

HONG KONG IN THE INTERNATIONAL MARKETPLACE THE POLITICAL ECONOMY OF URBAN DEVELOPMENT

INTRODUCTION

This paper is the result of a study-trip to Hong Kong attained in summer 2007. The study-trip was characterized by visits to governmental spatial planning and infrastructure agencies as well as private transport and real estate development companies. Furthermore, field trips to the new towns in the periphery of the Hong Kong metropolis and to a project characterized by a comprehensive combination of metro-station-shopping center-and real estate development. This paper is an attempt to summarize the new experiences and inspirations that Hong Kong gave to us, in a comprehensive framework. In more scientific words, it is an attempt to get a better understanding of how urban development in Hong Kong works. What are the contextual conditions considering the market and the intergovernmental position in Hong Kong? How are these external forces shaped by Hong Kong itself through citizen involvement?

In order to get a logical and understandable story out of this study-trip, we decided to use a scientific framework developed by H.V. Savitch and Paul Kantorⁱ. The authors have analyzed the political economy of urban development of ten cities in the period of 1970-2000 (Savitch and Kantor, 2002). In order to do so, they have developed a theory of urban development which contains of four different indicators: market position; intergovernmental support; public control; and local culture. Taken together these four indicators give an overview of the recourses and capacities of the actors who are involved in the urban development of cities; i.e. their bargaining position.

We use the model by Savitch and Kantor in its most limited way; as a method of analysis. In their book, the analysis of their ten cities is only the start for the answering of question considering convergence of urban development strategies in a globalizing world. We won't enter this discussion. It is our aim to give a descriptive analysis of urban development in Hong Kong and not to position this development in a global comparison of urban development strategies.ⁱⁱ However, in the concluding paragraph, we will analyze the model of urban development in Hong Kong and appoint the strengths and weaknesses of it.

Hong Kong has developed a *unique* model of urban development. The uniqueness of the model is the way how different actors (the government; the private sector; and the society) work together in the steering and shaping of the urban development of Hong Kong.

A paper is just one way to present a model of urban development. There is a lot you can describe in a paper, and to strive for academic validity it is probably the best method. However, we would under appreciate the dynamic and vivid aspects of Hong Kong by only writing a paper. In order to help the reader in visualizing what we are describing in the paper, we decided to make a short movie too. As a consequence, this paper functions as the necessary script for the movie, they are complementary: both movie and paper follow the same structure.

In the remaining of this paper, we will first describe the model of Savitch and Kantor in a more detailed way. After this theoretical framework, we will provide some important

background data on the history and geography/topography of Hong Kong. This is necessary to understand terms and locate places mentioned later. The main part of the paper then contains of four chapters analyzing the four indicators (market position; intergovernmental support; public control and local culture) distinguished by Savitch and Kantor. Together these four indicators will provide the data on the different bargaining positions of the actors involved in the urban development (the government; the private sector and the civic society) in Hong Kong. In the concluding chapter we will put our findings together and elaborate on the strengths and possible weaknesses of the unique Hong Kong model of urban development.

METHODOLOGY: THE MODEL

The point of departure of the study of Savitch and Kantor is what they call a new ‘great transformation’ⁱⁱⁱ. The great transformation they describe can be witnessed in all developed countries and cities and exists of three interrelated processes. First there is an ongoing process of deindustrialization in the economic sector and (generally speaking) on the other side of the coin a process of ongoing tertiarisation. The economic base of cities has changed from being dominated by industrial manufacturing into service oriented economies (for instance, finance; tourism; culture; health, public sector; etc.). The second process of transformation is an ongoing process of decentralization defined in a geographic (suburbanization) rather than in a political way. Overall, central cities have lost population. In contrast, suburban cities in the metropolitan periphery have gained population and economic activity. This has important consequences for the relation between the central city and the metropolitan region. It has effects on tax revenues, but also on the economic base of the central city. When the population declines, the demand for economic actions also declines. The third process described by Savitch and Kantor is globalization. Thanks to a technological revolution that shrunk time and distance, it has become possible to trade and communicate on a global level. The result for cities is that they compete with each other in an ‘international marketplace’ for the same economic recourses (including direct investment as well as human capital).

Thus deindustrialization, deconcentration and globalization have changed the market position of cities as well as their intergovernmental relations (national, state, provincial, and local).

On the basis of these background processes, Savitch and Kantor developed a model to analyze why urban development is different everywhere. A central concept in this model is ‘bargaining position’. The bargaining position is a reflection of the bargaining advantages (resources) an actor holds. A strong market position (i.e. many actors want to invest) would be a bargaining advantage for a city council, because it can choose between different investors and pick the ‘best’ one and therefore can shape its own development. On the contrary when a city is in harsh economic weather and it has to be satisfied with every penny that is invested in the city, private investors have a bargaining advantage. They can make demands from the government by asking for lower taxation or is attracted to the city because it already pursues business-friendly policy (for instance special economic zones with low taxes).

A *social-centered development policy* puts priority on strong public direction, activist planning, and preservationist policies. It also emphasizes collective benefits or public amenities. Social centered development means that cities will make *demands upon business* and pursue linkage policies (Savitch and Kantor, pp. 46; emphasis added).” On the other hand, “a disadvantaged bargaining position means that cities rely more heavily on an economic logic and pursue development that we label as *market centered*. This kind of development policy emphasizes free development, minimalist planning, and strong economic growth. It accomplishes this by *offering inducements to business* such as tax abatements, relaxing architectural standards, and doing away with zoning regulations (Savitch and Kantor, pp. 46; emphasis added).”

There are four variables that drive and steer the outcome of urban development in the direction of either social- or market-centered development.

The two driving variables are market conditions and intergovernmental support.

- Market conditions provide cities with resources, investment initiative, and jobs. Without some positive market conditions, development is not likely to occur. As described before, the market conditions can be adjusted with the use of market-centered policy. A city with favored market conditions is likely to have a diverse economy; high forces of agglomeration; a competitive market advantage; a robust tertiary; high levels of education; a sustained employment base; and a vibrant office market. Cities with unfavored market conditions are often single-industry cities; cities with a thin tertiary sector; low education levels; and a sluggish office market.
- Intergovernmental support describes the relation with other governmental levels. Integrated intergovernmental support will lead to coordinated planning and development on the level of the regional metropolis and is often a threshold for strong fiscal support. Integrated intergovernmental support will strengthen the bargaining position of the government because it is less dependent from market investment (because of aid) and because there is no competition between different areas in the metropolitan region. The level of intergovernmental support is thus influenced by the level of fragmentation in administrative agencies in the metropolitan region; the level of aid from central government to cities and the relation between the city and other (possible competing) cities on a regional levels. Intergovernmental support can be integrated or diffuse.

In essence the driving variables determine *if things can be built*. In comparison the steering variables, popular control and local culture will give expression to *how, where, and whether things are build* or *what is likely to be built*.

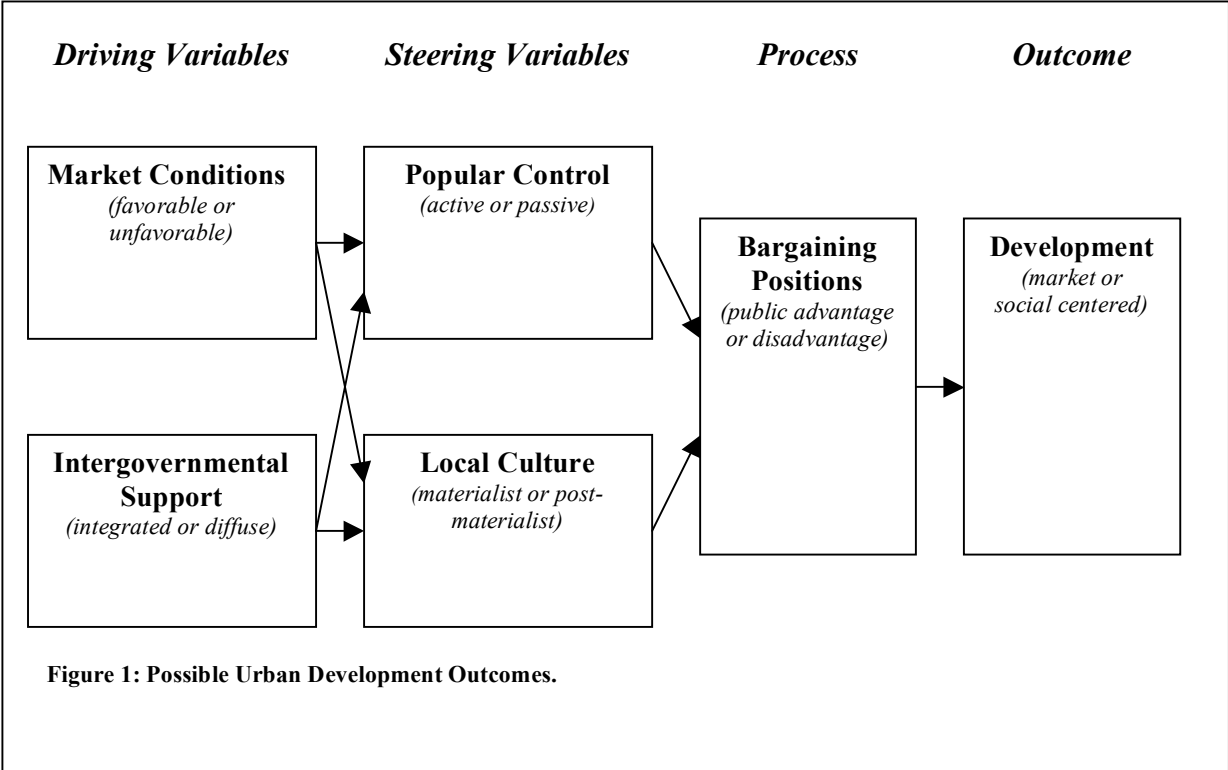
- Popular control defines the possibilities citizens have to steer policy, i.e. to choose whether they want governmental assets to be used for producing jobs or green space. Popular control is measured by the development of the civic society; the voting system and turnouts and the involvement of citizens in planning. Popular control can be active or passive.
- The second steering variable is local culture. Local culture refers to the attitudes that a city brings forward toward development and the values that it holds toward the built environment (Savitch and Kantor, pp. 83). The prevailing norms on these issues are manifest in the cities history but also in the demographic and social composition of the city (a blue-collar worker base will demand jobs instead of high-quality green space). The local culture in a city can be materialist (personal divisible benefits) or post-materialist (common goods).

These four variables: market conditions; intergovernmental support; popular control; and local culture, define the bargaining position of the public sector and thus define whether it is likely to expect market-centered or social-centered urban development as the outcome (see Figure 1).

Added to these four variables, Savitch and Kantor introduce the concept of the regime. Regimes are long-term, identifiable governing coalitions (either public-private as well as public-public) that engage in bargaining over development. Regimes use and change the driving and steering variables to bargain over development as well as the principles, rules, norms, and decision-making procedures around which they converge.

It is on the basis of these four variables and the regime-theory as described by Savitch and Kantor that we have analyzed the urban development of Hong Kong. Although we have not

been able to provide the same data-sets that are used to operationalise the indicators by Savitch and Kantor, we believe that we have sufficient empirics to make some inferences about the urban development strategy in Hong Kong. These inferences will be exposed in the concluding chapter of this paper. In the next four chapters the indicators will be analyzed.



HONG KONG: THE FACTS

History and Geography

Hong Kong’s history starts in 1841. As a result of the First Opium War between the British Empire and China, Hong Kong Island (gray-colored in Figure 2) became a colony of Great Britain. In that time it was still a barren island with barely a house on it. Although Hong Kong became an important trade node and a great port city, the British weren’t satisfied with the land area of Hong Kong. The island was very mountainous and sooner or later, there would be a shortage of land suitable for development. After the Second Opium War, in 1860, the territory of Hong Kong was extended with the Kowloon peninsula (dark-gray-colored in Figure 2). A new problem occurred when the British realized that the border between Kowloon and China would be difficult to defend. Therefore they wished to gain control of the mountainous area north of Kowloon as far as the Shenzhen River. In 1898 they got their way, securing the lease of what became as the New Territories (as well as some 230 islands – light-gray-colored in Figure 2) for a period of 99 years. Later the British regret to sign this treaty which only leased the land, while Hong Kong Island and the Kowloon were British in perpetuity. When the lease ended in 1997, it had become impossible to govern Hong Kong without the New Territories. This is also the reason why Hong Kong was handed over to China in 1997. It was negotiated that Hong Kong would remain its capitalist system which it had developed under British rule. Therefore Hong Kong became a Special Administrative Region (SAR) which functions as an autonomous state except on the field of foreign relations and defense. This model has been called the ‘one country, two systems’ model referring to the

fact that China is communist socialist and Hong Kong capitalist. It is decided that this would continue for at least 50 years since 1997.



Figure 2: Map of Hong Kong (Census and Statistics Department of Hong Kong, 2007)

Population

Hong Kong currently inhabits almost 7 million people in the whole territory. The major growth of the population started after the Second World War and has never ended since then. After the Second World War, many capitalist Chinese escaped from China which became a communist state and followed the Socialist System. Nowadays migration also comes from China. Low-skilled workers try en mass to pass the border between Hong Kong and mainland China in search for a better future. Thanks to strict immigration legislature and a stagnating natural growth, the population of Hong Kong has been stabilized in recent years.

Population in millions
2006

Hong Kong Island	1,281
Kowloon	2,019
New Territories and Islands	3,662
Total	6,962

Table 1: population in millions by area (Census and Statistics Department of Hong Kong, 2007)

<i>2006</i>		
Age Group	Number ('000)	%
Under 15	939.2	13.7
15-34	1959.3	28.6

35-64	3106.5	45.3
65 and over	852.1	12.4
Total	6962.1	100

Table 2: population by age group (Census and Statistics Department of Hong Kong, 2007)

In the next four chapters, we will present our analysis of Hong Kong. First the two driving indicators (market conditions and intergovernmental support) will be described. These will be followed by the two steering indicators (popular control and local culture).

DRIVING INDICATORS (1): MARKET CONDITIONS

Positive market conditions are the fuel for urban development. Without any positive market conditions it is unlikely to expect development. This is especially true for Hong Kong, a city which has always solely used the market to get revenues instead of cities like Amsterdam and Milan that have developed strong financial ties with central government.

Hong Kong believes in the market. The strategy followed by the Hong Kong government is funded on creating a good economic climate for the market. Jessup and Sum (2000) typify Hong Kong as the paradigm case for *laissez-faire* development and practicing the strategy of ‘positive non-intervention’. The strategy of positive non-intervention means that the government *leaves her hands from economic issues* and sees the aggregate of decisions of individual businessmen (the market) as a better mode to allocate resources. The government would, in this vision, only frustrate the economy if it starts to plan and allocate the resources of the private sector (Wikipedia, 2007). ‘Leaving her hands from economic issues’ also means that the market is induced via low levels of taxation. This policy of low taxation can be followed by the city because the Hong Kong government is the owner of all the land in the territory and gets 40% of its revenues from the leasing of the building rights of land. Because land is such a major input of revenues, other taxes can be kept low. The low taxation levels increase the competitive market advantage and the forces of agglomeration of Hong Kong.

These aspects of market conditions are further strengthened by the geographical position of Hong Kong. It has an unusual strategic and spatial advantage, because it is located in the Pearl River Delta (PRD) – one of the most productive manufacturing regions in the world – but is a service-oriented international city itself. This has led to a complementary economy between Hong Kong and the PRD: the *front-shop back-office model*. This model implies that the products are made in the PRD and sold and transported to the world through Hong Kong’s international connections.

The rapid development of the PRD (in the past ten years, only Hong Kong has helped to set up 40.000 factories, employing around 7.5 million people (TIME Asia, pp. 36) has forced Hong Kong to transform its economy. It couldn’t compete with the PRD on industrial production and thus the economic base of Hong Kong has transferred into a service-oriented economy. Nowadays 90% of the city’s economy exists of services (including branches like finance, insurance and real estate – FIRE) (TIME Asia, pp. 49; Jessup & Sum, 2000) – see also table 3 for a more detailed distribution of employment. According to the Dutch newspaper NRC-Next, Hong Kong is the fifth largest financial center of the world and the second largest in Asia after Tokyo (NRC-Next, 2007). Peter Taylor has analyzed the position of Tokyo and Hong Kong as financial centers more elaborately (Taylor, 2000). He concluded that, although Tokyo is a larger financial center it is still primarily focusing on the Japanese market. Instead, Hong Kong is a global financial center, possibly also because of its history as a British colony.

Sector	Percentage (%)
Manufacturing	5.2
Construction	7.9
Wholesale, retail and import/export trades, restaurants and hotels	34.1
Transport, storage and communications	10.6
FIRE	15.3
Community, social and personal services	26.2
Others	0.7
Total employment	100.0

Table 3: employment distribution by economic sector (Hong Kong Census and Statistics Department, 2007)

The colonial past of Hong Kong has given it a special position in China. Of course, the main difference between Hong Kong and China is that the latter is a communist socialist country and Hong Kong follows capitalist system. Moreover, under British hegemony, Hong Kong has introduced private property rights were introduced, as well as policy to control corruption and a strong regime between government and the private sector was set up (the Heritage Foundation, 2007). These more soft parts of the economy (hard parts would include things like labor force and labor price) are less developed in mainland China and therefore give Hong Kong an extra market advantage. It can be argued that there is no Chinese city as developed as Hong Kong. This can also be reflected in the education level. For a service-oriented economy, education becomes a crucial factor. In 2006, 23% of the population has received tertiary education (universities or colleges), an increase of almost 7% since 1997 (Hong Kong Business, 2007). Although the data used by Savitch and Kantor is not comparable because of difference in time, they give an indication of Hong Kong's position. On education levels, Hong Kong scores remarkably high; higher than cities like New York and Toronto, but lower than cities in welfare-states like Italy and France (Savitch and Kantor, 2003).

Table 4 summarizes the market conditions in Hong Kong.

Indicators	Favored	Unfavored	Hong Kong
Education Levels	High	Low	<u>High</u> : 23% share of population received tertiary education
Economic Base	Diverse	Single-industry	<u>Diverse</u> : major branches are FIRE; trade; transport; tourism; and other services
Forces of Agglomeration	High	Low	<u>High</u> : strategic position as the global node in the Pearl River Delta and low taxation levels
Market Advantages	Competitive market advantages	Few or no market advantages	<u>Competitive</u> : most international city in China; a population that speaks both English and Chinese; low taxation levels
Relations with Suburbs	Synergy with suburbs	Loss to suburbs	<u>Synergy</u> : a complementary economy: front-shop back-office model
Tertiary Sector	Robust	Sluggish	<u>Robust</u> : 90% service economy; policy initiatives to increase the financial sector
Employment Base	Sustained	Weak	<u>Sustained</u> : constant influx of labor from China; unemployment level is lower than ever (4.4%)
Office Market	Vibrant	Struggling	<u>Unknown</u> : no data found. However, massive office development in Kowloon

Table 4: market conditions

DRIVING INDICATORS (2): INTERGOVERNMENTAL SUPPORT

The second driving variable is intergovernmental support. This describes the relation between the city and higher governmental agencies like the state or the region. It also describes the relation between the central city and its surrounding metropolitan periphery. In a fragmented metropolitan region the classical problem between the rich suburb and the poor central city is likely to frustrate coordinated and balanced metropolitan planning as municipalities might compete with each other over private investment and thus weaken the bargaining position of the central city.

On the contrary, a city with integrated intergovernmental support is likely to steer the market in the whole territory of the metropolitan region. A good relation between center and periphery in the metropolitan region is thus important if a city wants to control and allocate the recourses of the private sector in a balanced and coordinated way.

The relationship between the central state of the People's Republic of China (PRC) and Hong Kong is experimental. It is experimental in the sense that Hong Kong, after it returned to China in 1997, became an autonomous capitalist region (the Hong Kong Special Administrative Region – HKSAR) within the communist PRC. In the Basic Law of 1997, the concept of 'one country – two systems' was implemented which meant that Hong Kong would remain autonomous in all respects except issues considering foreign affairs and defense. Hong Kong remained its capitalist system; its own currency; legal framework; and would keep freedoms like the freedom of speech; of religion; of the press; of assembly and demonstration; and many others (Wikipedia, 2007).

The one country – two systems model also implies that the central government of the PRC cannot directly influence urban development in Hong Kong. It should be mentioned, however, that the way how the Hong Kong government is elected (semi-direct elections with major influence from the central government of the PRC) gives the PRC indirect influence in Hong Kong politics including urban development. However, this influence has focused more on issues of democracy than on changing the capitalist, positive non-intervention strategy followed by Hong Kong – see also the chapter on popular control.

The relation between Hong Kong and the central government of the People's Republic of China (PRC) – considering intergovernmental aid – is vague. Whether there is fiscal aid from Beijing to Hong Kong is unclear. However if it exists, it is likely to expect that it will less than 33% of Hong Kong's revenues and therefore it should be considered as 'low, according to Savitch and Kantor (p. 96)^{iv}'. However, it should be also mentioned that central government has [indirectly] helped Hong Kong through the Asian Crisis and the SARS-epidemic crisis, first by allowing more tourism from mainland China to Hong Kong and later by allowing Chinese companies to enter the Hong Kong market and Hang Seng Index (TIME Asia, 2007; Hong Kong Business, 2007).

Considering the relation between central and peripheral areas in the metropolitan region of Hong Kong it is interesting to see that Hong Kong is a mega-city. All the territory is owned by the central government of Hong Kong. Currently Hong Kong's territory exists of 1.103,97 square kilometers (Census and Statistics Department, 2007)^v.

Because all the territory is owned by one municipality, there are no problems like competition between the central city and its suburbs. On the contrary, Hong Kong has followed a process of coordinated and balanced planning. Hong Kong has followed an integrated planning strategy which is structured around the development of new towns in the New Territories. In the New Territories there are currently nine new towns constructed, inhabiting 4 million people which is two-third of Hong Kong's population (Hong Kong Information Services

Department, 2006). The first generation of new towns (1960's – for example: Sha Tin New Town) were build on the theory of the garden cities of Ebenezer Howard. They had to be fully self-fulfilling and thus contained housing as well as industrial activity. Nowadays, the industry in these new towns has been abandoned and most people commute to Hong Kong and Kowloon.

Later new towns (Tung Chung and Shui Wa) contained only residential activity. The people who live in these new towns also commuted to the metropolitan core. These new towns are thus not competing for investment with the central city.

The last indicator for intergovernmental support is regional integration, which indicates the level of political cooperation between the city and the wider region, in the case of Hong Kong the relationship with the Pearl River Delta (PRD). The regional relation between Hong Kong and the PRD is still underdeveloped in political sense. As explained in the chapter on market conditions, there is intense cooperation between Hong Kong and the PRD in economic terms. In political sense, however, the relation is still in it's primarily stage. There has been a study called "Coordinated Development of the Greater Pearl River Delta Township", jointly commissioned by Hong Kong and Guangdong (the Chinese province in which the Pearl River Delta lies), these are still primary steps (Hong Kong Information Services Department, 2006) and have not lead to real arrangements.

In table 5, the intergovernmental support is summarized. Hong Kong is an interesting case as there are some aspects of intergovernmental support on which it scores high, but there are also aspects which are low. Therefore the outcome would be that Hong Kong is a city of mixed tendency considering intergovernmental support.

Indicators	Integrated	Diffuse	Hong Kong
Intergovernmental Aid	High	Low	<u>Low</u> : although no exact data, it can be assumed that the level of aid is less than 33% percent.
Center-Periphery Net Works	High	Low	<u>High</u> : Hong Kong is one territorial administration. Planning is coordinated from one place and thus balanced.
Regional Government	High	Low	<u>Low</u> : economic cooperation, no political. Albeit: preliminary stages to start regional cooperation.
Unified Territorial Administration	High	Low	<u>High</u> : Hong Kong is one mega-city. It governs the whole of the territory

Table 5: Intergovernmental Support

STEERING VARIABLES (A): POPULAR CONTROL

The 10th anniversary of the return of Hong Kong to China on July 1st 2007 indicated a perfect moment for the media to reflect on the development in this decade. Although there was much to celebrate (the political interference from the PRC into Hong Kong was less then expected and the economy is flourishing), there is one negative issue: democracy. The political scientist Samuel Finer once described the unique political system of Hong Kong as 'undemocratic but free' (the Economist, 2007). In this paragraph the channels through which the citizens of

Hong Kong can control and reshape urban development policies will be analyzed. First a description of the way that the government of Hong Kong is chosen will be given and after that alternative ways of how Hong Kong residents try to control their government will be described.

Savitch and Kantor argue that popular control can be passive or active. A situation of passive popular control is the outcome of limited ways through which the government can be made accountable. These include neighborhood political institutions; civic life (political involvement); the governmental structure and voter turnouts. In the description of Hong Kong it will become clear that the effects of voter turnouts and political involvement are dependent on the way that the political system is formulated.

Under British rule, Hong Kong never chose its leader. The leader was appointed. This has not changed after the handover in 1997. The leader of Hong Kong, the chief executive is nowadays chosen by an 800-strong election committee. The members of this committee are appointed by the central government of the People's Republic of China (PRC). There is no direct influence from the Hong Kong citizens, and through this mechanism, the PRC can influence Hong Kong politics.

The election of the legislative council (LegCo – 'the' government) of Hong Kong is not much better considering the possibilities for popular control. Half of this 60-headed council is directly chosen by the local population, but the other half is chosen by the same 800-strong election committee. In this way, the Chinese central government (who appoints the 800 members of the election committee) can, again, indirectly influence Hong Kong politics.

For example: in the citizen 2004 elections for the LegCo (a turnout of 55.6% - so rather high) pro-democracy (anti-Chinese) parties got 66% of the votes. However, the 800 members of the election committee only gave 20% of their votes to these pro-democracy parties. This led to the outcome that the pro-democracy parties, although they had the majority of the votes from the Hong Kong population, own 25 of the 60 seats in the Legislative Council, thus not a majority. This example shows the undemocratic value of the governmental elections.

The main problem with this political system is that the government of Hong Kong is not accountable. The population cannot, by means of voting, show their dissatisfaction with the government's policies. In recent years this dissatisfaction has led to some mass-demonstrations of which one was successful but most weren't^{vi}. The demonstration against the demolition of the Queen's Pier – a colonial modernist-style pier from which ferries between the centre of Hong Kong Island and the centre of Kowloon boarded – illustrates how the government handles opposition from the population.

The movement which demonstrated against the demolition of Queen's Pier existed of a loose-knit coalition of NGOs and student groups. They found a similar goal in the protection of cultural heritage, which has become a rather hot issue since the handover. The handover is not only a political event; it has also been the moment for many Hong Kong residents to look at the history and image of their city and the importance of those values. In the chapter on local culture this will be described furthermore. The Queen's Pier is one of the few historic buildings left in Hong Kong and it represents the colonial history of Hong Kong^{vii} and therefore people want to protect it from demolition (TIME Asia, pp.41). As a reaction to the demonstrations, the government did hold public forums, and opened up some planning meetings with the public, but the attitude of the government is pragmatic at best. Chief Executive has expressed the government's opinion on heritage protection: "we cannot afford heritage preservation if we do not preserve our economic sustainability" (TIME Asia, pp. 41). This illustrates the entrepreneurial style of government in Hong Kong and the negative side of

Hong Kong’s fiscal dependence from market investment well: without new investment there is no money for social-centered policies like historic preservation.

In order to show its willingness to communicate with the demonstrators the government made three proposals for the future of Queen’s pier. The first is that it will be dismantled during the land reclamation process (the reason why it has to leave was a waterfront development project) and rebuilt on its original site. The second is that it be rebuilt on another waterfront site and the third is that it will be rebuilt inland. Aside from the incomprehensibility of the last option – a landlocked pier – none of these options satisfy the demands of the demonstrators who want to stop the demolition of the pier.

Considering public involvement within urban planning practices in Hong Kong, we can say that there is public involvement. Currently the planning department of Hong Kong is working on a new strategic vision for Hong Kong in 2030. This plan is called HK2030. It is developed following a method of scenarios and contains of four stages. In the first stage the planning objectives and key study areas are identified. In the second stage the key planning issues and evaluation criteria for the development options are identified. The third stage consists the proposal of the ‘what if’ scenarios. The fourth report is still under construction but will contain the final scenarios. After every stage is finished, the results are opened up for public involvement (Hong Kong Planning Department, 2001; 2002; 2003). However, we are witnessing here a sound example of what Glick Schiller and Wimmer (2003) call ‘methodological nationalism’. In other words, public involvement means something slightly different then we (in the western world) are used to. Public involvement in Hong Kong means that a constellation of external experts; district councilors; children from schools; planning students; and residents of selected areas are invited to react on the plans. The government takes the initiative and selects the people they want to react upon the plan. There is no way in which Hong Kong citizens can decide for themselves whether they want to react.

People in Hong Kong feel very powerless (TIME Asia, pp. 41). Although the citizens have shown their dissatisfaction quite clearly, their actions have more often been unsuccessful than not. The demonstrators against the demolition of the pier went as far as hunger-strikes, but the government has not been accommodating. And albeit there are civic institutions like trade unions and civic organizations, these have limited political influence because of the electing mechanisms.

Indicators	Hong Kong
Civic society	White-collar well educated workers. Not directly involved in the election of the Government.
Voting System	Not democratic according to European Standards.
Involvement of citizen in planning	Only external experts, district councilors, children from schools are selected and invited on react on governments policies

Summarizing, Hong Kong has passive popular control, but this is not the result of limited political involvement (quite a lot of demonstrations in recent years) or low voter turnouts (voting turnout at 2004 elections for LegCo was 55.6%, which is rather high) from the side of the population. The government is differently elected if compared with European Standard; it is not accountable and the public system behaves like an elite-regime in its relation with the

population. It is likely to expect that the conflicts (considering cultural heritage; poverty and pollution) between the government and the population will continue in the future, just because the population of Hong Kong has changed into a high-educated, wealthy population who puts more values to issues like the air pollution; historic preservation and civic involvement (Hong Kong Business, 2007). This is also the result of Hong Kong changed economic base. A service-oriented city must attract a white-collar base population. Such people have different values than blue-collar workers. The fact that a lot of experts are actually leaving Hong Kong because of the worsening air pollution (Management-Issues, 2007) might increase the pressure on the government to change its policies.

STEERING INDICATOR (B): LOCAL CULTURE

The local culture of a city is a reflection of the norms and values considered important by the population. These norms and values don't come from nowhere. They are representatives from the city's history (traditions) and its social composition. Local culture can thus be measured through demographics and through more fuzzy concepts like a preference for preservation and (in)divisible goods. A population that exists of a strong blue-collar group and an industry-oriented economy is likely to prefer jobs and income than greenbelts or historic architectural preservation. On the other hand, a population with a high number of professionals and managers (a characteristic of a tertiary economy) is likely to prefer indivisible goods like a healthy environment.

The local culture of Hong Kong is changing from a materialist into a post-materialist culture. This process is related to changes in the economy; political position of Hong Kong and demographic changes. Hong Kong started growing when China became communist after the Second World War. This political event caused a major gulf of migration to Hong Kong from capitalists Chinese who fled the communist/socialist regime. This led to a very capitalist society which was eager to leave behind political issues and focused on survival and capital accumulation (Ng, 2005) According to Ng (2005) "the purpose of Hong Kong is to make money. Hong Kong has no other public, moral, intellectual, artistic, cultural or ethical purpose as a society of individuals. It is just one big bazaar (Ng, pp. 122)." The average work week consists of 47 hours (Wikipedia, 2007). According to a ranking by the World Bank, the current GDP of Hong Kong is comparable with the GDP of Argentina (World Bank, 2007). These empirics give an indication of the *raison d'existence* of Hong Kong. It is a city of hard-working people, and the culture emphasizes satisfaction of personal needs.

The planning outcome of this local culture and the governmental strategy of positive non-intervention is that wider socio-economic and environmental implications are not always carefully thought through. When the government announced the building of Hong Kong's new international airport on a - through reclamation - to build new island in the sea, there was no study made on the environmental impact of such a new island. In many respects, Hong Kong is a materialist city, focusing on divisible (personal development) rather than indivisible (common goods) benefits, which would be more the case in post-materialist cities.

Although the data and existing documents suggest that Hong Kong is a very materialist city, the local culture in the city is in a transition process. As mentioned before, Hong Kong has transformed into a service-oriented city with a strong white collar social base. The unspoken social contract (Ng, 2005) that had existed for many years and meant that citizens would not bother about the undemocratic degree of politics as long as the economy was healthy and growing, is eroding. The economic downturn in the first years of the new millennium and the rising unemployment eroded the basis of this contract. The influx of lower-class immigrants

from mainland China has led to the formation of a “permanent” underclass (Ng, 2005). The current (2006) Gini-coefficient – an indicator to measure inequality – is 53.3. In 1996 it was 43.6 which indicate a widening gap in income equality – an indicator for a process of polarization. The inequality is higher than in China, where it has been stable at 40 (United Nations Development Program, 2006). These increasing social problems, accompanied by environmental problems (increasing air pollution) might frustrate Hong Kong’s mission to become a ‘world city’ as this would imply an increase of the living quality in Hong Kong. Related with those economic and demographic changes, is a process of historical realization among Hong Kong citizens about the history and position of their city. This process is catalyzed by the return of Hong Kong to mainland China. Many feared that the central government of the PRC in Beijing would try to adjust the capitalist system of Hong Kong and this threat made people aware of their values. The demonstrations against Article 23 and the call for universal suffrage (see endnote vii) are signs for growing political involvement.

Summarizing: Hong Kong is – looking in its history – a materialist city. Jobs and personal development were considered as important benefits and post-materialist values (historic preservation of the urban fabric; environmental sustainability) have been given up for economic pursues. This materialist local culture is still very present in the governmental strategy of positive non-intervention followed by the government. However, changes in the economic base of the city as well as effects of those changes in demographics and a changed political position have started a process of transition of the norms and values of Hong Kong people.

CONCLUSION:

In this conclusion, the four paragraphs on the indicators will be summarized by describing the bargaining position of the three main groups of actors which take place in the urban development of Hong Kong. These groups are the government; the private sector; and the citizens of Hong Kong. The way in which these three groups collaborate formulates leads to the unique model of urban development in Hong Kong. Some of these groups have strong bargaining positions. To be more precise, the government has a strong bargaining position. It has favored market conditions and mixed intergovernmental support. And because the government is not chosen on a democratic base, it doesn’t need to fear protesting citizens. One important aspect of Hong Kong’s government is crucial for the strategy followed by the city: the dependence on private investment for its own fiscal base. Hong Kong receives only low levels of aid, if it even receives any. For the large majority it is dependent on taxes and revenues from land leases. The latter is responsible for 40% of the city’s revenues. This implies that Hong Kong is very dependent on physical development. This has forced Hong Kong to follow a market-facilitating policy of positive non-intervention. In this way, Hong Kong enlarges its fiscal base and is able to implement social policies like public housing. Hong Kong is governed by a strong regime of the government and private investors. Urban development is driven and steered by these two groups of actors. The third group of actors, the Hong Kong citizens, is left out of the process of urban development. They try to steer politics (via demonstrations) but they are very powerless. The citizens have thus a weak bargaining position, although it should be mentioned that the local culture in the city is changing as a result of economic and political happenings. This might, in the future, lead to improvements in the bargaining position of the citizens as is described in the chapter on local culture.

This paper has analyzed the bargaining position of the actors involved in urban development (the government; the private sector; and the citizens) through a model that exists of four indicators. These indicators are market conditions; intergovernmental support; popular control and local culture. The first two indicators drive urban development while the other two are indicators for the capacities to steer urban development. A lot of data has been provided in this paper, and this might be dazzling for people who have never been in Hong Kong and thus have no image ready of how the city looks. To provide this image, we made a movie about Hong Kong. This movie follows the same line as the paper. It visualizes the data from the four indicators and shows the outcome of the urban development model: Hong Kong.

APPENDIX

In order to give a more exhaustive description of what witnessed in Hong Kong, three outcomes of the urban development in Hong Kong will be described. The first example will describe, in a more detailed way than above, how the land lease policy makes Hong Kong dependent on the market; and how this influences the political agenda. This will be illustrated by the policy on public housing. The second example describes how the Hong Kong government uses innovative solutions to develop social policies without frustrating market investments, something which is considered to be very difficult (see for instance: Fainstein, 2001). This will be illustrated (again) by the policy on public housing. The third example describes how private actors develop services which we usually link with the government. The case here is the Hong Kong metro-system. These three show both strengths and weaknesses of the urban development model in Hong Kong.

Example 1: the land lease system and its influence on the political agenda

According to Savitch and Kantor favored market conditions give the government a strong bargaining position. Because many private investors are willing to invest in the city, the government can make demands on the private investors. However the case in Hong Kong is slightly different. Although the market conditions are favorable and the unified territorial administration of Hong Kong does not lead to competition between Hong Kong and its suburbs, the government follows a strategy of positive non-intervention, which creates a good economic climate for market investment. This strategy can be understood via the way that Hong Kong gets its revenues. Hong Kong gets almost all its revenues from private sources. One of the most important sources of revenues is land. Hong Kong is the owner of all the land in its territory. The land lease model works as follows: Hong Kong sells the right to build (not the land itself) to the investor with the highest bid. The annual rent the investor has to pay to the government is three percent of the ratable value (income (rents) minus costs) of the real estate. The land leasing and annual rent paid to the government makes up 40% of the revenues of the Hong Kong government. This implies that for both the private investor and the government, it is attractive to construct high-rise buildings (higher buildings generate more rents) and demand high rents. This is one of the reasons why the urban landscape of Hong Kong is dominated by high-rise buildings (other reasons have to do with geography (Hong Kong is located in a mountainous peninsula and so there is a shortage of land) and climate (the climate is very hot and humid. Buildings are designed to create as much wind as possible to increase the effect of air-conditioning. High-rise and especially star-shaped high-rise creates most wind)).

The fact that these land policy related issues account for 40% of the city's revenues, imply that Hong Kong is very dependent upon physical development in the city. As development is only likely to happen when there is a positive market position, Hong Kong's policy has thus always focused on meeting the demands of the market. In times of economic prosperity, Hong Kong has implemented social policies like public housing. However, during the Asian crisis (1997-8) and the SARS-epidemic (2003) – when the economy was in stormy weather – the government responded by freezing the social housing policies and focus entirely on the re-enlightenment of the economy (Francis Ng, deputy director on land policy in Hong Kong, presentation on 27-06-2007).

Example 2: public policy without frustrating the market: governmental innovation

As the previous example illustrates, the existence of the social policy of public housing in Hong Kong is dependent on the economic condition of the city. This is because public housing is provided by the government and thus costs money. In harsh economic times, the revenues of the government decline (see previous example). And thus the possibility to invest in social policy also declines. However, the argument that social policies frustrate the market is not true in Hong Kong. The policy of public housing is smarter designed than it might seem. It is more complex because the government's dependency on the market for its revenues and therefore the government would cut in its own fingers if it would frustrate the market. This problem is solved by building public housing only in those areas which fall out of the market interest. The large majority of public housing in Hong Kong is located in the peripheral new towns in the New Territories, because these peripheral (agricultural) areas are not interesting for market investors. On the same coin, there is almost no public housing in the central metropolitan areas of Hong Kong Island and Kowloon. In this way public housing is not frustrating the market sector. Rather, it can be argued that it is creating new opportunities for the market, because there are many people living in these new towns and therefore they have become new locations for private real estate development.

Public housing in Hong Kong has thus an interesting characteristic: it is no inducement to private investors; rather it creates new opportunities for real estate development. In this way, both private investors and the government are satisfied: Hong Kong develops social policies without frustrating its revenues.

Example 3: private public services: public transport in Hong Kong

Public transport is often a characteristic of a social-centered post-materialist city; it is expensive to develop and maintain and is often provided by the government. Although Hong Kong follows a system which is market-centered, Hong Kong is also a city of public transport. Its public transport system contains of all possible modalities (metro; bus; tram; boat; taxi; train) and has a very dense network of lines as well as frequency. And most interestingly, this extensive public transport system is provided by private companies. These private companies get an indirect subsidy because car-ownership is forbidden except for those who are willing to pay an extraordinary price. Also, the New Town development in which 4 million people live has increased public transport use because these people still work in the central city of Hong Kong and thus need to commute. These indirect subsidies are sufficient enough to make bus transport profitable. However, the metro company MTR has far higher construction costs and the revenues for fares are not enough to make metro-construction profitable for a private developer. Therefore the MTR also acts as a real estate developer. In order to finance the metro, the MTR buys the development rights on top of the metro stations. Above the stations, a mixture of offices; shopping centers; residential areas and services are developed which generate the necessary revenues for the MTR.

The uniqueness of Hong Kong's urban development

Real estate developers follow a strategy which we have called 'comprehensive development'. It is comprehensive because of the mixture and complementary character of functions on a small plot of land. The real estate developers want to get as much revenues as possible on a small plot of land because they have to lease the land. The revenues are extended by building higher buildings and by combining different functions. The metro stations are exemplary in this sense. You can live; work; shop; relax; eat and travel in one location. People don't need to leave their building anymore. This mixed-use development is what makes Hong Kong's

urban development unique and it is a direct effect from the recourses (bargaining position) held by the government and the private sector. The land ownership of the government is crucial as well as the strategy of positive non-intervention. A third crucial element is the role citizens play in this development. Or better: the role they can't play. Citizens have very limited influence on urban development.

To sum up, Hong Kong's urban development model is the outcome of a strong bargaining position for the government and a strong bargaining position for the market. The market's position is strong thanks to the government's dependency on the market for fiscal reserves. The government's position is strong because its policy of positive non-intervention has led to large revenues which gave it the possibility to develop social-centered policies. The position of the citizens is weak. They have no access to the channels that steer urban development although this might change in the future thanks to political and economic changes in the past decade(s).

THE MOVIE STRUCTURE

1 – INTRODUCTION
2 – AREA OF CONCERN
3 - POPULATION
4 – AGE GROUPS
5 – MARKET CONDITIONS :
- educational level
- economic base
- forces of agglomeration
- relation with outlying districts
- tertiary sector
6- INTERGOVERNMENTAL SUPPORT
- relationship with the central State
- regional integration
7- POPULAR CONTROL AND LOCAL CULTURE
8 – MODEL OF URBAN DEVELOPMENT

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ENDNOTES

i H.V. Savitch and Paul Kantor, 2002: *Cities in the international marketplace. The political economy of urban development in North America and Western Europe*. Princeton University Press, 2002

ii Savitch and Kantor's analysis covers the period of 1970 till 2000. Our analysis is based on the current (2007) situation and looks back till 1997; the year that Hong Kong was handed over from Britain to China. Because of the different time the researches are not comparable.

iii The first 'great transformation' has been described and conceptualized by Karl Polanyi in his 1957 study *The Great Transformation* (Polanyi, K., 1957, Boston, Beacon Press).

iv Savitch and Kantor provide three categories of intergovernmental aid. If the aid is more than 60%, then it should be considered as high. If it is between 60-33% it is moderate; and beneath 33% it is low. High aid is an indicator for integrated intergovernmental support.

v In comparison, the territory of Amsterdam only exists of 219,07 square kilometres (O+S Amsterdam, 2007).

vi In 2003, half a million Hong Kong citizens demonstrated against the proposed implementation of Article 23 of Hong Kong's Basic Law. This article contains legislation against acts of treason, subversion, sedition and secession. The fear was that this legislation would infringe with human rights (Wikipedia, 2007). This demonstration was successful. The proposed implementation was cancelled, and the Chief Executive of Hong Kong, Tung Chee Hwa was replaced by its successor Donald Tsang. Other demonstrations, which focused on the issue of how the Chief Executive and the LegCo were elected, were less successful. The goal of these demonstrators was to receive universal suffrage. Although most political parties in Hong Kong are in favour of such universal suffrage, mainland China has denied the possibility of universal suffrage in the elections of the Chief Executive (2007) and the LegCo (2008).

vii The name Queen's Pier is a reference to the former queen of England, Victoria. Besides some buildings, the names of streets (Nathan Road; Queens Road; Mosque Street) and stations (Admiralty; Fortress Hill; Prince Edward) are the clearest signs of the former British hegemony.