

New year ramblings: Universities, industries and politics

[Tsang Shu-ki](#) (5/1/2004)

Tertiary quagmire

There is so much fuss about the funding of tertiary educational institutions in HK lately; and the issue has been heavily politicised. Years ago, I was among the first ones in the academic circle who advocated a 10% cut of salaries for the professors. Not surprisingly, that did not earn me many friends. A great deal of inefficiency undoubtedly exists in the universities and economising (which is not equivalent to a budget cut, at least in terms of logic) is fair and what taxpayers deserve. The same can be said about many branches of the civil service.

The key problem, as I see it, has two interrelated aspects: namely, the essentially “envelope” or one-line budgetary approach of the government is combined with the lack of sound and democratic governance in the universities. Five of the tertiary institutions funded by the UGC do not have a proper audit committee. And the University Council in many cases has not done a very good job because of the low attendance rates of external members. See [Chapter 8 of the March 2003 Report](#) by the Audit Commission of the HKSAR Government.

The consequence is that a deep cut will affect most severely the junior staff, the parties with less bargaining power, and the new recruits, while some, if not most, of the “beneficiaries” of the vast expansion in the run-up to 1997, especially those in the top echelon might resist changes and protect themselves. The tertiary sector is a “knowledge-intensive” industry, and the knowledge cycle is getting shorter and shorter. Such a result, which frustrates the bright and the rising intellectuals and researchers with good potentials, will adversely affect R&D and manpower training at the high end. HK’s “quality advantage” could be further eroded.

Without a development strategy on the part of the government, and/or solid economic clusters around leading industries like those in Switzerland, there is no reliable long-term manpower projection to speak of. Then the one-line budgetary approach could always be defended by asserting that “academic autonomy” needs to be respected. Some would regard that as an expression of hypocrisy, or a lamentable continuation of *laissez faire* ideology. Despite the near-nihilism, crucial questions have to be addressed. Where to cut? What to economise? Is it rational to order a 20-30% budget cut and let the authorities in institutions without sound governance to decide on their own? Some of them might resort to an “egalitarian”, across-the-board, reduction, which is unlikely to be quality enhancing in a sector where the output is knowledge.

On the other hand, collegial governance is obviously superior to bureaucratic micro-management (unguided by societal vision) in the internal control, quality assurance and programme development of universities. It is indeed a necessity for civilised learning and research. That is why “peers review” is valued, in spite of its well-known setbacks. However, purely collegial governance cannot solve the problems of tactical behaviour for self-interest (although the “self” here seems to be larger than individuals). Witness the existence and growth of so many business schools and degree programmes in HK!

A better alternative is that HK, through a “triangular alliance” among the academia, the business sector and the government (something that I have been advocating for quite some time), can formulate a development strategy and invest in (and redirect resources to) the appropriate categories of human capital. Societal priorities, in the form of a comprehensive vision, should serve as the overall framework in allocating scarce funds to competing tertiary institutions, at least in key areas. There can be no replacement for it in the case of publicly funded universities.

Of course, the territory-wide strategy has to be formed on a social democratic basis. In the ultimate analysis, an appropriate developmental vision and a sound governance structure are the two interrelated pre-requisites for nurturing a quality tertiary sector. We lack both in HK; and we are in the aftermath of a bubble, which has significantly raised expectations and actual stakes. Hence the dilemma.

Dissolving clusters in HK's industries

After an informal forum with a group of industrialists, I sent an email to a good friend of mine who participated in it:

“ Dear XX, You are right that the opportunities offered by CEPA for enterprises like yours will last a long time beyond 2 years. That's why you are so busy. But for HK to re-establish its manufacturing base, it requires a "clustering effect" of industrial groupings and linkages (cores plus peripheries), education and training (every businessman yesterday complained about the lack of high-quality AND low-quality staff and an inter-temporal “break-off” in manpower), investment in R&D, and brand-name establishment etc. We have lost a lot of time and can't afford to wait much longer. If even CEPA can't give us the “big push”, the prospect for HK (not for your business) is dim. That's what I meant by “window of opportunities”.

You are quite advanced in your business and the above factors probably pose no serious hurdles for you, if at all. The benefits outweigh the costs (of any relocation). That's why you are rosy about the future. My congratulations!

But for those industries whose representatives we met yesterday, particularly the managers of SMCs, they feel very “pessimistic” about HK because (1) either the cores or the peripheries of their sectors are gone (to the north); (2) the government hasn't offered any incentives on local investments; (3) the SAR's educational and training system is not providing them with the right types of manpower (a guy wanted 4 engineers from one of the local universities for his spectacles producing firm and got only one suitable candidate after a long search); and (4) it is much easier for the “big guys”, not SMCs (which produce most of the employment opportunities), to establish brand names. That's why only some of the large corporations are enthusiastic about a “cross-border industrial zone”.

So the logical move for the SMCs is to continue their northward exodus. What about the two-year chance offered by CEPA (with that unfavourable 30% C/O definition)? Well, just call it a golden moment lost. But they are still doing well in the PRD and further inland. It's HK's manufacturing cluster that is “dissolving” and carrying with it the jobs down the drain. Once lost, these jobs are not going to “return” so easily.

Wait until the present generations of 40s and 50s retire (many of them are still working thanks mainly to the Chinese culture in employment relations), which may not take long (as local winding up or winding down continue to occur), HK will have no manufacturing employment. But that is exactly the problem we are concerned with in the dual economy---the labour-intensive, second sector of the economy to be precise.”

HK ungovernable (by ineptitude and cowardice)?

The above are two examples of what laissez faire and disintegration could cost HK. The political front is, on the other hand, more depressing. But recently there seem to be some hopes.

The district board election results last November and the march on 1 January 2004 showed one thing: the enthusiasm fermented in the historic July 1 rally last year was no flash in the pan. People continue to be very unhappy with the incompetent government; and they seriously demand a greater say in policies. The demand is loud and clear. And the manner in which it has been expressed proves that democratisation is the only genuine solution.

The DAB knows this. Its efforts in shaking off the image of being “pro-government” may partly be tactical; but with the LegCo elections looming, it hasn’t got much choice.

I was sceptical of the proposal, in the aftermath of the July 1 rally, to “dethrone” Tung or to remove him as soon as possible, because it was technically not viable (it was obviously not---and few are insisting it now); and it would have more “scapegoat” impact than soul-searching effect. I said in a piece last July ([On “socializing empowerment”](#)),

“The two aspects of societal empowerment and institutional democratisation are theoretically interacting. But with the mess that exists, would there be enough capable people to board the old ship, or a “new” ship in the near future? The incorporation of “moderate democrats” in a reshuffled Tung administration (whatever that means) could backfire: it might result in more “politics of frustration” and generate further divisions. Nevertheless, the underdevelopment of political elite does not imply that there is nothing much to do, as some parties of vested interests argue. Far from it, there is a lot of “preparatory work” to be done. It is just that we should not focus on quickly changing the election systems and the core of “power” in CGO alone. To put it dramatically, let the core of the apple continue to rot! What we should do is similar to “surrounding the city from the countryside””.

It appears that even with the huge amount of efforts by the central government to prop up the SAR economy, the apple has continued to rot---what a great service the Administration is doing to sustain the democratic momentum in HK! The failure to find any genuine culprits for mishandling the SARS crisis instilled a strong sense of injustice among many, while the mess about tertiary funding, with a mixture of arrogance, theatrics and follies as dressings, would not fail to amuse anyone with an IQ over 100.

The government is now on a defensive mode: not venturing to do anything that angers a crowd and retreating on moves that are unpopular to vocal groups irrespective of their necessity. In other words, HK is having a government by ineptitude and cowardice! The calculation is, though, that the speed of the rotting the apple, alleviated by continual central economic support measures, would be able to carry the administration to the end of its scheduled 5-year term. Hence a constitutional crisis would be avoided.

In the meantime, major political parties will also resort to tactical behaviour. The DAB and the Liberal Party will be increasingly critical of the government, while lashing a lame duck continues to be the Democratic Party’s votes-winning formula. What will become of HK? Hardly spirit enhancing, isn’t it?

The silver lining

Fortunately, behind all these, the HK people are showing great wisdom. The district board election results were a severe blow to outdated politicians, but not really a victory for professional, full-time “democrats”. The number of 100,000 surprised even the organisers of the January 1 rally, who were supposedly expert “direct-actionists”. As some commentators pointed out, the rally was coloured by an atmosphere of a carnival. People are increasingly capable of delivering their messages, efficiently and elegantly, to those in power (and the latter include not just Tung).

Of course, the problems of “the underdevelopment of our political elite and the heterogeneity of local ideologies” still remain. One just needs to pay some attention to the banners, slogans and posters of various groups in the January 1 rally to realise that they were often contradictory and would require in aggregate 200% of available social resources. No government, however democratic, could satisfy those quests. A lot of “preparatory work” has yet to be done to nurture a less amorphous civil society with coherent visions that rationally compete with each other. Social democracy and participatory democracy should be our long-term objective.

In any case, there is a limit to what can be done informally. The formal political institution, which is a shambles, should be revamped in the nearest future without violating any constitutional order. At the end of the day, formal and informal political developments interact. Democratisation in the machinery of power would also help solve the problems of tactical behaviour. Once elected in positions of actual decision-making, politicians have to deliver, instead of just criticising and opposing. (We teachers know that the best way to deal with a naughty student is to assign him the responsibilities of being the class monitor.) With the scapegoat gone (that’s a 50% self-deserved scapegoat, mind you), people would face the music themselves. Given the rather civilised though heterogeneous nature of the local populace, demonstrated repeatedly in the past year, the externality effects in political risk (e.g. a movement for HK independence, direct challenges to Beijing) are rather small.

I think that the faultily designed political system is becoming a central drag to HK’s progress---although it is not the only source of all our problems. To remedy, we should strive for election by universal suffrage of the Chief Executive in 2007 and direct elections of all LegCo seats in 2008, while continuing with other aspects of “social empowerment” and civil society development. Being an important “intermediate step” in HK’s evolution into a social democratic entity, it serves at least as the most prominent working hypothesis for rational discourse in the community.