

1  
3  
5  
7  
9

# ADMINISTRATIVE REFORM IN HONG KONG: AN INSTITUTIONAL ANALYSIS OF FOOD SAFETY<sup>☆</sup>

11 John P. Burns

13  
15

## ABSTRACT

17 *In this chapter I trace the evolution of Hong Kong's political and*  
19 *administrative systems from one dominated by the bureaucracy to one*  
21 *dominated by the political executive. The change has had profound*  
23 *consequences for governance arrangements in Hong Kong and on reform*  
*capacity. I illustrate the impact of the change on the institutional*  
*arrangements in one policy domain, food safety.*

25

## INTRODUCTION

27 As they make policy on administrative reform, political executives operate  
29 within discrete political-administrative traditions that influence their  
31 calculations of how through reform to maximize political support. The  
traditions range on a continuum from those where politicians dominate

33 <sup>☆</sup>I am grateful for the support of the Hong Kong Research Grants Council in the preparation  
of this paper.

35 \_\_\_\_\_  
37 **Comparative Governance Reform in Asia: Democracy, Corruption, and Government Trust**  
**Research in Public Policy Analysis and Management, Volume 17, 21–38**  
39 **Copyright © 2008 by Emerald Group Publishing Limited**  
**All rights of reproduction in any form reserved**  
**ISSN: 0723-1318**

1 administrators (e.g., the UK) to those where administrators are relatively  
 2 autonomous from politicians (e.g., Germany or Japan) (Knill, 1999). These  
 3 relationships help to determine reform capacities: strong political executives  
 4 have better capacity to impose administrative reforms. The traditions are  
 5 also largely path-dependent (Peters, 1999) and they influence the institu-  
 6 tional choices of the political executive. Conversely, the institutional choices  
 7 of the political executive also influence political-administrative tradition:  
 8 the process is an iterative one. Cases of states changing from one tradition to  
 9 another in a relatively short period of time are rare. Yet, this is exactly what  
 10 has happened in Hong Kong. As a result of regime change, the political  
 11 executive in Hong Kong has improved capacity to impose administrative  
 12 reform.

13 I trace the evolution of Hong Kong from a system dominated by the  
 14 bureaucracy to one dominated by the political executive. This change has  
 15 had profound consequences for governance arrangements in Hong Kong  
 16 and on reform capacity. I illustrate the impact of the change on the  
 17 institutional arrangements in one policy domain, food safety. I draw on  
 18 official documents, especially Legislative Council papers, other government  
 19 documents, depositions and petitions submitted by trade representatives,  
 20 official Hong Kong and mainland websites, and a series of interviews carried  
 21 out with Hong Kong government officials in August 2006.<sup>1</sup>

23

## THEORETICAL CONSIDERATIONS

25

26 This chapter draws on two theoretical perspectives, historical and rational  
 27 choice institutionalism. According to historical institutionalism public  
 28 organizations are path-dependent – historical traditions and informal  
 29 norms are important for understanding organization reforms. In order to  
 30 understand contemporary institutions we need to study their political and  
 31 policy histories. Once governments make their initial institutional choices,  
 32 the patterns created will persist, unless there is some force sufficient to  
 33 overcome the inertia created at the inception of the program (Peters, 1999).

34 Path dependency helps to explain patterns of relationships between  
 35 politicians and administrators in various political systems. According to  
 36 Knill (1999) we can explain reform capacities in terms of the relative power  
 37 relationships between politicians and administrators. In some systems, such  
 38 as the United Kingdom, strong political executives dominate administrators  
 39 and are able to impose administrative reforms on government agencies  
 relatively successfully. In other systems, such as Germany or Japan, strong

1 bureaucracies have dominated weak politicians. In these systems bureaucrats  
2 are able to veto, significantly modify, or indefinitely delay administrative  
3 reforms. An historical institutionalist approach would lead us to expect that  
4 types of relationships between politicians and administrators are relatively  
5 stable. Yet I also understand that while institutions are enduring, they are  
6 also capable of adapting, for example, to the problems that they have  
7 created. Critical institutional events, during which a variety of internal or  
8 external forces come together, can alter institutional paths. One such event  
9 was the regime change that marked the transfer of sovereignty over Hong  
10 Kong to China in 1997. A result of this shock, was to move Hong Kong from  
11 a system dominated by administrators to one dominated by politicians. In  
12 this chapter I illustrate the impact of this change on institutions and  
13 administrative behavior by examining the case of food safety.

14 Historical institutionalism has relatively little to say about institutional  
15 design (Peters, 1999). To remedy this problem I draw on the literature of  
16 institutional choice from the perspective of transactions costs analysis  
17 (Horn, 1995; Williamson, 1999). According to this perspective politicians  
18 have a choice of institutions to deliver public services. Generally they choose  
19 the institutional arrangements that reduce four kinds of transactions costs  
20 including (1) decision-making costs (which implies that they prefer vague  
21 solutions if beneficiaries can readily participate in administrative rulemaking  
22 ex post); (2) commitment problems, such as the possibility that politicians in  
23 the future may undo the policy or institutional choice thus threatening support  
24 for politicians; (3) uncertainty costs, the risks associated with complying with  
25 government policies or attempting to influence them ex post; and (4) agency  
26 problems, that is the problem that the agency will fail to implement the policy  
27 as politicians intended due to information asymmetry and/or conflicts of  
28 interest between the principal (politicians) and the agent (administrators). This  
29 perspective assumes bounded rationality, methodological individualism, and  
30 that politicians are concerned to please their constituents.

31 Combining these two perspectives I explain the changing institutional  
32 choice of the political executive in Hong Kong as it moved from a position  
33 of weakness to strength vis-à-vis the administration. Combining the two  
34 perspectives improves the robustness of the explanation.

35

## 37 **THE CASE OF HONG KONG**

38 The case of Hong Kong demonstrates the utility of combining historical and  
39 rational choice institutionalism. Colonial Hong Kong preferred

1 autonomous governance arrangements that could help to address the  
2 political executive's legitimacy problems. With the transfer of sovereignty  
3 in 1997, the political executive sought to gain political control over the  
4 up-to-then bureaucratic state as it addressed new legitimacy problems.  
5 Strengthening the political executive was accomplished over time from 1997  
6 to 2002 when the Principal Official Accountability System (POAS) was  
7 introduced (see later).

9

### *The Administrative (Colonial) State*

11

12 The high colonial state (the 1970s and early 1980s) was characterized by  
13 bureaucratic rule (Lau, 1982; Scott, 1989, 2005; Miners, 1998). First, all  
14 official positions in the colonial government, except the Governor who was  
15 appointed by the UK government, were held by civil servants. Civil servants  
16 made policy, sold it to the public, and then implemented it. The political  
17 executive in this set up was confined to the Governor and his advisors.  
18 Second, governors generally were appointed from among British Foreign  
19 Office officials and arrived in Hong Kong with relatively little administrative  
20 experience, although some may have served briefly as advisors to previous  
21 governors. No governor came to the position with expertise in Hong Kong's  
22 education, social welfare, housing, transport, or other sectors. Moreover,  
23 they brought with them virtually no staff of their own. Accordingly they  
24 were heavily dependent on the civil service for policy. This meant that in  
25 policy terms, administrators dominated the political executive in all areas,  
26 except managing relations with the UK and China. Third, all formal power  
27 was centralized in the office of the Governor who was advised by an  
28 appointed (until 1991) legislature (the Legislative Council). Although the  
29 Legislative Council approved the budget, because of its formally weak  
30 (advisory) position, the administration had a high degree of budgetary  
31 autonomy. Power over the budget was in practice exercised within the  
32 administration by the Financial Secretary, himself usually a career civil  
33 servant. This does not mean that bureaus always obtained what they wanted  
34 (they did not), but it does mean that the political executive exercised only  
35 weak control over the budget. This state of affairs was aided by Hong  
36 Kong's huge and relatively consistent budget surpluses. In Knill's (1999)  
37 terms, then, the administration dominated the political executive and was  
38 able to shape administrative reform to suit its interests. Fourth, the colonial  
39 state faced continuous legitimacy problems (Scott, 1989). These were  
40 addressed, but not overcome, by cooptation of the local elite into various

1 advisory positions and elected local councils, on the one hand, and by  
2 adopting policies that lead to rapid economic growth, which provided some  
3 kind of performance-based legitimacy, on the other.

4 The autonomy enjoyed by Hong Kong's administration was reflected in  
5 its approach to public health and food safety. Hong Kong's public health  
6 function came into existence in 1843 principally to serve the needs of the  
7 government, the British military, the police, and prisoners. Only gradually  
8 did it extend its reach to the community. The Medical Department was set  
9 up in 1872 and by 1890 included a 'government analyst' whose duties  
10 included determining food and water quality (Ho, 2004, p. 169). From at  
11 least this period food safety came under the purview of relatively  
12 autonomous bureau-type agencies,<sup>2</sup> especially the Department of Health  
13 (DH) which took up responsibility for the safety of all imported (that is  
14 virtually all) food in Hong Kong.

15 In 1883 administrators put sanitation (including the cleanliness of wet  
16 markets which sold raw, unprocessed food) under the control of a relatively  
17 independent Sanitation Board (Ho, 2004). Conflict between influential  
18 members of the public and civil servants over whether a more tightly  
19 controlled Department of Sanitation, staffed by civil servants, or a more  
20 independent Sanitation Board should manage the cleanliness of food  
21 markets apparently dates from at least the 1890s (see Lau, 2002). The  
22 government preferred the Sanitation Board, but was eventually persuaded to  
23 set up a Sanitation Department in 1908. The colonial government's view was  
24 that it should be as little involved in food safety and sanitation as possible.

25 Hong Kong's status as a city also contributed to the decision to put food  
26 safety in the public health domain. Being almost completely urbanized, Hong  
27 Kong had little local production of agricultural and fishery products (they  
28 accounted for only 0.1% of GDP in 2005) and has imported virtually all  
29 (95%) of its food since World War II. Accordingly, in Hong Kong the  
30 domestic lobby for agriculture and fisheries is small and relatively insigni-  
31 ficant. Pressure to frame food safety as an adjunct of agriculture, requiring  
32 protection and development for an export market, was almost completely  
33 absent in Hong Kong. Indeed a department of agriculture was set up only in  
34 1946 (prior to that time administrators established agencies such as the  
35 Government Gardens Department). This sets Hong Kong apart from many  
36 places where food safety policy is dominated by agricultural bureaucracies and  
37 their producer clients (Ansell & Vogel, 2006; Toke, 2004; Nestle, 2003).

38 The colonial state's approach to governance (defined here as a preference  
39 for autonomous agencies) and its need for legitimacy lead to highly  
40 fragmented institutional arrangements including those for food safety. The

1 colonial political executive was not as constrained as post-1997 politicians  
2 by the need to please beneficiaries. Still, pleasing beneficiaries (to gain and  
3 maintain legitimacy) was not unimportant given the colonial state's  
4 legitimacy deficit. The colonial political executive chose autonomous  
5 arrangements to manage food safety because of its governance ideology,  
6 on the one hand, and to reduce transactions costs, on the other.

7 According to the transactions cost approach, politicians seek to reduce  
8 their decision-making costs by articulating vague policy if they can ensure  
9 beneficiaries rights to participate in administrative rule making *ex post*  
(Horn, 1995). In a typical regulatory situation such as food safety,  
11 beneficiaries (the public) are a large and diffuse group, and accordingly  
12 have high participation costs. Those bearing the burden of regulation  
13 (for example, in this case importers, wholesalers, retailers, and restau-  
14 rateurs) are usually a small relatively cohesive group, whose participation  
15 costs are low. To ensure that beneficiaries are protected, the political  
16 executive will choose more autonomous arrangements, which is exactly what  
17 it did in Hong Kong. The political executive's concern that future politicians  
18 might undo these arrangements to the detriment of the public also  
19 encouraged a more autonomous solution. The political executive sought  
20 to reduce agency problems by relying on bureaus, which in principle were  
21 characterized by civil service type incentives, including performance-based  
22 promotion (Horn, 1995).

23 At its apogee, the colonial state's political executive chose to manage food  
24 safety and environmental hygiene through 11 different departments and  
25 agencies (Health and Welfare Bureau, 1998). These included two elected  
26 municipal councils, set up to address legitimacy problems, which each had  
27 authority to make different by-laws with different standards applicable in  
28 their respective (urban and rural) jurisdictions; three policy bureaus, three  
29 agencies (departments), and the Hospital Authority. At that time key  
30 aspects of food safety were the domain of the DH under the Health and  
31 Welfare Bureau. The DH operated mainly through a food surveillance  
32 system, testing samples of imported food and spot checks on retailers and  
33 restaurants. The Agriculture and Fisheries Department (AFD), where  
34 veterinarians were located, managed wholesale markets and supervised the  
35 inspection of imported live animals. AFD was managed by the Economic  
36 Services Bureau, reflecting its trade facilitation and agriculture and fisheries  
37 development functions. The Urban Services and Rural Services depart-  
38 ments, both reporting to different elected municipal councils, focused on  
39 restaurant licensing and environmental hygiene including the cleanliness of  
40 food markets.

1 These arrangements characterized above all by a high degree of autonomy  
2 from the political executive, accorded to colonial governance ideology, on  
3 the one hand, and addressed (weakly) the government's legitimacy problems  
4 through elected local councils, on the other. They had consequences for  
5 policy making and implementation, however.

7

### *Participation Rights*

9 The beneficiaries of food safety policy (the general public) are a diffuse  
10 group with high participation costs. Those burdened by regulation  
11 (importers, wholesalers, retailers, and restaurateurs) are relatively well  
12 organized and have lower participation costs. To protect the interests of  
13 beneficiaries, the colonial political executive chose more autonomous  
14 institutional arrangements, which are more difficult for the regulator to  
15 influence. In other political systems, more autonomous regulatory commis- **AU :1**  
16 sions are typical choices (Horn, 1995). In Hong Kong, the colonial political  
17 executive chose to spread responsibility of food safety among a large  
18 number of different agencies which made participation by 'the trade' more  
19 difficult. It also addressed the commitment problem by make reform of the  
20 arrangements more difficult. Indeed, it was only with the relatively drastic **AU :2**  
21 change of regime that reform became possible.

22 In Hong Kong stakeholders, such as local producers, importers,  
23 wholesalers, retailers, and restaurateurs, collectively known as 'the trade,'  
24 have formed scores of groups to lobby the government on food safety  
25 regulatory issues.

26 Given their lack of access and the decentralization of the food safety  
27 regime, 'the trade' has focused mostly on influencing government policy  
28 through its over-representation in the local legislature. Hong Kong's  
29 Legislative Council, resembling a bicameral system, is divided equally into  
30 two types of constituencies: 30 general constituencies (elected by universal  
31 suffrage and representing the public) and 30 functional constituencies  
32 (elected by interest groups that represent business and 'the trade'). Among  
33 the functional constituencies are Legislative Councilors who speak for food  
34 safety in one way or another, such as agriculture and fisheries, catering,  
35 wholesale and retail, commerce, and import and export. The trade is  
36 represented on the Legislative Council's Panel on Food Safety and  
37 Environmental Hygiene, which monitors the government's food safety  
38 policy and its implementation. Seven of the 10 members of the panel come  
39 from functional constituencies, including agriculture and fisheries, catering,  
and wholesale and retail, which ensures that the trade has significant

1 representation in any attempts by the government to change food safety law  
or regulation.

3 According to Hong Kong's constitution no bill may be passed by the  
Legislative Council unless a majority of delegates representing both types of  
5 constituencies assent to it. This provision gives 'the trade' some influence in  
the legislature to modify or resist food safety regulation.

7

#### *Uncertainty Risks*

9 Uncertainty over policy preferences and the impact they will have on  
beneficiaries is a cost to the political executive which it seeks to reduce  
11 (Horn, 1995). The colonial state reduced uncertainty costs by operating in a  
relatively closed environment. Policy was made and implemented by the civil  
13 service, with relatively little participation from even attentive publics, such  
as the trade. The nature of the colonial civil service also served to reduce  
15 uncertainty costs. Policy was made by a small group of elite administrative  
officers, who shared a common background (social class and education),  
17 and a common vision of their place in the Hong Kong political system and  
the role of the state in society. Elite administrative officers met regularly in  
19 the Policy Committee, chaired by the Chief Secretary, to make policy. They  
all knew each other, participated in key decisions, and were bound by  
21 common understandings. The administrative officer grade structure itself  
acted as a coordinating mechanism that reduced uncertainty (Lam, 2005).

23

#### *Agency Problems*

25 Agency problems arise when the agent (the administration in this case) fails  
to implement the policies of the principal (the political executive [the Chief  
27 Executive in this case]). Agency problems result from two general types of  
structural features of hierarchy, namely, information asymmetry and  
29 conflicts of interest (Horn, 1995; Moe, 1984; Williamson, 1999). Both  
featured prominently in the colonial set up.

31 The extreme decentralization of Hong Kong's food safety regime meant  
that no focal point existed to steer and coordinate policy in food safety. No  
33 policy bureau had responsibility for the municipal councils and their  
executive agencies (the Urban Services Department and the Regional  
35 Service Department) and the Director of Health's power to make binding  
decisions on food safety was considerably limited. The fragmented  
37 arrangements also undermined the ability of the administration to address  
large-scale food safety emergencies quickly. In 1997, 2001, and 2002, for  
39 example, Hong Kong was the site of a deadly outbreak of avian flu in  
humans. In these cases authorities established links between public health

1 and the way food was handled. The crises also revealed breakdown in  
communications that went way beyond the usual information asymmetries  
3 that characterize typical government bureaucracies. A lack of communica-  
tion within agencies in Hong Kong (e.g., the DH, AFD, and the Hospital  
5 Authority) and between the Hong Kong and mainland governments was  
especially damaging.

7 Conflicts of interest also characterized the decentralized arrangements. As  
the Permanent Secretary for the Health Welfare and Food pointed out,  
9 reflecting on the differences between the current and colonial (in practice,  
pre-2000) situation: 'If two bureaus [are involved] I have to get another  
11 Permanent Secretary to work with me. She may have a different agenda in  
terms of priority. When it comes to resource allocation we have to spend  
13 some time to fight as to who is going to pay for what ... So, from my  
perspective, now [under the reformed arrangements] I'm the Permanent  
15 Secretary for food safety and I can call the shots.' Policy coordination in  
particular suffered under the pre-2000 arrangements. The different missions  
17 of the various policy secretaries, focused on health, economic development,  
and planning, the environment and lands, undoubtedly undermined  
19 effective coordination of food safety policy. Indeed, these arrangements  
pushed policy coordination up to the Chief Secretary, who was preoccupied  
21 with other responsibilities resulting in delay and neglect.

Still, under these fragmented arrangements ties evolved linking food  
23 safety agencies at an operational level. Coordination was facilitated through  
personnel placements (seconding specialized staff from department to  
25 department such as, health inspectors from the Urban Services Department  
to the DH) and by developing standard operating procedures (SOP) that  
27 required the involvement of staff of another department, such as the SOP  
that required doctors in the DH investigating food poisoning cases in  
29 restaurants to turn their findings over to the restaurant licensing authorities  
in the Urban Services Department for action.

31 Interdepartmental working committees and task forces were used to  
handle crises, such as the 1997 avian flu outbreak (Poon, 2003). Initially led  
33 by the DH because officials viewed avian flu as primarily a health risk, the  
Urban Services Department was brought in to clean up Hong Kong's wet  
35 markets and the AFD to inspect local chicken farms, and then on December  
29, 1997 to slaughter all (1.5 million) chickens in Hong Kong, initially  
37 planned as a 24 h operation. Only after strong criticism from the legislature,  
the public, and the trade that the government had acted too slowly did the  
39 Chief Executive appoint the Chief Secretary to coordinate follow-up action  
(Poon, 2003).

1 Multiple levels of agency problems also characterized the relationship  
2 between Hong Kong and central and local mainland bureaucracies, on the  
3 one hand, and between the central government bureaucracies and local  
4 government agencies on the mainland, on the other. To stop the import of  
5 live chickens, for example, the government had to seek the cooperation of  
6 the Ministry of Foreign Relations and Trade (later Commerce) in Beijing  
7 which controlled livestock quotas. The Ministry, however, did not have  
8 information on the incidence of avian flu on mainland farms (this was held  
9 by the Ministry of Agriculture). The Ministry of Agriculture in turn was  
10 dependent on local agriculture bureaus to report this information.

11 The colonial political executive chose relatively autonomous arrange-  
12 ments for the management of food safety. If uncertainties were low, so too  
13 were participation rights for the private sector (the trade). A result of this  
14 institutional choice was relatively high agency costs.

### 17 *The Political State*

19 Regime change fundamentally altered the relationship between politicians  
20 and administrators in Hong Kong with the balance of power shifting toward  
21 politicians. Strengthening the political executive culminated in the  
22 introduction of the POAS in 2002 under which fixed-tenure politicians  
23 replaced career civil servants as policy secretaries. This move, which  
24 dramatically increased the number of politicians, established an entirely new  
25 relationship between politicians and administrators. As part of the POAS,  
26 the political executive centralized policy making in the hands of the  
27 appointed politicians. For the political executive regime change substituted  
28 one kind of legitimacy problem with another. Hong Kong's new status as a  
29 special administrative region of China addressed the problem of rule  
30 imposed through the coercive force of an alien state, but it did not address  
31 the problem of the people being disenfranchized. According to the  
32 constitution, the central government appoints the Hong Kong government  
33 in a process that excludes virtually all citizens in Hong Kong.<sup>3</sup> The shift of  
34 power from administrators to politicians was facilitated by the series of  
35 crises that engulfed the public health and food safety domains (discussed  
36 earlier).

37 Historical institutionalism is able to explain change in terms of adaptation  
38 and learning (Peters, 1999). Incremental adjustment to crises characterized  
39 the Hong Kong response as well. By 1998 politicians saw the need for  
40 structural changes to strengthen leadership in the coordination of food

1 safety policy and to ensure efficient coordination and prompt response to  
2 food safety crises (Constitutional Affairs Bureau, 1998).

3 To address agency problems the political executive replaced the  
4 fragmented and autonomous arrangements with a single more tightly  
5 controlled agency. The move sought to address agency problems by  
6 centralizing authority over food safety in a single department, (the Food  
7 Safety Center within) the Food and Environmental Hygiene Department  
8 (FEHD) which was formed from pieces of the DH, the (renamed)  
9 Agricultural, Fisheries and Conservation Department (AFCD), and the  
10 Urban Services and Rural Services departments. A single policy secretary  
11 working with one permanent secretary was put in charge of most of the  
12 relevant food safety departments FEHD, AFCD, and Health, and the  
13 confused structure of elected municipal councils and urban and rural  
14 services departments was abolished. This arrangement provided for a lead  
15 department (FEHD) and a single source of policy.

16 A consequence of these changes, however, was to replace one set of  
17 agency problems with new ones.

### 19 *Participation Rights*

20 Under the new more centralized arrangements, the trade has a single entry  
21 point to the policy system, namely the FEHD. An FEHD deputy director  
22 has regular meetings with various trade groups to consult them on  
23 impending changes to laws or regulations. The relationship between FEHD  
24 and the trade, however, was less one of bargaining and negotiation and  
25 more one of FEHD passing on information. As the former Director of  
26 FEHD pointed out: 'Whatever you told them at this stage in a regular  
27 meeting they wouldn't say much. But then things changed when you got to  
28 Legco. Then all of a sudden at Legco they said you never talked to me and  
29 then we pointed out that on such and such a date we told them about it [the  
30 policy]. They seemed to have forgotten everything we had told them before.'

31 Given their representation in Legco functional constituencies, the incentive  
32 to participate privately may have been low.  
33 Government's relations to the trade are to a large extent hierarchical.  
34 Government uses consultation with the trade to inform and to listen to  
35 objections. As the former Director of FEHD pointed out: 'We may change  
36 the details after talking to them, but yes, we still want to implement [the  
37 policy or regulation]. We are fully aware of the political facts. In the last few  
38 years all the important things ... we managed to get them all done ... In  
39 spite of all the kicking and screaming, they [the policies] were done because  
40 they were important.' On lower priority items for the government, such as a

1 scheme for rating restaurants according to their cleanliness and on nutrition  
2 labeling, opposition from the trade has resulted in delay. Because the  
3 government consults many different groups it may play one off against  
4 another to achieve a 'balanced' policy. 'Just because we I can't please both it  
5 is unfair to say that we haven't consulted ... we *have* consulted but we  
6 haven't listened, that may be true' (Interview, DFEHD, August 21, 2006).

7

#### *Uncertainty Risks*

9 One of the most significant consequences of the introduction of the POAS  
10 system was to increase uncertainty risks. Many of the politicians recruited to  
11 fill the elite policy positions came from outside the civil service. Accordingly  
12 they brought to their positions a wide variety of policy preferences that,  
13 because Hong Kong's system eschews political parties, were not molded into  
14 a coherent program. Individual preferences assumed an exaggerated  
15 importance in such a system. The government also replaced the Policy  
16 Committee, which had brought elite civil servants together to make policy,  
17 with an Executive Council, on which all political appointees sat. This  
18 arrangement fostered a silo effect, which undermined coordination at the  
19 top and increased uncertainty. Government policy became less predictable  
20 for both the administrators and the public, and increased risks of  
21 uncertainty.

#### *Agency Problems*

23 The new arrangements addressed some sort of agency problems, but  
24 resulted in new problems as well. The new arrangements facilitated the  
25 establishment of a new, high level Steering Group on food. The Group  
26 brings together senior officials from the bureau and the FEHD (and AFCD  
27 and Health as needed) to study longer-term policy issues. The Steering  
28 Group is the first such regular policy coordination mechanism for food  
29 safety created in the Hong Kong government.

31 The bureau has also established regular mechanisms to improve  
32 coordination including twice monthly meetings that the directors and  
33 deputy directors of FEHD, AFCD, and Health had with the policy secretary  
34 and the weekly meetings convened by the secretary with his permanent  
35 secretary, deputy secretaries, and principal assistant secretaries. Although  
36 these are held on a regular basis, their agendas are usually crises driven. The  
37 permanent secretary also maintains daily contact with the heads of  
38 departments supervised by the bureau. Heads of departments interact with  
39 other departments generally to iron out the details of policies set at the  
bureau (such as which department should pay for a particular exercise).

1 Policy bureaux turn to more ad hoc coordination mechanisms to handle  
operational problems that require an explicit policy steer. The interdepart-  
3 mental working committee chaired by the policy secretary of Health  
Welfare and Food Bureau (HWFB) to deal with malachite green in eels in  
5 2005 brought together many officials from the policy bureau, FEHD,  
AFCD, and Health to work intensively over only about a week and  
7 according to one source was called an ‘interdepartmental working  
committee’ for the sake of a press release ‘for ease of comprehension’  
9 (Interview, PSHWFB, August 25, 2006). The government gave these  
informal arrangements more structure to demonstrate to the public that  
11 action was being taken (as indeed it was).

In another case, the permanent secretary pulled together an interdepart-  
13 mental task force to deal with organized crime and food smuggling in a  
wholesale food market. In this case the permanent secretary of HWFB  
15 chaired a task force that included representatives of the Security Bureau,  
police, customs, FEHD, and AFCD. Initiative for the exercise came from  
17 the bureau. The permanent secretary pointed out: ‘We have to have a task  
force because they [the departments] will have to work together ... The  
19 bureau gives its blessing. If I need to sort things out I will have to come in.  
But by and large, I think after one or two interventions all departments  
21 worked smoothly together. My intervention is really to fund them to employ  
additional guards and strengthen the [market] management system.’ Fights  
23 over resources tended to undermine cooperation among agencies and  
required this kind of high-level intervention which was facilitated by the new  
25 institutional arrangements.

The new arrangements have not reduced problems of conflicts of interest  
27 among departments even those housed under one bureau, however. As a  
result of the reforms the single permanent secretary’s position has been split  
29 into two, which means turf battles between the two permanent secretaries  
that would be pushed up the policy secretary.

31 Conflicts between policy secretaries as they stake out their programs and  
compete for resources are more marked after the introduction of the POAS.  
33 In the food safety arena, for example, an October 2005 HWFB proposal to  
create a new Food Safety Inspection and Quarantine Department from  
35 parts of FEHD and AFCD prompted the Secretary for Environment,  
Transport, and Works to demand that AFCD’s remaining conservancy  
37 functions be transferred to her portfolio. The result would have been to  
abolish the AFCD, a move vigorously protested by AFCD staff who were  
39 supported by the legislature. This opposition scuppered the plan (see Health  
Welfare and Food Bureau, 2005).

1 Not surprisingly, the new arrangements have not resolved conflicts of  
interest among departments, some of which have long standing causes.  
3 AFCD's mission to develop agriculture and fisheries in Hong Kong makes it  
in some sense unsuitable to regulate food safety. As the former Director of  
5 FEHD pointed out, 'The two departments [FEHD and AFCD] have very  
different missions. Because of this, they also have different approaches [to  
7 cooperation] ... If you ask the AFCD people, if they are honest with you,  
they will tell you they are not quite sure what they are doing. They are  
9 caught between two bosses now [Health Welfare and Food; Environment,  
Transport, and Works]. [They say] for my first 20 years in the department  
11 my job was to help the industry develop. When it comes to the control side  
[and FEHD asks] "Hey, can you control the farmers for us?" they will be  
13 very reluctant ... But from day one FEHD is the control agent, we don't  
care whether the pig farm is prospering or not, we want to make sure the  
15 food is safe. Therefore we are very control oriented ...'

Although AFCD has provided support and cooperates at an operational  
17 level with FEHD on food safety issues every day, its commitment to food  
safety was tested to the limit in 2005 when the government blue print for  
19 food safety reform essentially called for the AFCD to be abolished. This  
episode demonstrates the limits to which the department is committed to  
21 policy coordination. Survival comes first, and in this case all key players  
recognized that the department should continue to exist even if food safety  
23 policy would be less effectively coordinated. As a deputy secretary pointed  
out: 'Obviously you cannot dismiss concerns of staff summarily ... We were  
25 talking about the breaking up of a very old and traditional department,  
sparking staff resentment which was something we have to think about ... if  
27 you want to force it through to the extent that staff are extremely unhappy,  
this will not do any good to the new department, nor to the community with  
29 its heightened expectations of what we could do and deliver' (Interview  
DSHWFB, August 21, 2006).

31 The new arrangements have facilitated improved coordination between  
the Hong Kong government and mainland authorities. The permanent  
33 secretary has regular meetings (three times per year) with officials of  
Administration of Quality, Supervision, Inspection, and Quarantine  
35 (AQSIQ)<sup>4</sup> in Beijing to review food safety policies. Given their policy  
rather than operational portfolios, informal contact between the permanent  
37 secretary and AQSIQ is rare. 'If things come to me [the Permanent  
Secretary] there is bound to be something serious ...' (Interview, PSHWFB,  
39 August 25, 2006). Generally these contacts between the bureau and the **AU:5**  
AQSIQ are maintained by a deputy secretary in the bureau or the director of

1 FEHD. Regular meetings were also held between food safety officials in  
2 Hong Kong, Guangdong, Shenzhen, and Zhuhai to review operational  
3 matters. Contacts between Hong Kong and the mainland have also been  
4 strengthened. These include a new notification system contained in  
5 protocols signed between the Hong Kong government and AQSIQ and  
6 Ministry of Agriculture that requires these agencies to notify the Hong  
7 Kong government of any adulteration of food or incidences of animal  
8 disease coming from AQSIQ-export registered farms. The two governments  
9 have also established a regular annual meeting of the policy secretary for  
10 HWF and the Minister of AQSIQ to review food safety issues and **AU:6**  
11 procedures.

12 In spite of these developments, information asymmetry and conflicts of  
13 interest still characterize Hong Kong mainland food safety issues, however.  
14 Problems with mainland-sourced food are complex. First, moral hazard  
15 problems and information asymmetries characterize the AQSIQ bureau-  
16 cratic set up. Given the high levels of corruption found in China generally,  
17 why should we believe that they are not also found in the licensing and  
18 inspection of farms and food processing plants? Indeed, Hong Kong food  
19 regulators admit that this may be a problem. As the permanent secretary  
20 said: 'Of course there is no fool-proof system, we have to be content with it.  
21 We still know that when it comes to matters with a trading interest we still  
22 have to grapple with the problem of possible corruption ... their own sort of  
23 norm, way of looking at the system...'. Yet, the Hong Kong government  
24 believes that because China is a food exporter (all controlled imports [high  
25 risk food] to Hong Kong comes through this channel) the incentive for  
26 mainland authorities to provide safe food is very high. Given the openness  
27 of Hong Kong, any problems here will be quickly picked up by China's  
28 trading partners.

29 Information asymmetries are a particularly difficult problem. Given that  
30 Hong Kong cannot send thousands of inspectors to investigate every farm  
31 or food-processing factory, the government relies heavily on the AQSIQ  
32 bureaucracy. The ministry in Beijing, however, may not know what is going  
33 on at local level. During the malachite green scandal, the government  
34 pushed the AQSIQ to set up a system of registered fish farms in China from  
35 which exports to Hong Kong would come. The authorities issued a list of  
36 such farms in short order, but Hong Kong journalists who tried to visit the  
37 farms found out that many did not exist.

38 Hong Kong is thus dependent on the mainland for information and the  
39 quality of its regulation. Although AQSIQ in some sense acts as an agent of  
the Hong Kong government on the mainland, AQSIQ has its own control

1 problems. AQSIQ is also an organization of the central government and  
2 thus probably outranks its Hong Kong ‘partners’ in the bureaucratic  
3 pecking order in China. Still, the evidence presented here is that both sides  
4 have an increasingly close and institutionalized working relationship driven  
5 by China’s needs to develop its food export business. This incentive has  
6 probably reduced agency problems somewhat.

7 The post-1997 political executive choose to exercise much tighter control  
8 over the food safety bureaucracy, in keeping with new governance ideas and  
9 pressure from the public for better service (better protection for  
10 beneficiaries). The new centralized arrangements increased uncertainty,  
11 however, and provided more focused access to the trade. The introduction  
12 of the POAS in 2002 resulted in new agency problems.

## 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

Regime change altered the balance of power between politicians and  
administrators in Hong Kong and improved the capacity of politicians to  
impose administrative reforms. Dramatic changes to the institutional  
arrangements for food safety date only from 1997. Politicians replaced the  
autonomous arrangements preferred by the colonial state with more tightly  
controlled institutions. Politicians took these steps based on their new  
understanding of governance and legitimacy, on the one hand, and to reduce  
transactions costs, on the other. As a result of the reforms, private sector  
participation became more focused, but uncertainty costs increased.  
Politicians replaced one set of agency problems with another. In particular  
the introduction of the POAS system, which was critical to cementing the  
position of politicians vis-à-vis administrators has led to new problems,  
which have undermined the coherence of government and policy coordina-  
tion.

In some sense the reforms of food safety are representative of reforms in  
other policy domains. They all have occurred within a general framework of  
shifting politician–administrator relations.

In 2005 the Chief Executive resigned and was replaced by a political  
appointee with long experience as a career civil servant. He has moved the  
system partially back to the colonial era, by reinstating the Policy  
Committee in a move to bring more coherence to the government’s  
program. Given the problems associated with the POAS, however, which  
continues to be implemented, more coherent policy is unlikely to result.



- 1 Health and Welfare Bureau. (1998). Progress on review of structure for discharge of food safety  
 3 and environmental hygiene. Paper prepared for the Legislative Council Panel on Health  
 Services, 12 October. Accessed on August 20, 2006. Available at [http://www.legco.  
 gov.hk/yr98-99/english/panels/hs/papers/hs1210\\_2.htm](http://www.legco.gov.hk/yr98-99/english/panels/hs/papers/hs1210_2.htm)
- 5 Ho, Pui-yin. (2004). *The administrative history of the Hong Kong government agencies 1841–  
 2002*. Hong Kong: Hong Kong University Press.
- 7 Horn, M. J. (1995). *The political economy of public administration*. Cambridge: Cambridge  
 University Press.
- 9 Knill, C. (1999). Explaining cross-national variance in administrative reform: Autonomous  
 versus instrumental bureaucracies. *Journal of Public Policy*, 19(2), 113–139.
- 11 Lam, Wai-fung. (2005). Coordinating the government Bureaucracy in Hong Kong: An  
 institutional analysis. *Governance*, 18(4), 633–654.
- 13 Lau, Siu-kai. (1982). *Society and politics in Hong Kong*. Hong Kong: Chinese University Press.
- Lau, Y. W. (2002). *A history of the municipal councils of Hong Kong 1883–1999*. Hong Kong:  
 Leisure and Cultural Services Department.
- 15 Miners, N. (1998). *Government and politics of Hong Kong* (5th ed.). Hong Kong: Oxford  
 University Press.
- 17 Moe, T. (1984). The new economics of organization. *American Journal of Political Science*,  
 28(4), 739–777.
- 19 Mosher, F. (Ed.) (1967). *Governmental reorganizations*. Indianapolis: Bobbs-Merrill.
- Nestle, M. (2003). *Safe food: Bacteria, biotechnology and bioterrorism*. Berkeley: University of  
 California Press.
- 21 Peters, B. G. (1998). Managing horizontal government: The politics of coordination. *Public  
 Administration*, 76(Summer).
- 23 Peters, B. G. (1999). *Institutional theory in political science: The 'new institutionalism'*. New  
 York: Continuum Press.
- 25 Poon Ping Yeung, P. (2004). *A study of the HKSAR government's strategy to manage avian flu  
 outbreaks*. Unpublished MPA dissertation, University of Hong Kong.
- 27 Scott, I. (1989). *Political change and the crisis of legitimacy*. London: Hurst.
- 29 Scott, I. (2005). *Public administration in Hong Kong: Regime change and its impact on the public  
 sector*. Singapore: Marshall Cavendish.
- Toke, D. (2004). *The politics of GM food: A comparative study of the UK, USA, and EU*.  
 London: Routledge.
- Williamson, O. (1999). Public and private Bureaucracies: A transaction cost economics  
 perspective. *Journal of Law, Economics and Organization*, 15(1), 306–342.

31

33

35

37

39

**AUTHOR QUERY FORM**

	<b>Book: RPP-V017</b>  <b>Chapter: 3</b>	<b>Please eail or fax your responses and any corrections to:</b> <b>Eail:</b> <b>Fax:</b>
---	--	---

Dear Author,

During the preparation of your manuscript for typesetting, some questions may have arisen. These are listed below. Please check your typeset proof carefully and mark any corrections in the margin of the proof or compile them as a separate list\*.

**Disk use**

Sometimes we are unable to process the electronic file of your article and/or artwork. If this is the case, we have proceeded by:

- Scanning (parts of) your article     Rekeying (parts of) your article  
 Scanning the artwork

**Bibliography**

If discrepancies were noted between the literature list and the text references, the following may apply:

- The references listed below were noted in the text but appear to be missing from your literature list. Please complete the list or remove the references from the text.  
 *Uncited references*: This section comprises references that occur in the reference list but not in the body of the text. Please position each reference in the text or delete it. Any reference not dealt with will be retained in this section

**Queries and/or remarks**

Location in Article	Query / remark	Response
AU:1	The sentence "To protect the interests of beneficiaries, the colonial...the regulated to influence" has been changed to "To protect the interests of beneficiaries, the colonial...the regulator to influence". Please confirm.	
AU:2	Please check the sentence "It also addressed the commitment...the arrangements more difficult" for sense clarity.	

1	AU:3	Poon (2003) has not been listed in the reference list. Please provide.	
3			
5	AU:4	Please check the sentence "As a result of the reforms the single...pushed up the policy secretary" for sense clarity.	
7			
9	AU:5	Please check the insertion of end quote in the sentence "If things come to me...be something serious."	
11			
13	AU:6	Is the abbreviation HWF well known? If not. please provide the expansion.	

15

17

19

21

23

25

27

29

31

33

35

37

39