

# Organizational Adaptation of the Hong Kong Democratic Party: Centralization and Decentralization\*

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*This paper adopts an organizational approach to evaluate the development of political parties in Hong Kong. Using the Hong Kong Democratic Party (DP) as a case study, this paper studies the party's internal work and explores the relationship between party organization and the environment. This study illustrates that since its formation in 1994, the DP has been adapting to the environment so as to improve its prospects for survival after 1997. As centralization and decentralization are the vital issues in a party organization, this study proposes four elements—(1) the electoral process; (2) policymaking and implementation; (3) personnel management; and (4) fiscal policy—in investigating the DP's internal structure. The DP's organization has included adaptation to four environmental factors: (1) electoral law; (2) party competition; (3) diversity of district characteristics; and (4) financial sources. This paper concludes that in order to survive after 1997, the DP's organization must change because of the China factor. Its future adaptations are thus dependent on its attitudes toward the Chinese government.*

**Keywords:** political party; party organization; organizational adaptation; environmental factors; centralization and decentralization

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The Democratic Party (DP) is the most influential political party in Hong Kong<sup>1</sup> in the sense that it captured the most seats in

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<sup>1</sup>In Western counterparts, there is no satisfactory unified definition describing political

the three-tier councils<sup>2</sup> in the 1994 and 1995 elections compared with other political organizations (see table 1). Most Hong Kong observers are concerned about the DP's future development, partly because Chinese officials have often hinted that the DP's survival prospects after 1997 will be slim.<sup>3</sup> Some researchers have been interested in whether voters' party identification with the DP has been effective in fiercely competitive elections.<sup>4</sup> Existing studies have probed the obstacles to the DP's development, but have failed to examine the DP's responses to these obstacles. Has the DP been impotent in overcoming the stumbling blocks for its future development, or has it adapted to these problems? We cannot answer these questions without looking into the DP's organization.

This paper aims to investigate the DP's organization and how it has adapted to various environmental factors. Some Hong Kong observers view the DP as an organization incapable of overcoming environmental obstacles, especially the threat from the Chinese government.<sup>5</sup> This paper will argue that the DP is by no means powerless to cope with environmental obstacles, and that its development depends on how well it can adjust to the environment.

By using the DP as a case study, this paper will focus on the dimensions of centralization and decentralization within a political

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parties. In this paper I define Hong Kong's political parties as institutionalized organizations, having local branches, nominating members and seeking to win elections for various representative assemblies in order to gain political power and influence in the government. See Kay Lawson, *The Comparative Studies of Political Parties* (New York: St. Martin's Press, 1976), 2-3. Moreover, Herbert R. Winter and Thomas J. Bellows indicate twenty features which define political parties. See Herbert R. Winter and Thomas J. Bellows, *People and Politics: An Introduction to Political Science*, 3rd edition (New York: Macmillan, 1984), 181-82.

<sup>2</sup>The term "three-tier councils" is used to describe the three different types of representative assemblies, including the Legislative Council (the top council), the Urban Council and the Regional Council (the middle-tier councils), and the District Board (the lowest-tier council).

<sup>3</sup>Louie Kin-sheun, "Consolidation and Marginalization: Development of Political Parties in Hong Kong" (Paper presented at the International Conference on Political Development in Taiwan and Hong Kong, University of Hong Kong, February 8-9, 1996). Also see Joseph Y. S. Cheng, "Hong Kong Legislative Council Elections: A Review of the 1991 Elections and Preparations for the 1995 Elections," in *Xianggang zhengzhi yu xuanju* (Hong Kong politics and elections), by Joseph Y. S. Cheng and Louie Kin-sheun (Hong Kong: Oxford University Press, 1995), 53.

<sup>4</sup>See Joan Leung Yin-hung, "Political Parties and Voting Choice: The 1995 Legislative Council Elections in Hong Kong"; and Rowena Kwok Yee-fun and Elaine Chan Yee-man, "Political Identity and Participation in the 1995 Legislative Council Elections" (Papers presented at the International Conference on Political Development in Taiwan and Hong Kong, University of Hong Kong, February 8-9, 1996).

<sup>5</sup>See Louie, "Consolidation and Marginalization," 15.

**Table 1**  
**The Number of Seats and Votes Gained by the DP in the 1994 and 1995 Elections**

	Number of seats	Number of votes
1994 District Board Election	75 (21.6%)	147,774 (21.3%)
1995 Urban Council and Regional Council Elections	25 (32.5%)	207,399 (36.9%)
1995 Legislative Council Election	19 (31.7%)	385,428* (42.3%)

**Note:** “\*” The number of votes gained by the DP only includes those gained in the geographical direct election, which does not include those gained in the functional constituencies election.

**Sources:** *South China Morning Post*, September 20, 1994, 6; March 8, 1995, 4; and September 19, 1995, 4.

party, and illustrate how party organizations must adapt to different circumstances in order to survive. Through studying the relationship between party organizations and environmental factors, this paper also seeks to answer two questions: (1) What kind of organization has the DP adopted; and (2) What are the factors that have led the DP to adopt its particular organization?

The DP's organization is constructed as follows: its electoral process and policymaking are centralized, but its personnel management and fiscal policy toward local branches are decentralized. This particular arrangement is the consequence of four factors: (1) the electoral system; (2) fierce party competition; (3) diversity of district characteristics; and (4) financial sources. The DP's centralized and decentralized structures have thus enhanced its efficacy in engaging in various activities.

This paper is divided into several sections. First, it will introduce an analytical framework for investigating the relationship between party organizations and environmental factors. Specifically, four aspects—the electoral process, policymaking and implementation, personnel management, and fiscal policy—will be examined. Second, this paper will contend that the founding of the DP was an organizational adaptation of the two political parties, the United Democrats of Hong Kong (UDHK) and the Meeting Point (MP). The following four sections will analyze how the DP's organization has adapted to various environmental factors, including the “China factor,” in order to entrench party development after the sovereignty transfer. The paper concludes that the DP will become a more centralized organization after 1997.



development. Peter Mair indicates that political parties in Western countries are transforming from mass-type to cadre-type parties,<sup>8</sup> due to various environmental changes, such as the enhancement of technology in communications and the increase of financial support. In Taiwan's case, fierce criticism from opposition parties has placed the ruling Kuomintang (KMT, Nationalist Party of China) under pressure to democratize its organization.<sup>9</sup>

*Centralization and Decentralization:*

*A Vital Issue within Party Organization*

Paul R. Lawrence's research indicates that adaptation to external competition leads to organization decentralization.<sup>10</sup> Centralization and decentralization are vital elements of party organization and adaptation;<sup>11</sup> in order to have an effective and efficient organization, a political party must have an appropriate distribution of power between the party center and its localities.

Centralization and decentralization represent the power distribution between the party center and its localities. According to Andrew H. Van De Ven and Diane L. Ferry, centralization and decentralization are defined in the following way: "When most decisions are made hierarchically, an organizational unit is considered to be centralized; a decentralized unit generally implies that the major source of decision making has been delegated by line managers to subordinate personnel."<sup>12</sup> In short, if most decisions are made by the center, the organization is centralized, and decentralization is vice versa.<sup>13</sup>

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<sup>8</sup>Richard S. Katz and Peter Mair, *How Parties Organize: Change and Adaptation in Party Organizations in Western Democracies* (London: Sage, 1994).

<sup>9</sup>See Teh-fu Huang, "Electoral Competition and the Evolution of the Kuomintang," *Issue & Studies* 31, no. 5 (May 1995): 91-120; and Peter R. Moody, Jr., *Political Change on Taiwan: A Study of Ruling Party Adaptability* (New York: Praeger, 1992), 13-34.

<sup>10</sup>Lawrence has studied the organizational adaptation of the World Food Company in the United States since 1958. Due to the increase of competition in the market, World Food's Board of Directors gradually decentralized the organization in order to make the company more competitive. See Paul R. Lawrence, *The Changing of Organizational Behavior Patterns* (New Brunswick, N.J.: Transaction, 1991).

<sup>11</sup>Howard Aldrich, "Centralization Versus Decentralization in the Design of Human Service Delivery Systems: A Response to Gouldner's Lament," in *The Sociology of Organizations: Basic Studies*, ed. Oscar Grusky and George A. Miller, 2nd edition (New York: Free Press, 1981), 371-72.

<sup>12</sup>Andrew H. Van De Ven and Diane L. Ferry, *Measuring and Assessing Organizations* (New York: John Wiley, 1980), 399, cited in Hall, *Organizations*, 74.

<sup>13</sup>Here, we should consider that decisions made by the party center are a coordinating

However, both centralization and decentralization have their own advantages and disadvantages in organizational effectiveness.<sup>14</sup> For example, a centralized policymaking process can unify localities' diverse opinions in creating a distinctive and clear position on government policies; decentralization can provide flexibility for localities to respond efficiently to different district needs. To determine the degree of centralization and decentralization, an organization should consider the costs and benefits of both to the organization itself.

### *Elements for Studying Centralization and Decentralization*

In his classic study of party organization, Maurice Duverger summarizes four types of decentralization within a political party: (1) local decentralization; (2) ideological decentralization; (3) social decentralization; and (4) federal decentralization.<sup>15</sup> However, Duverger may have overgeneralized the degree of decentralization in particular arenas. We should acknowledge that there are different aspects of decisionmaking, such as personnel and financial management, within a political party. Duverger's analytical approach can only summarize the general power distribution within a party, but it does not specifically elaborate on aspects of centralization and decentralization. Indeed, various aspects of decisionmaking may have different degrees of centralization and decentralization. To have a complete analysis of power distribution within a political party, we should analyze the different aspects of centralization and decentralization within the organization.

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process to a certain extent. Suggestions or proposals made by localities have to be passed by the center in order to be ratified as party policy. During the decisionmaking process, there may be a negotiation between the center and localities on particular suggestions. After compromising between central and local bodies, the center confirms the proposal, which is accepted by both the center and localities. Thus ratification is a procedure in which the decisionmaking process is not dominated by the center but is a compromise between the center and localities, who have a bargaining relationship.

<sup>14</sup>See note 11 above.

<sup>15</sup>Local decentralization includes the selection of local leaders and localities' fundamental decisionmaking power. Ideological decentralization is the tolerance for the appearance of different "wings" or "tendencies" in party rule. Social decentralization includes the division of labor among different social classes inside the party, with no intervention by other classes. Federal decentralization includes a division of labor between the party center, which is responsible for national government affairs, and localities, which are responsible for federal government affairs under a federal political system. See Maurice Duverger, *Political Parties: Their Organization and Activity in the Modern State*, 3rd edition, trans. Barbara and Robert North (London: Methuen, 1963; original in 1951), 52-56.

In order to analyze the centralization and decentralization of a political party, this paper now examines the four elements that could affect the organization of a political party:

1. *The electoral process* includes the candidate nomination process and campaign strategies. The importance of this element is its direct influence on a party's performance in elections; that is, a party's success in an election is to a large extent determined by how it orients itself during elections. Generally, in order to placate local members, the party center usually decentralizes the candidate nomination process.<sup>16</sup> On the other hand, decentralized campaign strategies can provide flexibility to localities in organizing campaigns and hence increase the party's effectiveness in canvassing voter support.

2. *Policymaking and implementation* includes the process of decisionmaking and implementation within the party. A political party devises public policies (especially ruling parties) or checks the government (opposition parties). Under fierce party competition, generating public support is largely determined by how political parties devise their stances on particular issues, as voters' choices are usually determined by this factor.<sup>17</sup> In order to attract voters' interests, a party usually adopts a centralized policymaking process which features distinctive and convergent stances.

3. *Personnel management* includes the selection of local branches' leadership. As a local branch is the grass-roots organ of a political party for the implementation of party policy, it is important for the organization's development. The center should thus decentralize leadership selection at the local level in order to appease branch members.

4. *Fiscal policy* includes the financial sources of the party and localities' access to resources. This aspect involves the distribution of resources within the party; who and how one can access party resources will influence a party organization's efficiency. The centralization or decentralization of this element is usually determined by the party's financial state. In a financially rich party, the center tends to have less control on locality spending and may decentralize fiscal matters. However, in a financially poor party, the center should

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<sup>16</sup> Alan Ware, *Political Parties and Party Systems* (New York: Oxford University Press, 1996), 102-3.

<sup>17</sup> See Sun Tung-wen and Wong Ka-ying, *Platform and Election: A Regression Analysis of the 1994 District Board Election in Hong Kong* (Hong Kong Institute of Asia-Pacific Studies, Chinese University of Hong Kong, 1995).

opt for a centralized financial policy in order to have more control over the party's expenditures and reduce the party's spending.

These four centralization and decentralization elements not only illustrate the central-local contexts within the party, but also reflect the efficacy of a party organization as it coordinates different activities in order to penetrate into society.

*Analytical Framework: Relationship Between Party Organization and Environmental Factors*

The aforementioned four environmental factors have determined the DP's centralization and decentralization. This paper presents a model to illustrate how environmental factors determine a party's centralized and decentralized structure (see figure 2). The various factors can result in different degrees of centralization and decentralization within a party organization. For instance, limits on campaign expenses under electoral law restrict the party center's role in its candidates' campaigns. As the center cannot spend too many resources in conducting territorial activities such as advertising on television and in newspapers, campaigning will be more decentralized.<sup>18</sup> Moreover, in order to respond to government policy under fierce party competition, a centralized policymaking process will be adopted.

Beyond the four environmental factors proposed, there has been another important environmental factor in the DP's development and survival prospects, namely the China factor (see figure 3). As Chinese officials have threatened the DP's survival on the eve of Hong Kong's sovereignty handover, it is likely that the PRC authorities will constrain the DP's development through influencing the electoral system, party competition, and financial sources. For instance, heavy support (in terms of finance and manpower) for pro-China parties by China-based companies has created great competition with the DP. Moreover, the PRC authorities intend to implement a new electoral system, such as the proportional representation (PR) system, to reduce the number of seats held by the DP. Indeed, the influence of the Chinese government will become more obvious as the handover of sovereignty nears. Although the China factor has not directly influenced the DP's organ-

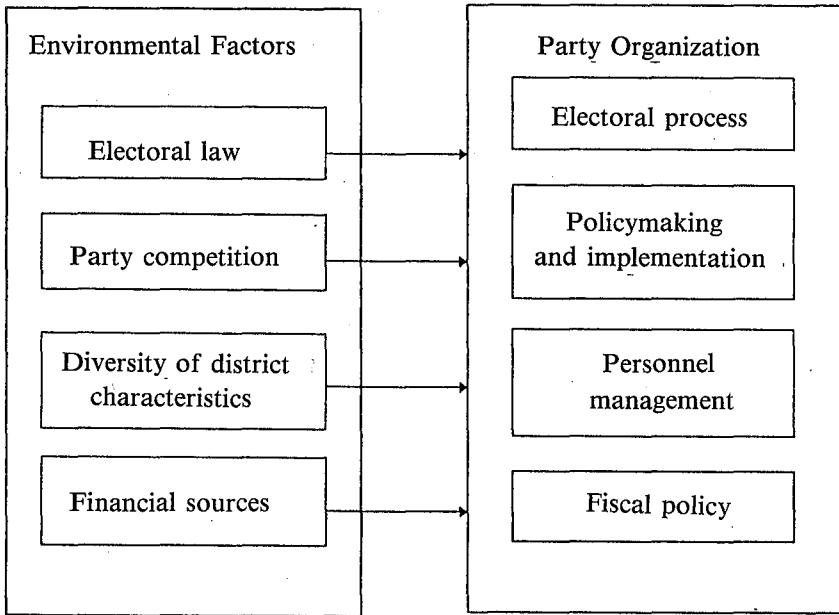
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<sup>18</sup>In Britain's case, as the limit on electoral expenses is relatively low, the campaign activities are mainly engaged in door-to-door campaigns and leaflet distribution. See Ware, *Political Parties and Party Systems*, 313-14.



Figure 2

The DP's Organizational Adaptation to Environmental Factors



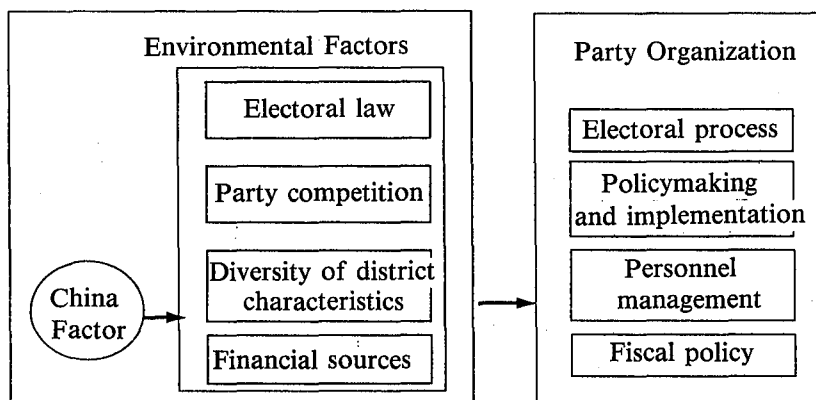
ization, the party must adapt to any future changes due to pressure from the PRC government. The DP's prospects will depend on how well it responds to this pressure; as will be shown below, this response will be in the form of organizational adaptation.

**The Emergence of the DP:  
An Organizational Adaptation of the Democrats**

The DP is the product of organizational adaptation of the two pro-democracy political parties, the UDHK and the MP. Through their merger, the democrats have aimed to create a more effective organization for participation in Hong Kong politics under fierce party competition. Moreover, this unification consolidated democratic forces against anti-democratic movements supported by the Chinese government. Facing competition from pro-China groups, any split within the democrats would have weakened their power to counter and competition between democrats in elections would have divided

Figure 3

### The China Factor's Effect on the DP's Organizational Adaptation to Environmental Factors



voter support, thus benefitting other candidates, especially pro-China candidates.<sup>19</sup> Thus, a proposal for forming a pro-democracy party was in the minds of UDHK and MP's leaders in early 1994.<sup>20</sup>

Moreover, both the UDHK and the MP had their own concerns over future development. Due to UDHK leaders' tough response to the Chinese Communist regime's actions during the 1989 Tiananmen incident and their subsequent symbolic act of burning a copy of the Basic Law ratified in 1990, the party was denounced as subversive, and PRC officials refused to communicate with UDHK members. Moreover, in the current transition period, the Chinese government has become more involved in Hong Kong's socioeconomic and po-

<sup>19</sup>Joseph Y. S. Cheng, "The Modernization of Hong Kong Politics," in Cheung and Louie, *Xianggang zhengzhi yu xuanju*, 77.

<sup>20</sup>In early 1987, the democrats began discussions on founding a political party. However, they were divided on their aims for democracy. Some of them were anticommunist and tended to oppose intervention by the PRC authorities in Hong Kong affairs. The rest were softer toward the Chinese government and aimed to have a democratic system rather than attacking the Chinese communist regime. Hence, after two years of negotiation, the democrats failed to unite and form a single political party. In a personal interview conducted by the author, Lau Sai-leung remarked that "the incentive was not strong enough to unite all democrats together and form a political party at that time." Also see Joseph Y. S. Cheng, "The Democracy Movement in Hong Kong," *International Affairs* 65, no. 3 (1989): 449.

litical issues, including the construction of a new airport at Chek La Kok and the No. 9 container port, as well as the formation of the Final Court of Appeals. The UDHK's inability to communicate with Chinese officials resulted in the UDHK being less competitive with pro-China parties, as it could not relay public opinions to the Chinese authorities. This presented an obstacle to its development not only for the transition period, but also after the return of Hong Kong's sovereignty to China.

In contrast to the UDHK, the MP could communicate with the Chinese government because of its soft-line attitude and relatively minor criticisms of the PRC authorities. Some MP members were also absorbed into the Chinese government's advisory bodies, such as Chan Choi-hi, who was appointed as a district affairs advisor. However, in facing competition from pro-China parties that had strong mobilization power and resources, the MP's influence was relatively weak in the districts.<sup>21</sup> Before the 1995 Legislative Council (Legco) elections, there was speculation that at least two of the three MP legislative councilors would lose to candidates from pro-China parties.<sup>22</sup> Lo Chi-kin, the former secretary-general of the MP and a DP Central Committee member, indicated that the political reform introduced by Governor Chris Patten had polarized the community and left less room for the development of a moderate party like the MP.<sup>23</sup> Thus, under party competition, the MP faced obstacles to its development due to its relatively weak grass-roots support.

The UDHK and MP's merger provided a more effective organization in competing with pro-China parties. On the one hand, UDHK members could make its anti-Chinese government image more "vague" by communicating with PRC officials through channels built by the MP. On the other hand, the MP could share the UDHK's strong grass-roots support. Indeed, the merger of the UDHK and MP exerted considerable pressure on other political parties. James Tien Pei-chun, a Liberal Party (LP) legislative councilor, indicated that the LP would face stiff competition in the District Board and Legco elections, and that it would revise its strategy for fielding candidates in these elec-

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<sup>21</sup>See note 19 above.

<sup>22</sup>A former MP members made such speculation. See *South China Morning Post (SCMP)*, April 19, 1994, 6.

<sup>23</sup>Ibid.

tions.<sup>24</sup> Lau Nai-keung, a former MP member, also indicated that the merger was a “vote-winning exercise” of the DP candidates.<sup>25</sup> Considering the advantages of a merger, members of the UDHK and MP decided to inaugurate the DP in October 1994; it was a move which in fact was a product of organizational adaptation.

## The Electoral Process

### *A Centralized Candidate Nomination Process: The Result of Fierce Party Competition*

The newly-formed DP faced stiff competition with pro-China parties, especially the Democratic Alliance for the Betterment of Hong Kong (DAB), which had relatively strong mobilizational power and more resources.<sup>26</sup> To deal with this rivalry, the DP adopted a centralized candidate nomination process during the 1994 and 1995 three-tier council elections. In the DP’s nomination process, candidates were initially selected in the general meetings of local branches. The Central Election Committee<sup>27</sup> then studied the qualifications of candidates endorsed by localities. Its investigation mainly focused on two aspects: the candidates’ past performance, including their work in districts and their loyalty;<sup>28</sup> and the candidates’ possibility for being elected. Next, the Central Committee, the top decisionmaking body, accepted or rejected the nomination in accordance with comments of the Central Election Committee. Throughout the screening process,

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<sup>24</sup>Ibid.

<sup>25</sup>Ibid.

<sup>26</sup>Yung Sam, DP’s vice chairman and the Central Election Committee chairman, indicated that the success of DAB in the District Board election was due to its strong mobilizational power and financial resources. See *SCMP*, April 20, 1994, 5.

<sup>27</sup>The Central Election Committee is under the Central Executive Committee within the DP’s organizational structure. The members are assigned by the Central Committee. Its only function is to investigate potential candidates’ qualifications and make suggestions to the Central Committee for the selection of candidates during election periods. Moreover, it determines the party’s campaign strategies.

<sup>28</sup>Some District Board members withdrew from the party due to loyalty problems. For example, in the Tuen Mun District Board chairperson election, DP members Chui Jo-yan and Lo Chi-hung did not follow the local caucus’ decision to vote for DP candidate, Cheung Yu-lan. The DP had an absolute majority on the board at the beginning, but due to Chui and Lo’s decision, Cheung failed to become the board chairperson. This caused concerns in the party center over potential candidates’ loyalty to the party in the selection process. See *Kwai Bao* (Express News) (Hong Kong), November 14, 1994, A4 and December 10, 1994, A3.

the party center aimed to select elite to run for elections.

However, in order to placate localities, the DP center paid less attention to candidates' qualifications and usually agreed to localities' endorsements in the 1994 District Board elections. Chan Wing-hung, chairman of the DP's Hong Kong East Branch, said that "in the candidate selection process for the District Board election, the party center always respected the local branch's decision and did not reject the candidates endorsed by the branch. The center's decisionmaking for nominating candidates endorsed by local branch was only for administrative purposes."<sup>29</sup> In practical terms, the nomination process was basically decentralized and the party center's approval of candidate nominations mere pretense. However, as a result of this decentralized process, some candidates with low qualifications were nominated<sup>30</sup> and their performances were poor in the election.<sup>31</sup> This prompted the party center to reinforce a centralized selection process with a rigid investigation of candidates.

The centralization of candidate nomination has proven to be effective in enhancing the DP's electoral success rate. The DP center adopted a more rigorous, centralized selection process in nominating elite party members to run in the 1995 Urban Council and Regional Council elections. Some potential candidates endorsed by localities, such as Leung Shu-ching, Wan Yiu-chung, and Wai Hing-cheung, were rejected from being nominated by the party. Additionally, the center even suggested some candidates to run in the elections. For instance, Fung Chi-wood, who was the DP's former legislative councillor and a Central Committee member, was initially rejected for his nomination in the North New Territory local branch by a margin of two votes in the branch's general meeting.<sup>32</sup> The party center was

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<sup>29</sup>Personal interview, November 15, 1995.

<sup>30</sup>Choi Chi-keung, "Analysis of Party Performance in the Two Municipal Council Elections," in *Xuanju yu yihui zhengzhi: Zhengdang jueqi hou de Xianggang zhanxin zhengzhi mianmao* (Election and legislative politics: The polity of Hong Kong After the genesis of political parties), by Choi Chi-keung, Lau Sai-leung, and Chow Pak-wan (Hong Kong: Humanity, 1995), 70.

<sup>31</sup>The author participated in a District Board election's forum as an observer. A DP candidate performed poorly because he did not prepare his presentation well and could not answer some of his electorates' questions.

<sup>32</sup>Fung's rejection was due to the split between the former UDHK and MP branch members. Each of the former parties' members split into two elite groups inside the branch to oppose each other. Fung was a former member of the UDHK, and as the MP elite group was the majority in the branch opposite the UDHK group, it rejected Fung's nomination. There was also a case in which the MP elite group rejected

concerned about Fung's rejection, and after further study, the Central Committee decided to nominate Fung to run in the Regional Council election.<sup>33</sup> Cheung Man-kwong, a DP Central Executive Committee member, indicated that DP candidates in the Urban Council and Regional Council elections were the "second-class elite" of the party.<sup>34</sup> As a result of the centralized nomination process, the success rate in the 1995 Urban Council and Regional Council elections increased 20 percent compared with that of the 1994 District Board election.<sup>35</sup> The centralization of candidate nomination thus enhanced the candidates' qualifications and enabled the party to become more competitive with pro-China parties.<sup>36</sup>

Nevertheless, the centralized candidate nomination process has failed to satisfy some local members. Some potential candidates whose nominations were rejected by the party center have withdrawn from the party. For example, Fung King-man and Yeung Wan-king withdrew from the DP due to the party center's rejection of their nominations for the Urban Council, and they ran in the elections as independents.<sup>37</sup> To settle members' grievances, the DP center has provided an appeal channel through which rejected candidates can request that the party center reconsider their nominations. There has

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a former UDHK member for nomination in the 1994 District Board election. The member, Au Wai-san, subsequently withdrew from the DP to run in the election independently. He was elected into the District Board. See *Kuai Bao*, April 19, 1995, A4.

<sup>33</sup>In the DP's nomination process, if there is any candidate endorsed by local branches but rejected by the party center, the party center can nominate a candidate with ten local members' endorsements. Although Fung was nominated for the election, he was finally defeated. His defeat was due to the split of the North New Territory local branch members. He indicated to the media that owing to the fragmentation of the branch, any members who ran in elections would also be defeated. On the other hand, Fung indicated that his opponent had a strong local network and the confidence of the voters. Also see *Kuai Bao*, April 19, 1995, A4.

<sup>34</sup>See note 30 above.

<sup>35</sup>The DP nominated thirty-three candidates and twenty-five of them were elected in the 1995 Urban Council and Regional Council elections, for a success rate of 76 percent. See *SCMP*, March 7, 1995, 6.

<sup>36</sup>Apart from the poor performance of some candidates, we cannot ignore that the different levels of elections also affect the DP's centralization and decentralization in the candidates' selection process. As the upper-tier councils have greater political power in influencing the government, other parties will nominate elite members in order to capture more seats. Hence, the DP adopted a centralized selection process in order to nominate elite party members and enhance party strength in the 1995 Urban Council and Regional Council elections. Regardless of the poor performances of party candidates and the level of elections, the DP's centralized candidate nomination process has been the result of interparty competition.

<sup>37</sup>See *Kuai Bao*, January 20, 1995, A4.

been one successful case for local appeal: Lai Chi-keung, a member from the Eastern local branch on Hong Kong Island who was nominated for the Urban Council election, was initially rejected by the party center, but after the appeal of local members, he was finally nominated by the party.<sup>38</sup>

*Decentralized Campaigning: A Result of the Diversity of District Characteristics and Electoral Law Limitations*

With a centralized candidate selection process, the DP has adopted decentralized campaign strategies because of the diversity of district characteristics and electoral law limitations. Owing to different district characteristics, the party center believes that localities are more familiar with local affairs and should have more autonomy and flexibility in designing appropriate campaigns.<sup>39</sup> In addition, the electoral law restricts the role of the party center in campaigning. Adapting to these two environmental factors, the DP has reinforced a policy of decentralized campaigning.

Decentralized campaign strategies can provide flexibility to localities for designing effective campaigns suitable for their districts' characteristics.<sup>40</sup> For instance, the DP's satisfactory performance in District Board and Urban Council elections in the Central and Western District on Hong Kong Island illustrates the effectiveness of this policy.<sup>41</sup> As the Central and Western District is mainly composed of private housing, the branch built up a local network through assisting residents with setting up ownership management commissions in their buildings during the election period.<sup>42</sup> Through this strategy,

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<sup>38</sup>See Choi, "Analysis of Party Performance," 71.

<sup>39</sup>Choi Chi-keung, "District Board Elections Alarm the Democratic Party's Grass-roots Work," in Choi, Lau, and Chow, *Xuanju yu yihui zhengzhi*, 50.

<sup>40</sup>Ibid.

<sup>41</sup>In the 1994 District Board election, the DP gained eight seats out of fourteen in the Central and Western District Board on Hong Kong Island and became an absolute majority on the District Board. In the 1995 Urban Council election, the DP won both the available seats in this district.

<sup>42</sup>Personal interview with Lee Kam-hang, August 7, 1995. Lee indicated that in the 1994 District Board elections, the branch conducted surveys in different buildings to discover whether these buildings were mismanaged by the property management companies and contacted residents to assist them in setting up their own ownership management commissions to manage their buildings. Through this assistance, the DP's candidates built up networks with the residents and this proved helpful in their subsequent door-to-door campaigns. Also see note 39 above.

the branch gained the residents' support in elections. However, in the case of Kwon Tong District, which is dominated by public estates with their own organizations, or mutual aid committees (MACs), which handle the estates' affairs, the Kwon Tong branch could not adopt a strategy similar to the one adopted by the Central and Western District to gain support. Under decentralized campaigning, localities can respond to residents' complaints efficiently and hence gain their support.<sup>43</sup> Indeed, decentralized campaigning can enhance the effectiveness and efficiency of party organization.

On the other hand, centralized campaign strategies would probably have a negative effect on the party's performance in an election. An LP candidate indicated that his party's centrally designed campaign materials, such as leaflets, did not present the candidates' backgrounds and platforms well or arouse the voters' attention in the 1994 District Board election. He also criticized the party's campaign methods, as they were designed by central members who did not have electoral experience; this probably contributed to the LP's fiasco in the 1994 District Board election.<sup>44</sup>

Hong Kong's electoral law also restricts the party center's role in elections, thus reinforcing the DP's need to have a more decentralized campaign. In past three-tier council elections, there was tight control over each candidate's electoral expenses (see table 2).<sup>45</sup> All spendings considered as promoting candidates are counted as electoral expenses. Lee Kam-hang, a DP member of the Hong Kong Central and Western District Board, indicated that the existing ceiling for electoral expenses was only sufficient for printing leaflets, banners, and posters.<sup>46</sup>

With limitations on electoral expenses, the party center can find it difficult to promote its candidates with such events as expensive social gatherings.<sup>47</sup> Moreover, advertisements on television are pro-

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<sup>43</sup>The author notes that the DP District Board candidate Lee Kam-hang and his assistants studied the poor living environment because of air pollution from a restaurant's chimney and hot air from large air conditioners, etc.

<sup>44</sup>The LP nominated eighty-nine candidates in 1994 District Board election and only eighteen of them were elected, for a success rate of 20.2 percent. See *SCMP*, September 20, 1994, 6.

<sup>45</sup>See chap. 7, part II, sec. 7 in the *Guidelines on Election-Related Activities in Respect of Geographical Constituency Elections*, issued by the Boundary and Election Commission, January 15, 1996.

<sup>46</sup>Personal interview, August 7, 1995.

<sup>47</sup>Ware, *Political Parties and Party Systems*, 289-316.



**Table 2**  
**The Maximum Electoral Expenses of Candidates for the Three-Tier Councils**

Type of election	Maximum amount of expenses
District Board	HK\$45,000
Urban Council and Regional Council	HK\$100,000
Legislative Council	HK\$200,000

**Source:** Chap. 13, Part II, Section 7, *Guidelines on Election-Related Activities in Respect of Geographical Constituency Elections*, published by the Boundary and Election Commission (January 15, 1996), 148.

hibited in the *Guidelines on Election-Related Activities* designed by the Boundary and Election Commission.<sup>48</sup> Therefore, promotional activities must concentrate on leaflet distribution and door-to-door canvassing. All of these activities are determined and organized by local branches, and the party center can only play a supportive role in giving advice and guidelines, such as designing party platforms and supporting candidates financially.<sup>49</sup> These limitations on electoral expenses hence encourage decentralized campaigning within a political party.

Due to the above factors, the DP has adopted decentralized campaign strategies, wherein localities determine the campaign methods. However, in order to ensure good candidate performance, the party center has appointed electoral commissioners who are usually members of particular local branches to various districts.<sup>50</sup> Working with the local electoral committees, the electoral commissioners have designed and organized all campaigns.<sup>51</sup> They have also been responsible for their candidates' performances in elections and reported to the party center. The party center has consequently played a minor role.

<sup>48</sup>The *Guidelines on Election-Related Activities in Respect of Geographical Constituency Elections* is a set of regulations that determine all the activities, expenses, and administration of candidates in elections.

<sup>49</sup>Choi, "District Board Elections," 54.

<sup>50</sup>*Kuai Bao*, January 10, 1995, A5.

<sup>51</sup>Personal interview with Yuen Bun-keung, an electoral commissioner of the Central and Western District in Urban Council elections, October 27, 1995. Yuen stated that as candidates could not manage whole campaigns during elections, local electoral committees shared candidates' work loads. The committees determined all activities, and the candidates were only requested to act in those activities.

## Policymaking and Implementation

### *Democratic Centralism in the Policymaking Process: A Necessity for Party Competition*

A political party must have distinctive and convergent stances on particular issues in order to draw the attention of the public. If the party cannot maintain a unified position, it will properly be attacked by another party for its vacillating attitudes. Therefore, the DP has adopted a centralized policymaking process in order to unify different opinions among members and have a convergent stance. A DP internal publication states that an unified stance is essential for the party and is achieved through a centralized policymaking process.<sup>52</sup>

The DP's democratic centralism is similar to the one defined by Duverger: "Democratic centralism presupposes on the other hand that very free discussion takes place at the base before decisions are taken, in order to enlighten the center, but that the strictest of discipline is observed by all after the decision has been reached."<sup>53</sup> In the policymaking process, the DP Central Committee, which is elected every two years in the party's annual general meeting, makes the final decisions on all issues.<sup>54</sup> All members are requested to strictly follow the Central Committee's decisions. However, local opinions are first collected before the Central Committee makes decisions through the Local Branch Affairs Committee, which is under the Organization Department (see figure 4).

The Local Branch Affairs Committee is the bridge for communication between the party center and localities. A meeting is held every month between local branches' chairpersons or representatives and the central officers.<sup>55</sup> On the one hand, through this committee, the party center can consult localities' opinions on particular issues. Localities' concerns can be articulated to other departments, such as the Policy Affairs Department or the Policy Department, in determining party policies or making their opinions known inside the

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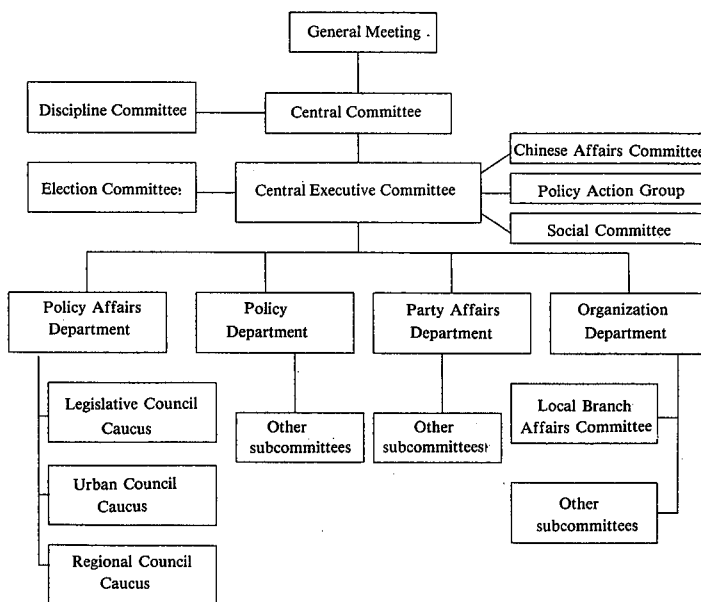
<sup>52</sup>"Consolidate the Democratic Party's Unity; Strengthen the Party's Organization," *Minzhudang tongxun* (Democratic Party Newsletter), 1995, no. 6:4.

<sup>53</sup>Duverger, *Political Parties*, 57.

<sup>54</sup>Personal interview with Lau Sai-leung, the DP's senior executive officer, November 6, 1995.

<sup>55</sup>*Ibid.*

**Figure 4**  
**The DP's Central Organization**



upper-tier councils. On the other hand, the party center can request the assistance of local branches on centrally organized activities through this committee. For instance, if the Legco Caucus wants to have a demonstration on a particular issue, it will contact local branches through the Organization Department for organizing the demonstration.<sup>56</sup>

Despite the centralization of policymaking, the DP's organization has adopted internal democracy in order for ordinary members to check the party center or even override the center's decisions. In the DP's hierarchy, the general meeting is the supreme body in which members can discuss and reconsider or even override decisions made by the Central Committee. It can be held under a request of at least 5 percent of the total number of members.<sup>57</sup> There have been cases in which members challenged the party center's decision through the general meeting. For instance, a general meeting was called by

<sup>56</sup>Ibid. Lau introduced the DP's organization and reviewed the functions of each body in the interview conducted by the author. He also provided this example by mentioning the request for assistance from localities by the party center.

<sup>57</sup>See note 42 above.

some members for reconsidering Anthony Cheung Bing-leung and John Tse Wing-ling's nominations in the electoral college constituency, which includes all District Board members, during the 1995 Legco election. In that election, ten legislative councilors were elected by all District Board members.<sup>58</sup> As the DP had a sufficient number of District Board members in the electoral college, two DP candidates had to be elected. In the candidate selection process, the Central Committee decided to nominate Cheung and Tse after compromising among all DP's District Board members.<sup>59</sup> However, some members argued that it was not democratic for only the District Board members to nominate these candidates, who must be elected into the Legco.<sup>60</sup> They requested to have a general meeting to decide who should be nominated by all party members. However, Cheung and Tse's nominations were still accepted in the party's general meeting. This case illustrates that there is a democratic system inside the DP for checking the party center by ordinary members, although there have not been any serious challenges from localities toward the party center.

All in all, the DP's centralism seeks to unify its members' diverse opinions and prevent any contradicting opinions from being published. This centralization works to absorb localities' opinions through the central-local communication channels and prevents any conflicting viewpoints among different localities from being attacked by other parties, as opposing opinions among members would confuse voters' perceptions of the party and lead to outside attacks.

*Decentralization of Local Affairs:  
A Strategy to Deal with the Diversity  
of District Characteristics*

Despite its centralized policymaking process, in order to enhance the efficiency and effectiveness of localities in conducting grass-roots work, the DP's central organ has decentralized local affairs. Due to

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<sup>58</sup>In the elections of ten legislative councilors from the electoral college, each candidate who can gain twenty-six votes will be elected. The DP has fifty-two District Board members, so at least two DP candidates must be elected provided that all DP District Board members vote for the party's candidates.

<sup>59</sup>Personal interview with Yuen Bun-keung, October 27, 1995. Yuen indicated that the name list of the electoral college is derived from a compromise among the DP's District Board members.

<sup>60</sup>*Kuai Bao*, August 6, 1995, A5.

the diversity of district characteristics, decentralization of local affairs provides more autonomy and flexibility for the party to respond to various local needs efficiently and effectively. In fact, the decentralization of local affairs reflects the central-local division of labor in the DP. Operating under this, the party center is mainly concerned about territorial policies and pays less attention to local affairs.<sup>61</sup> It merely outlines party values and guidelines on district affairs for local branches. Without violating the center's decisions, localities have considerable autonomy in conducting their grass-roots work.<sup>62</sup>

In implementing party policies, localities have a certain degree of freedom in carrying out the center's decisions. Yuen Bun-keung, the local caucus leader of the Central and Western local branch on Hong Kong Island, points out that it is not necessary for the local branch to follow all central policies. For example, in terms of the party's public housing policy, because the Central and Western District has very little public housing, the local branch does not need to consider many public housing issues.<sup>63</sup> Localities will naturally pay more attention to central policies which are more germane to local affairs. Lee Kam-hang remarks that "the center does not concern itself with localities' work; indeed, there is no need for the center to concern itself with localities' work." The party center only sends guidelines to localities; for instance, the party center encourages local branches to organize different activities such as picnics and health services.<sup>64</sup> In practice, the localities determine what and how these activities are to be conducted.

This decentralization of local affairs also enhances the local branches' autonomy and flexibility in dealing with residents' complaints over organizing different activities. As the party center is not familiar with the environment and local needs in different districts, it is difficult for it to decide when and which types of activities should be organized. A centralized process thus reduces the efficiency of localities. Moreover, residents always request the assistance of local

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<sup>61</sup>Personal interview with Lee Kam-hang, August 7, 1995. Lee indicated that the Central Committee is mainly concerned with government policies and it pays less attention to localities' affairs.

<sup>62</sup>Telephone interview with Fung Chi-wood, November 8, 1995. Fung indicated that localities have great autonomy on local affairs.

<sup>63</sup>Personal interview with Yuen Bun-keung, October 27, 1995.

<sup>64</sup>Choi, "District Board Elections," 56.

branch members in complaining to the government about their social needs. The party center cannot handle these cases efficiently under a centralized process. Decentralization of local affairs is thus necessary to enhance localities' efficiency under diverse district characteristics.

### Personnel Management

In order to enhance local branches' efficiency and competitiveness, decentralization of the DP's local personnel management has been necessary. As local branches are composed of members recruited in the district, it is difficult for the party center to deploy leaders to localities. On the one hand, local leaders appointed by the party center may not be accepted by other members at the local level. This will arouse dissatisfaction in the localities or even confrontation with the party center. Local branches are the street-level organ of the party; if localities are dissatisfied or have confrontations with the center, the party's grass-roots work and ability to compete with other parties will be affected. On the other hand, the party center may not be fully familiar with the qualifications of most local members, making it difficult for the former to place members in appropriate positions.

Under the decentralization of local personnel management, local leaders are selected by each branch's members, without interference by the party center. The local branch organization mainly consists of two organs: the local branch executive committee and the local caucus. The former is responsible for the operation of the branch's affairs and its grass-roots work, and the latter is responsible for the affairs in the District Board. Local branch executive committee members are elected in the localities' general meeting every two years.<sup>65</sup> The local caucus is composed of all District Board members and urban (or regional) councilors, with some additional local members invited by the councilors.<sup>66</sup> The local caucus leader is elected by caucus members.<sup>67</sup>

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<sup>65</sup>Personal interview with Chan Wing-hung, November 15, 1995.

<sup>66</sup>Ibid. Chan indicated that in the District Board, some local branch members can be invited into the local caucus.

<sup>67</sup>Personal interview with Yuen Bun-keung, October 27, 1995. Yuen said that the caucus leader is elected by the caucus members.

However, to help develop local branches in which there are few members in the three-tier councils, some legislative councilors have been deployed by the party center to conduct grass-roots work in particular districts. For example, Anthony Cheung Bing-leung, who was elected from the electoral college, was requested to work in the Tai Po District; Tseng Kin-shing, who was elected from the first group of the new functional constituencies, was requested to conduct grass-roots work in the Wong Tai-sin District. On the one hand, this personnel arrangement can financially support developing local branches. As legislative councilors can receive more resources from the government, more financial resources can be used in the branches that are deemed to be in need. Furthermore, as legislative councilors are more popular than other tier councilors, they can exercise their popularity to draw residents' attention and hence increase the party's visibility in the district.<sup>68</sup> Nevertheless, this arrangement of placing a legislator in a local branch does not affect the selection of local leaders, who are still elected by local members.

### **Fiscal Policy**

The DP has three major financial sources: the membership annual subscription, the political donation, and the government subsidies for the three-tier councilors.<sup>69</sup> However, these financial sources cannot entirely solve the DP's financial problems, especially electoral expenses. First, the number of DP members is below 1,000<sup>70</sup> and the annual membership subscription is HK\$200 for each member; thus, the total annual sum of membership subscription is less than HK\$200,000, and cannot even sustain the operation of a local branch for a year. Second, since the DP has been labeled as subversive by PRC officials, few businessmen donate to the party, as they are afraid that their financial support for the DP will have negative effects on their benefits

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<sup>68</sup>Telephone interview with Fung Chi-wood, November 8, 1995. Fung indicated that legislative councilors are the nucleus of local branches, as they gain more resources from the government and are more popular than other members because they can more easily attract the attention of residents.

<sup>69</sup>Telephone interview with Fung Chi-wood, November 8, 1995. Fung summarized these three financial sources of the DP.

<sup>70</sup>Louie, "Consolidation and Marginalization," 7.

in China. Without support from the business sector, the DP has a tense financial situation.

Among the DP's three financial sources, government subsidies to the three-tier councilors have been the major source of revenue for the party's daily operations. As it has captured a large number of seats in the three-tier councils, the DP can maintain its daily operations through receiving these subsidies. As councilors at different levels receive various amounts and types of monthly subsidies from the government, all DP councilors are requested to donate a certain amount of their government subsidies directly to their affiliated local branches,<sup>71</sup> with the donation amount generally the same in each local branch.<sup>72</sup> Taking the Central and Western local branch on Hong Kong Island as an example, each District Board member donates 70 percent of their government subsidies, or about HK\$8,500, to the local branches, with an additional 20 percent of their subsidies, or about HK\$2,400, donated to the party center. The Urban Council members donate 70 percent of their subsidies to the party. The legislative councilors receive larger subsidies than other councilors, a certain amount of which is fixed for their salaries. The expenses of their public offices and their staffs' salary are also subsidized. Every DP legislative councilor has set up a district office as the local branch's headquarters; in addition, they may also donate a portion of their salary to their affiliated local branches.<sup>73</sup>

Generally speaking, the DP's difficult financial situation should logically lead to centralized fiscal management with the center controlling party spending. However, this has not been the case for the DP, as it is financially very poor. The party center cannot satisfy the local branches' needs by centralizing fiscal policy, and government subsidies alone cannot satisfy the localities' financial needs. Even in some "developed local branches" that have more councilors in various assemblies and receive more government subsidies, the financial situation is still difficult because they need to spend more to establish district offices for their councilors.<sup>74</sup> Moreover, some local members

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<sup>71</sup>Personal interview with Lee Kam-hang, August 7, 1995.

<sup>72</sup>Personal interview with Lau Sai-leung, November 6, 1995.

<sup>73</sup>Personal interview with Lee Kam-hang, August 7, 1995.

<sup>74</sup>There is a regulation inside the DP that every member elected into the three-tier councils must set up a district office. Hence, local branch expenses will increase in more developed branches.



need to privately subsidize the operation of local branches.

Some of the DP's three-tier councilors, especially in the lower tier, have also been of the opinion that it is unfair for them to have to finance other local branches with their government subsidies.<sup>75</sup> The withdrawal of Chan Tim-sing, a former DP member of the Hong Kong Eastern local branch, from the DP partially reflects this refusal to support a centralized fiscal policy. As a DP District Board member and urban councilor, Chan was requested to submit a portion of his government subsidy to the party center. However, as he had already supplied a private subsidy for his local branch's operation, he refused to subsidize the party further. Hence, a dispute began between Chan and the DP which eventually led to his withdrawal from the party.<sup>76</sup> It has indeed been difficult to have centralized fiscal management in which "developed local branches" financially support other "developing local branches" that receive less government subsidies. As Lee Kam-hang remarks: "From the practical and political points of view, it is reasonable to allocate our government subsidies to our branches. It is unfair to subsidize other branches with our government subsidies, as we work very hard to be elected."<sup>77</sup>

As the DP center cannot satisfy the needs of localities, a decentralized fiscal policy has been implemented in which the center delegates the power to solve local financial problems to the localities. Hence, the DP's councilors have subsidized their affiliated local branches directly and the party center has seldom supported local branches' operations financially, especially developed branches that have more councilors in various assemblies.<sup>78</sup> From another point of view, financial need has been a driving force for localities to maximize the number of seats gained in the councils.

### **Organizational Adaptation: An Ongoing Process**

The imminent sovereignty transfer of Hong Kong will force the

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<sup>75</sup>Personal interview with Lee Kam-hang, August 7, 1995. Lee indicated that it is unfair for local branches having large numbers of councilors in the three-tier councils to subsidize other local branches.

<sup>76</sup>*Xianggang lianhe bao* (Hong Kong United Daily News), July 13, 1995, 2.

<sup>77</sup>Personal interview with Lee Kam-hang, August 7, 1995.

<sup>78</sup>*Ibid.*

DP to continue with organizational adaptation. Since the formation of the UDHK, the Chinese authorities have denounced democratic leaders as subversive, and since the founding of the DP, this hard-line attitude has been unchanged. Moreover, there will be no "through train" for the present Legco, as a provisional legislature will be set up after 1997 and DP members will probably be excluded from participating in the caretaker assembly. On the other hand, the Chinese government and pro-China forces in Hong Kong will possibly change the present electoral system, namely the "single-vote, single-seat system" that has arguably favored the DP in past elections, to another system that will be beneficial to pro-China parties and groups, such as a PR system or single nontransferable vote (SNTV) system.<sup>79</sup> Alterations of electoral laws and systems will also affect other environmental factors, such as party competition, the characteristics of various districts, and the party's financial situation (see figure 5). In facing these imminent changes triggered by the China factor, the DP will have to adapt organizationally in order to survive and sustain its political influence.

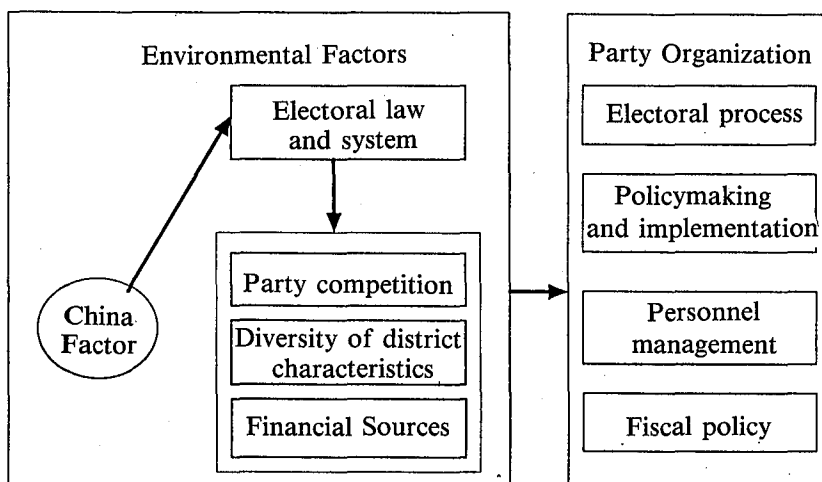
If the electoral system is changed, the DP will probably adopt more centralized campaign strategies. Under the PR system, each party has a list of candidates ranked in consecutive order and voters choose particular parties rather than individual candidates. As the DP will have to rank its candidates, this will give rise to internal party politics in which candidates struggle for a higher rank within the party in order to increase their possibility of being elected. The party center will not only decide to nominate particular candidates in elections but will also determine their ranking. Moreover, campaigns will tend to be more party-oriented and focus on the party's platform and image, rather than emphasizing individual candidates' characteristics. Hence, the electoral process will be more centralized under the PR system.

In order to gain more seats in the various assemblies after 1997, the DP will probably make an effort to grasp more grass-roots support. Party competition between the DP and other pro-China parties and groups will be fiercer at the local level. The DP center will

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<sup>79</sup>See Lo Shiu-hing and Yu Wing-yat, "The Electoral System of Hong Kong's Legislative Council: The Dynamics and Prospects of Macaunizing the Direct Elections" (Paper presented at the conference on "The 1995 Legislative Council Election" held by the Hong Kong Institute of Asia-Pacific Studies, the Chinese University of Hong Kong, May 17-18, 1996).

**Figure 5**  
**The Path of the China Factor's Effects on the DP's Organizational Adaptation to Environmental Factors**



hence pay more attention to localities' performance and exert more control and supervision over the work and performance of local members. Indeed, the party's reputation and image have been undermined by the loose discipline of some local members. For instance, some Shatin residents complained that they could not contact Gordon Fong, a former DP member in the Shatin District Board.

Moreover, due to the united front work of the Chinese government, the DP's center will exert more influence over members' ideology. Facing co-optation by the Chinese government, some DP local members will tend to be "soft" toward the PRC authorities in order to secure their political careers after 1997. In fact, the DP has already established a "party school" to reinforce members' party ideology, especially the "second class" party elite.<sup>80</sup> Although the party center will not directly affect the selection of local leaders, it will have more of a say regarding ideology.

Due to the reduction of members in the three-tier councils, the

<sup>80</sup>*Ming Pao Daily News* (Hong Kong), July 14, 1996, A4.

party's finances will probably rely heavily on political donations. In the immediate future after the handover of sovereignty, the DP will probably lose a great deal of government subsidies because of its exclusion from the provisional legislature. This shift will also result in a centralized fiscal policymaking style, as the party center will shoulder the responsibility of organizing fund-raising activities, collecting all the funds and allocating resources to local branches.

With the imminent transfer of Hong Kong's sovereignty, further change in the DP will be inevitable. It is probably destined to become a more centralized organization, which will reinforce its cadre-type party characteristics.

### Conclusion

Organizational adaptation to environmental change is an inevitable process as a political party entrenches its base and develops. In Hong Kong, the DP has a centralized candidate nomination process, due to fierce party competition from pro-China parties, especially the DAB. To counter the strong mobilizational power and financial resources of pro-China parties, the DP has adopted a centralized candidate selection process that nominates elite party members who are experienced and perform well in district affairs. On the other hand, because various districts have different characteristics, decentralized campaign strategies have aimed to increase localities' flexibility in designing different campaign activities and gaining voter support. Moreover, the electoral law restricts the party center's role in electoral activities, with a ceiling on campaign expenses which limits campaign activities to leaflet distribution and door-to-door canvassing. Under these circumstances, the DP has adopted a decentralized campaign system.

In policymaking and implementation, territorial policies have been specifically centralized, as the DP has adopted democratic centralism in its decisionmaking process. Before decisions are made, localities are allowed to discuss particular issues with the center. After decisions have been made, localities are requested to follow them strictly. This centralization seeks to bring together different localities' divergent opinions in order to have a distinct position on public policies. Despite the centralization of policymaking and implementation of territorial policies, the DP is characterized by a decentralization of district affairs. The party center believes that localities

have a deeper understanding of districts' characteristics and should have more autonomy in conducting their work. Owing to the diversity of district characteristics, local branches have more autonomy and flexibility in conducting grass-roots work in order to enhance localities' responses to local needs.

Decentralization of personnel management has been necessary to placate local members. Centralization, on the one hand, would lead to locality dissatisfaction or even central-local confrontation because of localities' opposition to leaders appointed by the center. On the other hand, as the party center is not familiar with the qualifications of local members, it is difficult to assign members to appropriate positions. Hence, decentralized personnel management has been adopted by the party.

The DP's decentralized fiscal policy is due to its limited financial resources. Its major financial source is from government subsidies to its councilors in the three-tier councils. As local branches' finances are supplied by their councilors, it would be difficult to have a centralized financial policy that collects subsidies from localities and then redistributes them to localities according to their needs. First, local members have reservations about subsidizing other local branches with their government subsidies. Second, the party center cannot have sufficient resources to satisfy all localities' needs. Hence, the center has implemented a decentralized and self-financed fiscal policy in order to allow local branches to solve their own financial problems.

Under the unpredictable China factor, environmental factors will change and the DP will be forced to adapt to new circumstances. Any alternation of the electoral formula will lead to a spillover effect on other environmental factors, which will in turn force the DP to organizationally adapt further. The DP's organizational adaptation to environmental variations will arguably continue because of its determination to survive within the political space allowed by the Beijing central government and the Hong Kong local government after 1997.