Can Economic Integration appease autonomy demands? A comparative study of Hong Kong and Macau

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Abstract

In dealing with regions demanding more autonomy, states can intuitively utilize economic integration programs to forge a stronger sense of nationality. As regions share a “mutual economic advantage” with the sovereign state, in the words of political theorist David Miller, regions have weaker justification for more autonomy or even outright secession. Although economic integration has the merit of simplicity, it seems increasingly ineffective as regions from Scotland to Hong Kong have risen up to demand independence despite an increasingly globally and regionally integrated economy.

This resurgence of calls for independence have effectively questioned whether economic integration could really fend off these aspirations for more self-governing powers, or even outright secession. This paper aims to evaluate whether economic integration between a seceding region and the rest of the country they belong to could reduce demands for more autonomy by comparing the cases of Hong Kong and Macau.

Hong Kong and Macau are strange neighbors as the former have seen very large-scale democratic movements (and recently a smaller-scale independence movement) while the latter has seen virtually none. Macau has passed an anti-secession law, while the proposal of such a law took some 500,000 Hong Kong protesters to the streets in 2003. While both regions are undergoing large projects of economic integration, from the building of the Hong Kong-Zhuhai-Macau Bridge (HZMB) to the signing of the Closer Economic & Partnership Agreement (CEPA), the Hong Kong public is way more confrontational to China than Macau as demonstrated by their 2014 Umbrella Movement. Under a similar economic integration structure, why are there such variations in the response of the local populace and elites in Hong Kong and Macau? By looking into government archives, party elite behavior and economic data, this paper also aims to explain this difference in democratic or autonomy movement mobilization despite their close economic integration with China.

This paper found that the degree of economic integration alone does not determine the aspiration for autonomy. A more complex causal calculus is at work: It appears the former colonial history, China’s own objective of United Front and last but not least, the economic structure between the two territories led to diverging results of economic integration, and the subsequent attitudinal divergence towards elite demands for more autonomy. For instance,
handover to China was seen as a damage to the prosperity Hong Kong enjoyed under British colonial rule, while Macau saw Chinese rule as an alternative to bad governance under Portugal; Macau’s later specialization in the gaming industry is also set to benefit more from integration to China, while integration made Hong Kong more dependent on imports from China and Chinese tourists instead of bringing the promised economic growth.

Through a most-similar paired comparison, this paper aims to enrich the literature on autonomy arrangements by unraveling the complex causal map linking economic integration and the local aspiration for autonomy. This paper also aims to see if new experiences emerge by studying a dyad outside of the Europe or North America, where different cultural norms or social practices might be at work.

**Introduction: Economic Integration as an appeasement strategy?**

In dealing with regions demanding more autonomy, states can intuitively utilize economic integration programs to forge a stronger sense of nationality. As regions share a “mutual economic advantage” with the sovereign state, in the words of political theorist David Miller, regions have weaker justification for more autonomy or even outright secession. Although economic integration has the merit of simplicity, it seems increasingly ineffective as regions from Scotland to Hong Kong have risen up to demand independence despite an increasingly globally and regionally integrated economy.

These (re-)newed calls for independence have effectively questioned whether economic integration could really fend off these aspirations for more self-governing powers, or even outright secession. It appears the casual story for economic integration and strength of claims to autonomy is more complicated than it seems.

The first complication should stem from the locus of the integration. Domestic Economic Integration should be different from international economic integration, of which the latter seems to undermine the prevalence of the sovereign state in the economic development of the regions. In this sense, international economic integration in turn could strengthen the claims for regional autonomy as regions would be in a better position to make laws and decisions to reap the most benefit out of the international integration of markets.
Speaking of being in a better position to make use of economic integration, one should also be mindful of the varying levels of economic development across regions. If economic integration is tied with a political cost of submission to the sovereign state, then why embrace economic integration if the region has already enjoyed high levels of economic development? Thus one would not treat a regional economy that could rival that of the sovereign center (such as Catalonia and Spain) as receptive to economic integration as a regional economy that is already highly dependent on the center (such as Macau and China).

With these initial complications in mind, this paper aims to evaluate whether economic integration between a seceding region and the rest of the country they belong to could reduce demands for more autonomy by comparing the cases of Hong Kong and Macau. Hong Kong and Macau serves as fertile grounds for a kind of most similar system study to root out the conditions enabling economic integration to reduce the claims of autonomy, as under China’s economic integration strategy, they behave entirely differently. While both regions are undergoing large projects of economic integration, from the building of the Hong Kong-Zhuhai-Macau Bridge (HZMB) to the signing of the Closer Economic & Partnership Agreement (CEPA), the Hong Kong public is way more confrontational to China than Macau as demonstrated by their 2014 Umbrella Movement.

In this vein, this research aims to investigate how economic integration initiatives affect the claims to territorial autonomy of the two SARs in China and subsequently the actual changes to territorial autonomy.

**Economic Integration and Territorial Autonomy**

Scholars have studied and prescribed solutions to the issue of regional nationalism for a long time. From Scotland to Hong Kong, the regional citizenry makes use of nationalist arguments to demand outright independence. Thus, scholars have prescribed territorial autonomy to the issue since it would be the closest alternative to independence, minus the various efficiency loss due to independence (Bolton & Roland, 1997, pp. 1072–4). Here, territorial autonomy refers to ‘the authority of a territorial political unit within a state to be self-administering or self-ruling, such that it has some formal authority to make decisions about the substance and/or implementation of locally important policies’ (Henders, 2010, p. 12). Territorial
autonomy is manifested in a larger strategy known as territoriality, i.e. the organization of political space and the spatial extent of political authority (p.6). Unfortunately, making territoriality deals with the regions does not seem very effective in curbing regional nationalism. On one hand, regional nationalism persists, despite the fact that the ethno-regionalist parties may have softened their claims to autonomy (Massetti, 2009, pp. 505–510; Massetti & Schakel, 2016). On the other hand, central government elites may not necessarily like these territoriality deals, as they could be interpreted as a subversive element and a threat to territorial integrity, state security and stability (Henders, 2010, pp. 19–21). In the worst case scenario, these territoriality deals may not be necessarily honored in the long run (Suksi, 1998, pp. 152–163). At times, territoriality deals may be rolled back by a massive campaign of centralization, such as that occurred in Fujimori’s Peru (O’Neill, 2003, 2005, pp. 190–203) and Xi’s China (Tao-chiu Lam, 2013, pp. 156–161). Therefore, governments began to look elsewhere, and one strategy they could use is economic integration.

In the literature, the interaction between economics benefits a region gets from economic integration projects and their claims to territorial autonomy tend to manifest in the relevant literature on fiscal federalism (Musgrave, 1959; Oates, 1972, 1999; Tiebout, 1956). Fiscal decentralization is studied very often, in which fiscal transfers from central governments to local government is investigated in detail. In this sense, fiscal decentralization could be treated as a measure for territorial autonomy, which is not an intuitive measurable dependent variable in the study of regions (Bryson, 2010; Chhibber & Kollman, 2004; O’Neill, 2003, p. 1070, 2005, p. 17; Samuels, 2003, p. 163).

While the study of fiscal matters is more intuitive than the study on general territorial autonomy given its more intuitively operationalized measures, there are several issues associated with this strategy. First, while fiscal autonomy is the dependent variable, it is no longer clear what the explanatory variable would be. The intuition here is the relationship between economic benefits a region could gain from associating with a larger political community and the regional demand for autonomy. However, the exercise of studying directly fiscal autonomy is not exactly the same as the intuition as we set out to find a casual relationship but not the mere measurement of fiscal autonomy. In other words, we are interested in seeing how well does an economic integration with the sovereign state serve as an independent variable to the variations of a
region’s territorial autonomy. Second, these studies seldom reflect the regional receptiveness to these economic transfers. While one could easily gauge as to whether the regions demand more or less fiscal transfers from the center, this has little to do with whether the regional citizenry welcome the current constitutional layout of national and regional authorities or not. Indeed, at times the regional citizenry could welcome the increased fiscal transfer and economic integration projects but still hold a grudge on the political status of the region, such as that in Guam (Quimby, 2011). Third, to be able to study fiscal autonomy, the cases studied must assume some form of institution that regulates fiscal transfers. However, this excludes regions that lack such an institution. This includes regions that are (nearly) fiscally independent from their sovereign state, such as Hong Kong, Macau, some British Overseas Territories & etc. To be sure, fiscal (near) independence does not entail high territorial autonomy, thus the strategy of studying fiscal autonomy systematically excluded a group of cases that remain relevant to the study of territorial autonomy.

In fact, economic projects which involve regions do not limit to a fiscal perspective. With the rise of the literature on regionalism in the 1990s, there had been a surge of interest in economic integration and its effects have on the regions (Ansell, 2000; Keating, 1998; Storper, 1997). Normatively speaking, Miller (2000) discusses the implications of a generic “Mutual Economic Advantage” enjoyed by all peoples under the same sovereign union. Through promoting such an economic advantage, the once distinct national identities become interwoven over time so it is increasingly difficult to break away from that union where the “Mutual Economic Advantage” is in effect (p.134). Implications of economic integration are widely theorized in economics. For instance, Bolton & Roland (1997) made excellent equilibria reflecting how the regional citizenry would choose between unification, outright independence and entering a federal state under some form of autonomy agreement. The choice depends on the income discrepancy between regions, loss of efficiency upon independence and the amount of capital a region amassed. Alesina & Spolaore (2003) followed similar lines, exploring such a scenairo in the setting of a referendum.

However, economic integration is a rather broad family of integration policies that bring together various levels of economies. In the literature, at least three kinds of economic integration can be discerned: International, Intraregional and Vertical. Each kind of economic
integration has different implications for territorial autonomy, and it must be made clear that what kind of economic integration this study focuses on.

First, international economic integration denotes the integration of the regional economy with an entity outside of the national border. This could be the integration with the global economy (Keating, 1998; MacKinnon et. al., 2002, p. 303; Storper, 1997), or the process of European integration (Elias, 2008, p. 485; Keating, 1998, p. 11; Montanari, 2006). The effect of this kind of economic integration is relatively well-documented. There have been studies revealing the European Structural and Investment Funds could have potential in boosting the authority of regions (Ansell, 2000, p. 312; Morgan, 2007, p. 157; Storper, 1997, pp. 284–5). In the end, the EU is promoting a kind of European federalism in which all levels of government, including the regional authorities, share power and clearly distribute policy competencies with one level and another (Keating, 1998, pp. 13–4; Montanari, 2006). The effect of this kind of economic integration is quite nuanced, as some would argue that international economic integration would decrease the dependence of a region on their sovereign political community. Theoretically speaking, this allows for more support for territorial autonomy or even outright independence if one sees decreased dependence on the sovereign political community as decreased efficiency loss in the event of separation (Bolton & Roland, 1997). Keating (1998) even put it bluntly, that “In an interdependent world, autonomy in this sense is less important. … More important is policy capacity,” (p.135). Meanwhile, European regional development policies seem to have achieved a fine balance in empowering regions while keeping regional ethno-nationalist parties in check (Cole & Pasquier, 2012; Hepburn, 2008; MacLeod, 2001, pp. 819–821).

Second, interregional economic integration denotes the integration of various parts of the regional economy. This kind of integration is based on a strong belief in bottom-up policy making in the regionalism and economic geography literature, that is, the belief that localities are best positioned to make policies that benefit the localities the best themselves (Morgan, 2007, p. 153; Storper, 1997, p. 279). According to these scholars, regions and localities posses “relational assets” or “untraded interdependencies” that are unique to each region (Amin, 1999, p. 369; MacLeod, 2001, p. 807; Storper, 1997, pp. 21–2). Many studies on regions with a robust economy found that these unique competencies, once tapped on by a strong network of regional
firms and expertise, could lead to economic prosperity (Amin, 1999, p. 367; Ansell, 2000, p. 313; MacLeod, 2001, pp. 807–810; Morgan, 2007, p. 315; Tödtling & Trippl, 2005, pp. 1204–5). However, the effect of this kind of economic integration on territorial autonomy is unclear. If any, the literature seems to be more interested in the effect such integration has on policy autonomy rather than territorial autonomy (Ansell, 2000, p. 315; Morgan, 2007, p. 156).

The above portrays economic integration at the national (international integration) and local level (intraregional integration). The last kind of economic integration, vertical integration, denotes the integration of the national and sub-national economies. This kind of integration can play in the form a large-scale centrally funded infrastructure project, to economic cooperate agreement signed by the national and subnational government. This kind of economic integration reflects well with regional politics, which is usually conceptualized as politics at a meso-level sandwiched between national and local politics (Hopkin, 2009, p. 187; Thoenig, 2005, p. 702) Thus, what would integration look like at the regional level? If one looks at the concept of vertical transfer, a similar concept in fiscal politics, one could find that they denote the fiscal rebates or redistribution from the central government or other regions to a subject region in the purpose to fix regional imbalances or spill-overs (Färber, 2005, p. 94). Thus, if economic integration occurs vertically across national and subnational governments, it is likely that, along with vertical transfer, that the project could have political goals that span beyond shallow economic benefits of reduced transaction costs and trade convenience.

Vertical economic integration is less than common nowadays because it is usually the first steps of state-building (Flora, Kuhnle, & Urwin, 1999, p. 58). In western societies, vertical economic integration broke down the feudal restrictions on economic activity (Wimmer & Glick Schiller, 2002, p. 312) , or in Rokkan’s language of the development of common labor markets, how a labor market developed earlier could eventually dominate others to become the common labor market in a sovereign political community (Rokkan & Urwin, 1983, p. 96; 195). However, as political communities acquire new territory, the newly subsumed regions may have a very different economic order or institutions that thwart trade and businesses within the political community. Normatively speaking, economic intervention from the central government helps break down institutional restrictions on economic activity (Kymlicka, 1995, p. 177; Miller, 1995, p. 105), as the western states did with feudalism. Precisely since vertical economic integration is
rare and often unquestioned as it is a state-building process, it is worth studying as it allows us to look at how economic integration affects the claims to territoriality autonomy and that autonomy in the end without the caveats set out by the study of fiscal politics. Therefore, this paper aims to answer the following research question:

\textit{RQ1. To what extent can vertical economic integration projects explain the support to territorial autonomy in a region?}

\textbf{The Context of Hong Kong and Macau}

Hong Kong and Macau are two former colonies of the UK and Portugal in Southern China respectively. Negotiations of the transfer of sovereignty began in the 1980s and 1990s for Hong Kong and Macau respectively. Hong Kong was eventually handed over to China in July 1997, while Macau was handed over two years later.

To both Hong Kong and Macau, the uncertainty regarding the organization of the economy was a major concern in the sovereignty transfer negotiations. Following their colonial overlords, both Hong Kong and Macau were capitalist economies, while China at the time was still a socialist economy experimenting with market reforms. There have been worries that when socialist China take over, China would intervene in the domestic economic orders in Hong Kong and Macau (Ma, 2015, p. 41). To calm these worries, Deng Xiaoping, the then de facto leader of China promised in the negotiations with Britain that Hong Kong’s economic system would remain unchanged for the next 50 years under the “One Country, Two Systems” doctrine. The doctrine denotes a “separation of systems”, so that China remains socialist and Hong Kong could remain capitalist after the hand-over (Ma, 2015, p. 41; So, 2004, p. 241). The UK eventually signed a Joint Declaration with China in 1984, in which the doctrine of “One Country, Two Systems” is clearly reflected by a clause guaranteeing that “The current social and economic systems in Hong Kong will remain unchanged, and so will the life-style,” (Government of the People’s Republic of China, 2007). Portugal reached an almost identical joint declaration with China three years later on the status of Macau with little domestic opposition (Gunn, 1996, pp. 173–4). Eventually, two mini constitutions, better known as the Basic Law, were drafted for Hong Kong and Macau and were entered into force upon the hand-over. After the handover, the two regions will be known as a “Special Administrative Region” (SAR) within China, which enjoys a high degree of autonomy, judicial independence and will be ruled by the local people.
The two SARs would also enjoy independent finances from China (Ieong et. al., 2004, p. 351; Yee, 2001, p. 3).

Despite the guarantee, the three economies are not completely independent from one another. Prior to any vertical economic integration, the three economies are already quite connected with one another. In the 80s, Many Hong Kong entrepreneurs saw potential in China’s cheap labour and land so they have relocated most of the manufactories to China (Ash, 2000; Yu, 2013, p. 79). By 1989, this becomes a major economic force, as the value of Hong Kong’s imports from China related to outward processing was HK$ 113.6 billion, some 58% of the value of all imports originating in China. By 1994, the figure surged to some HK$354.9 billion, which was 75% of Hong Kong’s Chinese imports in that category (Ash, 2000, pp. 60–1). Although the economic backbone of Macau was its gaming industry, it nonetheless depends on Chinese imports for the operation of its economy. Long before any vertical economic integration could take place, Chinese imports have already constituted some 32.6% of all Macau imports in 1981, while that figure would eventually rise to 41.7% in 2002 shortly before the signing of a free-trade agreement with China, the Comprehensive Economic Partnership Agreement (CEPA) in 2003. If “One Country, Two Systems” denote an entire separation of the two economic orders, it would be quite devastating to the economy in Hong Kong and Macau. Therefore, some form of gradual economic integration with China should be expected to create a conducive environment for economic development in Hong Kong and Macau (Gunn, 1996, p. 114; Lo, 2008, pp. 51–2).

This is where vertical economic integration links up with territorial autonomy. When the territoriality deal of “One Country, Two Systems” did not work to win the hearts and minds of Hong Kong and Macau people, Beijing began to look at economic means. Beijing had not considered the use of economic integration for political purposes until 2003. In this turbulent year, an underestimated protest involving some 500,000 Hong Kong citizens erupted. The Central Liaison Office (CLO), China’s permanent representation in Hong Kong, failed to predict the scale of the protest and was busy looking for remedies (Lo, 2008, pp. 21–2). Meanwhile, the economies of Hong Kong and Macau were plagued by the SARS outbreak. Beijing then decided to slow down its pace of united front work. Instead of launching political initiatives, economic integration initiatives were proposed so that the economy of the SARs will be more dependent on the Mainland (Lo, 2008, pp. 11–2; Peter Chiu, 2006, p. 283; Rezvani, 2012, pp. 99–100).
signed two sets of free-trade agreements, better known as CEPA, in 2003 and 2004 with Macau and Hong Kong respectively. 10 Supplements were added thereafter to further liberalize the trade of goods and services between the China and the two territories. It was by this time the Tung Chee Wah administration of Hong Kong accelerated the process of economic integration by pushing ahead of the construction of the Hong Kong- Zhuhai- Macau Bridge (HZMB)(Lo, 2008, p. 66). The timing could not be better when Zhang Dejiang, the then party secretary of Guangdong extended the two SARs to the Pan-Pearl River Delta Regional Cooperation & Development Forum, or the so-called “9+2” forum in Jul 2004 (Yu, 2013, pp. 74–5). It is very obvious that after the Jul 2003 protest, a train of economic integration initiatives appeared as mitigation.

The concept of territorial autonomy is rarely used to study Hong Kong and Macau. Traditional methods explore the issue from a general perception of autonomy. For instance, Rezvani (2012) cited two perspectives on the issue in Hong Kong: (1) no autonomy, whom he called “dead autonomy theorists”; and (2) undermined autonomy, whom he depicted as “thousand cuts theorists”. This discussion focuses on how much autonomy is lost in Hong Kong but not necessarily what kind of autonomy is lost. Autonomy is also linked to fairness, as the loss in autonomy is attributed to claims of rigging of the District Council elections (Kwong & Yew, 2013, pp. 175–6). Last but not least, there is also the notion of civil autonomy, which means the space of negotiation for more concession when it comes to legal enforcement (Ku, 2004). Lo (2008) also discussed how judicial autonomy changes as opposition to Article 23 played out. Nevertheless, economic integration with China actually encroach upon infrastructure, trade and the society at large. Very rarely has all the aforementioned notions of autonomy consider territorial autonomy. Therefore, this study adopts the approach of territorial autonomy in order to evaluate impacts brought by vertical economic integration.

In the literature on the politics of Hong Kong and Macau, there is seldom an evaluation of the political outcomes of economic integration. Nevertheless, the use of economic concessions to pressurize SARs was felt by the press as the term “economic pressure” was indeed used before the handovers without further elaboration (Li, 2000, p. 141; Sciutto, 1996). Nevertheless, the effect of economic integration has upon territorial autonomy appears to be very striking, as we can see that the almost identical integration projects adopted in Hong Kong and Macau resulted
in quite levels of claims to territorial autonomy and territorial autonomy itself. There is almost no viable opposition that claims territorial autonomy nowadays in Macau, and the region even shared territorial authority in the Hengqian peninsula with the Zhuhai People’s government. In Hong Kong, however, there is still a sizeable opposition to intervention from Beijing, manifested from the yearly first of July protest and the recent rise of “localist” parties that called for the protection of Hong Kong’s autonomy. Some even preached on Hong Kong’s outright independence from China that is similar to many ethno-regionalist parties once did in Europe. Perhaps it is this difficulty of explicating how the same package of economic integration (Ash, 2000, pp. 60–1) led to very different degrees of territorial autonomy in Hong Kong and Macau that thwarted the inquiry of the political outcomes of economic integration.

There could be more exogenous factors at play. For instance, a historical factor can be deduced as the economy of Hong Kong was thriving before the British withdrawal while the Portuguese left Macau with essentially nothing but organized crime so the Macau people may be more receptive to China’s economic concessions (E. W. Yu, 2013, pp. 225–235). Demographic factors may be of interest as well, for instance, there is a dominant force of Mandarin speakers in the Macau civil service (Mendes, 2013, p. 79). Other factors such as the economic structure, party politics & etc. may also affect the manifestation of economic concessions in territorial autonomy. Nevertheless, one should keep an open mind as to what variables could mediate economic integration to have an effect on territorial autonomy

Methods

Hong Kong and Macau are highly similar in their background variables. They both share a colonial past, they both are capitalist economies as of today, they both share an almost identical constitutional setting under the Basic law and experienced the hand-over almost at the same time (1997 and 1999 respectively). In this sense, this study would follow a Most Similar Systems Design (MSSD) variant of the pair-wise comparison strategy (Levy, 2008, p. 10). MSSD allows us to root out the most relevant causes to the dependent variable by looking closely at the dependent variable itself (thus a Y-centered study, Rohfling, 2012, p.43).

A pairwise comparative strategy allows for “balanced combination of descriptive depth and analytical challenge that progressively declines as more cases are added” (Tarrow, 2010, p. 246). After all, as more cases were added to the study, the background variables would begin to
vary and thus we can no longer identify whether the effect on the dependent variable was indeed a cause of the explanatory variables (Gerring & McDermott, 2007, pp. 693–4; Tarrow, 2010, p. 244). For instance, it would be beneficial to the exercise of generalization if we add the cases of Tibet and Xinjiang, two autonomous provinces in China that share some form of territoriality deals with China in the study, but then the demographic context of these two provinces are quite different from Hong Kong and Macau (mainly due to a sizeable of Buddhist population in Tibet and Muslim population in Xinjiang), and their territoriality agreements are also different than that from Hong Kong and Macau (e.g. Tibet’s 1951 17-point agreement has provisions on the integration of the Tibetan Army into the PLA, while the Basic Law does not have such provision; Similarly, Tibet does not enjoy financial independence from China as Hong Kong and Macau do). These changes in the background variable would no doubt cloud the causal story in the study, thus this study only focuses on Hong Kong and Macau.

Since the ultimate goal of MSSD is to discover new relevant independent variables and drop irrelevant ones, this study is strictly a hypotheses-generating exercise (Levy, 2008, p. 13; Rohlfing, 2012, p. 43).

The dependent variable would be the claims to territorial autonomy. While direct measurement is not available given the lack of data on the public opinion on territorial autonomy, this can be measured by a proxy of the reaction to any changes in the territorial autonomy. Thus, this can be measured by the reaction to the changes in the media, and also by the internal reactions and negotiation processes leading up to the changes.

The immediate independent variable is the economic integration projects. However, as discussed above, the value of the independent variable appears to be identical, so some form of interaction effect, or some intervening variables must be at play. As theorized above, this study searches for such variables in three general directions. First, possible variations in the colonial history of the two regions would be considered. Then, differences in the economic structure of the two regions is to be considered too, as Hong Kong favors financial services while Macau favors the gaming industry. Last but not least, the role of the civil service requires attention, as there have been a rise in Mainland Chinese people holding civil service positions in Macau.

Data is mainly collected by archival study and supplementary interviews. The dependent variable is defined by data from studying the organizational structure, government procurement
process, operation in political institutions, macroeconomic data, official statistics & etc. These data are readily available on various government websites and databases. The independent variables is defined mainly by existing historical accounts, namely academic books, scholarly journals, newspaper articles and public opinion reports. However, since varying historiography may lead to biased values in the use of secondary historical accounts (Lustick, 1996), the use of historical sources should be triangulated by looking at various secondary sources. A small number of interviews were also conducted in Spring 2016 to confirm disputed or contradictory content in the secondary sources. Additional information regarding the interviewees whom interview is cited in this study is available in the Appendix.

Colonial History and Economic Integration
An investigation into the constitution of the colonial history of the two regions revealed some ample differences that led to differences in the reception of economic integration.

The Basic Law is the source of territorial autonomy of the two SARs as it gives out various rights peculiar to a sovereign state such as the right to taxation, right to issue independent currency & etc. However, some provisions clearly demonstrated Beijing’s dominance over the business of the SARs. For instance, the Basic law prohibits SAR governments from having a budget deficit and has to adhere to the aforementioned principle of fiscal prudence in Article 107 and 105 of the Hong Kong and Macau Basic law respectively. If the colonial retrocession negotiations monitored the drafting and passing of the two Basic laws, then negotiations during the colonial times were to blame for this imbalance.

The difference between the approaches of negotiation could arguably affect Beijing’s attitude. While the British were known for their confrontational stance during the negotiations, the Portuguese were said to be more moderate than their British counterparts (Gunn, 1996, p. 176; Mendes, 2013, p. 99). This led to different treatments of Hong Kong and Macau as Hong Kong was “punished for its provocation” and Macau was “rewarded for its understanding” (Gunn, 1996, p. 168). Portugal never valued Macau as it was not acknowledged as Portuguese territory in the Portuguese constitution (Mendes, 2013, p. 30). China and Portugal shared a mutual agreement, also known as the Acta Secreta in which the two governments regarded Macau as “part of Chinese territory and will be returned to China” anyway (p.32-3). Portugal’s objective in the negotiations was to minimize losses and protect its national dignity as they
retreat (Yee, 2001, p. 4). As a result, Portugal made most of the concessions in the negotiations, particularly on economic and financial issues. For instance, Portugal was to give up the Eastern Foundation (Fundação Oriente) proceeds even though they are private donations from the Casino tycoon Sociedade de Turismo e Diversões de Macau (STDM) (Mendes, 2013, pp. 95–9); It also conceded to Chinese demands to limit land development although it raised objections in the early stages of Joint Liaison Group (JLG) meetings (Gunn, 1996, p. 14; Mendes, 2013, pp. 74–5); This created a constitutional convention for the SARs to make concession to Beijing as their then colonial overlords to different degrees failed to protect the interests of the two regions. It can be argued that since Portugal had given up Macau even before the beginning of the negotiations, this constitutional convention is stronger in Macau than Hong Kong as the UK did not give up Hong Kong until the middle of the negotiations. However, it must be pointed out that this constitutional convention does not always apply when Beijing does not perceive any conflict of interest. For instance, when the Macau SAR government reclaimed two pieces of land without Beijing’s approval in 2006, Beijing did not intervene nor protest in any way (E. W. Yu, 2013, p. 230). Nevertheless, it is this leeway Beijing possesses and the underlying unpredictability which marks the greatest potential damage to the territorial autonomy of the SARs.

In Macau, economic integration projects are passed with little opposition and even attention. Macau even went as far as to shared territorial autonomy with Zhuhai People’s government to co-develop the Hengqin Island (Fan et. al., 2013, p. 1301). Figure 1 shows the development blueprint of the island.
Figure 1 - Planned land use of Hengqin Island as of 2013. Notice the University of Macau Hengqin campus (the large orange lot to the East) and Commercial and R&D land (Light and Dark Red). Source: Zhuhai New Hengqin Area Administrative Committee
Most of the plans were procured from the Zhuhai side instead of the Macau side. For instance, the Detailed Plan for the control of New Hengqin Area (橫琴新區控制性詳細規劃) was developed by Zhuhai authorities (Zhuhai New Hengqin Area Administrative Committee, 2015, p. 2015). Its master plan, the Hengqin General Development Plan (橫琴總體發展規劃) was developed in Beijing (Zheng, 2010, p. 2010).

Very strikingly, almost all critical media attention to the project comes from Hong Kong instead from Macau domestically (Lo, 2014, p. 83). Some raised concerns about the handling of politically sensitive banners (such as banners asking for attention to the Tian' anmen Square massacre on June 4th, 1989) in the new campus of the University of Macau (Jiang, 2013, p. 2). Putting a positive spin on the project, one Hong Kong commentator argued that the Hengqin strategy brought “One Country, Two Systems” to the next level as Macau and Zhuhai became geographically integrated (Jiang, 2013, p. 2). All in all, the project was implemented with little attention nor opposition from the Macau SAR government. This is likely to be attributed to the conceding attitude of the Macau and Portuguese authorities before China before the hand-over.

The same cannot be said for Hong Kong. While there is no shared autonomy case that can be found in Hong Kong yet, one could look at how the Hong Kong authorities and populace react to the issue of border control on the Hong Kong-Zhuhai-Macau Bridge (HZMB), which also involves Macau. It was once suggested that there should be two joint inspection points only (a.k.a. “One Area, Two Inspections”), namely Hong Kong-China joint inspection point and the Macau-China joint inspection point (Lee, 2008). Since China would be able to execute Chinese laws in the territory of Hong Kong and Macau, resulting in a loss of territorial autonomy¹. As the issue of border control lingered, some Hong Kong politicians tried to delay the provision of funding to the project. They won a judicial review over the Hong Kong government’s

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¹ Nordquist (1998) pointed that the constitutional interplay between central governments and local governments as a matter of social organization. Therefore, if we consider double legal execution from China and the SAR as a new type of social organization, it challenges the constitutional foundation of the SAR. Indeed, as Henders (2010) argued, territorial autonomy could be interpreted as a devolutionary grant of legal powers to a SAR. If the SARs’ devolved legal power has to be shared with China, their territorial autonomy is thus lost. See Nordquist, p.59 and Henders, p.16.
environmental impact evaluation report of the project. Provision of funding for the project was delayed two years to 2011 (Hong Kong Legislative Council, 2011; Sing Tao Daily, 2011). This suggestion was later reverted as the three governments agreed that border inspection shall be carried out independently by the three governments (a.k.a. “Three Areas, Three Inspections) (Tse, 2015). Compared to this joint legislative and executive challenge to the HZMB project, Macau again allowed intrusion of its territorial autonomy. Since Macau did not have water territorial rights, construction of a checkpoint in the Macau section of the bridge was illegal (Yee, 2001, p. 230). Therefore, Macau legislator Si Ka Lon questioned the administration how the patrol of coastal waters around the HZMB Macau section would be done so if Macau waters did not belong to Macau (Si, 2015). In late 2015, The State Council granted the Macau SAR 85km of Normal Coastal Territory (NCT, 澳門習慣水域) counted from the East and South of its land territory. Inside the NCT, Macau authorities would be able to plan and execute Macau laws. Figure 2 shows the area of the NCT. However, half of the artificial island of the HZMB inspection point is still not included in the new NCT. It would be intuitive to consider the Chinese Coastal Guard as the only possible tender for this duty (Yee, 2001, p. 230). Again, the Macau government made concessions to Chinese intervention on its territorial autonomy, while Hong Kong put up quite a fight against China. This is likely due to some form of entrenchment of concession, resulting in a feedback loop (Blatter & Haverland, 2014, p. 70; Pierson, 2000a, p. 263, 2000b, p. 483).
Figure 2 - Size of the 2015 Macau Normal Coastal Territory (NCT). Note the HZMB Artificial Island to the North in which half of the territory is still under Chinese jurisdiction. Source: Xinhua News Agency
Economic Structures of Hong Kong and Macau

Perhaps the most plausible background variables that could interact with the effectiveness of economic integration on territorial autonomy can be found in a basket of economic variables. One of these would be the varying economic structures of Hong Kong and Macau. Hong Kong’s economy after the hand-over has reformed into one that depends on financial services, while Macau reforms itself into a gambling center in the Southern coast of China.

The effect of this varying economic structure is quite prevalent in how the regions perceive the tourist visa liberalization scheme, the Individual Visit Scheme (IVS), an offshoot of the aforementioned CEPA (Ma, 2015, p. 45; Yuen, 2014, p. 71). While the number of Mainland Tourists traveling to Hong Kong skyrocketed since 2003, rising more than ten-fold from 2004 to 2014, Hong Kong’s economy does not depend on tourism. For instance, in 2014, tourism consists of only 5.1% of Hong Kong’s total GDP (Census and Statistics Department, 2016, p. 188)\(^2\). As a result, the IVS was not seen as positive as in Macau. In Macau, the number of Mainland tourists slowly grew to 21 million in 2014. Table 1 shows the figures of trips made from China to the two regions. One could find out that in 2008 and 2009, when the figures for Macau were first available, there were, in fact, more trips made to Macau than Hong Kong. Since IVS may not mean as much in Hong Kong as in Macau, problems of the IVS are more frequently raised in Hong Kong. To make matters worse, shops accustomed to these Mainland Tourists by using Simplified Chinese instead of the de facto official writing system in the two SARs, Traditional Chinese and not serving locals (Apple Daily, 2012). Double-negative parents (雙非) even exploited this scheme to give birth to children in Hong Kong and acquire Hong Kong citizenship thereafter (ON.CC, 2013). Parallel traders also exploited the scheme to smuggle Hong Kong goods to the Mainland (Sing Tao Daily, 2013). As a result, there have been anti-Chinese protests blaming “Chinese Occupation” of the city (E. W. Yu, 2013). A survey also found out up to 61% of respondents demanded to stop issuing multiple-entry visas to Mainland tourists (Chung et. al., 2014).

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\(^2\) This figure is not available for Macau, since Macau’s government did not classify Tourism as a separate industry in its statistics.
Table 1- Number of Trips made from Mainland China to Hong Kong and Macau

<table>
<thead>
<tr>
<th>Year</th>
<th>Hong Kong</th>
<th>Macau</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003 (Jul-Dec)</td>
<td>667,271</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>4,259,601</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>5,550,255</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>6,673,283</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>8,593,141</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>9,619,280</td>
<td>11,613,171</td>
</tr>
<tr>
<td>2009</td>
<td>10,591,418</td>
<td>10,989,533</td>
</tr>
<tr>
<td>2010</td>
<td>14,244,136</td>
<td>13,229,058</td>
</tr>
<tr>
<td>2011</td>
<td>18,343,786</td>
<td>16,162,747</td>
</tr>
<tr>
<td>2012</td>
<td>34,911,395</td>
<td>16,902,499</td>
</tr>
<tr>
<td>2013</td>
<td>40,745,277</td>
<td>18,632,207</td>
</tr>
<tr>
<td>2014</td>
<td>47,247,675</td>
<td>21,252,410</td>
</tr>
</tbody>
</table>

Source: Hong Kong Tourism Board; Statistical Yearbook of Macau, various issues;

Unlike Hong Kong, the IVS helped strengthen the gaming industry, the backbone of the economy in Macau. The gaming industry contributes to 83.5% of tax income in Macau (Liu et. al., 2015). Aside from shopping, Mainland tourists also patronized casinos and contributed to a significant part of the gaming income (Lo, 2014, p. 79). Beijing also helped shape this perpetual gambling economy, as they only award three concessionary gaming contracts by international bidding, effectively making Macau the only legal gaming territory in China. In 2001, American developers Venetian and Wynn groups entered the Macau Market under these concessions with fixed terms of 35% gaming tax and 4.0% in total dedicated to the development of Macau culture and promotion of Macau tourism (Hong Kong Exchange (HKEx), 2008; E. W. Yu, 2013, p. 226). By interfering in both the demand (the tourists) and supply (foreign developers) of the casino industry, there is little for Macau to do in this perpetual gambling economy.
The difference in Hong Kong and Macau’s level of economic dependence on China continues to manifest in terms of trade under CEPA. Table 2 presents the correlations of import and export figures on the Hong Kong-China dyad and the Macau-China dyad in 2007-2015. What is striking here is the almost perfect positive correlation between Hong Kong’s imports from China and Macau’s imports from China (r=.91). Also striking is the fact that while Hong Kong exported less to China (r=-.75), Macau exported slightly more to China (r=.10). This displays that Macau’s trade depends more on China than Hong Kong, as the trade goes both ways while the Hong Kong one is unilaterally focused on imports from China.

Table 2. Correlations of Import-Export figures for Hong Kong-China and Macau-China in 2007-2015.

<table>
<thead>
<tr>
<th></th>
<th>Hong Kong exports to China</th>
<th>Macau exports to China</th>
<th>Hong Kong imports from China</th>
<th>Macau imports from China</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>.60</td>
<td>1</td>
<td>-.25</td>
<td>.10</td>
</tr>
<tr>
<td>3</td>
<td>-.75</td>
<td>-.25</td>
<td>1</td>
<td>.91</td>
</tr>
<tr>
<td>4</td>
<td>-.63</td>
<td>.10</td>
<td>.91</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Hong Kong Monthly Digest of Statistics, various issues; Source: Statistical Yearbook of Macau, various issues;

If anything, China aims to increase Hong Kong’s trade dependence unilaterally. Table 3 presents the trade intensity index (Dale, 1997; Flörkemeier, 2000) of China. Results show that China prefers trading with Hong Kong more than any other major trade partners considered. Although there were similar levels of bias towards Hong Kong and Macau in the early years of CEPA, China eventually preferred trading with Hong Kong over Macau as the index for Macau has been dropping to just half of Hong Kong’s since 2012.

In short, the differences in the economic structure of Hong Kong and Macau led to rather different perceptions of economic integration projects domestically. When it fits into the economic structure and brought benefits to the Macau people, the regional populace and government raised little concern. In Hong Kong, when there was incongruence between the integration policy and the economic structure, problems of the economic integration plans are more likely to be picked up by the media and regional citizenry.
Table 3. Trade Intensity Index of China

<table>
<thead>
<tr>
<th>Year</th>
<th>Hong Kong, in China’s trade records</th>
<th>Hong Kong, in Hong Kong’s trade records</th>
<th>Macau, in China’s trade records</th>
<th>Macau, in Macau’s trade records</th>
<th>US</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>5.88</td>
<td>5.44</td>
<td>5.79</td>
<td>4.03</td>
<td>1.16</td>
<td>1.89</td>
</tr>
<tr>
<td>2008</td>
<td>5.69</td>
<td>5.40</td>
<td>5.62</td>
<td>3.66</td>
<td>1.15</td>
<td>1.96</td>
</tr>
<tr>
<td>2009</td>
<td>5.12</td>
<td>4.94</td>
<td>4.28</td>
<td>2.68</td>
<td>1.19</td>
<td>2.32</td>
</tr>
<tr>
<td>2010</td>
<td>4.97</td>
<td>4.50</td>
<td>3.83</td>
<td>2.45</td>
<td>1.19</td>
<td>2.25</td>
</tr>
<tr>
<td>2011</td>
<td>5.40</td>
<td>4.39</td>
<td>2.96</td>
<td>2.40</td>
<td>1.18</td>
<td>2.44</td>
</tr>
<tr>
<td>2012</td>
<td>5.88</td>
<td>4.30</td>
<td>2.80</td>
<td>2.40</td>
<td>1.17</td>
<td>2.25</td>
</tr>
<tr>
<td>2013</td>
<td>6.35</td>
<td>4.12</td>
<td>2.71</td>
<td>2.25</td>
<td>1.15</td>
<td>1.83</td>
</tr>
<tr>
<td>2014</td>
<td>5.46</td>
<td>3.84</td>
<td>2.37</td>
<td>1.97</td>
<td>1.13</td>
<td>1.63</td>
</tr>
</tbody>
</table>

Source: Author’s calculation; Hong Kong Monthly Digest of Statistics, various issues; Statistical Yearbook of Macau, various issues; Statistical Yearbook Statistical Yearbook of China, various issues; United States Statistical Yearbook, various issues; Japan statistical yearbook, various issues; WTO Statistics Database for global aggregated imports.

In 2014, China has introduced a stock market integration plan, the Hong Kong-Shanghai Stock-Connect (Hong Kong Monetary Authority, 2014) which may fit into Hong Kong’s economic structure this time. Two years later it was announced that a similar stock-connect project would be introduced in Shenzhen (China Securities Regulation Commission, 2016). While the Hong Kong stock market returns are largely negatively correlated with the Shanghai Stock exchange in the last decade (Jin, 2005, p. 49), this integration initiative seems to benefit Hong Kong very little. Again, the Hong Kong media put a rather negative spin on the project. It was warned that the scheme might be aiming to transfer Hong Kong capital back to the Mainland as a punishment for the 2014 Umbrella Revolution (Lian, 2014). Commentators also pointed to the possibility of China holding Hong Kong’s stock market hostage to coerce the adoption of the constitutional reform package in the LegCo in mid-2015 (Lam & Wong, 2015), although this was not true since the package was defeated and China did not intervene in the operations of the stock connect in 2015. It remains to be seen how the stock-connects would affect the claims to territorial autonomy in Hong Kong in the long run.
The Role of the Civil Service

While there has been some discussion on the role of the civil service on be indifferent to the territorial autonomy of the two regions, it is believed that the role played by the civil service in the regional leadership is not consistent. This section aims to look at the relative importance of the civil service in the regional leadership and how effective they could bridge economic integration to lowered claims to autonomy.

While detailed data on the behavior of the civil service in the two regions are not available, one trace of such clues is incontrovertibly available, that is the profile of the leadership of various bureaucratic departments. In Hong Kong, during the Tung administration, Tung appointed a majority of pro-Beijing elites into advisory committees as well as the quasi-cabinet- the Executive Council (ExCo). Neither political opponents nor civil servants were included in the leadership (Lo, 2008, p. 43). It was under his administration that Hong Kong pushed forward talks for the HZMB the most as the then Macau Chief Executive Edmund Ho revealed that Hong Kong wanted the bridge as so far as to ban the idea of having a railway line on the bridge (p.25-26; 66). Meanwhile, pro-Beijing businessmen were also appointed to various advisory positions (Fong, 2015, p. 110; Ku, 2004, p. 163).

However, this form of state-corporation clientalism was weakened as the Tsang and Leung administrations came into office. Compared with Tung’s exclusive cabinet, Tsang, originally a bureaucrat, removed a few pro-Beijing elites from advisory bodies while consulting the CLO directly for matters involving China-Hong Kong relations (Lo, 2008, p. 44). Meanwhile, the businesses were gaining more direct attention from Beijing, so they no longer have to be incorporated into the Hong Kong political system in order to advance their interests (p.223). Table 4 and 5 illustrates the background of ExCo members in Hong Kong and Macau cabinets respectively. The business sector dominated the Tung administrations but was ultimately overtaken by professionals and bureaucrats. As of the Leung administration, businessmen constitute only 14% of all ExCo members, while the Bureaucrats and Politicians constitute of 29% and 26% of the ExCo respectively. H2 claims that since pre-2000 bureaucrats enjoy life-long remuneration so they remain indifferent to integration and the subsequent loss of territorial autonomy (Lo, 2008, p. 12; So, 2004, p. 241). The move to incorporate more pro-Beijing politicians such as Cheung Chi-Kong, head of the “One Country, Two Systems” Center; Starry Lee Wai King, Chairperson of the
Democratic Alliance for the Betterment of Hong Kong (DAB); Regina Ip of the New People’s Party in the Leung era further strengthened support for integration initiatives.

The New Carrie Lam administration that set to take office in 2017 will see the return of a majority of civil servants in the ExCo. This is not surprising, given Lam’s background in the civil service. It remains to be seen whether Lam would return to Tsang’s indifferent attitude to territorial autonomy.

**Table 4 - Background of Hong Kong ExCo members**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>7</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Professionals</td>
<td>1</td>
<td>3</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Labor</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Culture, Media &amp; Education</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Politicians</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>5</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Civil Servants</td>
<td>2</td>
<td>8</td>
<td>10</td>
<td>13</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15</strong></td>
<td><strong>28</strong></td>
<td><strong>34</strong></td>
<td><strong>41</strong></td>
<td><strong>36</strong></td>
<td><strong>32</strong></td>
</tr>
</tbody>
</table>

*Note 1: Including all official and non-official members*

*Note 2: Including all members who had been part of the ExCo, regardless of tenure*

In Macau, while there has been attempts to link the issue of localization of the civil service (so that the majority of the Macau civil service would be ethnically Chinese and Mandarin Chinese-speaking) to the rising sympathy to China in the Macau civil service (Mendes, 2013, pp. 76–82; Yee, 2001, p. 10), we see little influence of the civil service within Macau’s ExCo. Table 4 shows the share of ExCo members with a background in the civil service. Only one or two civil servants have managed to enter the leadership in Macau after the hand-over. If the indifferent attitude of the civil service has an impact to muffle concerns over the claims to territorial autonomy, we would expect that the Macau leadership to pay more attention to the linkage between economic integration projects and territorial autonomy. However, with little influence of the civil service in the Macau leadership, Macau still managed to downplay issues related to territorial autonomy. Therefore, even if the
prominence of the civil service has an effect in bridging economic integration projects and territorial autonomy, the effect would be too inconsistent to draw any meaningful conclusion from it.

Table 5 - Background of Macau ExCo members

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Professionals</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Labor</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Culture, Media &amp; Education</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Politicians</td>
<td>2</td>
<td>6</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Civil Servants</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>12</td>
</tr>
</tbody>
</table>

Note1: Including all official and non-official members

Note2: Including all members who had been part of the ExCo, regardless of tenure

Discussion and Conclusion

Exactly two decades again, Bolton & Roland (1997) first suggested that the incentives for the regional citizenry to vote for independence or autonomy would have to depend on the income inequality across regions and capital of a region. They first called attention to the effect of (economic) regional variations has on the likelihood of union or separation of a region. While sovereign political communities have used all means, political or economic to curb separatist sentiments in a region, the actual effectiveness of such policies depends on the value of a handful of background variables.

This study has made it clear that economic integration projects do not necessarily, effectively eradicate claims to territorial autonomy. The Most-Similar pair of Hong Kong and Macau, despite under China’s strong economic integration machinery, has still managed to display very different degrees of aspirations to territorial autonomy. Figure 3 summarizes the revised causal story linking up economic integration and variations in the claims of territorial autonomy. While many Pro-China politicians tend to argue the prosperity of Hong Kong and Macau lies in China so that they should not confront China, the discourse does not always work depending on the values of relevant background variables.
First, the difference in the claims to territorial autonomy in Hong Kong and Macau can be attributed to the difference in the colonial history of the two regions. The UK did not want to give up Hong Kong until the very last moment of the Sino-British negotiations, while Portugal is willing to make any concessions to ensure that there would be an honorable retreat from Macau. The concessionary attitude carried on to the Macau SAR government, where they continued to make concessions over their territorial autonomy on land and in sea. This slowly develops into a feedback loop that the Macau government is willing to make even more concessions as time passes. Hong Kong, on the other hand, has no such concessionary history and has managed to challenge direct Chinese intervention on their territorial autonomy with limited success.

Second, the economic structures of Hong Kong and Macau vary so that the same economic integration deal would not result in reduced territorial autonomy uniformly. Hong Kong did not benefit much from the IVS and to some extent the CEPA, while Macau could due to and resulting in their high economic dependence on China.

The “One Country, Two System” doctrine, as many have picked up in the history of the policy, was originally designed to be an integration model for Taiwan (Lo, 2008, p. 13; So, 2004, p. 247; Yu, 2013, p. 80; Yuen, 2014, p. 73). Before the hand-over of Hong Kong and Macau, Chinese officials believed that prosperous Hong Kong and Macau under “One Country, Two Systems” could persuade Taiwanese populace to accept Chinese rule. Two decades have passed since Hong Kong’s hand-over in 1997. Not only has economic integration failed to reduce claims to territorial autonomy in Hong Kong, Taiwan across the straits have rejected a trade in services liberalization agreement with China in 2014. Once an
economic integration project failed to fit in the regional context, it would be increasingly
difficult to persuade that some new economic integration project would work in the same
region or in another region.

The experience in Hong Kong and Macau sends two strong messages to the study of
autonomous regions: Economic integration does not always appease claims to territorial
autonomy as some normative arguments claimed. What matters is the fit of background
variables. For Hong Kong, the misfit of CEPA and IVS have dire consequences on the
acceptance of later integration projects, such as the two stock-connects introduced in the
2010s. Second, the causal story of economic factors on territorial autonomy is more complex,
involving a complicated picture of interaction effects that require us to look beyond the
economic integration packages themselves. While this study has managed to generate some
plausible hypotheses regarding the colonial history and economic structure as interaction
variables with economic integration, some older literature, for instance, on center-periphery
cleavages (Hechter, 1975) and competition across regions may provide us additional insights
of what the interaction term would be like. In future studies, quantitative or qualitative, a
possible interaction effect on economic factors in the study of territorial autonomy should be
taken into account.

That being said, this study lays out several follow-up issues. First, while this study is
strictly a hypothesis-generating exercise, the proposition of hypotheses should be checked
with an in-depth process tracing exercise. Process tracing allows us to find out clearly how
the independent variables (X) and dependent variables (Y) are connected by a casual process
(the missing “Z” in between X and Y) (Collier, 2011, p. 825). The strict requirement for
Casual Process Observations allow us to back up the mechanistic argument with stronger
evidence (Beach & Pedersen, 2013, pp. 122–7; Blatter & Haverland, 2014, pp. 67–9). In this
way, a revamped systematic group of interviews with bureaucrats, politicians and social
leaders would be required to unravel clearly the “Z”, that is, the causal mechanism in
between economic integration (X) and claims to territorial autonomy (Y).

Second, this study is strictly limited to the context of Hong Kong and Macau, the
evidence found might be too distinct to be generalized beyond the Greater China region. It is
imperative that the hypotheses to be tested outside of China or Asia. While this study has
found out a quite distinct way how economic integration causes the variation of the
politicization of autonomy demands, one still cannot confidently disregard the currently
available hypotheses. This can be done by testing the waters in Europe, where there are more regions and multi-level states that are available for studying. In this way, the number of observations could be increased, thus allowing us to make more generalizable inferences beyond the paired cases of Hong Kong and Macau.

Third, while the generated hypotheses above are theoretically informed, there might remain some other necessary conditions that allow economic integration to have an effect on the strength of claims to territorial autonomy. A Medium-N exercise inspired by the Qualitative Comparative Approach would be suited to root out these necessary conditions that are not yet considered in the study (Blatter & Haverland, 2014, p. 78; Ragin, 2004).

Fourth, it would be interesting also to see how non-state actors, such as ethno-regionalist parties or regional/local party organizations react to the top-down economic integration from the central state. Since variation in the territoriality deal would affect the tendency of an ethno-regionalist party to adopt violent strategies (Massetti & Schakel, 2016), it would be curious if economic integration from the central state would have the same impact. In addition, political party organs across levels may react differently to economic integration strategies since they are not essentially the same object of analysis (Carty, 2004; Hopkin, 2009; Van Houten, 2009), so it would be interesting to see if the same political party would interact differently to the identical economic integration package according to varying territorial level of politics (and subsequently the variations in the background variables in those levels).

Acknowledgment

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