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### Title

The Myth and Reality of Housing in Hong Kong: The Controversy over the Demolition of the Hunghom Estate

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## Introduction

This paper intends to examine the controversy over the demolition of the Hunghom Peninsula Estate – a government subsidized housing project initially developed to enable middle-income families to acquire homeownership. The project was completed during a recession under growing calls from the real estate sector to freeze the subsidized program, which was seen to be competing with the private property market and thus hampering Hong Kong's "business environment." In face of this pressure, the SAR government<sup>1</sup> suspended the sale and later sold the flats to two private developers, who thereafter revealed a plan to demolish all the buildings and replace them with luxury condominiums. The news triggered a public outcry. After a few months of protests mobilized by environmental activists, the developers eventually decided to preserve the existing flats and upgrade them for resale instead. The outcome has since been hailed by the government, the developers, and the environmentalists as a "success story" that underscores the growing strength of "civic activism" and environmental consciousness in postcolonial Hong Kong.

Yet, beneath these positive statements a number of issues remained unaddressed. First, the focus on the environmental impacts of the case directed attention away from the whole question of the SAR government's initiative to privatize public housing<sup>2</sup>. Second, the debate's consistent portrayal of a dichotomy between "public interests", which was referred invariably by the activists as the concerns for a more "sustainable" "environment", and "private" interests", which was referred to as the profit-seeking, short term motives of the private developers and businessmen, presents a simplistic picture that obscured the many contested interests entailed in the project.

By tracing the narratives employed by different social actors in the controversy, I attempt to complicate the Hunghom story by situating it within Hong Kong's political economy of housing, and the changes brought forth by the economic restructuring process under neoliberal ideology. My aim is to illustrate how these narratives all evidence, to differing degrees, three long-held myths about the housing situation. The first is that the extremely high property value in the territory is an inevitable result of the scarcity of land and rapid population growth – a scenario that has been repeatedly portrayed for explaining the history of Hong Kong. The second is that the provision of public housing (including rental and owner-occupied flats such as the Hunghom Estate) has been a purely gesture of the government in fulfilling housing needs which the private market is incapable of offering. The third, and perhaps most widely held belief, is that the private housing market is "free" and competitive, anchored in a close-to-ideal laissez-faire economy that is the critical determinant for Hong Kong's growth and prosperity in the past four decades.

I argue that these three myths, which are often invoked together as a causal relationship (i.e. the scarcity of land leads to soaring property values, which "forces" a benevolent government to provide public housing for lower income families), obscures the fact that they are the result of the ongoing political choices of an interventionist colonial administration, whose primary concern is to maintain legitimacy by tightly controlling urban development and securing the support from powerful players in the economy. Housing and land policies, in this view, are necessarily tied to a larger nation-building project that seeks to retain social stability by constructing committed citizens through the inculcation of collective aspirations

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<sup>1</sup> The SAR government stands for The Government of the Hong Kong Special Administrative Region. The government was established in July 1997 after Hong Kong's handover from Britain to China.

<sup>2</sup> The privatization of public housing has been underway since the onset of the Asian Financial Crisis right after Hong Kong's handover in 1997.

for upward mobility.<sup>3</sup> However, this formula, which arguably has proven to be successful in the past decades, is now increasingly being challenged, both as the result of Hong Kong's changed political situation vis a vis China and shifts in its regional and global economic competitiveness, and more generally due to the growing difficulty for the posthandover administration to balance the contested interests as it tries to expand the homeownership rate through the privatization of public housing.

The Hunghom saga is significant because it creates a "window" to explore the various trajectories normally at work, but without being remarked upon, in the political economy of housing. My analysis, which connects the historical discourse of housing and the various claims made in the controversy, reveals a specific power relationship which supports a particular kind of development operation in Hong Kong. My contention is that, far from being a simple case of "civic activism" at work, it is an example of the dominant players' diffusion of a threatening crisis and their partial success in reestablishing the status quo. The much applauded decision to preserve the buildings from demolition, in this sense, is a calculated gesture that serves not so much to protect the environment per se, but to protect the vested interests within the existing power structure of Hong Kong's political economy.

### **Hunghom Peninsula Estate and the Subsidized Housing Program**

The Hunghom Peninsula Estate was originally conceived under the government's Private Sector Participation Scheme (PSPS), which, together with its associated Homeownership Scheme (HOS), were designed to assist lower and middle income Hong Kong families to acquire homeownership at a subsidized rate.<sup>4</sup> Under these two programs, land was granted by the government to developers or contractors for construction of the flats. The government would then guarantee to buy back all the units at a pre-set price after completion and sell them as subsidized housing to the public. Since the inception of the two schemes in 1976, the PSPS and the HOS flats have proved to be extremely popular and have been consistently oversubscribed.

In 1997, immediately after Hong Kong's return to China, the SAR government embarked on an ambitious plan to increase the production of housing units in both the public and private sector.<sup>5</sup> As explained in the 1998 White Paper on Housing Policy, the plan was targeted to increase the home ownership rate from 52% to 70% within 10 years, with the overall goal to "alleviate the impact of the high prices on both people's livelihoods and HKSAR's economic competitiveness."<sup>6</sup> However, the timing of its implementation was far from ideal, as it coincided with the Asian financial crisis, which led to a significant decline of flat prices and purchases both in the public and private housing market.<sup>7</sup>

The price collapse generated widespread dissatisfaction, particularly among Hong Kong's middle and upper income classes which had invested heavily in property. Under pressure to

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<sup>3</sup> Manuel Castells, L.Goh, and R.Y.W Kwok, *The Shek Kip Mei Syndrome: Economic Development and Public Housing in Hong Kong and Singapore*, (London: Pion Limited, 1990).

<sup>4</sup> The PSPS and HOS schemes were conceived as part of the Ten Year Housing Program implemented in 1973 under the administration of the then Hong Kong Governor MacLehose. The stated goal was to "eliminate the housing shortage and improve the quality of housing in Hong Kong." (La Grange, 2003:27; Castells, Goh, and Kwok, 1990:132-134)

<sup>5</sup> Aiming to provide a total of 85,000 flats per year of which 50,000 units would be built under the HOS and PSPS programs. See *1997 Chief Executive's Policy Address*, HKSAR Government, 1997.

<sup>6</sup> *1998 White Paper on Housing Policy*, HKSAR Government, 1998.

<sup>7</sup> Despite the fact that prices had declined dramatically, sometimes as much as 60% or more. See Adrienne La Grange, "Economic Transformation and Public Housing Reform in Hong Kong," in *The Journal of Comparative Asian Development*, Vol.2:1 (2003), 28.

support the market, the government announced in 2001 that the sale of all HOS and PSPS flats, including the just completed Hunghom Estate, were to be suspended for 10 months. At the same time, the government also indicated its intention to significantly reduce the production of subsidized homeownership flats in longer term.<sup>8</sup>

While this dramatic reversal of housing policy was supported by developers and the private sector at large, it prompted others to begin to question the integrity of the post-handover government since it failed to fulfill its bold promise of providing homeownership for the less well-off in society. The fact that the new SAR Chief Executive was himself a member of the business elite also contributed to suspicions he would tend to “bow” to “private interests.”<sup>9</sup> As will be explained in a later section, this perception was also anchored in the presumed dichotomy of the public and private housing sectors, and the perception that public housing was a purely benevolent program fundamentally separated from the private market.

In February 2004, the SAR government revealed its decision to sell back the Hunghom Estate, which had been sitting unoccupied, to a joint venture between two of Hong Kong’s largest property firms, Sun Hung Kai Properties and New World Development.<sup>10</sup> The news brought criticism from several politicians and lawmakers, who complained that the sale unfairly favored big developers and was a classic case of favoritism. Yet, it did not seem to have triggered widespread debate at this time.

A few months later, as the property market began to show signs of taking off again after a prolonged slump, the developers revealed a plan to demolish all the buildings and replace them with luxury condominiums. The plan triggered an instant outcry from environmental NGOs and other activist groups.<sup>11</sup> The activists accused the developers of wasting resources and damaging the environment due to the “blind pursuit of profits.” Meanwhile, local lawmakers and politicians also renewed their concerns of the possible “collusion” between the government and business elites. As the controversy grew bigger, the case began to attract more attention in the media, with many more groups and individuals coming forward to voice their opinions. Increasingly, these criticisms also began to focus on the lack of transparency in policy making and the general incompetence of the SAR government in protecting “Hong Kong’s interests.”

Then, in a surprise u-turn after months of mounting criticisms, the developers announced that they had decided not to demolish the buildings but to upgrade them for resale at the cost of “making less profits.” The decision swiftly put a stop to the growing debate, and was instantly hailed by the activists, the government officials, and the business sector as a historical moment where “businesses” were (finally) forced to bow to the “public wish” to protect the

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<sup>8</sup> Thereafter, sales would be restricted to 9,000 flats a year until 2005/6. In 2002, the government announced that subsidized homeownership flat production was to be reduced to “the minimum required to provide insurance against unforeseen changes in the economic situation. Instead adequate loan finance will be made available to allow eligible households to purchase flats in the private sector. The benefits to the families concerned will be paralleled by the benefits to the public purse.” (La Grange, 2003:30)

<sup>9</sup> Tung Chee Wah was the former CEO and chairman of Overseas Orient Container Lines (OOCL), a major global shipping company, which his family controls. Aside from being one of the larger Hong Kong corporations, it is also perceived to have strong connections with the mainland Chinese government.

<sup>10</sup> Peggy Sito and Sandy Li, “Cut-price sale of flats on harbour stirs anger,” *South China Morning Post*, 10 February, 2004, 1.

<sup>11</sup> Who earlier had just successfully stopped a major government reclamation proposal. Half of the proposed reclamation for the Central-Wanchai Bypass was stopped through a court challenge by activists, while the other half was allowed to proceed through a legal technicality. The issue of upgrading and protecting Victoria harbour has been a major rallying point for activists in recent years.

environment.<sup>12</sup> Although some local developers expressed concerns that the climate of development had become too “politicized” and thus might drive investments away, the government quickly responded with reassuring statements that there was no reason to worry, as Hong Kong had become a more environmentally friendly place to live, and thus would foster more investment opportunities. Since this time, the Hunghom case has been repeated portrayed as evidence of Hong Kong entering a new era of “people power”, with a strengthening civil society in which citizens are not afraid to fight for what is “right.” In keeping with the ever growing numbers of campaigns against “insensitive” urban development, many agreed that the Hunghom story should be used to educate the younger generation about environmental protection and corporate responsibility, which can help gear Hong Kong towards a more sustainable future anchored in the “interests and aspirations of its people.”<sup>13</sup>

### **The Discourse and Clashes of “Hong Kong’s Interests”**

In the numerous newspaper editorials, letters and insight columns where various groups and individuals sought to comment on social issues in recent years, there is an increasing frequency to invoke the terms “Hong Kong’s interests,” usually in situations where the author was trying legitimize his or her view by tying it to some kind of collective consensus. This raises the question of what “Hong Kong’s interests” really meant, and why has it become such an important reference in discussing urban development at this moment in time?

A closer reading of these pieces seems to show, with some variations, that “Hong Kong’s interests” can be generalized to encompass several aspects. The most obvious is a presumed collective desire to improve the quality of life and to enhance the city’s image as an international metropolis with a good “business environment”,. Associated with this condition are other features, including the maintenance of a sound legal system, a high degree of freedom of expression, a free and flexible economy, and more recently the adherence to the principles of sustainable development. These criteria are often portrayed as the preconditions for Hong Kong to carve out a more prominent position on an increasingly crowded world stage, and in response to the new and increasing competition from China’s major cities.

However, while these “interests,” or more accurately, the desired conditions seen to guarantee Hong Kong’s future prospects and safeguard the existing quality of life, are being reiterated by individuals, social groups and institutions, and arguably appear to be somewhat “shared”, there are significant disagreement in how these conditions can be delivered. As I attempt to show in the case of Hunghom, these differences derive primarily from the positions of the commentators, who often are seeking to enhance their own profile and legitimacy to operate within Hong Kong’s political economy. The narratives in the Hunghom controversy reveal that the rhetorical “overall interests of Hong Kong,” are in fact made up by a whole array of fragmented interests of players seeking to maneuver for the maintenance or expansion of their own power<sup>14</sup>. It is also worth noting that in this maneuvering process, these arguments and their backing discourses are far from stable, but continue to shift as new circumstances arise, sometimes refuting their own previous claims, and at other times adopting the language of those who challenge them.

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<sup>12</sup> Ambrose Leung, Kaudia Lee and Jimmy Cheung, “U-turn on Hunghom ‘a victory for the people,’” *South China Morning Post*, 11 December, 3.

<sup>13</sup> Chris Yeung, “Happy estate of affairs,” *South China Morning Post*, 13 December, 2004, 14.

<sup>14</sup> Although certain groups, such as those espousing environmental protection, may not be driven by economic gains, they are nonetheless attempting to gain authority over how major decisions are made and who gets to determine the workings and future trajectory of the political economy. In other words, the Hunghom case does involve significant contests of power in the interrelated economic, social, and political spheres.

As mentioned earlier, the flash point of the Hunghom case was the developers' decision to demolish all of the new buildings. The environmental activists, headed by the Hong Kong branch of Friends of the Earth (FOE), criticized this as a tremendous waste of resources not only in terms of physical materials but also in the actual usage of the 2,470 apartments, which required substantial energy, manpower and time to produce and were perfectly ready to be inhabited. The demolition of the flats would generate 200,000 tonnes of waste and further polluted environment. These detrimental effects, FOE argued, would not only affect the well being of Hong Kong citizens, but also erode the "moral values" of the younger generation as the project epitomizes the total lack of social responsibility of businesses due to their "blind pursuit of profits."<sup>15</sup>

Immediately after the launch of these criticisms, the executive director of New World Development issued a justification for the project. The redevelopment of the Hunghom site, he claimed, would "bring huge social and economic benefits to Hong Kong while correcting a major mismatch in land resources," as the current units do not meet the demand for better quality flats on such a prime waterfront site.<sup>16</sup> Denouncing the design of the existing flats as substandard, the statement pointed out that flats were "too small" and its quality "too poor" for market consumption, and that it would indeed send the wrong message to the younger generation if the use of precious land resources were not being maximized. Meanwhile, the vice chairman of Sun Hung Kai Properties (the other partner) called the Hunghom Estate a "malicious tumour" because of its detrimental effect on the housing market and inefficient use of land. In addition, the statement also claimed that by adopting high environmental standards and "innovative demolition technology", the redevelopment could serve to raise Hong Kong people's environmental awareness and set up a precedent for future development. It also promised that up to 95 percent of the construction materials would be recycled in the construction works in Mainland China, and that new measures would be set to reduce noise and air pollution to safeguard the well-being of neighboring residents. Furthermore, community advisers would be appointed from among local residents and a complaints hotline would be set up.

Clearly, the developers' justification for the project is a direct and somewhat stretched response to the critique of FOE. But although one may conclude that their argument as "turning black to white," as many commentators angrily protested, it nonetheless highlights the fact that there are multiple interpretations to the issues. The competing justifications over what constitutes the best use of resources illustrates the different, but not necessarily opposite, valuation systems that exist, and how each invoke the widely acknowledged values such as efficiency, sustainability, and moral education – arguably all considered to be "necessary" conditions for making Hong Kong a more competitive and better city to live.

At this point of the unfolding controversy, it is important to take note of the seemingly neutral position of the SAR government, who, from the very beginning insisted that it did not know about the developers' intention to demolish the buildings. In a statement made by the Secretary of Housing and Land, it was asserted that the sale was "a special case under the sudden change in housing policy in the past fourteen months,"<sup>17</sup> whose purpose is to "minimize intervention in the housing market" in order to support the economy (and thus serve the "best interests" of Hong Kong). The sale was not sold "too cheaply" to the developers, as some legislators had criticized, but was a "good deal" since it freed the Housing Authority – the agency in charge of the renting and selling of public housing in Hong

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<sup>15</sup> Cheung Chi-fai, "Demolition of estate 'not acceptable,'" *South China Morning Post*, 4 December, 2004, 5.

<sup>16</sup> C.K.Lau, "When the dust settles," *South China Morning Post*, 2 December, 2004, 17.

<sup>17</sup> Chloe Lai and Cheung Chi-fai, "Housing chief defends cut-price flats sale," *South China Morning Post*, 4 December, 2004.

Kong, from having to buy back the flats under the rules of the PSPS, while on top of this also receiving a sizable land premium payment.<sup>18</sup> The statement went on to emphasize that the deal was definitely “not about a small sum of money,” as the total estimated cost for the developer over the project was a substantial 3 billion Hong Kong dollars. Meanwhile, New World Development echoed this claim by insisting that they would only make a “small profit” for this project.

Yet, despite the familiar rhetoric of “minimizing state intervention” in the housing market, the logic of “changing the housing policy to ‘support’ the economy” (by suspending sales of subsidized public housing) is a linguistic distortion, as it obscures the dialectic relationship between the public and private housing sector, whose features are fundamentally defined by Hong Kong’s unusual land system. In reality, the Hunghom sale, as with all property dealings in Hong Kong, took place within highly controlled mechanisms, where the ownership of all land is vested in the government.<sup>19</sup> As pointed out by Steven Brown and Christine Loh, the government’s strict control over the release of new land, which characterizes Hong Kong’s history of development, has over the years created a perception of “land scarcity” as well as kept land prices artificially elevated. This is arguably the reason why the high cost of land (the “preciousness of land resource”), is generally seen as a “natural” phenomenon as a result of a lack of “buildable space” (which is what the government has always claimed), rather than a deliberate construct of Hong Kong’s land policy with its own institutional logic and particular beneficiaries.

Another point to note is that while the Secretary of Housing emphasized the benefits the government gained from the sale, he did not explain that the Housing Authority was partially being driven by its own interests and role in the project. As La Grange explains, the authority has been “faced with a massive supply of HOS flats which they have been under pressure to sell to finance their public rental programme and to be seen to be making good use of extensive public resources.”<sup>20</sup> The previous booming property market, which had allowed the authority to “internally” finance its growing rental housing program, and thus enhanced its reputation as a highly competent arm of government, now put them under pressure to continue to generate flat sale income to avoid relying on “external” government financing. The Hunghom sale accomplished this as it released the authority from having to buy back the flats plus allowing them to pocket an additional premium. In other words, in order to burnish its credentials as a lean (and therefore neo-liberally acceptable) government actor, the Authority needed to sell the flats, and the property developers consortium provided what seemed initially like an easy and convenient solution.

### **On the Spirit of the “Rule of Law”**

As the opposition to the demolition of the Hunghom Estates gathered pace and began to attract increasing attention at home and abroad, both the government and developers modified their rationale for the deal. In December 2004, the Advisory Council on the Environment — a non-official expert panel which gives advice to the government on environmental affairs -- spoke out strongly against the demolition and asserted that “waste

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<sup>18</sup> Accordingly the deal required the developers to pay a land premium of 864 million. For a detailed explanation on the payment mechanism of land premium, see Steven Brown and Christine Loh, *Hong Kong: The Political Economy of Land* (Hong Kong: Civic Exchange, 2003).

<sup>19</sup> Under this system, land would be leased out under contracts with extremely stringent specifications of use. The leaseholder is also required to pay to the government a sizable upfront premium, which made up a substantial portion of the government’s annual income.

<sup>20</sup> La Grange, 2003:33.

avoidance, not recycling, was the priority for sustainable development in Hong Kong.”<sup>21</sup> It also warned that pulling down the brand new towers would ruin Hong Kong’s international image. Within one day after this statement was released, in a somewhat surprising shift, an executive director of New World issued a statement acknowledging for the first time that being able to earn bigger profits was a crucial factor in the decision to demolish the estate, but insisted that the company did not plan to do so when the deal was made because it did not make “financial sense” at the time. Because of this, he said, the government should not be blamed for concealing the plan which was non-existent during the sale negotiations.” No longer emphasizing the “social and environmental benefits” of the redevelopment, New World was now claiming that that the deal was a pure “commercial decision” based on the “principle of free markets and respect for the rule of law.”

On the same day, the Secretary of Housing and Land, who was trying to fend off escalating criticism that the deal unfairly favored big businesses, told the press that if the redevelopment were to take place, the developers would be required by law to obtain approval from the government and in addition pay an extra land premium reflecting any changes to the original master plan. Yet, while avoiding commenting on whether the government would exercise its power to stop the demolition, he described the saga as an “unfortunate event” for which no officials were responsible, and emphasized that it is important to respect Hong Kong’s status as a free-market economy. Even if this transaction might not be a preferred one, the respect for the rule of law and the “spirit of contract” are important factors that enable Hong Kong’s economic success. “We have to consider the impact on Hong Kong’s business reputation, rule of law, and how public officials exercise their discretionary power if we oppose the demolition,” he said.

The invocation of the “rule of law” was echoed in the statement made by the Minister of the Environment who, under pressure to denounce the demolition because of her assumed responsibility to “safeguard” sustainable development, appealed to the developers “not to pull down the buildings as it violates environmental principles.”<sup>22</sup> However, she also stated that she was “powerless” under the law to stop the redevelopment against the wishes of the developers. She explained that she could not force the developer to conduct an environmental impact assessment, as this was only required for new construction but not for demolition.<sup>23</sup> She added, “We can’t change the law because of some moral standards as this is very important to the spirit of the rule of law in Hong Kong”.

The amazingly coherent emphasis on the “spirit of the rule of law” at this point in the Hunghom saga seems to mark a significant shift of discourse from one that plays down the “profit-seeking motive” of the developers to one that underscores the respect for the law-abiding, “free-market principles”, which are seen as key to Hong Kong’s stability, freedom, and independence as a capitalist special administrative region of China in the years ahead. Given the importance attached to the “rule of law”, it would seem that this rhetoric, which works to organize a hierarchy of values (i.e. the respect for legal rules which ensure the continual operation of a free market economy, overrides the “moral” concerns for protecting the environment and advocating the principles (but not laws) of sustainable development) would have at least to some degree dissolved the opposition to the demolition. And after all, demolition, even of relatively new buildings, has been a consistent phenomenon of Hong

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<sup>21</sup> Cheung Chi-fai, “Expert panel opposes flat demolition,” *South China Morning Post*, 7 December, 2004, 3.

<sup>22</sup> Cheung Chi-fai, “Too late to save estate, says minister,” *South China Morning Post*, 3 December, 2004, 3.

<sup>23</sup> Under the Environmental Impact Ordinance, only new construction projects which have been gazetted and are of sufficient scale are required to conduct an environmental impact assessment.



Kong's history of development.<sup>24</sup> And while there has indeed been rising environmental consciousness among the educated class, and the massive scale of the Hunghom demolition has no doubt heightened the concerns for sustainability, environmental consciousness alone seems not to be an adequate explanation for the continued escalation of the protests.

As mentioned earlier, when the Hunghom sale came under public scrutiny, politicians and lawmakers criticized that this was a classic case of favoritism, where the government had unfairly given the two developers a "cheap" deal at the expense of the public purse. But this accusation must also be explained in view of the perceived purpose of the subsidized flats, which, as discussed, was seen to be a benevolent program intended to improve people's livelihoods by providing "alternative" homeownership outside the sphere of private housing. The suspension of the HOS and PSPS programs by the post-handover administration in 2001, which was seen as breach of faith with lower middle income households, had deeply shaken people's trust of the government, who from the very beginning has seen to be more "friendly" with business elites than the lower income class. Indeed, it appears that it was to a considerable degree the inability for the government to shake off this impression in its "collusion" with big business players that underlay the mounting widespread dissatisfaction with its performance.

While the government and developers' invocation of the "rule of law" and "the free market principles" -- the conditions that are supposed to be the cornerstones of Hong Kong's economic success did have surface appeal, the ways in which the Hunghom sale is negotiated seems to have turned this argument on its head. Seen to have been made entirely behind closed-doors, the sale was criticized for not reflecting the supposed transparency and fairness of economic competition associated with a well-functioning free market. So instead of dissolving criticisms of the deal and the demolition, as both the developers and the government might have expected, their rhetoric worked to raise even more suspicions, as they appeared simply to be tactics aimed at preempting further inquiry into the case.

In light of the sharp criticisms of the project, it is worth noting that the sale negotiation of the Hunghom Estate was in fact not unusual or different from "normal" property dealings in Hong Kong, where the government (as the owner of all properties in the territory) and the property lessee carry out their negotiation privately without releasing details of the deal to the public.<sup>25</sup> What is different about the Hunghom case is that it involves the selling of a government subsidized housing estate that was seen to be a quasi "public" property belonged to a benevolent housing program. In the context of growing dissatisfaction with the government's performance on many fronts coupled with a worsening economy, the demolition of the estate is, to paraphrase the headline of a news article, a salient demonstration of the "demolition of public faith."

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<sup>24</sup> It seems that this is one of the reasons Ackbar Abbas refers to Hong Kong as a "city of disappearance," where buildings are constantly being demolished without a trace under constant development. See Ackbar Abbas, *Hong Kong: Culture and the Politics of Disappearance* (Hong Kong: University of Hong Kong Press, 1997).

<sup>25</sup> A land premium is paid based on difference between clear land and land for proposed use (or between original use and proposed use if in is an upgrade to an existing property). But this land premium is subject to individual negotiation with the government. This raises the question of what level of return has been assumed to be "normal" for property developers, since their profitability (in a general sense) can be set by the government. The effect of all this (along with the government's control of new land supply and provision of public housing) is that the market that developers encounter, and the market activities they undertake are on multiple levels, and continually, determined by their relationship with, and influence on, the government.

## The Myth of the “Free” Housing Market

As mentioned over again in the media and continued reference to the case, the u-turn decision of the developers to save the estate from demolition has been understood as a result of sheer public pressure. But while “civic activism” is indeed at work here, the decision is not so much about the developers “succumbing” to the interests of their opponents, but about protecting their own interests and public image by diffusing the idea of their “collusion” with the government. But here a question must be raised: As it seems clear that at the end of the day, the nature and purpose of the project has not really been changed. It was still, as the politicians and lawmakers had been criticizing from the very beginning, a tradeoff of a “public” estate to the “private” interests. The upgraded “new” flats were still eventually to be sold to the wealthy, and the developers were still set to make good profits from it. Why then, did the decision to preserve the buildings gain such instant and widespread support from so many people?

A key determinant of the resolution of the debate seems to be anchored in an underlying perception that the developers’ activities had always been based on the “blind pursuit of profits”. The seeking of profits, as the critics invariably proclaimed, was what had prevented the developers and “private” businesses at large from giving any concern to preserving the “public good” and wellbeing of society. The anger against the demolition, seen from this perspective, really arose from two parallel accusations: the developer’s continued (but expected) taking away of the benefits from the “public,” and the government’s failure to safeguard these benefits by succumbing to the “private” business interests.

It is by recognizing this deeply rooted binary conception of the “private” and “public” spheres that we can begin to explain the peculiarity of the outcome of the Hunghom saga. The decision of the developers to preserve the buildings presents a reversal of the usual assumption of the role of businesses in Hong Kong. By claiming that they were willing to make less profits for the benefit of the “larger public” (i.e. by protecting the environment) they were able to present a benevolent image not expected from their role. But lying at the base of this resolution is the belief that in the absence of a “special deal,” the operation of the housing market is natural and unobjectionable. In other words, by backing off of the most problematic part of the project (i.e. the demolition), the developers succeeded in diverting attention away from this “collusion,” while maintaining the otherwise “normal” “collusion” that is always present. The underlying myths of scarce land resources, public housing as benevolent, and the competitive free market remain as “facts” taken for granted, and the system relationships remain as ever obscured.

As pointed out by Manuel Castells, the private housing market has never been truly “free,” and real estate interests have always been significantly shaped by Hong Kong’s land system, its housing policies, and the production of public housing. The history of Hong Kong’s urban development has always been characterized by heavy state intervention, which allows the government to rely on sizable revenue gained from the land lease premiums to finance its expenditures. According to Alan Smart, however, the reason behind the government’s heavy-handed control of land use and land sales, and thus also the housing market, can only be partially explained by its interests in collecting revenues.<sup>26</sup> Equally important is that this system enabled the government to retain a high level of control over urban development process, and by doing so ensure social control and the maintenance of civil order – something that was especially important in the historical context of Hong Kong as a non-

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<sup>26</sup> As explained by Castells, the public housing program is highly dependent upon the specifics of the land system. By granting “free” land to the Housing Authority, the government is in effect spending large sums of money that doesn’t show up in the annual balance sheet as a cost.

representative colonial state constantly facing diplomatic vulnerability. To follow the analysis of both Castells and Smart, this system also enabled the government to embark on its most significant nation-building project: the construction of massive public housing, which eventually housed half of the territory's population and helped provide a committed labor force for its industrial development.<sup>27</sup>

With the signing of the 1984 Sino-British Joint Declaration, which cemented the timetable for Hong Kong's handover to China, Hong Kong's nation building project entered a new phase. The 1987 Long-term Housing Strategy put forward new housing objectives which sought to increase homeownership rates through the expansion of subsidized housing programs. The intention, as explained by Smart, was to turn recipients of public housing, and others who were unable to fully participate in the private market, into homeowners, and thereby encourage the population's commitment to Hong Kong in the future. Under this new project, the percentage of homeownership increased from 20.1% in 1961 to 42.6% in 1991 and 52% in 1997.<sup>28</sup>

While the increase of homeownership has had the arguably positive effect of creating a more permanent bond between Hong Kong residents and the city-state, it has also created new conflicts, partly due to its increasing overlap with the domain of private housing. In a rising market these conflicts were disguised, but under the fallout from the economic downturn that had been gripping Hong Kong since 1998 they came to the fore. This downturn was not uniform in its effects: while large portions of the upper income class had continued to prosper because of their investments in China-based export businesses, the lower to middle-classes bore the brunt of the Asian financial crisis. At the time the Hunghom case came to public attention a high unemployment rate worsened by growing competition with mainland workers had led many to become disillusioned with the future. The situation also meant that the "rising tide of affluence" and the ideology of "upward mobility" that had previously worked to downplay class differences and obscure inequalities had now reversed in a situation where tens of thousands of lower and middle income home owners were left with "negative equity" in their properties and broken dreams of wealth. At the same time, the large property developers were confronted with threats to their continued profitability. Perhaps it is inevitable that some of these conflicting interests should have entered public debate.

The decision to scrap the ambitious 1997 housing policy can be viewed as a partial abandonment of a new phase of the nation building project, and a return to the status quo. As I have tried to illustrate by examining the narratives of the various agencies employed in the Hunghom case, this status quo remains largely unaltered despite simmering discontent around the government's incompetence in policy-making and its "collusion" with big businesses. In the future, however, these underlying issues will likely continue to surface as it has become increasingly difficult for the government to maintain the balance between the ever fragmented interests in Hong Kong. The oscillation of the different groups in the Hunghom saga opens a window which exposes the continual negotiation of power relations in the political economy, and suggests the likely fault lines beneath the widely accepted rhetoric of "Hong Kong interests" and "Hong Kong aspirations."

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<sup>27</sup> Castells, Goh, and Kowk, 1990.

<sup>28</sup> Smart, 2003.

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