation are not conducive to building the strong policy capacity needed to take Taiwan through social change and economic restructuring.

Similarly the state's policy capacity has deteriorated in postcolonial Hong Kong due to the gradual deinstitutionalization and disarticulation of the political system, which has seriously weakened the SAR regime's capacity to steer society and the economy. The colonial institutions it inherited have either ceased to work because they are not suited to the new political and social realities, or they have been rendered ineffective by the new government. The latter has been unable to chart a course for regime legitimation and institutional reform. As a result there has been a rapid decline in the public's trust in political institutions. The government has become more vulnerable and the political system more fragmented as the state's policy capacity has steadily declined. Rebuilding this capacity will require political legitimation through constitutional reform and the re-establishment of strategic linkages through inclusive governance. The state is clearly in search of a new institutional logic.

In Singapore the PAP, even though it has not had to confront any significant political challenges or crises, still has to reorientate the developmental state and re-engineer its public sector in order to live up to public expectations and sustain its *raison d'être* in the new global circumstances. It has to redesign the state–economy and state–society linkages if these are to continue to be effective. In short the PAP has to abandon the postcolonial paradigm of nation building and chart a new course that can inspire the postindependence generation. This task will fall to new Prime Minister Lee Hsien Loong. It will require less state paternalism and more bottom-up participation. Of the three countries, Singapore stands the best chance of maintaining a vibrant state policy capacity despite the current economic difficulties.

Notes

1. Both Hong Kong and Singapore were once British colonies. Singapore was granted self-government in 1959 and independence in 1963, but Hong Kong only reverted to China in 1997. Taiwan, constitutionally the Republic of China, was a colony of Japan from 1895 to 1945.
2. Although the Republic of Korea is not the subject of this chapter it is worth pointing out that it too went through a regime change in 1997 with the election of opposition leader Kim Dae Jung as president.
3. In Hong Kong there were massive antigovernment protests involving half a million people on 1 July 2003, partly triggered by the government's controversial national security bill to implement Article 23 of the Basic Law. Subsequently

the government withdrew the bill and made various gestures to regain public acceptance.

4. Functional and electoral college elections were introduced in 1985 and geographical district elections in 1991.
5. According to various polls conducted by universities and research institutes, all the major governance institutions (with the exception of the judiciary) experienced a continuous decline in terms of public satisfaction and confidence ratings, with the SAR government suffering a more severe setback than the civil service. The average rating achieved by major political parties/groups were also relatively low. See the statistics cited in SynergyNet (2003), ch. 2 (SynergyNet is an independent policy think-tank in Hong Kong).
6. Under Hong Kong's Basic Law the chief executive is elected by an 800-person election committee – an electoral college composed of members elected by various functional and political constituencies with a limited franchise. Prodemocracy parties and groups in civil society condemn this practice as 'small-circle election'.
7. Since the introduction of the new ministerial system, four major controversies and scandals have taken place and prompted considerable public anger with the ministers responsible. These are (1) the penny stocks affair, which resulted in the secretary for financial services and the treasury being forced to make a public apology in August 2002; (2) the 'car-gate' affair, involving the purchase of a luxury car by the financial secretary, Antony Leung, prior to his announcement of an increase in the car registration fee and ultimately leading to his resignation in July 2003; (3) the SARS (severe acute respiratory syndrome) outbreak in March 2003, which soon provoked severe public criticism of the secretary for health, welfare and food, who at the beginning of the epidemic refused to acknowledge that the virus had spread to the community level; and (4) the proposed national security bill in pursuance of Article 23 of the Basic Law, which led to massive protests by half a million people on 1 July 2003 and the resignation of the secretary for security.
8. Over the years Tung had announced various ambitious plans for Hong Kong in his policy addresses. For example he envisaged it becoming a leading city for the development and application of information technology, a world-class design and fashion centre, a regional centre for multimedia-based information and entertainment services, a world centre for health food and pharmaceuticals based on Chinese medicine, a leading international supplier of high-value-added products and components, a regional centre for supplying professional and technological talents and services, and the market place for technology transfer between mainland China and the rest of the world – most of which have failed to materialize.
9. After losing the symbolic Anson constituency by-election in 1981 to the leader of the Workers' Party, J. B. Jeyaretnam, and then suffering a significant setback in the 1984 general election (with its share of the votes dropping by 13 per cent to 63 per cent), the PAP introduced several constitutional measures to bring in some non-mainstream views and create an artificial opposition. These included the creation of 'non-constituency members of parliament' to enable the entry into parliament of opposition party candidates (up to three in number) who had lost an election but exceeded a prescribed threshold (15 per cent of the votes cast), allowing backbench PAP MPs to form 'government parliamentary committees' to exercise some checks and balances over the cabinet, introducing multiseat 'group representation constituencies' to ensure representation of minority communities, and the creation of a directly elected president to safeguard against an 'irrespon-

sible government' misusing its power of appointment and the nation's fiscal reserve.

10. Constitutionally Taiwan is the Republic of China, being the stronghold of an émigré regime that was defeated by the communists on mainland China in 1949 and subsequently established a hold over the island, the sovereignty of which is still claimed by the People's Republic of China. Indigenous Taiwanese, however, regard Taiwan as a sovereign nation in its own right.
11. Lee Teng-hui had favoured his vice-president, Lien Chan, despite the greater popularity of a former KMT secretary-general and provincial governor, James Soong. Soong left the KMT to stand as an independent and scored more votes than Lien in the 2000 presidential election. He later founded the People First Party (PFP). The PFP formed a loose alliance with the KMT to fight the 2004 presidential election, with Soong running as vice-president in a joint ticket with Lien, who had taken over the KMT leadership in 2000 following the resignation of Lee as a gesture of his responsibility for the KMT's election setback. After lying low for a while, Lee re-emerged on the political scene as the founder of the pro-independence Taiwan Solidarity Union, which allied itself with the DPP.
12. The bloody crackdown on local protests on 28 February 1947 by the KMT governor (known in Taiwanese history as the February 28 Incident) and the subsequent brutal suppression of the opposition had bred an enduring popular sentiment in favour of independence and the establishment of an indigenous regime.
13. The KMT considered that its failure to implement land reforms on the mainland was the main reason for its loss of support among the peasants during the civil war with the communists in the 1940s.
14. In the 1991 constitutional amendments, Article 10 of the Additional Articles (now Article 11) limited the Republic of China's jurisdiction to the territory of Taiwan (which included adjacent islands), thereby acknowledging the legitimacy of the regime in mainland China, which had previously been branded a 'bandit regime' by the KMT. The Additional Articles also stipulated that the members of the National Assembly (dissolved in 2000) and Legislative Yuan should be elected only by citizens of Taiwan. The 1992 constitutional amendments provided for the direct election of the president and vice-president from 1996 onwards, again only by the electorate of Taiwan.
15. Notably the separation of the military from the KMT, the effort to rejoin the United Nations, direct popular election of the president, and welfare programmes such as universal health insurance, subsidized housing and a state pension. See Hsiao and Cheng (1999, p. 126).
16. *Taiwan Daily*, 1 July 2001.
17. According to some polls, public satisfaction with Chen's performance plummeted from 77 per cent at the time he assumed the presidency to a mere 31 per cent in September 2003. See TVBS Poll Center (2003).
18. DPP membership doubled from 200476 in 1999 to 413361 in 2002. See www.dpp.org.tw/history/pub/LIT_13.asp.
19. 'Black' denotes the secret underworld and 'gold' denotes extensive vote buying and fund pumping to local political factions in order to secure their support.
20. For example a nuclear plant controversy induced a former DPP chairman, Lin Yi-hsiung, to launch a cross-Taiwan protest against the government.
21. Unemployment reached an all-time high of 5.35 per cent in August 2002. In January 2003 it stood at 5.03 per cent, compared with 1.51 per cent in 1992

(http://quickstart.clari.net/qs_se/webnews/wed/ay/Qtaiwan-economy.Ro.3i_DFQ.html; National Policy Foundation, http://www.npf.org.tw /PUBLICTION /SS/091/SS-R-091-033.htm).

22. For a while in the mid 1990s, Lee Teng-hui promoted a 'look south' policy by encouraging Taiwanese businessmen to increase their investments in Southeast Asia in order to reduce the political and economic risks of overdependence on mainland China.

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