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Fujio Mizuoka

Contrived Laissez-Faireism

The Politico-Economic Structure of British Colonialism in Hong Kong

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Fujio Mizuoka
Professor Emeritus
Hitotsubashi University
Kunitachi, Tokyo, Japan

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To all of my former HKU students
who inspired me to write this book

Preface

Hong Kong, a British Crown Colony up until 1997 with an area of 1061 km^2,[1] has managed to industrialise and become one of the 'Four Dragons' economies, and for this reason it has often been touted as a successful case of laissez-faire economic policy.[2] Simultaneously, however, Hong Kong was under the yoke of a system of White-minority colonial domination until well after WWII, which has been called "both an anachronism and an anomaly".[3]

As recent studies have argued,[4] the process of this industrialisation was not necessarily originating in the laissez-faire economy advocated by those like Milton Friedman[5] or the Hong Kong Government. The 'laissez-faire' myth[6] in Hong Kong, in fact, is the philosophical descendant of 'free trade imperialism', and it was nothing other than an ideology of social integration born out of opposition to the controlled socialist economy across the border. To strip away this ideological veil is to find lurking below an active role of contingencies organised and planned at the hands of the colonial government.[7]

The very establishment of the colonial apparatus in Hong Kong required that the territorial entity had to be hewed out ex post facto from a space that had been part

[1] Data as of 1980. Census and Statistics Department, *Hong Kong Annual Digest of Statistics, 1981 Edition,* The Government Printer, p. 19. The area increases a bit every year due to reclamation.

[2] Friedman, M., *Free to Choose: A Personal Statement,* Harcourt Brace Jovanovich, 1990, p. 34.

[3] Clancy, M., Hong Kong: A Political Anomaly, in *Hong Kong: Dilemmas of Growth*, ed. by Leung C. K., Cushman J. W., and Wang G., Australian National University, 1980, p. 643.

[4] Mizuoka, F., 'The British white-minority rule in Hong Kong and the policy of "planned" competition' *Sekai Keizai Hyoron*, October 1983; Shiffer, J. R., *Anatomy of a Laissez-faire Government, the Hong Kong Growth Model Reconsidered*, Centre of Urban Studies & Urban Planning, University of Hong Kong (HKU), 1983; Castells, M., Goh, L., and Kwok, R. Y. -W. *The Shek Kip Mei Syndrome: Economic Development and Public Housing in Hong Kong and Singapore* (Studies in Society and Space, no. 4), Pion, 1990.

[5] Friedman, *op. cit.,* pp. 54–55.

[6] Mori, K., *Jiyu Boeki Teikokushugi (Imperialism of Free Trade)*, The University of Tokyo Press, 1978.

[7] Mizuoka, *op. cit*.

of China. While most of these colonies gained independence by the early 1960s, Hong Kong remained under British rule as a Crown Colony for approximately another generation beyond that time. White minority, consisting as little as 0.9% of the population,[8] dominated and ruled the non-Whites, most of whom were Chinese.

As such, Hong Kong shared a common ethnic–political structure with that of former South Africa. In a normal case, this action should inevitably have fuelled racial and ethnic antagonism between (coloured) Chinese and (White) British. Particularly in the post-war period, when ethnic liberation movements advanced and won independence for colonies elsewhere across the globe, the maintenance of stable dominance by the White minority over Hong Kong Chinese came to be all the more difficult and demanded well-calculated techniques of shrewd social integration, or the art of colonisation à la Hong Kong.

In Hong Kong, too, the British did enjoy through birth and nationality a privilege from which the majority of coloured children were totally excluded. For example, the British children studied in more privileged government-run schools, segregated from the Chinese children who were cramming for limited university places in Hong Kong. Although the official residential segregation in the Peak area was lifted after reoccupation, the British never lived in congested tenements or public housing.

It was during this White-minority rule that the capitalism in Hong Kong flourished and succeeded. Without rich resources, as in South Africa, this capital accumulation was attained almost solely through the hard work of the Chinese. How was this possible? Why were Hong Kong Chinese so obedient and why did they not remove themselves from an attempt at socio-ethnic integration initiated by the colonial British? This is the fundamental question of this book.

In 1979, I was given an opportunity to teach at the Department of Geography and Geology at the University of Hong Kong (HKU) as a visiting lecturer. When I first arrived at Kai Tak Airport, I was naturally not aware of anything of the colonial nature of Hong Kong. My knowledge regarding Hong Kong was limited to the common understanding that it was one of the fastest developing regions of East Asia.

As I came to experience for a while the life at HKU, my impression of Hong Kong gradually changed: it was indeed a living museum of colonialism, which in my thoughts should have ceased to exist in the world in the 1960s. In reality, the British Empire was still alive and kicking there. The British were the colonial masters of Hong Kong, just as they had been in India until 1947, and in Hong Kong they still behaved in that way, especially at the HKU. To give an example, in the university there was a space called a ‘Senior Common Room’. It had a section in the style of a British pub offering alcoholic drinks and some pub food, as well as a canteen that offered Chinese food. There was obvious segregation: the former was filled with White expatriates, and the latter always with Chinese. This quaint finding gradually grew into my research agenda: to analyse the dialectics between the colonial social structure and space.

[8] Goodstadt, L. F., *Uneasy partners: the conflict between public interest and private profit in Hong Kong*. Hong Kong University (HKU) Press, 2005, p. 8.

I couldn't but help recall a famous passage from Forster's famous novel *A Passage to India*: The colonial British "all become exactly the same, not worse, not better. I give any Englishman two years, be he Turton or Burton. It is only the difference of a letter. And I give any Englishwoman six months. All are exactly alike" in picking up the behaviour of the colonial master.[9]

From this maxim, a non-White expatriate from Japan—myself—was a contradiction embodied in itself: as a non-Caucasian, I in no way behaved as a colonial master, yet I am not Chinese. I felt quite awkward in either of these virtually segregated places of the Senior Common Room and indeed in the whole university.

Although the medium of instruction at HKU is English, all the students of HKU whom I taught were Hong Kong Chinese. British families seemed to send their children to universities in the UK, Australia or other English-speaking countries.

Most of the faculty members of the HKU took a high-handed position towards the students, no matter whether they were British or Chinese. The students put up with it and carried out their tasks quietly. This ambience was so very different to that of Japanese universities.

The Chinese students whom I taught were intelligent, disciplined and hard-working almost without exception. They were indeed the *crème de la crème* of youngsters in Hong Kong society. I recall taking the students on a geography field trip to Japan. On the 'free research' day in Tokyo, which if they had been Japanese university students they would happily have spent it on leisurely sightseeing, many of the HKU students visited on their own initiative the local government offices and conducted interviews in spite of the language barrier, based on which they later wrote term papers of excellent quality.

Nevertheless, their knowledge was sometimes quaintly contrived and lopsided. I once told the students that (the East Coast of) the USA was once a British colony and the Americans won independence through fighting against the British. They stared at me. Few students had known about this standard component elsewhere on the globe of world high-school history. I then continued: the Americans speak English, because of this historical heritage. They were then gradually convinced by me. I realised that the history of 'independence' from the colonial regime had been carefully taken out from the high-school curriculum in Hong Kong.

The students rarely expressed their antipathy openly on the university premises. Yet, as some students and I came to build a sense of mutual trust for each other, they began to confide their sentiments towards the colonial British outside classes. A student who graduated from a prestigious secondary school run by the Anglican church once told me in low voice something like this: "I do not trust the British at all. They are often betraying. I do not even feel sympathy with [the dissident] Elsie Elliot". Some of them told me of their tortured experiences in their secondary school days and asked me to include a chapter on education in Hong Kong if I happened to have a chance to write a book about Hong Kong.

[9] Forster, E. M., *A Passage to India*, Chap. 2.

During my brief visiting lectureship at HKU, I nevertheless learned a lot of the ways and practices of university teaching, which I adopted to some extent when I obtained a teaching position at Hitotsubashi University, Tokyo, 7 years later. In Japan, I gradually came to feel that I was obliged to publish a book through an invitation to write by my former HKU students. It had to be on the dialectics of British colonialism and capital accumulation in Hong Kong, and certainly with a chapter on education. I attempted to uncover the tacit structure of the White-minority-dominated colonial apparatus, which deprived the non-White majority—most of whom were Chinese, but also included Indians and other ethnic groups—of power, except for a very few who had been co-opted into the ruling class. I started to draft the book and began to publish the outcome of my research as journal articles piece by piece, which eventually became the chapters of this book.

However, my heavy university duties hindered me from publishing it in a comprehensive book form. The project was finally accomplished four decades after my brief service at HKU, after retirement from Hitotsubashi, which fortunately gave me enough time to finish my book, which I consider to be of my life's works.

This book was completed as a kind of reverse irradiation to solve the dialectics between particularism and universalism. The particularity of colonial Hong Kong unique to this territory is deployed to cast light on the general understanding of capitalist regulation and neoliberalist globalisation of the contemporary world.

Among the scholars in Hong Kong, the research agenda for the systematic understanding of the method of colonial domination by the British in Hong Kong has been largely overlooked. As Chiu claimed, "there have been few studies in comparative politics that explain why the laissez-faire strategy of development was applied in Hong Kong".[10] Another reason for this research void was that scholars dealing with Hong Kong have tended to downplay "the colonial nature of Hong Kong".[11] Strangely, therefore, the dialectical relationship between two significant hallmarks of Hong Kong, colonialism and laissez-faireism, has largely escaped the scrutiny of scholars. Instead, this book explains 'the art of colonisation' by the Hong Kong British, by deploying actual case studies with respect to space (land), i.e. Crown land management, squatter resettlement and the Kwun Tong industrial site development project, as well as human resources, i.e. immigration from the PRC and education in Hong Kong. It also explains how the colonial government configured the built environment, using the cases of resettlement estates and construction of the Mass Transit Railway. This book shows how these dialectics were transcended and led to a 'stable' colonial society up until the day of handover at the end of June 1997.

As such, this book does not intend to offer the readers the textbook-like complete history or comprehensive description of the socioeconomic structure of colonial Hong Kong. Books of that sort abound in the market and libraries, and I do not

[10] Chiu, S. W. K., 'Unravelling Hong Kong's exceptionalism: the politics of laissez-faire in the industrial takeoff'. *Political Power and Social Theory*, 10(231), 1996, p. 231.

[11] Carroll, J. M. ed., *Edge of empires: Chinese elites and British colonials in Hong Kong*, Harvard University Press, 2007, p.17.

intend to gild the lily. This book rather focuses on the concepts that explain the quaint nature of British colonialism in Hong Kong and the situations that best manifest these concepts, typically taking place in the 1970s, when post-war Hong Kong enjoyed its heyday. Less attention is given to the transition period towards handover after 1984 when the Sino-British Joint Declaration was signed, and this book by its nature does not deal with events after 1997, when the British as the colonial master left Hong Kong for good.

*

This book consists of eight chapters.

Chapter 1 addresses the research agenda of this book: how laissez-faire ideology was deployed and contrived in protecting and sustaining the British colonial power in Hong Kong and, in pursuing this aim, how the policy variables that functioned in the laissez-faire socio-economic system were manipulated. This chapter also introduces the basic structure of the apparatus of the British Crown Colony of Hong Kong and seeks the historical origins of this contrived laissez-faire in the works of Wakefield and Gallagher and Robinson. This chapter then proposes the concept of 'contrived laissez-faireism' as the leitmotif of the entire book.

Chapter 2 applies this leitmotif to the colonial space. It explains how the British colonial government subsumed the land expropriated from China to maximise the fiscal revenue for the colonial coffers. This revenue was essential in maintaining the budget surplus, with which the colonial British in Hong Kong could achieve virtual independence from the home government in London. It also touches upon the real estate business in Hong Kong, which benefited greatly from this spatial policy of the colonial government and contributed to form the ruling-class alliance of the British and Chinese in Hong Kong.

Chapter 3 deals with creation of the stock of humans in Hong Kong through immigration. Hong Kong is an immigrant society. The immigrants kept coming from mainland China, especially from the neighbouring Guangdong and, to a lesser extent, Fujian Provinces. The task of the colonial government was twofold: to deploy the incoming immigrants as human resources to achieve capital accumulation, and to carve out of this ethnic homogeneity the consciousness of 'Hong Kongers (Hong Kong people)'. This chapter explains how the colonial government manipulated border porosity and made propaganda for the territorial entity of Hong Kong to achieve the population configuration necessary for post-WWII industrialisation.

Chapter 4 is the synthesis of the space and people of Hong Kong in the production of the built environment. The colonial government had to create a living space for the incoming Chinese immigrants while maintaining the space in Hong Kong as resources of revenue. The transcendence of this dialectics entailed the massive squatter resettlement project and production of public housings. This project successfully created the pool of cheap labour that was essential for post-WWII Hong Kong capitalism based on industrialisation. While the squatter resettlement has been a favourite research agenda among geographers and urban planners, this chapter makes an original contribution by analysing the topic from the point of view of this dialectic.

Chapter 5 deals with another built synthesis, the space and industrialisation of Hong Kong, using the case of the Kwun Tong development project. The colonial government planned a large-scale industrial area in New Kowloon, in order to promote industrialisation through its direct engagement in the production of space. However, the project ended up with the quaint outcome of instigating property speculation among the Chinese.

When places to live and work were built, they had to be connected to one another. *Chapter 6* deals with the intervention of the colonial government into the issue of regulating the colony through urban spatial integration by creating the physical spine of rapid transit. The Mass Transit Railway (MTR), built for this purpose, might seem like just another innocent urban rapid railway project that is commonly found in many Asian cities nowadays. Detailed scrutiny conducted in this chapter reveals, however, that the MTR project has deep roots as a vital instrument for the sustenance of the colonial apparatus of Hong Kong and containment of both ethnic and class struggles among the Chinese.

Chapter 7 deals with another aspect of contrived laissez-faireism in human resources, i.e. in secondary and higher education. The colonial education system designed by the British for the youngsters of Hong Kong put them at loggerheads with their peer students in fierce competition for scarce places in university, creating political apathy among most of the students and cramming in the English language, rather than Chinese, which deprived them of creative and critical thinking.

Chapter 8 concludes the book.

Through this book, the readers should well understand how the colonial British skilfully deployed the 'art of colonisation' à la Hong Kong, in order to keep it under colonial rule up until the very maturity of the lease of the New Territories in June 1997.

The author used, with wholehearted appreciation, the funding kindly provided by the VREF (Volvo Research and Education Foundations) through the University of Melbourne (head of the research project: Professor Nicholas Low) and Hitotsubashi University to conduct researches for this book, especially for Chapter 6 on the MTR.

Tokyo, Japan
25 January 2017
On my 66th birthday

Fujio Mizuoka

Notes

1. The following chapters are edited versions of the original articles that appeared in the journals shown below for the first time. The articles for Chapters 1 and 2, 4, 5, and 7 are translated from Japanese in order to include in this book.

   Chapters 1 and 2:
   Mizuoka, F., 'British Colonial Administration of Hong Kong and the Mode of Spatial Subsumption: an Introduction', *Keizaigaku Kenkyu* (*Hitotsubashi University Research Series, Economics*) 35, 1994, pp. 105–206.

   Chapter 3:
   Mizuoka, F., 'British Colonialism and "Illegal" Immigration from Mainland China to Hong Kong', In Onjo, A. ed., *Power Relations, Situated Practices, and the Politics of the Commons: Japanese Contributions to the History of Geographical Thought*, 2017, Kyushu University, pp. 33–66.

   Chapter 4:
   Mizuoka, F., 'Class, Ethnicity and Space in the Post-war Squatter Problem of Hong Kong: A Prelude to the Production of an Urban Industrial Complex that has Supported the British Colonial Rule', *Tochiseido Shigaku* (*The Journal of Political Economy and Economic History*), 41(1), 1998, pp. 1–17.

   Chapter 5:
   Mizuoka, F., 'The Spatial Conflict Internalized in the British Colonial Management: The Post-war Industrialization and Crown Land Policies in Kun Tong Development Project, Hong Kong', *Aziya Kenkyu* (*Asian Studies*), 44(1), 1997, pp. 1–40.

   Chapter 7:
   Mizuoka, F., 'Education of the Hong Kong Chinese under Colonial Rule: The Legitimisation of British Domination and the Making of Industrial Workers through "Contrived Laissez-faireism" *Shakaigaku Kenkyu* (*Hitotsubashi University Research Series, Social Sciences*), 2001, pp. 99–161.

2. Figures in < >, except for those beginning with FCO, are the original numbers assigned to the unpublished Hong Kong colonial government files, some of which are currently available at the Public Record Office, Hong Kong Public Records Building, 13 Tsui Ping Road, Kwun Tong, Hong Kong SAR. Some of the government files on Kwun Tong development were stored in former Record Management Office in Aberdeen, Hong Kong Island, at the time when the author conducted research in 1993. Yet some of them seemed to have been discarded at the time of handover.

Contents

Chapter 1
British Colonialism and the 'Contrived Laissez-faireism' in Hong Kong

1.1 Colonisation of Hong Kong by the British

1.1.1 The Rubric of the Colonial Economic Structure

The dawn of Hong Kong history came with the British merchants selling opium to China in exchange for silver. Faced with fierce opposition from Lin Zexu to halt the drain of the species, the British government decided to intervene in order to protect the merchants' free trade. One of the most prominent opium traders was William Jardine from Scotland. Upon victory in the Opium War, Hong Kong was formally ceded to Britain, which declared it a British colony in 1843 under the Treaty of Nanjing.

On this island, a company formed by Jardine and his partner James Matheson, another Scotsman, conducted business under the principle of free trade of industrial capitalism with little intervention from home in London. Although Matheson was 'a fervent follower of Adam Smith',[1] the company itself, together with other British trading houses of a similar kind as Swire, enjoyed pre-capitalist monopoly in the colonial political apparatus of Hong Kong. These companies invested profit earned from trading to establish various enterprises to serve the economic functions of the colony in early days. The field of business of these trading houses covered shipping, logistics, finance, real estate, western food, transportation, infrastructure management and other service sectors, rather than manufacturing. These areas of business together formed a corporate structure grown into something like

Some paragraphs in this and subsequent chapters are adopted from Mizuoka, F., 'Contriving "laissez-faire": Conceptualising the British Colonial rule of Hong Kong.' *City, Culture and Society*, 5(1), 2014.

[1] Keswick, M., ed., *The Thistle and Jade: A Celebration of 150 Years of Jardine, Matheson & Co.*, Octopus Books, 1982, p. 18.

F. Mizuoka, *Contrived Laissez-Faireism*, The Political Economy of the Asia Pacific, https://doi.org/10.1007/978-3-319-69793-2_1

Table 1.1 Comparison of economic sectors in Hong Kong (as of 1976)

British colonial capital			**Manufacturing industry**			**HK Chinese capital in property estate sector**		
	Total asset	Profit		Total asset	Profit		Total asset	Profit
HSBC	55,289	394	Textile	6,750	454	New World	948	94
Jardine Matheson	6,527	461	Garment	4,019	653	Cheung Kong	733	58
HK Land	4,099	241	Electric appliances	2,523	401	Sun Hung Kai	495	89
Hutchison Whampoa	2,846	152	Metal mfg.	1,886	218	Hang Lung	468	45
Swire	2,293	181	Plastics	1,350	223	Hopewell	347	76
HK Wharf	1,893	77	Printing and publishing	764	118	Dah Chong	353	18
Wheelock Marden	573	118	Scientific and optical appliances	652	101			
			Chemical	646	81			
			…					
Total (in HK$ million)	73,520	1,624	Total	18,590	2,249	Total	3,344	380

Sources: British Capital: Annual Reports of each company 1976; Manufacturing: *Census of Industry* 1976; HK Chinese Property: *EPA Resources* 3 (29, 30)
Profit of the manufacturing industry was estimated by the author using the following formula: Profit = Census value added − (Labour cost + Other operating expenses + Book value of all assets × 0.05)

'a holding company', forming conglomerates.[2] Eventually, these conglomerates jointly set up the Hong Kong and Shanghai Banking Corporation (HSBC) to facilitate financing for themselves. However, the HSBC gradually grew into the commanding heights of these conglomerates,[3] and accumulated capital through economic penetration into China. The bank involved in the colonial administration with representation in the Executive Council issued legal tender in circulation in Hong Kong and functioned as the de facto central bank of Hong Kong. These British trading houses colluded together with the utility companies also owned by the British, and the management board of HSBC was like a club of these 'economic élites'. The rubric of the economic structure of the colonial British was thus already formed in the nineteenth century. Even in the post-WWII era, it was British concerns that dominated within the 'economic élite' in Hong Kong.

Although the Hong Kong economy was well-known for its export-oriented light industry, the real economic bosses of colonial Hong Kong were large British trading

[2] See Matsuda, T., *Igirisu Shihon to Toyo: Toyo Boeki no Zenkisei to Kindaisei* [*British Capital and the Orient: the Pre-capitalist and Modern Natures of the Oriental Trade*], Nihon Hyoron Sha, 1950, p. 187.

[3] Ibid.

houses and banks, which had enjoyed pre-capitalist monopoly ever since the nineteenth century.

Table 1.1 compares the sheer scale of the British banks and trading houses with the various export-oriented industrial sectors as of 1976. In the post-war era, some smaller British trading houses were taken over by the Hong Kong Chinese; however, larger ones such as HSBC, Jardine Matheson and Swire remained in the hands of the British up until the handover of the colony. Some top-level Chinese comprador business persons who succeeded in taking over former British trading houses also supported this rubric.

1.1.2 Laissez-Faire Legacy in Hong Kong's Colonial Administration: 'Imperialism of Free Trade'

The irony that the pre-capitalist monopoly of British economic interest in Hong Kong was supported by 'free trade' ideology or Smithian laissez-faire dates back to the legacy of British imperialism in the nineteenth century.

Economic historians Gallagher and Robinson conceptualised the colonisation process of nineteenth-century Britain, when Hong Kong was taken away from China and colonised, in their seminal paper 'The Imperialism of Free Trade'. They set themselves the following question:

> Consider the results of a decade of 'indifference' to empire. Between 1841 and 1851, Great Britain occupied and annexed New Zealand, the Gold Coast, Labuan, Natal, the Punjab, Sind and Hong Kong … In the age of 'anti-imperialism', why were all colonies retained? … In the age of laissez-faire, why was the Indian economy developed by the state?[4]

They then analysed the interface between the creation of new colonies and the free and competing activities of private merchants, who abhorred formal government control as follows:

> The growth of British industry made new demands upon British policy. It necessitated linking undeveloped areas with British foreign trade and, in so doing, moved the political arm to force an entry into market closed by the power of foreign monopolies.

The development of industry in Britain and the concomitant need for market continued to be the source of imperial expansion. The common technique was to impose 'the treaty of free trade and friendship made with or imposed upon a weaker state'.[5] If this attempt failed through resistance from the local indigenous people, then 'the question of establishing formal empire arose'.[6] The policy of expanding the geographical area under imperial control was consistent, yet the development of liberalist ideology in industrial capitalism necessitated its new form, which may be called 'imperialism of free-trade': "*Trade with informal control if possible; trade with rule when necessary*."[7]

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[4] Gallagher, J., & Robinson, R. The imperialism of free trade. *Economic History Review 2nd Series*, 6(1), 1953, p. 13.

[5] Gallagher, J., & Robinson, R., *op. cit*., p. 157.

[6] Gallagher, J., & Robinson, R., *op. cit*., p. 160.

[7] Gallagher, J., & Robinson, R., *op. cit*., p. 159.

Opium, the substance that led to the creation of the colony of Hong Kong, was not the product of industrial capitalism in Britain, and their source of revenue came not from laissez-faire markets under perfect competition, but from unequal exchange, the hallmark of a pre-capitalist economy, between the two separate markets of China and India.

The Jardine and Matheson Company retained such pre-capitalist economic power well into the post-WWII period, and played a dominant role in post-war colonial politics. Hughes once claimed in his popular book that "power in Hong Kong … resides in the Jockey Club, Jardine and Matheson, the Hong Kong and Shanghai Banking Corporation [HSBC], and the Governor, in that order."[8] Their power was manifested in the fact that Newbigging, the chief executive of Jardine and Matheson Company, served as a member of the Legislative Council and its Finance Committee in the 1970s (Table 1.2). Hughes went on to write, "the Hong Kong formula for success has been simple and straightforward: low taxes, few controls, quick profits, hard work, and a measure of *laissez-faire.*"[9] The legacy of free-trade imperialism thus survived into post-war Hong Kong. The colonial British seized 'necessary' focal points under control through monopoly, then let the economic agents act as they wish, at their own risk.

1.1.3 Reoccupation of Hong Kong at the End of WWII

Before WWII, Hong Kong was just another colony under the domination of western powers that ruled in most parts of Southeast Asia. The British ruled Malaya (Penang, Malacca, Labuan and Singapore being Crown colonies, and the rest protectorates), Sarawak and Sabah as colonies, as well as Burma as an extension of British India. Thailand maintained its independence as a kingdom, but here too the British had penetrated into its bureaucratic system, thus the country was under the virtual protection of the British.

This nineteenth-century political anachronism was retained in Hong Kong after WWII by the intention of the British government at the end of WWII. In the process of deliberating the post-WWII geopolitics among the prospective victor nations, the US President Roosevelt planned to expel all the colonial powers from China so that the USA could dominate over it on the pretext of the 'Open Door Policy'; whereas Winston Churchill persistently opposed the wisdom of the USA and the Kuomintang Chinese to give Hong Kong back to China and to administer it as an international open port.[10]

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[8] Hughes, R., *Borrowed place, borrowed time: Hong Kong and its many faces,* Revised ed., Deutsch, 1976, p. 23.

[9] Ibid. (Italics original)

[10] Nakazono, K., *Honkon wo Meguru Eichu Kankei [the Sino-British Relationship around Hong Kong]*, Japan Association for Asian Studies, 1984, pp 22–24.

Upon confirming that the USA had given up pursuing its attempt, the British government ordered the ambassador to China stationed in Chongqing to notify that the British Navy was planning to accept surrender of the defeated Japanese armed forces in Hong Kong on 14 August 1945. The Chinese government countered on 16 August by proclaiming that it wanted to accept Japanese surrender in Hong Kong, in the hope that the promise of President Truman, the successor of Roosevelt, that the Japanese armed forces situated to the north of the 16° parallel should surrender to China, would be fulfilled. Hong Kong is north of the 22° parallel. However, Truman crushed Chiang Kai-shek's hope and supported the British demand to accept surrender of Japan by British forces,[11] to allow the British to restore colonial rule. On 16 September 1945, Japanese forces in Hong Kong formally surrendered to Rear-Admiral Cecil Harcourt of the Royal Navy, who continued to stay in Hong Kong as the head of the military government of Hong Kong until April 1946. Thus, in spite of the post-WWII decolonisation move in most parts of Asia and Africa, Hong Kong remained under White-minority rule for about half a century beyond the end of the WWII era.

Upon the victory of the communist revolution in China and the establishment of the People's Republic of China (PRC) in 1949, the Korean War broke out on 25 June 1950. The United Nations imposed an embargo on shipments of strategic goods to the PRC. The UK became a formal part of the UN forces to fight against North Korea on 18 May 1951, on the grounds that the PRC had sided North Korea. The UK acceded to these sanctions and the USA also restricted exports to Hong Kong. The former economic base of entrepôt trade thus suffered badly. According to Edward Szczepanik's estimates, direct earnings from the entrepôt trade were reduced from HK$644 million in 1951 to HK$421 million in 1952. Adding in the multiplier effects on warehouses, insurance, transportation and the like, it was estimated that, in the absence of an alternative economic foundation, the income of Hong Kong's local inhabitants would be cut by a third.[12] The colony's very existence thus hinged on the urgent task of finding a replacement for entrepôt trade that would keep Hong Kong in a relative position in the new global economy. It became imperative for the colonial British to shift their macroeconomic base from past entrepôt trade with mainland China to local industrialisation that was viable in a virtually independent territorial entity, without relying on China.

The factors of primitive accumulation for this alternative economic base were furnished extrinsically. These were the immigrants from the PRC (see Chap. 3) and ties with overseas markets through overseas Chinese capital and British colonial capital that had flourished from the days of the entrepôt trade, particularly with the markets in the UK and the British Commonwealth, which were protected by preferential tariffs. The vacuum in Southeast Asian markets that came up after the Japanese defeat in World War II also provided additional impetus for market expansion.

From the viewpoint of colonial geopolitics, this dissociation with China and the shift of the macroeconomic base led to stronger consolidation of Hong Kong as a territorial entity as manifested in the following three policy agenda.

[11] Nakazono, *op. cit.,* pp. 31–36.

[12] Szczepanik, E., *The Economic Growth of Hong Kong*, Oxford University Press, 1958, p. 48.

First, the border between Hong Kong and the PRC became the line where two different modes of production abutted against one another, and the colonial British needed to fend off the influence of socialism and the Chinese Communist Party (CCP) over Hong Kong; second, the colonial British needed to fend off the intervention from the home government in London, which was only possible when Hong Kong did not need to rely on fiscal subsidy from Britain; and third, the colonial British must cultivate and reinforce the sense of belonging to Hong Kong among the Hong Kong Chinese, in order to differentiate them from the mainland Chinese.

In every British colony, the colonial British tended to seek autonomy from home. However, the irony for Hong Kong was that the autonomy that colonial British wanted could only be achieved by keeping the colonial status quo amidst the decolonisation moves across the world. This was because Hong Kong, originally a part of China, had no option to become a fully independent White-dominated state. Maintaining the colonial status was the precondition of the Hong Kong British to exercise power in Hong Kong. The colonial British had no way to build a politically independent, sovereign state separate from China there. The colonial British had to be content with building a macroeconomy independent of home or the PRC. British Hong Kong thus stubbornly retained a clear colonial state apparatus at least until Chris Patten assumed the last Governorship in 1992.

Of course, this autonomy was meant only for the British bureaucrats pursuing their career in colonial service, not for the majority of Chinese who were subjugated under them. In 1971, concerned Chinese groups including students and labour petitioned Murray MacLehose, the Governor of Hong Kong, with 53,000 signatures, asking to appoint the dissident British urban councillor Elsie Elliott (later Tu) to the 'Legislative Council's first ever worker's representative'[13]; however, it was flatly refused by the Governor. It was not until 1988 that she became a member of the Legislative Council, and she held the seat until 1995. Elsie, as a member of the Urban Council, fought against various social injustices of colonial authority such as corruption as manifested in the case of Peter Godber, who amassed wealth in secrecy through collusion with the triad society and fled back to England soon after it was laid bare.[14]

1.2 The Structure of the Colonial State Apparatus

1.2.1 Executive and Legislative Councils

In place of the constitution of an independent country, the colony of Hong Kong had its colonial equivalent, the 'Royal Charter of the Island of Hong Kong' in 1843, and subsequently the Letters Patent and Royal Instructions of 1917 from London. The

[13] Pepper, S., *Keeping Democracy at Bay: Hong Kong and the Challenge of Chinese Political Reform*, Rowman and Littlefield, 2008, pp. 166–167.

[14] Tu, E., *Colonial Hong Kong in the eyes of Elsie Tu*, HKU Press, 2003, pp. 114–117.

Letters Patent[15] was the supreme legislation in the colony of Hong Kong, setting the general structure of its colonial administration. The Royal Instructions stipulated general rules for its enforcement. With the Letters Patent, the British Crown entrusted the Governor "to do and execute all things", including presiding over the executive and legislative councils, the disposal of Crown land, and the appointment of judges and other public officers. Not stipulated in them were universal suffrage and parliamentary democracy, which were largely replaced with the supreme power of the Governor.

The highest executive body of the colonial Government was the Executive Council (ExCo). Its members, besides the governor himself (never herself), were the Commander of the British Forces, Chief Secretary, Attorney General and Financial Secretary. Additionally, there were those appointed from among government bureaucrats and non-governmental sectors, most notably, colonial British business executives appointed by the Governor, and senior colonial bureaucrats. That meant the Governor could theoretically compose an Executive Council of members who always rubber-stamped the proposals of the Governor, who, as Article 11 of Royal Instructions stipulated, "shall alone be entitled to submit questions to the Executive Council for their advice or decision", which meant the members could *not* propose any agenda for discussion in the ExCo. Article 12 further stipulated, "the Governor may … act in opposition to the advice given to him by the Members of the Executive Council, if he shall deem it right to do so", which meant the Governor could override the decision of the Council and act solely upon his will. The Governor was thus legally vested with clear omnipotence. Ethnically, the ExCo was White dominated. In 1976, nine members out of 15 were White; and while six were Chinese, there was only one Chinese among the government members. Only after the 1980s, when the handover came into sight, did a considerable effort towards 'localisation' take place.

The Legislative Council (Legco) was not the real law maker in the sense of an independent country, but it was merely the Governor's consultative body. Article 10 of The Letters Patent of Hong Kong stipulated, "when a Bill passed by the Legislative Council is presented to the Governor for his assent he shall, according to his discretion… declare that he assents thereto, or refuses his assent to the same, or that he reserved the same for the signification of our pleasure." Which meant the Governor may override the decision of the Legco at his will. The democratic reform of Legco through the introduction of direct election of members was the last thing that the British Governor could accept.[16]

The Legco members consisted of the colonial bureaucrats called 'Official Members' and the members from the private people. The latter group was called the 'Unofficial Members (UMELCO)' and appointed mainly from the large colonial British business concerns that dominated the Hong Kong economy. Ethnically, the share of Unofficial and Chinese members in the Legco seats had been steadily on the increase for the period after post-WWII reoccupation. In 1980, 5 out of 21

[15] Colony of Hong Kong. *Letters patent & royal instructions to the Governor of Hong Kong*, Government Printer, 1991.

[16] Pepper, S., *op. cit*., pp. 94–99.

Official Members and 19 out of 24 Unofficial Members were ethnic Chinese. The Chinese thus enjoyed a majority in the Legco seats. Ironically, however, this higher ratio of Chinese simply reflected lesser importance of the Legco in the decision-making of the colony as compared to the ExCo. The Legco debated bills submitted by the ExCo, and in almost all cases at the end of the debate, put the rubber stamp of approval on the bill. In fact, the decision had "already been taken elsewhere in the Secretariat after all argument and consultation with all those interests thought likely to be concerned".[17] Theoretically, the Legco members could submit bills to the meeting, yet this facility was "only used for bills to incorporate a charity or educational establishment in order to enable it to hold property".[18] It was therefore impossible for any bills or their amendments against the colonial administration to pass or to be authorised by the Legco to become a law.

In Hong Kong, there was another official assembly body called the Urban Council. This was the Hong Kong equivalent of the Municipal Council (工部局) in many concessions in pre-war China, including Shanghai. Half of the seats were elected by the public, which made the Urban Council the only publicly-elected assembly body in Hong Kong until public election was introduced into the Legco in 1991. The functions of the Urban Council were limited only to the daily needs of the Hong Kong people, including the management of urban parks and garbage collection, yet the head of the Urban Council (appointed) did take a positive part in the planning of urban space and the built environment from the late 1940s to the 1960s.

1.2.2 The Administrative Bodies

As mentioned earlier, the British in Hong Kong, both in government and in business sectors, strove hard in many respects for virtual independence from the home government in London. Although the Governor was institutionally omnipotent, most of the policy-making process was left to the high-rank government bureaucrats, most of whom were British. It was the Administrative Officers (AOs), or in the terminology of Mushkat, 'administrative class',[19] who were in the position to conduct strategic policy planning.

The core bureaucratic body for the administration and policy making of the colony was the Colonial Secretariat, which was renamed after 1977 as the 'Government Secretariat' in order to erase the tarnishing name 'colony'. The governance of the colony was carried out by departments, of which heads were at 'secretary' rank. Although there were attempts to localise the Hong Kong government, i.e. giving more high-ranking government positions to Chinese, 72.7 % of 'secretary' positions in the

[17] Miners, N.. *The Government and politics of Hong Kong*, 3rd ed., Oxford University Press, 1981, p. 106.

[18] Miners, *op. cit*., p. 105.

[19] Mushkat, M., *The making of the Hong Kong administrative class*. Centre of Asian Studies Occasional Papers and Monographs, No. 52. HKU, 1982.

Government Secretariat were occupied by the colonial British in 1980[20]. The head of the Colonial Secretariat was the Colonial Secretary (Chief Secretary after 1976), which was the highest-rank position in the colonial bureaucracy in Hong Kong.

The bureaucrats were further divided into different ranks. The secretaries were the highest-ranking bureaucrats, and engaged in strategic policy planning and led the AOs.

Strategic policy planning was not monopolised by the bureaucrats, however. As Chiu and Lui pointed out, "politics in Hong Kong was largely in the hands of the government bureaucrats and a powerful economic elite".[21] Table 1.2 depicts how these 'economic elites', British and some comprador Chinese, associated with the British trading houses and some of whom received education in England, colluded together to form a tight human network through concurrent appointments of various positions of trading houses, utility companies and the HSBC.

These 'economic elite' were appointed as UMELCO members and formed the 'Finance Committee', which met in camera until 1984, discussing strategic policies from their business point of views. According to Norman Miners, "the arguments can become fierce" and government proposals were indeed sometimes rejected or sent back for reconsideration and amendment.[22] The Finance Committee was thus the focal body of interface between the British bureaucracy and private businesses that bound them together as the 'ruling-class alliance', which had vested interest in the stability and development of Hong Kong under British domination.

These British, in this sense, had a firm local socioeconomic foundation in Hong Kong and could well be called 'indigenous British'.

1.2.3 The Attempts of the Local British for Virtual Independence from Home

These 'indigenous' local British have attempted repeatedly to make Hong Kong as independent as possible from London home government, so that they would have the decision to take part in administration within the colony, much like a representative of a sovereign state.

Defending Hong Kong economic policy from the demand on costly welfare policy from home was one of the tasks for them to fulfil this aim. The executives of the HSBC and Jardine, Matheson and Company feared "the imposition of British

[20] Government Secretariat, *Civil and Miscellaneous Lists*, Hong Kong: HK Government. July 1, 1980. pp. 15–16.

[21] Chiu, S., & Lui, T. L., *Hong Kong: Becoming a Chinese Global City*, Routledge, 2009, pp. 113–114.

[22] Miners, *op. cit*., p. 150.

Table 1.2 'Ruling-class alliance' of Hong Kong: British and Chinese businesspersons (as of 1980)

	HSBC	Jardine and Matheon	HK Land	Swire	HK Kowloon Wharf	Hutchon and Whampoa	Whee-lock Marden	China Light and Power	HK Electric	HK Tele-phone	Executive Council	Legislative Council
M Sandberg	✪										♦	
J L Boyer	◎			○		○						
P G Williams	○				○				✪	○		
D K Newbigging	○	✪	✪						○	○		♦
J L Marden					○		✪		○			
D R Y Bluck	○											
D D B McLeod		◎	○									
T J Bedford			○		○							
L Kadoorie								✪				
H Kadoorie					○	○		○				
S Gordon			○							○	♦	
G R Ross								○		✪		
T J Bedford		○	○									
J H Bremridge				✪							♦	♦
Pao Yue Kong					✪				○			
Li Ka Shing	○					✪			○			
Kan Yuet Keung			○									
George Ho		○	○									
Lydia Dunn				○								♦
Lo Man Wai			○					○				

	HSBC	Jardine and Matheon	HK Land	Swire	HK Kowloon Wharf	Hutchon and Whampoa	Whee-lock Marden	China Light and Power	HK Electric	HK Tele-phone	Executive Council	Legislative Council
Lo Tak Sing				○				○			♦	♦
Robert Kwok		○	○									

Source: Annual Reports of respective companies; *Civil and Miscellaneous Lists, op. cit.*

✪ = Chairperson of the Board of Directors or equivalent

◎ = Deputy Chairperson of the Board of Directors or equivalent

○ = Member of the Board of Directors

♦ = Member of Colonial Government Councils

economic policies which were unsuccessful in Britain and which, it was thought, would prove disastrous in Hong Kong".[23]

A case that manifested the strong desire of the Hong Kong colonial British to evade London's control and to seek a virtually independent Hong Kong took place in 1955:[24]

> [T]he Financial Secretary, A. G. Clarke, *had moved surplus government funds to London*, thereby decreasing the base on which an increase in the money supply could be made, creating tightness in the market which was detrimental to an expansion of credit commensurate with the growth of trade and industry. The Hongkong Bank sensed the problem at an early stage; the location of the Government's surplus should have been determined in the context of the Colony's need for an expanding money supply, instead it had been determined solely on the basis of obtaining a maximum return through investment in British Government securities…. The gilt-edged securities he had purchased were depreciating and their sale would be impossible without a capital loss.

Michael W. Turner, then Chief Manager of HSBC, thus came to intervene and successfully arranged for the former chief manager of the bank in London to sell the sterling and buy back Hong Kong dollars. The surplus came back to the hand of the HSBC, which issued notes in Hong Kong dollars. The HSBC thus strenuously attempted to bring the fund back from London.

Gavin Ure pointed out that the large amount of fiscal reserves was the key for them to enjoy monopoly under virtual independence of the Hong Kong British.[25] This incident indicated that financial independence was the crucial issue for Hong Kong British in pursuing a monetary policy independent from London.

Another important way to achieve political independence was to keep the colonial coffers always in surplus. If the colonial government had had to borrow money or beg for subsidy funding from London, the home government naturally would have come to intervene and the colonial bureaucrats would have lost their independence. This fiscal policy was very unique as compared to the deficit-financing of Keynesian policies common in most of the advanced capitalist countries in the Fordist era.

In most of the pre-WWII years since 1933, the colonial coffers kept enjoying fiscal surplus, except for 1934 and 1938. In 1939, it earned a fiscal surplus of HK$3,528,936 out of the revenue of HK$41,478,052.[26]

Nevertheless, after WWII, the UK government embarked on policies to improve the general well-being in its colonies in terms of health, education and social welfare, exploiting natural resources and expanding opportunities for industrialisation,

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[23] King, F. H. H., *The History of the Hongkong and Shanghai banking Corporation*, Vol. IV: The Hongkong bank in the period of development and nationalism, 1941–1984. Cambridge University Press, 1991, p. 336.

[24] King, *op. cit*., p. 338, emphasis mine.

[25] Ure, G., *Governors, politics and the colonial office: Public policy in Hong Kong 1918–58*, HKU Press, 2012, pp. 191–215.

[26] *Far Eastern Economic Review (FEER)*, 24 November 1949, p.665 and *An Economic Survey of the Colonial Territories*, Volume V: Far Eastern Territories, Colonial Office, UK Government, 1955, p. 86.

with an expenditure that by March of 1956 would total £120 million (£85 million of which was provided to Britain's overseas territories and colonies around the world). If these policies could ensure successful economic development and social integration, long-term stable governance of the colonies would be possible, and the UK could maintain its world hegemony.

Hong Kong received a one-time grant of £1 million from the fund, and in June of 1946, a Development Committee chaired by Geoffrey Herklots was convened in order to determine a development programme to be undertaken over the next 10 years until 1956.[27]

However, that was about all. The colonial British did not want to rely upon the funding from London. Throughout the post-war years, the colonial bureaucrats did make an effort to build up more fiscal surplus to enjoy this autonomy at every facet of colonial administration. In 1958, when the Hong Kong government acquired financial autonomy, the crucial factor for this achievement was naturally the successful building of Hong Kong's stable fiscal foundation. From 1948 to 1997, the colonial government experienced a budget deficit only for seven fiscal years (1959, 1965, 1974, 1982–84 and 1995), (Fig. 2.2) a phenomenon quite unusual as compared to other independent countries, which have consistently made up their fiscal deficit every year through issue of government bonds. The colonial government wriggled out of the fiscal deficit 3 years in row due to the quagmire of negotiation between the UK and the PRC over the future of Hong Kong, which finally reached agreement as 'one-country, two systems' only in 1984, by breaking into the huge accumulated fiscal reserve as well as into the 'space bank' of a Country Park (Chap. 2).

This fact suggested that land policy stood in the kernel of the colonial politics. If they had failed in the proper management of Crown land as resource-generating revenue for the colonial coffer, the financial position of the colony would have deteriorated and the virtual independence of the colonial British in Hong Kong would have been undermined.

1.2.4 The Last Bastion of the Crown Colonists

The British bureaucrats in Hong Kong were not dispatched from London with a limited term, but were colonial civil servants stepping up their careers in colonial service by hopping around different colonies of British Empire, as shown in Fig. 1.1. Once they joined the colonial service, these bureaucrats did not return to the UK while they were at service as the Crown colonists until their retirements. In case the colony gained independence and thereby the colonists lost their civil servant status, they looked for another job in other then-existing British colonies. After their retirement, they would normally buy an estate in pasture in the UK and spend their remaining years in pastoral comfort on pension.

[27] 'Hong Kong Ten-year Development Plan', *FEER*, 26 November, 1947.

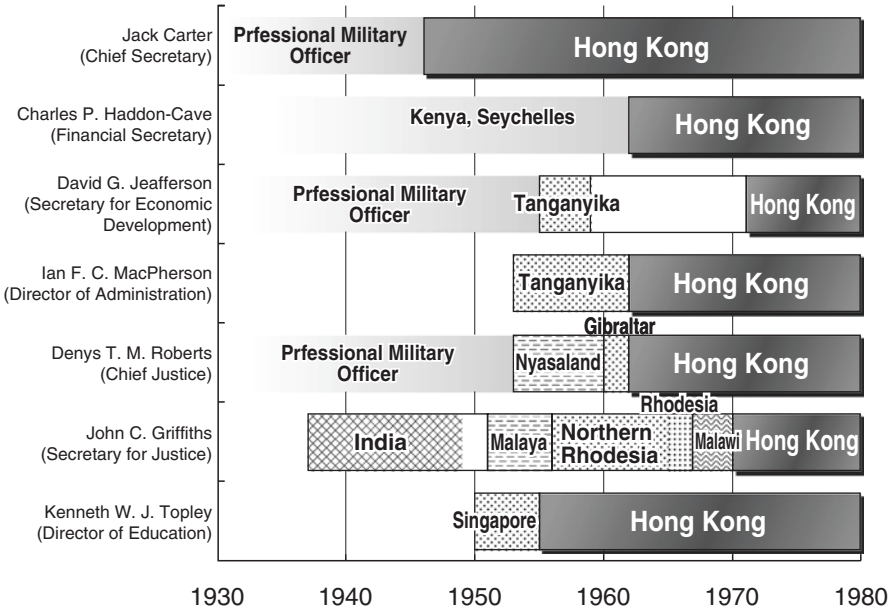

Fig. 1.1 Past carriers of the high-rank British colonial bureaucrats in Hong Kong as of 1980. Source: (past career) *Who's Who in Hong Kong*, (South China Morning Post) 1979, (government position) *Civil and miscellaneous lists, op. cit.* and F. Mizuoka, 2014, *op. cit*., p. 25

After many British colonies gained independence by the 1960s, the Hong Kong government became the source of the last big job opportunities for these British seeking further colonial careers. Many of the experienced Crown colonists who had lost their jobs as a consequence of independence flowed into Hong Kong. These British with experience of a colonial administration career had the privilege of being appointed directly to the administrative class[28] without climbing a cumbrous career ladder as the local Chinese did in their government careers. Hong Kong bureaucrats were thus the last generation of genuine Crown colonists, whose faith in governance was therefore closer to Rudyard Kipling's "White Man's Burden" [29] than it was to the post-colonialism that prevailed in the UK after decolonisation.

> Deploying those apparatuses mentioned in previous sections, the colonial British acquired power to control strategic policy variables. They were not accountable to Westminster or any other external groups. In Mushkat's words, "the ultimate control… must be internal and the… 'self-responsibility' of the colonial apparatus".[30]

Thus, detached from home, as Ure took pains to demonstrate, the colonial British formed an alliance of bureaucrats and business-persons enjoying a monopoly coming

[28] Mushkat, *op. cit*., p. 8.

[29] Kipling, R., 'The White Man's Burden' in *Complete Verse*, Definitive Edition, Anchor Book, [1989edn], pp. 321–322.

[30] Mushkat, *op. cit*., p. 142.

out of political power, not from the capitalist economic process itself, in order to build up a vested interest in the stable management and development of a colony. This vested interest in return gave a strong incentive of reinforcing a free hand in colonial governance from London.

1.3 The Enigma of Hong Kong Colonialism

1.3.1 Why Did the Hong Kong Economy Grow? Why Were the 'Coloureds' So Submissive?

The monetarist economist Friedman, in a book seminal for adherents of neo-liberalism, gave Hong Kong the laurel of 'best example' of 'free market and limited government'. He preached that Hong Kong owed the success of its post-war economy to its laissez-faire policies.[31] He praised British-ruled Hong Kong as a pioneering success story of economic growth based on market-fundamentalist principles. This assessment coincided with the fact that Hong Kong secured its economic position as a newly industrialized economy, or NIE, giving credence to the ideology of market fundamentalism, and playing an important role in spreading this ideology across the globe. Colonial Hong Kong was a relatively stable society with inter-ethnic struggles that were few and far between, unlike other territories under White-minority rule.

Indeed, Friedman had every reason to praise the foresightedness of the colonial bureaucrats of Hong Kong for this matter. The first fervent advocate among the colonial bureaucrats of market fundamentalism was John James. Cowperthwaite, having served the position of Financial Secretary from 1961 to 1971. In the Legislative Council Meeting of 24 and 25 March 1966, he stated:

> In the long run, the aggregate of the decisions of individual businessmen, exercising individual judgment in a free economy, even if often mistaken, is likely to do less harm than the centralized decisions of a Government; and certainly the harm is likely to be counteracted faster… Our economic medicine may be painful but it is fast and powerful because it can act freely.[32]

Cowperthwaite put forward the principle of economic policies in Hong Kong along the contemporary neo-liberalist line in 1966, far earlier than that in its suzerain or in the USA.

Neo-liberalism à la Hong Kong was then dubbed with a certain phrase in 1978 by Cowperthwaite's successor, Charles Philip Haddon-Cave, the Financial Secretary after 1971, of the "philosophy of positive non-interventionism".[33] According to Haddon-Cave, the colonial government took the view that the attempts to frustrate

[31] Friedman, *op. cit*., p. 55.

[32] Hong Kong Government, *Hong Kong hansard*, 1966 Session, 24 March 1966, p. 216.

[33] *Hong Kong hansard*, 1977–1978 Session, 20 April 1977, p. 827.

the operation of market forces will tend to damage the growth of the economy, particularly as it is so difficult to predict, let alone control, market forces that impinge on an open economy. The market fundamentalist ideology characterised as laissez-faire has thus been situated as a centrepiece of the colonial politico-economic structure of Hong Kong.

Two fundamental questions arise from this quaint mixture that seem to contradict one another: laissez-faire and colonial domination.

First, how was this 'success' in the accumulation of capital under the colonial regime possible? The colonial British in Hong Kong repeatedly claimed that the fundamental principle of economic policy was laissez-faire. How, then, was this 'liberalism' in economics compatible with the colonial domination from the White minority in politics?

Secondly, most of the colonies and countries under the domination of an ethnic minority experienced persistent and often severe struggles waged by the subjugated ethnic groups against the suzerain state to demand governance by the ethnic majority. Why did the Hong Kong Chinese, on the other hand, remain largely silent to this White-minority rule and submissively accept the inter-ethnic integration that the colonial British wanted, despite the Hong Kong Chinese having a heritage of anti-ethnic struggle? In other words, why was the colonial antagonism, quite politically normal in other minority-ruled societies, largely absent in Hong Kong, while capital accumulation proceeded without much impediment?

The answer lay in the adoption of laissez-faire in the colonial governance of Hong Kong in a unique way.

True to his faith as a neo-liberal, leaving everything to the operation of market economy, Friedman said very little about the political structure of Hong Kong. Friedman remained silent on the following questions: who designed this competition, in whose interest and at whose cost was it carried out? In fact, he "did not know enough about the situation to comment on the colony's current economic problems".[34]

In Hong Kong, there was indeed no one else other than the colonial British who could design and implement neo-liberalism in Hong Kong. Yet, the fact that Friedman deployed the Hong Kong economy as a positive example in preaching his market fundamentalist thoughts meant that the colonial British had practised neo-liberalism in Hong Kong long before Friedman set out to propagate neo-liberalism across the globe. Therefore, the reason for Hong Kong to have adopted laissez-faire market fundamentalism should be explained from a cause other than Friedman's propaganda.

[34] Bowring, P. 'Shroff: an expensive way to fly'. *Far Eastern Economic Review,* 112(19), 1981a. p. 53.

1.3.2 Indirect Colonial Rule and Neo-Liberalism

An answer to this question may come from the need for indirect rule that was a hallmark of British colonial rule. The British aimed for stability in colonial rule by introducing 'buffer' ethnic groups as middlemen that differed from the locals and had different social backgrounds so that British rulers would not come into direct contact with the locals, in order to effectively create a more stable political and economic power structure. The British established the system of governance that placed British colonists in top positions in the colonial apparatus, which intervened in the basic structure of the economy through finance, foreign trade, marine transport-related industries and public enterprises. In Southeast Asia and East Africa, Chinese and Indians became middlemen in controlling the local economy as businessmen, landowners and managers of small businesses that supplied local demand and adsorbed the native farmers. They served to complement colonial rule at the local scale.

However, unlike Southeast Asia, Hong Kong did not have many ethnic groups that could serve as 'buffers' between colonial British and the indigenous Cantonese-speaking Chinese, except for some policemen unable to speak Cantonese recruited from Weihai Wei, another British colony before WWII, which is now a city in Shandong Province, PRC.

Other indirect means of colonial domination had to thus be devised. In this respect, Leo F. Goodstadt made an intriguing point. The colonial British "disengage [them- selves] from the Chinese world" personally, and even if they ventured into it, they experienced difficulty because few of the British were capable of communicating in Cantonese, the local lingua franca. In this Scrooge-like 'self-imposed segregation'[35] of colonial administrators, market laissez-faireism was the best solution for the following reasons: Firstly, the economic market is impersonal, as the exchange of fetishised commodities replaces a direct relation between the humans. Secondly, the imperative for competition to win in the market easily distracts the attention of the subaltern ethnic group from the political domination over them, since the immediate enemy is present in the peer group who belongs to the same ethnicity. These natures of the market-fundamentalist economy fits extremely well in dominating over an ethnically divided society.

1.4 The Nature of Neo-Liberalism and Its Application to Colonial Hong Kong

The analysis of the enigma of colonialism as related to laissez-faire necessitates a brief revisit to neo-liberalism from the regulationist perspective[36].

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[35] Goodstadt, L. F., *Uneasy partners: the conflict between public interest and private profit in Hong Kong.* HKU Press, 2005, pp. 8 and 10.

[36] The First two parts of this section are adopted with edits from Mizuoka, F., 'Capitalist regulation and the provision of public transportation in Japan', In Low N. ed., *Transforming urban transport: The ethics, politics and practices of sustainable mobility.* Routledge, 2012, pp. 86–93.

1.4.1 Two Natural Enemies of Capitalism as Put Forward by the Regulationists

The regulation economists Aglietta and Boyer[37] claimed that the invisible hand of the market economy alone would be insufficient in making the capitalist mode of production sustainable. Pure laissez-faireism without support of state power eventually destroys capitalism. Instead, government must intervene to stabilise the operation of capitalism so that it could last longer. In order to contain two fundamental 'natural enemies' of capitalism, i.e. economic crises and class struggles, the areas of state intervention are in capital accumulation and social integration, respectively.

The regulation theory thus recognises the potential of the critical junctures at which the capitalist mode of production can collapse and of those currently holding ruling power to lose domination over society at large. In order to avoid this, capitalism needs to be supported by the state apparatus armed with power. To govern any society, the government should design a politico-economic structure that guarantees the sustainable and obstacle-free functioning of capital accumulation and social integration by killing these two 'natural enemies' with one stone. This structure is called a 'mode of social regulation' or a 'regime'.

Hong Kong did need capital accumulation to sustain the colony in terms of economy, and social integration to achieve peace in ethnicity and class relations. Although, the arguments of regulation theory were sometimes intricate and vague, especially when it comes to so-called 'post- (or after-) Fordist mode of regulation',[38] taking their broad line of argument, the tenets of the regulation theory offer us a powerful conceptual tool in analysing the colonial structure of Hong Kong.

1.4.2 Neo-Liberalism as a Regulatory Regime

The most popular mode of regulatory regime was Fordism. It prevailed during the 'golden age' of post-WWII capitalism in major core capitalist countries. Neo-liberalism is the successor regime or mode of regulation that came out with the propagation of neo-classical economists such as Friedman, engaging in a fierce attack on Fordism.[39] Neo-liberalism was, as Fordism, also a product of the positive intent of state power to intervene in the laissez-faire economy to build a new politico-economic structure so that capital accumulation and social integration are promoted, yet in ways quite contrasting to Fordism.

After the oil crisis, the government associated with capitalism can no longer afford maintaining the Fordist regime. Its collapse came because of two reasons: the

[37] Boyer, P. and Saillard, Y. eds., *Regulation Theory: The State of the Art*, Routledge, 2002.

[38] Amin, A. eds., *Post-Fordism: A Reader* (Studies in Urban and Social Change), Blackwell, 1995.

[39] Mizuoka, F., 'Neo-riberarizumu to wa Nani Ka [What is neo-liberalism?]', *Impaction* 186, 2012, pp. 34–48.

fiscal crisis of the national and local states and the profit squeeze in the corporate sector. The high production cost arose from high wages, inflexible labour markets, better working conditions and energy, as well as from excess accumulated productive capital.[40]

The solution was, for government, to cut expenditure in the public sector through rationalisation and privatisation of government administration and state-run companies as well as a more austere fiscal policy. For labour, an individual was touted as an independent agency to engage in the market competition rather than acting as a member of the labour class in solidarity. The powerful unions were either liquidated or co-opted, and the class struggle was shifted to the struggles in the market among individuals. The collective bargaining for higher wages, job security and better working conditions was replaced with cut-throat competition among the peers. All of them had occurred in Hong Kong under the auspices of the colonial government, long before other independent countries began to adopt neo-liberalism.

In terms of economic thoughts, neo-liberalism was supported by market-fundamentalism. Theoretically endorsed by the principles of neo-classical economics, which originated in Adam Smith, the market-fundamentalism presupposed a unique set of human behaviour principles. These principles, originally adopted as humble presuppositions to facilitate mathematical development of economic models, were elevated into the norms of real human behaviour in neo-liberalism.[41] The market fundamentalists like Hayek and Friedman preached to the masses, just like a priest does in a church on Sundays to the congregation, to behave in the way that neo-classical economic models presuppose, claiming that such behaviour would be the only road leading to self-promotion and eventually the blissful millennium where harmonious equilibrium through the invisible hand prevails on the earth.

Politicians, initially of the Anglophone world but later also elsewhere on the globe, including Latin America and Japan, enthusiastically supported the turn to the policies advocated by market fundamentalists. They ardently welcomed Mrs. Thatcher's 'There Is No Alternative (TINA) to the market' tenet, and set off to develop a whole new set of policies that were collectively termed 'neo-liberalism'. The holy trinity of neo-liberalism, market fundamentalism and neo-classical economics thus dismantled Fordism, in order to restructure the whole society and economy to the subsequent regime.

In order to promote market economy, the neo-liberalist government privatised many public bodies that had offered services to the people without profit motive. Alienating, cut-throat competition was encouraged instead with claim that it will bring about vigour, efficiency to economy and eventual euphoria of global convergence. The speculative finance sector was promoted, which became the mainstay of capital accumulation, along with the notion of 'post-industrial society', where

[40] O'Conner, J., *Accumulation Crisis*, Basil Blackwell, Oxford, 1984.

[41] Takahashi, M., 'Kojin to Zentai no Niko Tairitsu wo Dou Koeruka [How the binary opposition between individual and the society at large could be transcended?]', In: Hirano, K., ed., *Towards Reconstruction of the Economic Theory of Africa*, Institute of Development Economy (IDE-JETRO), 2002, pp. 113–146.

people supposedly no longer needed to work hard in the dust and dirt of a Taylorist factory to earn money, but could do it on the whim of wise clicks in Internet trading sites. The core countries encouraged financial capital to flourish, and the laissez-faire speculative activities seeking capital gain across the globe became rampant.

As for social integration, neo-liberalism adopted the 'North Wind' approach as in Aesop's tale as opposed to 'the Sun' approach adopted in Fordism. As discussed above, everyone is supposed to respond in neo-liberalism to the assumptions of neo-classical economics, independently as a rational economic person. The principal code of conduct is 'compete or perish'. Any consequences of competition, no matter how miserable they are, must be accepted submissively without envy for those who succeed. In this competition, the people are thus blinded to the whole system of capitalism, which exploits them.

Neo-liberalism has penetrated into the macro-economies of major core countries as the dominant capitalist regime after the 1980s. The IMF and World Bank demanded developing countries to accept this regime by forcing the policy package of structural adjustment in exchange for offering loans.

A little more than two decades after the introduction of neo-liberalism, however, cut-throat competition generated increasing income disparity between the winners and losers as well as among different social groups and geographical areas. Those economically disadvantaged have suffered from disinvestment in the public sector, which caused deterioration of physical infrastructure and welfare services.

1.4.3 The Contrived Laissez-Faireism

Remember that neo-liberalism never comes out of a political vacuum, but was designed by the hegemonic political power that set up the economic policies. 'Positive non-interventionism' and 'non-intervention' are not identical. The case studies presented in this book show that the colonial government did not unconditionally leave everything to the whim of the 'invisible hand'. In fact, the policies of the colonial government manifested very skilful articulation of government control and market fundamentalism. The task of this book is therefore to identify the dialectic between these two moments.

Andrew Sayer, in pointing out "the myth of the 'free market' ", identified 3 state as "a normal feature of real markets, as a precondition of their existence".[42] He went on to say that the market is "socially embedded and regulated".[43] As Peck and Tickell pointed out, "neoliberal 'settlement' had to be engineered through explicit forms of political management and intervention and new modes of institution-building … to secure its ongoing legitimacy".[44]

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[42] Sayer, A., *Radical political economy: A critique,* Blackwell.1995, p. 87.

[43] Sayer, *op. cit.*, p. 118.

[44] Peck, J., & Tickell, A. 'Neoliberalizing space'. *Antipode*, 34(3), 2002, p. 396.

David Harvey was more explicit on this point, claiming that:

> By capturing ideals of individual freedom and turning them against the interventionist and regulatory practices of the state, capitalist class interests could hope to *protect and even restore* this position.[45]

Those who attempted to restore and protect power were not limited to capitalists. Globally, for example, spatial expansion of neo-liberalism is a means of spreading the sphere of American influence across the globe.[46]

In colonial Hong Kong, both the ultimate capitalist class interest and political domination were naturally represented and protected by the British. The pursuit of the dialectical synthesis of laissez-faire and colonialism that neo-liberalism practised in the colony of Hong Kong was a political endeavour to 'protect and restore' the power of colonial domination by the British.

Contrary to what the advocate of neo-liberalism attempts to make us believe using the metaphor of small government that fits the size of a bathtub, the colonial British Government of Hong Kong had subtly but intentionally chosen market fundamentalism as the principle of colonial governance, much earlier than Friedman or Margaret Thatcher, as the means of capitalist regulation.

In place of indirect rule by the 'buffer' ethnic group, the tacit yet positive policy of British colonialism was thus created and put into practise: the Hong Kong Chinese were organised into a cutthroat 'laissez-faire' competition, which made them blind to the reality of the White-minority domination. They were diverted from direct ethnic confrontation against the suzerain, but canalised into confrontation among themselves in the arena of competition, whereby ethnic integration was achieved.

The most common way to create the laissez-faire competition was the artificial creation of resource scarcity. The colonial British set the competitive stage upon which the Chinese were simply choreographed by the British director, who imperatively brought them onto the stage, instigating them to grab a piece of the scarce resource that the colonial British provided for their survival, in order to realise their ambition to achieve a higher position in social strata or to get richer.

This system of specific application of neo-liberalism to the colonial governance could well be termed '*contrived laissez-faireism*'.

1.4.4 Artificial Creation of Scarcity in Order to Create Laissez-Faire

As discussed earlier in this section, the market fundamentalists are arrogant enough in attempting to reproduce the world of neo-classical economics in reality. Rationally behaving atomic and independent persons are supposed to engage in self-interest,

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[45] Harvey, D., *A brief history of neoliberalism,* Oxford University Press, p. 42, emphasis mine.

[46] Harvey, *op. cit*., pp. 181–182.

maximising laissez-faire economic competition for scarce resources without government intervention to achieve the optimum.[47]

A neo-classical economist defines economics as 'the study of how society manages its scarce resources'.[48] If a resource is abundant and not scarce, everyone can get it; hence, there would be no competition or no need for scarcity management. A corollary to this tenet is that in order to generate the laissez-faire competition it is necessary to create scarcity, if there is none. In other words, the government, or the manager of resources, must restrict the supply of resources and create artificial scarcity. Political manipulation of the social and economic factors to create artificial scarcity, therefore, became a strategic agenda to promote laissez-faire.

The idea of artificial creation of scarcity in a British colony was not the invention of the bureaucrats of Hong Kong, but was already almost two centuries old. A British colonist Edward G. Wakefield put forward the 'Art of Colonisation' amid the era of 'free-trade imperialism', on the basis of his experience in South Australia.

Wakefield devised this 'art' from negative experiences in the British colony of North America, which offered vacant land in generous terms to the colonists, only to find a minimal subordinate consciousness among the working class.[49] This spirit eventually led to the independence war and foundation of the USA.

Wakefield spotted the absence of a labour class in the colonies: "the plentifulness and cheapness of land in thinly-peopled countries enables almost everybody who wishes to become a landowner … and labour for hire is necessarily scarce".[50] Thus, he recommended making land "dear enough to prevent the scarcity of labour for hire"[51] by creating artificial scarcity, even though the spatial extent of a colony was physically undepletable, in order to create the capitalist mode of production.

Wakefield stated as follows:

> As the price of the land depends… on the relation between the demand and supply… by augmenting the population or diminishing the quantity of land, the price would be raised … The amount of population indeed does not depend on the government; but quantity of land does; and thus, the government has control over the proportion which land bears to population, or population to land… *Government may dispose of land with a niggard hand*.[52]

Here, Wakefield asserted that the price of colonial land is a variable that the colonial government can control by manipulating the supply of land:

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[47] Mizuoka, F., 'Capitalist regulation and the provision of public transportation in Japan', In: Low, N., ed., *Transforming urban transport: The ethics, politics and practices of sustainable mobility*. Routledge, 2012.

[48] Mankiw, N. G., *Principles of microeconomics,* 3rd ed., South-Western, 2004, p. 4.

[49] Marx, K., *Capital: A critique of political economy*, Vol. 1, Translated by Ben Fowkes, Vintage Books, (1977), pp. 931–940.

[50] Wakefield, E. G., *A view of the art of colonization, with present reference to the British Empire; in letters between a statesman and a colonist*, John W. Parker, 1849, p. 325.

[51] Wakefield, *op. cit*., p. 331.

[52] Wakefield, *op. cit*., p. 332–333, emphasis mine.

> [The price of land] may be low or high as the government pleases; it is a variable force, completely under the control of government.[53]

This idea of 'systematic colonisation' by Wakefield was introduced in the House of Commons on 6 April 1843 by M. P. Charles Buller. The 'Art of Colonisation' à la Wakefield, creating deliberate scarcity of land to pump up its price, and thereby to generate revenue for the colonial coffers, became popular among the early British colonisers. The policy recommended by Wakefield was implemented in reality in the colonisation of New Zealand. Its popularity is evidenced by the fact that Marx, then conducting his research in exile in the British Library, concluded his Volume 1 of *Capital* with a chapter[54] exclusively devoted to Wakefield's work.

1.4.5 Industrialisation by Small-Scale Entrepreneurs and Laissez-Faire

Nevertheless, there was an important sphere of the Hong Kong economy where laissez-faire was not generated out of intentional creation of scarcity. The industrial structure of Hong Kong was largely different from its South Korean or even Taiwanese counterparts: the Hong Kong industry lacks large, dominating *chaebols*, most of them were of small scale, with an extremely low barrier of entry. As Table 1.1 indicates, all the entrepreneurs combined in each industrial sector had assets comparable with a single Chinese real-estate company.

In the 1960s and 1970s the newly independent countries commonly adopted the import-substitution policy and the protection of infant industries in a relatively closed economy, protected with higher import tariffs, on the pretext of avoiding any exploitation from the outside world. In contrast, the colonial government did not bother to attempt to establish an endogenous economic structure as in the case of newly independent countries in Asia, because Hong Kong was a colony after all.

A sample survey of industrial entrepreneurs conducted in 1978 showed that "71% had an initial capital of less than HK$100,000", suggesting a very low barrier of entry to the industry, with no large capital equipment needed to set up a plant. Investment of this amount was carried out mostly by means of personal savings, as indicated in the survey, i.e. that 88.2 % of entrepreneurs obtained their proprietor funds from their own savings.[55] The role of banks, and the associated need for financial credibility in obtaining loans, was extremely low; 58.7% of the enterprise was

[53] Wakefield, *op. cit*., p. 339.

[54] Marx, *op. cit*., pp. 931–940.

[55] Sit, V. F. S., et al., *Small Scale Industry in a Laissez-faire economy: A Hong Kong Case Study*, Centre of Asian Studies, HKU, 1980, pp. 336–337.

sole proprietorship of the factory owner or family business.[56] It was more akin to the world of the atomic economic persons as assumed by neo-classical economics.

Most of these small-scale entrepreneurs did not have any fixed and closed relationship as subcontractors, but 46.5 % of entrepreneurs served more than ten customers.[57] Nevertheless, 56.8 % of the entrepreneurs sold their products to meet orders from import-export houses, indicating that their business strategy and choice of products to manufacture was largely controlled by these houses. These entrepreneurs also took direct overseas orders; and sales to the import-export houses and direct overseas orders combined, allowing the ratio to rise to 79.9 %.[58] As long as the manufacturing enterprises followed what the overseas market demanded, there was not much effort needed for marketing. The share of four developed countries, i.e. USA, UK, West Germany and Japan in the domestic export was 62.2 %, with the USA having the largest share of 37.2 %, in 1978.[59]

From these data, it is easy to discern that laissez-faire competition common in the era of industrial capitalism of nineteenth century UK existed in post-WWII Hong Kong, where small- and medium-scale industries with an extremely low barrier of entry dominated. Yet the market for the industry was not domestic, but external, in the country with profound effective demand thanks to high wages under the Fordist regime of capitalism. The post-war Hong Kong economy of that period showed therefore the typical characteristics of peripheral Fordism.

The growth of the Hong Kong economy did not lead to a more oligopolistic industrial structure in manufacturing. Unlike other economies, Hong Kong had a more lucrative and facile opportunity for quick profit than managing a dusty manufacturing plant once an entrepreneur accumulated enough capital to invest. It was the speculative real-estate business, in which investment opportunity was created by management of scarcity in the space. As will be mentioned in the next chapter, one of the richest persons in Hong Kong, Li Ka-Shing, also began his business career as a small-scale industrial entrepreneur, yet he soon found that he could earn more money in the property sector. Using his fund accumulated through manufacturing, he swiftly switched the arena of profit-making to the property sector. In a sense, investing in manufacturing was just a rite of passage for the Chinese capitalists in their trajectory to become super-rich. Even Crocodile, a garment manufacturer which managed to establish its own brand through fierce legal battle with French Lacoste, had 60.4 % of its total assets of HK$70,681,799 in real estate in 1980.[60] This quaint process of corporate growth contributed greatly to keeping the industrial sector of Hong Kong always small and laissez-faire.

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[56] Sit, *et al.*, *op. cit*., Table 14.3, p. 337.

[57] Sit, *et al.*, *op. cit*., Table 14.10, p. 343.

[58] Sit, *et al.*, *op. cit*., Table 14.6, p. 340.

[59] Census and Statistics Department, *Hong Kong Annual Digest of Statistics*, 1983 ed. p. 92.

[60] *Annual Report*, Crocodile Garments Limited, 31st March 1981, p. 16.

This industrial structure encouraged laissez-faire competition, where the Chinese were left to the 'work hard or perish' mentality. This was indicated by the fact that "about 70% of the small entrepreneurs envisaged a solution by their own efforts and only about 30% envisaged solution through mainly Government assistance".[61]

This mentality should have embedded partly into those Hong Kong Chinese through the competitive education system (see Chap. 7). In this capitalist imperative, the Chinese entrepreneurs cooperating with the traders with networks overseas frequently switched the sectors of operation from one to another in order to meet the demand of the markets in developed countries at their own risk.

Eventually, in most independent countries, the import-substitution and endogenous development models were eventually revealed to be inefficient and ended up with failure. Instead, the development policy to facilitate the export-oriented industrialisation of Hong Kong became the model of economic development in many other Asian countries, including the PRC. This irony was simply a reverse manifestation of the uniqueness of the Hong Kong economy and society, which had nothing comparable in the rest of the Asia. The Hong Kong experience of economic development reflected the trajectory of development in other Asian countries in a reverse way.

1.4.6 The Market-Fundamentalist Versus Contrivance Debate in Explaining Post-War Growth of the Hong Kong Economy

As mentioned in Sect. 1.3, Hong Kong has been enshrined as a bastion of neo- liberalism, a characterisation that has been elevated into cliché as in Alvin Rabushka, stating that the government's management style was "governed by the philosophy of self-support"[62] in pursuance of minimising the burden on the general taxpayer.

However, some researchers did not agree with the argument regarding laissez-faire market fundamentalism as the spine of Hong Kong's economic policy and capital accumulation.

Ian Scott claimed, for example, that Hong Kong's "economic development cannot be attributed to the laissez-faire role of government", even though he admitted that "economic growth and conditions of near full employment" spared the colonial government from rupture in ethnic integration.[63] However, Scott failed to identify the causes of economic growth in Hong Kong other than laissez-faire economic principles.

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[61] Sit, *et al.*, *op. cit*., p. 387.

[62] Rabushka, A., *Value for money: The Hong Kong budgetary system*, Hoover Institution Press, 1976, p. 92.

[63] Scott, I., *Political change and the crisis of legitimacy in Hong Kong*, University of Hawaii Press, 1989, pp. 71, 73.

John M. Carroll, on the other hand, proposed an alternative concept to laissez-faire: cooperation. He claimed that "colonialism in Hong Kong was built on cooperation" between the colonial British and Chinese élites, rather than on a laissez-faire policy where cut-throat competition was the norm.[64] Wing Sang Law shared Carroll's view by asserting that the intention for collaboration on the part of British with the Chinese élite in an attempt to co-opt the latter was an important social element for sustainable colonial rule in Hong Kong.[65] Goodstadt also pointed out that the British appeased the Chinese industrialists who received no subsidies by intentionally overlooking these industrialists' minimal concern for the welfare of the Chinese masses.[66]

A. J. Youngson cast doubt on the prevailing laissez-faire discourse by deploying cases in which the colonial government opted for more direct government intervention, claiming that the colonial government entered into 'positive interventionism' whenever it was deemed necessary.[67] The massive public housing and new town projects and construction of the Mass Transit Railway (to be dealt with in Chap. 6 of this book) under the determined initiative of Haddon-Cave, the Financial Secretary of the colonial government, were his typical cases in point.

Jonathan R. Schiffer, in contesting the conclusions of the scholars attributing the colony's economic growth to a 'free market economy', emphasised elements where the colonial state made a more direct involvement. Without such involvement the capital accumulation in the Hong Kong economy would face greater difficulty, specifically from low-cost food imported from socialist China and massive public-housing projects to appease the Chinese. Schiffer's paper "became well known amongst those who suspected that neo-classical accounts of economic development in East Asia were more ideologically gross than scientific analysis", and, therefore, stood "as a landmark"[68] since it first appeared in mimeo in 1983.

Manuel Castells et al. also commented that the main policy philosophy underlying the 'ruling-class alliance' of Hong Kong was more Keynesian public subsidising than neo-liberalism. They claimed that:

> 'Government intervention in the economy appears to have been decisive in contributing to industrial competitiveness, monetary stability, social peace, and low production costs. The main government instruments to achieve these objectives were a comprehensive system of social wage, with education and housing being its foremost components…'. [69]

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[64] Carroll, J. M., *Edge of empires: Chinese elites and British colonials in Hong Kong*, HKU Press., 2007, p. 188.

[65] Law, W. S., *Collaborative colonial power: The making of the Hong Kong Chinese*. HKU Press, 2009.

[66] Goodstadt L. F., "Fiscal freedom and the making of Hong Kong's capitalist Society", *China Information*, 24(3), 2010, p. 273.

[67] Youngson, A. J., *Hong Kong: Economic growth and policy.* Oxford University Press, 1982, pp. 133–134.

[68] Schiffer, J. R., "State policy and economic growth: A note on the Hong Kong Model". *International Journal of Urban and Regional Research*, 15(2), 1991, p. 180.

[69] Castells, M., Goh, L., & Kwok, R. Y.-W. (1990). *The Shek Kip Mei syndrome: Economic development and public housing in Hong Kong and Singapore,* Studies in Society and Space (Vol. 4), Pion, 1990, p. 112).

These scholars placed greater emphasis on direct intervention by the colonial British to gain cooperation from the Chinese, the élite and the masses alike, to keep Hong Kong as a British colony, either through measures of cooperation offered from the British or through massive Keynesian-type infrastructural projects for the benefit of the masses of Hong Kong.

The 'contrivance tenet' closer to the author's position has been addressed by researchers taking a critical position to the colonialism in Hong Kong, in an attempt to refute the official laissez-faire discourse.

To begin with, Goodstadt claimed the utility of the laissez-faire ideology to persuade the Chinese into suffering the poverty in silence by legitimising the economic inequality that laissez-faire competition inevitably brought about, leading to social and ethnic integration. This submission to the outcome of cut-throat competition is also a generally important utility of neo-liberalism to the capitalist ruling class:

> laissez-faire allayed public suspicions about the benefits that the business world enjoyed through its partnership with the government… ordinary people felt little envy or resentment towards the affluent.[70]

Tak-Wing Ngo coined the term 'good policy of laissez-faire' as the 'legitimisation factor' of the British colonial rule from the pre-WWII era. Ngo characterised the apathetic, or 'laisse-faire' attitude of the British colonial government, which worked to favour 'imperial and colonial interests', while colonial government subtly counted on the hard efforts of Hong Kong Chinese who engaged in informal industrialisation to achieve accumulation of industrial capital in Hong Kong. Ngo discerned that the 'hypocrisy' of laissez-faire worked to legitimatise and protect the British colonial rule.[71] These authors found that laissez-faire functioned as an ideology to persuade the Chinese that the inequality that capital accumulation inevitably brought about was a natural cause of things, hence it had to be accepted without objections or envy.

From a perspective that more directly confronts the colonialism, the Association for Radical East Asian Studies (AREAS), organised in the School of Oriental and African Studies, University of London, in 1970, launched a campaign under the slogan 'Liberate Hong Kong from British Imperialism!'[72] When few conventional scholars had ventured to address the colonial nature of British Hong Kong, Jon Halliday asserted, in a leaflet published by the AREAS, that the colonial regime, "which prides itself on its *laissez-faire* attitude, directly affects every aspect of the economy" and in effect, the market fundamentalism "functions to provide optimal conditions for exploitation and the accumulation of capital in the hands of a few…" (emphasis original).[73]

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[70] Goodstadt, 2005, *op. cit*., p. 13.

[71] Ngo, T.-W., *Hong Kong's history: State and society under colonial rule*. Routledge, 1999, p. 135.

[72] Association for Radical East Asian Studies (AREAS) ed, *Hong Kong: Britain's last colonial stronghold* (mimeo), 1972, p.2 [A slightly abridged Chinese translation by Yi Kwan published in Hong Kong as *Jinri Xianggang* [*Hong Kong Today*] (Qishi Niandai Zazhi She, 1977)].

[73] AREAS, *op. cit.*, p. 35.

The overall picture seems intriguing. Conventional economists and government bureaucrats have drawn upon the 'official' laissez-faire discourse to account for economic growth, while scholars with a critical inclination had tended to deny or ignore the laissez-faire reality and instead deploy the hypothesis of direct government intervention and expropriation discourses. Yet there has been a stream of thought to seek the synthesis of the two.

1.5 The Critical Juncture of Anti-Colonial Struggles

Although the colonial government attempted to govern the colony through contrived laissez-faireism, occasionally it failed and the potential for anti-colonial struggle inherent in the colonial political apparatus did erupt and developed into critical junctures in several occasions.

As Lam Wai-man documented at pains, in rebutting the conventional view that the political structure of Hong Kong was stable, Hong Kong did share a proud heritage of struggles against the colonial suzerain both within and outside the established legal frame set up by the colonial power. In the pre-WWII era, Seamen's Strike was fought in 1922, and during the three post-war decades between 1949 and 1979, there were at least nine cases[74] where oppressive acts of the British colonial government, or business concerns run by the British, became the target of severe protests by the Hong Kong Chinese.

1.5.1 Anti-British Uprisings in 1966 and 1967

Most notable of these uprisings were, without doubt, two severe anti-British uprisings during the Cultural Revolution in the PRC in 1966 and 1967.

In April 1966, as the Cultural Revolution had spread across the PRC, and the intensity picked up; a strong movement against a fare rise of Star Ferry broke out in Hong Kong. The Hong Kong Chinese demonstrators spread along Nathan Road, and this sole artery running straight down Kowloon Peninsula from north to south was completely blocked for 2 days.

Later in November to December 1966, in the Portuguese colony of Macau, anti-Portuguese ethnic strife broke out. After a struggle between the Portuguese authority and the Macau Chinese, the Chinese succeeded in having the Portuguese authority give in and accept almost all the demands that came out of the PRC. The Portuguese colonial authority had virtually become a puppet of the Beijing government. The anti-British leftist group in Hong Kong must have thought that it was now their turn.

Again in 1967, another very serious anti-British ethnic uprising broke out in Hong Kong. It started in simultaneous strikes in three factories: cement, artificial flower and shipyard. The scale of uprising was much larger than the one in the

[74] Lam, W. M., *Understanding the political culture of Hong Kong*, M. E. Sharpe, 2004, pp. 65–186.

previous year, and the movement lasted longer, from April to July 1967. As evidenced in the red-covered *Quotations from Chairman Mao* in the labourers' hands, the uprising was explicitly instigated by the Cultural Revolution in the PRC; and the Beijing government supported the movement both with official statements and funding. *People's Daily*, the organ of the Communist Party Chinese (CCP), encouraged the Hong Kong Chinese "to organize a courageous struggle against the British and to be ready to respond to the call of the motherland for smashing the reactionary rule of the British".[75] The Chinese General Chamber of Commerce responded to denounce the colonial administration officially.[76]

The uprising was echoed by a million Chinese demonstrators in Beijing in alliance with the Hong Kong Chinese to protest the oppression in front of the British diplomatic office on 17 May.[77] On 18 May, the home government in London issued an official statement expressing its clear support for the actions taken by the colonial government in Hong Kong. This statement aroused anger among the Hong Kong Chinese and added fuel to the anti-British struggle. Handwritten banners condemning the British Imperialism were stuck onto the gate of the Governor's House in Hong Kong Island, and the Hong Kong Chinese besieged it and demanded to see the Governor.[78] The issue now became a diplomatic matter between the PRC and the UK governments.

In the meantime, the pro-PRC Chinese attempted to organise those poor and disadvantaged Chinese living in squatter areas and resettlement estates, and working in the government-built flatted factories into their struggle. Investigation carried out by the colonial government after these movements pointed out that many Chinese had grievances against arrogance of the utility, ferry and bus operations, most of which were run by the British, accusing them of being 'greedy', 'selfish', 'inefficient', 'providing poor service', 'rude employees,' etc.[79] Flyers containing anti-British and pro-PRC statements were handed out, and slogans encouraging Chinese labour to fight against colonial British were painted on the walls of flatted factories.

The Hong Kong Chinese gained momentum in the struggle. A general strike of public transportation was called for and was scheduled on 25 June. The trade union of the Kowloon Motor Bus Company, on which most of the commuters in Kowloon and the New Territories depended, was under pro-PRC leadership.

In addition, in tacit protest to the British, the PRC ignored the request from the colonial government to increase water supply from Shenzhen, on which the colony depended, to cater for high water demand in summer.[80]

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[75] Quoted in Government Information Services Department, 1968, *Events in Hong Kong – 1967: an Official Report,* Government Printer, p. 12.

[76] Cooper, J., *Colony in Conflict: The Hong Kong Disturbances May 1967 – January 1968.* Swindon Book Company, 1970, p. 62.

[77] Ibid, pp. 68–69.

[78] Copper, *op. cit*., p. 72.

[79] *Kowloon Disturbances 1966: Report of Commission of Inquiry,* J. R. Lee (Acting Government Printer), Hong Kong, 1966, p. 123.

[80] *Events in Hong Kong – 1967: an Official Report,* op. cit., p. 23.

The British colonial authority did not give in as Portugal did in Macau, however. In July, the police started to attack various strongpoints of the uprising, including offices of trade unions and pro-PRC schools. The leaders were arrested and prosecuted. The violent struggle continued sporadically until December, with a total of 51 persons killed.

1.5.2 Subsequent Attempts to Contain the Critical Junctures

Nevertheless, the British colonial authority feared if more Chinese people in the colony would join the anti-British movement, the colonial regime in Hong Kong would be subverted. Although it was quite unlikely that the People's Liberation Army would break the Sino-British border forcibly into Hong Kong to support the anti-British struggle, what worried the British was the domestic political attempt of subversion by the groups in Hong Kong. Elsie Elliott, a dissident British national, sided with the Hong Kong Chinese in their struggle against the colonial British. This united front of anti-British struggle was evidently a clear omen of the last thing that the British wanted to come up in Hong Kong.[81]

In this sort of grave critical juncture, contrived laissez-faireism obviously did not work. The colonial British needed to appease the Chinese masses, acting as if they were on their side, not the PRC. In the era of decolonisation, the British therefore needed to create a surrogate for real democracy. They thus deployed paternalistic and quasi-Fordist policy through provision of physical infrastructures for the purpose of ethnic integration. In a sense, interestingly, the order of Fordism and neoliberalism came chronologically reversed in Hong Kong. Nevertheless, giving closer scrutiny to this quasi-Fordist policy, real colonial intention was tacitly embedded in this 'Fordism'.

It was Governor MacLehose who introduced the quasi-Fordism in order to contain the grievances of Hong Kong Chinese and to achieve the ethnic integration of Hong Kong. MacLehose apparently acted closer to an enlightened despot in eighteenth century Europe than a president of a republic who is directly accountable to the electorate. The list of urban infrastructures that were built during MacLehose era was not short: MTR, new towns, improvement of public housing, Country Parks, etc. MacLehose also set up with big fanfare the Independent Commission Against Corruption (ICAC) to demonstrate that fair and just governance of Hong Kong could be achieved under the British colonial rule.

The skilful combination of contrived laissez-faireism and the paternalistic provision of the means for better urban infrastructures meant most Hong Kong Chinese were deceived by this attempt of appeasement, without knowing the ulterior colonial

[81] Mark, C. K., 'A Reward for Good Behaviour in the Cold War: Bargaining over the Defence of Hong Kong, 1949–1957', *The International History Review*, 22(4), 2000.

Table 1.3 Groups placed under the Standing Committee on Pressure Groups (SCOPG) surveillance

Name (in English)	Name (in Chinese)	Reasons for placing under SCOPG surveillance
Society for Community Organisation	香港社區組織協會	Helped people with grievances to lobby forredress
Sau Mau Ping Young Workers Centre	職工青年聯會	(see the main text)
The Heritage Society	香港文物學會	The advocacy to protect the buildings of historical merit would undermine the Crown land policy
The Conservancy Association	長春社	Criticism of the (negligence of) environmental conservation of the colonial government
HK Observers	香港觀察社	Elite group with suspected attempt to replace the British rule with that of PRC
Education Action Group	教育行動組	Outspoken and critical in demanding universal education
Professional Teachers' Union	香港教育專業人員協會	Communist united front target. SCOPG didnot realise the leader wanted to join the CCP
HK Federation of Students	香港專上學生聯會	Pro-communist (New China News Agency) and likely to adopt militant line on social issues
HK Christian Industrial Committee	香港基督教工業委員會	Attempting to make Christianity more acceptable by focusing on working-class grievances
Ecumenical Community Development Project	葵涌大窩口社區發展	Incisive critique by the popular leader of public housing and community development

Source: *New Statesman*, op. cit., pp. 8–9 and Pepper, S., *op. cit*., p. 177–178

motive tacitly tacked behind them, which this book will reveal using the case of the MTR in Chap. 6.

Behind the scenes, MacLehose also set up in secrecy in 1978 the 'Standing Committee on Pressure Groups' (SCOPG), a government committee "which has the job of coordinating government surveillance of any protest or campaigning group and of mounting counter-attacks".[82] There were 11 target groups that the SCOPG aimed to 'undermine, co-opt or coerce', as shown in Table 1.3.

Sau Mau Ping Young Workers Centre, one of the groups on the list, was founded by Catholic people in June 1974, providing the young workers mainly in Kwun Tong industrial area (Chap. 5) with 'a place of resting' and somewhere to 'meet new friends'.[83] The problem with this Centre for the colonial government must have been

[82] 'A Secret Plan for Dictatorship', *New Statesman,* 12 December 1980, p. 8.

[83] Sau Mau Ping Young Workers Centre, *Sau Mau Ping Area Analysis of the Situation of Young Workers* (mimeo) 1975, p. 1.

the field survey of the local workers that they conducted in 1975 and subsequent policy proposal made to the government based on it. Based on their questionnaire survey, the Centre exposed that over 21 % of female workers surveyed started working under 14 years of age, with few opportunities to receive further education. Forty percent of the workers claimed that they received no paid vacation leave, and 60 % no sick leave, which was against the labour legislation.

Many young workers suffered from 'feelings of alienation and apathy'. The Centre demanded that the colonial government should provide "comprehensive evening school for workers".[84] Their demand was quite reasonable, yet the colonial government must have feared their pledge for promoting the 'labour education' to have them understand both their position within society as well as their organising younger people into a group and action.[85]

As the above case suggests, the scope of the groups and reasons for placing them under surveillance showed that the colonial British were in fear both of groups with connections to the PRC and of those independent groups raising grievances relying either on grass-roots support or on their intellectual capability. The colonial British did not want infiltration of the CCP into Hong Kong politics, or the disruption of social stability that would result from the independent Hong Kong Chinese who had grievances regarding the colonial governance.

The staff of the SCOPG came from the Home Affairs (formerly Chinese Affairs) Department, Security Branch, police Special Branch and the Information Services Department, which included a former military officer who once served in Northern Ireland for psychological operations, "specialising in black propaganda".[86] This composition of the committee members clearly indicated that it aimed to place Chinese dissident groups under surveillance and curb any of their subversive attempts. Even under the apparently benevolent MacLehose regime, the colonial government never gave up attempting to suppress the locals, even those belonging to the middle class.

In addition to the SCOPG, the Special Branch of Hong Kong police was reported to have kept the dissident Hong Kong British Elsie Elliot (Tu) constantly under close surveillance.[87] Provocation for this committee came from the undue colonial government intervention and concomitant opposition from the Hong Kong Chinese in the Precious Blood Golden Jubilee Secondary School affair, to be discussed in Chap. 7 of this book.

[84] Sau Mau Ping Young Workers Centre, *op. cit.*, pp. 15–16.

[85] Sau Mau Ping Young Workers Centre, *op. cit.*, p. 17.

[86] 'A Secret Plan …' *op. cit*., p. 8.

[87] *New Statesman*, *op. cit*., p. 8.

Chapter 2
Subsumption of Hong Kong Space into the British Colonial Apparatus

2.1 Introduction: Beyond the Myth of 'Overpopulated and Space-Hungry' Hong Kong

Once upon a time, aboard flights landing in the former Hong Kong International Airport (Kai Tak), passengers were frightened to see the densely packed cityscape of Kowloon Peninsula just a few hundred metres below them. Now that Hong Kong International Airport has moved to Chek Lap Kok, they feel deceived by the comfortably expanding grassy hills of Lantau Island, with hardly a house upon it, except for only a small patch of new development at the bottom of the hill. Indeed, the apparently 'overpopulated' Hong Kong is still endowed with much empty space. In 1996, a year before the British were to leave Hong Kong, only 175 km^2 out of 1095 km^2, or 16.0% of the colony's land, was classified as 'developed land', which was either in active urban use for putting up commercial buildings, residential housing, industrial or government buildings, roads or rail rights-of-way, or was left vacant awaiting development. Adding agricultural fields, fish-breeding ponds, live-stock farms and reservoirs and the area of land actively used for economic purposes merely made up 290 km^2 or 26.5% of the total area of Hong Kong as of 1996 (Fig. 2.1).[1]

The colonial British appropriated the entire stretch of land at the outset of the colony as Crown land. Thus, during the colonial period, all the land in Hong Kong was owned by the British Crown, and its disposal was a matter explicitly stipulated in the Letters Patent, Article XIII, which reads, "The Governor, on Our behalf, may make and execute grants and dispositions of any lands within the Colony…". Under the terms of the Letters Patent, the colonial government openly admitted the principle of land disposal as follows: "Policy concerning the sale or grant of Crown land is governed by the *scarcity of all types of land*" (emphasis mine).[2]

[1] Census and Statistics Dept., Hong Kong SAR Government, *Hong Kong Annual Digest of Statistics*, 1998 Edition, p. 297 (Table 16.11).

[2] Hong Kong Government., *Hong Kong annual report 1957*, Government Press, 1958, p. 180.

F. Mizuoka, *Contrived Laissez-Faireism*, The Political Economy of the Asia Pacific, https://doi.org/10.1007/978-3-319-69793-2_2

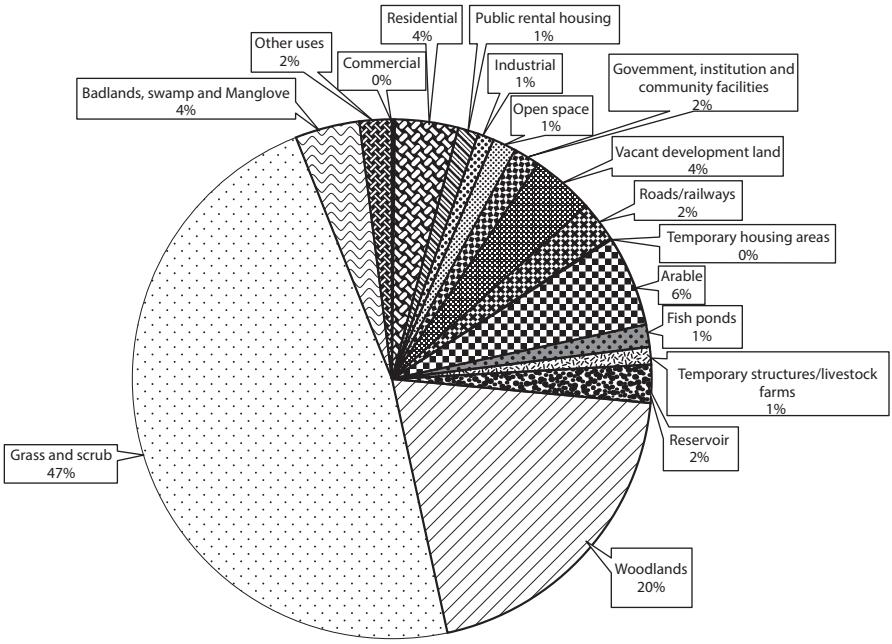

Fig. 2.1 Land usage of Hong Kong. Source: Table 16.11 in *Hong Kong Annual Digest of Statistics*, 1998 edition

The colonial government leased the land, normally for a term of 75 years, with the option of one renewal. The lease can be traded privately, which was what the land market in Hong Kong during the colonial period meant.[3] The main aim of this land policy was to maintain the government budget in surplus, which guaranteed the de facto independence of the British White minority regime in Hong Kong from the home London government, as discussed in Chap. 1.

In this system of landed property, the land plot for public purpose was normally granted from the colonial government under the condition that the land plot is to be used for the originally intended purpose only. It was illegal, for example, for a school that obtained a land plot for the purpose of putting up school buildings, to erect a hotel on its compound as well in order to supplement the school budget, even if the school authority claimed that the extra revenue thus obtained was to the benefit of students.

Unchecked by parliamentary democracy, the colonial government deliberately manipulated strategic policy variables related to Crown land in order to create sufficient scarcity to contrive laissez-faire competition. This was an attempt to produce an ideal social and economic situation in Hong Kong.

[3] Mizuoka, F., 'British Colonial Administration of Hong Kong and the Mode of Space Subsumption – an Introduction', *Hitotsubashi University Research Series,* Economics 35, 1994.

Plate 2.1 Landscape of African jungle? No, no! Beyond the Visitor Centre of the Sai Kung 西貢 Geopark, there stretches a vast tropical shrub-covered area where no-one lives (author's photo taken in 2007)

Almost three-quarters of the area was set aside as wilderness, under various pretexts, e.g. 'country parks' or 'water catchment areas', in supposedly 'space-hungry' Hong Kong, while the densely packed urban environment confined the 6,311,000 residents of Hong Kong (1996) to less than a sixth of its colonial territory (Plate 2.1).

This official spatial policy of the government was echoed by an article that appeared in a leading local economic journal stating:

> any acceleration of land sales, while it might bring in slightly increased revenue over the very short term, would certainly be harmful in the long-term in that it would drive down prices by satisfying demand and it might even exhaust the supply of available land.[4]

Youngson discerned the colonial government's deliberate policy of creating a scarcity of land supply to realise high prices: "Land seems to have been made available when the government thought that it would fetch an exceptionally good price, i.e., when it had become exceptionally scarce".[5]

[4] Whatmore, R., "Hong Kong's land problems", *Far Eastern Economic Review (FEER)*, 36(6), 1962, p. 277.

[5] Youngson, *op. cit.,* p. 129.

As we saw in Chap. 1 in the case of the HSBC, the finance of Hong Kong was place-bound to make a local economic yield and to secure de facto independence of the White minority. The pristine and produced spaces are indeed place-bound, as they cannot be moved.

Bearing these points in mind, this chapter deals with the 'art of colonisation' implemented by the colonial government to manipulate the supply of physical space, through maintaining the scarcity of space in the colony.

2.2 The Subsumption of Space in the Early Colonial Period

2.2.1 Expropriation of Space at the Foundation of the Colony

The history of spatial subsumption began with the colonisation of Hong Kong Island, which was little more than 10 km^2 in area. Just a dot compared with the huge territory of the Qing Empire, yet once the island was bound away from the sovereignty of Qing, this pristine space was developed in the process of spatial subsumption according to the British colonial system.

Although Lord Palmerston lamented that Hong Kong was "a barren island hardly a house upon it", it was not uninhabited. According to the Hong Kong Government Gazette,[6] there were 7450 indigenous Chinese inhabitants on the island in 1841. Approximately 2000 of them lived in Stanley and the rest in about 20 settlements scattered along the southern shore of the island. They engaged in agriculture, fishery and quarrying.

The arriving British sought to build their settlement on the northern shore, which had almost no indigenous Chinese and provided an ideal anchorage for ships, thanks to the protection of the Kowloon Peninsula from wild winds and waves.

The prospect of the settlement to grow into a major British seaport in East Asia quickly prompted the demand for space. On 22 March 1842, Henry Pottinger, then Administrator and later the first Governor of Hong Kong, proclaimed that "no purchases of ground from private persons… will be recognised… The proprietary of the soil is vested and appertains solely to the Crown".[7] In the same month, the Land Committee began, with its wide range of frames of reference that were indispensable in producing colonial space and space subsumption, including allocating land, bounding the land plots, constructing streets, banning the illegal reclamation of land, and policing against trespassing and illegal reclamation.[8]

Major British free traders, colonial government institutions and military bases had occupied prime space prior to the signing of the Treaty of Nanjing, which formally ceded Hong Kong Island to the British Crown on 29 August 1842. The British

[6] *Chinese Repository,* 10(5), 1841, p. 289.

[7] Hong Kong Government, *Hong Kong 1963,* p. 6.

[8] *Chinese Repository,* 11(3), 1842, p. 184.

navy took the area near Belcher's Point, and Jardine, Matheson and Company set up headquarters in Queensway near Central.[9]

More demand for space came for the purpose of constructing buildings for trade and financial institutions, housing and commercial services for the local British settlers. Scarcity of space was a contentious issue in Hong Kong from the very early days of its colonisation. Captain Charles Elliott, the first Chief Superintendent of Hong Kong, divided the pristine space of Hong Kong Island into 200 lots and sold their entitlement by auction. Of the 38,749 m^2 of land that was first put up for auction on 14 June 1841, Jardine, Matheson and Company acquired 14%, or the six lots of 5308 m^2 at a central location.[10] While there was indeed not much flat space on the northern shore of the island facing the deep Victoria Harbour where the British settled, the limited supply and rush of bidders pushed up the prices, and the colonial government managed to acquire a 'surprising' financial gain.[11]

Space was thus a major source of revenue for the colonial government from the earliest years of its history. The revenue generated was applied to produce the infrastructure necessary to manage the colony.

The instructions from Queen Victoria that came on 5 April 1843 demanded that the colonial government comply with the following:[12]

> And it is Our further Will and pleasure that *no such lands shall be sold or let except at public auction*; and that every such auction, the lands to be then sold or let, be put up at a reserved, or minimum price equal to the fair reasonable price and value or annual rent thereof.

These policies were later consolidated in the Letters Patent and the Royal Instructions to the Governor of Hong Kong of 1917, which remained as the virtual constitution of Hong Kong up until its handover back to China in 1997:

> The Governor, on Our behalf, may make and execute grants and dispositions of any lands within the Colony that may be lawfully granted or disposed of by Us.—*Article 8 of Letters Patent*
>
> Before disposing of any vacant or waste land to Us belonging, the Governor shall cause the same to be surveyed, and such reservations to be made thereout as he may think necessary for roads or the public purposes.—*Article 31 of Royal Instructions*

The share of revenue coming from the auction of the land to the total government revenue was astonishing, amounting to 64.6% or £9385 out of £14,523 in 1844 and 60.3% or £7553 out of £12,517 in 1845.[13] The revenue thus earned was applied to the land survey, carried out by engineers from Madras, British India, and supported massive infrastructure projects to construct roads and buildings embodying colonial

[9] Sayer, G. R., *HONG KONG 1841–1862: Birth, Adolescence and Coming of Age,* 1980, HKU Press, pp. 111–112.

[10] *Chinese Repository*, 10(6), 1841, p. 350.

[11] Sayer, *op. cit*., p. 111.

[12] *Hong Kong 1963, op. cit.,* p. 7.

[13] 'Return of Annual Expenditure of the Colony of Hong Kong', Colonial Office, 1846, pp. 3–4.

power, such as a post office and a prison. Wakefield would have been delighted to see his theory put into practice had he visited Hong Kong.

The Treaty of Nanjing in August 1842 gave Hong Kong Island its formal institutional foundation of a British colony. Land speculation ensued immediately thereafter, causing "the purchase of land in 1843 and 1844 by parties who bought land without really intending to hold it", on which Matheson lamented, "men of straw… gambled in land and raised the price of it upon those people who were *bona fide* purchasers".[14]

The establishment of the second Land Committee thus ensued on 21 August 1843, with its members consisting of the Land Officer, Head of Public Works Department, Assistant Surveyor, Financial Secretary and Legal Advisor.[15] This committee set the terms of the lease of Crown land to be 75 years. The committee also determined that the monopoly of the colonial government in land supply should be applied to the sea surface for reclamation.[16] This colonial system of space subsumption was thus imposed on the entire space of Hong Kong Island. The space that the British appropriated from China had already been monopolised and commodified by the colonial government, and its usufructuary rights had been put for sale at its discretion for the maximum price through laissez-faire competition of the bidders.

The land that the indigenous Chinese had inherited was subject to this colonial land tenure system; the traditional right to land under the Chinese system of landed property was appropriated by the British at no cost through conquest. The prototype of colonial spatial subsumption was thus created within three years of the establishment of the colony and remained essentially unchanged during British sovereignty over Hong Kong Island and Kowloon Peninsula, which was ceded to British colonial rule in perpetuity in 1860 under the Treaty of Beijing.

2.2.2 The Colonisation of New Territories and Recognition of Customary System of Landed Property of the Indigenous Chinese

The Convention between the United Kingdom and China Respecting an Extension of Hong Kong Territory, signed in Beijing on 9 June 1898, leased the New Territories to Britain for 99 years until 1997. Effective on 1 July 1898, the area to the north of Boundary Street, Kowloon up to the Sham Chun (Shenzhen) River, as well as some outlying islands, including Lantau, were incorporated into the colony of Hong Kong as the New Territories under the lease treaty with the Qing government.

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[14] Eitel, E. J., *Europe in China: The History of Hongkong from the Beginning to the Year 1882*, 1895 [reprinted by Cheng-Wen Publishing Company, in 1968], p. 193.

[15] Eitel, *op. cit*., p. 194.

[16] Ibid.

The portion of the former Guangdong Province that came under British colonial rule contained agricultural fields on which many indigenous inhabitants had formed settlements and made a living for centuries. Unlike the colonisation of Hong Kong Island and Kowloon Peninsula, the indigenous Chinese rose up against colonisation and the concomitant British appropriation of their traditional land rights. The British used force to subdue the opposing Chinese for the first time in the history of the British colonisation of Hong Kong.[17]

Through their anti-colonial struggle, the indigenous Chinese won the system of space subsumption unique to the New Territories. Unlike the initial colonisation of Hong Kong Island and the subsequent expansion of the colony into Kowloon Peninsula, this extension added a new system of landed property in the colony.

In the past, southern China had its own system of landed property where land title was divided vertically into two parts: the 'subsoil' (田底權), and the 'surface' (田面 權).[18] The former was the title of fundamental proprietorship to the land, whereas the latter was a usufructuary right, yet it was strong enough to have characteristics of a real right, one that could be transferred or sublet without consent of the holder of the subsoil title.

In the colonisation of the New Territories, the British Crown expropriated all the 'subsoil' titles to the land by the right of conquest (i.e. at no compensation). Article 8 of The New Territories Ordinance provided as follows:

> All land in the New Territories is hereby declared to be and to have been from the 23rd day of July, 1900, the property of the Crown, and all persons in occupation of any such land shall be deemed to be trespassers as against the Crown, unless such occupation is authorised by grant from the Crown, or other title allowed under this Ordinance, or by licence from the Governor or from some Government officer having authority to grant such license.

The colonial British thus expropriated the 'subsoil' rights of the indigenous Chinese to the Crown, whereas the 'surface' form of the traditional land title, albeit only for the part of the land that was in active use at the time of colonisation, was authorised to remain in the hands of the indigenous Chinese. In the colonial administration of the New Territories, this provision took the form of offering a 'block Crown lease' to the Chinese who owned the 'surface' land titles after the British surveyed the actual land use of the indigenous Chinese.

This arrangement was in pursuance of the Convention that leased the New Territories to Britain for 99 years until 1997, which had the following understanding in its sixth paragraph:

> There will be no expropriation or expulsion of the inhabitants of the district included within the extension, and that if land is required for public offices, fortifications, or the like official purposes, it shall be bought at a fair price.

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[17] Endacott, G. B., *A History of Hong Kong*, second edition, Oxford University Press, 1964, pp. 260–269.

[18] Palmer, M. J. E., 'The Surface-Subsoil Form of Divided Ownership in Late Imperial China: Some Examples from the New Territories of Hong Kong', *Modern Asian Studies*, 21(1), 1987, p. 67.

Thus, the British were compelled to recognise in the New Territories Ordinance the traditional forms of 'surface' land titles as clan land, temple land and association land.

Also in pursuance to the Convention, Article 13 of The New Territories Ordinance stipulated as follows:

> In any proceedings in the High Court or the District Court in relation to land in the New Territories, the court shall have power to recognise and enforce any Chinese custom or customary right affecting such land.

The colonial British thus explicitly recognised Chinese customary rights over the land in the New Territories.

This provision was not, however, granted to the indigenous Chinese who had owned land in Hong Kong Island and Kowloon Peninsula, even though the traditional land tenure system had been identical across the entire colony. The obvious difference then was that the indigenous Chinese in these areas of Hong Kong did not struggle against colonisation when the British attempted to take it over. The colonial government continued to deny the customary right of the Chinese on Hong Kong Island and in Kowloon even after the incorporation of the New Territories into the British colony.

This means that the British colony of Hong Kong came into a clear bifurcation of two different systems of landed property within it.

Thanks to this dual system, the Chinese in the New Territories could now exercise their customary right to the land, normally held by the lineage and clan associations called *tso* (祖), "a customary land trust for the worship of a named ancestor and the upkeep of his grave and *tong* (堂), usually designed to provide funds for educational and welfare purposes of the beneficiaries".[19] The land, and thus the title, took the forms of clan land, temple land and association land.[20]

It is important to note, however, that this land concession was explicitly fitted into the colonial land tenure system that the British imposed on the Chinese. The right was legally effective only when it was registered with the New Territories Land Office (NTLO) in pursuance to Articles 9 and 10 of the New Territories Ordinance.

According to Article 15 of the Ordinance, the *tong* or clan had to appoint a manager of the land and report and register the manager with the NTLO. Once registered, the managers then:

> Have full power to dispose of or in any way deal with the said land as if he were sole owner thereof, subject to the consent of the Land Officer.

The change of the actual uses of land under this right became problematic, especially after the New Territories were subsumed into the wave of urbanisation as a consequence of the construction of New Towns in the 1970s. The owners of this

[19] Nissim, R., *Land Administration and Practice in Hong Kong*, 3rd ed., HKU Press, 2012, p. 140.

[20] Penlington, V. A., *Law in Hong Kong*, 2nd ed., Federal Publication, 1986, pp. 223–226.

land under block Crown lease naturally preferred to convert the land from agriculture to urban uses.

The terms of lease provided as to the change of land-uses were as follows:

> That in the event of any building being erected on any premises expressed to be demised as agricultural or garden ground the rent payable in respect of such premises shall be such sum as shall be specified in the licence for the erection of such building to be granted in manner hereinafter appearing.

In order for the owner to obtain a licence to erect a building on the block Crown lease to change land-use, the leasee would be charged 'an enormous premium'.[21] However, the decision of the High Court of Hong Kong stipulated that "description of the land in the Schedule was what it purported to be—merely a description—and was not to be construed as, of itself, limiting the use which could lawfully be made of the land: the limitation on use was imposed by the covenant against building without a licence". The leasees of block Crown lease could thus convert the land into non-agricultural uses, as long as no attempts were made to erect a permanent building on it. In many cases, these lands were then used for purposes of storage, e.g. of empty containers or cars for sale, which has been termed 'Melhado use'.

The title was transferable, yet "if the members of any clan… after any change of manager prove the appointment of a new manager…, it shall be lawful for the Crown to re-enter upon the land held by such clan, family, or t'ong which shall thereupon become forfeited". (Article 15 of the Ordinance).

Barren land that was not actively used by any particular clan but that had potential to be deployed as common land was expropriated by the British Crown at the time of colonisation, and the Chinese were denied expansion of their spatial frontier of settlement or agricultural land use.

The traditional land title of the indigenous Chinese was thereby subsumed entirely into the legal system of the British colony.

2.3 The Subsumption of Hong Kong Space Immediately After the Reoccupation

2.3.1 Post-WWII Development

As dealt with in the last Chapter, the British swiftly took Hong Kong back from the Japanese after her defeat in WWII on 15 August 1945. Leasing of surface rights (地皮) of Crown lands was frozen during the British military administration immediately after the re-occupation.

70% of Hong Kong's Western architecture and 20% of its Chinese architecture were beyond repair, as a result of Allied bombings and pillaging by the Japanese

[21] Attorney General vs. Melhado Investment Ltd., Civil Appeal No. 79, The Court of Appeal, Hong Kong, 1982, Date of Judgment: 13 March 1983.

Armed Forces. The recovery of the urban-built environment and supply of buildings were initially left entirely in the hands of the private sector, supported by abundant supplies of labour from China.[22] The resulting demand strained the labour supply, above all in the construction industry. In particular, labour disputes occurred more frequently as wages soared, mainly among middle and upper labourers, and class relations became strained.

The civilian colonial government resumed its operation on 1 May 1946. The civilian government recognised space as an indispensable policy variable in re-establishing colonial rule and recovering the macro-economy of Hong Kong. Right after the resumption of civilian rule, the colonial government did not recognise land usages that had been opportunistic responses to a state of disorder, but rather employed the leasing of building rights as political leverage over construction by leasees. In this way, the colonial government was continuing its adherence to a policy of promoting the orderly and efficacious use of Hong Kong's space.

The colonial government put the pieces of surface rights up for auction periodically, and offered lease of them to those who bid the highest amount of land premium (the initial money that the colonial government received in exchange for offering the lease of the right for land surface). Bids are tendered only by capital-rich developers, both British and Chinese, in accordance with the plans of each corporation. The lease thus granted specified the use of the land surface as a condition. Use of the land surface in the manner not specified was a severe breach of the contract, justifying the colonial government to take back (resume) the surface rights. It was the intention of the colonial government to offer the land of greatest benefit to the government coffers for as much as those intending to obtain the right of land surface could afford under specific land use.

This system of landed property was instrumental in accelerating the reconstruction of the urban built environment damaged by the war. In a public notice issued 16 June 1947, the colonial government asserted its authority, upon the termination of 75-year surface rights leases, to resume the lands in question without compensation for their surface structures. As it did so, however, it also made the renewal of surface rights conditional on the 'appropriate development' of such lands. More specifically, it fixed construction costs, periods and time limits for occupancy after building completion, and renewal would be granted only in the case that these conditions were satisfied; thereby the government required actual construction on lands that had laid idle.[23]

In spite of this government policy, soaring prices and scarcities of construction materials during this period hindered private construction, as the holders of land (surface rights) hesitated in anticipation of falling prices in the near future.[24] For its part, the colonial government enjoyed lucrative revenues as the bidding price of land surface rights soared due to competition occasioned by the scarcity of build-

[22] Grantham, A., *Via Ports: From Hong Kong to Hong Kong*, HKU Press, 1965, p. 103.

[23] *Hong Kong Hansard*, 1947 Session, 3 July 1947, pp. 196–197.

[24] *Hong Kong Hansard*, 1946 Session, 21 November 1946, pp. 210–211.

able space. One such example was the successful bid for an allotment of 5909.4 m^2 in the exclusive residential district for the Whites in Stanley, which went for $60,300 ($10.20 per m^2)—more than three times the price of $19,040 indicated by the Government Office at the start of auction.[25] While attempting urban development, the colonial government obviously took advantage of scarcity of space to fill its coffers.

In 1947, there was some claim that the post-war economic base should be light industries and tourism over and above entrepôt trade.[26] To achieve these strategies of economic growth, places to live for them were in need. Local newspapers condemned the colonial government for not displaying necessary guidance on housing provision,[27] and demands began to arise, even from inside the colonial British community, that the government should make inexpensive lands sufficiently available to solve the housing problem.[28]

At the meeting of the Hong Kong Legislative Council on 3 July, 1947, David F. Landale, who had served as director of Jardine's operations in Shanghai before the war, criticised the colonial government for abusing its "monopolistic power" over lands "detrimentally to the public interest".[29] He requested a review of land policies, arguing that by raising Crown rents and setting difficult construction conditions for renewal, among other practices, the government was "stimulating inflation" and that it would "prolong indefinitely the rebuilding of the Colony" of Hong Kong.

Landale was indeed correct in that the government did stimulate inflation on space, yet his advice fell on deaf ears of the colonial government, which planned to get the most money possible from the land that the government owned.

As early as December 1947, The Director of Public Works (DPW) of the Hong Kong government proposed the following principle for orderly development in his memorandum addressed to the Colonial Secretary of Hong Kong:[30]

> Generally speaking, up to the present Government has been faced with providing roads and services… to cater for the needs of private development *after* development has taken place… In effect provision of roads and services has followed development and *not* preceded it with the result that there are many areas today in Colony inadequately served by roads, water supply, sewage disposal….
>
> Notwithstanding the apparent lack of land suitable for building in the Colony, I am of the opinion that much more land could be prepared for building if development were undertaken on a larger scale… Only Government is in a position to co-ordinate such development and to finance schemes for the benefit of the public… Briefly my proposals arising out of the foregoing would be that:- (a) That future development of land including the preparation of building sites in certain specified areas should be undertaken and financed by

[25] 'Hong Kong Real Estate Market', *FEER*, 14 May, 1947.

[26] 'Promotion of Hong Kong's Industrialisation', *FEER*, 21 May, 1947 and 'Hong Kong's "Invisible Exports": the Challenge of Development of Tourism in Hong Kong', *FEER*, 11 June, 1947.

[27] 'Rehabilitation of Building', *FEER*, 20 August, 1947.

[28] *Minutes of the Meeting of Executive Council* ..... on Wednesday, 11 December, 1946.

[29] *Hong Kong Hansard*, Session 1947, 3 July 1947, p. 193.

[30] 1 in <110/3091/47>.

> Government, through an organisation set up for that purpose. (b) That *to cover the cost of such development, a percentage of premium and Crown rent accruing from land sales*, … shall be set aside in a Land Development Fund. (emphasis mine)

The colonial government could sell surface rights of space dear, if it was developed in a co-ordinated manner. The DPW demanded, inter alia, the government should take initiative in the development of coordinated configurations of space and concomitant construction of urban artilleries, of which cost should be financed through the sales of surface rights, not out of the public coffers.

Based on this proposal, the Assistant Financial Secretary (AFS) put forward the following conception on 17 December 1947, which, in fact, became the leitmotif of the post-war subsumption of space and development in Hong Kong:[31]

> If the D.P.W.'s proposals represent a revolution in policy, I too am revolutionary… As I see it, we would develop an area for building, prepare sites, provide roads, drainage, and water supply, and then try to sell the sites *at a price sufficient to enable us to recover all our* costs, and perhaps *a bit over*. The D. P. W. appears to think that we should not recover our costs and would in effect have to subsidise housing by selling the sites below cost, but I am inclined to be a little less pessimistic…. The objection that by working in this way we are catering only for the rich is fallacious. The rich must live somewhere; let them pay for the new accommodation as much as we can extract and when they take it they will leave lesser accommodation for their less fortunate fellows.

The mentor for the AFS was obviously Wakefield. The AFS pointed out that infrastructure development in Hong Kong was not welfare or public service but a business to make money, as indicated by his phrase "a bit over". The ASF also asked for development of the configurations of space through the hand of the colonial government, with the burden not on the colonial coffers but on private bodies who competed for scarce land, thereby paying their highest affordable prices for it. As the sole landowner, the colonial British in Hong Kong were poised to function both as a landlord class exploiting revenue out of space, as well as the profit-maximising producers and managers of infrastructure in post-War Hong Kong.

2.3.2 Abercrombie Report

Urban planning of Hong Kong after its reoccupation started with the report commissioned by the colonial government to a prominent British urban planner Sir Patrick Abercrombie. He was an eminent city planner who had introduced the concept of the 'green belt' to London as part of Great Britain's town and country planning.

Abercrombie visited Hong Kong in the summer of 1948 and prepared a comprehensive development plan titled *Hong Kong Preliminary Planning Report.* In the report, Hong Kong was conceived of as having a function similar to which it had possessed prior to the war, namely of being a base from which to further the infiltration of Great Britain's economic frontiers by intensifying the spatial integration of

[31] 1 in <110/3091/47>.

the Chinese mainland. He still maintained hope that Hong Kong would retain the role of a central place in southern China.

The planned population was capped at two million, industrial development was assumed to be suppressed to a secondary position similar to that before the war, and an economic foundation for Hong Kong was to be found in entrepôt trade with the continent. To fulfil this purpose, a new land transport route was to be built directly linking Guangzhou to Hong Kong Island. A solution to rising wages in step with clearly advancing industrialisation would be looked for by way of reducing labour demands by suppressing industrialisation.

Abercrombie pointed out that the conflict inherent in Hong Kong was that between 'shortage of land for any sort of urban expansion or quarter' and 'an unlimited reservoir of possible immigration'. He then identified the contentious problem in urban planning there as "to provide for this immigrant prosperity with so little space to offer it".

If there was any foresightedness in the Abercrombie report, it should be his awareness of the future potential of immigration from mainland China to Hong Kong, and his addressing the dialectics between increasing population due to immigration from China and the limited available space for development in the colony, which he thought was unable to expand except through land reclamation.[32] Abercrombie was aware that this conflict could only be solved through controlled immigration from China (to be discussed in Chap. 3) and through a more organised space management of the colony.

Interestingly enough, Abercrombie considered little about the possibility of opening up the New Territories for urban development. His plan proposed to truncate the existing urban section of Kowloon-Canton Railway beyond Kowloon Tong, and redirect the main line into two new lines forking from there, one as far as Yaumati and the other to Kowloon Bay. These two branch lines connected together and roughly follow the alignment of the Kowloon section of the Mass Transit Railway Kwun Tong Line[33] decades after, although the main function of the proposed lines was to cater for freight traffic going from mainland China to the cargo ports there. He did not have the wisdom to use the railway for commuting from the suburbs.

2.4 Artificial Creation of Scarcity in Space by the Colonial Government

As discussed in Chap. 1, the colonial master in Hong Kong was capable of controlling variables to create scarcity, out of which severe market-fundamentalist competition was bound to emerge. As discussed, laissez-faire did not come out of the

[32] Abercrombie, P., *Hong Kong Preliminary Planning Report*, Ye Olde Printerie, 1948, para. 5.

[33] Abercrombie, *op. cit.*, paras. 66–68.

vacuum of the invisible hand, but out of firmly institutionalised colonial power. Space was a major economic variable that the colonial British could manipulate.

2.4.1 Government Policy to Create Scarcity

A report titled *Town Planning–Future Policy* prepared by the Assistant Superintendent of Crown Lands (Planning) on 13 August 1960 made the following remarks:[34]

> *Land is the Colony's greatest asset*. The value of land however is determined by its use; if it is incorrectly or unwisely used it becomes a liability. The pressure of population and the limitation imposed by the topography of the Colony call for land utilisation policy prepared on the Colony-wide basis. / Our planning therefore, must… *increase efficiency and reduce costs* of production and exchange thereby raising living standards and the ability to pay for the greater amenities provided for in the plan.

In the Land Development Planning Committee meeting held on 24 November 1961, the chairperson, who was Deputy Economic Secretary and Deputy Financial Secretary, echoed it, with warning to the Financial Secretary, as follows:[35]

> If the effect of approval of a plan is to commit Government to extensive expenditure in the future or is likely to have *an adverse effect on revenue from land,* it was desirable that the Financial Secretary be afforded an opportunity to examine the financial implications before the plan was afforded.

This is clear evidence that the space (land) was treated as an important policy variable in securing stable revenue for the colony.

Here, the government treated space as an 'asset', which needed to be introduced into the market in a planned manner upon the completion of proper development. This was done so that the land surface could be put to use efficiently, fetching maximum revenue for the government.

This spatial policy remained unchanged as the principal leitmotif into the 1970s. The Financial Secretary openly accepted in the Legislative Council in his speech for the Appropriation Bill, "in Hong Kong's situation, … [the] price [of formed and serviced land] is bound to reflect its *scarcity*".[36] In practice, "the government is actively trying to sustain overblown land prices by withdrawing from auction lots which fail to meet top price levels, and by holding large amounts of available land off the market".[37] The scarcity of space was indeed created and manipulated by the colonial government to encourage competition.

Thus, the colonial Hong Kong government regarded the space of Hong Kong, of which the sole owner was the British Crown, as the 'resource' or 'asset' to bear the

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[34] paras. 4 and 12 <108-1 in 1/5282/56>, emphasis mine.

[35] para 2 in 109 in <1/5282/56>, emphasis mine.

[36] *Hong Kong Hansard*, 1976–1977 Session, 20 April 1977, p. 831.

[37] Bowring, P. 'Dear John. . .: An open letter to John Bremridge, Hongkong's new financial secretary', *FEER*, 113(30), 1981, p. 60.

fruit of revenue to the colonial ruler. The government was in the position to prepare the space for urban development and configuration of colonial space in general through a policy that would generate revenue from space and appropriating it. The similarity to the 'art of colonisation' of Wakefield was very clear.

Even when the property market was rather bearish, the colonial government kept creating scarcity by limiting the release of space to be placed for auction. For example, on 18 August 1981, the government withdrew a non-industrial land plot because the competition in the auction failed to fetch the prospective premium to the level that the government had expected.[38] In 1983/1984, while the property market was slack because of uncertainty over the future of Hong Kong after 1997, only 21.7 ha of land was sold out of 34.8 ha that was in the land sales programme.[39]

2.4.2 Stocking Up of the Reserve of Space in Various Pretexts

In order to make this system sustainable, there had to be the 'reserve' of pristine space stocked up somewhere, which could be called up anytime whenever colonial government needed to sell it.

A visible manifestation of this reserve of space in the colonial Hong Kong landscape was the clear-cut distinction of the urbanised and non-urbanised areas. Urban sprawls were hard to find except for the area under the block Crown lease to indigenous Chinese.

Most of this 'reserve' space was earmarked under such pretexts as 'County Parks' and 'Water Catchment Areas' and placed under the relevant authorities. Most of these areas had been left barren by the indigenous Chinese, whose land title had not been recognised by the colonial authorities and had simply been expropriated.

The plan to set up County Parks came out after two anti-British uprisings in 1966 and 1967 in order to let off stream from the stress among Chinese in congested urban life. After building a pilot outdoor site equipped with BBQ stoves and picnic tables by Shin Mun (城門) Reservoir, Governor MacLehose gave full support to the establishment of the Country Parks. In pursuance to Country Park Ordinance, which came into force in 1976, 21 Country Parks with a total area of ca. 150 km^2 were des ignated.[40] The zoning and planning in the county parks were controlled by the County Parks Authority, which was under jurisdiction of the Agriculture and Fisheries Department. Permission from the Authority was required for developments in the county park area, and urban development was out of the consideration of the Authority. Thus, country parks were developed to cover most of the hilly areas of Hong Kong.

Water Catchment Areas were under jurisdiction of the Water Supplies Department, which restricted development to protect the quality of water.

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[38] Bowring, P. 'Shroff: An expensive way to fly'. *FEER*, 112(19), 1981, p. 53.

[39] *Special committee on land supply (1984)*, The Committee, 1984.

[40] Yeung, K. M., *Thirty Years of Country Parks*, Cosmos Book Ltd., 2007, pp. 35 and 54–57.

The space designated as Country Parks consisted of about 40% of the colony of Hong Kong at the time of handover.[41] Naturally, the topography of some of the Parks was too steep to be used for urban land-use. Yet, not every part of the Country Parks was proactively developed for this purpose. The network of well-maintained mountain trails was sparse, and besides some trails named after former colonial governors, these trails have no signposts along trails of quality no more than a track roughly blazed through wilderness with few facilities for outdoor enjoyment as built in Shin Mun.

The country parks were in fact a 'land bank for development',[42] or stocked-up space that could be converted to urban land use in exchange for an enormous premium to the government coffers anytime. This was evidenced in 1981, when the colonial coffers faced difficulty due to the uncertainty beyond 1997. As land sales dwindled as a consequence of the emigration flow due to uncertainty of the future status of Hong Kong, a part of Tai Tam Country Park in Hong Kong Island was sold to a private developer family, which converted it to a luxurious and exclusive condominium complex called Hong Kong Parkview (陽明山莊, Plate 2.2). This devel-

Plate 2.2 Hong Kong Parkview. Towering 20-storey condominium right in the middle of Tai Tam Country Park testifies that the colonial government treated the Country Parks as a 'space bank' to fill the government coffers in case of contingency. Most of its common facilities there are still operated under a closed 'club' system, to which the general public (including trekkers, of course) are off limits (author's photo taken from Wilson Trail Stage 2 in 2017)

[41] Wah, C. M. A. *et al*., *Hong Kong Country Parks Study*, PSL Consultants Ltd., 1998, p. 1.

[42] Ibid.

opment project made outdoor lovers deplore, "I… used to enjoy walking through Tai Tam Country Park and I used to enjoy it a lot. / However,… I have not gone there since the Parkview development was built".[43] The complex was by default exclusively surrounded by the greenery shrub of the Country Park, had no immediate future development possibilities, commanded superb views, and thus fetched a high price from the expatriate clients. The colonial government thus maintained an almost inexhaustible source of revenue in the form of space up until the last moment of its rule.

However, ironically, as the ecological awareness spread and deepened among Hong Kong citizens, people began to protest the conversion of Country Parks into urban use more aggressively. When a private developer planned a project to convert a part of Pat Sin Leng (八仙嶺) Country Park in Sha Lo Tung (沙螺洞) into a low-density residential area and a golf course in the early 1990s, which was once approved by the government Country Parks Board, an environmental group the Friends of the Earth brought the case to the court, which then turned down the project.[44] Much to the relief of the colonial British, this court decision was made after the handover.

2.4.3 *A Quantitative Analysis of the Factors for Manipulating Land Premium*

To prove this contrived laissez-faireism in the spatial policy of colonial Hong Kong, a multiple regression analysis was attempted to investigate the purposes for manipulating the premium for surface rights of the land through creation of scarcity of space.

We take the average realised premium in HK$ per square metre, which the colonial government could control by adjusting the land supply, as the target variable (Y), and the possible factors that can explain the annual variation in the revenue—the GDP growth rate in% (X_1), the planned financial surplus in million HK$ (X_2) for the current year, and the actual amount of expenditure for the previous year in million HK$ (X_3)—as the predictor variables for the years between 1979 and 1995. We obtain the following regression equation:[45]

$$\begin{aligned} Y &= \underset{(0.3767)}{-8774.689} + \underset{(0.5323)}{601.222X_1} + \underset{(0.147)}{0.732X_2} + \underset{(1.195\mathrm{E}-05)}{0.534X_3} \\ R^2 &= 0.837 \end{aligned} \tag{2.1}$$

(The figures in parenthesis are P-values)

[43] Tse, H. "Please leave our lovely country parks alone", *South China Morning Post (SCMP)*, 31 January 1992. Another letter to the editor deploring Parkview development was found in *SCMP* 24 January 1992.

[44] Yeung, *op. cit*, pp. 112–113.

[45] Equations (2.1) and (2.2) are adopted from Mizouka, 2014, *op. cit*, p.30.

The outcome of Eq. (2.1) is slightly unexpected. The equation itself has a high coefficient of determination (R^2). The predictor variable X_3, the actual amount of government expenditure in the previous year, has a positive correlation with the realised premium with an extremely low P-value (P is for probability). This P-value indicates that there is very low probability for the statement that the colonial government adjusted the land supply to fetch the revenue out of Crown land to meet the actual amount of past expenditure to be wrong.

Planned financial surplus (X_2) also has a positive correlation, suggesting that the government probably considered the necessity to raise enough revenue to generate the desired surplus money, yet the P-value is not significant.

The high P-value for X_1 suggests that the government's reason for selling Crown land was not to ensure that the property market was supplied with land sufficient to support the GDP level of each year.

In other words, presupposing a never-waning demand for space, the colonial government sold the land in order, first of all, to make up the loss of fiscal reserves in its coffers caused by the expenditures of the previous year and, second, to siphon fresh money from the private sector to accumulate its fiscal reserves further (Fig. 2.2). At any rate, retaining sufficient fiscal reserves through land sales was the primary economic concern of the colonial government. The capital accumulation was therefore a precondition rather than an outcome of the colonial government's land sales.

To prove the last point, another simple regression analysis is attempted, with the actual area of land disposed of (Y) being the target variable, and GDP growth as the predictor variable (X). The resulting equation is as follows:

$$Y = \underset{(0.06128)}{3129248} - \underset{(0.3265)}{211752X} \qquad R^2 = 0.0602 \tag{2.2}$$

The relation is not at all significant, indicating that the colonial government did not supply land to promote macroeconomic growth *per se*. Nevertheless, the concomitant rapid increase of land prices instigated land speculation and facilitated capital accumulation among the Chinese entrepreneurs in the property sector.

A more concrete and micro-scale land management strategy is demonstrated in Chap. 5 of this book. Property developers, many of whom were Chinese, competed harshly at a hotel ballroom or in the City Hall theatre to make a successful bid for a small number of plots that the colonial government put up for auction to make money for themselves.

This government land policy was a variant of taxation. However,, it was even more. The Citizens Party of the Legislative Council exposed towards the end of British colonial rule that "the estimated fiscal reserves of $196 million, plus the Land Fund of $183 billion, represents taxation in excess of public spending needs. This excess taxation amounts to approximately $196,000 per household".[46]

[46] Loh, C., *The Government's high-land-price policy: Can Hong Kong people afford it?* Citizens Party, 1997.

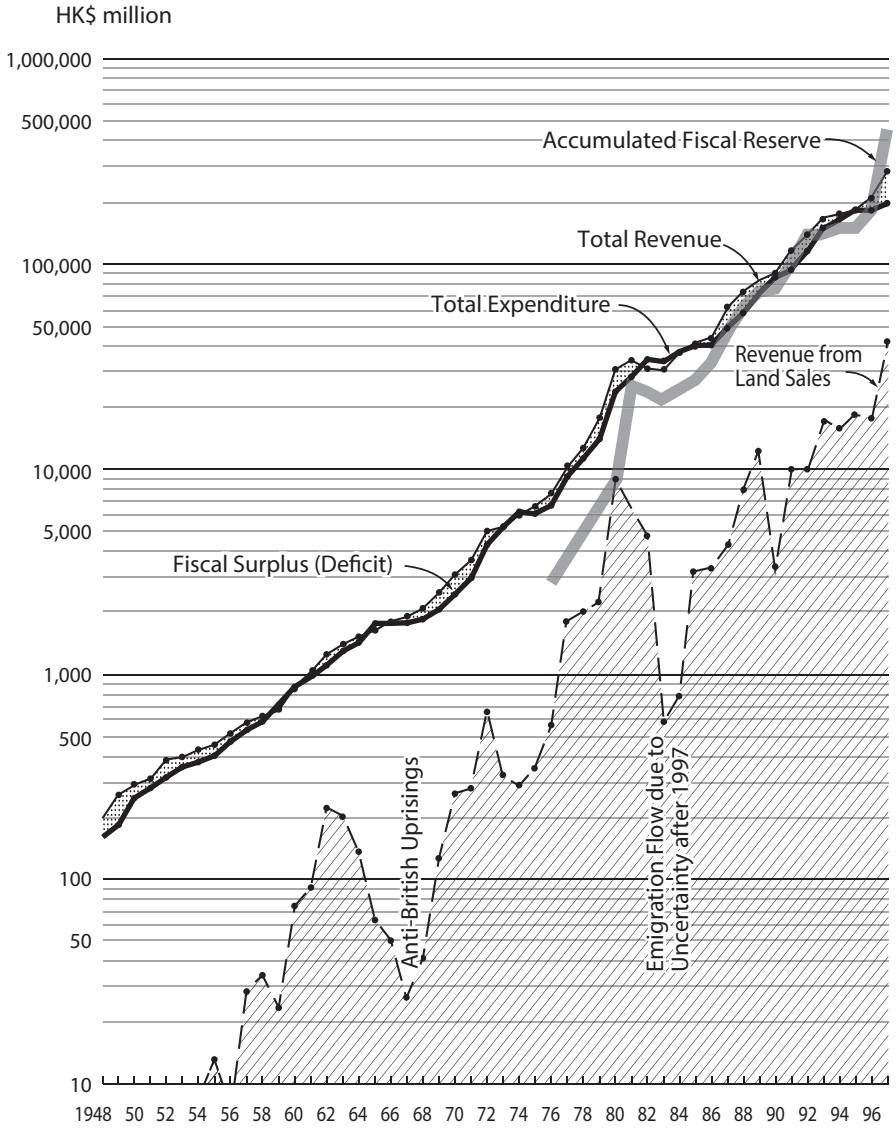

Fig. 2.2 The Trend of Colonial Government Coffers in Post WWII Era.
Source: 1. Revenue and Expenditure: for 1949–1979, *Estimates of Revenue and Expenditure for the year ending 31st March 1980*, p. 880; for 1980–1986, *Estimates for the year ending 31 March 1987*, Volume 2, p. 157.2. Land Sales: for before 1975, Ho H.C.Y., *The Fiscal System of Hong Kong*, Croom Helm, pp. 176–177; for 1976–78, *Estimates of Revenue, 1980–81*. p. 851; for 1979–1997, *Hong Kong Annual Digest of Statistics*, Section 8 Public Finance tables, various years. 3. Accumulated Fiscal Reserve: for 1976–1980, *The 1981–82 Budget: Speech by the Financial Secretary, moving the Second Reading of the Appropriation bill*, 1981, p. 56; for 1981–1990, *Hong Kong Annual Digest of Statistics*, 1991 issue; for 1991–1992, 1994 issue; for 1993–1997, 1999 issue

It is clear by now that the colonial government actively manipulated the supposed scarcity of land to encourage competition in the auction, so that it could obtain a sufficient amount of revenue siphoned through Crown land to pay for government costs. But even more: at the same time, it conferred benefit to the entrepreneurial Chinese to bring them into the colonial allies.

2.5 Creating the Chinese Allies Through Laissez-faire: Spatial Policy and the Chinese Real Estate Development Sector

2.5.1 Creating Chinese Allies Through Laissez-faire Spatial Policy

The colonial spatial policy offered ample opportunity for land speculation. Many Chinese entrepreneurs took part in it, and accumulated capital through skilful speculative techniques, which eventually raised them into the dominating capitalist class in the Hong Kong economy. This process created an anomalous economic structure of Hong Kong, where dominating Chinese entrepreneurs are all in the property sector, none in manufacturing, even though Hong Kong was famous globally in its economic base for its export-oriented light industry. Since their capital accumulation is dependent on the policy of the colonial government, they shared identical economic interests with the colonial British thus drawn into co-opting the colonial regime. In this sense, the speculative process arising from the space subsumption unique to Hong Kong was simultaneously another way of stabilising the colonial apparatus through ethnic integration. Thus, in Hong Kong, capital accumulation through property speculation offered a substitute for the comprador system before WWII.

The processes whereby this group of Chinese ascended into this new 'comprador' position were, however, again laissez-faire. Take the example of Li Ka Shing, the most prominent Chinese business tycoon running Cheung Kong Holdings (長江實業). He made a fortune through export-oriented manufacturing of artificial flowers made of plastics. Born in Chaozhou (潮州) in 1928, the Li family, together with 12-year old Ka Shing, fled from Japanese attack on the city and walked for more than 10 days to migrate to Hong Kong in 1940.[47]

Li in his teens worked as a salesperson of hardware in Hong Kong and later began to produce plastic products of his own. Li competed hard against rival companies and succeeded in the manufacture of plastic flowers. Drawing upon Italian

[47] Chan, A. B., *Li Ka-shing: Hong Kong's Ellusive Billionare,* Oxford University Press, 1996, pp.10; Li, X. D., and Fang, S. G., *Li Jia Cheng Chenggong Zhi Lu*, [*Li Ka-Shing's Road to Success*] 2nd ed., Xiangjiang Chuban, 1991, p. 23.

design and Japanese technology, the plastic flower found global market and grabbed considerable market share.[48] In 1958, Li built his own 12-storey factory building and let out most of the floors, from which he made a fortune. Li learned the attractiveness of the property business and gradually shifted his business focus to property speculation. Li's advantage was the capital assets that he had accumulated through manufacturing of plastic flowers. His strategy of deploying his own funds for speculation, rather than on bank loans, allowed him to buy property cheap when the market stagnated and to sell it dear in the boom. Eventually, in 1971, Li founded Cheung Kong, a property development company.[49]

Cheung Kong succeeded in the bid for two building projects above Chater (Central) and Admiralty Stations planned by the MTR Corporation (see Chap. 6). The MTR Corporation had to pay HK$600 million to the colonial coffers right away because the government did not want to let the fund for the construction of the MTR drain away from its coffers. Cheung Kong, by offering the MTR Corporation the cash payment, defeated Hong Kong Land, the Jardine-owned, largest colonial British property developers, and won the bid. Cheung Kong planned to obtain the cash by selling, instead of letting, the floors of the buildings above the MTR stations.[50] The HSBC saw Cheung Kong cooperating on one of the crucial government projects, and began to recognise him as a promising Chinese partner with agile business skills. The HSBC eventually enticed Li to purchase Hutchison, a former colonial British trading house, and invited Li to become a board member.[51] The colonial British thus succeeded in bringing a prominent and capable Chinese businessperson into their new 'comprador' class.

Nam Fun (南豐) Development took a similar business trajectory, the shift from manufacturing to property development sectors. Nam Fun was originally one of the textile companies that emigrated from Shanghai right before 1949, and has transferred focuses of investment from textiles to property since the late 1970s, using the capital accumulated through manufacturing.[52]

The colonial British also 'invited' some Chinese entrepreneurs, such as Gordon Wu of Hopewell, who succeeded in winning favour with the HSBC, assisting him into the property sector, by offering the initial funds.[53]

Hong Kong Chinese property businesses have thus managed to establish their own firm position in the Hong Kong economy. Some of them then became the heads of a conglomerate companies, forming a structure quite similar to their British counterparts. This system succeeded in achieving integration among the British and

[48] Chan, *op. cit.,* pp.49–64; Feng, B. Y., *Xianggang Huazi Caituan* [*The Chinese Entrepreneurial Groups in Hong Kong*] *1841–1997,* Joint Publishing, 1997, pp. 159–161.

[49] Feng, *op. cit.,* pp. 189.

[50] Li and Fang, *op. cit*., pp. 48–49.

[51] Nishihara, T. *Hiroku Kajin Zaibatsu [A Confidential Report: The Chinese Entrepreneurial Conglomerates]*, NNA, 2008, pp.31–106; Li and Fang, *op. cit*., pp. 57–60.

[52] Feng, *op. cit.,* pp. 143–145.

[53] Feng, *op. cit.,* p. 194.

the Chinese through the market mechanism based on the common interest of making money out of space.

2.5.2 The Property Business Cycles and Speculative Activities

The property speculators, British and Chinese alike, had to skilfully navigate the fluctuating and rough property market in Hong Kong, with new inventions to revamp the investment strategy.

The post-WWII property market of Hong Kong experienced the repeated business cycles. Those Chinese entrepreneurs with strong speculative minds, as evidenced in the late 1950s by the industrial site development project of Kwun Tong (Chap. 5), took advantage of this business cycle.

Each cycle had its own uniqueness. In the property business cycle from 1953 to 1957, the scarcity of buildable space pushed up land premiums, yet excessive property price in the boom hit the ceiling and the property price fell as a consequence. To break the ceiling of purchasing power, the Chinese property developers invented new ways to facilitate sales, e.g. selling it by flat rather than by building, payment by instalment, etc.

The real demand on land came back thanks to the growth in the industrial sector, which caused another property boom in the early 1960s. Many banks ran by Hong Kong Chinese offered lavish loans to Chinese property speculators. However, this boom was detrimental to the colonial coffers because these speculators invested in the gentrification process of old urban quarters rather than in purchasing fresh surface rights provided from the government for construction of buildings.[54]

Since these Chinese speculators purchased existing old buildings, demolishing them and building new ones on the site, the property boom in this period did not contribute to push up the price of surface rights coming from the colonial government. The revenue of the government from land sales thus dwindled from HK$234 million in 1962 to HK$143 in 1964. The dissatisfied colonial government then intervened, and quenched it by suddenly introducing the Banking Ordinance of 1964 upon 'advice from Bank of England', which stipulated minimum holding of liquid assets to be "not less… than twenty-five per cent of the deposit liabilities of the bank…" (Article 18(2)) and more stringent surveillance on the accounting of banking institutions by the Financial Secretary. The new Ordinance created fear that these Chinese banks and entrepreneurs who had joined the bandwagon of property speculation couldn't meet the more stringent controls, resulting in the run on Chinese-run banks in 1965. The collapse of Ming Tak Bank, which was later found insolvent, quickly spread to the whole banking sector run by the Chinese. Eventually, Hang Seng Bank, the largest of all Chinese banks in Hong Kong, couldn't but

[54] Feng, B. Y., *Xianggang Dechan Ye Bai Nian* [*A Century of Hong Kong Real Estate Development*], Joint Publishing, 2001, pp. 68–76.

become the subsidiary of the HSBC.[55] The contrived laissez-faire of the British was much more merciless to the Chinese who made less adept decisions, detrimental to the colonial interest.

This financial crisis led to the shrinkage of loans offered to the property sector and the concomitant collapse of the property market at large. The anti-British uprisings of 1966 and 1967 caused rattled Chinese to flee from Hong Kong with properties put on the market dirt cheap. Some more prudent Chinese developers, including Li Ka Shing, were foresighted enough to buy property aggressively amidst this economic and political turmoil.[56] Towards 1969, the depreciation of the Hong Kong dollar, then pegged to the pound sterling, ensued, pushing up the cost of property construction. This cost-push inflation of property price, however, triggered another upward cycle of property market. Establishment of a new stock exchange, run by Chinese, the Far East Exchange Limited, in December 1969 broke the monopoly of the colonial British in stock dealings and opened up the financial market for the Chinese entrepreneurs to get funds for property speculation. More prudent Chinese who stocked up property during the last bust period managed to sell it dear in the boom thus created in early 1970s with fortunes accumulated.

The transformation of the Hong Kong economy from light export-oriented industrialisation to a global financial centre created fresh demand for luxurious condominiums for expatriate businesspersons. These condominiums, demanded and paid for by multinational corporations, not by local individuals, were mostly supplied by the Chinese property developers who accumulated capital without considering ceilings of demand as in the 1950s.[57]

Not only export-oriented light industrialisation but also the land speculation instigated by the peculiar colonial system of space subsumption was a characteristic aspect of the Hong Kong economy. Sometimes through conflicts with the British, these Chinese invariably became the long-term structural allies of the colonial British with a few exceptions. They were either invited to become members of the Executive or Legislative councils of the colonial government or to the board of the HSBC, or decorated with the Order of the British Empire. They thus formed one pillar of the ‘ruling-class alliance’ of Hong Kong together with the colonial British. The colonial government and the HSBC, the commanding centre of colonial economy, tolerated or sometimes even encouraged the attempts of successful Chinese entrepreneurs to take over weaker British conglomerates, as long as these Chinese remained allies of the colonial apparatus positively.

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[55] King, F. H. H., *The Hongkong Bank in the Period of Development and Nationalism, 1941–1984*, Cambridge Univ. Press, 1991, pp. 702–706.

[56] Chan, *op. cit*., p. 73.

[57] Feng, 2001, *op. cit.,* pp. 95–104 and 108–114.

2.6 Urban Development of the New Territories and Creation of Fictitious Pristine Space: The 'Letters B'

2.6.1 The Urban Expansion into the New Territories

Unlike a few successful Chinese entrepreneurial tycoons, most petty Chinese manufacturers or ordinary citizens could not afford the property price pushed up by speculation. Due to the problem of commuting, however, they sought to locate their premises in the areas closer to the urban core, in congested old tenement buildings. Some of the premises were housed in a block built as a part of the government resettlement scheme, where a large pool of labourers was readily available and linkages with other industrialists could be easily established.

Nevertheless, capital accumulation through industrialisation and increase in population necessitated ever more demand on land. A wider area was therefore needed to be opened up for development and urban use, if only for the colonial government to make more money out of space. As mentioned earlier in this chapter, it had been a constant policy of the colonial government to plan and develop the land in an orderly manner, to give more economic value in terms of relative space, then to sell it dear little by little through auction to replenish the government coffers.

The New Territories has a broad hilly terrain made up of shrubs and undergrowth at an elevation of 400–600 m, with the 957-m high Tai Mo Shan 大帽山 its highest point. In the lowlands between the hills and the coast are farming villages, some of which have been abandoned.

Urban expansion into the New Territories only gradually came into the scope of the strategic policy planning of the colonial government. The New Territories and the existing urban areas were connected, albeit insufficiently, by the Kowloon-Canton Railway (KCR). Yet, the uniqueness of the New Territories was the existence of customary land rights of the Chinese to the farmlands and agricultural settlements there. To exploit these for the purposes of urban development meant the obvious risk of causing ethnic strife to the colonial British. Moreover, because the New Territories were leased, even if land production measures such as levelling the hills and reclaiming the seas were carried out, these would have to be reverted to China in 1997, at which point any investment would be confiscated. It was wiser that the spaces for Hong Kong's post-war rehabilitation be acquired in the existing urban areas on the Kowloon Peninsula and Hong Kong Island, whose permanent sovereignty was transferred to the UK and where traditional Chinese land rights were not recognised at all.

The massive planned urbanisation of the New Territories was first proposed by the District Commissioner of the New Territories, in his policy paper dated 25 August 1959 and titled *Urban Expansion into the New Territories*[58]:

[58] District Commissioner of the New Territories, *Urban Expansion into the New Territories*, 1956, 70-1 in <1/5282/56>, paragraphs 1, 2, 4 and 5, emphasis mine.

> For some time, the Government has been aware that there is limited space for urban development in the urban area and at the same time that considerable urban expansion must take place if the increasing population is to be housed and if land is to be found for the industrial expansion which is needed to absorb a growing labour force… Under the most intensive cultivation, an acre of land cannot provide more than housing and subsistence for two families. Under urban development an acre of flat land can provide either housing for up to 1,000 people or employment in light industry for up to 120 people. The growth of a town into a rural area is also liable to be hindered by the fact that all land owners will not want to turn an agricultural area into an urban area at once. Development will be piecemeal unless there exists a *reserve of Crown land* at hand which can be *carved up and offered in a methodical way in exchange for agricultural land* surrendered at random over an area when urban development is taking place…. /But these problems are not so much economic as *social and political*. *Care must be taken to safeguard legitimate interests and to compensate fairly when it is necessary to disturb them*…. Suffice it to say that they can be solved and that their solution is not likely to give rise to substantial expenditure of public funds.

This was the manifestation of the fundamental principle of space subsumption that the colonial government was to follow in the process of the expansion of built-up areas into the New Territories. It is worthy of note that this principle admits that the economic process for rational land use must be realised through competition of invisible hands to be played on the visible hand of the colonial government's 'rational' and efficient spatial development plans.

2.6.2 The 'Letters B', or Creation of Fictitious and Speculative Pristine Space

In this context, the colonial government couldn't avoid dealing somehow with agricultural land use in the New Territories. As discussed in Chap. 1, direct exercise of colonial power would be the worst of all the policy options. The surface land title to the land of the indigenous Chinese have been duly recognised as customary rights; depriving the indigenous Chinese of it would, therefore, trigger ethnic strife, possibly leading to the endangering of the political legitimacy of the British colonial rule itself. The colonial government instead had to apply economic and social incentives to entice the Chinese farmers to give up their traditional land and move towards more 'rational' urban land use.

The problems were, indeed, as the District Commissioner stated, "not so much economic as social and political". Yet, overcoming of this impediment was as crucial as the urban expansion into the New Territories for the very existence of the colony. The colonial British never compromised. The government attempted to appropriate the land as cheaply as possible in order to prevent draining the colonial coffers due to massive compensation to Chinese farmers.

The difficult task for the colonial British was, therefore, the need to kill with one policy stone, the following four birds: (1) avoiding ethnic confrontation, (2) austere government spending, (3) maintaining scarcity of land supply, and (4) efficient and rational land use and urban development in the New Territories.

First, the colonial government would need to 'resume' the 'surface rights' of the indigenous Chinese passed down from their ancestors for urban expansion. To 'resume' was the colonial terminology that meant the colonial government would take back the surface rights that the colonial British had 'granted' to the indigenous Chinese at the time of colonisation. In Hong Kong, this did not only mean micro-economic land-use competition but could cause potential for ethnic strife.

Second, in order to avoid this type of ethnic struggle, the Chinese needed to be appeased. The easiest way would be payment of generous compensation; yet such appeasement would impose financial burden on the colonial coffers. Whereas the revenue from the rising land premium constituted the base for the colonial management, the coffers would have eventually been depleted if the government had continued to pay substantial amounts as compensation. This is obviously contrary to the principle of using colonial space as 'resources'.

Third, the high compensation payments and the ethnic strife might have been alleviated if the Chinese farmers had received land in another place in exchange for the land that they were forced to give up. However, this would entail the need for larger spaces for development and more financial burden of development to the colonial government. The diminishing scarcity of developable space would also have resulted in lower land premium and eventually the depletion of the pristine empty space from the colony.

Fourth, the colonial British did need more rational and well-organised urban-built environments in the New Territories if only to keep an adequate supply of land to earn revenue to support virtual independence and protection from intervention from home, as discussed earlier.

The colonial government had to transcend these entangled, spatial political dialectics. Indeed, it adopted the genuine 'art of colonisation' à la Hong Kong and was ingenious enough to devise a spatial policy to solve these entangled contradictions all at once. The solution was what was generally called the 'Letters B' (乙種換地權益書 in Chinese).

The 'Letters B' was a land exchange entitlement to the indigenous Chinese for compensation for the land 'resumed' from them for the purpose of urban development. It worked on the following principles:

When it became necessary for the colonial government to 'resume' the land for public purposes, as stipulated in the 'Crown Lands Resumption Ordinance' brought into effect in 1900, the government offered either of three options for compensation:[59]

(a) a stated amount of cash in full and final settlement of the surrender; *or*
(b) an exchange of agricultural land in the New Territories, a foot for a foot being offered without premium; *or*
(c) the right to a future grant of building land in one of the urban development areas in the New Territories on the following terms: (i) for every 5 square feet of agricultural land surrendered the lessee will be offered 2 square feet of new

[59] Working Group on New Territories Urban Land Acquisitions, 1979, pp. 58–59 (emphases original).

> building in any New Territories urban layout; (ii) for each square foot of building land surrendered, one square foot of new building land is offered; (iii) a premium is payable on the grant of the new building land representing the difference in value between the land surrendered and the land granted both assessed at the date of the surrender; (iv) the surrender value referred to in subparagraph (iii) above to be credited against the premium is stated specifically in the letter; the new premium is not stated because it depends on the timing and area in which the new building site is to be granted.

In short, a 'Letters B' was a kind of land exchange promissory note in which a fictitious land capital promise was legally endorsed by the colonial power to offer either (b) or (c) to its holder. Although the government did not specify the time when the exchange actually took place, this promissory note was endorsed and substantiated by the colonial power that dominated and managed the entire system of landed property of Hong Kong and its liberty of space disposal.

The face values of 'Letters B' were fixed at the time of their issue, yet they were transferable. There was a market to trade 'Letters B' in pure laissez-faire principle as if they were shares or foreign currency exchange.

The Working Group report stated in this respect as follows:[60]

> Letter B entitlements are *transferable* and freely bought and sold, both by prospective landowners and also by persons who wish to *speculate on the appreciation of the entitlement themselves.* Because premia for new building land are valued as at the date of surrender of the old land, the *older entitlements* (which secure new land at the lowest premia) *are the most valuable* ….

Consequently, indigenous Chinese normally preferred to get a 'Letter B' to fixed cash compensation or the option (a) above as they speculated that the former would eventually fetch higher monetary value from the market than the fixed price paid out directly by the government.

The colonial government began issuing 'Letters B' in January 1960 for land acquisition in Tsuen Wan New Town.[61] From 1968 onwards, an entitlement granted with a 'Letter B' was treated as valid anywhere in the New Territories, which exempted the colonial government from the obligation of preparing the land plot for actual compensation. Thereby, the 'Letters B' came to be entirely fictitious. Private developers bought and hoarded the 'Letters B' from past land owners who gave up their land for commercial development of condominiums.

The peculiar nature of the 'Letters B' system meant that the earlier the issue date of a 'Letter B', the higher its value in the market. There were two rationales for this principle: first, as shown in the quotation above, when a 'Letter B' is redeemed for exchange, "a *premium* is payable on the grant of the new building land representing the difference in value between the land surrendered and the land granted, both *assessed at the date of the surrender*". In spite of the rising price of land premium as time passed, the difference in land premium remained unchanged, and it was

[60] Working Group on New Territories Urban Land Acquisitions, p. 63 (emphases mine).

[61] Nissim, *op. cit.*, p. 121.

assessed at the date of the surrender of the original farmland, not at the date of actual redemption of the 'Letter B'. In reality, however, in order to avoid payment of the difference, the exchange ratio was fixed by the government as "2 square feet of building land for every 5 square feet of agricultural land".[62]

Second, according to a rule introduced in 1974, when two or more holders conflicted in tender for an identical lot with a 'Letter B', the holder of the 'Letter B' of the oldest vintage had priority.

These principles attributed higher value in the market to the older vintage 'Letters B'. Therefore, a holder would not likely bring his/her 'Letter B' to the land market and exercise his/her right to obtain building land right away. Instead, there was incentive among a holder to keep the 'Letter B' at hand until it was 'fermented' enough to fetch a satisfactorily high value. Some indigenous Chinese, thus, opted to keep their 'Letters B' in expectation of future appreciation, while other farmers sold them to obtain some quick cash from the laissez-faire private market rather than from the government and leave the real estate companies to speculate on them. Since the entitlement of the 'Letters B' remained unexercised for a considerable amount of time, the colonial government was relieved from providing actual urban land for exchange immediately.

In summary, the crux of the 'Letters B' lay in the following features: (a) the older a 'Letter B', the higher its value, giving incentive for hoarding, and (b) it relieved the colonial government from the need to offer public funds or have physical space ready to compensate Chinese peasants who were forced to surrender their land titles.

The space in the colony was, thereby, put on reserve in a fictitious form, and a dwindling land price due to a glut of land supply was avoided. The scarcity of the land remained intact thanks to the 'Letters B' system. From 1974 to 1977, the colonial government supplied 4.37 ha of physical space for compensation, while in the same period, the government issued 84.79 ha of claims in the form of 'Letters B'.[63]

In the meantime, 'Letters B' encouraged laissez-faire speculation among the indigenous Chinese. A clan that surrendered its 232.2 m^2 of land to the colonial government in 1965, for example, later obtained HK$ 6 million.[64]

The 'Letters B' was thus nothing but a typical instrument of contrived laissez-faireism through creation of fictitious pristine space that virtually 'expanded' the area of the New Territories. In the 'Letters B', this fictitious space was transformed into fictitious capital and led to the concomitant preservation of scarcity in the supply of space and generation of another arena for laissez-faire competition, while the colonial coffers are kept replenished.

The indigenous Chinese real estate speculators such as Nam Fun dealt with in the Sect. 2.5 also traded and accumulated 'Letters B', and were made greedier and gratified for it.

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[62] Nissim, *op. cit.*, p. 122.

[63] Working Group on New Territories …, *op. cit.*, Enclosure 2, p. 84A. The actual area was obtained through multiplying 'agricultural land' by 2/5.

[64] *SCMP,* 19 February 1981.

It was thus genuinely the art of colonisation, killing a surprising number of birds with just one piece of paper. This was indeed the ingeniously contrived synthesis of planned development, ethnic integration and laissez-faire in space in the post-war British colonialism. Through this policy, the construction of the well-known series of New Towns,[65] which were essentially planned productions of urban spatial configuration consisting of both residential and industrial functions built in close proximity to one another, became possible in a manner that avoided the ethnic confrontation over space.

2.6.3 The Laissez-faire Was the Expedience After All: The Demise of 'Letters B'

The market price of the 'Letters B', which was the function of the difference between the land price when it was issued and the current price, was always vulnerable to fluctuations of the laissez-faire land market. The decline of land prices that took place in the autumn of 1981 due to uncertainty of the future of Hong Kong beyond 1997, for example, led to a crash in 'Letters B' by as much as 40% or of HK$5 billion. The price of the 'Letters B' then dropped down to a level almost identical to the official cash compensation rate.[66]

As the days of British colonial rule over Hong Kong became numbered, scepticism mounted as to the legitimacy and validity beyond 1997 of the fictitious promissory notes issued under the colonial power. After all, the value of 'Letters B' had been endorsed only through colonial power to dominate over the space of Hong Kong. The uncertainty around the change of power over space could have naturally resulted in a run on the 'Letters B'.

The colonial government, too, gradually became anxious about the negative effect of the 'Letters B' on the colonial coffers. As discussed earlier, the holder of a 'Letter B' only needed to pay the balance between the rural land surrendered and the urban land obtained *at the time when* the particular Letter B was issued. The financial advantage to the holders of the 'Letter B' was simultaneously the detriment to the government coffers. The government realised this fact and began worrying over the opportunity cost of the 'Letters B' that the government itself had hoarded over the decades. The Director of Land for the colonial government deplored, "it would have been cheaper for the government to have bought the land in the first place… We have forgone substantial revenue".[67]

Facing that the colonial power might have to reap as it sowed, the government began to shave off the speculative nature of the 'Letters B'.

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[65] Bristow, R., *Hong Kong's New Towns: A Selective Review,* Oxford University Press, 1990.

[66] *SCMP*, 13 October, 1981.

[67] *FEER*, 25 June, 1982.

In 1982, the outstanding government debt of space in the form of ‘Letters B’ amounted to slightly less than 40 million square feet (372 ha) of agricultural land. To the expedient colonial government, the option to offer fixed cash compensation became increasingly attractive, so it proposed to add an option of offering cash in lieu of land in exchange for the ‘Letters B’. The Heung Yee Kuk (鄉議局, The Rural Council of the New Territories), the formal representative body of the indigenous Chinese in the New Territories, opposed to it, claiming, it “could affect the value of Letters B as well as eroding the benefits to NT Landowners in the future”.[68] The colonial government terminated the issue of new ‘Letters B’ in late 1982.[69]

The table had turned, and it now became the duty of the colonial government to redeem the debt that it had created. Since the only means to clear the debt was to substantiate the fictitious space with hard cash or hard physical space, the colonial government had to seek the optimum solution to minimise the burden on itself.

First, the colonial government put an end to any laissez-faire activities that had pumped up the value of the ‘Letters B’ by giving fixed value to each ‘Letter B’. The stagnant land market in the New Territories in early 1980s sided with the government in this respect.

Second, the colonial government reduced the compensation rate for the agricultural land unilaterally. The 1981 rate of HK$103 per square foot was reduced for the first time to HK$71 in April 1982.[70] The government had legal power to manipulate the cash compensation rate of the indigenous land at its own discretion. The lower compensation rate meant the reduction of the compensation money as the value of a ‘Letter B’ was expressed in spatial terms, not monetary terms. This reduction in April 1982 was “beyond one’s expectation”[71] to Heung Yee Kuk, yet the government was brave enough to ignore the protest from the indigenous Chinese and further reduced the compensation rate to as low as HK$48 per square foot in October 1982.[72] The series of these government measures meant a forced devaluation of the ‘Letters B’ held by many speculators. With the colonial British having to leave the New Territories in 15 years of time, so *après moi le déluge*! Mr. Todd, the Director of Land, triumphantly claimed, “with the premium down, many developers consider it more feasible to pay cash rather than part with the ‘Letter B’ because they had paid a much higher price for them”.[73]

It was a short step then, for the government, to deliver an ultimatum on the ‘Letters B’. In April 1984, the colonial government gave a fixed price to each vintage of the ‘Letters B’, which could be used for any kind of land-related transaction taking place in the New Territories with the government. The amount ranged from HK$259.90 per square foot for its 1960 vintage, to HK$19, issued toward the end

[68] *SCMP*, 18 November, 1981.

[69] *SCMP,* 13 June, 1982.

[70] *FEER*, 25 June, 1982.

[71] *Hong Kong Standard*, 18 September, 1982.

[72] *SCMP*, 19 September, 1982.

[73] *SCMP*, 5 October, 1982.

of the system.[74] The 'Letters B' were, thus, made infertile as a means of speculation through their forced monetisation. Laissez-faire was, after all, nothing more than the expedient tool of the colonial governance.

However, the speculatively-minded Chinese and Swire Properties, a subsidiary company of the British conglomerate of the same name, still retained hope of future appreciation. In early 1997, just before the handover of Hong Kong, the British colonial government 'negotiated directly with the big four holders (of the Letters B) and three land exchanges were executed, which absorbed all their outstanding holdings amounting to 1.5 million square feet'.[75] The old barracks in Admiralty in Hong Kong Island was offered to Swire Properties for the development of Pacific Place in exchange for HK$28 million worth of Letters B. China Hong Kong City on Canton Road and quarters in East Tsim Sha Tsui were also brought to the market for purchase in exchange for Letters B.[76]

The Chinese people in Hong Kong were, in the beginning, pulled into the arena of laissez-faire duly prepared by the colonial British, and those who succeeded had been integrated into the colonial apparatus. In the end, the speculative property of 'Letters B' were annihilated, largely to the detriment of the Chinese property businesses, again through manipulation of the policy variables by the colonial government.

The British colonial rule that built the system of subsumption of space under contrived laissez-faireism selfishly killed the laissez-faire by its own hand, when it became unnecessary and detrimental to itself.

2.7 Conclusion

Lacking wide expanses of fields for agriculture or natural resources to be exploited, the primary resource in Hong Kong was nothing but the pristine space itself. Pristine space of Hong Kong was confiscated in toto from its indigenous Chinese inhabitants; and it had to be 'mined' and deployed with great care and planning in an era when the British could no longer expand its Empire.

As discussed in Chap. 1, the origin of this style of colonialism was in the distant past, dating back to the 'modern colonial theory' of E.G. Wakefield. The extraction of wealth from the colonial space by the colonial suzerain was one of the core elements of Hong Kong's 'colonial administration'. The pristine space of Hong Kong that the UK confiscated from the Chinese, functioned as a 'resource' per se. How wealth could be extracted from Crown lands became a core challenge for the colonial administration, just as if it were a question of how to extract the natural resources that lay sleeping beneath the earth. Here, as discussed in Chap. 1, the virtual politi-

[74] *SCMP*, 3 March, 1984.

[75] Nissim, *op. cit*., p. 122.

[76] Feng, 2001, *op. cit*., pp. 112–113.

cal independence of Hong Kong's administrative class from the UK government in London, as well as local ethnic integration were at stake.[77]

The spatio-social relationships of Hong Kong were thus considerably more quaintly complicated than those of an independent country. In the post-war era of decolonisation and being spatially surrounded with independent nations of ethnic Asians, it indeed took the ingenuity and artifice of the British to retain the last gem of the British Empire. This was attained by the deliberate ways of subsuming space within which the colonial British encouraged "laissez-faire competition if possible, yet trade the space under the colonial authority when necessary".

[77] Rabushka, *op. cit.,* pp. 33–34.

Chapter 3
'Illegal' Immigration from Mainland China and Regulation of the Local Labour Market

3.1 Introduction: Border Porosity and Contrived Laissez-faire

In the neoclassical theoretical framework, labour is one of the economic factors supposed to have right of laissez-faire mobility in order to maximise revenue. Labour makes attempts to migrate from lower-income to higher-income regions in search of higher wages, much as multinational corporations and speculative financial capital seek regions with cheaper labour or lower tax rates. The 'global convergence' tenet, originally put forward by neoclassical economists, is substantiated only through the laissez-faire approach to the spatial mobility of capital and labour, and, in particular, to the acceptance on the part of the capitalist class of the unrestricted spatial migration of labour from lower- to higher-wage territories and countries. This is the prerequisite for the posited global convergence.

However, such unrestricted mobility of labour erodes the very condition of the existence of capitalism: the class superiority of capital vis-à-vis labour. This is because, if low-wage labour is entitled to unrestricted labour migration to high-wage regions, lower-wage labour would eventually disappear in the former lower-wage regions, and capital attempting to exploit low-wage labour would no longer find it.

In contrast, if labour markets in higher-wage regions are spatially bounded by tight control of border porosity, the supply of labour becomes limited and capitalists cannot find labour to exploit at home. Primitive accumulation may not take place, or higher wage rates and fierce class struggle may ensue. Thus, in a period of primitive accumulation or in boom times, allowing higher porosity of borders towards higher-income regions is in the positive interests of capital.

Nevertheless, this inflow of labour cannot be left completely laissez-faire. The unrestricted inflow of low-wage labour aggravates unemployment issues and increases social expenditure, which erodes the vested interests of the existing

F. Mizuoka, *Contrived Laissez-Faireism*, The Political Economy of the Asia Pacific, https://doi.org/10.1007/978-3-319-69793-2_3

population and capitalists, and will eventually lead to the breakdown of social integration.

Thus, the porosity of borders[1] must be regulated and the spatial migration of labour across international boundaries must always be controlled to an optimal level by the state, which generally embodies the intent of capital. The laissez-faire condition thus needs to be contrived.

Countries with higher wages are under unremitting pressure from the influx of labour at their boundaries from low-wage countries, just as those countries with higher-profit investment opportunities face the influx of capital, like a spigot under pressure. Taking advantage of these conditions, state power attempts to optimise the system of capital accumulation through more purposeful control of border porosity. In other words, a higher-wage and higher-profit country regulates economic conditions by deploying state power to control border porosity and thus the inflow of labour and capital.

The action space[2] of the economy having widened and both labour and capital having become more mobile, capitalist regulation by means of controlling the porosity of space has become a more important policy variable.

Manipulating the porosity of national borders through the power of the state so that capital can enjoy higher porosity than labour creates spatial configurations in which labour is contained in certain areas and wage level disparities persist in each sovereign state.

Labour, who are micro-level economic entities, contest this state power to transform the pristine space into a mosaic of differentiated wage rates by resorting to spatial 'guerrilla warfare' by physically breaking through national borders. This warfare is sometimes called 'illegal immigration', in which laissez-fare migration from low-wage to high-wage regions continues, in spite of attempts by the state to control the porosity at the border. These migrants thereby overcome the spatial constraints of sovereign states and win the global space for their own, just as capital does.

However, since this 'illegal' immigration is an attempt to evade state power, these labourers are also exempt from any kind of protection of their human rights by the state. They are exposed to the most primitive and barbaric relations between labour and capital as the price they pay for ignoring state power. Many of them work in sweatshop factories or at the bottom of the social strata, and social discrimination is the norm rather than the exception. States and capital feign ignorance of the human rights of such 'illegal' immigrants, while they continue to take advantage of the influx of labour for the accumulation of capital by deploying them in the production process. In this, we can recognise a renewed strengthening of class divisions intermediated by the manipulation of border porosity.

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[1] Mizuoka F. ed., *Keizai-Shakai no Chirigaku* [*Geography of Economy and Society*] Yuhikaku, 2002, pp. 77–81.

[2] Mizuoka, F.,'The Dialectics of Space Subsumption, Struggle in Space, and Position of Localities', *Localities,* 2, 2012, pp. 52–54.

Labour in higher-wage countries feel threatened by 'illegal' immigrants who do not mind working under slave labour conditions. Even political groups that supposedly represent labour, view these immigrants as instigators of unemployment and discriminate against them, and they may demand that borders be made impermeable to 'illegal' immigrants. Governments that allow the free inflow of immigrant labour across borders will be frowned upon by their people. The global unity and solidarity that should exist among the working class will be skilfully shredded to bits within each country, while state power attempts to maintain social integration by at least pretending that they have carefully created an impermeable border to fend immigrants away from the country. Thus, based on the power to regulate border porosity, a new, close class alliance between labour and state will even appear in high-income countries, seeking further reductions in porosity.

The hypocritical nature of the assertion of globalism by neoliberalists is thus most plainly seen in the spatial control of worker migration. In actuality, the global equality made possible through the equalisation of wage levels predicated on the unconstrained international migration of labour will never happen under a capitalism predicated on class relations. Despite this, the neo-classicist theory of 'global convergence' belies that this equalisation will happen. A simplified understanding of economic or social action space that grows to encompass a region, or indeed the world, while appearing to be perfectly reasonable, is nothing more than a fig leaf obscuring the true essence of globalisation, and does not correctly recognise the restructuring of global class relations on the basis of the discriminatory manipulation of border porosity by ruthless state power—in our case, the colonial British.

3.2 The Early History of Immigration in China and Southeast Asia

3.2.1 British Colonialism and Immigration

As the colonisation of Hong Kong created a territory separate from the rest of China, a state boundary was set up and the control of its porosity was vested in the colonial British.

Since Hong Kong was originally almost "a barren island with hardly a house upon it", an influx of immigrants was essential for the British to maintain the economic and political functions of the colony.[3] From the early period of Britain's colonisation of Hong Kong, the Chinese in poor farming villages of Central and South China flowed into Hong Kong for economic opportunities.

[3] Lord Palmerston, 21 April 1841. Quoted in Endacott G. B., *A History of Hong Kong*, 2nd Ed., Oxford Univ. Press, 1964, p. 25.

As the colony developed, a chain migration ensued. Migration routes were created based on information that spread on a relatively local scale in China. Each of these routes was used by a Chinese group with a clearly distinct point of origin and language. The coastal cities that were the former destinations of rural-urban migration for these hinterland villages now acted as relay points; and ethnic Chinese moved to Hong Kong to settle down, or moved further, travelling by boats that used Hong Kong as a hub port to reach other colonial cities and villages of Southeast Asia. For example, Chinese from agricultural regions primarily around Guangdong Province's Pearl Delta migrated to Kuala Lumpur in the former British colony of Malaya. In this action space, Hong Kong functioned as one of the coastal nodes, connecting the Chinese inland with British overseas colonies and other areas under British influence. Hong Kong thus became one of the preferred destinations for Chinese migrants.

In the pre-WWII period, Southeast Asia was spatially composed of colonial and quasi-colonial territories, with relatively weak boundaries, primarily in those areas placed under the rule of the British Empire. Thus, action spaces of chain migrations primarily of groups of Chinese and Indians spread through a relatively wide swath of Asia. The colonial British took advantage of this wide expanse of migration action, supported by the high porosity of colonial boundaries, Chinese and Indian labour were deployed as colonial compradors or middlemen in creating the colonial social structure based on the principle of indirect rule.

3.2.2 The Emergence of Less Porous International Borders in Post-war Asia

After the defeat of Japan and the revolution in China in 1949, the pre-war action space of migration that spread across Asia was radically transformed into a mosaic of relatively closed cells of the independent countries.

The PRC vanquished the British domination that had existed in Shanghai, the cities along the Yangtze River and Guangzhou. The PRC aimed for 'self-reliance' through socialism in one country. In achieving this, the PRC government drastically reduced the porosity of its borders and drew into itself, not allowing its citizens to leave the country. The Southeast Asian colonies that had gained independence also became sovereign states, controlling their own borders, and in pursuing self-reliance, closed them. Further, in post-WWII Asia there emerged borders with extraordinarily low porosity, due to the independence of the former colonies and to the 'Bamboo Curtain'. The 'Bamboo Curtain' was the Cold War corollary to Europe's 'Iron Curtain', falling from north to south and placed between communist and capitalist countries such as North and South Korea, the socialist PRC, and British-ruled capitalist Hong Kong. These transformations fragmented and destroyed the former action space of migrations, and curtailed them essentially into the spatial areas of sovereign states and neighbouring territories.

On the other hand, the porosity of borders for capital increased, while leaving porosity for labour at a low level especially for multinational corporations headquartered in the USA, EU and Japan. The network of the new international division of labour (NIDL) in Southeast Asia that developed after the USA lost in the Vietnam War effectively followed the specific geographic mosaic of locations of low-wage labour; and Hong Kong was indeed the major actor in this 'East Asian miracle.'

3.3 Migrations from Mainland China to Hong Kong

3.3.1 Introduction

As explained in Chap. 1, the reality of Hong Kong's colonial government was vastly different from what Friedman assumed. Migration was no exception. If Hong Kong had been returned to China immediately after World War II, the migrations to Hong Kong would have been mere laissez-faire domestic migrations from lower-income villages to a higher-income city; however, Hong Kong had a border controlled and contrived by the colonial British.

The area covering Hong Kong and the Pearl River Delta (PRD) is essentially the living space of the Cantonese-speaking Chinese. It was ethnically homogenous and there have been strong kinship networks for centuries. Their language, customary laws and lifestyle are mostly identical. The Sino-British border was therefore a typical case of a superimposed boundary created as the consequence of the colonisation of the New Territories by the British. This international boundary separated Hong Kong from the rest of China and after the Chinese revolution, it became the contested border where two modes of production met: socialism and capitalism.

In the early 1960s, the colonial government constructed a stout fence of steel wire with lights on its side of the border, which reminds us of the former border between the two Germanys. The fence, ca. 4.5 m high—higher than the 3.6-m high Berlin wall, and lit with bright searchlights all through the night—could well be called the 'Hong Kong Wall' (Plate 3.1). Despite its height, an unyielding stream of PRC Chinese challenged to cross this boundary, as evidenced by the clothes and cardboard left behind along the fence, and some succeeded in entering into Hong Kong in secrecy.[4]

The history of migration from mainland China to Hong Kong can generally be divided into four stages:

1. *The first stage*: the period from the British reoccupation of Hong Kong to the introduction of immigration control in 1950. Chinese people were allowed free entry into Hong Kong. There was no restriction on the Chinese side from leaving

[4] *SCMP* 20 December 1979.

Plate 3.1 The "Hong Kong Wall" or "Bamboo Curtain" constructed by the British colonial government at Tsim Bei Tsui (尖鼻咀) (photo taken by the author in 1990)

the country, either. It was these immigrants who achieved the primitive accumulation of post-war Hong Kong capitalism.

2. *The second stage*: the period until 1974, when the colonial government started to restrict immigrants, yet under lenient and haphazard policies. The colonial government essentially repatriated the 'illegal' immigrants caught in the border area, yet tolerated immigrants who escaped from the search and managed to reach the urban areas of Hong Kong. The PRC government also started to impose restrictions on exiting the country in 1951, and Chinese living in Bao An county, sharing a border with Hong Kong, were also generally subject to similar restriction after 1956.[5] These Chinese supplied low-skilled labour power to the growing Hong Kong economy.
3. *The third stage*: The years between 1974 and 1980, when the 'Touch-Base Policy', to be discussed in Sect. 3.5 of this Chapter, was in effect. This policy was essentially a more sophisticated systematisation of the second stage, constituting a typical case of the contrived laissez-faireism.
4. *The Fourth Stage*: The period after 1980, when all the Chinese from the PRC without proper travel documents were repatriated with few exceptions. The

[5] Report of CCP Bao An County Committee dated 27 August 1961, copied in Chen Bing An, *Da Tao Gang [The Great Exodus to Hong Kong]*, Revised and Enlarged Edition, Hong Kong Open Page Publishing, 2016, p. 176.

opening-up of the pool of cheap labour in Shenzhen and the intention of the colonial government to shift Hong Kong economy into a more knowledge-intensive diversified economic structure made the inflow of cheap labour from the PRC far less necessary.

In the following sections, these four stages are dealt with in turn.

3.3.2 The First Stage: Free Movement of Mainland Chinese into Hong Kong Until 1950

The first comprehensive census taken by the colonial government in 1911 showed the population of Hong Kong to be 456,739.[6] According to the last census before WWII taken in 1931, it was 840,473.[7] Immediately prior to its occupation by Japan in 1941, it was estimated to be approximately 1.6 million.

Before the war, a free population flow between the Republic of China and Hong Kong was allowed, and "there is little difference between the rights and obligations of Chinese born in Hong Kong and Chinese immigrants".[8] Many of them had not regarded Hong Kong as a place of settlement. Because cross-border movement had been unrestricted, they simply returned to China as circumstances changed, and when conditions were right, they could even migrate to Southeast Asia, as discussed earlier in this Chapter.

At the end of WWII, the population was reduced to approximately 600,000, due to forcible 'repatriation' by the occupying Japanese government of Hong Kong to the mainland. Hong Kong's population surged dramatically immediately after the reoccupation in 1945. By the end of 1947, the population had risen again to 1.8 million, surpassing pre-war levels. The overwhelming majority of incoming people being naturally Chinese, the total combined size of the non-Chinese population has been estimated at around 13,000, including 7000–8000 British and 2200 Indians, as well as some Portuguese.

Whereas the pre-war daily wage for unskilled labourers in the docks, public utilities and colonial government offices could buy off 7.1 catties of third-grade rice (1 catty = approx. 604.8 g), at the end of 1946 this figure had fallen to 4.0, rising to 6.3 by the end of 1947. For skilled labourers, these figures were 12.1 before the war, 5.7 in 1946, returning to no more than 10.4 in 1947. Labour was thus not able to ensure even pre-war living standards right after re-occupation. Comparing nominal values from the end of 1947 to their pre-war equivalents, however, those for unskilled labour had risen by a factor of 7.5, and those for skilled labour by a factor

[6] Carrie W. J., *Report on the Census of the Colony of Hong Kong Taken on the Night of March 7 1931,* HK Government, p. 4.

[7] *Report on the Census … 1931*, *op. cit.*, p. 32.

[8] Hambro, E., *The Problem of Chinese Refugees in Hong Kong: Report submitted to the United Nations High Commission for Refugees*, A. W. Sijthoff, 1955, p. 21.

of 7.4.[9] There had been almost no technological progress or productivity increases relative to before the war.

The soaring cost of living provoked frequent labour struggles among Chinese labourers, primarily in businesses under British management. Unions issued collective bargaining demands for large-scale wage increases (British Tobacco Company, 100%; Chinese Engineers' Institute, 150%), and labour was frequently called to strike.[10] Opposing such actions, firms responded with the heavy-handed solution of general layoffs followed by the re-employment of only those who were willing to work under the former conditions, supplemented by new hires (as in the example of the Peak Tramways Co. Ltd.). Demands for wage increases and strikes subsequently rippled through most of the public utilities that supported Hong Kong, including electricity, buses, gas, telephone and ferry services.[11] The trade unions of the period were "under either a radical or communist influence", in keeping with political developments across the border.[12] The Labour Department of colonial government recognised that such strikes "were influenced or even engineered by political factors"[13] Strife was not limited to economic conflict, and was fraught with the additional potential to escalate to ethnic conflict.

Until March 1950, the colonial government did not require incoming Chinese to have an entry permit.[14] The huge influx of Chinese from the mainland began from 1948 as the civil war between the Kuomintang and the communists intensified in central and south China. The severe labour shortage and concomitant class struggle was thereby relieved with the massive in-migration of Chinese from the neighbouring Guangdong Province, who settled down in Hong Kong with virtually no possessions.

As the communists pushed the front of the civil war against the Kuomintang southward, Shanghai's textile entrepreneurs began to prepare an exodus. If Shanghai was taken over by the communists, their capital assets would be confiscated and they would be subject to arrest and prosecution as the evil capitalists who once exploited labour. Chinese industrialists and engineers—mainly from the textile and cotton-spinning sector, as well as influential British colonials such as the Kadoorie family—began to move to Hong Kong, bringing vast quantities of capital and extensive skills along with them. Shanghai was seized by Communists in May 1949.

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[9] *Annual Report for 1947*, *op. cit.*, p. 20.

[10] Practicing radical policies that had no truck with compromise or superficial tactics, this group took the form of a vocational union organized by labour in the shipyards, public utilities, government offices, and cement industry—i.e., in sectors that formed the backbone the colony's political economy.

[11] *Annual Report for 1947, op. cit*., pp. 15–17.

[12] 'Labour Conditions in Hong Kong', *FEER (FEER)*, 3 September, 1947, p. 333.

[13] 'Chinese Labour Unions in Hong Kong', *FEER*, 17 September, 1947, p. 381.

[14] Lui, T. T., *Undocumented Migration in Hong Kong (Specific Measures Taken to Reduce the Flow of Undocumented Migrants),* paper presented at the Intergovernmental Committee for Migration, Geneva, 1983, p. 3.

There were several options for their exodus. Prospective destinations included Hong Kong, Thailand and Taiwan.[15] However, there was excessive bureaucracy in Thailand and Taiwan, such as the required participation of local capital or restrictions on the amount of production to prevent overproduction.[16] Some ex-Shanghainese entrepreneurs did relocate their plants to these countries, yet their operations were generally not successful due to these stiff government regulations.

Right after the establishment of the PRC, the new PRC government allowed, albeit passively, the Kuomintang Chinese and the capitalists who were potentially hostile to the communist regime to leave the country. Many of them crossed the border towards Hong Kong. In late 1949, Lo Wu Bridge, connecting the PRC with Hong Kong, was flooded with more than a hundred thousand people every day at the peak period.[17]

In addition, a multitude of penniless people arrived from the adjacent Guangdong Province into Hong Kong ready to take up unskilled jobs. The coupling of capital and labour thus accomplished the primitive accumulation of capital for Hong Kong's post-war export-oriented economy.

Many of these incoming immigrants from Shanghai also contributed towards primitive accumulation in post-war Hong Kong industrialisation. From 1947 to 1959, a total of 20 spinning mills were established by the Chinese from Shanghai.[18] Their scale of investment was exceptionally large in Hong Kong, where small- and medium-scale enterprises dominated. These spinning mills employed on average 500 people, and stood at the acme of the inter-industrial linkages.[19]

These relocations did not entail the Shanghainese entrepreneurs dismantling their existing equipment, shipping it in parts, and reassembling it in Hong Kong. The machines and plant buildings were mostly brand new and were shipped directly from the UK or USA to Hong Kong.[20] The fresh and modern equipment meant that the spinning industry in Hong Kong was efficient and had a strong global competitive edge. It soon became a stable foundation for the entire industrial infrastructure of Hong Kong by supplying cotton yarn domestically to local garment manufacturers. Some of these manufacturers later deployed the capital thus accumulated for property speculation, and thereby contributed to the foundation of the Chinese property sector in Hong Kong mentioned already in Chap. 2.

However, this was not the outcome of policy foresight with which the colonial British took deliberate steps to invite investment from China. Right after reoccupation, the colonial British had still counted on the possibility of carrying on the pre-war entrepôt trade; however, unlike their Thai or Taiwanese counterparts, the colonial British did not impose any restrictions on the migration of Chinese into

[15] Wong, S. L., *Emigrant Entrepreneurs: Shanghai Industrialists in Hong Kong*, Oxford University Press, 1988, pp. 21–23.

[16] Wong, Ibid.

[17] Chen, *op. cit*., p. 22.

[18] Wong, *op. cit*., p. 14.

[19] Wong, *op. cit*., p. 9.

[20] Wong, *op. cit*., pp. 46–48.

Hong Kong or to their setting up of manufacturing plants. Through this freedom in immigration policy, the ex-Shanghai Chinese spinners happened to have "turned out to be an industrial asset for Hong Kong".[21]

In early 1949, when the communist takeover of mainland China had become inevitable, the Financial Secretary of the colonial government finally became proactive and proposed to the Legislative Council of 16 March 1949 to establish the Department of Commerce and Industry, with a new post of Assistant Director (Industry), which "will have on its staff an officer who can devote his full time to the encouragement of new industries and the expansion of existing ones" and "to advise potential industrialists on factory sites and allied questions".[22]

The number of immigrants from mainland China who settled in Hong Kong before September 1949 was 815,780, or 26.7% of the total Hong Kong population in 1961, according to the census taken in 1961.[23] Border control started soon after the foundation of the PRC, in April 1950. By this time, the estimated population of Hong Kong reached 2.36 million. For the 2-year period of 1948–1949, 584,000 persons migrated into Hong Kong; 64% of these were motivated by political reasons, which included those of a more capitalist or business-minded inclination.[24]

This influx of mainland Chinese was thus instigated more by political rather than economic causes. It was beyond the control of the colonial British. They sat back and took a passive policy in terms of the migration flow. The spontaneous inflow of entrepreneurs was merely an outcome of the huge political transformation in China.

3.4 The Second Stage

3.4.1 In-migration of the PRC Chinese in the 1950s

The colonial British government began to control the incoming PRC Chinese in 1950. However, the restriction on the immigration from the PRC to Hong Kong did not apply to the natives of Guangdong Province.[25] The PRC government also began from 15 February 1951 to impose restrictions on leaving the country.[26] This kind of exit restriction was common in many socialist countries, including the Soviet Union and Eastern European countries.

On the British side, the Hong Kong immigration officers carried out a simple language test at the border checkpoint, in order to enforce their rule. The officer

[21] Wong, *op. cit*., p. 23.

[22] *Hong Kong Hansard*, 1949 Session, 16 March 1949, p. 73.

[23] Barnett, K. M. A. *The 1961 Census Report of Hong Kong*, Vol. II, HK Government Printer, p. 106, Appendix XXIV.

[24] Hambro, *op. cit*., Table XIV.

[25] Lui, *op. cit*., p. 3.

[26] Chen, *op. cit*., p. 31.

asked a would-be immigrant in Cantonese, "*Hoey bin dou* (where do you go)?"; and if he or she responded properly in Cantonese, "*Hai Heung Gong* (to Hong Kong)", then the immigrant was allowed in, otherwise, he or she was refused entry and sent back.[27] Thus, in the early 1950s, most of the PRC Chinese of Cantonese origin were still virtually free to settle in Hong Kong.

In the meantime, as early as the first part of the 1950s, the colonial government started to talk about social evils related to immigrants, such as social expenditure to deal with squatters, the waste of urban space, increased costs for schooling, aggravated crime and other issues, which lasted up until the end of the touch-base policy.[28] Yet, a tacit and real contentious issue was the need to subsume these 'illegal' immigrants into the system of colonial capitalist regulation in a way that would not undermine the ethnic integration and capital accumulation in Hong Kong.

The government worried that incoming Chinese from the communist PRC would undermine the stability of the colony, especially in political terms, as they were regarded as maintaining loyalty with the PRC rather than with the colonial British. The colonial British sensed that the incoming Chinese would never be in accord with the colonial apparatus. A confidential government report[29] pointed out as follows:

> From a long-term point of view it is thought that the Chinese in Hong Kong are Chinese by race and thought and the vast majority will remain so rather than become true British Colonial persons with a personal interest in Hong Kong as a colony… Their only interest is economic (money and a living) and little else. It is possible, therefore, that as with the ex-Russians in the United Kingdom, their secret loyalty may lie with their mother country. In any case it creates an uncertainty for the country housing them.

On the PRC side, the PRC government started to demand its nationals to obtain the 'exit permit' to leave the country.[30] Chinese migrants did keep coming from Guangdong Province in spite of this exit restriction, often without permits, however. The PRC government did not demand the repatriation of the 'illegal' Chinese immigrants arrested by Hong Kong authority.[31]

3.4.2 The 'Hong Kong Wall' in Cold War Geopolitics

In 1950, the colonial government began to build a physical barrier right *inside* of the northern rim of the New Territories, along the Shenzhen River separating Hong Kong from the PRC. A series of surveillance posts called the MacIntosh Forts,

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[27] Chen, *op. cit*., p. 23.

[28] Lee, M.,'The Touch-Base Game Is Over', *FEER*, 31 October 1980, p. 10.

[29] Coombes, S. J.,'The Coombes Report on Illegal Immigration in Hong Kong,' June 1959, in <CR 2/2091/57>, para. 22.

[30] Liu, G., 'Changing Chinese Migration Law: From Restriction to Relaxation,' *International Migration & Integration*, 10, 2009, p. 313.

[31] Lui, *op. cit*., p. 3.

Plate 3.2 A MacIntosh Fort at Pak Kung Au (photo taken by the author in 2016)

planned by D. W. MacIntosh, the Commissioner of Police in 1949, was built during the period ending 1953 (Plate 3.2) along the border. Behind the Forts, higher on the ridge, there was another surveillance post and a base.

The government also issued a Government Gazette Notice in June 1951 designating the areas along the border as the Frontier Closed Area (FCA). The FCA was then extended in May 1962[32]to form a total area of about 28 km^2.

On the PRC side, it had 22,117 km of international boundary and shared borders with 13 countries before the break-up of the Soviet Union. Yet most of these borders were either with socialist countries or in remote areas at high altitude. The borders shared with the UK (Hong Kong) and Portugal (Macau) were thus the only lines in populous flatland areas that separated two different modes of production.

The South China Branch of the Chinese Communist Party (CCP) also strengthened control along this 'bamboo curtain' in three stages. First, in 1951, those who were not natives of Shenzhen or not loyal to the communist regime were expelled inland. Second, around 1956, the border area was designated as the 'Shenzhen–Hong Kong frontier defence area' and three parallel defence lines along the international boundary were set up: from the inland towards the border, there was a frontier defence line, a prohibited area line and a warning line. However, although those without proper permits to cross these lines were prohibited entry, there is no evidence that any fences were erected along these designated lines.[33] Thus, border

[32] Security Bureau, HKSAR, LC Paper No. CB(2)1713/01-02(06), April 2002.

[33] Chen, *op. cit*., pp. 29–31.

policy was more lenient on the PRC side when compared with its Hong Kong counterpart.

3.4.3 A Comparison with the Iron Curtain in the Former Two Germanys

It is intriguing to compare this 'bamboo curtain' with the 'iron curtain' in post-WWII Germany. The same ethnic group lived on both sides of the latter border: Germans. It was socialist East Germany (DDR) that built the wall right inside the borders of its own territory. West Germany (BRD), on the contrary, erected no physical barrier or fence, but accepted all German immigrants who succeeded in fleeing from the DDR without requiring any documents. However, in Hong Kong, although the same ethnic group lived on both sides of the border, it was the capitalist UK (Hong Kong) that built the physical fence, which might be called 'the Hong Kong Wall', within its territory.[34] Although the socialist PRC designated the frontier a defence area, not much in the way of a physical 'wall' existed.

Why were there such clear differences in bounding the territories between the inter-German and the Sino-British borders?

Behind this seemingly clear contrast between iron and bamboo curtains, there is a common geopolitical background. Across both borders, the capitalist zones accepted immigrants as long as they were useful as labour power in promoting capital accumulation. The post-war West German economy profited greatly thanks to immigrants from East Germany.

However, there was a clear political difference: Hong Kong was not a country dominated by the same ethnic group, as was the case with Germany. The colonial British did not need to concern itself over the fate of the indigenous ethnic group as did the West German government, but could remain indifferent to the reintegration of the Chinese or to the ties of families that had been divided by the colonial border. The colonial British had much cooler heads rather than warm hearts in decision-making as to whether to accept immigrants from the PRC.

[34] There could be Hakka people who spoke their own language among themselves. And the Chiuchows do not speak Cantonese even though Swatow belongs to Guangdong Province. Yet these differences were ignored here because, firstly, they are essentially Han Chinese and share much more similarity against the British, and, secondly, there were no such ethnic strives as Punti-Hakka Clan Wars (*tuke xiedou*) reported among Chinese in the context of this immigration issue.

3.4.4 *'Illegal' Immigrants and Repatriation by the Colonial British*

Toward the end of the 1950s, both the British colonial and PRC governments intensified border security year after year. The PRC Chinese who overcame this barrier and managed to enter Hong Kong without proper immigration formalities had 'illegal immigrant (II)' status in the colonial legislature and were subject to arrest and repatriation.

The method of repatriation, called 'hole in the fence', was initially very haphazard, yet its repeated application turned it into a kind of informal formality. According to P. Thompson, a former British officer of the Royal Hong Kong Police (RHKP), this method was as follows[35]:

> The Chinese authorities took to shouting out the number of those caught so that the Hong Kong police could tell them whether this corresponds with the numbers pushed through the fence. It was a summary method of returning illegal immigrants with no checks being made on the credentials of those arrested before their expulsion.[36]

Yet, a considerable number of PRC Chinese evaded this process of repatriation and did settle in Hong Kong. In the 1950s, they took up farming in the New Territories, since they were 'skilled vegetable growers' in their former villages in the PRC, and vegetable farming as a sharecropper needed less initial capital outlay than rice farming, which the indigenous New Territories farmers practiced, because the latter 'regarded vegetable an inferior crop'.[37] Interestingly, however, the demand for locally produced fresh vegetables increased, while rice production lost its competitive edge against imported rice. Thus, the immigrant farmers became much better off, as did the indigenous New Territories landowners who could obtain more farm rent from the sharecroppers.[38]

In 1961, when the first census was taken after the British reoccupation, the total population was 3129.6 thousand, out of which 1643 thousand, or 52% of the population, were post-war immigrants. About half of the population of Hong Kong aged 30 years or older (i.e., older than 20 years at the time of in-migration) were migrants who came to Hong Kong before 1949; and almost a half of those between the age of 20 and 24 years came from the PRC after 1949.[39]

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[35] Thompson, P., *A History of Illegal Immigration from China into Hong Kong*, 1987 (unpublished mimeo).

[36] Thompson, *op. cit*., para. 8.

[37] Skeldon, R., 'Hong Kong and its Hinterland: A Case of International Rural-to-Urban Migration?' *Asian Geographer*, 5(1), 1986, p. 5.

[38] Wong, C. T., 'Land Use in Agriculture.' In: Chiu, T. N. and So, C. L., *A Geography of Hong Kong*, Oxford University Press, 1983, p. 164.

[39] *The 1961Census Report of Hong Kong, Vol. II*, *ibid*.

Thus, the exodus from mainland China made Hong Kong 'a society of immigrants'[40] indeed.

3.4.5 '*62 Da Tao Gang*': The Huge Influx of Immigrants in April–May 1962

One of the major incidents in the history of immigration into Hong Kong was a huge influx of PRC immigrants called '*Liu Er Da Tao Gang* (六二大逃港, 62 Great Exodus to Hong Kong)', which took place in April and May 1962. It started on 13 April, when a massive number of PRC Chinese congregated at the foot of Wutong Mountain (梧桐山, elevation 944 m) in Shenzhen and attempted to enter Hong Kong.

In the PRC, many people suffered from starvation after the failure of Mao's Great Leap Forward policy. It created impoverishment, starvation and accidents arising from irrational policies of rural industrialisation, e.g. to set up a blast furnace in every commune. In people's communes, rice was rationed, and starving people had to look for wild grass or roots of ferns to fill their empty stomachs. The word of mouth enticing people to leave the country for a better life in Hong Kong spread rapidly across the province. In Bao An (寶安) county, all of the members of a people's commune, 174 in all, fled to Hong Kong.[41] Even the leaders disillusioned with communism left the people's commune and headed for Hong Kong. The number of people who left the communes amounted to 11,547 from Bao An and 27,197 from Dongguan (東莞) counties up until 31 May 1962. The origins of the immigrants spread to further inland, towards Guangzhou city as well as Huiyang (惠陽) and Haifeng (海豐) counties. Guangzhou Railway Station was filled with people clad in tattered clothes wanting to buy tickets to Pinghu (平湖), the southernmost Kowloon–Canton railway station for which one did not need to produce the frontier permit. In Shenzhen and Bao An, crowds of several thousand people constantly congregated to find an opportunity to cross the border. Most of them were 17–40 years old, male and female.[42]

They "marched along the Chinese Territory border under escort, often roped together".[43] Each of them had a wooden stick at his/her hand to fight back in case of attack. They waited for sunset at the foot of Wutong Mountain. At dusk, they crossed the border at Pak Kung Au (伯公坳), at ca. 160 m above sea level, forming the watershed of Sham Chun (Shenzhen) and Sha Tau Kok (Shatoujiao、沙頭角) Rivers. The advantage of the Pak Kung Au route was that there is no river to wade across there. The physical barrier built by the British at the border was still primi-

[40] Kit, C. L. and Pak, W. L., *Immigration and the Economy of Hong Kong*, City University of Hong Kong Press, 1998, p. 1.

[41] Report of CCP Bao An County Committee dated 27 August 1961, *ibid*.

[42] Chen, *op. cit*., pp. 208–211, 216–217.

[43] Thompson, *op. cit*., Para. 11.

tive, equipped only with chain-link fencing. The immigrants crossed the border fence in the dark by covering the top of the barbed wire with the coats they had worn, and upon a light signal they moved on amidst the bushes along the mountain ridge leading to Robin's Nest (紅花嶺、492 m). Along the rough mountain trail, adults were supporting their older parents, mothers holding their children in malnutrition. They were thirsty and hungry after a long journey, some fainted and fell on the ground.[44] They eventually reached Wa Shan (華山, 139 m) near the rural town centre of Sheung Shui (上水). Another reason for taking this route along the mountain ridge was the prospect of the least surveillance by the British border police as compared with the flatland.

Wa Shan, at the tail of the mountain ridge, became the midway station for these immigrants. Beyond Wa Shan, the route was on the flatland and the immigrants often had to reach urban Hong Kong using illegal taxis that charged an exorbitant HK$100 (US$17.2 at the 1962 exchange rate) per person.[45] The immigrants hid themselves in the tropical bush and waited for contact from their friends and relatives who had already settled in Hong Kong. The number of immigrants from the PRC that "accumulated around the Wa Shan area was about 30,000".[46] Some of them had eaten nothing for three days.[47] The sheer number of congregated Chinese immigrants, however, created power in itself: "they were able to help each other"; and "it could be a tough job to arrest any" for the Hong Kong Police.[48]

For the week ending 21 April alone, 2182 immigrants without the travel documents the colonial British required crossed the Sino-British border, according to the colonial government estimate.[49]

Sing Tao Daily, a local newspaper in Chinese, published regular information on the names of incoming Chinese immigrants and the addresses of their friends and relatives in Hong Kong. Many Hong Kong Chinese felt obliged to visit Wa Shan to rescue their relatives and friends,[50]carrying food and drink for them.[51]

A strong sense of sympathy developed not only among Hong Kong Chinese in the border area, but in all of Hong Kong. No wonder, they are of the same ethnic group, speak the same Cantonese language, and sometimes had strong kinship ties. They donated relief goods to the headquarters of a local Chinese newspaper *Ming Pao*, which cried, 'Rush! Save life! (*Huosu! Jiuming!* 火速!救命!)' in an editorial and reported that the small office of the newspaper company had become 'a humanitarian relief centre'.[52]

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[44] See Chen, *op. cit*., p. 239.

[45] *Sin Tao Daily,* 21 April 1962.

[46] Chen, *op. cit*., p. 236.

[47] Chen, *op. cit*., p. 236.

[48] Chen, *op. cit*., p. 238.

[49] <CR 1/2/2091/57>

[50] Chen, *op. cit*., p. 239–244.

[51] *Dalu Jimin Da Tao Gang Zhengui Pianduan (1962)* (Precious Video Clip of the Great Exodus of the Starving Mainland People to Hong Kong) https://www.youtube.com/watch?v=MHtdOLBnR-8

[52] *Ming Pao,* 15 May 1962.

Chen Bing An provides a narrative of the scene in Wa Shan as follows[53]:

> A reporter wrote 'The soil became wet because there are too many people crying.' Thousands of policemen were moved by the scene…
>
> Who can be so hard-hearted as to arrest a refugee who is crying with their friends and relatives?… / The police commander found it impossible to carry out the duty of seizure, he was forced to suspend pursuing refugees, but by setting up barricades prevented Hong Kong citizens from going into the mountain.
>
> Therefore, a quaint scene happened on Wa Shan: the group of humans having been split by the police, the immigrants within the police barricade cried 'Mum—', 'Brother—'; local citizens outside the barricade cried 'Daughter—', 'Sister—'. They were within several metres of each other, but unable to get any closer. People on both sides were crying…
>
> Eventually, two hours later, with orders to use force from the superior officers, policemen took action again, and people had to watch their friends and relatives being dragged away from them. / Another wave of shouts and cries raised at Wa Shan… / Groups of refugees were dragged to the vehicles arranged by the government. In the meantime, hundreds of cars formed a long queue, waiting downhill.
>
> 'Brother—' / 'Mum—' / 'My younger son—'…
>
> When the gate of the shelter opened and the deportation motorcade began moving, the escort policemen were surprised. / People flooded towards the motorcade. / Thousands of people concentrated along the road between shelter and the border, some of them came before dawn to bid farewell to their relatives. / Most of them were holding bags of foods in their hands—for their relatives and friends. / Names were shouted again when the motorcade left the shelter.
>
> 'You need to leave, you need to go back to suffer again'! When people found their relatives sitting in the vehicles, they threw at them the food in their hands—even though you have to leave, bring the food with you, bring the food back home, to our parents, to the villages where people are still suffering from starvation!… / Dear driver, please drive slower to allow us another look at our relatives! Drivers of the motorcade seemed to understand how people felt, they drove so slow. The motorcade wriggled like a lazy worm … / However, no matter how slow it went, the motorcade was bringing the refugees away from Hong Kong bit by bit…
>
> Another action that surprised Hong Kong Police happened. / A person broke the blockade, jumped onto the road, and lay on the ground to stop the vehicles. What happened next—one, two, ten, a hundred—hundreds of people followed and lay in the middle of the road. / The motorcade, consisting of dozens of vehicles, stopped.
>
> 'Jump off the vehicle—' / 'Jump—'
>
> People along the blockade started to shout. / Detainees on the vehicles started to jump off the vehicles. / There was cheering when people jumped off the vehicles. The scene became chaotic.

Intriguingly, this interaction between the Chinese and colonial British was filled with the elements of spatial struggle. Those with power (the colonial police) blatantly bounded the Chinese from the PRC away from those from Hong Kong, by dividing one from the other with the barricade of policemen. Whereas all the Chinese belonging to the same ethnicity (Cantonese-speaking Chinese) attempted to convert Wa Shan into spatially contiguous 'commons' by communication with tears, shouting and by offering bags filled with foodstuffs and clothes reciprocally. The colonial police then destroyed the 'commons' for good by deploying another

[53] Chen, *op. cit*., pp. 241–244, translation into English by courtesy of Mr. Chi Lap Lee, Jacky [edited]

spatial power of removing the PRC Chinese away by the motorcade, against which hundreds of grassroots Chinese protested physically by lying on the road.

Echoing this compassionate action and feeling of the local Chinese in Hong Kong, the immigrants began to take a firmer attitude. On 19 May, a large group of immigrants crossed the border and remained in the area between the two fences and belligerently demanded assurances that "amongst other things that they would not be sent back to China".[54] Some of these immigrants managed to escape from the space enclosed by the line of policemen, throwing stones, swinging bamboo poles and climbing to the hilltops, awaiting contact from friends and relatives in Hong Kong. Some immigrants expected that their friends and relatives would apply for admittance to the Hong Kong British authority on their behalf.[55]

The RHKP played this sympathy down, claiming "considerable agitation in the local press concerning the policy of returning illegal immigrants arrested to China".[56] In Wa Shan,

> Police realised they must take tough action if a deportation was needed, otherwise they may lose control of the scene. / Following, a large group of armed riot policemen were deployed to disperse people who were blocking the motorcade. / The motorcade proceeded back on its journey towards the other side of Shenzhen River amid all the crying and shouting.[57]

The intercepted Chinese were brought to the Lo Wu (Luohu) border post, "checked against the group list and escorted in groups on to the bridge". The list was then handed over to the China Travel Service (a PRC representative) or the PRC police, which checked the Chinese against the list and then brought them into the PRC.[58]

On 26 April, a massive immigration flow took place from Macau. In late June, there were three to four thousand Chinese in Macau "waiting for a chance to enter Hong Kong". Many 'illegal' immigrants from Macau arrested in Hong Kong were in possession of Macau identity cards issued in May and June 1962.[59]

In fact, up until the late 1950s, the Macau route had been the principal passage for immigrants from the PRC. In the Port of Macau, several travel agencies carried out a 'lucrative business' of handling 'illegal immigrants' from the PRC. The number of such agencies increased towards 1962 to 22.[60] These migrants crossed the Sino-Portuguese border at Gongbei (拱北) aided by the opposite numbers of these Macau agencies in the PRC; they then stayed in Macau for a while. Ultimately, about 200 Chinese per day[61] departed at night in darkness from the port of Macau,

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[54] Thompson, *op. cit.,* para. 45.

[55] Thompson, *op. cit.,* para. 46.

[56] Thompson, *op. cit.,* para. 12.

[57] Chen, *op. cit*., p. 245.

[58] Thompson, para. 49.

[59] 47 in <CR 5/2091/62I > .

[60] 46 in <CR 5/2091/62I > .

[61] 41 in <CR 5/2091/62I > .

thanks to the blind eye of the Macau police (probably in exchange for bribes), sailing by junk to the fishing settlement of Tai O (大澳), situated on the western tip of Lantau Island (大嶼山島).[62] Here they were met by agents in Hong Kong and took a *pak pai* (illegal taxi, 白牌) to the ferry port of Mui Wo (梅窩) towards Hong Kong Island.

The colonial government, much concerned about this immigration route, even proposed to tap the telephone network of Macau in secrecy, in order to get information on the departure of junks for Lantau Island in time to intercept vessels loaded with immigrants.[63]

In the middle of May, the entry points for immigrants from Shenzhen shifted to the flatlands in the Ta Ku Ling (打鼓嶺)–Lo Wu (羅湖) area, where the Kowloon–Canton Railway crosses the border.[64] Here, the immigrants had to wade across the Shenzhen River. When a tropical rainstorm hit the area on 21 May, the river grew wider and deeper, and thus many would-be immigrants attempting to swim across failed and drowned.[65]

With the increasing inflow of immigrants, the Hong Kong British started to call for military assistance from 5 May. On 22 May, the Local Emergency Committee, comprising 'Assistant Commissioner of Police NT & Marine, the District Commissioner New Territories, and the Commissioner 48th Gurkha Brigade'[66] was established. The armed forces were then deployed in the border area from Sheung Shui to Ling Ma Hang (蓮麻坑). The numbers of the immigrant influx reached its peak on 23 May, when 5620 Chinese were arrested.[67]

On 23 May, the CCP unilaterally announced the sealing off of the PRC side of the Sino-British border to block the flow of prospective immigrants into Hong Kong.[68] Then, the Beijing government officially announced to the UK that it would hold back the immigrants trying to enter into Hong Kong.[69] Thereafter, the inflow of immigrants waned rapidly, and the border area returned to normal by 29 May.[70]

The ethnic cleavage of the Cantonese-speaking Chinese and the British, with the former setting themselves against the latter to protect their ethnic 'commons' was clear. The Hong Kong Chinese tacitly waged a struggle against the British in their creation and management of the superimposed boundary, which blatantly tore apart the ties of families, relatives, and friends. The Hong Kong Chinese used many tactics, "offering transport, hiding the refugees in local people's homes, etc., to protect the immigrants in Wa Shan".[71] Chinese policemen of the RHKP sometimes resorted

[62] 'The Coombes Report on Illegal Immigration in Hong Kong,' *op. cit*., para. 13.

[63] Minutes of the 4th and 5th Illegal Immigration Working Parties, held on 28 March and 11 April 1962, <CR 1/2/2091/57 > .

[64] Thompson, *op. cit.,* para. 43.

[65] *Sin Tao Daily*, 21 May 1962.

[66] Thompson, *op. cit*., para. 50.

[67] Thompson, *op. cit*., para. 55.

[68] *Sin Tao Daily*, 23 May 1962.

[69] *Wah Kiu Yat Po*, 30 May 1962.

[70] Thompson, *op. cit*., para. 50.

[71] Chen, *op. cit*., p. 240.

'deliberate disobedience'. The Cantonese-speaking Chinese allied together, albeit passively, virtually to break the artificial bounds that British colonialism had imposed upon them. Thanks to these sympathies, it was estimated that about a half of the incoming PRC Chinese made their way to the urban areas of Hong Kong.[72]

Nevertheless, the colonial British did not forget to penalise the wholehearted compassion shown by the Chinese in order to confirm the legitimacy of the border using its judicial system. For example, a farmer living in Ta Ku Ling was prosecuted under the charge of bribing a policeman to turn a blind eye and let a young immigrant go. He was found guilty and fined.[73] Spatially, the colonial government expanded the 'Frontier Closed Area', which was placed under constant military and police surveillance. Ordinary Hong Kong citizens were prohibited to enter, with violators in the area to the north of Robin's Nest being subject to prosecution (Fig. 3.1).[74] Contact between Hong Kong and the incoming PRC Chinese was thus banned by the colonial power.

In the year 1962, while 142,000 persons were arrested (Fig. 3.2), 69,581 'illegal' Chinese immigrants succeeded in settling in Hong Kong, having obtained their Hong Kong ID cards.[75] Hong Kong's economy thrived during these years, with annual GDP growth rates of 14.2% in 1962 and 15.7% in 1963.[76]

From these facts, we can infer the causes of the '62 Great Exodus to Hong Kong' as follows:

First, on the PRC side, the restriction against leaving the country was lifted and surveillance on those entering the frontier area was eased, so that the Chinese could freely approach the Sino-British border. In most cases, the PRC police did *not* halt these Chinese attempting to leave the PRC without proper travel documents. The Chinese authority did not intervene, not even arresting some of them on suspicion of 'smuggling' out of the country; and far from being impeded, this immigration flow was quite organised.[77] The Beijing government must have wanted to test its political claim that Hong Kong was occupied by the British through a series of wars of aggression and subsequent unequal treaties with the Qing Dynasty, thus the PRC should have residual sovereignty in Hong Kong. This political position was manifested later in an independent left-wing Chinese journal published in Hong Kong quoting the words of a senior official of Guangdong Province, who proclaimed the need to "crash the imperialistic blockade (*chongpo diguozhuyi fengsuo*, 衝破帝國主義封鎖)"[78] imposed by the British colonial government and claimed that, as

[72] Chen, *op. cit*., p. 240.

[73] Chen, *op. cit*., pp. 276–277.

[74] *Sin Tao Daily*, 22 May 1962.

[75] Fan, S. C., *The Population of Hong Kong*, Hong Kong: Swindon Book, 1974, p. 11.

[76] Census and Statistics Department, *Estimates of Gross Domestic Product 1961-1996: Hong Kong 1997-1998 Budget*, Hong Kong Government, 1997, Table 1 (p. 14).

[77] Thompson, *op. cit.*, para. 65.

[78] Wu, M. R., 'A, Xianggang Zhe Tiao Chuan: Daliu Laigang Renchao Wenti Tansuo, [Ah, This Boat Hong Kong: A Quest for the Problem of Immigrants Flow from the Mainland to Hong Kong]' *Qishi Niandai [The Seventies]*, June 1979, p. 19.

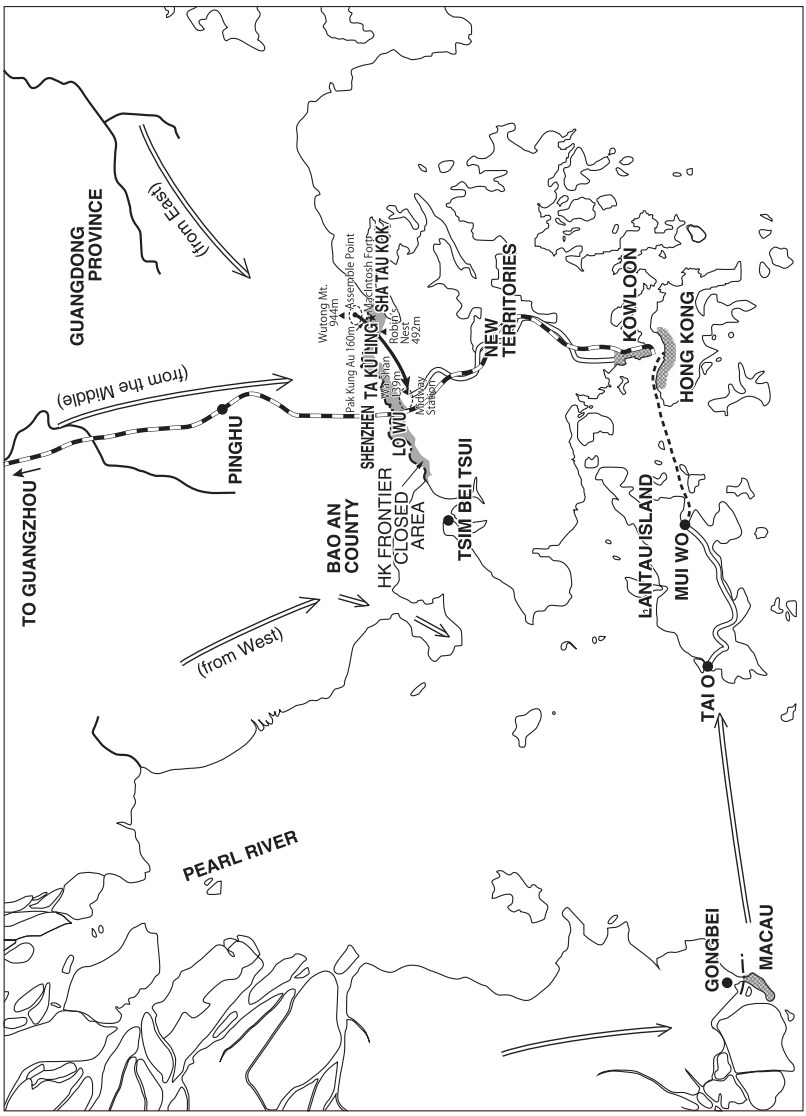

Fig. 3.1 The spatial flows of 'illegal' immigrants from the PRC

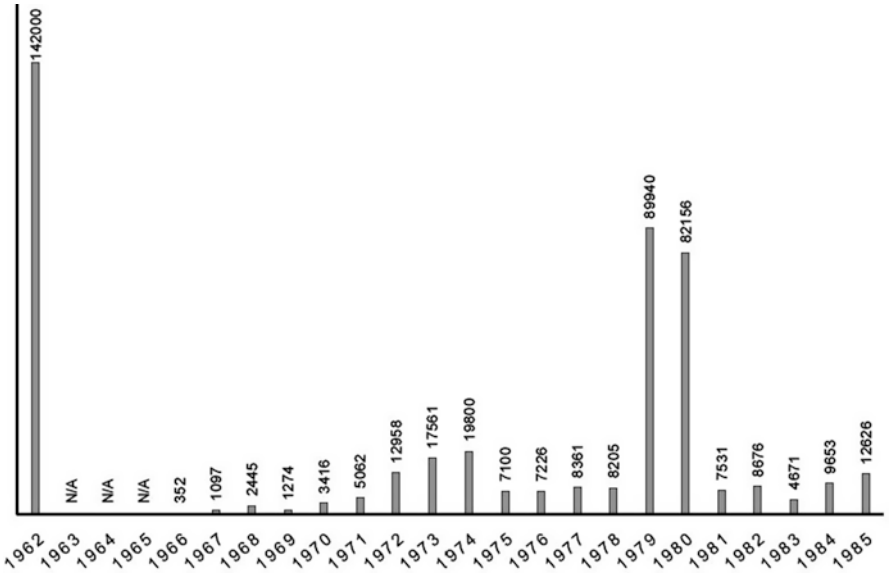

Fig. 3.2 Number of 'illegal' immigrants arrested. Source: Thompson P., *op. cit*., Annex B

Hong Kong was an indispensable part of Guangdong Province, any Chinese should therefore be free to enter Hong Kong. In responding to the PRC claim of 'residual sovereignty', the British Hong Kong government mobilised the police force to assert the legitimacy of its territorial sovereignty by removing the Chinese through labelling them as 'illegal'. However, being aware of the tacit source of this international disputation, the British authority in Hong Kong ordered the RHKP *not* to use firearms[79] to avoid injurious incidents that might develop into a dispute questioning the legitimacy of colonial rule over Hong Kong.

Second, there was indeed cause among grassroots PRC Chinese to leave the country for Hong Kong due to the failure of the Great Leap Forward. Its aftermath provided more than enough reason to force peasants in the communes to seek a better life in Hong Kong. The words of an elder in Shenzhen, which sound just like the Tiebout hypothesis, depicts this mentality: 'Capitalism or socialism, I voted with my foot'![80] This cause was quite similar to that for population flow from East to West Germany.

Third, as had always been the case, the Hong Kong British took a passive attitude to the inflow of immigrant Chinese, yet actively curbed it if it was excessive, as the immigration could put a burden on the squatter clearance and resettlement programme (Chap. 4) rather than supplying fresh labour power to the growing export-oriented industrialisation process. Nevertheless, the solidarity and reciprocity expressed by the ethnic Cantonese-speaking Chinese in Wa Shan must have created

[79] Thompson, *op. cit.*, para. 51.

[80] Chen, *op. cit*., p. 413.

astonishment and serious worry, as it was a manifestation of the Chinese setting themselves against the British.

The other side of the coin of this community solidarity was the lack of a sense of community among those Chinese living in Hong Kong. Four years after *62 Da Tao Gang*, an uprising of Chinese broke out in the urban areas. In a review of this uprising, the colonial government became aware of 'feelings of impermanence and of not-belonging' and 'relative lack of community spirit in Hong Kong'. In order to cultivate the community solidarity of the Chinese in Hong Kong and simultaneously to wedge apart this community of Cantonese-speaking Chinese manifested at the Sino-British border, the colonial government felt the need 'to develop a sense of community' or to cultivate the identity of 'Hongkongers (*Heung Gong Yahn* 香港人)' rather than Chinese in Hong Kong.[81] The territorial entity in the consciousness of the people there has thus been created by the efforts of the colonial British from the middle of the 1960s.

From 1946 to 1962 the population of Hong Kong increased by 2 million to 3.5 million.[82]

3.4.5.1 Narrow Scope of Colonial British Towards ' *62 Da Tao Gang*' in Cold-War Geopolitics

In the face of the huge influx of immigrants, the colonial British decided to erect a much tougher fence with dannert wire behind the then-existing chain-link fence. The border thus became armed with two parallel fences.

Yet with this 'Hong Kong Wall' having been erected out of the narrow interests of the colonial British, it created problems on the global-scale Cold War politics. In fact, the immigrants during the '62 *Da Tao Gang*' included two to three thousand Chinese, whose demeanour was "tinged with truculence", showing up and determined to enter into Hong Kong. The police allowed them to enter 'quietly', and arrested and transported them to the Police Training Contingent for repatriation. The RHKP suspected that they were of urban origin, as compared with the starving peasants.[83] The intention of the 'wall' thus became the barrier to block dissident PRC Chinese who wanted to seek political asylum in the capitalist world by way of Hong Kong. Hong Kong had consulates of various Western countries, which occasionally accept genuine political asylum seekers. Yet, in order for these dissident PRC Chinese to be reviewed by these consulates for qualification of political asylum, they somehow had to pass through the 'Hong Kong wall' in their own capacity without being intercepted by the Hong Kong police, to reach Hong Kong Island where the consulates clustered. The USA, for example, maintained a huge consulate building in the Central District of Hong Kong Island partly as a base of intelligence

[81] *Kowloon Disturbances 1966: Report of Commission of Inquiry*, Government Printer, 1977, paras. 459 and 534.

[82] Lui, *op. cit.,* p. 4.

[83] Thompson, *op. cit*., para. 39.

targeted against the PRC. In many cases, however, these asylum seekers were regrettably caught at the border and invariably repatriated back to the PRC together with would-be immigrants who wanted to stay in Hong Kong for economic reasons.

For example, a letter by Chinese World, San Francisco, CA, dated 24 May 1962 addressed to British MP Reginald Maudling, stated, "The Chinese world respectfully suggests that it would be in the interest of the unity of the free world if the barbed wire were torn down, and if Governor Black of Hong Kong received orders from you to allow these thousands of Chinese refugees to pass through the tiny colony in transit to the heavens of democracy abroad".[84] However, this issue was not seriously taken up by the colonial British, and thus no major changes of policy took place as a consequence. These narrow-minded colonial geopolitics aroused the concern of a Member of the House of Commons. The Conservative MP Sir William Teeling[85] pointed out, "The Foreign Office is absolutely terrified of Peking and it would not do anything to offend Peking unless it looked as if it might offend the United States a bit more".

The colonial government obviously did not want to dabble in Cold War global politics head on, as it did not want to arouse the unwanted anger of the PRC government, which could have taken over Hong Kong by military force in a breeze. Protection of Hong Kong as a territorial entity under British sovereignty on Chinese soil was thus achieved through the sacrifice of the human rights of the Chinese.

Demands not to repatriate immigrants back to the PRC, but to forward them to Taiwan, were also dispatched from various bodies in Taiwan to the Governor as well as from descendants of the Kuomintang in Rennie's Mill, Hong Kong to the Prime Minister of the UK.[86] Yet not much respect was given, either.

3.4.6 Immigrants Fill the Labour Demands for Capital Accumulation in the Late 1960s

From the year 1961–1970, 57,524 natives of Guangdong Province migrated legally into Hong Kong. The exact figure of 'illegal' immigrants who succeeded in settling themselves in Hong Kong, estimated through the number of Hong Kong IDs issued, was 178,324.[87]

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[84] 57 in <CR 15/2091/62>.

[85] *Hansard* (UK), 15 May 1964, columns 823–826.

[86] The letter, signed by 68 bodies in Hong Kong, among which at least 14 were in Rennies' Mill, was dispatched to the UK Prime Minister on 25 May 1962, and a letter signed by 176 civil organisations addressed to the Governor of Hong Kong was dispatched on 23 May 1962 < 27 and 26 in CR 15/2091/62>.

[87] Census and Statistics Department, Hong Kong Government, *Hong Kong Population Projections*, 1971-1991, pp. 21 and 23.

The Chinese living in the people's communes near the Hong Kong border earned incomes ranging from one-seventh to one-tenth of the labour in Hong Kong. This created a permanent pressure for potential labour migration from the PRC into Hong Kong.

An RHKP officer named Singleton identified a kind of chain migration, mediated by market agents called in Cantonese *se tau* (sneakhead, 蛇頭). They recruited prospective immigrants for an exorbitant fee by spreading glamorous rumours of life in Hong Kong. Singleton described the property of the immigrants coming from the PRC as follows:[88]

> The average illegal immigrant is male, aged between 15–19 years, is single, poorly educated and comes from a rural agricultural background. He is disenchanted with life in his home province/county/village where even if he has a job he is very poorly paid (¥200 RMB, HK$300 a month if he is lucky) by Hong Kong standards.

Hong Kong's economy flourished, on export-oriented industrial capitalism, growing at 213.2% per decade from 1961.[89] It picked up in 1968, enjoying annual GDP growth rates of 3.3% in 1968 and 11.3% in 1969.

For the period from August 1967 to May 1968, the Hong Kong government sometimes suspended and at other times resumed the repatriations on a seemingly ad hoc basis.[90] The Governor of Hong Kong then directed that repatriation be ceased, and further confirmed in March 1969 that "there should be no question of using force to repatriate illegal immigrants".[91]

Furthermore, even immigrants from the PRC

> who did not qualify for release within Hong Kong under the Director of Immigration's policy were presented for repatriation at Lo Wu. If the illegal immigrants resisted repatriation they were presented at the Border line on two further and separate occasions. If repatriation was not successful after a total of three attempts, the immigrants were set free in Hong Kong.[92]

Some immigrants crossed the border into the PRC, but changed their mind and came back again to Hong Kong.

The immigrants from the PRC thereby could enter Hong Kong freely if they were determined to do so.

In this period, the amount of immigration from the PRC was highly controlled by the PRC government. The PRC took quite a restrictive policy toward out-migration in the period between 1966 and 1976. "Any person who applied to leave China was regarded as being dissatisfied with the Chinese socialist system and suspected of having colluded with a foreign country to carry out illicit activities against China".[93]

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[88] Singleton, P., *Hong Kong and Illegal Immigration from the People's Republic of China*, 1992 (unpublished mimeo), para. 29.

[89] *Estimates of Gross Domestic Product*, *op. cit*.

[90] Thompson, *op. cit*., Annex D.

[91] Thompson, *op. cit.*, para. 68.

[92] Thompson, *op. cit.*, para. 64.

[93] Liu, *op. cit*., pp. 314–315.

Prospective migrants therefore risked their lives for attempting to leave the PRC. The number of immigrants into Hong Kong in the late 1960s inevitably became much smaller than in the first half of the 1960s. In spite of the establishment of the 'Anti-Illegal Immigration Bureau' in September 1962, the colonial government did not need serious efforts to block the number of incoming immigrants.[94]

Immigrants thus coming at their own risk to Hong Kong received a rousing reception. They were expected to fill the lowest segment of the labour market, since no prerequisites for qualifications were set by the government as to, for example, the extent of funds or skills that they possessed.

Some immigrants set up their own manufacturing plants to become independent small-scale entrepreneurs.[95] A sample survey revealed that 59.4% of all the entrepreneurs interviewed came to Hong Kong between 1949 and 1970 as immigrants.[96] During the two decades between 1951 and 1971, the number of small-scale industrial establishments increased 16 times, from 1434 to 23,140.[97] It was very clear that these incoming immigrants contributed enormously to the economic growth of Hong Kong through industrialisation.

In many cases, the incoming PRC Chinese did not have any ties of family and friends in Hong Kong. Upon their release from Yuen Long (元朗, the New Territories) Police Station, there was in many cases no one receiving them with a working knowledge of the geography of Hong Kong. They thus quite often became victims of illegal taxi sharks who charged exorbitant fares for transporting them to the city centres of Kowloon and Hong Kong Island. The police were then generous enough to give them free bus tickets.[98] Lui was quite apt in pointing out, "illegal immigration from China during this period [1960s] was by no means a major problem… Especially in the early 1970s, there was in Hong Kong a labour shortage which was actually alleviated by migrants from China".[99]

Another reason for this policy was to achieve ethnic integration within the colony. The colonial British were naturally aware of the confrontation in Wa Shan in 1962. The Governor thus commented that it was "not of sufficient importance to risk the considerable public outcry" for maltreatment of the incoming Chinese.[100]

Thus, this apparently lenient policy of in-migration worked to kill two birds of capitalist regulation with one stone: supplying of labour for capital accumulation and achieving social integration.

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[94] Lui, *op. cit.,* p. 4.

[95] Victor Fun-Shuen Sit, et al., *Small Scale Industry in a Laissez-faire economy: A Hong Kong Case Study*, Centre of Asian Studies, HKU, 1980, p. 268.

[96] Sit, *op. cit*., Table 11.3, p. 267.

[97] Sit, *op. cit*. p. 24.

[98] Thompson, *op. cit.*, para. 77.

[99] Lui, *op. cit*., p. 5.

[100] Thompson, *op. cit.*, para. 67.

3.5 The Third Stage: The 'Touch-Base Policy' and Contrived Laissez-Faireism in the Labour Market

3.5.1 Need for a More Systematic Control of Border Porosity

In this straightforward admission of immigrants from the PRC, the Hong Kong Government had not effectively deployed its major weapon: the manipulation of border porosity as a policy variable in the 1960s.

In the latter half of the 1960s, the ideological impact of China's Cultural Revolution began to be felt severely in Hong Kong. Labour struggles with strong ethnic undertones resistant to British colonial rule took place on Hong Kong's factory floors, with labour reading the *Analects of Mao Zedong*. This trend continued into the 1970s, with 40–60 thousand lost labour days per year. These class struggles were not official actions, such as walkouts by organised labour unions exercising their right to strike, but included such things as lost labour due to guerrilla-type struggles and wildcat strikes, breakages of company equipment or harsh arguments between management and disgruntled labour.[101] In fact, the power of organised labour was rather weak in Hong Kong. The labour market and concomitant eruption of class struggle was thereby very dependent upon the laissez-faire market situation.

The economic boom continued up until 1973, thanks to the competitive advantage of Hong Kong in labour cost thus created; yet the rapid GDP growth rate of 12.4% in 1973 plunged to 2.3% per annum in 1974. The colonial government then began to claim that the excessive inflow of immigrants from the PRC would increase social expenditures in housing, education, policing and other areas, and presented a huge dilemma for the government.

Seen from this light, the ad hoc immigration policy of the colonial government in the 1960s to the early 1970s needed to be restructured into a more systematic one. The labour supply from the PRC had been totally dependent upon the will or aspiration of the Chinese people to flow into Hong Kong, instigated by the income difference between both sides of the border. With the economy stagnating, it became necessary for the colonial government to proactively scrap the past haphazard reiteration of suspending and resuming the repatriation of the PRC Chinese, and instead to introduce more systematic labour market regulation through the manipulation of border porosity.

[101] Similar phenomena were reported in the Pearl River Delta. When a Japanese company attempted to reduce labour costs by reducing the quality of meals for its Chinese employees amidst the tight labour market conditions, the disgruntled employees brought the factory to a halt by destroying cafeteria facilities (*Nihon Keizai Shimbun*, 9 November 2004).

3.5.2 The 'Touch-Base Policy'

The policy that was thus devised was the 'Touch Base (or 'Reached Base') Policy', introduced on 30 November 1974, together with the resumption of the forced repatriation of *intercepted* 'illegal' Chinese immigrants. This policy lasted until the day before 23 October 1980, when the colonial Government adopted the new policy of repatriating *all* the 'illegal' immigrants to the PRC.

Industrial plants were clustered beyond the hilly New Territories in the urbanised areas, which were more than 20 km away in Kowloon and on Hong Kong Island. In the 'Touch Base Policy', only the immigrants who somehow managed to cross the New Territories to reach the urbanised areas without being intercepted could get a Hong Kong ID card and a job. Skeldon commented on the 'Touch Base Policy' as being "a very British, 'sporting' approach to a unique international problem".[102] Taking the configuration of space in Hong Kong to be a ballpark, it indeed worked something like baseball game: incoming immigrants from the PRC spotted and arrested in the hilly terrain of the New Territories were regarded as 'out' and were forcibly repatriated to the PRC irrespective of their will to remain in Hong Kong; while migrants who succeeded in making their way to reach bases in the urbanised areas of Kowloon or Hong Kong Island were 'safe' and allowed to remain, and were issued with Hong Kong IDs that gave them the right to abode and work in Hong Kong.

While the flow of immigrants might have seemed like 'sport' to the colonial British, it was matter of life or death for PRC Chinese to join this 'sport game' and enter into Hong Kong for a higher income and better life. Just like stoical athletes, they kept trying 'until they make it'. Some prospective immigrants were captured on nine occasions.[103]

Naturally, not everyone won in this game. Many would-be immigrants from the PRC swam across Deep Bay and Mirs Bay, which separate the PRC from Hong Kong. In 1979, 451 dead bodies of prospective Chinese immigrants were found in Hong Kong, and in 1980, the final year of the Touch-Base Policy, 224 dead bodies were found, among whom 188 were caught in fishing nets in Hong Kong's territorial waters. The bays separating the PRC and Hong Kong are notorious for their strong currents, sharks and cold water that causes 'cold shock' quickly. Some fragile boats that left the PRC fully loaded with Chinese disintegrated and sunk before they reached the shores of Hong Kong.[104]

Another way for immigrants to cross the border was to hide themselves in a freight car or in the freezers of Hong Kong-bound freight trains. After the train crossed the border and approached the terminus, they jumped off in Beacon Hill Tunnel or at the railway yards.[105]

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[102] Skeldon, *op. cit.,* p. 7.

[103] *Bradford Telegraph & Argus*, 21 August 1979

[104] *Hong Kong Standard,* 26 January 1981

[105] *Hong Kong Standard,* 19 June 1979

3.5.3 *Demographic Property of the Immigrants from the PRC*

'Illegal' immigrants were quickly absorbed into the labour market of Hong Kong during the period when the 'touch-base policy' was in effect, thanks to their demographic property.

The places of origin of 'illegal' immigrants were 99.7% from Guangdong Province, whereas in case of legal immigrants, the places of origin spread to wider provinces of the PRC, with Guangdong Province consisting of only 55.1% and neighbouring Fujian 24.9%.[106] One of the main reasons for this difference was the language barrier. In order to enter into the job market immediately upon arrival, one needed to be able to speak fluent Cantonese, the unofficial 'national' language of Hong Kong, as well as the dialect in most parts of Guangdong Province. Speakers of Putonghua or Mandarin Chinese, the national language of the PRC, cannot make conversation in Cantonese without learning. Immigrants from elsewhere in the PRC therefore took more time to assimilate into the local language environment, which only legal immigrants could afford.

The age distributions of the migrants coming from the PRC to Hong Kong during this period are shown in Fig. 3.3. Legal immigrants between the ages of 25 and 44 years comprised 36.6% of the total, and were the largest group; while among 'illegal' immigrants, those between the ages of 15 and 24 years were more than 70% of the total. 'Illegal' immigrants were considerably younger among all age groups, the ratio of males to females shows slightly less males at 97.6 for legal immigrants (female = 100), while for 'illegal' immigrants the figure was overwhelmingly male dominated, at 311.[107] From this, we can see that the migration of 'illegal' immigrants was essentially a labour migration from low-income farming villages to urban areas in search of higher wages by immediately entering the unskilled segment of the labour market.

In this regard, the 1981 Hong Kong census shows the unemployment rate for the overall Chinese immigrant population between the ages of 15 and 39 years who arrived in Hong Kong in the period between 1976 and 1980 at between 2.0 and 3.4%. This low figure suggests that the immigrants from the PRC were quickly absorbed into the Hong Kong labour market, their qualifications and personal traits were clearly extremely well adapted to it.

The segments of the labour market that immigrants entered are shown in Fig. 3.4. Almost 75% of immigrants engaged in jobs as unskilled labour, including factories, driving and other physical labour. The most sought-after labour in Hong Kong at the time was for industrial production and construction, and we can see that immigrants supplied labour to these sectors and thereby contributed substantially to the growth of the Hong Kong economy.

The wage rates of the immigrants ('illegal' and legal combined) were lower than those of the local, non-immigrant Hong Kong residents (Fig. 3.5). The median wage

[106] Skeldon, *op. cit*., p. 16.

[107] Skeldon, *op. cit*., pp. 7–8.

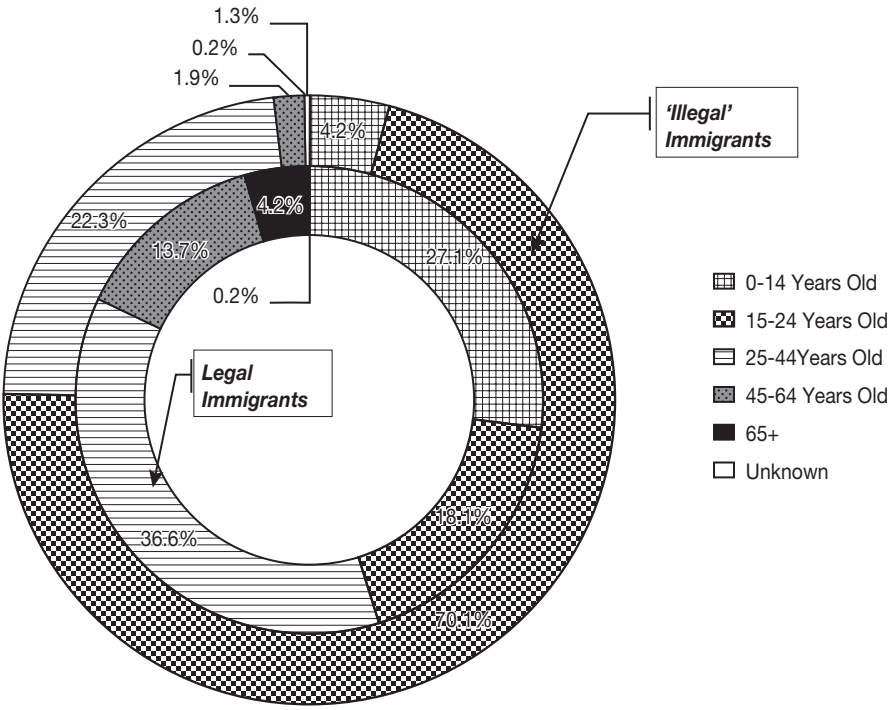

Fig. 3.3 Age distribution of immigrants from the PRC.
Source**:** *Immigration Statistics*, Census and Statistics Dept., Hong Kong (quoted in: Skeldon, *op. cit.*, p. 8)

rates were approximately 80% those of Hong Kong residents. The census taken in 1981 also shows that the median income of the immigrants rose as their year of arrival got earlier (Fig. 3.6). This suggests frequent job hopping of labour, seeking and moving to higher wage positions whenever possible.

In sum, these data show that the immigrants who managed to enter into Hong Kong sold their labour power at lower wages as microeconomic agents to strive for higher incomes. Their 'market-fundamentalist' behaviour was fairly successful.

3.5.4 The Effect of the Policy on the Regulation of Capitalism in Colonial Hong Kong

Based on the above statistical observations, Consider the effects of the 'Touch Base Policy' on the Hong Kong economy as well as on social integration (Fig. 3.7).

When the policy was implemented in 1974, the labour struggles of the late 1960s had already begun to ebb, and the total inflow of both legal and 'illegal' immigrants from the PRC (the solid black line) began to show a remarkable parallel trend with

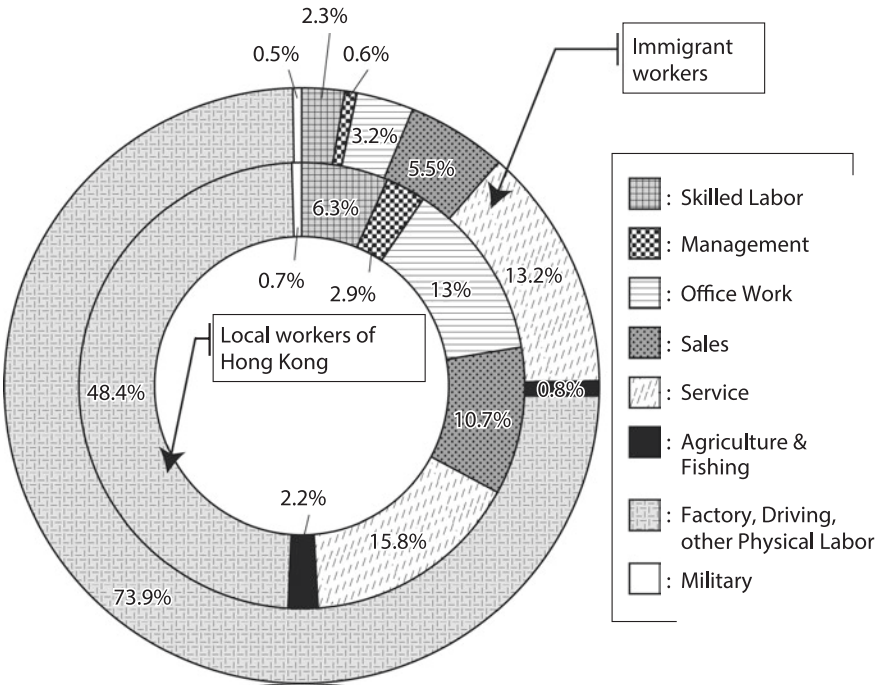

Fig. 3.4 Worker occupations: A comparison of local and immigrant workers.
Source: *Hong Kong 1981 Census*, Main Report, Vol. 1, p. 190

lost labour days due to stoppages arising from 'trade disputes connected with employment, non-employment, terms and conditions of employment.'[108] (the broken line).

The unemployment rate in 1975 (the solid grey line) was high, despite a moderate increase in struggles, mainly due to economic stagnation generated by the oil crisis that was carried over from the previous year.[109] The general government unemployment statistics before 1975 are absent, yet in the plastics industry, then one of the leading economic sectors in Hong Kong, the unemployment rate was 26% for the period from April to December 1974, as opposed to 11% in the previous year.[110] Chinese labour was obviously becoming superfluous, which must have the reason that triggered the colonial government to introduce the 'Touch Base Policy'.

Thereafter, the unemployment rate dropped precipitously, heading toward almost full employment towards the end of 1975. This was due to low inventory in the North American market and a concomitant increase in orders.[111] At the end of March

[108] *Hong Kong Annual Digest of Statistics*, 1978 edition, Census and Statistics Department, Hong Kong, p. 37.

[109] *SCMP*, 2 June 1974.

[110] *Hong Kong Standard*, 2 January 1975.

[111] *SCMP,* 2 January 1976.

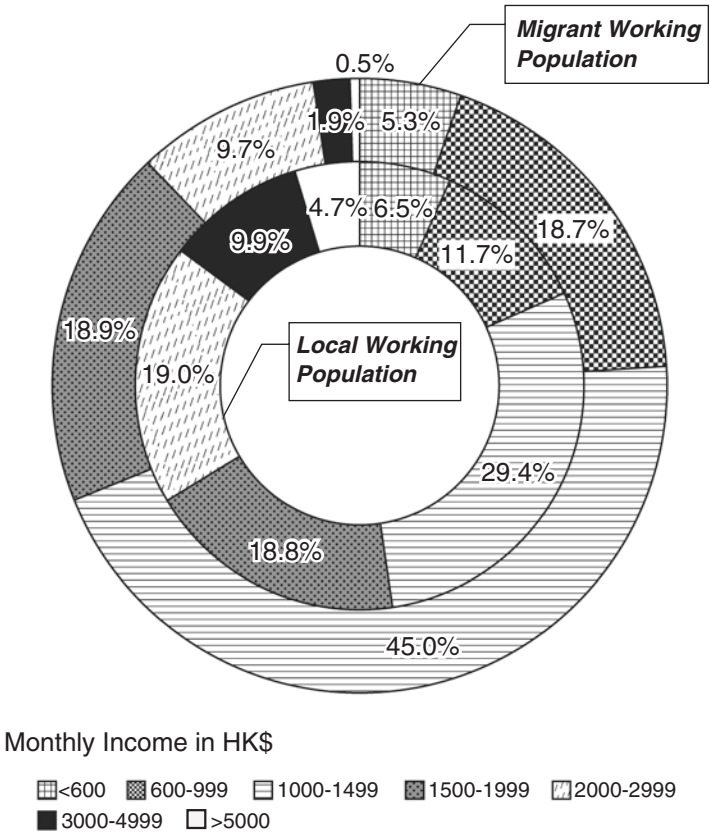

Fig. 3.5 Percentage distribution of migrant and local working population.
Source: *Hong Kong 1981 Census*, *op cit*., Vol. 1, pp. 190-1

1976, the President of the Chinese Manufacturers' Association warned 'that local industry will soon be faced with a serious shortage of labour'.[112]

In June 1976, an electronics plant was forced to close temporarily due to lack of labour. The labour shortage led to a increase of labour struggles towards 1978. The capitalists in Hong Kong were well aware of the relation between the class struggle and the condition of the labour market, as in the comment of a major printing firm, "workers are taking advantage of the [labour] shortage… with excessive wage demands"; thus "printing house are being forced to pay more wages to prevent strikes".[113] An electronics factory was also forced to raise the wage rate by 25% to attract enough labour for continuing operations.[114]

[112] *SCMP*, 31 March 1976
[113] *SCMP,* 8 April 1978.
[114] *The Star,* 18 June 1976.

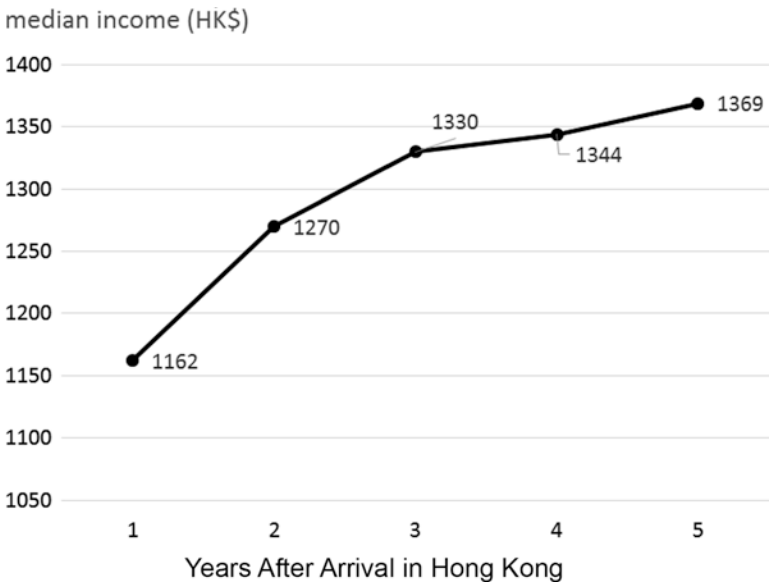

Fig. 3.6 The relationship between median income (1981) and number of years after arrival in Hong Kong.
Source: *Hong Kong 1981 Census*, *op cit*., Vol. 1 pp. 190-1

The capitalist class in Hong Kong became more vocal in solving the tension in class relations by regulating the labour market. When the labour supply became depleted again in 1978, five organisations among the garment factory owners asked the government to "relax immigration laws to enable companies to import labour for the industry".[115] They realised that control of border porosity was the key to regulate labour markets, although mention of the immigrants from the PRC was carefully avoided. There was accepted antipathy towards them among Hong Kong Chinese, who had been brainwashed to call the immigrants from the PRC '*Tai Huen Chai*' (big circle boys, 大圈仔), and to discriminate against them, even though the ethnicities are the same on both sides of the border.

The chairman of the Hongkong Christian Industrial Committee was, however, more explicit about this, stating, "We have an influx of 50 to 60 people every day from China"; thus, "why do we want to import labourers from elsewhere?"[116] A Chinese journal explicitly stated in 1979: "From 1957 to 1969, the industrial workforce increased by more than 370 thousand, whereas during the same time period, including the tide of incoming immigrants, more than 200 thousand people entered from the mainland to Hong Kong, having well replenished the great portion of the labour force needed for rapid growth of industry".[117] The journal then claimed that "Everyone is equally Chinese, from a geographical area of their own to another area

[115] *SCMP*, 1 April 1978.
[116] *SCMP,* 15 April 1978.
[117] Wu, *op. cit.*, p. 20.

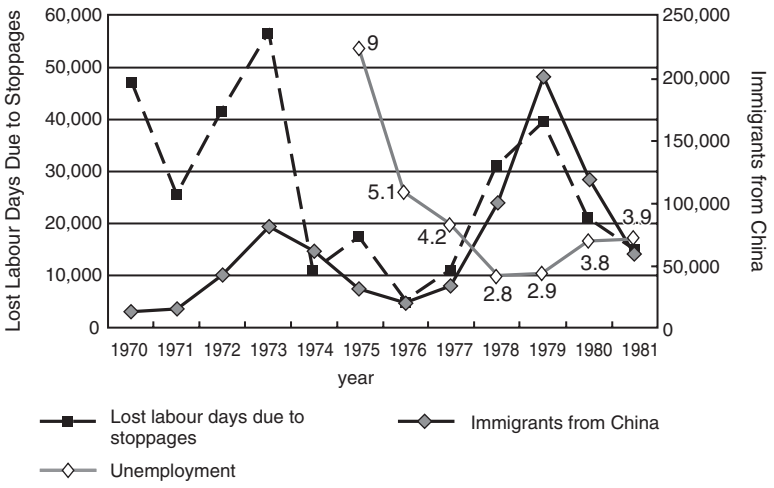

Fig. 3.7 Effects of the "Touch Base Policy".
Sources: "Lost Labour Days Due to Disputes" was compiled from *Hong Kong Annual Digest of "Statistics*, various years. "Immigrants from China" is a total of both legal and 'illegal' immigrants. Data on legal immigrants for 1970 were obtained from *EPA Resources* Vol. 1, no. 1; for 1971 from *SCMP*, 10 September 1973; for 1972-77 from *Parliamentary Information* No. 68, HK Government Office, London; for 1978 from *SCMP*, 2 January 1979; for 1979 from *Hong Kong: the Facts of Immigration*, HK Government, 1980; for 1980 from *SCMP*, 22 September 1981; and for 1981 from *SCMP*, 5 February 1982. Data on illegal immigrants for 1970-72 were obtained from *Annual Department Report*, Director of Immigration, HK Government, various years; for 1973 from *SCMP*, 19 November 1974; for 1974 from *FEER*, 20 December 1974; for 1975-76 from *FEER*, 3 March 1978; for 1977-78 from *Hong Kong 1981: A Review of 1980*, HK Government; and for 1979-81 from *Parliamentary Information*, January 8, 1982, HK Government Office, London. 'Unemployment' data were obtained from *Hong Kong Annual Digest of Statistics and Monthly Digest of Statistics*, various years

that also belongs to him/her; this is the natural cause of things, and there is no reason to refuse the Chinese from this side".[118]

Statistics reveal that the colonial government tacitly regulated the labour market of Hong Kong by adjusting the immigrant inflow from the PRC, deploying the 'Touch-Base Policy'. The relationship was striking (Fig. 3.7). The labour market of Hong Kong industry was kept optimum through porosity control of the border. The immigrants were controlled in the New Territories much like turning a spigot on and off, and in doing so, the labour supply from the PRC into Hong Kong increased and decreased at the will of the colonial government, such that class struggle within Hong Kong would never boil over. Through this effort, the colonial government regulated both capital-labour and ethnic relations; and thereby managed to regulate the stable accumulation of capital and achieve social integration among the Chinese

[118] Wu, *op. cit*., p. 21.

in Hong Kong, which otherwise might turn into anti-British ethnic struggles, like those that happened twice in the late 1960s.

The Hong Kong mass media repeatedly lambasted the government's lack of effective measures to prevent PRC immigrants from flowing into Hong Kong while the 'Touch Base Policy' was in effect. The authorities also continued to ignore completely the indispensable contribution of these PRC Chinese to the Hong Kong economy. For example, the leading English-language magazine close to the colonial government, propagated an article claiming, over the previous three years, the dream of better, less crowded housing, schools and hospitals envisioned by Hong Kong Chinese did not materialise, and putting the blame for the lack of public services on the 400 thousand immigrants from the PRC, rather than on the colonial government, where the responsibility actually lay.[119]

Cantonese-speaking immigrants from Guangdong Province, once given stable labour and housing, quickly assimilated into Hong Kong society. There were almost no violent conflicts between Hong Kong Chinese and the Chinese from the PRC, except for those engaged in the organised triad societies. In the end, while the Hong Kong Chinese were subjects of the British dependent territory, they are in the same ethnic group after all, as manifested in Wa Shan in 1962.

3.6 The Fourth Stage: The End of the 'Touch Base Policy' and Forced Repatriation

3.6.1 Termination of the 'Touch Base Policy'

After the death of Mao Zedong, Deng Xiao Ping declared in the third plenary session of the 11th CCP Central Committee, held at the end of 1978, the economic reform toward a market economy and opened the door to foreign direct investment. While keeping labour behind the 'Bamboo Curtain' and under single-party communist control, the PRC government volunteered herself into the system of the new international division of labour (NIDL). With the competitive advantage of an inexhaustible supply of low wage labour, the PRC literally burst onto the global economy, earning the sobriquet of 'factory of the world'.

In Hong Kong there were problems of soaring local interest rates and the concomitant trend of the relocation of manufacturing plants to outside the colony.[120] Consequently, the unemployment rate increased, and labour struggles dropped sharply.

In this shifting economic and political situation, the 'Touch Base Policy' was scrapped for good on 23 October 1980. Until midnight on 26 October, when the grace period for the 'illegal' immigrants from the PRC expired, a huge queue of

[119] Lee, M., 'Much Talk, But Little Action, '*FEER,* 16 October 1980, p. 21.

[120] *Hong Kong Standard*, 30 December 1980.

6952 Chinese was formed in front of the Victoria Barracks in Hong Kong Island to apply for Hong Kong IDs.[121] Thereafter, not only the immigrants, but also those employers hiring labour without the proper ID were to be prosecuted.

The termination of the 'Touch Base Policy' was due not only to the short-run economic fluctuation, but also to the consequence of the longer-run structural reforms of the Hong Kong economy and the designation of the once desolate farming village of Shenzhen right opposite the Sino-British border as a Special Economic Zone in March 1980. In response to these developments, the Hong Kong government's Financial Secretary, Philip Haddon-Cave, was named as Chief Secretary in 1979.

Haddon-Cave laid out a policy of industry diversification and indicated a move in the direction of a more sophisticated and knowledge-intensive industrial structure.[122] In the 1980s, Hong Kong gradually shifted from a light industrial manufacturing centre to a management centre, processing contracts on commission using a new pool of unskilled, low-wage labour located in Shenzhen. Thanks to this spatial shift covering the entire East Asian NIDL, Hong Kong no longer needed an influx of PRC immigrant labour that placed demands on the colonial government the burden of its social cost. The PRC Chinese labour was kept on the other side of the border, the porosity of which had been reduced to a minimum for labourers, while investment by the capitalists in Hong Kong and overseas enjoyed an increase in porosity. The PRC Chinese were no longer in need of the Hong Kong economy and therefore subject to forceful repatriation.

3.6.2 Continued Inflow of Migrants from the PRC After October 1980

There were two exceptions to this repatriation by the colonial power:

First, the colonial government kept accepting legal immigrants even after the scrap of the 'Touch Base Policy'. The quota of legal immigrants from the PRC was 150 per day, which was distributed across the provinces by the PRC authority. Provinces far away from Hong Kong, such as Heilongjiang or Yunnan, had unfilled quotas, which was exploited by PRC Chinese living closer to Hong Kong, who legally moved to these remote provinces. The number of legal immigrants amounted to 55,473 in 1980.[123]

Second, the Immigration Department of Hong Kong in the beginning gave humanitarian treatment to allow minor immigrants to remain in Hong Kong, provided that both parents lived legally in Hong Kong and the minor was handed over directly to them.[124] This policy measure, however, instigated the 'smuggling' of

[121] Lee, 31 October 1980, *op. cit*., pp. 10–11.

[122] Haddon-Cave C. P. (Chairman), *Report of the Advisory Committee on Diversification 1979,* Government Secretariat, Hong Kong.

[123] *SCMP,* 22 August 1981.

[124] Singleton, *op. cit*., para. 31.

children and gave rise to immigration syndicates in the PRC that offered 'safe passage' for children from the PRC to Hong Kong for HK$20,000, so that the children could travel alone.[125] Children were smuggled into Hong Kong with the parents hoping that once the child was able to get legal right of abode in Hong Kong, they as parents could also legally settle there. In one month from 1 October 1981 alone, 1148 children under the age of 12 years arrived in Hong Kong. Upon arrival, they enrolled in schools and applied for registration to remain legally in Hong Kong, obviously with the assistance of the immigration syndicates. The parents in the PRC then applied to enter into Hong Kong for the sake of 'family reunification'.[126] In addition, some pregnant PRC women 'illegally' entered into Hong Kong to give birth to an infant, who could legally remain in Hong Kong by *jus soli*.[127]

In order to curb this practice of using children as a tool to evade the immigration restrictions, a new immigration law that passed on 9 December 1981 stipulated that the children smuggled into Hong Kong without parents should be placed under 'protective custody' in a boys' or girls' home and then eventually repatriated.[128] Further, on 27 April 1987, the Immigration Department introduced a stricter regulation, requiring parents who had already settled in Hong Kong legally to register their children within 26 h of their arrival from the PRC.

In the meantime, control over the residents of Hong Kong was also strengthened. Every resident was asked to carry some form of identity, which was, for most of them, the Hong Kong ID. The RHKP and the Immigration Department were given power to check this form of identity at any time.[129] The RHKP did actually check the IDs of ca. 750 thousand Hong Kong residents.[130] Hong Kong thus became more of a surveillance society, using 'illegal' immigrants as pretext.

Adult immigrants did keep coming from the PRC to Hong Kong overland or by means of boats (a speedboat or a regular boat with a secret compartment) across the bays separating Hong Kong from the PRC, although the number diminished considerably. Whereas 400–500 'illegal immigrants' had been captured per day before the scrapping of the 'Touch Base Policy', by late 1980 the number had dwindled only to 2–20 per day; and whereas 9248 'illegal' immigrants were captured in November 1979, the number went down to 625 a year later.[131]

There were immigration syndicates for adults that undertook 'illegal immigration' for a package deal of HK$25–30 thousand, which included assisted passage to Hong Kong and a forged Hong Kong ID, essential to get a job once the immigrants arrived.[132] These immigrants were enticed by groundless rumours such as 'jobs available on construction sites, factories and restaurants', HK '$4000 to $6000 a

[125] Singleton, *op. cit*., para. 32.

[126] *SCMP,* 30 November 1981.

[127] *SCMP*, 25 November 1981.

[128] *SCMP*, 12 December 1981.

[129] Lui, *op. cit*., p. 13.

[130] Lui, *op. cit*., p. 14.

[131] *SCMP*, 5 January 1981.

[132] *Hong Kong Standard*, 4 April 1981.

month can be easily earned', 'all illegal immigrants will be issued with ID cards soon', etc.[133]

According to RHKP observations, these would-be immigrants came from the poorer eastern counties of Guangdong Province, while those from more prosperous areas such as the Guangzhou metropolis or the Pearl River Delta were rare. There were eight counties from whence most of the immigrants originated, suggesting the existence of a chain-migration process.[134] The reality of this process being encouraged through word of mouth was evidenced by the fact that the 'aiders and abettors', mostly from the same county of origin, were of assistance in crossing the border into Hong Kong 'at a particular place' well known to their predecessors.[135] However, with the share of those 'coming from the provinces other than Guangdong' amounting only to about 10%, the rural–urban migration pressure from the poorer PRC rural areas near Hong Kong to enter more prosperous Hong Kong never ceased.[136]

Some of these migrants were unable to find jobs because of fear among the Hong Kong Chinese, whom the colonial government came to penalise stiffly if they hired Chinese without proper Hong Kong ID. Those who couldn't find jobs turned to beggars and slept in the streets; ultimately, they sometimes gave themselves up to a police station for repatriation to the PRC,[137] committed suicide,[138] or engaged in such crime as armed burglary.[139]

Yet, some determined immigrants did gain employment on construction sites, restaurants, factories, farms, etc., with a forged Hong Kong ID produced and provided by professional syndicates operating in the PRC.[140] They earned ca. HK$100/day to HK$5000–6000/month, and remitted a part of their wages to their home in the PRC.[141] Among them, construction sites were most popular, as there was a labour shortage in this sector.[142] Occasionally the police raided these sites, and for two years from the beginning of 1990 to the end of 1991, 2367 'illegal' immigrants were arrested.[143] Nevertheless, their stay was often temporary, even if they could evade the police raids; they were singletons living in small cubicles and after they earned the desired amount in Hong Kong, they tended to return to their homes in the PRC.[144] Although some of the immigrants engaged in such criminal activities as armed robbery and were specially recruited in the PRC for this purpose, even the

[133] Singleton, *op. cit*., para. 36.

[134] Singleton, *op. cit*., paras. 38–39.

[135] Singleton, *op. cit*., paras. 46 and 49.

[136] Singleton, *op. cit.*, para. 40.

[137] *HK Standard,* 2 February 1981.

[138] *SCMP,* 13 January 1981 and *HK Standard,* 8 January 1981.

[139] *SCMP,* 1 May 1981.

[140] Singleton, *op. cit*., paras. 93–97.

[141] Singleton, *op. cit*., paras. 73–75.

[142] Singleton, *op. cit*., para. 76.

[143] Singleton, *op. cit*., para. 79.

[144] Singleton, *op. cit*., para. 73.

RHKP admitted that "their involvement in crime is low".[145] Thus, these immigrants did contribute to the Hong Kong economy by reducing construction costs, thus promoting the international competitiveness of Hong Kong.

3.7 Conclusion

The colonial government thus contrived the laissez-faire migration of labour from low-wage to high-wage regions by manipulating border porosity. This contrived laissez-faire, rather than the real laissez-faire flow of the people, regulated capital accumulation and the class struggle of Hong Kong, allowing more stable governance of the colony.

Under the constant pressure of in-migration of Chinese from mainland China, the colonial British could remain passive in accepting such immigrants. They then exercised their power to control the porosity of the Sino-British border. In protecting the colonial entity of Hong Kong and regulating its capitalism, the colonial British gave no respect to the ties of the family, friends and relatives, and even the lives of the Chinese. The colonial government instead took pains to refine ways of manipulating border porosity to regulate capitalism in Hong Kong, in terms of class and ethnic integration as well as in the sustenance and promotion of the colonial entity. At its acme stood the quaintly ingenious 'Touch Base Policy', with which the colonial British regulated capital accumulation with class struggle carefully contained.

The colonial British also split the ethnic integrity of Cantonese-speaking Chinese with the international boundary, using propaganda directed against *Tai Huen Chai*. They further confined the PRC Chinese off the Sino-British border, who remained there to create huge pool of cheap labour to be exploited by the capitalists of Hong Kong after 1980. This contrived laissez-faireism was indeed the secret key that pulled Hong Kong up into the ranks of the newly industrialised Asian economies in terms of labour, and eventually to become the administrative centre of manufacturing in East Asia.

[145] Singleton, *op. cit*., paras. 79 and 102.

Chapter 4
Capital Accumulation, Ethnicity and Production of Space in the Squatter Problem

4.1 Introduction

As has been discussed earlier in this book, existence of the colonial administration relied upon the extraction of wealth from pristine space. Here lay a hidden contradiction: to extract wealth from the Crown lands, it would be necessary to foster the macro-economy of Hong Kong through more competitive industrial production, which necessitated space more affordably available to industry and people, whereas this policy imperative functioned as an impediment to extracting wealth from pristine spaces. The transcendence of this dialectic resulted in massive public works projects in spite of the official claim of 'laissez-faire', including squatter clearance, construction of public housing and industrial districts as well as the Mass Transit Railway. This book deals with these typical public works projects waged by the colonial government in Chaps. 4–6.

At the destination of the migration, the migrants had to be converted into the commodity of labour power. This process meant the creation and expansion of the colony's internal capitalist relations of production, where the immigrants were to sell their labour power cheaply to support the export-oriented industrialisation.

Most of the incoming immigrants from the PRC in the 1950s did not have a place to live or could not afford to stay in anything like a guesthouse. The majority of them were living on Hong Kong's Crown land without lawful claim. They were thus called 'squatters'. Their population swelled from 250,000 to 500,000,[1] extending mostly in the northern areas of the Kowloon Peninsula and eastwards, giving rise to problems for the colonial British such as prostitution, unsanitary conditions, fire, crime and espionage.

Squatters are typical in the urban landscape of many developing countries. The context behind the squatter problems in post-war Hong Kong, however, was of a

[1] McDouall, J.C.,'Report on Squatters dated 8.11.50 by SWO', 1950, para 14, 5-1 in <1/6/3091/48 I>.

F. Mizuoka, *Contrived Laissez-Faireism*, The Political Economy of the Asia Pacific, https://doi.org/10.1007/978-3-319-69793-2_4

distinct character. When Hong Kong was established as a British colony, it confiscated as British Crown lands all spaces that had belonged to the indigenous Chinese. As we saw in Chap. 2, the colonial British treasured space with exceptional care in order to maintain scarcity and maximise the revenue into the colonial coffers. The squatters 'squatted' or illegally occupied this valuable Crown land, infringing on the rights of colonial rulers who sought to make it a vital fiscal foundation of the colonial rule.

The colonial government had to call for the development to achieve more rational land-use. In fact, the two most common strategies for the colonial government to open land supply were the clearing of squatters and land reclamation, upon which subsequent planning and development took place. David Drakakis-Smith pointed out that only 42% of the land opened through the government's squatter-clearance scheme was used for sites to build public housing estates, while more than 27% of the land went to industrial development and land sales by means of auction.[2]

Thus, the colonial British retained the monopolisation of space in the colony while admitting the spatial movements of population from the PRC as long as they were useful for labour power. The squatter was the visible manifestation of this contradiction, which had to be solved through a government initiative to develop the squatted space into the living space of the labour. Through this government policy, ethnic and class integration was attained and capital accumulation achieved, based on laissez-faire competition of mainly small and medium enterprises.

This Chapter attempts, primarily with reference to the squatter issue, to illuminate the dialectics of class, ethnicity and space in Hong Kong.

4.2 Post-war Influx of Immigrants and Shortage of Space

4.2.1 Influx of Immigrants and Earlier Squatter Settlements

Alexander Grantham, who assumed control of Hong Kong as Governor in 1947, recognised that the Chinese immigrants "needed money and that could only be obtained if they secured work" and work "could only be found in the urban areas".[3] With the post-reoccupation explosion in population, the market for rented rooms in the urban areas of Hong Kong became tight, and key money soared due to speculation. Many immigrants from mainland China had no choice, therefore, but to become 'squatters', settling in shacks that they built illegally on hillsides close to the urban areas.

The squatter settlements are marked by endless rows of amateur-built structures of crude planks using no bricks or cement pillars, with only wooden roofing covered in oiled paper. These roofs leaked hideously in rainy weather, while on fine days the

[2] Drakakis-Smith, D., *High Society: Housing provision in Metropolitan Hong Kong 1954 to 1979 A Jubilee Critique*, Centre of Asian Studies, HKU, 1979, p. 56.

[3] Grantham, A., *Via Ports: From Hong Kong to Hong Kong*, HKU Press, 1965, p. 154.

warmth of the tropical sun on the roof turned the indoors into an oven. An unhealthy miasma of vapours from muddy streams and pools of filthy water permeated the surroundings, and squatters became ill as hygiene deteriorated without sewage, electricity or supplies of fresh water. In winter, the risk of fire increased, as northerly winds dried out the planks, making them easy to burn, and once fire did break out, hundreds of dwellings could be devoured.[4]

A study carried out by the government's social welfare office on 3 July 1948, following a fire in Tai Kok Tsui (大角咀)[5] found conditions for squatters at the time to be as follows:

Among the 74 households included in the study, 48 out of 74 (64.9%) were originally from Chaozhou (潮州) (such as Swatow (汕頭, Shantou)), in Guangdong Province, and had for the most part arrived since the end of the war. 58 out of the 74 households (78.4%) had been in Hong Kong for 3 years or less, and 23 of these (31.1%) for 1 year or less. On the other hand, 12 families had been residents for 4–5 years, and were thus deemed to have arrived in Hong Kong during the Japanese occupation. The longest period of residence was 22 years. A large majority of the 109 men included in the study were working, mainly around jobs in heavy transport (coolies, 24), as street vendors (hawkers, 19) or as carpenters (12). An additional 18 men pursued irregular contract work as day-labourers, such as barbers, basket-weavers, watchmen and blacksmiths. Most jobs were attached to the secondary labour market, and monthly wages ranged from HK$50 to 100.[6] After the fire, none expressed any intention to leave Hong Kong and return to native villages in the PRC, and many responded that they would "rebuild their shacks in the same place" as before the fire. The cost of rebuilding a shack was at most HK$80 per building, an amount commensurate with a month's wages. In fact, construction work had begun on two new huts on the fifth day after the fire. Until then, the squatters had been staying with relatives, or else living homeless in the streets.

From the results of this study, Social Welfare Officer J. C. McDouall concluded that as most immigrants had been aiming for "their pre-war outlets for emigration, in large numbers, in Siam, Malaya and the Dutch East Indies", and that these areas "have become much more difficult to reach and enter" in the post-war period. Moreover, because they had no prospects for making a living in their native homes, and there was a real risk of their being conscripted if they returned to China, they would not return to their place of origin even if driven out.[7] McDouall's own report[8] indicated that half of the squatters were originally from Swatow and Amoy (厦門 Xiamen, Fujian Province), and had been en route to those cities' traditional migration sites in Southeast Asia when the changing international situation had resulted in the loss of their destinations.

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[4] Lee B., 'Squatter Huts of Hong Kong', *FEER (FEER)*, 10 August 1950.

[5] 7 in <4802/48>.

[6] In March of 1955, the exchange rate with the US dollar was approximately US$1 = HK$5.9.

[7] 7 in <4802/48>.

[8] Report on Squatters Dated 8. 11. 50 by S.W.O., 5 1 in <1/6/3091/481>.

Living in rented shacks, even ones that were illegally constructed, naturally required that the rent to be paid. In 1954, skilled labourers earned daily wages of between HK$6.00 and HK$8.50, unskilled labourers between HK$3.00 and HK$5.00.[9] In the latter case, this would amount to more or less HK$100 a month, of which up to HK$30 could be used to pay the month's rent. Reflecting this, over 70% of rental amounts were HK$50 or less, and the standard rent in Shek Kip Mei (石硤尾) was HK$30 a month.

Urban Hong Kong's contemporary public transportation was only low-speed mediums such as buses, streetcars and ferries. For those who became labourers to earn money as post-war immigrants into Hong Kong,[10] it was indispensable, amidst such circumstances of insufficient spatial integration, to live in urban areas closer to employment opportunities, and squatter settlements near bus stops on major roads grew in popularity. This was the reason for overcrowding in Shek Kip Mei.[11]

4.2.2 The Colonial Government's Cold Heart to the Housing Issue of the Squatting Immigrants

The colonial government's basic attitude towards incoming immigrants who put down roots as squatters had been initially one of indifference. Indeed, squatters were "detrimental to the public interest",[12] in a way different from that Landale pointed out.

Since the nineteenth century, the colony of Hong Kong had served as a base for Christian proselytism into Asia, and the Chinese living in miserable conditions as squatters immediately caught attention of the charitable Christians. In a letter to the Government dated 23 November 1946, Father Ryan of the Hong Kong Social Welfare Council proposed "that simple accommodation with the city should be provided for the squatters who could prove that they had employment".[13] With a useful life of only about 2 years, Father Ryan considered the two-storey buildings to be for temporary use only, and he also made proposals regarding several prospective housing sites.

Nevertheless, the resolution of the Executive Council Meeting held on 11 December 1946 stated as follows:

> The finance committee of the Legislative Council[14] should be asked for a vote to enable the scheme for voluntary repatriation to be tried out over a period of three months. It was

[9] *Hong Kong Annual Report for 1954*, Hong Kong: the Government Printer, 1955, p. 23.

[10] 1954 study by the United Nations Commission of Inquiry for Refugees found that 38.6% were employed in waged occupations. (Edward Hambro, *The Problems of Chinese Refugees in Hong Kong*, Leyden: A. W. Sijthoff, 1955, p. 171 Table XXXII).

[11] Lee Bing, *op. cit*.

[12] Motion by D. F. Landale, *Hong Kong Hansard*, Session 1947, 3 July 1947, p. 193.

[13] <52/641/46>.

[14] See Sect. 1.2.2 of Chap. 1.

> agreed that the scheme would necessitate the provision of a transit camp or camps in which the destitute would be kept so that if a scheme for compulsory repatriation had to be introduced later, it would be possible to identify persons who had already received Government assistance to go to their villages should they return to Hong Kong… The sites proposed by the Social Welfare Council for the erection of temporary houses were unsuitable or were earmarked by the Urban Council for other purposes and in view of the uneconomical nature of temporary housing as compared with that of a scheme for permanent rehousing, it was preferable to await a reply from the Secretary of State [of the UK] on the question of finance for the resumption of devastated areas before proceeding with any building scheme.[15]

By this resolution, the Government rejected the proposal of the Council of Social Welfare, and clearly indicated its orientation towards continuing to encourage the voluntary departure of the squatters without stooping to their forcible deportation to mainland China.

The measure of the squatters' forcible eviction had a legal basis in Ordinance No.5 of 1922 (Emergency Regulations). Any civil servants so authorised by the Commissioner of Police, Director of Public Works or the Deputy Director of Health Services was enabled to use force in disrupting and demolishing any residence structure that was built on Crown lands or maintained without the lawful right to do so (Article 1). It was also decided that the demolition costs would be borne by the owner of such a structure (Articles 5, 6). The fact that the Deputy Director of Health Services was included among those empowered to authorise demolitions at the very beginning, and that Article 3 stipulated the demolition of structures adjudged "to become a source of infection if used as a residence" without being supplied with services such as water or sewage, lavatories or kitchens indicates that it was enacted chiefly out of a concern for public hygiene. It requires only a slight modification of this to see it as a legal basis justifying the removal of the squatter settlements.

Of course, the existence of this ordinance is a separate issue from the question of whether such a 'final resort' would ever actually be deployed. There were interconnected relations, as we shall examine in the next two Sections. These are potential conflicts of class and ethnicity, and several issues of each of these as they relate to space.

4.3 Class Struggle and the Transformation to Skilled Immigrant Labour

Immediately after Hong Kong's re-occupation, labour supplies fell short of demand, and class struggles intensified. In such conditions, if it were possible to bring the supply and demand of labour to hit equilibrium through the commoditisation of immigrant labour power, this would contribute to stable growth of the colonial economy.

[15] *Minutes of Executive Council* … , 11 December, 1946, *op. cit*.

Subsequent industrialisation under peripheral Fordism brought about certain improvements in living standards among typical Hong Kong Chinese labourers, and so shored up the grassroots support for the colonial apparatus and class cum ethnic alliance. This process established Hong Kong more firmly as a territorial entity.

Although the colonial government initially regarded the manufacturing industry as being of secondary importance, it nevertheless acknowledged dire problems that the colony's industry faced.[16] Along with high wages these problems included loss of equipment, high prices (e.g. of raw materials, fuel and electrical power), site shortages and limited supplies of uncontaminated water. In addition, manufacturing firms in Shanghai, who sensed a crisis in China's burgeoning Communist Party transferred production to Hong Kong (Sect. 3.3.2 of Chap. 3). In fact, as discussed in the last Chapter, some industrialists had already begun shifting from Shanghai earlier.[17]

4.3.1 The Discriminating Policies Against Squatters

These incoming Chinese immigrants became, at least in part, valuable assets to colonial Hong Kong. The idea to revise the policies described in the previous section, and to provide housing for the squatters, at least in part, began to emerge within the colonial Government around the beginning of 1948.

On 6 April 1948, the Chairman of the Urban Council issued a memorandum to the Colonial Secretary to the effect that "as the Government was reluctant to provide squatters with huts", a proposal was being investigated "that firms and individuals would be given Crown lands on favourable terms on the condition that they would construct a significant number of brightly lit and properly ventilated warehouses wherein squatters could be settled barracks-style for a number of years".

More significant was the 'Report of Interdepartmental Committee on the Squatter Problem',[18] prepared through investigation into the countermeasures to the squatter issue by an inter-departmental committee chaired by Patrick Sedgwick of Urban Council on 29 June in the same year and submitted to the Colonial Secretary. This report basically rested on the idea to materialise stable labour supply through the settlement of incoming immigrants, which would solve the labour shortages manifesting in the tight labour market and intensifying class struggle, and to avoid the risk of the colony's social integration being disrupted through forcible clearance of the squatter.

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[16] *Annual Report for 1947*, op. cit., pp. 57–58.

[17] *Annual Report for 1947*, *op. cit.* pp. 11, 58.

[18] 5-1 in <4802/48>. This report (dated 29 June) was signed by five officials: the Chairman, Urban Council; Superintendent, Crown Lands and Surveys; Commanding Officer, Hong Kong Police; Deputy Director of Health Services; and Social Welfare Officer—all of whom, with the exception of the Deputy Director of Health Services, were British. This ensemble suggests that the contemporary Government's awareness vis-à-vis the squatter problem was primarily in terms of concerns about security and over the use of space, and secondarily as a matter of social welfare policy.

The earlier, more forceful measures that had been oriented towards the squatters' removal by direct application of colonial power were rejected for two reasons: firstly, it "would create political and economic problems of a serious kind" (§8); and secondly, even if they were forcibly removed, constant monitoring would have been necessary to prevent them from simply returning to the original site soon afterwards.

Dividing squatters into two types, the report proposed separate measures for each type. Type I,[19] who made up about 30% of the total, were 'respectable artisans' who were gainfully employed, had lived in Hong Kong for a number of years, and could live in more orthodox accommodation if it were to exist. Type II were defined as those immigrants newly arrived to Hong Kong, the majority of whom were "destitutes or bad characters the Colony could well do without" (§1). This 'discriminatory policy' was in a sense a direct transposition of the rural-urban disparities that had existed in pre-revolutionary China onto the territory of Hong Kong as a social stratification.

On this basis, as it provided housing to the Type I squatters, it took a new stance of dealing with them in a more lenient manner (§4). In pursuance of the Abercrombie report, the post-WWII economic base of Hong Kong was envisaged to be entrepôt trade, which did not require excessive numbers of unskilled cheap labour.

With regard to the Type I squatters, termed by the Social Welfare Officer '*approved squatters*', the Chairman of the Urban Council approved granting exclusive leases, for a small fee, of Crown land in order to build huts for residential use in specified districts (§5). The conditions for the 'approved sites' that received such approval were set as "removed from the central urban areas but it would be unrealistic to offer them sites inaccessible parts… from which they would be unable to go to work" (§7). In other words, the Type I squatter was regarded as a commodity of labour power that could make a useful contribution to the Hong Kong economy to alleviate the tight labour market. In order for this contribution to be realised it was proposed that space be created for their living quarters. With regard to the squatters who fell into Type II, '*destitutes*' and '*bad characters*', while the committee indicated that it might be necessary to seek a site "to provide food and shelter in the New Territories" far from employment opportunities should their influx from the Chinese mainland continue, it would nevertheless oppose such an idea should the squatters' present circumstances continue unchanged (§6).

On the basis of the foregoing, priority would be given to the densely crowded squatter settlements close to the city centre, as well as those at risk from fire or lack of sanitation, which would be successively cleared (§12). In order to secure public support, it was proposed that announcements be made regarding the unhygienic situation of these settlements and the policies of the Government addressing it (§13).

On 13 July 1948, the Executive Council accepted this report in principle, and began to implement the policy, allocating a budget of HK$30,000 to the Public

[19] This is author's terminology to facilitate clearer understanding of this policy concept. The terms 'Type I' and 'Type II' are not used in the government documents.

Works Office and Sanitary Department.[20] People in each residential area would be screened by social workers from the Social Welfare Office, and if they were judged to be 'useful and sincere residents' for Hong Kong, they were introduced to the Urban Council, which would grant permission to build a hut in one of the four districts near urban areas that had been established as 'approved areas': the hills of King's Park (京士柏) and Lai Chi Kok (荔枝角) on the Kowloon Peninsula, or Mount Davis (摩星嶺) and Fu Tau Wat (富斗窟) on Hong Kong Island. Huts were to be constructed only according to approved types, at personal expense, and Crown rent was set by the government at HK$12 a year to be paid in advance.

4.3.2 The Government's Proposal of a Low-Rent Housing Scheme

In January of 1949, camps were built in King's Park and Lai Chi Kok to house squatters who belonged to Type I. In the same month, the Chairman of the Urban Council, proposed to develop the squatter camps project into a public low-rent housing scheme.[21]

He advocated that although the colonial government had "no money for housing", it "has one bargaining commodity that is not tied absolutely to annual revenue and expenditure, namely land". Crown land thus "should be made available at very favourable terms", which this was a key element to this scheme. The fund to purchase homes was expected to be extended through private loans. Those targeted by the scheme, or the more precise definition of Type I squatters, were described as:

> The artisan and clerical worker, with their steady jobs and better-than-coolie incomes ($150 to $500 a month). Their borrowing powers must be enlisted, pooled and put into the hands of a reliable housing organisation, in which they must have representation, and the capital thus obtained used for housing them. In many cases, private companies will probably be glad to lend money to their steady employees, perhaps even without interest, to pay for bona fide housing, properly controlled. Theoretically, the provision of sufficient housing for this group should relieve overcrowding in tenements, cause rents and 'key money' to fall and thus provide more housing for the lower paid labouring group… The unit cost of this housing for the artisan and clerical worker must not exceed the borrowing power of each family. The average target figure should not exceed $5,000.

Moreover, through a kind of filtering concept, an indirect form of housing provision would also be expected for the Type II squatter as well.

This housing for the Type I squatters should come in two varieties: temporary bungalow-style housing built in the city suburbs, and long-term high-rise housing near the urban core. The government was also proactive in opening a privately-operated bus line from the suburban bungalows into the urban areas.

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[20] *Minutes of the Meeting of Executive Council …* on 13 July 1948, pp. 190–191.

[21] <21/736/49>.

The housing

> should be grouped in estates of from one hundred to five hundred housing units each. Every effort should be made to provide community benefits in the form of schools, recreation centres, health centres, etc. in each estate. Community spirit and organisation to be encouraged as much as possible. Each community should have a voice (one from each estate) to have representation on the central controlling semi-official body.

In other words, recognising that Type I squatters were trusted as respectable citizens and were expected to autonomously govern themselves, the government proposed houses for new residents, and a residents' organisation to support it.

Of the two varieties of houses, the bungalow housing proposal became common knowledge throughout Hong Kong after it was scooped by the newspapers.[22] Articles reported that by the end of 1949, in conjunction with architectural firms from the UK, the Urban Council would begin a public housing policy on a massive and unprecedented scale, building 4000 small-scale bungalows to be rented out at low rents from HK$60 to HK$80 per month, without the requirement for an honorarium or deposit.

In response to this coverage, however, the colonial government hastily denied the story, stating that "in Hongkong where building land is so scarce, it is exceedingly difficult to find suitable sites for large housing schemes",[23] and that the bungalow housing scheme was "quite misleading and unauthorised". In December of 1949, Andrew Nicol, the Acting Director of Public Works, criticised the bungalow scheme "from a land point of view in this land hungry colony", and made the following statement:[24]

> To permit the erection of bungalows and two storey houses on small sites scattered here and there is fundamentally and economically unsound. The land so used can and should be developed to its full capacity according to a plan. It is admitted the cost of forming the land will be expensive but once formed the only way to obtain *an economic return* on it will be to construct multi-storey blocks of tenements… Private enterprise cannot attempt schemes for low cost housing because of the financial difficulties involved and it therefore becomes imperative that if houses for the workers are to be constructed they can only be done under the guidance and control of Government and some form of Housing Trust.

Being an organisation aiming to provide adequate housing at reasonable prices to people of moderate financial means, the Hong Kong Housing Society had the idea closest to this way of thinking. Though its predecessor organisation dated back to 1947, it was officially approved by ordinance as a non-profit organisation in 1951. The Government provided backing for their activities by providing capital financing with a low interest loan of 3.5% from the colonial coffer, and furnishing affordable building rights and public development funds from Hong Kong and the UK, respectively.[25] The organisation, as a pioneering programme, received a grant of HK$144,556 from the Colonial Development and Welfare Fund of UK (see Chap.

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[22] 'Large Scale Housing Plan for Hong Kong', *China Mail*, 6 June, 1949.

[23] 'Misleading: Bungalow Housing Project: Official View', *South China Morning Post*, 8 June, 1949.

[24] M8 in <21/736/49> (emphasis mine)

[25] 'The Hong Kong Housing Society', *FEER*, 31 December, 1953.

1), and constructed a 270-flat housing complex in Sheung Li Uk (上李屋), approximately 500 m from Shek Kip Mei, described below. Completed in September of 1952, a flat for a four-person family was rented out at the monthly rate of HK$56.[26]

On the other hand, the construction of bungalows built in 'approved areas' by the first type of squatter had stalled. By August of 1948 the achievement was only a pitiful state of affairs, with 18 buildings in Mount Davis, 16 in King's Park and 1 in Lai Chi Kok.[27] The Social Welfare Officer admitted that economic factors[28] was the reason for this delay, claiming that monthly incomes between HK$90 and HK$150 could not possibly allow for the $450–800 that was necessary for the construction of a hut; that even if loans could be secured interest-free, they could not be repaid; and that even if people moved to the approved areas, commuting costs would be unaffordable. In addition, he pointed to the deterioration of public order due to the fact that there were still so few structures in the approved areas, and that the Chinese, apprehensive about fear of robbery and poor security, were reluctant to move from the places and environments that they had been accustomed to live in. By November 1950, only 158 huts had been built in the approved areas (Table 4.1). Among these, King's Park, with a relatively large number of huts, was close to central Kowloon, while Mount Davis was near the various urban areas in the western part of Hong Kong Island, where opportunities for employment were situated closer. In addition to these, the Urban Council administered its own settlement at the Healthy Village Estate (91 houses) on eastern Hong Kong Island. However, among the 13,435

Table 4.1 Squatter settlement conditions as recognised by the government in November 1950

Areas	Number of huts	
1. Four Urban Council 'approved sites', established for families recommended by the Social Welfare Officer:		
King's Park	110	158
Lai Chi Kok	9	
Mount Davis	31	
Fu Tau Wat	8	
2. Urban Council's "Healthy Village (健康邨)"		91
3. Reserved area for substantial brick houses erected by Kowloon City Fire Relief and Rehabilitation Committee in part of Homantin Valley, including 20 houses in the course of construction		256
4. Tolerated squatter area at Homantin		2600
5. Rennie's Mill (調景嶺) refugees		1300

Source: *Report on Squatters*, dated 8/11/50 by S. W. O. *op. cit.* para. 13.

[26] *Hong Kong Hansard*, 1953 Session, 4 March 1953, p. 26. Separate from the Hong Kong Model Housing Society, a contemporary 100-flat housing complex was built in North Point with financing from HSBC on land granted by Government free of charge. Though completed in April 1952, it was expensive, with monthly rents of HK$140.

[27] 47 in <6/3091/48>.

[28] 49-2 in <6/3091/48>.

households that had been investigated, a mere 763 families (5.7%) had been given permission to move into the approved areas, and among these, no more than one in five had in fact made the decision to move residence. Even when permission to reside in approved areas was granted, a majority of families, lacking the funds to build a new home, would drift elsewhere yet again[29].

At this point in time, the colonial government could not get hold of the squatting Chinese under control to create the class cum ethnic alliance for social integration, deploying the housing as a policy variable.

4.4 Forcible Measures Against Type II Squatters: the Potential of Ethnic Conflict

A more serious problem existed among Type II squatters, whose commoditisation as labour power was not considered essential under the Abercrombie plan. This meant that integration of this type of squatter into the colonial society was problematic, as therein lay smouldering more immediate ethnic conflicts.

4.4.1 The Difficulty in Creating Labour Power Out of Type II Squatters

In a circular issued on 12 November 1945, immediately following the re-occupation, the colonial government rejected in principle the issue of grants from colonial finances towards public policy:[30]

> Free grants will not normally be made from the Colonial Development and Welfare Vote to cover the whole cost of schemes, from which Colonial Governments or local authorities may expect in due course to derive some form of revenue… It is also usually an equitable arrangement from the point of view of the general community that those persons who obtain direct benefit from schemes *should be made to pay at least part of the cost*… rather than that the whole cost of the work should fall either on the general body of taxpayers in the Colony or on the Colonial Development and Welfare Vote as the case may be.

The insistence of the Acting Director of Public Works mentioned in the last section on 'economic returns' reflects an accurate extension of this principle. Under this principle reminiscent of neo-liberalism, it would have been difficult for the colonial government to provide housing to Type II squatters, from whom the colonial government could not expect any economic return.

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[29] *Report on Squatters* dated 8/11/50 (The "McDouall Report"), para. 19.

[30] 1 in <18/736/50I>

On 20 October 1950, the Commissioner of Police issued a memorandum based on an investigative survey[31] in which he clarified various problems for keeping public order, including the difficulty of patrolling crowded and unlit streets in squatter districts; the difficulty of gathering information about inhabitants given the fact that the huts were all detached structures with separate kitchens and toilets, limiting interactions among area residents; as well as the potential for destruction of evidence, as by burying weapons in the garden, and that the huts provided safe houses and meeting places for every stripe of political agent.

In addition, Social Welfare Officer McDouall, in a new summary report dated 8 November 1950,[32] indicated the following state of affairs:

Basically, the majority of immigrants who had already arrived from mainland China were settling illegally spreading across north and east Kowloon, while more recent arrivals, after living temporarily in those areas, showed a tendency to gradually migrate afterwards to Hong Kong Island. The squatter districts faced serious problems including prostitution, menaces to health, danger of fire and crime. With 30,000 squatters (1 in 10) having the potential to become a "very real potential threat" (para. 15) to the colony, the frequency of thefts of chattels carried by refugees from their home villages increased; even looking only between May and September of 1950, among 392 cases in all of Hong Kong, 110 occurred within squatter settlements—"approximately one-third of the Colony's most serious crimes are being committed in squatter settlements".[33] Even opium and heroin dens and brothels sought places in the squatter settlements after being driven out of built-up areas. In criminal investigations, because weapons used in criminal activities could be buried in vacant lots within the squatter settlements, their owners could not be legally identified even when they were discovered, making it difficult to bring legal actions forward, and because toilets and kitchens in apartments in the built-up areas were not common-use, there was little gossip among the residents, making it difficult to get wind of useful leads.

From a defence point of view, however, a fundamental problem for the maintenance of the colony, more so than the issues of brothels, was the spread of squatter settlements into the strategically important channel of Lei Yue Mun (鯉魚門), securing the entrance to Victoria Harbour, as well as into Chai Wan (柴灣), the site of planned Royal Air Force facilities, facing the channel on Hong Kong Island. Also seen as problematic was that squatter settlements in Kowloon had drawn closer to the British Armed Forces munitions depot (§§. 4, 8, 15). It could be readily understood in association with this affair that the colonial government drew on public funds to transfer 1300 households of Kuomintang military personnel, who until then had clustered around Mount Davis on Hong Kong Island while waiting for resettlement in Taiwan, to Rennie's Mill, facing Lei Yue Mun on the Kowloon side.[34]

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[31] <1/6/3091/48I>.

[32] The McDouall Report, 1 in <1/6/3091/48I>.

[33] para. 11, <1-3 in 1/6/3091/48I>.

[34] 'Chinese Refugees in Hong Kong', *FEER*, 6 August, 1953; Yan Lu. 1989 [1977]. 'Diao Jing Ling de bianqian [Relocation of Rennie's Mill]'. In idem, *Xianggang zhanggu* [*Hong Kong Anecdotes*] no. 12. pp. 129–151. Guang Jiao Jing Chu Ban.

However, even though they no doubt threatened the colonial British, it was of course no problem for the Chinese squatters to continue their lives under these conditions. The spatial agglomeration of the squatter population "creates a huge demand" within itself, the tedious jobs and peddling that met this supply had appeared, for the demand "for goods and services which they themselves largely supply, not infrequently by illegal methods". In other words, a self-contained economic had been created within the squatter settlement, where the squatters were "taking in each other's washing". The proportion of the population that spilled out as labour power commodity was estimated to be 5% for Kowloon, and no more than 20%, even on Hong Kong Island (§20).

If self-contained economic like these were formed inside squatter settlements, the colonial government outside the settlement couldn't exercise control over these Chinese through the use of economic policy variables, not to mention enticing them to return to the PRC. These squatters would make no contribution to Hong Kong's economy as labour power, but they would also in fact take on negative functions, such as creating problems for public order like increased crime and agitation on behalf of the CCP, burdening Government finances for social welfare, schooling, policing and occupying precious urban spaces. The very existence of Type II squatters was thus a real threat to the colonial British.

In a report addressed to the Colonial Secretary dated 9 November 1950, R. R. Todd, Secretary of Chinese Affairs could not but admit that this state of affairs was a "most distressing feature".[35] The Secretary position had the highest responsibility for addressing the various affairs relating to ethnic Chinese in Hong Kong. Todd suggested to the Colonial Secretary that such production facilities as diners, barbershops, small stores, factories and workshops within the squatter settlements, which contributed to the tendency of economic self-containment, be removed and demolished by the colonial power, thereby allowing only residential buildings. He further suggested that electricity and cable companies be prohibited from supplying electricity or cable broadcasting amenities to squatter settlements.

However, even if these self-contained squatter communities had been forcibly dismantled, this would never have meant that a high-quality labour power would suddenly flood into the market. In the factories and workplaces of Hong Kong, unskilled labour had about the same level of skill as Type II squatters. Their performance, when compared to the quality of their contemporaries from Shanghai, were certainly not well received by management. A July 1948 issue of *the FEER* reported the following regarding problems in local labour:

> Since the local workman is possessed of the same intelligence as his Shanghai confrere, it remains to develop his inherent skills up to the somewhat higher level of productivity in North China. The standing complaint by local factory owners remains that labour is largely unskilled or semiskilled and that its output is so low as to make production costs in many branches of industry prohibitive… There is hardly any industrial tradition among local labour and this cannot be gained within a few years… It will take many years to build up a

[35] para.1, 3 in <1/6/3091/48I>.

> nucleus of reliable, intelligent and efficient foremen and workers. Until then manufacturers will have to be patient particularly with the young, raw factory hands who had to start from scratch after the end of war.[36]

The Type II squatters were thus regarded by the colonial government as economically useless, not to mention their ability to pay for public housing, but even generated such problems as crime and a breeding ground for the CCP. They were seen as a nuisance that would enhance the risk of aggravating the class and ethnic tensions in Hong Kong.

4.4.2 An Experiment with Forced Resettlement and the Establishment of 'Tolerated Areas' for Type II Squatters

After the foundation of the PRC, the colonial government took an even harder-line policy towards Type II squatters.

On 19 July 1950, a decision communicated by secret letter from the Acting Colonial Secretary to the Chairman of the Urban Council stated to eliminate all Type II squatters from the urban space and virtually abandon them in remote areas:[37]

> The very long term objective should be the clearance of all squatters from Hong Kong Island to Kowloon with a view to eventual dispersal to the New Territories and outlying Islands… No expenditure on static tanks, hydrants, water mains or any other measures except fire-breaks in the large settlements will be contemplated.

A meeting of the Executive Council on 5 December 1950 deliberated on Hong Kong's excess population, examining data from the Mcdouall Report as well as other memoranda. The Council resolved to adopt an explicitly 'discriminatory policy' of showing preferential treatment to Chinese who had lived in Hong Kong for 10 years or more and were fulfilling useful functions (Type I), while minimising assistance for undesirable immigrants who were newly arrived from China (Type II), forcibly repatriating these as much as possible. These policies were to be generally implemented throughout government social policies, including education, healthcare and social welfare. In other words, the resolution was, those squatters who belonged to groups deemed undesirable (Type II) were given:

> ..discouragement… from staying in these areas by a policy of attrition, the aim of which would be to make them as uncomfortable as possible in the hope that they will return to China. No social services of any sort would be encouraged.[38]

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[36] 'Problems of Hong Kong Manufacturing Industries' *FEER*, 14 July, 1948.

[37] 66 in <4802/48>.

[38] *Hong Kong Executive Council, Minutes* No. 47 of 1950, 5 December 1950, pp. 133–136. Memorandum for Executive Council for Discussion on 5 December 1950 <5 in <1/6/3091/48 I>

On 9 April 1951, the Social Welfare Officer James Wakefield, in order to further the implementation of the discriminatory policies based in the resolution of the Legislative Council meeting on 5 December the previous year, published a report (The Wakefield Report), which proposed resettling squatters into two distinct areas, namely 'approved areas' near the urban core, and 'tolerated areas' farther away.[39]

'*Approved areas*', as an extension of the resettlement policies mentioned earlier, were "any area of Crown Land already approved by government for development of standard type wooden huts for squatters, under Urban Council control", while '*tolerated areas*', as places of interim residence before the Chinese were classified as Type II squatters and returned to the PRC, were defined as the area "where squatters are permitted to remain but where little or no attempt is made to enforce any standard of construction".[40]

Existing squatter settlements with 180,000 people in Kowloon and 25,000 in Hong Kong Island[41] were to be cleared, and in both areas, huts of different types were to be built at the financial expense of the squatters themselves. While the permanent bungalow-style housing built in the approved areas for Type I squatters was of modest quality despite its cost of more than HK$1000 per structure, the housing built in the tolerated areas for Type II squatters cost only several hundred dollars per structure, regardless of style. In either area, the Government was to set up roads, fire-breaks, communal water facilities and communal latrines.[42] 'Approved areas' would be provided in addition with electricity, cable broadcasting and co-operative retail establishments, but these would not be provided in 'tolerated areas'.[43]

Wakefield proposed supplementing the four existing areas already designated by the Urban Council, namely Homantin (何文田), Ngau Tau Kok (牛頭角),[44] Kau Wa Keng (九華徑) and Chai Wan, with two additional sites on Hong Kong Island: the creation of a new area in So Kon Po (掃桿埔) and adding a second area in Fu Tau Wat; and in Kowloon: the creation of new areas in Cheung Sha Wan(長沙灣) and Fukien Street (福建街), adjoining Kowloon Walled City, and adding a third area in Ho Man Tin. Moreover, an extension of Ho Man Tin and Lo Fu Ngam (老虎岩) developed with government approval by the Kowloon City Fire Rescue and Rehabilitation Committee were both also added as newly approved areas.[45] Tolerated areas were mostly situated at the urban fringe of that time (Fig. 4.1).

What became problematic here was the question of how "to get the squatters out of certain areas where we [the colonial government] don't want them and into other

[39] 'Report on Squatters Simple-Type Housing for Squatters and Permanent Housing for Employees of Government, Utility Companies and Others' (Wakefield Report), 15-1 in <CR/3/665>.

[40] *Memorandum for Executive Council*, for discussion on 3 July, 1951, para. 3.

[41] Wakefield Report, p. 8.

[42] Annual Departmental Report by the Commissioner for Resettlement for the Financial Year 1954-1955, para. 4.

[43] para 14, 15 in <1/6/3091/48I>.

[44] Later on, Government would make an attempt to produce a completely new industrial space in the vicinity of Ngau Tau Kok, the largest of the tolerated areas. For more details, see Chap. 5.

[45] para.7, 15 in <1/6/3091/48I>.

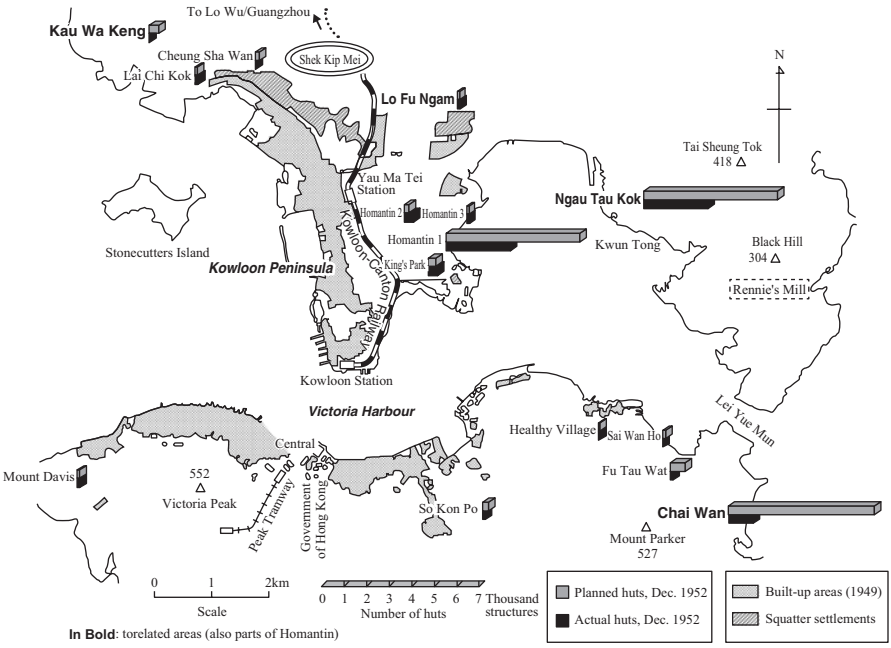

Fig. 4.1 Squatter resettlement areas and their performances.
Source: Brief Synopsis of 12 Months of Squatter Resettlement Work, from the Chairman of Urban Council to the Colonial Secretary, 19 November 1952 <124-1 in 1/6/3091-48III>; Squatter settlement distribution from Bristow M. R., *Hong Kong's new towns: a selective review*, Oxford University Press, 1989, p. 51

areas where they can safely be allowed to remain".[46] Moreover, the Deputy Colonial Secretary blatantly indicated his lack of faith on Chinese who would be segregated in 'tolerated areas':

> The Chinese is not a good citizen: That is to say when living in cities or towns he does not experience that restraint which an Englishman for example feels regarding the social consequences of his conduct. The Chinese is by history and tradition a rustic, dwelling in family communities… It is from the clan that the moral restraints proceed. In Hong Kong we have had a small—very small—measure of success teaching the established Chinese merchant, storekeeper and worker something of our conception of civic organisation… In discussion with the Social Welfare Officer I have come to the conclusion that no Kaifong associations should be encouraged in the "tolerated" areas.[47]

It was thus proposed that direct management by the colonial government be undertaken, without allowing local autonomy, in the 'tolerated areas'.

[46] para. 3 in <15 in 1/6/3091/48 I>.

[47] para. 16 in <1/6/3091/48I>.

4.4.3 *Resistance by Type II Squatters and the PRC Protest to the Forced Relocations*

Nevertheless, to Type II squatters, this plan, which had been envisaged as an extension of the forced relocations that had been ongoing since 1946, was a vivid reminder of notorious forced evictions perpetrated on the Hong Kong Chinese by the Japanese military government during World War II.[48] As early as 16 November 1950, one British official, on the matter of this policy's enforcement, expressed the concern that:[49]

> We may be in danger of losing sight of the basic claim of humanity. The Japanese, forced with the same problem, persuaded 4/5th of population to leave by stopping their rice. Whatever measures we adopt will be less effective (became less ruthless) but will expose us to accusation of Japanese brutality.

The British had ruled Hong Kong for no more than a century since the Opium War. Yet the colonial bureaucrat must have perceived the prospect of difficult ethnic conflict if the colonial power was exercised by force against the Chinese using the same force deployed by the former Japanese military government of Hong Kong. Even though such action was legitimate in colonial law, nevertheless the colonial British would risk tarnishing the legitimacy of the colonial re-occupation as the 'liberator' from Japanese militarism.

After the implementation of this policy was decided upon on 18 September 1951, Kenneth Barnett, the Chairman of the Urban Council, submitted a report to the Colonial Secretary.[50] Regarding the issue that some squatters were refusing to relocate, Barnett found the Chinese were indeed arguing against the colonial British, comparing its actions with those of Japan during World War II. His report reads as follows:

> [These Chinese] argue that the Japanese were here by right of conquest and we [British] are here by right of conquest; the Japanese gave them the land in exchange for what they originally had at Kai Tak, and we have kept the land at Kai Tak: therefore, they are there by right and won't move… They have the shadow of a legal right and they are clinging to it.

In February of 1952, on a factory wall near the site of a free meal kitchen operated by the Social Welfare Department of the colonial government, a poster was put up that appealed to its residents to "UNITE against the Resettlement Policy", and blamed the Chinese officials of the colonial government in charge on the ground as *gaan gau* (奸狗, running dogs) "one who relies on the power of British Imperialism to oppress the People", and appealing that "if we unite and rise up, the day will come when these traitors and running dogs will be liquidated". Such texts were scattered

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[48] Xie, Y. G., *Zhan shi rijun zai xianggang baoxing* [*Japanese Wartime Atrocities in Hong Kong*], Ming Bao Chu Ban She, 1993, pp. 207–210.

[49] M4 in <1/6/3091/48 I>.

[50] 78 in <1/6/3091/48 II>.

about elsewhere, sometimes also as flyers. The British colonial government, while it held such movements to be the work of racketeers exacting illegal rents from squatters, also felt that the "brain directing it is… in Canton [Guangzhou]", and grew nervous, smelling the involvement of the Chinese Communist Party.[51] Even so, supervisory staff from the colonial government continued to warn those attempting to build new huts "not to waste their money building shacks or houses which will have to be torn down at once".[52]

Tensions intensified steadily. On 21 July of the same year, the 'Hong Kong Chinese Reform Association' thrust a formal complaint before the Colonial Secretary, delivered in the Chinese language. Their charges included that, under the guise of squatter removal, the colonial government was actually scheming to forcibly remove farming settlements with traditional land rights which were granted at the time of colonisation; that 'tolerated areas' were far from employment opportunities in the urban areas; and that insufficient consideration had been given to the situation of poor Chinese:[53]

> … On the farm lands in the vicinity of the urban areas of Hong Kong and Kowloon, such as those in Homuntin, Lo Fu Ngam, Ngau Tau Kok, Tai Wan, Sum Wan etc., there are over 2,000 families with a farming population of nearly 20,000. Each family has a shack or a stone house attached to its land. It is said Government will also resume these lands but no arrangements have been made for their alternative accommodation… Furthermore, on the farm lands around the Home for the Aged in Ngau Chi Wan [north of Ngau Tau Kok, currently the site of a public housing estate], there are village houses which have existed many generations. Among them, there are buildings over 100 years old… It is said that they have all to be demolished… [In the designation of resettlement areas,] those who are poor and empty handed are not taken into consideration. The two areas at Ngau Tau Kok and Chaiwan are far away from the city. If they are forced to live there, they will do so temporarily… During the present difficult time, the poor expect to receive sympathy and consideration. If they are compelled to move, the situation will become worse. Therefore, it is the opinion of the majority that the resettlement scheme should be cancelled, and that the original districts and the houses should be allowed to remain.

This aroused anger in a colonial British official, claiming that "… letters addressed to the Colonial Secretary should be in English. If in Chinese they should be addressed to the Secretary of Chinese Affairs. I have little doubt therefore that the sending of letters in Chinese directly to the Colonial Secretary is deliberate rudeness",[54] and the letter of protest was shelved.

Nevertheless, the squatters would not budge, as though they could see through the weakness of the colonial British who were hesitant in using force in resettlement. The squatters who did not satisfy the residence requirements for 'approved areas' would not easily move to the 'tolerated areas', where access to employment opportunities was difficult. In contrast to the excessive (according to the scheme)

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[51] 97 in <1/6/3091/48II>.

[52] "Monthly Progress Report on Squatter Clearance and Resettlement", 21 March 1952, in 3 in <3/4802/52I>.

[53] 112 in <1/6/3091/48II>. English translation by the colonial government.

[54] M.34 in <1/6/3091/48II>.

number of buildings in Ho Man Tin, closer to the urban areas, the state of affairs in more distant areas such as Ngau Tau Kok was pathetic (Fig. 4.1).

The situation of the squatters and the policies adopted by the colonial government led to further criticisms of the colonial rule of Hong Kong by the PRC government. On 16 January 1954, immediately following the Shek Kip Mei Fire (described below), Radio Beijing went on the attack, attributing the blame for losses suffered in the fire by Kowloon's Chinese population to the UK, charging that the mass of workers under the rule of the British Imperialism were living in a state of equal starvation without exception, forced to live in unbearable slums, where they had no access to electricity, water or fire protection.[55]

Again, in the summer of 1957, when the resettlement schemes had got going and the colonial government set to work on the clearance of squatter settlements from Wong Tai Sin (黃大仙) and Chuk Yuen (竹園) in northern Kowloon, the PRC's Ministry of Foreign Affairs lodged a formal complaint with the British diplomatic mission in Beijing. He deemed that "Hong Kong's British authorities, in enforcing the eviction of Chinese residents, destroyed the property that had been the homes where the Chinese lived and the farmland that had provided their livelihoods and daily meals. The flagrant destruction of the rights and traditions of the Chinese residents posed a threat to normal life and generated an enormous loss of property for all Chinese residents".[56]

The ethnic conflicts involving the Type II squatters still seemed difficult to resolve.

4.5 The Dialectics of Contradiction and Its Transcendence in Squatter Resettlement Policy

From what we have examined, it becomes clear that the squatter policies in Hong Kong were fraught with the following sociospatial dialectics:

Firstly, the colonial government had its own development plan for post-WWII economic growth, as envisaged by Abercrombie (Chap. 2), according to which sufficient residential, factory and office space were to be provided. Should these squatters *not* be cleared out then it would not be possible to create the urban built environment to support the post-WWII capital accumulation. It was thus imperative for the colonial government to open up a sufficient expanse of space necessary for urban development as well as for replenishing the colonial coffers by selling that space by auction.

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[55] 'Zhonggong Ma Yingguo Le!—Ta Shuo "Xianggang Shi Ying Diguozhuyi De Tongzhi [CCP has cursed Britain! They said "Hong Kong is under British Imperialist Administration]"', *The Kung Sheung Daily News*, 18 January 1954.

[56] 'Xianggang Ying Dangju Po Shi Jiulong Zhongguo Jumin Huijia Pochan Liuli Shisuo [The British Authority of Hong Kong forced the Chinese Residents in Kowloon to Destroy Houses and to Become Diasporas]". *People's Daily*, 25 July, 1957.

Secondly, however, if the squatters were to be forcibly evicted from where they are, this would deprive them of their livelihood almost completely. This would naturally generate ethnic conflict in the form of urban uprisings and protests from the PRC and expose the very colonial system to compromise.

Amidst these dialectics of capital accumulation and ethnic integration, Hong Kong's squatter policies were never simple welfare policies of providing relief to incoming Chinese immigrants. It was the sine qua non of the existence of capitalism and colonialism, based on the conflict-free class cum ethnic integration as well as crisis-free capital accumulation. This was essentially an issue where the very existence of the colony of Hong Kong was at stake.

4.5.1 The Demise of Entrepôt Trade and Need for Converting the Type II Squatters into Agents of Laissez-Faire Competition

The blow that would transcend this dilemma came from outside Hong Kong. The entrepôt trade function with China, which had formed Hong Kong's economic base since the founding of the colony, was forced into a sudden demise after the foundation of the PRC and the enactment of a UN embargo against China after China's entry in the Korean War against the United Nations and the USA. The Abercrombie Plan had now become a scrap.

In July, when the tangible decline in the volume of trade as a result of the embargo was revealed, the opening pages of the *FEER* were already taking the position that "the Colony's best alternative is to concentrate upon the building up of local industries and the expansion of markets to absorb the products", and that, assuming Hong Kong would remain under British rule, hinted at a direction for industrialisation in which Hong Kong would support the immigrants from the PRC.

In an abrupt volte-face, this commentary on the industrialisation of Hong Kong gave Chinese the following favourable review:

> [Hong Kong] is industrious and thriving and has been able to support an inrush of refugees from China that might have staggered any other community approaching its size or even larger. To a large extent this Chinese community has been content to live under British rule. It would be a poor return for their confidence if they were obliged to return to China through Hong Kong's inability to support them further.[57]

As long as Hong Kong's Chinese worked industriously and accepted British rule, the fundamental solution to the squatter issue, without resort to use of colonial power by force, possibly seemed to lie in an economic laissez-faire approach. They were to fill the newly emerged demand on unskilled labour from the industrialisation. To "counterbalance the reduction in the Colony's trade caused by these controls, increased efforts were made to promote the sales of Hongkong products

[57] 'Impact of the Korean War upon Hong Kong's Economy', *FEER*, 5 July, 1951. pp. 1–2.

overseas and to establish new markets".[58] Adopting policies to get the capital accumulation of Hong Kong's economy back on track using the manufacturing industry that had been developing spontaneously among the Chinese under the more explicit policy intention of the colonial government meant the squatters would provide indispensable human resources.

From this standpoint, new possibilities opened up for transcending the dialectics in the squatter policies: to provide the squatters with incentives that would unleash their potential of earning money by selling their labour power or by establishing themselves as petty capitalists. The Type II squatters could only be brought into the arena of market, and real economic rewards could be placed within their grasp as long as they compete in the market seriously. This is the solution of the squatter problem through the contrived laissez-faireism. The built environment had to be produced to furnish the arena of competition for them; and social infrastructure to train these unskilled Chinese and their children into economic competitors of good quality must be provided.

Regarding the training of Type II squatters, in October 1951, the Governor convened the 'Committee on Technical Education and Vocational Training', and undertook a study to collect information and investigate requirements for industrial education and vocational training. In October of the following year, the remit of this committee to offer policy suggestions with the terms of reference "to improve productivity in local industries and thereby add to the prosperity of the Colony" was added, and in October 1953, the report was submitted[59] to the Governor. In parallel, the colonial government invited the principal of the South East London Technical College, located in East London,[60] where labour-intensive industries were agglomerated in the UK, for a 3-month visit in 1952, which was summarised and issued in a report.

In accordance with these reports explaining the necessity for the expansion of vocational education in Hong Kong, an existing vocational training school in Wan Chai (灣仔), Hong Kong Island was expanded. Thereafter, in 1955, the Chinese General Chamber of Commerce, the organisation of Hong Kong Chinese industrialists, proposed making a contribution of HK$1 million, to be matched by the colonial government from its coffers, and in December 1957, the Hong Kong Technical College was opened in Hung Hom (紅磡), Kowloon.[61] This institution became Hong Kong Polytechnic in 1972, and was later accredited as a university that remains to the present day.

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[58] Department of Commerce and Industry 'Annual Report April 1st 1951 to March 31st 1952', *FEER*, 2 April, 1953, p. 446.

[59] Technical Education Investigating Committee, A Report on Technical Education & Vocational Training in Hong Kong, October 1953.

[60] Scott, J., *Metropolis: From Division of Labor to Urban Form*, University of California Press, 1988, p. 68–71.

[61] Hong Kong Technical College, Opening Ceremony of the New Technical College by His Excellency the Governor, Sir Alexander Grantham, G. C. M. G., 1957.

The philosophy of the colonial government to produce a material 'arena' for the market competition through urban planning can be found in a report issued by an assistant director to the Deputy Colonial Secretary on 28 July 1953:[62] "why should we alter our town planning technique for the benefit of squatters? The answer is that unless we do alter our town planning so as to provide for people who cannot afford to live in permanent houses the plans are not realistic and will never be implemented". To provide Type II squatters with vocational trainings and a place for the reproduction of labour was indeed the important material condition to have them join the laissez-faire in the market.

Nevertheless, what was implemented at this point was still the former Wakefield Plan. Residence in 'approved areas' was approved for applicants who, as useful, law-abiding and financially solvent citizens with steady employment and children, had lived in the colony for at least 10 years.[63] Even though the squatters had themselves begun construction of bungalow-style housing, which had been rejected in 1949, from July of 1951, the total number of huts in approved areas across all of Hong Kong in August of 1952 was 1387. With all other types of structures, such as wooden huts, combined the figure merely rose to 6054, with no more than 27,209 residents in total.[64] This trend is indicated in Fig. 4.2. Whereas the squatter population was estimated to be at least 500,000, no more than approximately 5% had received the benefits. Meanwhile, in the squatter settlements not yet been benefitted by the new policies, a series of large-scale fires broke out one after another.

4.5.2 Shek Kip Mei: The Construction of Permanent High-Rise Resettlement Estates to Ensure Living Space for Reproduction of Labour Power

Despite the shift from entrepôt to industrialisation as the economic base having been advocated, the macro-economy of the colony did not recover readily. As there were no statistics on national income at the time, Szczepanik examined well prepared maritime statistics pertaining to ships entering Hong Kong as a surrogate. The tonnage of ships entering Hong Kong slumps after peaking in 1949–1950 with 27.35 million tonnes, to levels of 23.63 million tonnes in 1952–1953 and 25.85 million tonnes in 1953–1954.[65] It was reported that "many enterprises are just able to break even. Losses in business have become quite common", indicating the necessity for a rapid transformation of the structure of the economy.[66]

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[62] M10 in <11/3181/52>.

[63] Memorandum for Executive Council for discussion on 3 July, 1951.

[64] Monthly Progress Report on Squatter Clearance and Resettlement, 15 August, 1952, in <3/4802/52I>.

[65] Szczepanik, *op. cit.,* p. 165.

[66] 'Hong Kong Business Recession', *FEER*, 5 November, 1953.

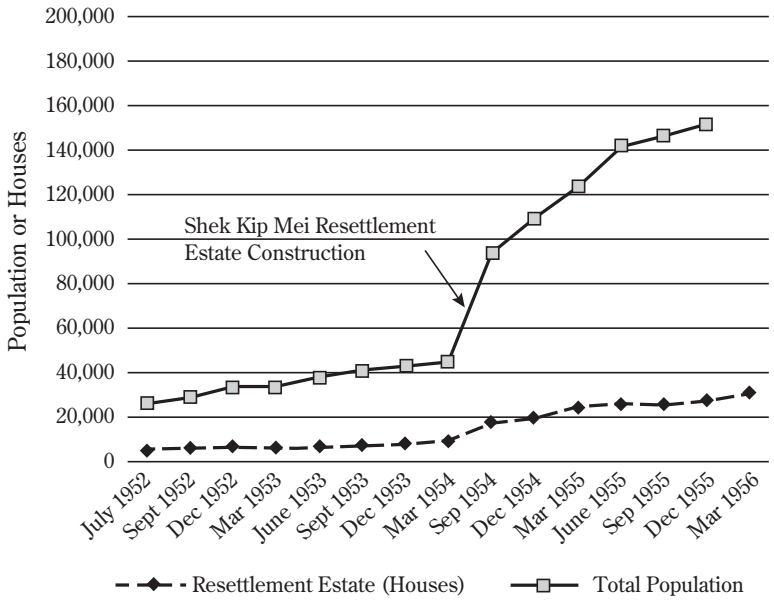

Fig. 4.2 Progress of squatter resettlement policy.
Source: The Chairman of the Urban Council, *Monthly Progress Report on Squatter Clearance and Resettlement,* various issues

On Christmas Eve 1953, the largest squatter fire to date broke out in Shek Kip Mei, consuming 3351 structures and burning out 58,203 people.[67] In direct response, the Urban Council convened an 'Emergency Sub-Committee on Resettlement', and began to review then-existing squatter policies. This Sub-Committee, claiming that then-existing policies were dysfunctional, especially for Kowloon, proposed to house the squatters in publicly-built high-rise buildings that would occupy less space of the precious urban area. Furthermore, the Sub-Committee warned that unless the problems were not rectified, large fires would continue to break out thereafter, creating a menace for health and public safety, the problem of the lack of space would go unresolved and that these unsightly stains would tarnish the dignity of colonial Hong Kong.[68]

These recommendations faithfully traced the lines of the budget address that Governor Grantham had delivered to the Legislative Council meeting before the Shek Kip Mei fire broke out in March 1953. In this address, the Governor criticised the conventional resettlement policies as follows:[69]

[67] Monthly Progress Report on Squatter Clearance and Resettlement, 19 January, 1954, in <3/4802/52I>.

[68] Annual Departmental Report by the Commissioner for Resettlement for the Financial Year 1954-1955, paras. 10–11.

[69] *Hong Kong Hansard*, 1953 Session, 4 March 1953, p. 26 (emphasis mine).

> The building of cheap bungalows in resettlement areas is not, therefore, the fundamental solution to our housing problem. For one thing, land in the urban areas is so scarce and so valuable that one-storey development in resettlement areas must be regarded as only a temporary palliative to reduce the menace of fire and pestilence which hangs over the illegal squatter areas. The main housing problem is the provision of *multi-storey permanent housing at low rental* for not less than 100,000 families now living in unhygienic and overcrowded conditions.

Furthermore, as a pilot scheme for these resettlement policies, the Governor had alluded to the flats constructed by the Hong Kong Housing Society and the Hong Kong Model Housing Society, and proposed establishment of a Housing Authority that could also provide low-rent housing to Type II squatters, who were even poorer. Therefore, the Shek Kip Mei fire was not the origin of the resettlement programme of Hong Kong, but it merely spurred on the implementation of the project that had been proposed by the colonial government.

In April 1954, the post of Commissioner for Resettlement was created, and the Department of Resettlement was established the following month. In this way, the conventional formula of resettlement into huts was to be discontinued, because "this type of development is wasteful of land and makes it impossible for an indefinite period to develop the land properly". A new resettlement policy was thus established that would house the squatters into permanent, six-storey high-rise housings, or else low-rise structures only temporarily.[70]

This policy proposal was the inevitable extrapolation of a whole series of policies we have seen so far, from the proposal to settle squatters in converted warehouses to the high-rise public housing recommendations. Its rationale acknowledged and put into effect by the colonial government, as stated by the Commissioner for Resettlement himself, was no more than the necessity to "bring to working class people, for the first time since the war, fire-proof and weather-proof housing, *within reach of the main centres of employment,* at a rent bearing a reasonable relation to their earnings"[71] (emphasis mine). In other words this was the necessity to establish the spatial conditions that would allow the squatters to realise themselves as labour power. As Drakakis-Smith appropriately noted, the resettlement programme "was in no way a welfare programme aimed at rehousing the squatters on compassionate grounds… The prime reasons were firmly economic".[72] Albeit of lower quality, the public housing there facilitated to transform Type II squatters into labour power more efficiently for export-oriented light industry at a low wage rate, leading to the higher competitive power of Hong Kong products.[73] Shek Kip Mei thus became a project to kill the 'two birds' of saving scarce urban space from the squatters, and

[70] Report by the Commissioner for Resettlement on the progress of clearance and resettlement operations during the period 1st April to 30th September, 1954, paras. 1-2, in <3/4802/52I>.

[71] *Annual Department Report by the Commissioner for Resettlement* for the Financial Year 1954-1955, para. 33.

[72] Drakakis-Smith, *op. cit.*, p. 44.

[73] Drakakis-Smith, *op. cit.*, p. 155.

Plate 4.1 Public housing building in Bombay, India (photo taken by the author in 2007)

of bringing Type II squatters into the labour market, with the 'one stone' of provisioning multi-storey permanent housing.

These permanent high-rise structures were constructed directly by the Public Works Department of the colonial government as 'resettlement estates' in the burnt-out district of Shek Kip Mei. The structures were of minimal quality, which looked quite alike to the public housing building built in Bombay, India (Plate 4.1). Two 6- to 7-storey concrete parallel structures were linked crosswise into an H-pattern block, which accommodated 62 flats per floor (Fig. 4.3). A flat, 11.2 m^2 wide, was a single room of bare concrete, with neither ornament nor lights. Toilets, showers and water service were all communal, and the kitchens on each floor were encircled by walkways that doubled as balconies. The minimum capacity of each flat was set at five people, and in a case where a family was not large enough to satisfy this requirement, they were compelled to share the room. Yet because all families grew larger in step with the years, whether with the growth of children, marriages or births, and because family belongings and property also increased, the rooms were always overcrowded.[74] Golger's description was accurate in that "although these enormous housing estates offer some of the basic amenities necessary

[74] Hopkins, K., 'Housing the Poor' (in K. Hopkins, ed., *Hong Kong: The Industrial Colony; A Political, Social and Economic Survey*, Oxford University Press, 1971) pp. 300–303.

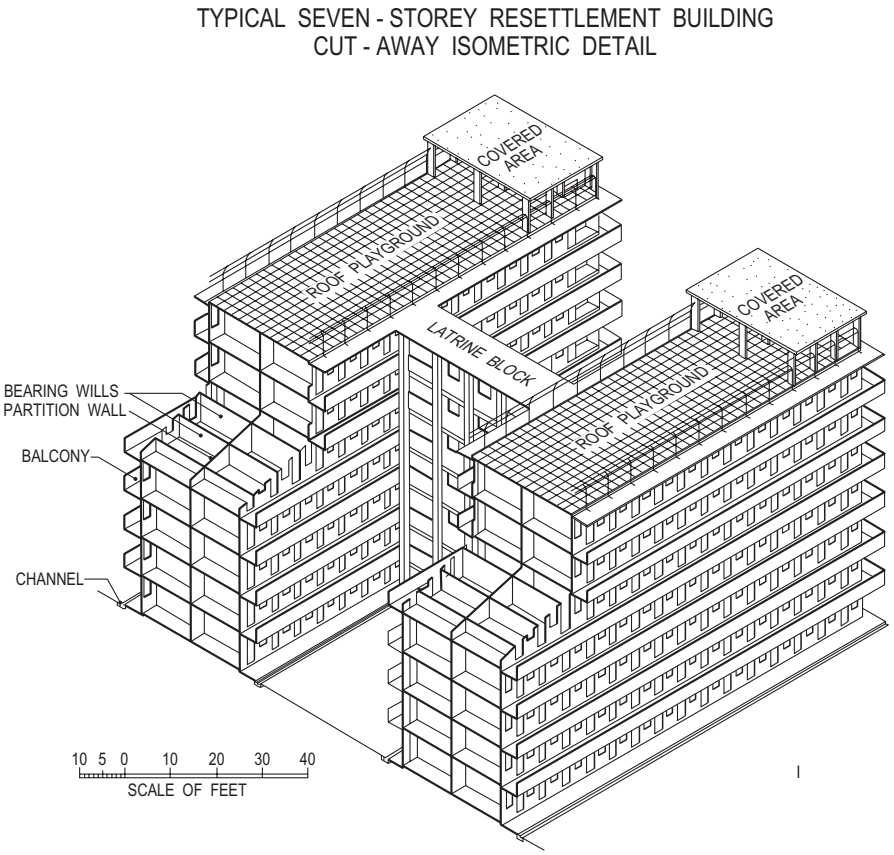

Fig. 4.3 Typical seven-storey resettlement building.
Source: *Hong Kong Annual Departmental Report by the Commissioner for Resettlement for the Financial Year 1954-55*, p. 54

for Man as a biological species… for Man as a social being or as an individual no provisions are made".[75]

This resettlement estate was therefore never a welfare project. Rent was charged to the tenants, albeit it was set within reach of even the poorest Type II squatters, at HK$14 for one flat (Table 4.2). This price tag included charges for running water, depreciation of the building in 40 years and rent of Crown land. The Crown land was under the colonial government ownership, and land on which the resettlement estate stood had been illegally occupied by the squatters. Thus, the government needed to pay no compensation, this rent went directly to the colonial coffers as revenue. Therefore, through this project the colonial government did make money. Nevertheless, the low rent functioned to reduce wages, contributing to the competitive advantage of Hong Kong products in the global market.

[75] Golger, O., 'Hong Kong: a Problem of Housing the Masses', *Ekistics*, 196, 1972, p. 176.

Table 4.2 Calculation of a standard seven-storey block (values in HK$)

I. *Capital cost of one block of 432 rentable rooms*	HK$
Value of land (23,000 sq.ft. at $10 a foot)	230,000
Cost of construction (including an element for average cost of site- formation and piling)	780,000
Add 2 % of construction cost to cover Public Works Department supervision etc.	15,600
Overall completed cost of one block	1,025,600
II. *Annual outgoings, including capital repayment, in respect of one block*	H.K. $
Amortisation, that is the annual sum to be repaid in order to write off in forty years a loan of $1,025,600 bearing interest at 3½ % compound	48,026
Crown rent at normal rate of $800 an acre per annum	418
Maintenance of building at 1/2% per annum on cost of construction	3900
Estimated administrative and miscellaneous recruitment expenditure	12,895
Overall outgoings for one block per annum	65,239
III. *Rent calculation*	
The above figures indicated that rents accruing from one block of 432 rentable rooms should total $65,239 per annum. The monthly rent for one room should accordingly be $\$\frac{432\times12}{65,239}=12.50$. $1 a month was added for water and 50 cents for bad debts, voids, etc., and the rent was fixed at $14. In fixing the rent at this figure the Government instructed that the position should be re-examined from time to time in order to ensure that the calculation remains valid	

Source: *Annual Departmental Report by the Commissioner for Resettlement for the Financial Year 1954-55, op. cit.,* p.24.

The project was extremely successful. The popularity of the housing in Shek Kip Mei was beyond comparison with the 'tolerated areas'. There was no longer need of government power by force to place the squatters into the buildings against their will. The high-rises were built with six and seven storeys, as with the buildings that had been constructed earlier by the welfare organisations or more wealthy Type I squatters, they used up less precious urban space. As described in the following section, even when commuting to the industrial clustering of Tai Kok Tsui, disparities in distance were less likely to arise among the residents' respective commuting conditions.

The development of Shek Kip Mei advanced rapidly, quite contrary to the bungalow experience. By September 1954, there were already 6000 people housed, and adding those living in temporary wooden huts waiting for the completion of construction to these, the number of people resettled in Shek Kip Mei was 40,676,[76] comprising 42.8% of the 95,008 individuals that were the targets of the resettlement policy at this point in time.

Later in the 1970s, after the anti-British uprisings, improvements in quality of public housing were made, as one of the 'quasi-Fordist' moves initiated by Governor MacLehose. These moves necessitated much reconfiguration of the urban built environment of Hong Kong. As for public housing, "after these dates there was a conscious effort to improve the quality of life in the resettlement estates". Just to

[76] *Report by the Commissioner for Resettlement … during the period 1st April to 30th September, 1954*, op. cit., para. 12.

take an example, the 10-year plan to improve the quality of public housing came to the Legislative Council in 1972.[77]

4.6 Conclusion

It was imperative for the colonial government to realise social integration in colonial Hong Kong by bringing socioeconomic stability to the squatter population. Transformation of the immigrants from the PRC into a commodity of labour power for industrialisation became the most ideal solution, especially after the UN- and US-imposed embargo to the PRC. Without proper production of space, such a transformation would have been quite difficult. Discontentment among the immigrants could have turned into the violence of anti-colonial struggle, which would have led to the loss of any economic or social legitimacy for colonial rule over a part Chinese soil. The British colony of Hong Kong would then have been led to an inevitable collapse.

In accomplishing this task, the colonial government faced two opposing challenges: on one hand, it had to maintain the legitimacy of colonial rule and to achieve social integration through peripheral-Fordist lines, i.e. the increase in popular income through export-oriented industrial production; and on the other, to increase revenues for their own coffers from space as a source of income to achieve political independence from home. In order to achieve these simultaneously, the production of space necessary to resettle the squatters thus became imperative.

By the 1970s, the socioeconomic foundation for the territorial entity of Hong Kong seemed to have become stable thanks to successful capital accumulation and ethnic cum class integration, through the quasi-Fordist MacLehose regime. The higher living standards and rising income as compared to the other side of the 'Bamboo Curtain' and the opportunity to obtain higher economic income and social status through laissez-faire competition meant that Hong Kong Chinese paid no heed to the PRC's criticisms of British imperialism; rather, they were willing to place themselves under British colonial rule without demanding the political independence that exists in the PRC. They voted in mind to voluntarily place themselves under the colonial regime. To achieve this end, the built environment in which the 'invisible hand' of the Hong Kong economy operated, first of all, had to be publicly produced by the 'visible hand' of the colonial British.

[77] Drakakis-Smith, pp. 86 and 109.

Chapter 5
Industrialisation and Space in the Development of Kwun Tong Industrial Area

5.1 Introduction: The Class Struggle Between the Chinese Capitalists and British Landlords

The production of the built environment as the physical foundation of laissez-faire was essential for solving dialectics of space and people towards sustenance of the colony of Hong Kong, through capital accumulation and ethnic integration.

In the last chapter, we demonstrated this, using the case of the squatter policy and construction of resettlement estates. The need for the colonial government to provide the unskilled immigrants who came out of the PRC with employment necessitated the production of a spatial configuration supporting their place for reproduction of labour power.

The urban spatial configurations for the post-war capital accumulation needed sites not only for houses, but also factories. In spite of the resettlement of squatters, the cottage industries crowded in squatter settlements as well as in all the built-up urban areas continued to operate as before. The vast majority of these factories lacked approval. In order to give these manufacturing squatters a more stable foundation of petty entrepreneurs and encourage them to accumulate capital, an adequate built environment or "arena" had to be provided for industry as well.

The main agents in charge of the industrialisation of Hong Kong after the embargo to the PRC was local and incoming Chinese. In this chapter, we analyse the same contradiction as Chap. 4, but this time the case of industrial space. Government intervention in the promotion of macro-economy through industrialisation would not be complete without the production of space to accommodate industrial premises. It also functioned to achieve ethnic integration of the British and Chinese to form a 'ruling-class alliance'[1] based on space, which was discussed in Chap. 2 simultaneously.

[1] Harvey D., *The Urbanization of Capital: Studies in the History and Theory of Capitalist Urbanization*, The Johns Hopkins University Press, 1985, p. 155.

F. Mizuoka, *Contrived Laissez-Faireism*, The Political Economy of the Asia Pacific, https://doi.org/10.1007/978-3-319-69793-2_5

Unlike the squatter resettlement project, the plan of provision of an urban built environment for the profit-making economic agents generated a struggle that was not found in the squatter resettlement case: the class cum ethnic struggle between Chinese capitalists and British landlords.

As mentioned in Chap. 2, the District Commissioner of the New Territories published a report titled *Urban Expansion into the New Territories*. This first official strategic document for urbanisation of the New Territories stressed the necessity of keeping "a reserve of Crown land at hand" for the colonial coffers under the pretext of avoiding 'piecemeal' development.[2] The colonial British feared that increased supply of land caused by the sheer scale of development could lead to a glut of space supply and a concomitant reduction in land (right for land surface) price and undermine the potential of the colonial government to earn revenue. This point was explicit in the memorandum of an Assistant Colonial Secretary addressed to the Deputy Financial Secretary on 19 May 1960[3]:

> In fact, if industrialists were free to go here, there and everywhere, except the designated areas, *land prices in the developed areas may well show a decline*.

Nevertheless, industrialisation could not proceed efficiently through the laissez-faire mish-mash of the contingent opportunities then available in Hong Kong: squatters, existing overseas trade networks and the preferential tariff in the British Commonwealth. The elements of the urban built environment that would support industrialisation—i.e. homes for workers and the processes of real production—had to be produced by the visible hand of the government, as in the case of squatter resettlement estates.

This chapter analyses dialectics, taking the case of a typical industrial area development project that took place in Kwun Tong. Chiu characterised the Kwun Tong industrial site development project as an episode that "fundamentally defined the laissez-faire nature of Hong Kong's industrial strategy".[4] Yet, it was far more than that. The colonial government had to transcend the complex dialectics of earning revenue from space, promote industrialisation by Chinese capitalists and consolidating ethnic integration to appease enterprising Chinese.

5.2 The Squatter Problem and Industrialisation

5.2.1 Relocation Policies for Squatter Factories and the Shift of Squatter Petty Entrepreneurs

The cottage industry of the squatter and existing urbanised areas were neither registered nor overseen by the colonial government. They constantly generated industrial accidents and fires. A 1955 study of the Tai Kok Tsui—Willow Street (柳樹街) area

[2] '*Urban Expansion into the New Territories*, 70-1 in <1/5282/56>, p. 2.

[3] M 117 in <1/5282/56 > (emphasis mine).

[4] Chiu, S. W. K., 'Unravelling Hong Kong's exceptionalism: the politics of laissez-faire in the industrial takeoff', *Political Power and Social Theory*, 10(231), 1996, p. 239.

recorded 3175 residents in an area of 7.25 ha, with a dense agglomeration of as many as 592 factories, wherein 2487 people were working. As for the industrial sectors that they engage in, many of these cottage industries produced production materials, including the scrap iron industry, blacksmithing, plating, lumber milling, box manufacture and the coal trade.[5] In November 1959, the Director of the Department of Commerce and Industry admitted "that the value of goods produced in these small factories is significant and that every encouragement should be given to them to remain in business".[6] Being upstream of the manufacturing industrial linkage that formed a new economic foundation after the entrepôt trade collapsed, these squatter factories indeed fulfilled an indispensable function to promote the macro-economy of Hong Kong.

On 23 November 1955, the colonial government set up the Interdepartmental Committee on Resettlement Workshops Pilot Project, with Commissioner for Resettlement John Walden as chair, and initiated the planned resettlement of squatter factories.

This plan was to construct high-rise flatted factory buildings on approximately the same plan as Shek Kip Mei resettlement estates and located 700 m from there in Tai Kok Tsui. This was obviously the plan, to provide Shek Kip Mei residents with employment opportunities in factories to which the residents could commute easily on foot. One five-storey building would contain 480 factory spaces (each compartment having an area of 18.4 m^2, though some were 14.9 m^2); the monthly rent on each compartment was set at HK$45, with the first building completed in October of 1957.

The Commissioner for Housing evaluated this plan very highly, noting on 4 December 1959:

> It is necessary… To bring the work to the people, and the planning of flatted factories near resettlement estates is… an essential part of the resettlement operation. Many small factories now badly accommodated in congested shop-house areas should welcome the opportunity to move to a ready-made factory building where they can operate more efficiently and expand their activities, and where a source of cheap labour is at hand. Likewise, the settlers would welcome the opportunity of employment within easy reach, and economies would be effected all round.

At the same time, he proposed moving even further, proposing that "every effort should be made to make resettlement areas as self-contained as possible, with shops, markets, schools, clinics, factories, recreation, amusement and police and postal services".[7] This planning concept was obviously the harbinger of the new town projects of Hong Kong that continued in other areas, including Sha Tin, Tsuen Wan (荃灣), Tuen Mun and Tseung Kwan O (將軍澳); it also generated a line of thinking regarding the Kwun Tong development, which is discussed in this chapter.

The housing estates of Shek Kip Mei, the place of work in Tai Kok Tsui, as well as the commercial and leisure district 500 m to the south in Mong Kok (旺角), put

[5] 8 in <11/4802/55I > .

[6] 108 in <11/4802/55I > .

[7] 107 in <11/ 4802/55I > .

together brought a functioning daily action space for Type II squatters. For the first time, the British colonial government had created the built environment of a self-contained 'localised territorial industrial complex'.[8] That could support the industrialisation of Hong Kong's post-war economy. More than anything, it was a spatial foundation for the capital accumulation of the Hong Kong's post-WWII industrialisation, by integrating capital and unskilled migrants, who had been treated as an encumbrance to the colony before the embargo to the PRC.

5.2.2 Dismal Performance of Resettling the Type II Squatters to the 'Tolerated Areas'

In the last chapter, we saw that the Interdepartmental Committee of the colonial government proposed the division of squatters into two types, to handle them separately.[9] Type II were 'destitutes or bad characters', who were to be forced into 'tolerated areas' farther away. This resulted in an enforced segregation, where Chinese lacking in skills or economic capacity and seen to pose a risk to public order were placed in the urban fringe of the southern New Territories, far from the built-up urban areas. The Type II squatters, however, did not easily move to these 'tolerated areas', where only limited access to opportunities for employment existed.

Ngau Tau Kok (牛頭角) was one such area. Situated particularly far away from the employment opportunities, the resettlement performance was miserable. While a 'tolerated area' of Ho Man Tin on the Kowloon Peninsula, situated closer to the urban area where employment opportunities were plenty, achieved 48.8% of the planned target with 2926 squatter households relocated by October 1952, for Ngau Tau Kok, the achievement was a mere 3.9% of the planned target, with 219 households relocated. This result fell far below projections, given the overall achievement rate by that time had reached 31%.[10]

As mentioned in the last chapter, the forcible eviction using state violence would carry the risk of endangering the legitimacy of the re-occupation of Hong Kong as a 'liberation'. Nevertheless, Shek Kip Mei couldn't accommodate all the squatters. To leave squatters to their own devices close to the urban centre would surely give rise to deterioration of public order, and risk plunging the social integration of the colony into crisis. Therefore, use of economic incentives, or resorting to laissez-faire, was the only approach feasible for the government to bring Type II squatters to Ngau Tau Kok, the largest of the tolerated areas, yet it had been located farthest from the built-up urban areas because of public security considerations.

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[8] Scott, *Metropolis: From Division of Labor to Urban Form*, University of California Press, 1988, p. 233.

[9] <4602/48 > .

[10] 124-1 in <1/6/3091/48 III > .

5.2.3 *The Launch of Plans to Create Employment Opportunities in the Vicinity of the Ngau Tau Kok Tolerated Area*

Investigations thus commenced into the proactive production of stable employment opportunities in the environs of Ngau Tau Kok. It was to be implemented through the relocation of factory sites out of the city centre, and the employment of squatters living in the vicinity of these factories. If employment opportunities would be offered within walking distance from Ngau Tau Kok, capital and labour would be spatially integrated, leading to the further promotion of industrialisation of Hong Kong.

The earliest reference to Ngau Tau Kok appears in the following indication, in a memorandum titled 'Employment in Resettlement Areas' by the Social Welfare Officer addressed to the Chairman of Urban Council, dated 10 December 1952[11]:

> The provision of employment in resettlement areas should be probably the most important single feature of the resettlement scheme. With employment squatters can live on steep hills with practically no water, sanitation or any of the other features which have been planned for resettlement areas… The principal reason why squatters have chosen these frightful areas and are so stubbornly unwilling to go to Ngau Tau Kok where there is water, sanitation, security from eviction and from fire, is that they can get to work in urban areas from the existing squatter areas… Therefore if we are to get them to Ngau Tau Kok there must be proper planned urban development in the area as well as controlled settling in shacks… The town planners have placed all the factories, warehouses and commercial undertakings in central areas… Thus, squatter development is only partly due to a housing shortage and partly due to a concentration of commerce and industry… If, therefore, squatters are to be dispersed – and this is, in essence, the resettlement policy – *there must also be a dispersal of commercial and industrial establishments*. This cannot be done quickly or easily but three ways of bringing it about slowly are:--
>
> (i) a refusal to sell any more land for factories in the Kowloon peninsula;
> (ii) a gradual cancellation of permits for factory land in the Kowloon peninsula;
> (iii) clearance of all squatter factories employing more than just a few family members.
>
> All these factories could now be placed on the coastal strip of Ngau Tau Kok or Lai Chi Kok—both of which have good sea and land communications.

In pursuance of this line of thought, a rough calculation was made that around 12,000 employment opportunities were needed for the population of approximately 40,000 men and women between the ages of 15 and 59 years of the projected 60,000 total squatters in Ngau Tau Kok for December of 1953.

Based on this indication, the Chairman of the Urban Council submitted a memorandum on the 20th of the same month to the Colonial Secretary entitled 'Squatter Clearances: Suggestions for Acceleration of (No. 1)'.[12] The memorandum cites delays in the use of vacant land after the removal of squatters and a dearth of employment in some of the areas slated for resettlement—especially in 'tolerated

[11] 3 in <11/3181/52 > (emphasis original).

[12] Paras. 14, 16 and 18 of 127 in <1/6/3091/48 III > .

areas'—as the "two genuine reasons" for delays in the enactment of squatter resettlement policies. On the second point, in particular, the report points to "employment in resettlement areas" as "the crux of the whole matter", and explains the significance of constructing a 'satellite city' in Ngau Tau Kok as follows:

> What we are setting up in the 'tolerated areas' are not dormitories but satellite towns. With the exception of Homantin each must have its own industries. Sites are available. The illegal squatter areas are chock full of factories and workshops – unregistered ones, using illegal shacks to house, in many cases, dangerous and inflammable goods. There is every reason why all these factories should be removed with the highest priority from their present locations… for factories destroyed by fire some financial assistance may be justified… And a condition must be that in employing unskilled labour, preference must be given to settlers in the adjoining resettlement area.

5.2.4 Demands from Chinese Capitalists on the Development of Sites for Industrial Use

In this context, Chinese industrial entrepreneurs began demanding direct government subsidies in the form of land. U Tat Chee, the Vice President of the Chinese Manufacturer's Union (CMU), the organisation of Chinese industrialists engaging in the production processes of Hong Kong's industrialisation, sent a letter to the Chairman of the Urban Council on 20 April 1953.[13] At the same time, the CMU showed active support in the development of lands for industrial use near Ngau Tau Kok, and requested they be allowed direct participation in the policymaking processes.

U, the president of a preserved ginger manufacturer since before WWII, sought to develop a dedicated manufacturing industrial site with provision of proper management, with a large number of labourers living in the neighbouring resettlement areas. The letter also declared an intention to undertake responsibilities for surveying, planning and allocating land for industrial use. At the same time, the letter set a limit of 5 years on the use of surface rights (with the option to extend for a further 5 years), and requested that arrangements be made to enable the use of utilities such as water, electricity, piers, roads and telephones.

An editorial in the *South China Morning Post* noted that local Chinese industrialists, who had on hand large amounts of idle capital with multitudes of skilled workers at the ready, were prepared to cooperate with the colonial government to compensate for the decline in entrepôt trade through industrial development.[14] The newspaper then advocated that the colonial government should develop a special district for industrial manufacturing, and that a representative of the Chinese Manufacturer's Union should be included on the Government committee.

[13] 6-1 in <11/3181/52 > .

[14] *SCMP*, 16 July 1953.

To this end, the Assistant Colonial Secretary who had earlier proposed the squatter policies, put forward a proposal to the Deputy Colonial Secretary on 10 August regarding a project to develop an industrial estate near Ngau Tau Kok, working jointly with the CMU.[15] Furthermore, with the successful achievement of export-oriented industrialisation, "there is a possibility of renewed squatting in town or the development of the outlying areas—depending on the policy adopted", and there would also be demands for the scheduled freeing up and maintenance of spaces to support economic growth based on industrialisation.

With regard to the specific process of realising this project, the Economic Secretary took the project up, in a memorandum to the Colonial Secretary dated 6 October.[16] He stated that the policy of the colonial government to develop the built environment were to be clearly situated as a proactive 'visible hand' that would guide and organise the *ex post facto* 'invisible hand' of competition between the economic actors or individual manufacturers. This point was put forth in the following terms:

> All that requires to be done is for Government is to select the area; say how it is to be divided between residential and industrial sites, and see to it that it is developed in an orderly manner. In the area is to be Ngau Tau Kok… *Provide the facilities for getting there, build a good access road and a couple of piers and sit back and wait*. When sufficient numbers [of facilities] are established, think about providing their needs (emphasis mine).

5.3 The Development of Kwun Tong Industrial Area

The area planned for building the industrial estate near Ngau Tau Kok was Kwun Tong (Fig. 5.1). Kwun Tong had been once the public rubbish disposal site, which was earmarked for reclamation.[17] Here, the colonial government attempted to create an urban built environment that would integrate spaces of industrial production and living for formerly Type II low income labourers. As such, the development of Kwun Tong was "the first major urban expansion scheme, and the first formally designated new town in Hong Kong".[18]

A document entitled 'New Industrial Area at Kun Tong' submitted by the Colonial Secretariat for a meeting of the ExCo convened in May 1955[19] set clear limits on the sphere of policies that the government was willing to take for the purpose of industrialisation. It planned to provide backing in the form of land—i.e.

[15] M3 in <11/3181/52 > .

[16] M8 in <11/3281/52 > .

[17] Bristow, 1989, *op. cit*., p. 54.

[18] Ibid.

[19] Memorandum for Executive Council, XCC 39, for discussion on 24th May, 1955, 75 in <2/5282/53I > .

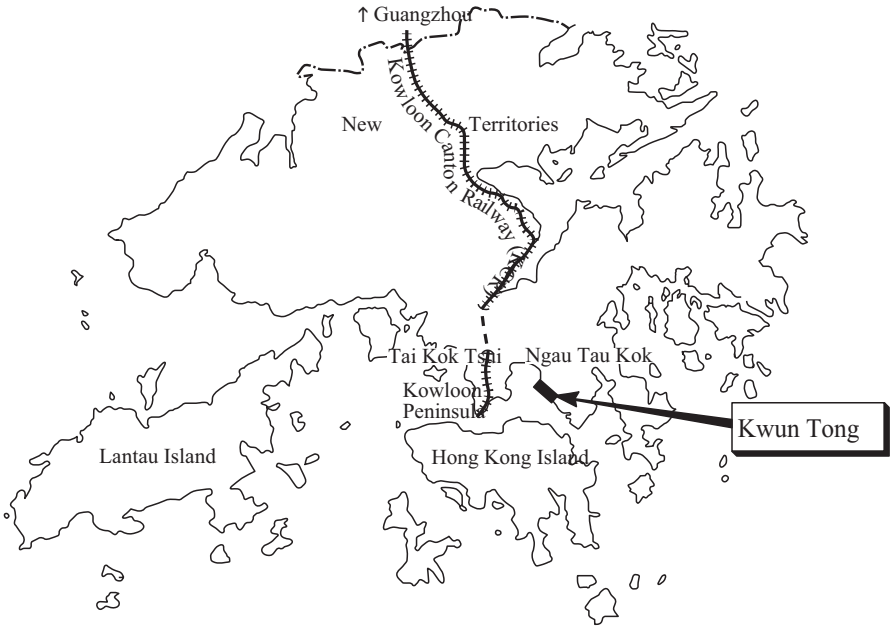

Fig. 5.1 Position of Kwun Tong (Waterfront as of 1946)

industrial space—rather than of direct financial support to Chinese industrialists. The document stated as follows:

> In the interests of the Colony therefore it seems that industry should not only be maintained, but should be positively encouraged and nurtured. The position of local industries at the moment is one of great difficulty. The local market is relatively insignificant and for their prosperous local industries have to depend on export markets… They face fierce and increasing competition… The primary essential therefore seems to be that Hong Kong manufacturers must keep down their costs if they are to compete. This many of them are in fact doing with great success by introducing modern machinery and economic methods of operation… The most undesirable method is to reduce wages to bare subsistence level, a course which may well lead to trouble with Her Majesty's Government and with international organisations… One handicap manufacturers cannot at the moment overcome, namely the high cost of land on which their factories stand. The present high cost results in large measure from factors unrelated to the long term economic value of the land, such as speculation, the inflow of idle capital, the housing shortage, etc. The Committee felt that in view of the fact that Government had set its face against any form of direct subsidy to industry, *the only possible help that might be given was to afford land to industry at reasonable but not cheap prices*… Unless production is expanded the Colony will at some stage in the future be in the position where it will not be able to maintain its population now being rehoused (emphasis mine).

Such policy proposals were possible because of the unique political conditions of colonial Hong Kong, namely the lack of parliamentary democracy. The interests of Chinese small business entrepreneurs had no representation within Hong Kong's ruling-class alliance. Despite the needs of Hong Kong's industrialisation, the Hong

Kong Chinese capitalists were the subjects of colonial rule, and had no way for their interest to be represented in government policy through electoral means.

5.4 The Class Struggle Between the Chinese Capitalists and British Landlords

The Kwun Tong project then developed into a class struggle between the capitalists and landlords,[20] superimposed with an ethnic struggle.

5.4.1 The Cheaper Land: Demand by the Chinese Industrial Capitalists

At the time when the Kwun Tong development project started, high land prices had already exerted a negative impact on the industrial development of Hong Kong; and Hong Kong was in regional competition with the British colony of Singapore, which faced circumstances similar to those in Hong Kong at the time. The CMU looked forward to the colonial government providing inexpensive industrial land by somehow circumventing the problem of soaring land prices, through demanding that the reclamation site should be made as "proper and well-managed industrial centres and employ, as much as possible, workers in these resettlements". The colonial government initially responded favourably to lease the industrial sites with private treaties, instead of the normal process of auctioning. In this way, the industrial entrepreneurs could have obtained land at a considerably lower price than in the laissez-faire market. The Director of Commerce and Industry of the colonial government supported it.

This situation was expressed in a memorandum to the Colonial Secretary by the acting Financial Secretary, dated 8 October 1953, as follows[21]:

> The main assistance that Mr. U [Tat Chee] wants from Government is cheap land. It has always been my view that the dearness of land has been one of the chief obstacles to the development of industry here… This dearness is supplemented by Government's own insistence on high *building* covenants designed to ensure the "economic use" of land, by which is normally meant the most immediately profitable use – which happens at present to be the erection of domestic tenements… One evil consequence of this is that industries tend to be forced to divert an excessive proportion of their available capital away from equipment to land and buildings. Mr. U no doubt has in mind a recent development in Singapore where the Colonial Development and Welfare Corporation has set up an industrial area where it provides formed land for industries on a liberal scale at low capital cost payable over… twenty years at a low rate of interest. Some factories have already been attracted from Hong Kong to Singapore as a consequence of this.

[20] Harvey, D., *The Limits to Capital*, 1982, University of Chicago Press, pp. 362–366.

[21] M9 in <11/3181/52 > (emphasis original).

The Director of Commerce and Industry, moreover, highlighted the magnitude of the problem in the following terms, in a memo to the Colonial Secretary dated 29 December of the same year[22]:

> The scheme for Ngau Tau Kok is a good one but I should like to know why it cannot be made permanent. There are many medium and large type factories now operating in tenement buildings which are anxious to move to permanent sites provided the rates are reasonable, transport facilities are available and there is a guarantee of a long-term lease. These have sufficient capital or can get loans whereas the smaller industries are unlikely to get loans from banks. I am very much against the suggestion… That the land should be sold to the highest acceptable bidders… I feel that the time has come for Government to agree without delay on fixed rates for factory development. I cannot emphasise too strongly my view that everything possible should be done new to assist in the development of local industry. I am firmly convinced that industry is here [Hong Kong] to stay and that industries should be encouraged to set up new and permanent factories.

This viewpoint against selling the land to 'the highest acceptable bidders' reflected the position of industrial capitalists, as the land was regarded as a physical locus standi of production activities, not as a source of revenue. The Report of the Interdepartmental Committee dated 14 May 1954[23] regarding the necessity and feasibility of developing industrial sites for labour-intensive production that would employ the squatter residents as commodity of labour power took up this position, together with responses to questions put forth by the Colonial Secretary towards representatives from the Departments of Commerce and Industry, Labour, Public Utilities and Urban Services, on 28 January of the same year.

The terms of reference given to the Interdepartmental Committee by the Colonial Secretary were as follows[24]:

> To investigate and report on various proposals which have been made for the leasing of land on favourable terms to industrial interests for the construction of factories, and to advise on long term policy; and to report as a matter of urgency on the desirability and practicability of developing the areas adjoining the resettlement area of Ngau Tau Kok, and possibly certain areas within the present resettlement area, as an industrial site, the factories in which would employ squatters from Ngau Tau Kok for their unskilled labour…

As an issue of freeing up of space for industry in Hong Kong was coming up, the problem of the pricing of surface rights (land) became of concern to colonial British. In the policies that placed Crown lands as a core resource for the colonial administration, the price of surface rights had to be maximised.

From the standpoint of industrial capitalists, who supported the offer of land by private treaty, U Tat Chee and his colleague requested that the price be set at HK$5/square foot (HK$53.9/m^2).

The report compiled by the committee was in favour of the Chinese capitalists. In its general remarks, it took a view of prospects for long-term industrial manufacturing development in Hong Kong. Noting that "with the recent decrease in the

[22] M19 of <11/3181/52 > .

[23] <11/5282/53I > .

[24] 33 in <11/3181/52 > .

Colony's entrepôt trade it is vital that immediate steps should be taken to provide land on favourable terms to industrial interests"[25] (§ 5), the report proposed to make the industrial site available by pressing forward the large-scale land reclamation in Kwun Tong, a project in which squatters in the neighbourhood of the existing resettlement district in Ngau Tau Kok could be used as unskilled labour power. It thereby supported the intentions of the Colonial Secretary as well as the CMU to realise a new industrial base for Hong Kong. At this stage, the views of Hong Kong Chinese industrialists with respect to space were broadly taken into account (Report, § 43), leading to the launch of the following exceptional policy, which notably considered land users' convenience while being willing to sacrifice some amount of land revenue:

> We consider that industrial and residential sites in the Kun Tong area disposed of by private treaty should be sold at a price of $5.00 per sq. ft. which should cover the estimated cost of the scheme. In order to lessen the initial cost to a developer it is recommended that he be allowed to purchase the site by annual payments spread over such period of years up to the full term of lease as may be agreed; such payments include an interest rate of 5%.

In addition, in order to provide assistance to small-scale manufacturers, the Report also proposed the proactive consideration of the construction of a large number of small 'flatted' factories with compartmentalised interiors that would house large numbers of small-scale workshops.

5.4.2 The Challenge from the British Landlord Class for More Revenue from Land

Kwun Tong belonged to the New Territories. As a rule, elsewhere in the New Territories, surface rights were made available to private-sector industrialists until 27 June 1997 strictly by auction. Private treaty agreements were limited to sites for facilities such as for education, religion and social welfare. Considering the fact that the cost principle was not employed at all, the proposal to offer industrial sites in Kwun Tong to industrialists under the above conditions was quite exceptional.

In the past, the position of the colonial government had been that they were "not prepared to intervene in the economy… to commit itself to… the provision of a basic infrastructure".[26] Although the Chairman of Urban Council responded favourably to the demand of the CMU, the Commissioner of Labour commented in pursuance of this non-interventionist legacy, "they are discriminating, squeezing, etc. and Govt. will be accused of allocating one small section of the business community to have a monopoly of public land".[27] Lawrence Kadoorie, a member of the prominent

[25] 34 in <11/3181/52 > .

[26] Scott, I., *Political Change and the Crisis of Legitimacy in Hong Kong*, University of Hawaii Press, 1989, p. 68.

[27] 7 in <11/3181/52 > .

Kadoorie family of Anglo-Jewish industrialists in pre-revolution Shanghai and the manager of China Light and Power (the power company serving Kowloon and the New Territories of Hong Kong) as well as the prestigious Peninsula Hotel, represented the landowner class and expressed his position against the idea of leasing the land with private treaties, demanding the land be leased at a price on par with what it normally would fetch at an auction, i.e., HK$8–10 per square foot. The Legislative Council followed and decided that the lots should be put up for lease by free auction.

The Interdepartmental Committee held a hearing, calling on three private sector industrialists: U Tat Chee, another member of the Chinese Manufacturer's Union, and Lawrence Kadoorie. Held on 12 March, the hearing solicited the views of these parties regarding the value of surface rights to be disposed of by the colonial government.[28]

Since the price of HK$5 per square foot would cover the estimated expenses of reclamation and preparation, the colonial government found itself in the position of making a profit out of land prepared for "the private sector of a specific nature",[29] i.e. small-scale Chinese industrial capitalists, if it was sold at the price that Kadoorie wanted.

This report was submitted to the Executive Council on 27 July 1954. The report was accepted in principle, with the inclusion of the unprecedented way of offering land. However, in committee on the same day, Kadoorie once again made clear his dissatisfaction, with the price of HK$5 per square foot being too low, and offered his additional opinion that factories are likely prepared to pay HK$10 in private treaty.[30]

Moreover, at the meeting of the Finance Committee on 11 August the same year, deliberations centred on whether, after seeking the approval of ministers with the appropriate jurisdictions in the British government, to fund the Kwun Tong development using disbursements from the British Colonial Development and Welfare Fund as capital for the project, and then to repay the fund with revenues from the sale of industrial sites. At the same meeting, objections were raised by committee members that the decision to dispose of lands by private treaty, taken previously at the July sitting of the Executive Council, had been wrong and that the normal auction procedure should be adopted.[31] The colonial British obviously feared that their virtual independence would be undermined if Hong Kong relied on the fund from London.

As outlined in Chap. 1, the Finance Committee was made up of those members of the Legislative Council who had come from the non-government sector. At this time the majority was comprised of White British businesspeople engaged in the management of the trading and banking sectors, together with Chinese comprador-style agents; and it was effectively the real executive committee of Hong Kong's

[28] <2/5282/53 I > .

[29] Bristow, 1989, *op. cit*., p. 56.

[30] 45 in <2/5282/53 I > .

[31] 45 in <2/5282/53 I > .

ruling-class alliance. Precisely because the deliberations of the Committee were held in camera, it was a site where substantive policy decisions were taken in accordance with the interests of the British ruling class of Hong Kong. Hence 'recouping' was seen to be of primary importance, and was critical to the interests of the landowning class.

The ostensible reason for this opposition was that the disposal of surface rights by private treaty would create a leeway for the intervention of speculative merchants, who would then profit through subleasing. On the other hand, the inclusion of land-use stipulations in such contracts would make it difficult to secure mortgages, which would be even more of a drawback for business management. Privately, however, Kadoorie said that "there will be plenty of applications for the land and that, therefore, Government should not lose on securing the market value of land". It was evident that his true objective lay in the maximisation of government revenue through the allocation of usable spaces via the market.[32]

Herein lay the dialectics: while the colonial government had to maximise revenues from surface rights, it also had to promote export-oriented industrialisation to establish the colony as an independent economic entity. To the latter end it had planned to undercut the value of the surface rights of Crown land, in order to enhance competitive edge in production cost. This was a class cum ethnic struggle peculiar to Hong Kong between Hong Kong Chinese industrialists and British colonial landholders.[33]

5.4.3 Provision of Industrial Land Through Private Treaty Came to Lose Ground

Having the plan been approved by the Executive Council despite some twists and turns, another committee straddling a number of different departments, the Working Committee on the New Industrial Area at Kwun Tong, was set up. This Committee had the terms of reference "to produce as a matter of urgency an accurate plan of the area [Kwun Tong] which will be available for factories and for workers" quarters in March 1955,[34] and was chaired by H. A. Angus, Director of Commerce and Industry, with the Commissioner of Labour, the Assistant Superintendent Crown Lands, the Chief Engineer, with Port Worker as additional members. The composition of this committee itself may have suggested certain government interests in Kwun Tong development as an object of industrial policy. The substance of its agenda, however, was a reconsideration of the way in which land was to be disposed of.

The views that arose at the Committee's initial meeting, on 16 September 1954, included,[35] "government was under moral obligation to provide land at a reasonable

[32] M69 in <2/5282/53 I > .

[33] Harvey, *Limits to Capital, op. cit*., pp. 362–366.

[34] 43 in <2/5282/53I > .

[35] Minutes of the Working Group Committee for 6 September 1954, 43 in <2/5282/53 I > .

price to those smaller concerns who already had the skill, workers and experience but little capital"; and "the price of $5 per square foot, which had been recommended if land was to be sold by private treaty, more than covered the cost of the reclamation work to Government". The atmosphere was notably in favour of the industrial capitalists. Ultimately, a draft decision to maintain the existing formula of negotiated contracts was submitted for a second time to the meeting of the Executive Council held on 26 October of the same year, with a proviso to continue further examination of the pricing and land distribution formula.

The Executive Council, however, unable to come to a decision, called on the Director of Commerce and Industry (i.e. the Chairman of the Working Committee) to explain the reasons for the use of private treaty and a satisfactory method for distributing land, and on this basis a plan for private treaty was once again brought to the Finance Committee for consultation.[36]

This conflict finally rose to the Legislative Council the following 2 March 1955. In a budget speech, the Colonial Secretary Robert Black, who was serving as the Acting Governor, outlined the following[37]:

> When the strategic controls [of the embargo against China] were introduced, the Colony's economy received a severe shock, and if it had not been for the considerable industries which have now become well established here, and which continued to carry on and expand when the traditional entrepôt trade was disrupted, that shock might well have been a major disaster. The Colony owes much to its industries… If they are to survive, they must keep down their costs… We have set our face against any form of protection of industry and against any form of direct subsidy, but I think there is one thing we can do to assist in maintaining this vital part of the Colony's economy; that is, to provide land at reasonable prices for sound industrial undertakings. I emphasize 'sound', because our policy should be to encourage those undertakings which will make a definite contribution to the well-being of the Colony…

In contrast to this speech by the Colonial Secretary-cum-Acting Governor, who was more or less favourable to industrial capital, Lo Man Wai, a son of a comprador of Jardine and studied in the UK to practise legal service in Hong Kong. Lo was a Finance Committee member from the unofficial sector, and expressed this view[38] on 23 March; it represented the standpoint of the Finance Committee, noted earlier as the representatives of the colonial British landholding class:

> If 'reasonable price' means a price below the proper market price, I feel the matter requires serious consideration. It is true that land at the present time commands a high price whether it is for residential or industrial purposes. Even so, industrial undertakings paying such high price manage to carry on a profitable business. In fact, there has been recently an outcry in the United Kingdom against our local factories being able to manufacture goods at such low cost as to ruin Home Industries. In my opinion, the effect of the opening of large reclaimed land at Kun Tong for factory sites would be to bring down the present high price for land… But if Government were to sell land below the proper market price, then I can see a lot of undesirable complications [such as corruption and difficulties securing loans and mort-

[36] 75 in <2/5282/53 I > .

[37] *Hong Kong Hansard*, 1955 Session, 2 March 1955, p. 37.

[38] *op. cit.,* p. 89 (emphasis mine).

> gages]… For all these reasons, I think land should be granted to industrial undertakings upon the usual terms. It follows therefore that *the price should be the market price*.

The goods manufactured in Hong Kong already had a strong competitive edge in the UK. The praise for this fact should go to, first, the hard-working Chinese labour who may have formerly been squatters; and second, also hard-working Chinese small and medium capitalists, desperate in their efforts to remain competitive under the imperative of the 'invisible hand' without government support. High land prices were compensated for by the low-wage unskilled squatters, employed for low wages in the inadequate working conditions of the factories set up in overpopulated built-up areas. Taking the perspective of 'welfare of the colony' over the longer term, the initial objectives of the Kwun Tong development should have been the obligation to improve these conditions through the provision of space of both production and living at an affordable price.

The above statement by Lo, who may not have been sufficiently aware of this point, was criticised in correspondence dated 25 April 1955 sent by Hui Ngok, Chairman of the CMU, to the Director of Commerce and Industry as follows[39]:

> Fortunately, we have now in the Colony plenty of available capital ready to be invested in industry. We have the required technicians and plenty of skilled and unskilled workers, all of which can facilitate the development of industry. However, all these facilities may well be rendered largely useless because there is a shortage of industrial land at such reasonable prices as would encourage development. As regards the suggestion that the "effect of the opening up of large areas of reclaimed land at Kun Tong for factory sites would be to bring down the high price of land", we regret we cannot agree that this *fear* is justified. Continuing to develop Osaka as an industrial town has not affected the development of Tokyo. In fact, they continue to develop together… We consider that the present situation where refugee capital [from the PRC] has forced up land and property values to uneconomic levels is full of danger, and that allowing of a free market in newly reclaimed areas such as Kun Tong would, in the long run, place the Colony's industry at a serious disadvantage, in that the majority of the capital of concerns moving there would be tied up in land and buildings rather than equipment and raw materials… Our industry now plays such an important part in the Colony's economic life that its healthy development must be the concern of every one of the two and a half million inhabitants… The part which the cost of land plays in the development of residential property has been recognised already by Government in the making of land available at non-speculative prices for housing projects of many types, including re-settlement of squatters, and it is our contention that industrial projects, to provide work for those who are being housed, is worthy of at least equal consideration as regards terms on which land is provided… And we can assure you that manufacturers are ready to accept such restrictions on re-sale of land made available at economic prices, as would remove all possibility of speculation in land values in the area concerned.

Nevertheless, the demand expressed from the industrial capitalists, calling for the provision of Crown lands according by private treaty, were steadily losing ground in the colonial government. At a meeting of the Executive Council on 24 May 1955, an 'Alternative to Private Treaty', an amendment to the previous policy, was proposed to ease the financial burden for the industrialists by adding a clause prohibiting the resale or subleasing of surface rights for a 21-year period, with

[39] 75-3 in <2/5282/53 I > (emphasis original).

annual rents set at a value that would recover the opening auction price of the surface rights over this term. This proposal, in which the phrasing 'by auction' was carefully avoided, instead included as an eleventh hour concession of a supplementary explanation along the lines that the formula more or less emulated that used on industrial estates in the UK. Even with this conciliation, however, the day's meeting of the Executive Council ended without accord being reached, and the matter was tabled for later discussion.

5.4.4 The Victory of the British Landlord Class: Disposing of Land by Public Auction

Following this gridlock, the Director of Commerce and Industry, the Commissioner of Labour and key members the Working Committee, finally had no choice but to give in on the point of disposing of land by means of public auctions, though with a number of conditions attached. These conditions, summarised, included "(a) sale by auction (leases to be for 21 years renewable, premia payable in a lump sum or by instalments including 5% interest, sites to be sold for specific industries or groups of industries, lessees to be required to provide housing, etc.); (b) a limited area to be reserved for disposal by private treaty for flatted factories (to accommodate substandard factories moved from the urban areas)", and resumption of the surface right to use the land by the government when such conditions were not observed.[40]

With this second revision, the bill concerning Stages I and II of the construction of the industrial development of Kwun Tong was finally approved at the meeting of the Executive Council on 14 June 1955 (Fig. 5.2).

The 28 September 1955 issue of the *South China Morning Post* reported that the reclamation of 17.5 acres (7.1 ha) of land, as the Stage I construction, was to be completed in early 1956. Furthermore, applications were being invited until the end of October 1955 for sites on a further 15.5 acres (6.5 ha) of land, to be reclaimed as Stage II of construction by July of 1957.

The response to this by U Tat Chee was scathingly critical. Citing a Labour Department report that 2360 units of floor space were registered as factories in the built-up urban areas, he argued that even though "at least 2000 new sites are required during the next 5 years", the plan that had been decided upon "would be sufficient for about 200 sites for factories of small size, and will hardly be sufficient to meet the immediate need of new factories, let alone those of existing factories wishing to expand".[41] Certainly, just as U Tat Chee had pointed out, and just as Kadoorie had predicted even earlier, the pressure of demand by Hong Kong's Chinese industrialists for industrial sites in Kun Tong was intense in the very beginning. By 22 November that year, the government had received 963 applications

[40] Memorandum for Executive Council XCC 41, For discussion on 14th June, 1955.

[41] *Hong Kong Standard*, 29 September 1955.

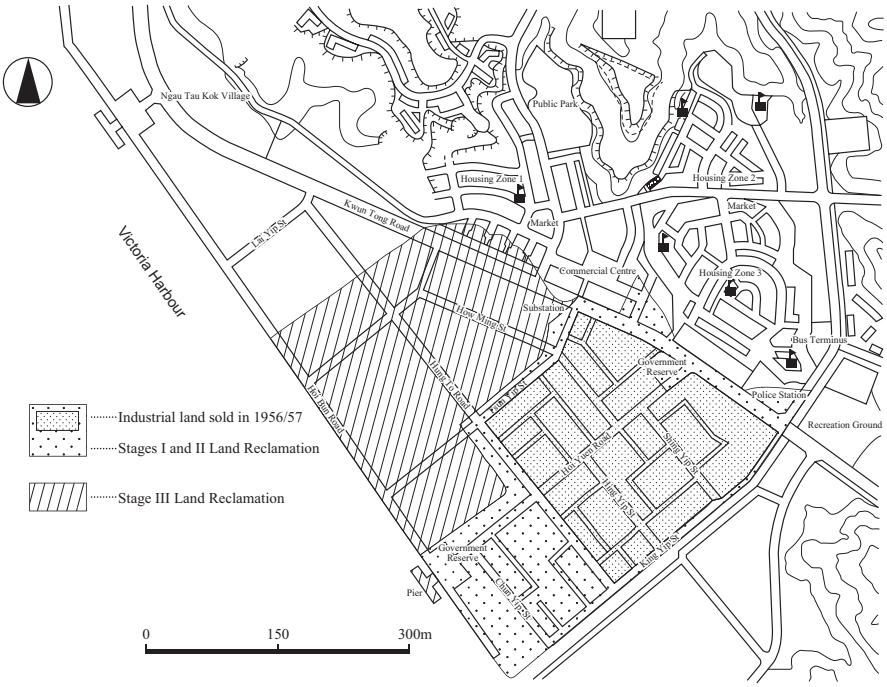

Fig. 5.2 Plan of Kwun Tong industrial site development.
Source: <2/5282/53II>, <2/5282/53III>

amounting to a total demand for 17.5 million sq. ft. (162.2 ha), far surpassing the 33 acres (13.4 ha) that was to be completed by the end of Stage II. This provided an opportunity for the colonial government to settle upon a third stage of construction, and another 63.8 acres (25.8 ha) was made available upon the completion of this new stage.

Briefly, while U Tat Chee and Kadoorie were substantially alike in terms of their predictions, they were polar opposites in terms of the policies they envisioned. Harvey pointed out the dialectics inherent in ground rents in capitalist society: to allocate space among a variety of economic actors (land use organisation) and to generate income for landowners.[42] In the development of Kwun Tong, this duality expressed itself in the antagonism between U Tat Chee, a representative of the industrial capitalist class, and Kadoorie, a representative of the landowning class. The former insisted that because industrial production was growing fast, space should be distributed to more manufacturers through private treaty to ensure

[42] Harvey, *Limits to Capital, op. cit*., p. 369.

low land prices. The latter asserted that because demand on industrial land was strong, the government should raise the land price so as to maximise revenue from space.

In the final analysis, the question of which of these two economic interests would win out in Hong Kong's colonial society could only be decided by the political processes based on the structure of colonial apparatus.

The industrial manufacturing development scheme in Kwun Tong thereby gradually distanced itself from the initial ideas of providing low-cost sites to industrial capitalists, and began to move towards the objective of extracting wealth from space. The structure of colonial governance in post-war Hong Kong, where the colony's British White-minority rulers used the scarcity of space as a 'resource' to be squeezed in order to accumulate economic wealth, thus came to the surface in this Kwun Tong project as well.

5.5 The Changing Characters of the Kwun Tong Development: From Industrial Policy to a Source of Revenue

5.5.1 Report of the Working Committee: The Imbrication of Ethnic and Class Struggles

On 27 January 1956, the Working Committee on the New Industrial Area at Kwun Tong compiled a draft report[43] to be submitted to the Executive Council. The Report summarised the debate described above, as well as the conditions relating to the applications from industrial capitalists for land in Kwun Tong, providing items that had been stipulated as their terms of reference, namely to "make recommendations in due course for submission to Executive Council" on "the terms and conditions on which sites should be granted for industry and for the housing of factory workers and their families", "the systems of allocation" and "the type of quarters that factories would be required to erect for their workers". Further internal deliberations of the colonial government were given on this matter, then the 'Report of the Working Committee on the New Industrial Area at Kun Tong' was presented to the Executive Council on 15 May 1956, a document that was in essence the working group's final report.

Herein, it was agreed that the 2,579,000 sq. ft. (equivalent to 24.0 ha; net area, excluding communal use portions such as roadways) completed in Stages I and II of construction should be divided into 180 blocks of 10,000–200,000 sq. ft. (929–18,580 m^2), with some 15% of the actual area being set aside as a site for five buildings of 'flatted factories' measuring 377,000 sq. ft. (35,023 m^2) available through private treaty. It was also decided that, in order to ensure workers are properly

[43] The Letter submitted by H. A. Angus to the Colonial Secretary on 27 January 1956, 23 in <2/5282.53 II > .

housed, factory owners and private companies were recommended the provision of housing, while at the same time land should be reserved for construction of residential blocks for the Hong Kong Housing Society and Housing Board and investigation should be made for the possibility of constructing resettlement estates in the vicinity of Kwun Tong.

Although in this Report the auction was implemented as a recouping by the Kadoorie faction, the Report nevertheless retained the duality of space to foster industrialisation and to acquire revenue, within the context of the imbricated class cum ethnic struggles. In other words, the substance of the Report was a kind of compromise.

On the one hand, it aimed to promote the high-density spatial use that would enable the colonial government to acquire the greatest possible revenue for surface rights, intentionally and actively encouraging competitive biddings of Chinese capitalists for land through intentionally create scarcity of space. The Report made it explicit that "sites should be *allocated in such proportion as to stimulate competition at auction*",[44] and that "no registered applicant should be refused an opportunity to bid for a site in an appropriate area or areas merely because the size of site for which he has applied is not available. This should *stimulate competition at auction* and is considered justifiable in view of the necessarily arbitrary nature of the scheme for the allocation of sites in relation to applications received"[45] (emphasis mine). Furthermore, land was to be auctioned off in small portions of "five to six blocks a week" rather than in bulk.[46] In addition, the construction of flatted factories actively promoted high-density spatial usage, which also functioned to drive up land values in tandem with under-supply.

On the other hand, the distribution of land use was not necessarily left to the hands of the laissez-faire market mechanism thereby generated. It rather retained industry-specific site zoning, which tinged the Kwun Tong development with the colours of spatial industrial policy. Fixed quantities of spaces were reserved for each leading industrial sector in line with the industrial policy. Setting the smallest blocks for disposal at 10,000 sq. ft. (930 m^2) meant that light industrial factories needing areas of 9000 sq. ft. (836 m^2) or less were not expected to participate in the bidding competition[47]; yet, the floors for the flatted factories themselves were still exceptions, to be sold by private treaty.

Several deliberate measures for allocation of space to each industrial sector suggested the planned character of the allocation of industrial spaces in order to prioritise strategically important industrial sectors for the development of the Hong Kong economy. Since industrial water supply had not been completed by July 1957, authorisation was withheld for sectors such as spinning, weaving and dyeing. The

[44] 'Report of the Working Committee on the New Industrial Area at Kun Tong', Para. 18 in 40-2 of <2/5282/53II > (emphasis mine).

[45] *op. cit.,* Para 37. On this statement, the Working Committee's draft manuscript even specifically mentioned the ratio in that 'only *half the number of sites applied* for should be provided, in order to stimulate competition at auction" (23-2 of <2/5282/53 II>, emphasis mine).

[46] *op. cit.,* Para 38.

[47] *op. cit.,* Para 26.

establishment of housing on lands slated for industrial use was forbidden for anyone other than security guards. With respect to the externalities of the manufacturing locations, the site being adjacent to Kai Tak Airport, the location of industries that might emit smoke and possibly impair aircraft visibility, as well as other high-emissions industries was prohibited. Considerations were taken so as not to locate factories that might adversely affect others in close proximity. In addition, it would be necessary to take steps to prevent the negative consequences that would inevitably result from soaring land prices and to ensure that development sites would function normally as space for manufacturing production. Thus, the report took steps in prohibiting, for a period of 5 years, the land use by industrial sectors other than those specified on the occasion of the disposal of land.

5.5.2 The Commencement of Auctions and the Trend Towards High-Density Development

The land reclamation of the seafront of Ngau Tau Kok continued to progress, and was approaching completion by the end of the summer 1956. Concurrently, the 'Kun Tong Advisory Committee', the successor organisation to the former Working Committee on the New Industrial Area at Kun Tong, was newly convened on 13 September of 1956. The committee was composed of Crown lands inspectors and directors from each of the Departments of Commerce and Industry, and Public Utilities and Labour, to consolidate the project's development, including the selling off of land. The terms of reference of the Committee were to carry out and, where necessary, revise the recommendations of the Report approved by the Executive Council and make proposals to the Governor regarding alterations to basic policy in the future.[48]

The full site was divided into 85 blocks ranging in size from 10,000 sq. ft. (54 blocks) to 100,000 sq. ft. (4 blocks), and land was auctioned off at a put-up price of HK$5 per square foot. Entrepreneurs who were unable to scrape together funds to make the payment in full were given favourable terms to pay in instalments at 5% annual interest. Once payment had been made in full, and after satisfying building covenants that had been entered into with the government, assignment and subleasing of surface rights were permitted. Thus, it was free to pay the land premium to the colonial government in lump sum with funds financed through mortgage, then put the surface rights to be securitised as objects of speculation.

Following the decision to adopt laissez-faire auctioning, the land was not disposed of all at once, but in such a way as to create scarcity. It was divided into small lots, as indicated in Table 5.1. Land was then auctioned off in small lots of 40,000 sq. ft. (3716 m^2) at a time fortnightly (with some exceptions), beginning on 10 September 1956, without waiting for the completion of the water supply.

[48] 38 in <2/5282/53 III>.

Various industrial sectors were divided into 'groups', each sector was then allotted a certain amount of area, and auctions were held for each group. These roughly divided groups and area allotments were as follows: Group I, Textile Goods (allocated area 320,000 sq. ft. [29,728 m^2]); Group II, Plastics and Stationery (allocated area 110,000 sq. ft. [10,129 m^2]); Group III, Metalworking and Electronic Goods (allocated area 1,030,000 sq. ft. [95,687 m^2]); Group IV, Wood and Leather Manufacturing (allocated area 290,000 sq. ft. [26,941 m^2]); Group V, Chemical Products and Printing (allocated area 80,000 sq. ft. [7432 m^2]).[49] The fact that the area allocated to Group III was particularly large was a manifestation of industrial promotion policies. Compared to the pre-existing textile industry sectors that had relocated from Shanghai and elsewhere, an emphasis was placed on the leading electric sector, which was then at the forefront of growth, in an attempt to build a new foothold for the Hong Kong economy. For the others as well, all major industrial sectors that existed in Hong Kong at the time were given an opportunity to acquire industrial land in Kwun Tong.

The contract prices were two to four times higher than those in the originally planned private treaties. By expressly giving priority to making money out of Crown lands through contrived laissez-faire competition, the colonial government succeeded in monetising the consumer surplus of Chinese entrepreneurs for its coffer. Looking at the auction situation from 10 September to 22 October in Table 5.1, we can see that all blocks, at first, fetched contract prices that exceeded the value of HK$5/sq. ft. that had been planned for negotiated contracts by factors of between two and four. Kadoorie's prediction was correct.

In addition, whereas blocks of smaller sizes fetched particularly high prices, this was not so much the case for more spacious blocks, which also demonstrated that high-density growth had the effect of driving up the price for surface rights. This fact reinforced the colonial government's conviction in its conventional beliefs, and

Table 5.1 Auction conditions for sites from the initial stage of the Kwun Tong development

Auction order	Site number	Industry group	Land area (sq. ft.)	Bidding price (HK$)
1st	12	I	10,000	17.6
	13	I	10,000	23.1
	14	I	20,000	15.2
2nd	10	II	10,000	18.7
	11	II	10,000	20.5
	18	II	46,000	12.2
3rd	41	III	20,000	10.9
	42	III	20,000	9.0
	9	II	10,000	14.0
4th	30	IV	10,000	20.3
	31	IV	10,000	18.3
	40	IV	20,000	8.9
Average			16,333	14.11

Source: 31–1 in <2/5282/53 III>

[49] 20 in <2/5282/53 III>.

it increasingly went on to promote high-density development.[50] At a meeting of the Advisory Committee convened on 23 October 1956, it was suggested that detailed consideration should be given to the size of the blocks that were to be auctioned, and to delay as much as possible the auctioning of larger blocks.

Another method for promoting high-density development was the construction of flatted factories, which had been the subject of discussion for quite a while. Based on views expressed at the meeting of the Advisory Committee on the same day, the Commissioner of Labour, Mason Sedgwick, made on 13 December the following indication, and it was requested once again to save space allocated for workers' amenities by enabling the shared use of the means of collective consumption.[51]

> [Flatted factories] serve a useful purpose by making a more economical use of industrial land than if each small industrial concern had its own single storey establishment. They do not, however, make the fullest use of the land, since each floor is self-contained and has its own sanitary accommodation, canteen, rest-room, etc., facilities which have to be provided under the Factories and Industrial Undertakings Regulations but for which much less space would be necessary if these facilities were planned on a communal basis for all occupiers of the premise. The main purpose of the flatted factory concept was to reduce the costs for each individual concern and to make the fullest possible use of available space by having these facilities designed on a communal basis to be available to all tenants. This presupposes a single owner in control.

However, the enthusiasm in bidding soon waned because of a new zoning restriction. The auction conditions that conformed to Government's expectations in the beginning began to change as matters progressed. The auction price per unit of area began to tend downwards, and at the beginning of 1957 a succession of sales took place in which the price at auction remained unchanged from the put-up price of HK$5, as demonstrated in Fig. 5.3.

5.5.3 *Lifting of the Zoning Restriction in Favour of Land Speculation*

Indeed, this restriction had come out of the industrial policy of having every major industrial sector be represented in Kwun Tong and of promoting the newly emerging sectors such as electric equipment. Yet, confronting this state of affairs, the chairman of the third meeting of the Kun Tong Advisory Committee on 15 January 1957 suggested that "it seemed *unnecessary to restrict individual sites to particular [industrial] groups*".[52]

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[50] This point is clearly expressed in the following statement by Mr. Potter, Acting Surveyor-General and Commissioner of Crown Lands. 'As has been my experience elsewhere the larger sites do not appear to be so popular nor command so high a price as the smaller ones' (20 in <2/5282/53 III>). From this experience of his own, Potter proposed that the land divisions at Kwun Tong should be subdivided even further.

[51] 56 in <2/5282/53 III > .

[52] III(1) of the Minute of Kun Tong Advisory Committee, 15 January 1957, in <2/5282/53 III > (emphasis mine).

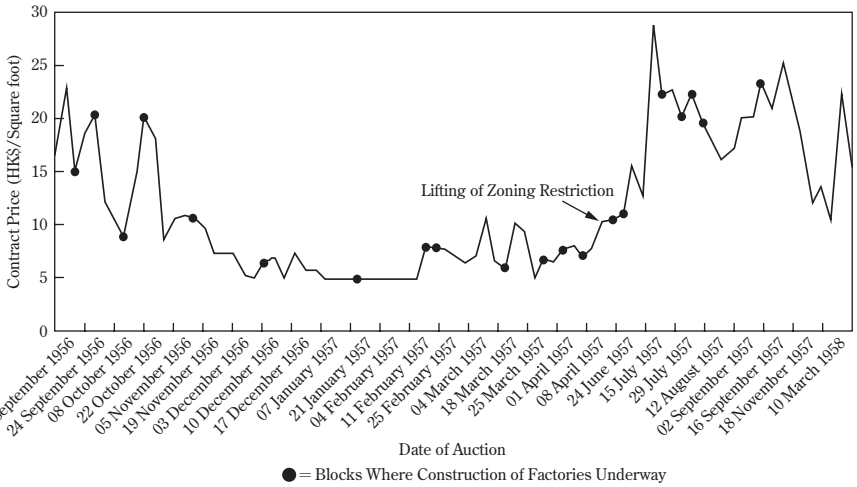

Fig. 5.3 Bidding price of sites in Kwun Tong.
Source: The graph by the author, based on 213 in <2/5282/53 III>

This suggestion prompted a protracted and combative debate that ended finally with the temporary suspension of the auctions on 8 April. The ostensible reason put forth by the colonial government, according to the 22 May issue of the *South China Morning Post*, was that "these restrictions tend to hamper industrial development. A number of manufacturers produce a variety of products which fall within different groups, and this debarred them from bidding at auctions..." However, in the words of the chairman, the truth was that these policies "would probably stimulate attendance and bids at auctions and possibly drive up prices for a time, but realised prices would conform to the advantages of particular sites", and that the objective was to rebuild the contract prices by consigning the regulation of land use in Kwun Tong more fully to laissez-faire market mechanisms.[53]

This new policy was resolved at the Executive Council on 14 May 1957. Under the new policy, the allocation of lands to individual industrial groups was to be abolished, and entrepreneurs in any industrial sector, as long as they did not make use of industrial processes that emitted smoke or industrial pollution (due to the proximity to Kai Tak Airport), would be allowed to bid freely on any lands they wished. Furthermore, for entrepreneurs who had already acquired land in Kwun Tong, "provided purchasers are willing to pay an additional premium equal to the difference between the premium they have already paid and market price obtaining at future auctions",[54] they are allowed to freely build factories in any industry of their choice, not limited to the particular industry group via which they had tendered bids in the past. Taking the case of a block between 20,000 and 100,000 sq. ft. (from

[53] 98 in <2/5282/53 III > .

[54] *SCMP*, 22 May 1957.

1858 to 9290 m^2) as an example, were one to pay the difference between the premium already paid and HK$17 per sq. ft. ($183/m^2), then the industrial sector restrictions would cease to apply.[55]

The lifting of zoning restriction attracted more bidders, which brought about higher contract prices. As a consequence, the contract price rebounded, amidst The Director of Commerce and Industry's lament that the Kwun Tong project "of assisting the small industrialists has failed".[56]

The effects of this new measure are immediately obvious from Fig. 5.3. According to the report of the Public Utilities Director on surface rights that had been sold off up until September of that year, the contract price (premium) of blocks from 20,000 to 50,000 sq. ft. (1858–4645 m^2) averaged HK$16.72 per sq. ft. ($180.00/m^2), and rose to HK$17.12 ($184.30/m^2) for blocks from 50,000 to 100,000 sq. ft. (9290 m^2), surpassing the initial price expectations for negotiated contracts by over 350%.[57] Furthermore, it was decided at the fourth meeting of the Advisory Council on 26 March 1957 that the auction was to be introduced even in the case of the flatted factories, which had been held exception to remain available by negotiated contracts in the earlier report.

5.6 The Consequence: Increasing Area of Idle Lands and Land Speculation by Hong Kong Chinese

5.6.1 The Lots Were Left Idle Without Development

The auction of industrial sites in Kwun Tong continued, and as it became more and more obvious that the position of the auctions within the Kwun Tong development were a source of income for the colonial government, even more so than industrial policy. Major changes took place in the economic character of the space developed in Kwun Tong: the actual construction of factories had stalled on the majority of auctioned lands, of which considerable portion had been left to lie idle.

As of mid-November of 1958, no construction plans had been approved for 29 (35.8%) out of 81 blocks where the land had been auctioned off. In particular, looking at the 39 blocks that were sold off during the 5-month trough in auction prices from December 1956 until April of the following year, just before lifting of the zoning restrictions, construction plans remained unapproved for 30 of these (76.9%). The owner of one of these had bought in at the lowest price of HK$5 per sq. ft. and had attempted to resell the land at a unit price of HK$8.5.[58] The number of blocks

[55] The standard market value for a block with an area of 10,000 sq. ft. was HK$20.

[56] 224 in <2/5282/53III > .

[57] 134 in <2/5282/53 III > .

[58] 213 of <2/5282/53 III > .

with factories that had actually commenced industrial production were even fewer, only the 20 blocks indicated in Fig. 5.3.

On 22 March 1958, in a letter to the Director of Commerce and Industry, Haking Wong, Chairman of the CMU, wrote that "Industrialists including members of this Association who have acquired lots in the Kun Tong Industrial Area are having great difficulty in complying with the condition stipulating erection of a factory at a prescribed limit of time after acquisition", and appealed for an extension to the time limit on factory construction, citing that there was a danger that reclaimed land that had still not been fully settled was constantly subsiding, that the water supplies and electricity were unusable and that there were no residential blocks for workers.[59] In response, the Director of Public Works stated that these were all either previously known facts or else indications that differed from reality, and that additional construction was diligently underway for worker housing, and the Director of Commerce and Industry criticised Wong by claiming "the Association seeks four excuses to put the blame for this situation on Government".[60]

It should have indeed been the case that the steep rise in the contract price of land due to the adoption of auction created a lack of funds among these Chinese industrial capitalists, and that for them it became more difficult to use Kwun Tong as space for production. Nevertheless, this rise in contract prices allowed the opportunity to maximise income out of space, that is, incentives to speculate in land, which gradually spread among the Hong Kong Chinese. The dialectics of ground rent described earlier, i.e. the contradiction between space for industrial production and space as a source of income, meant that the Hong Kong Chinese, who were colonial subjects, had begun to gradually lean towards the latter.

The sites of flatted factories were also in a pitiful state. According to a report by the Kun Tong Advisory Committee dated 1 August 1958,[61] a site measuring 28,000 sq. ft. (2601.2 m^2) had been sold in August 1957 to the National Lacquer & Paint Products Co. at a price of HK$14.32 per sq. ft. ($154.10/m^2), and another, measuring 25,000 sq. ft. (2322.5 m^2), in December to the South-East Asia Investment and Agency Co. Ltd., at a price of $5.68 per sq. ft. ($61.10/m^2). Construction had not commenced on either site, however, and the situation was such that there were not even any applications for tenancy. At the latter site in particular, the fact that the contract price had only barely exceeded the put-up price hinted that as far as the sites for flatted factories were concerned, they had been forsaken even by the numerous other speculators.

As mentioned earlier in this Chapter, the original wisdom of the industrial site development at Kwun Tong had been to deploy Type II squatters in the Ngau Tau Kok 'tolerated' area as labour power. Given the fact that these Type II squatters had been moved to this remote area and separated by spatial distance for the sake of public order, the spatial integration with nearby factories became essential. In addition, although factories in the leading sectors of Hong Kong, such as textiles, con-

[59] 154 of <2/5282/53 III > .

[60] 159 in <2/5282/53 III > .

[61] 205 in <2/5282/53 III > .

sumed lots of water for their production processes, it was difficult to acquire water in Kwun Tong. Also, because Kwun Tong was close to the expanding Kai Tak Airport, smoke-emitting industries were not permitted. Compounding these unfavourable conditions, unless Kwun Tong had had relative locational advantages in comparison with the existing built-up urban areas, which had already been serviced with sufficient urban infrastructure, it would have been the course of nature that so many areas of Kwun Tong would lie fallow. The buyers then turned to adopt a speculative stance, entertaining the prospects that any future provision of urban infrastructure would likely be provided.

Where, then, were the industries that supported the macro-economy of Hong Kong during this period located? As discussed in the last chapter, in 1954, the colonial government had already built its first high-rise resettlement estates in Shek Kip Mei, adjoining the urban areas in northern Kowloon, which had attracted squatters who at any time could form a labour force. As mentioned earlier in this chapter, immediately after this, the Department of Resettlement in May 1956 began a project to build a flatted factory in Tai Kok Tsui, less than a kilometre away from Shek Kip Mei.[62] These flatted factories were situated right in the middle of existing urban and industrial agglomeration. Moreover, because these flatted factories were capable of housing the small factories run by squatters, they proved to be highly popular. The Commissioner of Labour P.C.M. Sedgwick, set out these conditions in the following terms, in a memorandum to the Colonial Secretary dated 26 June 1958.[63]

> I am convinced that there is a demand for flatted or tenement factory space. More than 90% of the floors in new factory buildings in the recently developed Tai Kok Tsui area and at To Kwa Wan are separately rented to one or sometimes two manufacturers. The present lack of buying interest in Kwun Tong flatted factory sites is, in my opinion, *due in the main to the lack of domestic housing, schools and transport facilities in that particular area*… I feel sure that space in a flatted factory will not remain vacant for long.

Thus, at the time, the supply of industrial spaces in inconvenient Kwun Tong may have been premature.

Although 84 blocks in Kwun Tong had been sold by the beginning of 1958, the situation was pitiful. Only three factories were in operation, dealing respectively with embroidery, vacuum flasks and metal fixtures, and employing merely 400 workers in total. Even adding the three spinning and textile factories that relocated in the middle of 1958, which included Nanyang Cotton Mill Ltd., a major company that had previously been located in To Kwa Wan on the Kowloon Peninsula, the total number of those employed in Kwun Tong was only 2800.

[62] 19 in <2/4802/55I > .

[63] 184 in <2/5282/53III > (emphasis mine).

5.6.2 *Avaricious Colonial Government: Attempt to Extract More Money Out of Kwun Tong*

Faced with this situation, the sixth meeting of the Kun Tong Advisory Committee on 6 January 1959 proposed measures to accelerate plant construction by taking a deposit of 25% of the contract price, which would be collected and retained by the government until the payment for the first instalment. The deposit would then be returned with 5% interest upon completion of construction. In cases where buildings were not constructed, the government would resume the surface rights for those blocks (i.e. be taken back as Crown land), and be returned to auction.[64] However, in taking such measures, what the advisory committee was concerned about, even more than their effect on Hong Kong's industrial development, was whether it would be able to sell the land at an even higher price than before, after resuming lands for breach of contract when factories had not been built. On this point, the Advisory Committee indicated its expectation that "since all lots would be sold without specific user restriction, there is a fair chance that, in the long run, Government would obtain overall on resale as much as originally realised". This proposal was approved by the Executive Council on 26 May.

Hence, due to the avaricious intention of the colonial government for extracting even more money from the colonial space, the significance of Kwun Tong development grew as industrial policy steadily weaker. As we have discussed, this was by no means an unintended distortion of the development *post factum*. The colonial government derived revenue through the development of Kwun Tong, acting with a clear prospect of carrying out the colonial administration of space as a resource.

Based on the projections of the Assistant Colonial Secretary, the balance sheet of the Kwun Tong development was calculated in Table 5.2. While the profit rate was expected to be 140% of the invested capital (i.e. expenditures), the actual returns exceeded the anticipated revenue from industrial sites at HK$10 per sq. ft. ($107.60/m^2); and by March 1958 the average revenue was HK$13.26 per sq. ft. ($142.70/m^2). Recalculating the profit using these figures, the amount of profit was HK$27,387,113, and the profit rate reached 195.3%. In "endeavouring to aid Hong Kong industry through the provision of"[65] space, shaped by Angus, Director of Commerce and Industry at the time, the development of Kwun Tong, which been 'experimental in nature', had become the testing ground for a separate objective—not as industrial development, but of deriving income from space through speculation.[66]

[64] 224 in <2/5282/53 III>.

[65] *SCMP*, 22 May 1957.

[66] *SCMP*, 22 May, 1957.

5.7 Conclusion

In an overall reflection on the Kwun Tong development on the basis of the above progress, Angus lamented, "on the whole, I feel that our policy of assisting the small industrialist has failed, because the small industrialist himself has no substance, or is a speculator, or is just plain unwilling to try and improve his production".[67] In addition, in a report relating to the Kwun Tong development compiled on 17 May 1958, Social Welfare Officer James Wakefield, who had once put together a report on the squatter problem, indicated in the report 'Kun Tong: Industrial Township Development in the Ngau Tau Kok: Kun Tong Area' that "the stimulus for the high prices obtained for this land has largely been encouraged by speculators and brokers; in quite a number of cases purchases have been made purely as a speculation in the hope of finding someone else to develop the land purchased".[68]

Nevertheless, this government policy functioned successfully to induce wealthier Chinese to share common economic interest with the colonial British and to ally with them through capital accumulation from the land speculation. It was at Kwun Tong that the Chinese entrepreneurs bit the forbidden fruit of land speculation placed at their disposal by the colonial British and learned the sweet taste of being co-opted to the British 'on issues of mutual concern'.[69] In the course of time, these speculating Chinese accumulated capital and grew into property giants, and increas-

Table 5.2 Budget projections for the Kwun Tong development

	Item	Unit price (HK$/ square foot)	Land area (sq. ft.)	Sum (HK$1000)
Expenses	Landfill industrial zones and roadway/ drainage infrastructure (Stages 1 and 2)	4.87[a]	2,366,700	11,525,829
	Stage 1 reclaimed residential land, as well as roadway/drainage infrastructure and reclaimed sites for commercial use.			2500
	Subtotal (A)			14,025.829
Income	Sale of industrial land at market value	10[b]	2,366,700	23,667
	Sale of commercial land	15	216,700	3250
	Sale of residential sites (Stage 1)	10	327,000	3270
	Sale of residential sites (Stage 2)	7	501,500	3510.5
	Subtotal (B)			33,697.5
Profit	(B) − (A)			19,671.671

Source: <2/5282/53 III>, dated 27 April, 1956

[a]Government's calculated projections set the opening auction price at HK$5, and profits are underestimated. In this table, interest has been recalculated based on actual costs

[b]The actual value was HK$13.26. See text

[67] 224 in <2/5282/53 III > .

[68] 9 in <3/5282/58 > .

[69] Carroll, J. M. ed., *Edge of empires: Chinese elites and British colonials in Hong Kong*, HKU Press., 2007, p. 13.

ingly came to share the same class interest in landlordism as the colonial British. The landlord versus capitalist class struggle was ultimately shelved in favour of enticing Chinese into the landlord class, through speculation on space and eventually into the ethnic co-optation through commodification of space. Without doubt, as pointed out in Chap. 2, the ethnic alliance thus stabilised the Hong Kong society significantly.

This policy of controlling land supply in more general terms was not unique to Kwun Tong, but persisted until the end of the British colonial rule of Hong Kong, as discussed in Chap. 2. The colonial government disposed of its land a little at a time to earn revenue that would create the planned surplus for the government coffers. This is indeed the Art of Colonisation, which realised space as a resource.

In Hong Kong, this Art of Colonisation also created the politico-economic structure where Hong Kong Chinese could also profit from the colonial governance. It thus gave rise to an ever more intimate ruling-class alliance, which took hold as a leitmotif that appeared in various guises through a variety of Hong Kong's subsequent development projects. The development of Kwun Tong was a ground-breaking moment in the post-war colonial rule by Hong Kong British through spatial subsumption, in as much as it became the bridgehead for this ruling-class alliance, mentioned in Chap. 2.

For example, this was expressed in a memorandum prepared by the Assistant Colonial Secretary on 23 June 1961.[70] This memorandum was written when the Kwun Tong development had achieved its major aim, and an investigation was made as to whether the development project of Hong Kong should obtain financing from the World Bank.

> There is something in this and one of the toughest jobs of the Government is to keep the place attractive for our outside capital, and keep our markets open for goods we make. But there is another side… It is worth arguing that *new towns pay… Premia on sales and conversion of land, new rates, profits tax, duties, etc. will come in at a rate presumably in excess of Government expenditure*… Apart from water schemes, the Colony as a whole has brought in more than it has spent since the war.

Herein it was clearly indicated that for the colonial government the infrastructure development projects were never a Keynesian-type spending policy. It was rather an endeavour to obtain profit from the projects. In terms of the implementation of a colonial governance deploying space as a resource to grab revenue for the colonial coffers as well as a means to achieve ethnic integration, the development project of Kwun Tong achieved a splendid success and created an excellent precedent.

[70] <1/5282/56 > (emphasis mine).

Chapter 6
The Colonialism Behind the Making of the Urban Rapid Railway System (MTR)

6.1 Introduction

We discussed in the previous chapters that the colonial government developed the physical system of spatial configuration to function as the 'arena' of effective laissez-faire competition of incoming Chinese from the mainland, and as a means of obtaining the most revenue out of colonial space.

Elements of this configuration were the resettlement housing (Chap. 4) and industrial space (Chap. 5). Yet, as we saw in Chap. 5, Kwun Tong development had the problem of spatial integration to the areas where major resettlement projects went on. The efficient system of urban public transportation connecting the places of life and work without constituting social conflicts became a long-term agenda of the colonial government.

A city becomes economically and socially viable only when every part of it is well integrated spatially. The places of life and work need to be connected with a system of frequent and efficient urban spatial integration if only because of enhancing laissez-faire in the labour market through expanding the choices of the market agent. However, the system of urban rapid transit is costly and therefore the state apparatus needs to get involved in the process heavily with its expenditure from the government coffers. How could the austere colonial government achieve this?

In addition, construction and management of urban rapid transit can become a contested terrain of various social groups in a city. Although the system is provided and managed by either urban bureaucrats or private companies run on capitalist principles, it is utilised most intensively by the labour of the city. Lack of sufficient investment generates an unreliable system: buses running on uncertain schedules or occasional system breakdowns force labourers to build in leeway to avoid late arrivals at their workplace in the morning, effectively reducing the real wage rate of the labourer. The fare hike erodes the net disposable income of labour directly. Deteriorating conditions of operation with higher fares often trigger various expressions of dissatisfaction, which can often develop into class-related contests.

F. Mizuoka, *Contrived Laissez-Faireism*, The Political Economy of the Asia Pacific, https://doi.org/10.1007/978-3-319-69793-2_6

Second, a rail-bound system of urban public transportation requires heavy capital investment. The massive investment normally involves debt financing and a long gestation period; and the construction and operation require technology that is more sophisticated than that for buses. The urban transportation also constitutes a part of the urban built image, which can be of significant concern to the political power dominating the city. It is therefore hardly created out of purely economic motives; rather high-level political decision taking is essential.

Based on these conceptual backgrounds, this chapter focuses on the project to build the urban rapid transit railway system, called the Mass Transit Railway (MTR), by the colonial government in the period between 1965 and 1985.

Since Hong Kong had not had any form of urban rapid transit before, 'there are no inherited inefficiencies to eradicate'[1]; or there was no 'path-dependent' bureaucracy or vested interests. The infrequent and non-electrified Kowloon-Canton Railway run by the colonial government did not cater for urban traffic. The MTR plan was made and executed totally separate from the then existing government railway.

The colonial bureaucrat who played the starring role in materialising this agenda from scratch was Phillip Haddon-Cave, a Financial Secretary later promoted to Chief Secretary. Born and educated in Hobart, Tasmania in 1925 when Australia still enforced the 'White Australia' policy, he entered into the British colonial service as a bureaucrat in Kenya and the Seychelles before coming to Hong Kong.

It is intriguing in this context that Haddon-Cave himself was in the meantime the fervent advocate of 'positive non-interventionism',[2] expressed in the Legislative Council of Hong Kong. This fact speaks for itself with regard to the real nature of the claimed 'laissez-faireism' in Hong Kong. As discussed in Chap. 1, the colonial government maintained various strategic variables to manipulate competition in order to achieve the planned political aim behind the ideological veil of 'laissez-faire'. The MTR project was just one of these.

6.2 The Beginning: The Ethnic Uprisings and Transport Planning

6.2.1 The State of Public Transportation in the Early 1960s

In the 1960s–1970s those Hong Kong Chinese without possession of private cars essentially used buses, ferries and trams. The operators were all private, and received monopoly franchise from the colonial government.

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[1] Speech to the Harvard Society by Norman Thompson, Chairman of Mass Transit Railway Corporation (MTRC), as quoted in Harris P., *Hong Kong: A Study in Bureaucratic Policies,* Heinemann Asia, 1978, p. 110.

[2] *Hong Kong Hansard*, 1977–1978 Session, 13 April 1978, p. 813.

The bus service was run by two companies: China Motor Bus in Hong Kong Island and Kowloon Motor Bus in Kowloon Peninsula and the New Territories. Most breadwinners had to put up with appalling bus service from these companies until the 1960s, in order to commute every day. Elsie Elliot described the buses as overcrowded "to a dangerous degree":

> It was common to see buses moving off while a passenger had one foot on the bus and one on the ground. As there were no doors to shut off passengers who made a last effort to jump on the bus, the conductor would kick the passengers' hands as they held on to the rails, to force him off… To miss a bus could mean a long wait for the next, which might not stop because it was already full, and in any case, there was no guarantee that passengers could succeed in the scramble for the next bus that arrived…. The buses were not properly cleaned, and I saw with my own eyes cockroaches running along the backs of seats, and bed bugs creeping along passengers' clothing[3]…

Two ferry companies plied between Kowloon Peninsula and Hong Kong Island. The line of more significant importance was the British-run 'Star' ferry, connecting the tip of Kowloon Peninsula, where the former Kowloon Station for the railway going to Guangzhou was situated, with downtown Hong Kong; less important places were connected by the Chinese-run Hong Kong and Yaumati Ferry. Along the north shore of Hong Kong Island ran a tram service that used vintage double-decker cars.

In addition to the above formal modes of transportation, there were more informal ones: smaller vans and collective taxis, some of them illegal, ran different routes in order to meet the demand on public transportation not filled by its formal modes. Association with the triad society was suspected for these types of services.[4]

Heavy reliance on the public transportation brought about announcements of fare increases, especially by British-run companies, which led immediately to dissatisfaction among the Chinese labourers. Heated debates and mass rallies took place. The issue of public transportation was thus a hotbed of social conflicts that led to social instability that could undermine the colonial regime.

6.2.2 The Beginning of the Urban Rapid Railway Project

As early as 1963, the government set out to comprehensively review the public transport system in the colony. The government invited the London Transport Board to participate, which recommended setting up a permanent transport study team in the government. Realising that the rail-based mass rapid transit was a viable solution, the government commissioned in 1965 a feasibility study of a mass transit railway system to British consultant Freeman, Fox Wilbur Smith and Partners. The consultant submitted the final *Mass Transport Study* report in 1967.[5]

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[3] Tu, E., *Colonial Hong Kong in the Eyes of Elsie Tu*, HKU Press, 2003, p. 96.

[4] Tu, *op. cit*., p. 97.

[5] Freeman, Fox, Wilbur Smith and Associates, *Hong Kong Mass Transportt Study: Report Prepared for the Hong Kong Government*, Government Printer, 1967.

The consultant conducted a detailed person-trip survey, and recommended that the colonial government build a system of underground rapid transit railway consisting of four lines: Island, Kwun Tong, Tsuen Wan and Shatin. The total length of the lines was 64 km, with 50 stations[6] (Fig. 6.1). The system was to be built in six stages, with the Kwun Tong line to be built first, by December 1975, and the Shatin line to be completed last, by December 1984.[7] The total cost to build the entire system, including carriages and other equipment, was estimated at HK$3.424 billion.[8]

6.2.3 The Motives Behind the Project: to Defend the Colony

A year before the consultant submitted the report, the Cultural Revolution had spread across the PRC, and two major ethnic uprisings broke out in Hong Kong, as mentioned in Chap. 1.

It was self-evident that this sort of uprising should never be repeated in Hong Kong in the era of decolonisation. The uprisings[9] thus led to a number of quasi-Fordist countermeasures, with the appearance of appeasing the Chinese and attempting to divert their feelings of dissatisfaction into ways that were not detrimental to the sustainability of the British colonial administration.

These countermeasures took concrete shape in the 1970s as the public policies of Governor MacLehose. A more effective, efficient and user-friendly system of public transportation was surely one of the options. The system would relieve uncertainty, over-congestion and concomitant general discontentment of the Chinese reliant on daily commuting using the existing inefficient bus system.

However, there were subtle yet determined colonial intentions behind it. The rail-bound public transportation could also eradicate the bastion of the pro-PRC trade union of the Kowloon Motor Bus Company, provided that the labour of the new railway operating body would not be unionised. To keep Nathan Road (彌敦道) free from any attempts of blocking it in case of another violent urban uprising, the rapid transit line could also be used for quick deployment of police or military forces. As an added guarantee of this function, the strategic Nathan Road section was planned to be built by tunnelling, rather than the normal cut-and-cover method, which would be covered with thinner over burden and thus easily subject to destruction by blasting.

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[6] Freeman, Fox, Wilbur Smith and Associates, *op. cit.* pp. 67–69.

[7] Freeman, Fox, Wilbur Smith and Associates, *op. cit.* pp. 67–69.

[8] Freeman, Fox, Wilbur Smith and Associates, *op. cit.* p. 161.

[9] These anti-British uprisings were called ‘riots’ during the British colonial period; yet after the handover the term was changed into ‘events’.

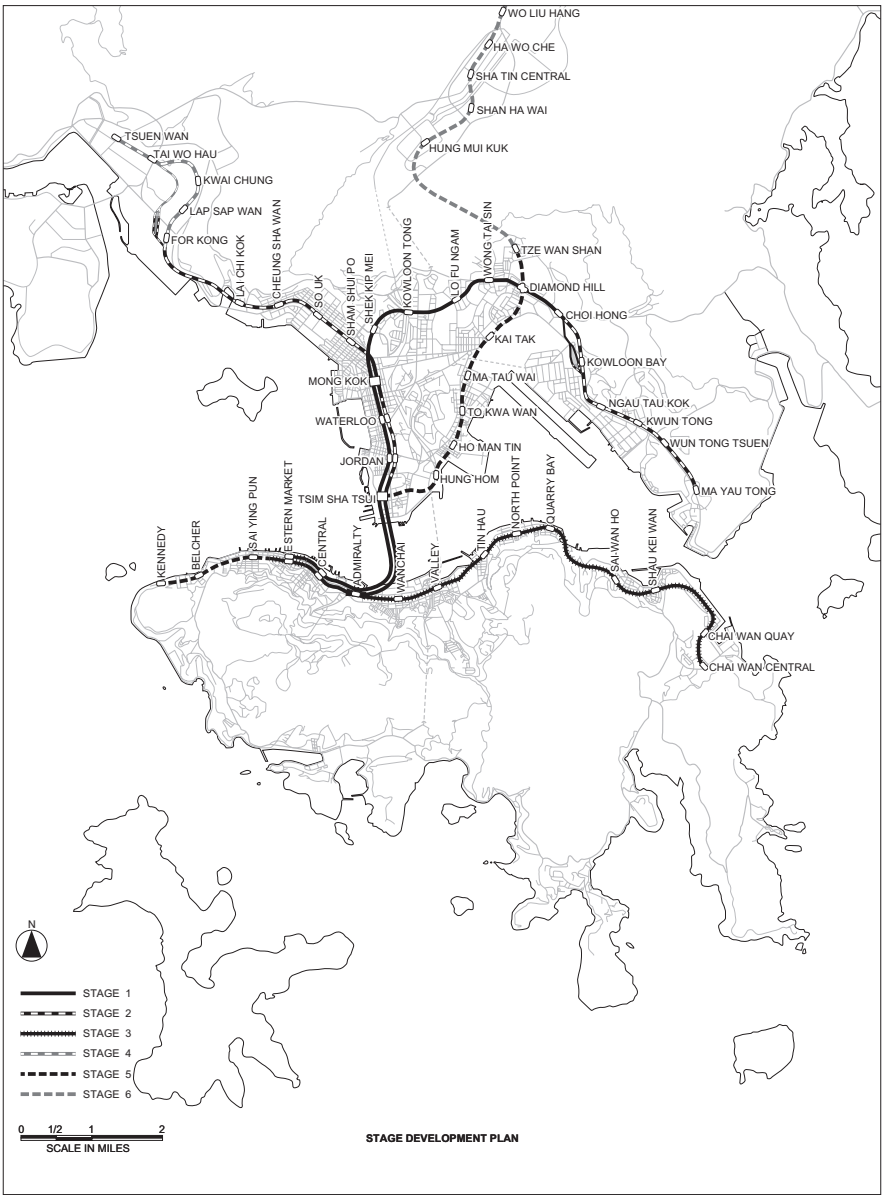

Fig. 6.1 The 'Preferred System' and its development stages as proposed by the British Consultant in 1967.
Source: *Hong Kong Mass Transport Study*, *op. cit*., p. 75

6.2.4 *The Obsession of the Colonial Government With Urban Railway with Automatic Train Operations*

A working party of the colonial government undertook a more detailed study of the *Mass Transport Study*, and suggested building initially two lines only. The government planned to add more sections and lines to reach the 'Preferred System' of 1967 by 1986.

In February 1969, the colonial government again commissioned Freeman, Fox & Partners for further studies on the mass transit railway project in Hong Kong to provide in the project design more practical detail in order to reach a final decision, although the government had already reached its conclusion, i.e. "no acceptable alternatives to a high capacity rapid transit railway linking Hong Kong Island with Kwun Tong and Tsuen Wan would meet the need of public transport".[10]

In response, Freeman, Fox & Partners, putting seven other private consultant companies together that dealt with traffic analysis, financing, rolling stock, control systems, ventilation, tunnelling, cross-harbour immersed tube tunnel, soil survey, architectural design of stations and depots etc. under the leadership of Colonel McMullen, a railway specialist with experience as a senior railway specialist in colonial India, who later worked for the Ministry of Transport, UK. In addition, London Transport was invited to offer specialist advice.[11]

The Steering Committee of the colonial government worked to liaise with and advise the consultants. There were ten members, with Chairperson G. C. M. Lupton as Deputy Economic Secretary. Their members included C. P. Haddon-Cave as Deputy Financial Secretary, A. J. Sheppard as Commissioner for Transport, J. J. Robson as Director of Public Works, among others. The committee met almost every week from October 1969 in order to discuss and decide on the technical and financial details of the railway, based on the papers submitted by the consultants.[12]

Nine (later eight) members out of the ten in the Steering Committee were the British.[13] Together with the line-up of consultants and advisors, the project was almost purely a British endeavour.

Based on this, a more detailed and 'more definitive[14]' study on the mass transit system came out in August 1970. The study consisted of four volumes, and decisively triggered the colonial government to build an MTR system.

It proposed eventually building a system consisting four lines stretching 52.7 km, with 48 stations, to cope with the traffic volume by 1986. This network was a revised version of the 1967 recommendation made by the same consultants. The former

[10] Freeman Fox & Parners, *Hong Kong Mass Transit: Further Studies*, Final Report, Vol 1. Government Printer, 1970, para. 2.1.

[11] *Hong Kong Mass Transit: Further Studies*, Final Report, Vol 1., *op. cit*., paras. 2.10–2.14.

[12] Freeman Fox & Parners, *Hong Kong Mass Transit: Further Studies*, Final Report, Vol. 2, 1970, para. A.2.2.1.

[13] *Hong Kong Mass Transit: Further Studies*, Final Report, Vol 1., *op. cit*., para. 2.19.

[14] *Hong Kong 1980,* Government Printer, Hong Kong, 1981, p. 14.

Shatin Line was truncated northward beyond Diamond Hill (鑽石山) Station, yet it extended to Hong Kong Island through the second harbour crossing to Pedder Station. Initially, however, it was proposed to build the 'Initial System' connecting both Kwun Tong and Lai Chi Kok (荔枝角, an intermediate station to Tsuen Wan) stations, respectively, to Western Market (上環街市) station on Hong Kong Island. The 'Initial System', as it was called, was estimated to be built at a cost of HK$1.5 billion.[15]

The study gave very detailed specifications of stations, ticketing, rolling stock, train control system, maintenance depot, etc. It proposed adopting the latest train operation and signalling technology at that time: the automatic train operation (ATO) in which the train driver needed only to close the doors upon departure and start the train. The ATO system would take care of all the rest automatically until the train approached the next station.[16]

The ATO system had hidden sociopolitical functions: first, it would make 2-min headway (1.5-min headway if required in the future) of operation during the peak period[17] possible, which could prevent the mass of leftover passengers building up at stations and on trains, which might cause social unrest; second, ATO would introduce deskilling in train driving, making it easier for management to find replacement drivers more quickly in case existing drivers were engaged in any kind of labour struggle.

The estimated cost to build the system recommended by the consultant at the 1970 price was HK$4.391 billion. The consultant in the meantime recommended building the 'Initial System' in the more densely populated districts first, which consisted of two lines with 20.2 km in total length and 20 stations.

Along with the consultant, the government bureaucrats took their own initiative towards materialising the project. In late February 1970, A. J. Shephard, the Commissioner for Transport, visited Japan for more than a week to study the underground system there. The rationale for their preference for the Japanese system over the US or European systems was "to get coaches capable of taking large numbers of people swiftly over relatively short distances" rather than "to discourage well-to-do people from bringing their cars into the city centre', with emphasis on 'luxury travel'.[18] The underground trains and urban rail systems in the Tokyo and Osaka metropolitan areas indeed did transport commuters packed into the carriages like sardines with excellent on-time record every morning to the office, due to the public-transportation bound form of the built environment in these metropolitan areas.

In Hong Kong, urban and transport planning was carried out by various separate government departments, each having input into its own turf. *The Colony Outline Plan*, the comprehensive guideline for urban planning compiled by the colonial government and published in December 1970, did not propose much in terms of

[15] *Hong Kong Mass Transit: Further Studies*, para. 2.3.

[16] *Hong Kong Mass Transit: Further Studies*, *op. cit*., paras. 10.1.13–17.

[17] *Hong Kong Mass Transit: Further Studies*, *op. cit*., para. 6.6.

[18] *SCMP*, 24 February 1970.

improvement in public transportation, besides admitting "long-term future requirements for mass transit" in the urban area.[19] The *Outline Plan* rather put more emphasis on the dispersal of the population to the new suburban towns, which were planned so as to be self-contained, with the need for public transport minimised. It was, however, forced to admit the reality: "there is a strong preference amongst households for accommodation in the main urban areas and conversely reluctance to move to new towns".[20] It thus endorsed the studies carried out by the consultants mentioned above.

On 23 March 1972, the Mass Transit Steering Group was established in the colonial government with Haddon-Cave, Financial Secretary, as the chairperson and Director of Public Works, Commissioner for Transport, Attorney General and Deputy Economic Secretary as members. The terms of reference included consideration and advice on financing, contract, constructing and operation of the system, and to receive a progress report from the consultants.[21]

In the Legislative Council meeting that took place in 7 June 1972, Philip Haddon-Cave formally announced the decision. The system, which he estimated would cost HK$6 billion with interest rates,[22] "would itself be a complete operational unit but would also form the nucleus of an enlarged system which could be built at a later date".[23] He hinted also at the future possibility of extension, stating, "if the demand for movement in Hong Kong in the late seventies and thereafter is to be satisfied, the surface public transport system must be augmented, if at all possible, by an underground mass transit railway construction".[24]

6.3 Entry and Withdrawal of Mitsubishi-Led Japanese Consortium

6.3.1 The 'Holy Alliance' of Colonial Government: Jardine Matheson—Mitsubishi

The project being the most massive, and in some sense the most prestigious, infrastructural project ever committed in Hong Kong, there was naturally inter-business rivalry as to who was to undertake it.

Right after the announcement, two big British trading houses in Hong Kong expressed their interest in engaging in the project. One was Jardine Matheson, and the other was Hutchison International.

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[19] *The Colony Outline Plan*, Vol. 1, 1970, pp. 82.

[20] *The Colony Outline Plan*, op. cit., pp. 30–31.

[21] Hong Kong Government Information Services, *Daily Information Bulletin* 7 June 1972, p. 12.

[22] Ibid, p. 799.

[23] MTRC, *Annual Report*, 1975, p. 4.

[24] *Hong Kong Hansard*, 1971–1972 Session, 7 June 1972, p. 797.

The British trading houses might have most likely shown preference for UK concerns to promote business for the colonial suzerain. However, Jardine Matheson, then the biggest and most influential local trading house, chose alliance with a Japanese concern, as compared to Hutchison International, a British trading house of lesser importance, which associated with a group of UK and Italian companies.[25]

Jardine praised the members of the Japanese consortium who "had designed and built five rapid transit lines and two municipal lines for Tokyo which amounted to more than 120 kilometres of underground railway… this *unveiled experience in underground railways construction* would be a great asset when it came to building a mass underground transit scheme in Hong Kong".[26] (emphasis mine).

On 11 February 1973, the Executive Council reached its conclusion to begin negotiation with the Mitsubishi-led Japanese consortium represented in Hong Kong by Jardine, with the possible offer of a full turnkey contract in view. Newbigging, the Director of the Jardine Matheson expressed that he was "very pleased with the decision".

One of the most important conditions of the colonial government was that the contract price should be limited to HK$5 billion. The consortium would be given 5 years to finish the construction job. Mr. Ito, the Managing Director of Mitsubishi Shoji (三菱商事) (Hong Kong) boasted, "I have always been confident that we have offered the best terms". At this moment, however, Sir Douglas, the Chairman of Hutchison and the representative of the failed Anglo-Italian consortium, predicted doom for the project, "it will be interesting to see what develops… Anybody who quotes a fixed price for a project of this magnitude is being very brave indeed in the circumstances ruling these days".[27]

In awareness of the firm intention of commitment by the Japanese consortium, the colonial government decided to adopt a 'single-contract approach' or full turnkey in offering the contract. This decision was reported to the Legislative Council on 1 August 1973.[28]

The colonial government set 1 October 1973 as the first day that the government would begin to accept submission of the tender. The price tag was HK$5 billion (US$1.042 billion at the exchange rate of that time), and the winner was to build the 'Initial System', 20 km long, consisting of two lines, based on the design specified by the colonial government.

The Japanese consortium, consisting of 56 leading Japanese companies, was said to have been backed up by Prime Minister Kakuei Tanaka 田中角榮, who enthusiastically pushed big public works projects forward within Japan. Among these projects was the bullet train, piercing through the backbone mountain range of Honshu

[25] *Hong Kong Standard,* 8 March 1972 and 8 June 1972. Hutchison was later taken over by Li Ka-Shing.

[26] Jon Hagenaar, 'HK Tube: A Japanese Bid,' *Hong Kong Standard*, 8 March 1972.

[27] Peter Loke, 'Govt to begin tube talks with Japanese', *South China Morning Post (SCMP),* 12 February 1973.

[28] *Hong Kong Hansard*, 1972–1973 Session, 1 August 1973, pp. 998–999.

Island with a 22.2 km-long tunnel, which was reported to have been guaranteed to make up possible losses up to HK$1 billion, or the Japanese national government would give 20% leeway for the possible increase in the construction costs.[29] This great bargain that Japan offered must have been a manifestation of Tanaka's global strategy in expanding Japanese involvement in public works projects to the whole of East and Southeast Asia. Accordingly, the colonial government accepted the bid by the Japanese consortium under this tacit understanding. The colonial government thus decided to directly import the Tokyo underground system into Hong Kong.

6.3.2 The Anger of Suzerain

This decision by the colonial government sparked off anger from home in London. The *Financial Times* suspected that the Hong Kong colonial government's "decision must be seen against the recent discontent in Hong Kong", in particular the "failure to obtain satisfaction in its quest for some basic protection for its London reserves". The UK newspaper even suspected there was "a mood of independence" among the Hong Kong colonial administration in association with the decision.[30] Indeed, the ruling British minority had attempted to gain de facto independence from the home government in many ways, especially through accumulation of huge fiscal reserves as 'security money'. Although the colonial government claimed that its decision was "entirely based on commercial considerations",[31] few took this literally.

A leading economic newspaper warned, "central to this is whether Japanese actually can build the project for $HK 5000 m… many people still believe that it is foolhardy to think that contract can be carried out profitably without an escalation clause".[32] In spite of the fear, the Japanese consortium signed the formal letter of intent on 15 February 1974 to perform this 'full turnkey' contract as per the request of the colonial government. The contract set a fixed price of HK$5 billion, *without* price escalation clauses to hedge possible inflation, 5 months after the oil crisis and concomitant economic difficulty. The Japanese seemed to have tacitly accepted all the risks entailed with inflation and possible escalation of prices for any reason. If it had come to fruition, this letter of intent would have been a great bargain for the colonial British.

Following this action, the Mass Transit Railway Provisional Authority was established as a government body, consisting of 94 members of whom 27 were expatriates, with Haddon-Cave, Financial Secretary, himself at the helm.

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[29] *Hong Kong Standard*, 15 January 1975.

[30] 'Japan in talks on £416 m. Hong Kong underground,' *Financial Times,* 12 December 1973.

[31] *SCMP,* 19 December 1973.

[32] *Financial Times*, 4 February 1974.

6.3.3 *The Betrayal of Mitsubishi, Acting 'in Bad Faith'*

However, after signing the letter of intent, the Provisional Authority was left waiting in vain for 9 months. Rumour got thicker that the Japanese consortium might back out of the project. Haddon-Cave himself still firmly put his faith in the Mitsubishi-led consortium to undertake the project[33]; however, the apparition of rumour was gradually taking a clearer and more real shape towards the end of 1974.

In November, the Japanese consortium informally asked for the price tag to be raised by HK$1 billion, with an escalation clause, and also handed their *Basic Plan* to the Mass Transit Railway Provisional Authority. The Plan included "an inferior signalling system which would have reduced capacity; cut-and-cover construction along main road arteries rather than the specified tunnelling; narrower coaches, etc".[34] From the beginning, the design and technological details of the project had been steered and supervised by the British consultant engineers. These British engineers examined the plan and reported it was "inadequate and incomplete with the Provisional Authority's specifications and, in some cases, unsuited and even irrelevant to Hong Kong's conditions" to the Provisional Authority.[35] If the *Basic Plan* were to be implemented, the over-congested underground rail system would do more harm than good, by creating a fresh source of discontent among the Chinese.

To hedge against the worst possible scenario, the colonial government secretly began to draw up an alternative plan. The plan was to build a much-reduced system on a multi-contract bases instead of building the initial system as a whole in full turnkey.[36]

In December, a political change that gave a decisive blow to the project occurred in Japan. Prime Minister Tanaka was driven to resign after the bribery scandal with Lockheed had been exposed in the US Senate.

Indeed, in longer-term considerations, it would have been much wiser for the Japanese government as well as the business circle to comply with the letter of intent signed with the colonial government by making up the deficit with taxpayer's money. If only because the good faith and credible track record manifested in Hong Kong would have enormously enhanced the future possibility for Japanese concerns being awarded mass transit railway contracts elsewhere in Asia and the rest of the world on lucrative full turnkey basis. However, neither Tanaka's successor, Prime Minister Takeo Miki, nor the Finance Minister, Ohira, were concerned with this longer-term strategic option, but adopted instead for a more short-sighted, closer-to-neo-liberalist policy.

In this new political ambience, the crucial meeting took place on 9 January 1975. The members present at the meeting included such high-ranking British colonial corporate executives as David Newbigging of Jardine and Sandberg of the HSBC,

[33] *SCMP,* 21 August 1974.

[34] Bowring, P., 'Sour taste as Japan pulls out', *FEER,* 24 January 1975, p. 34.

[35] *Daily Information Bulletin*, Hong Kong Government, 14 January 1975, p. 2.

[36] *Hong Kong Standard*, 15 January 1975.

as well as Norman Thompson, prospective head of the Mass Transit Railway Corporation. The Japanese consortium formally proposed the design that did not meet the specifications put forward by the British consultant in 1970, and submitted it in November 1974.[37] The consortium claimed that unless the colonial government accepted this inferior, 'cheaper' underground railway design, they would not proceed with the project, and they would back out.[38]

The colonial government insisted on the original specification, and rejected the Japanese proposal to build a 'cheaper' underground system, throughout the negotiations. The Japanese consortium then asked the colonial government to raise the price by 40%, which would bring the total price tag up to HK$7 billion.[39]

In the 'path-dependent' mentality of Japanese enterprises, signing a letter of intent may be just ceremonial; what really matters is rather the face-to-face negotiations to be made as the project developed. It was quite common in the public works project in Japan for government to accept an increased quotation even after a contract was signed. Therefore, the Japanese might not have been seriously aware that they were both legally and morally bound to the letter of intent that they had once signed.

Whereas for the Hong Kong colonial government, the rationale for it awarding the contract to the Japanese consortium in spite of severe discontent at home was the absence of an escalation clause. For the British colonial government, it was simply against their intent to build an urban rapid transit railway without draining the colonial coffers. The colonial government flatly refused the irrational demand of the Japanese to increase the price tag by 40%, and demanded compensation instead.

Their demand having been denied, and even being asked for compensation, the Japanese consortium decided to withdraw from the project. The Japanese consortium offered the equivalent of HK$5 million as ex-gratia apology money, not as legal compensation. The colonial government rejected this offer as insufficient "with barely concealed contempt". One thing deplorable to the colonial government was that it had put so much faith and trust in the Japanese consortium that it had forgotten to equip itself with a clause that would legalise the demand for compensation in case a breach of contract occurred. The colonial government was thus not able to sue the Mitsubishi-led Japanese consortium.

The headline in the local English Newspaper read 'Image of Japan firms tarnished'.[40] Haddon-Cave accused the Japanese consortium of being "guilty of a serious error of judgement" and being "in bad faith".

[37] Loke, P., 'Tube Talks Deadlocked' *SCMP*, 11 January 1975.

[38] *Hong Kong Standard*, 9 January 1975.

[39] *Hong Kong Standard*, 23 November 1976.

[40] *SCMP*, 15 January 1975.

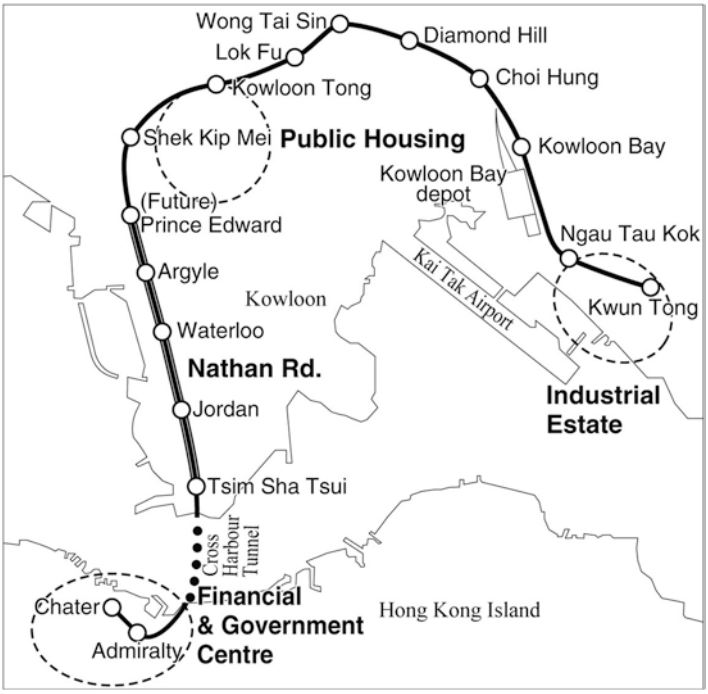

Fig. 6.2 Modified Initial System proposed by the Colonial Government after the withdrawal of the Japanese consortium

6.3.4 The Colonial Government Decided to Take its Own Initiative

In spite of this crisis in planning, Haddon-Cave showed his determined position on the railway project, proclaiming, "there is no reason why Hong Kong should suffer the consequences of this error of judgement".[41]

As soon as 14 January, the colonial government made public its secret plan of building the 'cheap tube' on its own initiative. The government plan was to construct the much reduced 'Modified Initial System' (MIS), with one line only stretching 15.6 km from Kwun Tong, passing Shek Kip Mei and under the entire length of Nathan Road of Kowloon to the business and administrative centre on Hong Kong Island (Fig. 6.2). The planned cost of construction was HK$5.8 billion. Instead of the full turnkey, the project was divided into 35 separate contracts and tenders were invited separately.[42] Haddon-Cave must have learned the risk of the full turnkey contract bitterly and have realised the need for transplanting and internalising railway technologies into Hong Kong. Deploying this multi-contract system, the MTR

[41] *Hong Kong Standard*, 15 January 1975.

[42] *The Times*, 12 February 1980.

Corporation would launch the 'internalisation strategy,' making the MTR Corporation eventually into "experts on railway projects".[43]

The consulting engineers remained essentially unchanged from the start of the project, although the name was changed to Freeman Fox & Partners (Far East).[44] It was natural, therefore, that the lineament of the Kung Tong line was 'path-dependent': it almost followed the original 'Kwun Tong Line' that Freeman, Fox, Wilbur Smith and Associates recommended 8 years before. The only difference was the sections for two stations at the outermost part of the line beyond Kwun Tong and one station beyond Chater, both of which were truncated. The section between Kowloon Bay (九龍灣) and Kwun Tong was designed to be built on an elevated track laid along a major thoroughfare of Kwun Tong Road, also following the recommendation of Freeman.

6.4 The Domestic Opponents to the Government Plan

The colonial government remained firm in proceeding with the mass transit railway project, even after it was shaken by the farce that the Japanese presented. The government had to contain the suspicion that the withdrawal of the Japanese consortium inevitably brought about, which was "doubt overseas as to whether the system will ever be built, despite this Government's record established over many years for continuity of effort".[45]

In the Executive Council meeting held on 18 February 1975, The Mass Transit Railway Corporation Bill was discussed. Yet, the colonial government faced opposition from domestic opponents, including Hong Kong Chinese.

The official rationale that the Acting Attorney General gave for building the mass transit railway was "to afford maximum relief from congestion on the roads".[46] From a strict and short-run economic point of view, there were indeed some uncertainties in the future financial viability of the project; and one could doubt if relief from congestion alone would justify taking the risk of making the huge public investment. This point was made by council member Lo Tak Shing in the debate concerning the Mass Transit Railway Corporation Ordinance in the Legislative Council on 23 April.

Lo calculated the cost and concluded that Hong Kong could not afford an underground railway:

> The building of the modified initial system will cost in principal and interest at least $14,000 million to be paid over a period of 20 years. After deducting the $800 million already paid out of general revenue, commuters will still have to pay $13,200 million on top of the

[43] Yeung, R., *Moving Millions: The Commercial Success and Political Controversies of Hong Kong's Railways*, HKU Press, 2008, p. 111.

[44] P. Iliffe-Moon ed., *Hong Kong Mass Transit Railway*, Hong Kong: Hong Kong Government, 1975, p. 17.

[45] *Hong Kong Hansard*, 1974–1975 Session, 7 May 1975, p. 760.

[46] *Hong Kong Hansard*, 1974–1975 Session, 2 April 1975, p. 659.

> system's operating costs. Construction costs alone average $700 million a year… $700 million a year in construction costs is approximately equal to the present operating costs of all of our transport utilities put together. For the whole system, the construction cost is at least $40,000 million in principle and interest or $2,000 million per year. This is more than the present annual operating costs of all our public utilities including telephones, electric companies and so forth. Add to this the obviously large operating costs of the underground system itself, the bill that commuters will eventually have to bear will exceed in my view $1,000 million every year… I understand that there is no country in the world today whose GNP is as low as Hong Kong's which has found it possible to afford an underground railway.[47]

In refuting Lo's objection based on cool economic calculation, the government merely reiterated its 'belief', that "the railway is a vital necessity to Hong Kong in order to afford maximum relief from congestion on the roads in the years ahead",[48] without giving any sort of cost-benefit analysis. This fact suggested that the mass transit railway was a definitive political intervention that needed to be materialised beyond any economic calculations for sustainment of the colony.

The response from Hong Kong Chinese newspapers to Lo's strong opposition was mixed. Some of the April 1975 issues of Hong Kong Chinese newspapers supported the initiative of the colonial government to build the MTR, while other papers urged more government interference for the benefit of users through fare subsidies and more generous help in financing. There were also newspapers that explicitly opposed the project on the same ground as Lo, insisting that the money could be better spent on the welfare of Chinese people, such as on housing. These papers also suspected that the project might have come from the tacit intention of the British to ease the unemployment problem in the UK by creating project-related jobs.[49] Still other Hong Kong Chinese claimed that the MTR would eventually become a 'white elephant' or put a heavy financial burden on the shoulders of future taxpayers and fare-paying underground users in Hong Kong, with estimates that the MTR would have a deficit of HK$660 million in the first year of its service.[50]

Similar concern about the financial viability of the MTR was voiced by colonial British and other expatriates as well. Curiously enough, one of the ardent advocates against the project was Elsie Elliot, then an urban councillor. In spite of her earlier criticism of the "very poor service" of city buses, she strongly denounced the plan to build the underground railway. She drew upon the pulling out of the Japanese consortium and demanded the government to call off the project. Her rationale was this time economics, as shown in her claim: "the Japanese are no fools in business. If they cannot do the job at right price, Hong Kong certainly cannot".[51] By stating

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[47] Ibid.

[48] *Hong Kong Hansard*, 1974–1975 Session, 7 May 1975, p. 757.

[49] *Press Review,* No. 328, Public Relations Division, Government Information Services, Hong Kong, 1975, pp. 1–3.

[50] Woo, C. H., 'A baby white elephant on the never, never…' *SCMP*, 5 June, 1975.

[51] Elliott, E., 'Priority for tube lowest in economic crisis,' *SCMP*, 20 January, 1975.

this, she demanded the allocation of more funds to more basic social services, such as education or housing, instead of building a costly underground railway.[52]

An exclusive financial newsletter published in Hong Kong also dismissed the plan based on the economic ground: "the passenger usage would be insufficient to keep the tube in the black, if the present fare structure now envisaged by the government is to be maintained… Mr. Haddon-Cave, the Financial Secretary, will have HIS choo-choo… no matter what it costs US".[53] This newsletter seemed to hint that the MTR project was more about Haddon-Cave's personal ambition, to be achieved with public money.

It was curious that many contemporary Hong Kong people in 'alternative' camps objected to the plan of the MTR on economic grounds; whereas this railway project, which was apparently the first ever case of the colonial government adopting an apparently Keynesian-style large-scale public works project to alleviate congestion, could indeed fall into 'a welfare concept'.[54] It seemed as if the colonial government and the 'alternative' people swapped their positions.

Opposition to the construction of the mass transit on financial grounds also came from overseas. A Swedish transport specialist, Bo Stjernberg, the research division manager of the Public Transportation Systems attached to Volvo's head office, commented on the occasion of his business trip for promoting its jumbo buses to Hong Kong, that the MTR system under construction was the "most expensive ever built in the world… $401.80 a millimetre to build", which was $259.70 more than the estimated cost of a similar system in Washington. He insisted instead that, "Hongkong could have solved its transport problems by improving its road and bus systems",[55] perhaps with vehicles manufactured by his own company.

These criticisms did not succeed in changing the firm intention of Haddon-Cave, however. Nevertheless, it did encourage the project management and its operation to provide a more cost-conscious, profit-oriented and austere line.

6.5 Establishment of the Mass Transit Railway Corporation and the Consequence for the Japanese Firms

6.5.1 The MTRC: 'According to Prudent Commercial Principles'

Amidst these mounting criticisms, the Mass Transit Railway Corporation (MTRC) was formally established on 26 September 1975 under the Mass Transit Railway Ordinance,[56] as "the first public statutory corporation of its type in Hong Kong".[57]

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[52] Elliott, E., 'To go ahead with the MTR is sheer madness' *The Star,* 27 June 1975.

[53] Sacklyn, R. M., 'Hongkong's Underground Railway System not Viable … ', *Target Financial Service*, 16 April 1975.

[54] Harris, *op. cit.*, p. 103.

[55] Spackman, M., 'MTR world's costliest—expert', *SCMP*, 25 November 1976.

[56] *Laws of Hong Kong*, Cap. 270.

[57] *Hong Kong Hansard*, 1974–1975 Session, 23 April 1975, p. 727.

As explained in the Executive Council meeting on 18 February 1975, the colonial government was the sole shareholder, and "even if, at a later stage, the private sector were invited to participate in the Corporation's equity, the Government would still remain the majority shareholder", and the railway system that this company would operate "will be at the core of the Government's overall transport policy in the 1980's".[58] In short, the MTRC was a private company under explicit government control with the intention of the colonial government taking the role of urban transport provision over from the bus company where the pro-PRC trade union had been active.

In the general post-war economic policy of the colonial government, the founding of such a company may seem like a fundamental diversion from laissez-faire. The corporation, although it was not a government body, was fully owned by the colonial government, which also controlled the appointment of the executive board. On top of this, the head of the project was Haddon-Cave, the fervent advocate of 'positive non-interventionism' discussed in Chap. 1.

However, looking back at the past public works projects of the colonial government, this project was no anomaly. The colonial government had always sought to gain profit from any public works projects. The Kwun Tong development and the squatter resettlement estates in Shek Kip Mei, analysed in detail in the last two chapters, were typical cases in point.

This point was manifested in the statement of the Assistant Secretary, explicitly promoting making a profit in the government-run public works projects as early as 1961:

> I think it is worth arguing that new towns pay… Schools, clinics, post offices, police stations have to be provided for increased population wherever they live. Premia on sales and conversion of land, new rates, profits tax, duties, etc. will come in at a rate presumably in excess of Government expenditure… Apart from water schemes [which ended up in the red], the Colony as a whole has brought in more than it has spent since the war.[59]

'Path-dependent' and honest to this neo-liberalist heritage, the article 13(1) of the Ordinance stipulated "The Corporation shall conduct its business according to prudent commercial principles". Furthermore, 13(2) stipulated "any excess of revenue over expenditure in any financial year may be applied by the Corporation in any way consistent with this Ordinance". This meant "the Corporation is not… Only to be concerned with providing a public transport system. It must do so on a commercial basis and seek to earn enough revenue to service its debts, meet its operating and other costs and eventually to make a reasonable profit".[60] The Corporation interpreted this as a "declared objective for profit", and "the revenue is at least sufficient to meet both current expenditure and provision for depreciation of its assets and amortisation of its debt".[61] The Ordinance even granted the Corporation the freedom of capital accumulation out of their profit earned. The colonial govern-

[58] Memorandum for Executive Council, XCC(75)6, 18 February 1975.

[59] "The World Bank and Development" in <1/5282/56>, para. 10.

[60] *Hong Kong Hansard*, 1974–1975 Session, 2 April 1975, p. 660.

[61] MTRC, *Annual Report*, 1975, p. 3.

ment, the sole owner of the corporation, stipulated *ab initio* that this government body did not give away unlimited financial subsidy, and the system should be built and operated by an independent organisation with a management principle that is the same as any other commercial enterprise.

The senior management team, called the 'Executive Directorate' of the MTRC, consisted of six persons, out of whom five were British.

The head of the corporation was Norman Thompson, appointed through international advertisement. Born in 1920 in Middlesbrough, England, he was an accountant who contributed to the financial recovery of Malta Drydocks, then took up the position of managing director of Cunard, a British shipping company. His faith was "a managing director must lead and be seen to lead; and must be closely involved in decision of all levels".[62] He was a typical person to push the project through the top-down decisions under the neo-liberalist principle.

Other executive members also had former careers in the transport businesses. T. M. Ridley, the Managing Director was formerly the Director General of Tyne & Wear Passenger Transport Executive, and A. R. Cotton, Director of Operation, once worked with London Transport. The Director of Finance was the only position occupied by local Hong Kong Chinese; this was held by W. S. Lau, who once worked with Swire, a British trading house and later became the Principal Assistant Financial Secretary in the colonial government.[63]

Amidst continued fierce opposition from Mr. Lo, the Legislative Council gave final approval to the construction of the MTR for an estimated cost of HK$5.8 billion on 23 October 1975 in the presence of Norman Thompson and other executive members of the MTRC observing the meeting.[64]

6.5.2 *The 'Verdict': Japanese Badly Lost in Culturally Significant Contracts*

The MTRC called on tenders for the project globally, and Japanese concerns won 29% of the entire contracts in terms of monetary value[65]: an outcome that might seem contrary to newspaper comments such as "it certainly rules Japanese firms out of much chance of bidding successfully for any major part of the multi-contract mass transit".[66]

Curiously, however, the contracts that the Japanese were awarded were mostly confined to the civil engineering works. The most significant and prestigious of these was the construction of the immersed tube tunnel crossing Victoria Harbour, which was awarded to Kumagai Gumi (熊谷組) Ltd. This construction company

[62] *The Times*, 12 February 1980.

[63] Iliffe-Moon., *op. cit.,* p. 17.

[64] *SCMP*, 24 October 1975.

[65] *Hong Kong 1980*, Government Printer, Hong Kong, 1981, p. 12.

[66] *The Star*, 15 January 1975.

was founded in 1938 following the successful completion of the difficult Sanshin (三信) Railway project, which involved construction of a right-of-way along a forest-covered steep gorge with a series of tunnels that pierced through the brittle fault zone in central Honshu, Japan. Norman Thompson hosted the celebration to mark the completion of this cross-harbour tunnel in a completely Japanese way, by a sake-barrel opening ceremony with no women attending.[67] Considering that the contract of the first cross-harbour submarine road tunnel was awarded to a British firm, this was the biggest favour that the snubbed colonial government could offer.

While the Japanese were experiencing the height of bliss, the verdict was prepared behind the scenes: 6 July 1976 was the day when the Japanese were forced to learn the consequences of their business conducts 'in bad faith' a year and a half before. The Mitsubishi, Hitachi (日立) and Toshiba (東芝) consortium miserably lost all of the contracts that dealt with the more 'visible' parts of the railway project. These contracts possessed cultural significance and would eventually become an important part of the urban built image of Hong Kong almost forever. Most of these contracts went to the European and American concerns, which as a whole won 25% of the entire railway projects in terms of value. The rolling stocks, 140 electric railcars powered by 1500 volts DC from overhead traction wire, were to be built by Metro Cammell of Birmingham, UK. Electrification with gantries and brackets were to be installed by AEG-Telefunken and Siemens AG of West Germany, and automatic ticketing systems came from Cubic Western Data of the USA.[68] The interior of stations was to look as dissimilar to the Tokyo metro as possible, and would be built more akin to the BART system of the San Francisco Bay Area and the tube in Newcastle upon Tyne in the UK.

Upon the 'verdict' having been handed down, 'Japanese industrial interests' accused Hong Kong of being 'a British Crown Colony', as if they had forgotten that the full turnkey contract had been awarded to them by the 'British Crown Colony' government less than 3 years before, in spite of strong protest from home.

The prediction that *FEER* made upon the withdrawal of the Mitsubishi-led Japanese consortium, "given the mood of the Authority, it is likely that Mitsubishi would be rejected on the ground of unreliability—a reaction which could well be duplicated by governments throughout Asia", came true.[69] The credibility of the Japanese consortium to build an urban rapid transit of any sort would thereby be severely tarnished. Ever since, this "shabby, un-business-like"[70] conduct led Japan to lose out in public tenders of many urban mass transit projects throughout Southeast Asia and the PRC.

It was not until three decades after this incident, in 2005, when Mitsubishi got its revenge by winning the full turnkey urban mass transit railway project in Dubai, UAE.[71] On the other hand, the design of Hong Kong's MTR became the de facto standard in many cities in the PRC, Taiwan and Singapore.

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[67] 'Sake toast tube tunnel', *SCMP*, 27 March 1979.

[68] *Official Souvenir Book to Commemorate the 1st Day of Running MTRC Trains,* MTRC, 1979.

[69] Bowring, P., 'Sour taste as Japan pulls out' *FEER,* 24 January, 1975, p. 35.

[70] Editorial, *SCMP*, 16 January 1975.

[71] http://www.mhi.co.jp/machine/topics/topics03.html (in Japanese, accessed on 29 May 2007).

After all, the Japanese acted very much along 'neo-liberalist' lines where the short-run profit motive reigned supreme, and by acting in this way they destroyed corporate responsibility and trust, which were essential in business conduct in the long run. The Japanese eventually learned that their last-minute neo-liberalism seriously damaged their credibility, especially in relation to the urban mass transit projects, and they would have to taste the bitter consequence for decades.

The colonial government's resentment for the 'bad faith' that Japan had committed was thus inscribed in the physical image of the Hong Kong underground train forever. The construction work of the MIS started on 3 November 1975 without much fanfare, less than 10 months after the bizarre withdrawal of the Japanese consortium.

6.6 Financing the Project

6.6.1 Private Loans

Even after the beginning of the construction work, the colonial government maintained solid confidence and prospects for success in the MTR project. In 1976, a consultant, Wilbur Smith and Associates, submitted a report to the colonial government with a prediction that 3,156,000 passengers or 34.8% of the total public transport boarding would be taken care of by the mass transit system in 1991.[72] It claimed that there was hardly any alternative to shoulder the burden of keeping this many people on the move. What lay in this statement by the government and the MTRC was obviously to win credibility among the global financial sector, since the massive project was to be financed mainly by loans.

The principle of financing that the MTRC took was in a sense very 'political' and well designed. At the outset, in November 1975, the MTRC secured financing by a consortium of private banks led by Manufacturers Hanover. It amounted to US$400 million (HK$1.92 billion), which was one-third of the fund needed for the project. It served more the purpose of priming the water for offers of more loans from both within the colony and overseas than to fulfil the real financial need. This was in part to gain for the project confidence and viability, which was manifested in the fact that not all of the offered loan was actually drawn.

Subsequently, in the middle of the 1970s, the MTRC successfully arranged various loans at fixed interest rates, which contributed to the corporation reducing costs for financing. From July 1979 to 1980, for example, when the global economy recovered from the recession mainly caused by the second oil crisis, the best lending rates in Hong Kong ranged from between 14.5 and 16%, whereas 38% or HK$4.31 billion of total long-term finance available to the MTRC had been borrowed at fixed interest rates of between 7 and 9%.[73]

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[72] Wilbur Smith and Associates, *Hong Kong Comprehensive Transport Study*, Hong Kong, 1976, p. 235.

[73] MTRC, *Annual Report*, 1979, p. 9.

By 1977, half of the financing offered by Manufacturers Hanover, amounting to US$200 million, was cancelled and replaced by other financial facilities arranged in HK dollars in order to get rid of the foreign exchange risks.[74]

According to John Trueman, the Treasurer of the MTRC, it was a kind of "insurance policy against tightening credit conditions".[75] In fact, as of 31 December 1980, out of HK$5.261 billion total loan facilities available, HK$11.515 billion remained undrawn.[76] The MTR project was carried out prudently with a huge amount of financial backups, taking the unexpected contingencies widely into account, to avoid the necessity of ever resorting to the colonial coffers.

In raising the loan in Hong Kong dollars, the role played in the interest of the colony by HSBC was significant.[77] In the month following the establishment of the MTRC, it managed to raise a Hong Kong dollar syndicated loan of HK$500 million. Wardley Limited, a deposit-taking company and subsidiary of HSBC, arranged locally a HK$650 million loan in June 1977. The loan carried conditions that were more favourable than the issue of bonds by the MTRC itself: the interest rate was just 1–5/8% above the best lending rate, and the capital was unredeemable for 7 years. The loan carried *no* government guarantee,[78] indicating financial abstinence on the part of the colonial government.

In May 1977, another HK dollar loan facility offered by Schroders and Chartered Limited in conjunction with Citicorp International amounting HK$600 million had been signed.[79] Chartered Limited was a subsidiary of Standard Chartered Bank, another British colonial bank with origins in India, Australia and South Africa with a significant presence in Hong Kong as another bank entitled to issue the legal tender of Hong Kong.

Confidence thus picked up for the MTR project among the private investors, both local and global.

6.6.2 Counting on Foreign 'Visible Hands'

Another way for the MTRC to raise funds was to rely on export credits of various foreign governments at fixed interest rates. This was an irony, since export credit is a form of Keynesian intervention in the macro-economies of respective countries, in order to promote the effective demand of their products abroad. The non-interventionism of the colonial government therefore cleverly counted on the positive intervention of other countries under a Keynesian regime.

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[74] Trueman, J., 'Financing Hong Kong's Mass Transit System', *The Banker,* September 1977.

[75] Trueman, *op. cit.*

[76] MTRC, *Annual Report*, 1980, p. 21.

[77] King, F. H. H., *The Hongkong Bank in the Period of Development and Nationalism, 1941–1984,* Cambridge University Press, 1991, p. 562.

[78] Montilla, D., 'MTR gets $650 m loan from HK bank', *SCMP*, 16 June 1977.

[79] *Hong Kong Standard*, 31 May 1977.

The MTRC successfully negotiated the export credits from major countries, including the UK, the USA, West Germany and Japan, amounting to a total of HK$1.9 billion, which constituted one-third of the cost required to build the MIS. The interest rates were somewhere between 7.5 and 9%, with privileges of a grace period until the opening of the MIS, as well as an option for early repayment. These privileges meant the convenience that the MTRC could repay the loan as it operated the railway and collected revenues from the users.

The contribution of the colonial government in financial terms was thus reduced to minimal. It offered direct financial contribution by means of equity amounting to HK$800 million only. This equity was held for the government by a corporate body, the Colonial Treasurers Incorporated. The government also guaranteed the bonds for 10 years, the first of its kind ever in Hong Kong, issued by the MTRC amounting to HK$400 million in May 1976, etc.[80]

The interest and other charges arising from the debt-financing of the project amounted to HK$1 billion, taking the total cost of the MTR to HK$6.8 billion.[81]

6.6.3 Telford Garden: Equity Injection in the Form of Land by the Colonial Government

The colonial government had another, more significant means to boost the financial base of the MTR project: the manipulation of space.

The MTR project having politically strategic significance and the MTRC being a statutory body, the colonial government manipulated this unique system of landed property discussed in Chap. 2 to the benefit of the project in an attempt to financially support the MTRC in an indirect way. The MTRC was thus equipped with a ‘secret wallet’ that the Japanese consortium failed to detect. This ‘wallet’ materialised as property development projects at three major stations of the MIS.

The development of Telford Garden (Plate 6.1) over Kowloon Bay railway depot was a significant case in point. The colonial government offered the land plot, which would have cost the MTRC a land premium of $170 million for the purpose of the railway depot itself and of HK$165 million for the title to develop the space above for residential and commercial purposes, for free. In exchange for this government offer, the MTRC issued equity to the same value and the colonial government accepted it. In short, the Telford Garden development constituted an equity injection of HK$335 million from the colonial government.[82]

The sheer scale of Telford Garden is of particular note. Ten hectares of podium, the “largest slab of concrete at this height (15.85 m) anywhere in the world” cover-

[80] Trueman, *op. cit.*

[81] *Hong Kong Standard*, 23 November 1976.

[82] *SCMP*, 11 August 1976.

Plate 6.1 Telford Garden above the Kowloon Bay Railway Depot (photo taken by the author in 2007)

ing the railway depot.[83] The condominiums towering over railway carriages, developed jointly with leading Hong Kong Chinese property developers of Hopewell and Hang Lung (恒隆), contained 5000 flats and accommodated 25,000 people, contributing to co-opt the wealthy Chinese further into the colonial apparatus. Primary and secondary schools, kindergarten, clinics, a shopping centre, banks, restaurants and parking spaces for a thousand cars were all provided on the well landscaped concrete slab.[84]

6.6.4 Projects in Central: Rise of HK Chinese Entrepreneurs

Property development by the MTRC also took place in the Central District of Hong Kong, which was once called Victoria. The MTRC planned Chater (later renamed to Central) Station here, together with World-Wide House above it. Above Admiralty Station next to Chater Station, the MTRC planned another development. Both of these were again developed in cooperation with local property developers.

[83] *Official Souvenir Book to Commemorate the 1st Day of Running MTRC Trains,* MTRC, 1979.
[84] Ibid.

Although government did not offer free land as it did for Telford Garden for these sites, it did offer various favourable arrangements. The government tore down the ornamental Victorian-style old General Post Office building, which could have well been listed as a World Heritage site, to make way for a modernistic, featureless 32-storey glass tower. The MTRC needed to pay HK$600 million to the colonial coffers right away for this land offer. In this bid, Li Ka-Shing's Cheung Kong, by offering the MTR Corporation the cash payment, defeated Hong Kong Land, the Jardine-owned largest colonial British property developers. Cheung Kong planned to obtain the cash by selling, instead of letting, the floors of the buildings above the MTR stations. Cheung Kong thus put up a deposit that the MTRC could simply transfer to the account of the government in order to get the site (see Chap. 2).[85] In short, by inviting the Chinese developer into the project, the MTRC was able to raise substantial funds without hurting the government coffers too much.

It was estimated already in 1976 that the annual fare revenue would be "boosted by as much as 25 per cent by profits from property development".[86] In reality, the overall property developments carried out by the MTRC raised approximately HK$1.05 billion of revenue or 18.6% of the construction cost to the MTRC for the MIS. For Tsuen Wan extension, it carried out HK$400 million or 10.26% of the construction cost of HK$3.9 billion.[87] This amount was close to covering what the Japanese consortium had demanded if it was to keep up with the full turnkey contract. To cater for the property management, the MTRC set up MTR (Estate Management) Limited as its fully-owned subsidiary in 1980.[88]

Raising money through property development to cover a part of the construction cost became the standard fare of the MTRC. When the airport express line was constructed to connect downtown with new Chek Lap Kok airport later, it built two International Finance Centre towers right above its Hong Kong terminus.

Indeed, the aggressive entry of the MTRC into the property development sector triggered conflicts with private developers. The general manager of Hong Kong Land criticised this practice of MTRC by claiming that the colonial government is "foolish enough" to "allow themselves to compete for sites with private sector, thereby depreciating the value of land".[89] This cacophony might be an outcome of MTRC awarding contracts of the development projects in Central, to Li Ka-shing's Cheung Kong, who offered a better deal to the MTRC. The wealthy Hong Kong Chinese capitalists knew that, in the market, everyone is created equal; yet this laissez-faire market was designed by the colonial British to co-opt the wealthy Chinese.

In all, the MTRC developed 19 projects along the MIS, Tsuen Wan Extension and Island Line put together (Fig. 6.3). By the time all of these projects were completed, 31,366 residential flats, 194,300 m^2 of office space, 245,700 m^2 of commercial

[85] *SCMP*, 6 April 1977.

[86] Surry, M., 'Metro's role in the property game', *SCMP*, 16 July 1976.

[87] MTRC, *Annual Report*, 1982, pp. 12–13.

[88] MTRC, *Annual Report*, 1980, p. 9.

[89] *SCMP*, 7 August 1975.

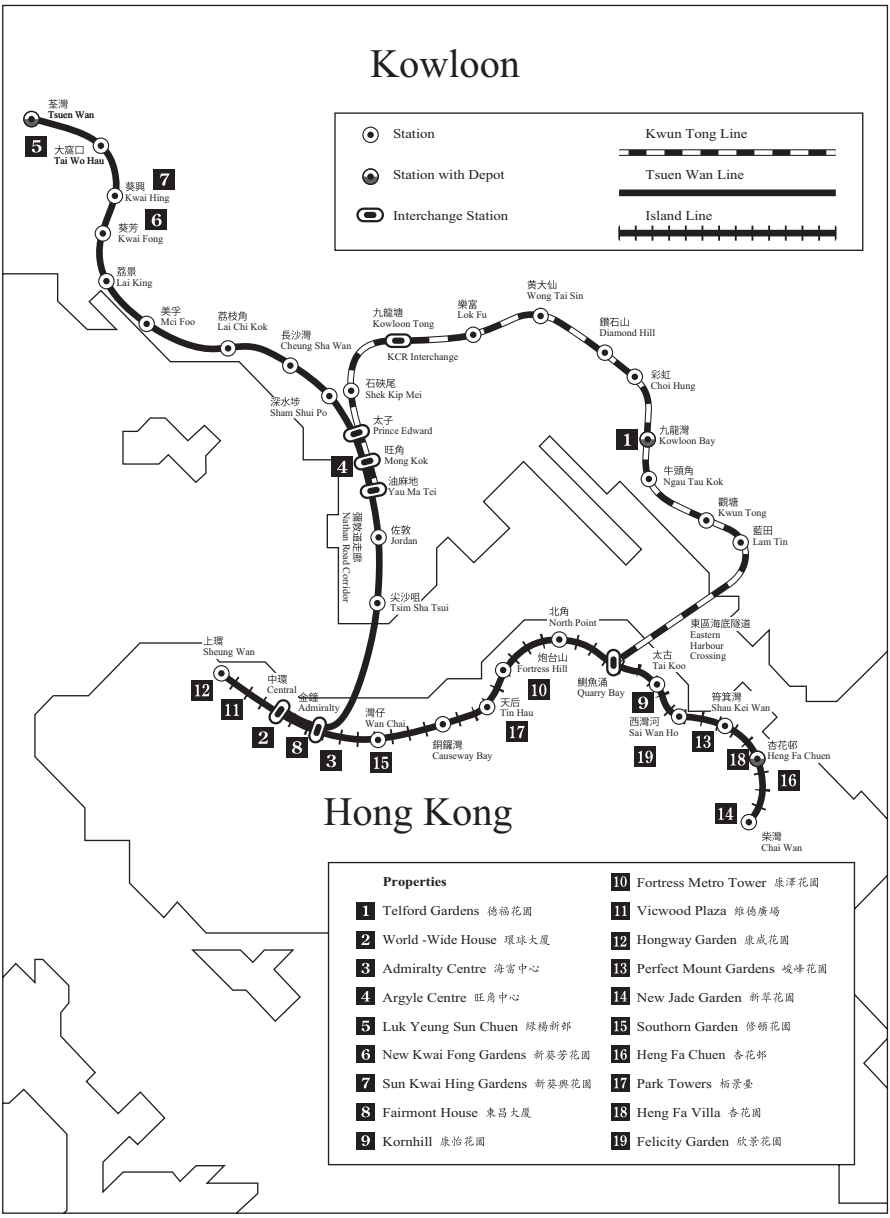

Fig. 6.3 Property developments along the MTR lines (until 1991).
Source: Mass Transit Railway Corporation, *Annual Report* 1991, p. 27

space and 139,400 m^2 of government and community space were produced and sold.[90] These projects generated an income of HK$3.978 billion altogether.[91]

6.7 Various Measures to Accelerate Construction, Save Costs and Increase Fare Revenue

6.7.1 Severe Penalty System to the Contractors

The delay in construction and loss of credibility were something that the MTRC would most endeavour to avoid. Longer construction periods meant more interest payments without fare revenue flowing in, hence a loss to the MTRC.

The government bureaucrats therefore directly took part in spurring the contractor on to proceed with the construction task as planned, by preparing a long wall-chart, showing "at a glance what was required and when, and whether we were keeping up or falling behind".[92] The MTRC introduced a penalty system to the contractors. Should a contractor fall behind schedule, the company was then liable, as stipulated in a clause in the contract, to pay a substantial amount of penalty that is "sufficient to make it hurt".[93] Three companies were reported to have been fined because of a delay in completion.[94]

As a consequence, in 1976:

> Some of these tunnel contracts are already more than 50% complete, the actual tunnels having been driven with inside finishing now taking place. All the station contracts in this section of the project are on schedule and one is several months ahead of programme.[95]

The MTRC also took positive measures in solving the problem of construction delay, by setting up 'additional plants and management resources'.[96]

6.7.2 Oppression for Chinese Hawkers and Petit Entrepreneurs

Other factors that caused a delay in the project included resistance from hawkers and squatters who had occupied space required for construction for years and even decades, claims for compensation from households that were forced to relocate and

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[90] MTRC, *Annual Report*, 1989, p. 57.

[91] MTRC, *Annual Report*, 1990, p. 24.

[92] Hayes, J., *Tsuen Wan: Growth of a 'New Town' and Its People,* Oxford University Press, 1993, p. 80.

[93] *SCMP*, 30 October 1977.

[94] *Shin Tao Yat Pao*, 25 January 1979.

[95] MTRC, *Annual Report*, 1976, p. 9.

[96] Ibid.

complaints from shopkeepers whose businesses suffered from construction activity. To cope with these factors, the MTRC used a hard-fist policy with 'autocratic powers',[97] endorsed by the Mass Transit Railway (Land Resumption and Related Provisions) Ordinance.[98] A provision was made that the Hong Kong Chinese who were impacted by the railway project could not request an injunction of the project itself, and instead the Governor was given power in article 4(1) to "direct that any land within the railway area shall be resumed for the purposes of and incidental to the railway."

When a land occupied by squatters and hawkers became needed, the colonial government took hard-line tactics, as manifested by the deployment of riot police in order to oppress possible resistance from them. In December 1975, the Department of Resettlement cleared the Ngau Chi Wan (牛池灣) bazaar site pursuant to the Ordinance.

This forced eviction became a focus of contest. 1060 squatters and hawkers and their family members, some of whom had appealed to the colonial government in vain, were evicted, and 231 structures were destroyed.[99] The hawkers who were not given any alternative places for continuing their business protested fiercely, with support from Elsie Elliott and volunteer students. In fact, out of 79 shops in the area cleared, only 31 received cash compensation. The government spokesman unhesitatingly claimed, "delay in clearance would not only have been detrimental to the construction programme of the railway but could also have incurred additional costs" to the MTR project.[100]

In the face of their struggles, the government had to resort to selective 'carrot and stick' tactics to some property occupiers. The shopkeepers and industrialists who had used their premises in order to earn their own livelihood, were among the hardest hit. Those adversely affected by construction or owners of the buildings that had been damaged by construction activities were made eligible to apply for compensation. The government appeased the stubborn industrialists by raising ex gratia compensation to illegal factories from HK$20 to HK$38/sq. ft.,[101] especially when the industrialists engaged in the economic sector that contributed significantly to the export-oriented economic growth. This differentiated policy between hawkers/

[97] *The Times*, 12 February 1980.

[98] *Laws of Hong Kong*, Cap. 276, 23 August 1974. The article 3(5) stipulated as follows: 'No person shall have a right of objection to the delineation of land in any plan or map prepared and the fact that land is therein delineated as being within the railway area shall for all purposes be conclusive evidence that it may be required to be resumed or that easements in, under or over it may need to be created for the purposes of and incidental to the railway.' In 1975, the Ordinance was amended so that the MTR employee under the direction of Director 'may enter any land or building situate wholly or partly within the railway area or wholly or partly within 70 metres thereof' for inspections or 'work of a preventive or remedial nature'.

[99] *Hong Kong Standard*, 30 December 1975.

[100] *Hong Kong Standard*, 31 December 1975.

[101] Hayes, J., *Tsuen Wan: Growth of a 'New Town' and Its People,* Oxford University Press, 1993, p. 82.

squatters and industrial entrepreneurs was akin to the scheme for resettling squatters that the government initiated in the late 1940s to the early 1950s.

However, many applications for compensation were declined due to 'technical reasons'[102]; and even if they got compensation, what Chinese shopkeepers got was normally a mere pittance. The keeper of an optical shop on Nathan Road, for example, who claimed their business had dropped by 40%, received only HK$7500 as compensation. The shopkeeper was reported to have said most businesspeople on Nathan Road were 'afraid to speak up'.[103]

6.7.3 Various Ways to Cut Costs

To contain expenditure, various cost-saving measures were adopted. One-third of the contracts in value terms were let on fixed-price bases.[104] Metro Cammell, UK, agreed to offer the rolling stocks in Hong Kong dollar fixed prices instead of in pound sterling for carriages with very spartan interiors. The Export Credit Guarantee Department of the UK Government supported it by guaranteeing loans in Hong Kong dollars to procure the rolling stocks running in the colony.[105]

As for the physical structure, the most notable saving measure was the elimination of toilets, which the 1970 final report had explicitly planned to provide as a passenger amenity, from every station.[106] The passengers had to suppress any urgent calls of nature while on the MTR—this was no laughing matter in some cases. Perhaps another reason for eliminating toilets might have come from public security considerations.

To save costs for cleaning the carriages, and to avoid cockroaches and other noxious insects, seats were designed so as not to be upholstered, and eating or drinking on the carriages was strictly banned, with heavy fines for the offenders.

Trains would run at a relatively slow speed, considering that the train travelled on a gauge almost as wide as the standard (1.432 m) and at high traction voltage (1.5 kV DC): approximately 60 km/h between the stations, depending on the distance between stations. Even for the sections where distance between the stations is considerably longer, e.g. the cross-harbour section, which is 2.4 km, the train travelled at a normal maximum speed of 70 km/h, taking 4 min. With stops at stations included, the average speed was no more than 33 km/h. As a comparison, the JR intra-urban service trains in metropolitan Tokyo and Osaka run at 90–120 km/h on narrow gauge (1.067 m) at the same voltage. This must have saved additional costs for safety devises and reinforced tracks to accommodate trains running at higher

[102] Gary Coull, 'MTR: under budget and on schedule' *SCMP*, 30 October 1977.

[103] Ibid.

[104] MTRC, *Annual Report*, 1976, p. 7.

[105] MTRC, *Annual Report*, 1977, p. 11.

[106] *Hong Kong Mass Transit: Further Studies*, Vol 1., *op. cit*., para. 8.78.

speed, as well as costs for electric power to accelerate trains up to a higher speed. No express service was planned to simplify train operations.

In addition, the rate of inflation was rather low at the earlier stages of construction.

6.7.4 Fully Air-Conditioned and Less Congested

The austere policy in terms of financing did not mean a makeshift, cheaply-built railway system, however. The past tarnished image of inefficient and poor service of public transportation that once led to anti-colonial violence has to be wiped out. In the meantime more prospective riders would be enticed to use the system, which would result in higher fare revenue. A more comfortable, less crowded system meant a higher competitive edge of the MTR over other competing modes of transportation.

First, in order to counter the tropical hot and humid climate, the system was built as fully air conditioned, which was a first among any underground train system ever built. Ironically, one of the contractors that designed and installed the air-conditioning system was Mitsubishi,[107] who was awarded the contract perhaps because air-conditioning machines did not constitute a part of the visible urban image.

Second, the system was spaciously designed to accommodate an estimated traffic flow of 650,000 passengers a day. If passengers were unable to board the already packed trains and were left on the platform, the crowds anger over the poor rail service might build up and create another uprising. To avoid this, the train was designed to consist of eight big carriages capable of carrying 2000 passengers. The interior looked more like a freight car than an underground train carriage. Bare stainless-steel bench-type seats catered for only 48 passengers, with the remaining 330 passengers left to travel standing.[108] Both ends of each carriage had wide open vestibules in order to facilitate more even distribution of passengers across the carriages. An intermediate carriage was 22.5 m long, with five doors on each side. In order to make this big carriage as light as possible, aluminium was used for the body.[109] This big carriage would naturally be capable of transporting large police or military troops quickly across the city, in case of uprisings similar to those that erupted in the 1960s.

Third, platforms and stations were also built spaciously. The platform at each station was 182 m long, and the length of the station was up to 270 m, with the exception of Chater Station, which is 380 m long,[110] making it one of the largest underground railway stations in the world. These elements of design were capable of accommodating large numbers of daily passengers, which supported 'economy of scale' in railway management and alleviated the anger of the Chinese users otherwise arising from over-congestion.

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[107] *SCMP*, 27 April 1979.

[108] MTRC, *Annual Report*, 1979, p. 3.

[109] *Hong Kong Mass Transit: Further Studies*, op. cit., paragraphs 6.1, 9.1, 9.13, and 10.1.13–17.

[110] *MTRC: Facts and Information*, Hong Kong: MTRC, 1991.

6.8 Opening of the Modified Initial System

The initial section of the MIS was completed and put into service on 1 October 1979. It stretched for 8.4 km between Shek Kip Mei and Kwun Tong. The fact that this section was given priority indicated the rationale behind building the MTR: to connect the planned place to live for the former squatters with the planned place to work. When the initial section between Shek Kip Mei and Kwun Tong opened, the average ridership was 80,000 a day. According to a small survey conducted by the MTRC to the passengers right after the opening of the initial section,[111] three-quarters of the passengers were aged 29 years and below, and 80% of the passengers were working. Although the fare for the MTR was considerably higher than for buses, the travellers were reported to be ready to pay 48 Hong Kong cents more to cut commuting time by 17 min or more in case of traffic congestions. This fact in itself spoke to the nature of this railway: it was not for tourists, nor for the rich businesspeople, but for the Chinese labourers who engaged in the uprisings a decade ago. MTR was to appease the Chinese who constituted the part of the capitalism of Hong Kong as labour.

The line was then extended to the Tsim Sha Tsui, the tourist centre at the tip of Kowloon Peninsula, on the last day of 1979. The full service from Kwun Tong to Chater stations (later renamed 'Central'), 15.6 km in length with 15 stations (one station was added later) and 28 min of travelling time, started on 12 February 1980, after the official openings by Princess Alexandra of the UK. The total construction cost was within the budget, and completed 7 weeks ahead of the schedule.[112]

After the entire section of the MIS opened to the public, the daily usership increased to 400,000 a day, which exceeded one and a half times more than the original estimate upon which financing of the project had been based. In a Chinese New Year holiday season right after the full opening of the MIS, the daily usership reached to as many as 795,000 a day.[113] The total revenue for less than 2 months of operation from 1 October to 24 December 1979 amounted to HK$11 million.[114] It was fair to claim that "the railway has been accepted as a major passenger carrier from the first days of service".[115]

This successful outcome was due to the punctual and time-saving efficiency, spacious capacity of carriages and stations alleviating stress from over-congestion, and comfortable air-conditioning in the hot and humid tropical climate. Many of the densely inhabited Hong Kong Chinese felt that these competitive advantages of the MTR well compensated the higher fare.

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[111] Campbell, N., 'Metro Keeps Going from Strength to Strength', *Hong Kong Standard*, 12 March 1980.

[112] *SCMP,* 13 February 1980.

[113] MTRC, *Annual Report*, 1979, p. 6.

[114] *Wah Kiu Yat Po*, 25 December 1979.

[115] MTRC, *Annual Report*, 1979, p. 6.

As the private developers had to pay a high land premium to the government in order to win in the land auction, they had to plan to utilise the land as efficiently as possible by constructing pencil-like condominiums and office blocks that dominate the urban landscape of Hong Kong. This unique urban spatial configuration, created by the deliberate policy of the colonial government to obtain the highest land premium, put more people sharing this consensus within walking distance from a station, which made the MTR economically viable. For instance, in the 1981 census, the population density in Kowloon, in the middle of where the MTR would pass through, was 87,022 persons per square km, and for New Kowloon, to which the peripheral parts of MIS and Tuen Wan Extension stretched into, the density was 45,124 persons per square km.[116]

In spite of the fact that there had been no rail-based urban rapid transit systems in Hong Kong, the operation also went well and efficiently. On average, 97% of the trains arrived at the destination with delays of less than 4 min. This was in part achieved by training train drivers and other staff carried out by the instructors despatched from London Transport.[117] The only significant trouble was the malfunctioning of the US-made ticket vending machines. The MTRC boasted, "the railway has been accepted as a major passenger carrier from the first day of service".[118]

6.9 Government Interventions to Make the MTR Operation More Profitable

6.9.1 Higher MTR Fare Fended the Riders Away

The higher fares of the MTR did cause problems for some Chinese, nevertheless. The same survey mentioned in the previous section showed that passengers who used the system ten times or more amounted to only 41% of the total; and that the share of students among the entire users was a mere 15%. In the 1970 study for the mass transit, the labour force was estimated at 2,221,380, as compared to students at 1,579,840.[119] In a simple arithmetic, the worker-to-student ratio in the MTR riders should be approximately 1:0.71, yet in reality, it was 1:0.19. The share of students of total users was strikingly small. Many parents of the students must have told their children to keep using slow and uncomfortable buses to go to school, as use of MTR meant heavier burdens on the family budget.

Not everyone travelled on the MTR every morning and evening to commute. The most important cause of this must have been that the MTR had no weekly or monthly

[116] Census and Statistics Department, *Hong Kong 1981 Census: Main Report,* Vol. 1: Analysis, Government Printer, p. 173.

[117] MTRC, *Annual Report*, 1979, p. 7.

[118] MTRC, *Annual Report*, 1979, p. 6.

[119] *Hong Kong Mass Transit: Further Studies*, Final Report. *op. cit*. Tables 4.6 and 4.7.

commuter discount passes, in order to earn maximum revenue from fare box. For example, the bus travel from Kwun Tong to Central, took as much as 40 min via the Cross Harbour Tunnel and cost HK$1. The ferry was also cheap: to cross the harbour between Kwun Tong and Central took a mere 15 min and cost HK$2. The MTR, on the other hand, taking 28 min between Kwun Tong and Chater (Central) stations, cost HK$3. Furthermore, the MTR fare was not precisely in proportion to distance travelled, or a flat fare across the system. A 'surcharge' of HK$1 was levied to those crossing Victoria Harbour by MTR. Due to this surcharge, the MTR could only secure a 25% share of the cross-harbour trips in the beginning.[120]

This fare difference was in part because the bus fare remained unchanged for eight years,[121] since any attempts at raising bus or ferry fares would have been likely to be challenged by severe social conflicts. As a result, some labourers traded time for money, by making the reverse choice of travelling by bus instead of the MTR when they had more time, especially when they returned home in the evening, as the study suggested. A survey conducted in early 1979 by the Universal Consumers' Association had indicated that only 10% of workers or students had shown their intention to commute via the MTR if the fare was between HK$2.5 and $3.[122] A newspaper closer to the line of the PRC criticised the fact that the total monthly fare that s/he paid would be HK$104 (travelling twice a day by the MTR and 26 days per month), which was as much as almost 10% of his/her average monthly income, HK$1125 for an industrial worker.[123] The newspaper further complained that this was the outcome of the colonial government's attempt to repay the loan as quickly as possible.

A minibus operator, who had the freedom of setting fares according to demand, was reported to have said right after the opening of Kwun Tong – Shek Kip Mei section, "the business of [minibus] drivers running within the MTR network was slashed by about 20 per cent even though they cut fares by $1 or 50 cents".[124] Kowloon Motor Bus Company, which operated large London-type double-decker buses, deplored the decrease in the number of passengers carried due to the opening of the MTR, yet the rate of decrease was a mere 3.1%.[125] Put it in reverse, however, this meant 80% of the public minibus riders did not change their travel behaviour in spite of the opening of the MTR. In relative terms, the MTR had still more room to increase usership.

6.9.2 Government-Induced Fare Hikes of Buses and Ferries

In order to combat these laissez-faire decisions by public transport riders, the colonial government was determined to intervene in the market principle. In order to induce more users to the MTR, the colonial government, which had kept boasting

[120] MTRC, *Annual Report*, 1980, p. 7.

[121] The Kowloon Motor Bus Co., (1933) Ltd., *Report and Accounts, 1979–1980*.

[122] *Hong Kong Standard*, 2 March 1979.

[123] *Da Kung Pao,* 30 October 1979.

[124] *SCMP*, 3 October 1979.

[125] The Kowloon Motor Bus Co., (1933) Ltd., *Report and Accounts, 1980,* p. 4.

about laissez-faire, intervened and asked the competing bus and ferry companies to apply for a fare hike so that the MTR would be in a better competitive position in terms of fare.

Since these transport companies were run under a profit system, they always welcomed the opportunity for fare hikes, as long as there was no social friction involved. Furthermore, as the government had the ultimate power to grant or revoke the license to operate each bus and ferry route, the bus and ferry companies were typically vulnerable to government demands of this sort.[126]

In March 1979, the British-run Star Ferry Company announced fare hikes once the cross-harbour section of the MTR had opened.[127] Earlier, the management of Kowloon Motor Bus Company Limited (KMB), the largest private bus operator whose service areas substantially overlapped the catchment areas of the MTR, claimed that the colonial government would demand "to boost bus fares". The KMB then applied for a general fare increase, which was approved and implemented on 3 February 1980, just less than a fortnight before the full opening of the MTR. The rates of increase were substantial: for the Kowloon flat-fare area, what were formerly 30-cent rides were now 50 cents (a 66% increase), and rides crossing the Victoria Harbour via the submarine tunnel now cost HK$1.5, up from HK$1 (a 50% increase).[128] The average KMB fare of HK$1.87 in 1980 kept rising from 1980, to HK$3.46 in 1989, or 185% over a decade.[129] This amount of fare hike was in parallel with the GDP deflation on private consumption expenditure, which was 184.6% during this period.

By demanding the fare hike, the colonial government curbed the potential of each conventional public transport operator to compete freely against one another so that MTR could attract more passengers and repay the loan with the money from the ticket machines more quickly.

Nevertheless, public transport users, amounting to 7.4 million boardings per day in 1981, made choices in the free market of various modes of public transportation. The share of MTR was lower than expectations, "proving extremely resistant to MTR fares".[130]

The KMB then began to raise its fares more aggressively. In April 1981, the company again increased its fare by 40%.[131] A year after the Tsuen Wan extension of the MTR as well as an electrified frequent suburban service of Kowloon-Canton Railway that started to roll in March 1982, a further increase at the rate of 13% took place. Another fare increase of 18% on average came into effect in May 1983.[132] However, in spite of the repeated fare increases, the MTRC kept complaining,

[126] *Hong Kong Standard*, 1 July 1978.

[127] *Hong Kong Standard*, 14 March 1979.

[128] The Kowloon Motor Bus Co., (1933) Ltd., *Report and Accounts, 1979–1980*.

[129] MTRC, *Annual Report 1989*.

[130] Lee, M., 'A Ride in the Dark: Hongkong's Mass Transit Railway System, about to Expand Again, Is a Victom of Murphy's Law', *FEER,* 18 December, 1981, p. 48.

[131] The Kowloon Motor Bus Co., (1933) Ltd., *Report and Accounts, 1980,* p. 5.

[132] The Kowloon Motor Bus Co., (1933) Ltd., *Report and Accounts, 1983,* p. 12.

"competition can and should be conducted within the framework of a plan for the total public transport of Hong Kong. Any such plan must be long term, it must take account of major public investment already committed and it must seek to optimise future investment".[133] The claimed laissez-faire principle was expediently forgotten for the sake of the profit motive.

Thus, KMB introduced further minor increases mostly by 10–20 cents in February 1985.[134] An additional increase of 18% took effect in February 1987,[135] and again a 20- to 30-cent increase for most of the passengers in January 1989.[136] Altogether, fare increases took place as many as seven times within a decade.

The bus companies were no institutions of social welfare; thus, there was no need to keep the fare really low. It took only a slim margin versus the MTR to win more patronage of the trunk bus routes that ran parallel to the MTR line. The KMB, however, showed reluctance in the reorganisation of the bus routes, especially in providing the feeder routes to the MTR stations for the apparent reason of inducing more passengers to the direct bus routes that ran from peripheral neighbourhoods to major city centres via trunk routes running in parallel to the MTR line. To cope with this, the colonial government had to have the MTRC operate its own feeder service.[137]

6.10 The Labour Relations: Paternalism and Hostility to Trade Unionism

6.10.1 Industrial Safety Problems, Low Wages and Hard Working Conditions

As mentioned in Chap. 1, the strike by the PRC-affiliated trade union had a substantial effect in the uprising of 1966–67. The MTR being a project with the motive of countering this anti-colonialist movement, it was not surprising that the MTRC maintained the position of not allowing the labourers to organise themselves into a trade union. Poor labour conditions and hostility from the management toward the organised labour were the hallmarks of neo-liberalism in the MTRC.

To begin with, during construction of the MIS, the MTR management or contractors did not necessarily deal with cases of industrial accidents justly. For instance, a 40-year-old Chinese worker was killed on 13 August 1977 at the construction site in Kowloon Bay when a crane driven by a Japanese operator collapsed. The management attempted to block TV and newspaper reporters from taking pictures in an

[133] MTRC, *Annual Report 1983*, p. 8.

[134] The Kowloon Motor Bus Co., (1933) Ltd., *Report and Accounts, 1984,* p. 28.

[135] The Kowloon Motor Bus Co., (1933) Ltd., *Report and Accounts, 1985,* p. 7.

[136] The Kowloon Motor Bus Co., (1933) Ltd., *Report and Accounts, 1988,* p. 6.

[137] MTRC, *Annual Report 1981,* p. 7.

attempt to cover up the accident. The angered workers refused to work and organised a mass rally on the site in protest,[138] yet this accident did not lead to the solidarity of labour in the form of a trade union.

The MTRC management kept a very hostile attitude to trade unionism in the MTRC throughout. In the absence of the real union, the average wage of the MTR workers, HK$3.95 per hour or HK$31.60 per day, was substantially lower than any workers in the government: a male government manual labourer received HK$54.8 per day, females HK$42.3, in the same year.[139] The workers claimed that the MTRC failed to fulfil the promise to raise their wages after 3 months' employment and staged a sit-in to accomplish their demands.[140]

The labour conditions without a trade union were harsh. After the line was extended beyond Shek Kip Mei, the length of the train doubled but the conductor at the rear of the train was eliminated. The main task of the train driver in the one-man operation under the ATO technology manufactured by Westinghouse, USA, was not much more than opening and closing the doors at each station. Yet, in order to perform this task, the driver sometimes had to stand up from his seat, go to the other end of the very thinly built driver's cubicle if necessary, open the door, pay utmost attention to the movement of passengers in and out of the train, close the door then to go back to his seat and the start the motor.

In order to make its capital-labour relations more peaceful, the management sought the paternalistic relations then typical in big Japanese corporations, rather than trade unionism. The management resorted to set up in 1980 the Joint Consultative Committees (JCCs) as "departmental consultative bodies" and the Staff Consultative Council (SCC) for "discussing matters of companywide interest".[141]

6.10.2 Degraded Train Driving Skills Contained Labour Militancy

However, the MTRC train drivers were not satisfied with this 'sweetheart union'. They then finally organised themselves into the Mass Transit Railway Operating Department Staff Union in May 1980. The union, politically independent without any association with the PRC, claimed, "we train operators are the main power of organization… Without us the train won't run". They were dissatisfied with their monthly salary of HK$1900, which according to their claim was the same as those

[138] *Hong Kong Standard*, 14 August 1977. An added factor that aggravated the sentiment of labourers was the lack of communication between the Japanese foremen and Hong Kong Chinese labourers, as well as the oppressive attitude of the former towards the latter (*Hong Kong Standard*, 15 August 1977).

[139] *Hong Kong Annual Digest of Statistics, 1981 Edition,* op. cit., p. 57.

[140] *Hong Kong Standard*, 3 July 1977.

[141] In 2007, there are 23 JCCs across MTRC to mobilise them into cooperation with the corporation http://www.mtr.com.hk/eng/sustainability/sustainrpt/soc-staff.htm

working at the stations.[142] In 1983, the union claimed to have organised 550 out of ca. 900 train drivers. The union collected money from the workers to build up an action fund. The management of MTRC, however, did not recognise the union, and neo-liberal President Thompson bluntly proclaimed, "management would never recognise the union".[143]

Conflicts rose across the transport sector in January 1984. Taxi drivers protested against higher fees to be charged by the government for licenses and registration by choking off some major roads of Hong Kong with their cabs on 12 January.[144] Taking advantage of this political ambience, the union, without management recognition, went on a wildcat strike on 22 January 1984. The strike, the first ever in the history of MTRC, demanded the management withdraw the flexible rostering system, in which train drivers were asked to work a different number of hours each week, with a duty of 10 h a day in the peak week, as well as the recognition of the union.[145] For this time, the labour won and the union succeeded in having the management officially recognise the union.

The management, however, did not abandon its attempt to introduce the rostering system; thus, negotiations continued. The union claimed that the 10 h of continuous train driving would result in excessive stress, and the weekly change in hours would be disruptive of their families' living patterns.[146] The management did not accept the claim, and no agreements were reached.

On 8 April of the same year, the union announced they would strike again unless the management scrapped the plan of the rostering system. President Wilfrid Newton, the successor of Thomson, took a high-handed position against the union members, claiming "it will not be blackmailed by agitators", even though the union was by now an officially recognised representative body of the labour in the MTRC. The MTR spokesman further claimed, "the introduction of the system would not be affected by any demonstration or industrial action planned undertaken".[147] The President threatened the prospective striking train drivers that unless they showed up for reporting at the time set by the management, all of them would be fired.[148]

The Union defied them, and the strike lasted for 2 days and resulted in losses of 675 man days to the management. Leung Poon-sum, the leader of the Union, condemned "the MTR management [as] being manipulated by a few [mostly British] senior officials".[149] All the train drivers were Chinese, and other Hong Kong Chinese labour organisations including the Christian Industrial Committee expressed their alliance with the Union. There was still a small, yet potentially hazardous, outcrop of ethnic conflict here.

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[142] *SCMP*, 10 May 1980.

[143] Li, F., 'MTR Union Builds Up Action Fund', *SCMP*, 16 June 1983.

[144] *SCMP*, 13 January 1984.

[145] Tse, P., and Chan, A., 'MTR Strike Deadlocked', *SCMP*, 23 January 1984.

[146] Lau, C. K., and Li,'MTR Strikers Get Deadline', *SCMP*, 10 April 1984.

[147] Lau, 'Agitators Face Sack Says MTR' *SCMP*, 9 April 1984.

[148] 'MTR Strikers Get Deadline' *op. cit*.

[149] 'Agitators Face Sack …', *op. cit*.

On 10 April, the management sent out the letters of dismissal to the drivers who participated in the strike and did not show up at the prescribed time. As soon as they received the letters, the union on strike backed down: some went back to report and more than a hundred of them cried, "jobs back"![150] The vulnerability of the union, quite unlike the PRC-led unyielding union of Kowloon Motor Bus 17 years ago, now became exposed. The number of drivers joining the strike rapidly dwindled to 200 from 650 at the peak. The strike of the drivers collapsed before the 'iron-fist' approach of the British managers.

Traditionally, the transport sector had constituted the most militant segment of drivers, because driving a long train or large lorry needed skills that called for extended training and competence that were embedded in the body of the labourers. The strike of the drivers had therefore been the biggest blow to the capitalists managing the transport system, as new drivers could not be trained overnight.

However, in the case of the MTRC, the management was on the solid bastion of the automatic train operation (ATO) system. In this system, what train drivers performed in normal time was just to start the motor after confirming that the passengers got off and on at a station safely. Once started, the train accelerated, skated, braked and stopped at the designated point at the station all automatically. The real operation was carried out by a small number of operators, who were not union members, in the fully-computerised MTR Operational Control Centre (MTROCC) in Kowloon Bay[151] (Plate 6.2).

Wilfrid Newton, the President of the Corporation, intimidated the labour and boasted that the management could train anyone from scratch into a train driver in 6 weeks[152]; however, Turner, the public relations manager, further claimed that the MTRC had actually been recruiting 40 new train drivers and 140 had been identified for further recruitment. In the end, the train service was not seriously disrupted and the MTR management did not suffer much from loss in fare revenue.

The foresighted rationale of Haddon-Cave on the state-of-the-art ATO system when the Japanese proposed a conventional signalling and manual train operation system almost a decade ago, was now proven. The ATO functioned to degrade train driving skills, which contributed to containing the militancy of train drivers in the class struggle.[153] The management ultimately dismissed 254 train drivers who took part in the strike on the second day.[154] The bud for ethnic conflict was thus nipped at an early stage, thanks to a new skill-degrading railway technology and a management who deployed it for oppressing the workers.

After the management fired all the drivers who joined the strike, they 'generously' offered the workers the opportunity to re-apply for their former jobs, yet

[150] Lau and Li, 'Strike Off But Some May Stay Sacked,' *SCMP*, 11 April 1984.

[151] After opening of Tung Chung Line, the MTROCC was moved to Tsing Yi Station. In 2007, only 17 operators are on duty at one shift; and the total number of the operators amounted only 90.

[152] 'MTR Strikers Get Deadline,' *op. cit*.

[153] Braverman, H., *Labor and monopoly capital: the degradation of work in the twentieth century*, Monthly Review Press, 1974.

[154] MTRC, *Annual Report*, 1984, p. 14.

Plate 6.2 The control centre of the automatic train operation system of the MTR in Tsing Yi (青衣) station (photo taken by the author in 2007)

those hired again were to be disciplined and suffer the loss of part of their provident fund. The union leaders were dismissed for good, and the union itself was made effectively dysfunctional for some time.[155]

The management intensified its paternalist labour relations. It organised 'The Metro Recreation Club', in which the management boasted that 85% of labourers joined as members, with the provision of the recreational complex in Chai Wan (柴灣) depot in 1985. It also organised The Metro Credit Union to provide the labourers with 'financial and cooperative services'.[156]

Fifteen years after the 1967 anti-British uprising, the social ambience of Hong Kong changed fundamentally. Leung was an independent union leader, who served as an executive member of a Catholic Youth Council,[157] with no connection to the political apparatus of the PRC, which showed no sign of intervening in the Hong Kong labour movement in the way it did in 1967.

The British colonial government thus captured the artery of public transportation back from the Chinese by oppressing the influence of trade unionism, under the initiative of its fully-owned neo-liberalist MTR management equipped with skill-degrading ATO technology.

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[155] Lau 'Union Forced to Strike: Chief Spokesman' *SCMP*, 13 April 1984.

[156] MTRC, *Annual Report*, 1984, p. 14.

[157] Lau, *op. cit*.

6.11 Island Line: Property Development and Further Government Intervention

6.11.1 Creating Confidence Beyond 1997: A Politically Inspired Decision

The third underground rail line that was to run on Hong Kong Island came to the agenda in the late 1970s. A consultant submitted a report to the Hong Kong government, which recommended the construction of MTR on the north shore of Hong Kong Island, and its construction works "should follow construction of all or part of the Tsuen Wan Line as early as conditions will permit".[158]

The *White Paper on Internal Transport Policy,* published by the government in 1979, suggested that, upon completion of the Modified Initial System and Tsuen Wan Extension,[159] "no further extension to the MTR should be built until the effects of those already planned are known".[160] The original conclusion concerning the Island Line made in the *White Paper* had suggested taking a more gradual approach: first to upgrade the existing obsolete double-decker tram into a swift LRT running on exclusive tracks, then to realign the LRT tracks incrementally underground by sections.

In spite of the conclusion of the *White Paper*, however, the colonial government announced, towards the end of 1979, the building of the MTR line, called the 'Island Line (港島綫)', by 1986. This abrupt decision came out of another 'political rationale' greatly divergent from the time when the decision on the MIS had been made. As early as the 1970s, the conjecture went as follows: "if the government did not go ahead with the project, which had in any case long been in discussion, it might be assumed that it was not prepared to give a continued vote of confidence in the stability of Hong Kong to 1997".[161] As the expiry of the lease of the New Territories from China was drawing close to 17 years away, the colonial government needed to boost the confidence further and demonstrate its commitment to the future of Hong Kong beyond 1997.[162] At that time, the British still retained its hope of extending the colonial rule over Hong Kong beyond 1997. The massive infrastructural project to be embedded visibly into the soil of the colony well beyond 1997 was indeed the ideal physical manifestation of this intention of the suzerain to the world.

The Executive Council gave the official go-ahead to the project on 23 December 1980. The planned line stretched 12.5 km between Sheung Wan (上環), the district

[158] Wilbur Smith and Associates, *Hong Kong Comprehensive Transport Study,* Hong Kong Government, 1976, p. 383.

[159] Completed in May 1982, it ran for 9.7 km between Prince Edward and Tsuen Wan Stations.

[160] Environment Branch, Government Secretariat, *Keeping Hong Kong Moving: The White Paper on Internal Transport Policy*, 1979, p. 24.

[161] Harris, P., *Hong Kong: A Study in Bureaucratic Policies,* op. cit., p. 107.

[162] Lee, M., 'The bottom Line: As Hongkong's property market sinks deeper into mire, an ambitious extension to the underground railway faces crisis', *FEER,* 12 November 1982, pp. 91–93.

of Chinese commerce called Nam Pak Hong (南北行) and Chai Wan, the eastern-most township of the north shore of Hong Kong Island, with 13 stations. The alignment of the line was unique as compared to the former two lines: the eastern end of the line was not an industrial district or an area with a large-scale resettlement estate complex. Rather, it was a quiet residential neighbourhood, yet with much potential for property development. The line would pass through the urbanised strip with the existing commercial centres of North Point (北角), Shau Kei Wan (筲箕灣) and Causeway Bay (銅鑼灣). The urbanised strip was much narrower than these Commercial centres along the Modified Initial system and Tsuen Wan Extension, due to topographic reasons. According to Norman Thompson, its initial ridership was expected to be 2–300,000 per day.[163]

6.11.2 Government-Promoted Property Development Played an Ever Greater Role

This unique characteristic of the line was reflected in the unique financing and design that previous lines had not possessed. The estimate of total cost in the current price was HK$7 billion, half of which was to be financed by 11 property development projects above the stations, and the rest by conventional loans and export credits. The station concourse was not to be built above the tracks, but in the basement of a separate adjunct building, which was to be developed by private developers.[164] When this decision was made, the property boom in Hong Kong almost hit its peak. The hallmark that "property financing is a core feature in the profitable Hong Kong railway model"[165] took firm root in the MTR through the planning of this line (Fig. 6.4).

In April 1981, the MTRC awarded a contract to a consortium led by Hang Lung, a Hong Kong Chinese developer, to develop eight station sites in partnership with the MTRC. Three other projects were later offered to joint ventures that included Malaysian and PRC concerns. The total area to be developed was 434,000 m^2, valued at HK$8 billion at the 1981 property price.[166] The profit was to be shared half-and-half by the MTRC and the private developers.

By the time the contract was signed, however, the property market in Hong Kong entered into deep stagnation, and a glut of office space became apparent. Many Hong Kong Chinese were uncertain about the future of Hong Kong after 1997 and emigrated by selling their properties. The rent for shops for the whole of Hong Kong dwindled to 77% of that of the fourth quarter of 1979.[167] For the commercial prem-

[163] Lee, 'A Ride in the Dark …' *op. cit.*, p. 48.

[164] Choi, B., 'Island Line Gets go-ahead', *SCMP*, 24 December 1980.

[165] Yeung, *op. cit*., p. 56.

[166] Bowring, P., 'An Expensive way to fly', *FEER,* 1 May 1981, p. 53.

[167] Rating and Valuation Department, Hong Kong, *Property Review 1986*, Table 19.

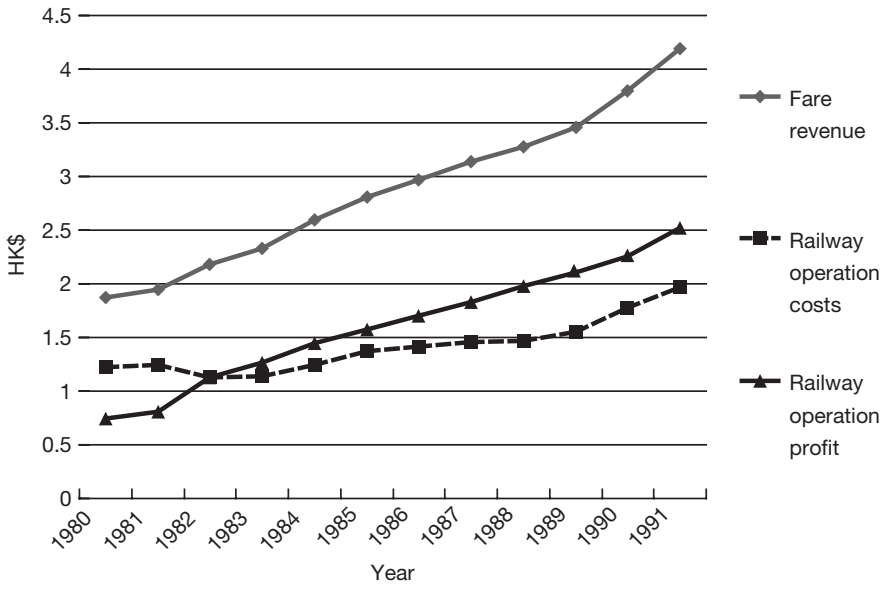

Fig. 6.4 Cost and revenue per passenger carried. Source: 'Ten Year Statistics', Mass Transit Railway Corporation, *Annual Report 1989* and *1991*, pp. 30–31

ises along the Island Line route, 19.0% of premises were left vacant in the Shau Kei Wan area, and 9.4% in North Point at the end of 1984.[168]

It was thus feared that huge additions of property through this development project would further aggravate the property market situation. In view of this economic ambience, the MTRC asked these private developers to pay all of the development and land costs, just as Li Ka-Shing did for the development projects related to the MIS. In short, the developer had to pay the non-refundable share of the development cost to the MTRC before they received any economic gains. This advance payment amounted to as much as HK$1 billion, or approximately 10% of the Island Line construction cost.[169]

The colonial government also devised in the budget of 1981 two measures to assist the MTRC and the contractors amidst the mire of property market stagnation, in an attempt to decrease debt and increase equity:

> *First*, the Government as shareholders should forgo the profit from property developed over railway stations and depots; and *secondly*, the Government should add to its equity stake in the Corporation.

In sum, the government showed the intention to inject fresh equity amounting to between HK$1.5 and HK$3.5 billion depending on the gain from property development.[170] Following this government decision, the MTRC issued shares amounting to HK$3.528 billion to the Colonial Treasurers Incorporated in 1981.

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[168] Rating and Valuation Department, Hong Kong, *Property Review 1985*, Table 12.

[169] MTRC, *Annual Report*, 1982, p. 13.

[170] *Hong Kong Hansard*, 1980–1981 Session, 25 February 1981, p. 590.

In addition, the government made special arrangements, unimaginable under the normal land policy which laissez-faire competition over premium sites assumed, in order to save the MTRC from financial difficulty.

First, the government was to ask for land premium payment not at the time when the successful bidder came to possess the land or began the construction work, but later when the bidder completed it and found those who would buy the built floor. This arrangement not only guaranteed the MTRC and the contractor the profit margin, but also reduced the amount of effective land premium by 32.5% as the property price was constantly on the decline during the project period. *FEER* aptly wondered whether this arrangement was "to help the MTRC meet its claim that it would finance half the Island Line's cost from property development profits?" and claimed that "it is a blatant shielding of a private developer from market forces".[171]

Second, the government effectively allowed the developers to pay its land premiums in instalments rather than the normal practice of paying in a lump sum within a month. This reduced the burden of interest payments by 30–100% on the part of developers. Many competitors who failed to get contracts with the MTRC were vociferous in complaining that these measures were unfair competition.[172]

These arrangements were necessary to fend off the risk and debt otherwise incurred by the MTRC to finance the project. Since financial loss of developers or failure of completing the project immediately meant the financial crisis of the MTRC under the half-and-half profit-sharing agreement, the private developers had to be protected by the colonial government too if the MTRC itself was to be protected. Thus, laissez-faire was 'contrived' by the colonial government to achieve its policy aim of building the Island Line in time and within the budget.

In making decisions, however, the MTRC was prudent enough not to count entirely upon these controversial government measures, or any future prospects for market upturn, but to retain backup to finance all the rest through debt financing.[173]

Perhaps the MTRC need not have worried too much. In July 1985, right after Island Line came into operation, 448 flats above the railway depot of Heng Fa Chuen (杏花邨), the second easternmost station, were put up for sale. This sale was the first of 6600 flats in the project. The price at HK$596 per square foot was considerably lower than the unofficial assessment of the property agents of HK$700 per square foot, taking the improved positioning in relative space thanks to the MTR and urban motorway that was built along the MTR line, into account. The joint venture of Heng Fa Chuen developers, which included the PRC concerns, might have taken a bearish attitude, placing priority on selling the flats quickly rather than asking for higher prices and ending up with a dead inventory. As flats were sold on a first-come-first-served basis, prospective buyers and speculators queued up in front of the sales office for more than a week, and some skirmishes among buyers

[171] Lee, M., and Bowring, P., 'An Underground Deal: And Apparent Change in Hongkong's Land Policy Helps the Mass Transit Railway Manufacture Property Profits', *FEER,* **115**(13), 1982, p. 146.

[172] Lee, M., 'Build now, pay later' *FEER,* 26 March 1982.

[173] MTRC, *Annual Report*, 1983, p. 7.

and between buyers and developers even broke out.[174] Some property developers offered as much as HK$50,000 premiums to those who grabbed the right to buy the flat by queueing up for several nights.[175]

The people of Hong Kong did recognise the role of the MTR in improving the access of the once remote neighbourhood of Hong Kong Island. The property development along the Island Line continued. With the last two projects at Heng Fa Chuen and Sai Wan Ho (西灣河) stations completed and sold in 1990, the property development came to an end successfully, thanks to the recovery of the property market after the signing of the Sino-British Joint Declaration in 1984.

6.11.3 Economy of Scope Achieved

The MTRC opened most of the Island Line between Admiralty and Chai Wan stations on 31 May 1985, again ahead of schedule, and the other two stations from Admiralty to Sheung Wan on 23 May 1986.

Now that the MTR system covered most of the urbanised areas of Hong Kong Island and Kowloon, the opening of the Island Line generated considerable economy of scope. In December 1985, the average number of passengers on the entire system in weekdays amounted to 1,454,000, which was a 24% increase from a year before. The share of the MTR in the cross-harbour section exceeded 40% in 1985, and 50% in 1987 (Fig. 6.5). It is obvious that the Island Line played a feeder role for the cross-harbour section,[176] where the fare per km was considerably higher than elsewhere. Fare revenue per car km operated as well as profit rapidly picked up after completion of the Island Line (Fig. 6.6).

6.11.4 Property Development and the Financial Position of the MTRC

Thanks to all the policies above, the MTRC enjoyed the secular trend of handsome operating profits ever since 1980. In 1989, MTRC earned HK$2.38 billion from the ticket machines. Adding to this advertising, kiosks, property rentals and property management income, the total revenue amounted to HK$2.374 billion. The operating profit before depreciation reached as much as 60%, and even after depreciation, the profit was 38%. The MTRC boasted the MTR in Hong Kong was “one of very

[174] ‘Speculative Activities Behind Heng Fa Chuen’, *Hong Kong Property Journal,* 1 August 1985, pp. 5–7.

[175] Chan, A., ‘It’s that familiar property fever push’, *SCMP*, 27 July, 1985.

[176] ‘Ten Year Statistics’, MTRC, *Annual Report*, 1991, pp. 30–31.

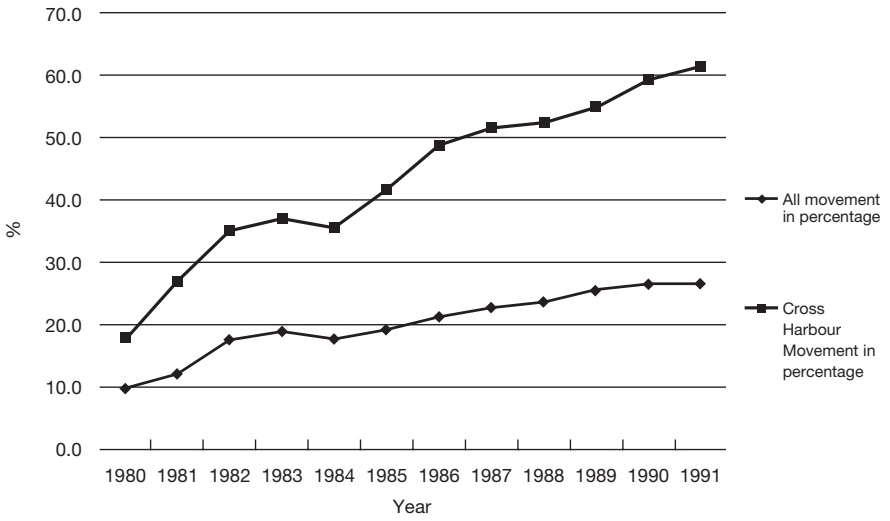

Fig. 6.5 Share of MTR in franchised public transport boarding.
Source: 'Ten Year Statistics', Ibid

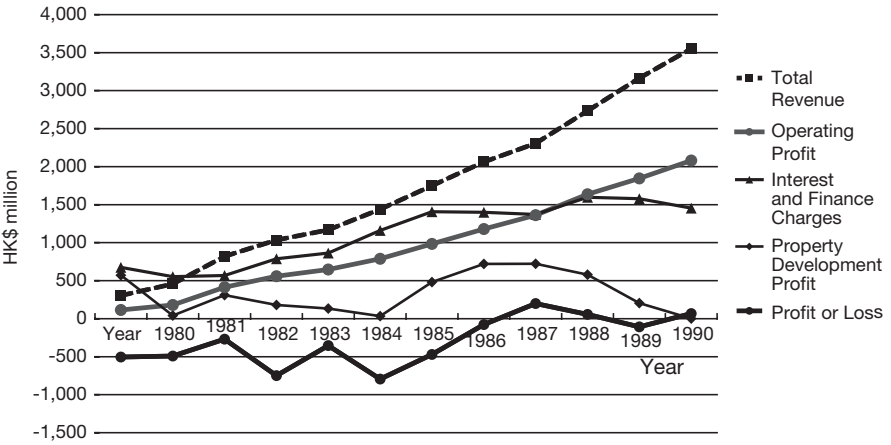

Fig. 6.6 General profit and loss account.
Source: 'Ten Year Statistics', Ibid

few underground MTR in the world which generate unsubsidised fare revenue to cover operating costs and depreciation, with a satisfactory operating profit".[177]

Nevertheless, taking interest and finance charges of HK$1.597 billion into account, the balance-sheet turned up losses of HK$548 million. The profit from property development made up this deficit, albeit insufficiently; and the 1989 profit and loss account ended up with a final annual profit of HK$56 million.[178] As Fig. 6.6

[177] MTRC, *Annual Report 1989,* p. 31.

[178] MTRC, *Annual Report 1989,* p. 36.

indicates, the profit from property development, or the colonial policy to create scarcity of space, was crucial for the MTRC to be saved from the secular final loss after paying hefty interest and finance charges in the period between 1986 and 1990, when property along the Island Line development project was on sale. From 1980 to 1991, the MTRC earned HK$3.98 billion from property development of all kinds. This amounted to 33.8% of the operating profit earned over this 12-year period.[179]

However, as we saw in the case of the Island Line, the excessive reliance on property development destabilises the solid foundation of management as the supplier of public transport services. Revenue from property development often fluctuates, depending on the property market conditions, while fare revenue is relatively stable.[180] In the longer run, it might exert a detrimental effect on the sustainable provision of the urban mass transit rail service.

6.12 Conclusion and Future Prospects

6.12.1 The Infrastructural Project Pushed Through Contrived Laissez-Faire

The Hong Kong MTR was a political product of British colonialism. Although it was never made explicit, what was at stake in this massive infrastructural project was the very survival and stabilisation of the White-minority rule of Hong Kong.

This secret mission could be discerned in various ways through the development of the MTR project: by spatial integration of factors of industrial capitalism, appeasement of the Chinese workers, who twice staged uprisings against the British in 1960s, containment of the PRC in the class struggle by deploying the deskilling ATO system, quick and unimpeded deployment of police and military forces in case the Chinese might again engage in an anti-British uprising and subsequently to cast a 'vote of confidence[181]' to the future of the colony of Hong Kong. The MTR had to be constructed as the solid and physical manifestation of these political commitments through explicit government intervention by the colonial bureaucrat of the highest rank who advocated 'positive non-interventionism'. It had to be efficient, capacious and to some extent user-friendly enough for these purposes. The spacious carriages and stations, fully air-conditioned stations and carriages, and the ATO system contributed to all of the above. Although it did constitute a positive element of peripheral Fordism of Hong Kong society in the 1970s, it was never built for this objective alone.

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[179] Computed from 'Ten Year Statistics', MTRC, *Annual Report*, 1989, pp. 28–29 and 1991, pp. 30–31.

[180] After the handover, in the first half of 2007, the profit rate of the MTRC plunged by as much as 48.1%, mainly due to downfall of profit from property development HK$4.06 billion to 1.64 billion (Tsang, D., 'Property fall-off trims MTR profit by 48.1pc', *SCMP*, 8 August 2007.).

[181] Harris, P., *Hong Kong: A Study in Bureaucratic Policies, op. cit*., p. 107.

However important this project was, the colonial government hardly had any intention of dissipating public money for it. In minimising the price tag, one solution was to borrow from someone else's wallet and use non-monetary resources that were at the disposal of the government. Haddon-Cave first counted upon the Japanese taxpayers' money. Since the MTR project was the first of its kind in Southeast Asia and South China, the colonial government tacitly expected that the Mitsubishi-led Japanese consortium would finish this job at the fixed price tag of HK$5 billion, using Japanese railway technology and Prime Minister Tanaka's initiative to make up the deficit in order to keep the credentials of the Japanese railway business in Asia as a whole.

The Japanese consortium and government were ignorant of the hidden agenda as a whole, or perhaps afraid of triggering the anger of the Anglo-Saxon community at the Japanese grabbing such a prestigious contract right on the soil of the British colony. The resignation of Tanaka due to the Lockheed bribery scandal quenched this hope of Haddon-Cave. The colonial government then switched quickly from the full turnkey strategy to building a shorter line on a multiple-contract basis, counting upon the Keynesian-inspired export credit schemes of foreign governments.

Politically motivated, the colonial government manipulated every possible policy measure to bring this railway project into fruition. Analogous to the free-trade imperialists of the nineteenth century, the colonial government took the policy principle of "laissez-faire if possible and intervene if necessary". Thus, the case of the MTR project was a good manifestation of 'contrived laissez-faireism'. Hong Kong had no 'path' to depend upon in terms of an urban rapid transit railway. It could thus become quite austere and neo-liberalist in nature, following the 'path' of more generic colonial legacy.

The colonial government thus took various cost-saving measures and manipulated the Crown land disposal scheme in very exceptional ways to the benefit of the MTRC. This policy also functioned to pull Chinese property entrepreneurs into the 'ruling-class alliance' even deeper.

The government appointed Norman Thompson, a businessperson with a neo-liberalist mind to be at the helm of the MTRC. He sometimes deployed iron-fist policy to trade unionism and the hawkers and shopkeepers who were needed to give way to the project. Nevertheless, the criticisms of the project as a 'white elephant' were swept away due to his more austere management of the project, and the success of this urban rapid railway system.

6.12.2 The Increasing Use of the MTR and Expansion of the Business Overseas

Through controlling the laissez-faire competition among various modes of transportation, the total number of passengers that the MTR system carried picked up favourably over the decade since the opening of the initial section. The 1980 figure

of 155.2 million passengers per year more than doubled in 1982 after the opening of the Tsuen Wan Extension, and quadrupled in 1988 a year after the full opening of the Island Line. In 1989, the system carried 687.6 million passengers (Fig. 6.7), which was more than twice as many as the estimate in 1976, a little more than three million.

In 1990, the number of weekly passengers per km was 48,611, as compared to a mere 5561 for London Transport, 8955 for Singapore MRT and 37,192 for the Teito Rapid Transit Authority of Tokyo.[182]

The Hong Kong MTRC then grew into a multinational urban transport consultant company. This new heritage began when president Norman Thompson got his new job after his retirement in 1983 in Singapore to build a brand-new rapid transit system there. No wonder, therefore, that the Mass Rapid Transit system in Singapore looked much like to that in Hong Kong. In 1985, MTR Engineering Services Ltd., the full subsidiary company of the MTRC, took up an overseas consultancy task for Shanghai Metro Corporation to build an urban underground railway system there.[183]

Today, offers of consultancy services have become one of the major business spheres of the MTRC. The successful Hong Kong model of underground railway construction and management has thus been expanding across the globe to become one of the railway multinationals, vying with Veolia of France.

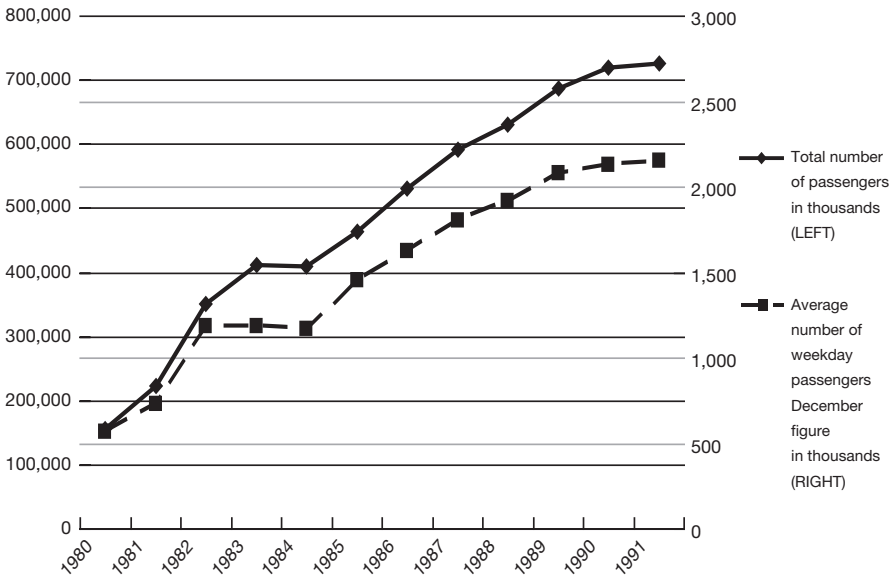

Fig. 6.7 Increasing use of the MTR. Source: 'Ten Year Statistics', Ibid

[182] *MTRC: Facts and Information*, Hong Kong: MTRC, 1991.

[183] MTRC, *Annual Report 1985,* p. 21.

The Japanese were too late in realising the colonial nature of Hong Kong politics. It would certainly have been wiser in the long run if the Japanese government and business concerns had respected the sense of responsibility in business. This would have preserved their good faith and credible track record, and enormously enhanced future opportunities for the Japanese concerns to be awarded urban mass transit rail contracts elsewhere in Asia and the rest of the world. The Japanese businesses lost this opportunity for decades because of the myopia-gravis decision of Mitsubishi to avoid short-term losses. It cannot be stressed too much that this capitalist conduct led Mitsubishi to fall into its own trap of losing opportunity for the future involvement of Japan in the urban mass transit rail developments in Southeast Asia, Taiwan and the PRC, and their eventual development into a TNC in the railway businesses, as the MTR of Hong Kong accomplished.

Chapter 7
Production of Colonial Consciousness Among Middle-Class Chinese: Legitimisation of British Rule Through Education

7.1 Introduction

We have so far dealt with the ethnic integration of Chinese into the colonial society through the spatial policies and production of the built environment. Nevertheless, development of the consciousness of the Hong Kong Chinese to conform to the colonial system must also be cultivated through inculcation of ideologies. This is particularly important for the middle-class Hong Kong Chinese who had the opportunity to receive secondary and higher education and assume substantial positions after graduation. The contrived laissez-faireism through creation of scarcity, the common tactic that colonial government adopted for space, is quite visible here as well. It is to this topic that now we turn.

In an independent country, education teaches ideology to integrate younger people into the nation through cultivating the consciousness of a national identity through such symbolism as the national flag, anthem, the royal family or national heroes. It also functions through elementary and secondary curricula to have the pupil acquire the common language, arithmetic, moral conduct, etc., so that the pupil acquires common property in spite of the differences in classes, ethnicities, and social strata. Through this educational practice across its territory, a state comes to exist as a homogenous and functionally integrated entity. Whereas in a colony, education has dual functions which are quite different from it.

Firstly, education is an important ideological means to integrate the indigenous colonial subjects into a society dominated by a ruling minority. In order to achieve this function, the supremacy of the culture, value system and the language of the suzerain over those of the indigenous ethnicity is emphasised, which in turn gives the indigenous subjects the consciousness of inferiority of their own culture and heritages, including symbolism. This thereby legitimatises the colonial domination in general over the indigenous subjects.

Secondly, education of the indigenous subjects is essential in order to give them the skills needed to support the macro-economy of the colony. If a suzerain wants to

F. Mizuoka, *Contrived Laissez-Faireism*, The Political Economy of the Asia Pacific, https://doi.org/10.1007/978-3-319-69793-2_7

govern the colony according to anything beyond a traditional self-sufficient agrarian economy or the mere plundering of resources, such as the production of goods or services, the suzerain has to deploy the indigenous subjects as a commodity labour power. Thus, the subjects need to have knowledge taught in elementary and lower secondary schools, and basic disciplines in everyday life, as well as the technological skills necessary for production processes.

This second function bears a dialectic unique to the colonial education. The development of a civilised educational system and provision of schooling to the indigenous subjects may awaken the consciousness of their own ethnic identity as well as their subservient social position, instigating an ethnic struggle for independence and eventual collapse of the colonial domination itself. These dialectics are in fact manifestations of the dilemma that the colonial subjects are on the one hand in the oppressed ethnic group, yet on the other they are free economic subjects who own labour power.

A common way of transcending this dilemma was the stratification of education: giving a privileged smaller number of students élite education, teaching them the value system and code of conduct of the dominating minority so that they acquire the consciousness of supremacy that induces them to look down at the masses of the same ethnic group, and simultaneously have them feel closer to the ruling suzerain, while treating the masses with an 'obscurantist policy', so that their ethnic identity is not awakened.

After the war, Hong Kong's economic base underwent a major shift from entrepôt trade to export-oriented light manufacturing. The transformation of immigrants into a commodity labour power through the squatter resettlement policy, as discussed in Chap. 4, also necessitated education to teach their children the skills and disciplines needed for working in labour-intensive industries. This process necessitated the popularisation of education, which gave more weight to the second function. Since commodity labour power is produced in each private household, the quality of this commodity is bound to be diverse. In order to amass them into a functioning 'human resources complex',[1] the colonial government had to give the younger generation Hong Kong Chinese the dual identities of being simultaneously a free commodity of labour power and subjects who were ready to accept the White-minority rule.

Chapter 1 of this book put forward the 'contrived laissez-faire' as the fundamental property of colonial governance in Hong Kong. The colonial government manipulated variables that were at their disposal to create scarcity, which functioned as a spontaneous imperative for cut-throat competition so that the desired results of laissez-faire would eventuate. Chapter 2 analysed the colonial land policy of promoting land speculation, which was instrumental in bringing wealthier Chinese capitalists into alliance with the British. Chapters 4, 5 and 6 showed how the colonial government intervened into the economic process quite proactively and sometimes brutally whenever necessary into the production of the built environment in order to achieve the overall aim of maintaining and stabilising the colony.

[1] Harvey, D., *Limits to Capital*, University of Chicago Press, 1982, p. 399.

Based on these analyses, this chapter presents how the manipulation of scarcity, as well as the brutal intervention into the educational system, was carried out by the colonial government over the masses of younger generation Hong Kong Chinese. It shows how their thoughts were averted from facing the reality of the colonial system and brought them into support of the White-minority rule without corporeal awareness. The British rule of Hong Kong was sustained through implementation of this unique colonial education system.

7.2 The Colonial Education in Pre-WWII Hong Kong

7.2.1 Missionary Schools Run by Whites and Distrust Among the Chinese in Hong Kong Towards Them

In nineteenth century Asia, modernisation of education was carried out mainly by European and North American missionary societies, which attempted to propagate the Christian and Western value system, stationed in major cities such as Shanghai, Hong Kong and Beijing in China, and Nagasaki, Yokohama and Tokyo in Japan, for example. The colony of Hong Kong, having expected to function as the base for penetration of British into China, was deployed as the base for these Western missionary societies for propagation of Christianity into China. The power of the Anglican Church (聖公會, Sheng Kung Hui) was especially strong in Hong Kong, running many prestigious schools.

The first missionary schools were established in 1843 in Hong Kong. The Morrison Education Society School moved from Macau,[2] and Ying Wa College[3] (Anglo-Chinese College, 英華書院), set up by Morrison, the translator of the Bible into Chinese, moved from Malacca to open a boys' school with 18 students. In 1849,[4] the successor school of the Morrison Education Society, St. Paul's College, was established by the Anglican Church under financial subsidy from the colonial government. These schools were intended as "a school for the training of Chinese ministers".[5]

As for the language to be used in the school, Morrison Educational Society stated, "if we look to the Chinese language and literature, we shall, I think, find them inadequate to our purpose, for in their present state they are unfit instruments of education. The colloquial tongue, is not adopted to convey the mind, some of the

[2] Eitel, E. J., *Europe in China,* 1895 (reprinted by Cheng-Wen Publishing Company, 1968) p. 186.

[3] In colonial British context, 'college' does not mean the institution of higher education (university level), but offers secondary education. In Chinese, it was translated as 書院 (*shu yuan*), not 大學 (*da xue*, university).

[4] Eitel, *op. cit*., pp. 190–191.

[5] Eitel, *op. cit*., p. 280.

simplest facts in science, much less the multitude to our purpose…".[6] Thus, it was decided that English be adopted as the medium of instruction.

Some Chinese began to realise the practical value of the English language and began to let their children enter these missionary schools. These Chinese parents had from the beginning no intention of placing their children in the clergy profession; however, they aspired to have them work in companies run by the British or in a colonial government for more money. Nevertheless, this trend was not problematic at all, in view of the real rationale for educating Chinese into compradors.

From the middle of 1850s, the 'secularist movement' of missionary schools set in. The colonial government began to make an effort to actively subsume some major missionary schools into the colonial apparatus. In 1865, the colonial government began to hold public examinations to test the academic achievement of Chinese students.[7] The schools from which most students with good examination results came were praised by the Governor and recognised with awards.[8] In 1873, the colonial government set up the Grant-in-aid Scheme, which became a prerequisite for a school to receive a government subsidy. This scheme required the missionary schools to abide by various statutory regulations, including "the time devoted to secular instruction [to be] not less than 4 h daily".[9] The missionary schools were thus standardised according to the government criteria, and placed firmly within the official education system of the colonial apparatus. The number of missionary schools and students increased to 5132 in 1891, as compared to 2540 in the government school.[10] Missionary education seemed to have penetrated into the Chinese community in Hong Kong.

However, some Chinese people were less happy with the Anglicisation of the education system in the colony. In December 1864, a male Chinese threw a stone at Mary Winefred Eaton, the principal of the Anglican church-run Diocesan Native Female Training School,[11] claiming that Whites degraded Chinese girls by teaching them English.[12] It was true that some Chinese girls kept as mistresses by Whites were needed to speak English.[13] A Chinese teacher in the Government Central School[14] made a more tacit protest, by comparing the metaphors in the Bible and the Chinese classics, and claimed that the latter was superior.[15] In 1886, as rumour

[6] 'Report of the Morrison Education Society', *Chinese Repository* XIII, December 1844, p. 633.

[7] Sweeting, A., *Education in Hong Kong Pre-1841 to 1941: Fact and Opinion*, HKU Press, 1990, p. 206.

[8] Dates and Events Connected with the History of Education in Hong Kong (an anonymous pamphlet), St. Lewis Reformatory, 1877, pp. 11.

[9] *Dates and Events…, op. cit*., pp. 31.

[10] Director of Education, *Annual Departmental Reports 1952–3*, p. 3.

[11] This school is currently Diocesan Girls' School (拔萃女書院).

[12] Sweeting, *op. cit*., p. 152.

[13] Letter No. 41 from Dr. E. J. Eitel to the Colonial Secretary, 5 July 1889 < CO129/942>, pp. 80ff (in Sweeting, op. cit., p. 248).

[14] This school is currently Queen's College (皇仁書院).

[15] *Hong Kong Blue Book*, 1865, pp. 277ff.

spread that a number of Chinese students would be buried alive as sacrifices for the tunnel construction for Tai Tam water works, the Chinese parents pulled most of their children out of these schools.[16] Although the Chinese were enthusiastic about having their children learn English, they did not readily accept the Western values and ethical systems. Behind the scenes they called the Europeans, with contempt '鬼佬*gwai lou* (foreign devil)' and felt distrust in schools run by Europeans.

7.2.2 Stronger Emphasis on English Language Teaching to Avert Protests by the Chinese

This sort of resistance towards the colonial education system had to be extinguished by any means. The colonial government thus began to focus on the spontaneous propensity of the Hong Kong Chinese, "once a colonial administration was in place, and once it became evident that English was a gateway to social and economic prestige, the colonised demand access to the language",[17] in its education policy. This propensity came from that fact that English was simultaneously the local language of suzerain and the international lingua franca under the hegemony of the British Empire across the globe. English language education thus offered the Chinese the tool to facilitate climbing up the social ladder, and to the British the strengthening of colonial governance and Anglicisation of Chinese simultaneously. It thereby formed the potential for a common ground upon which the British and Chinese could form an 'ethnic alliance', hence the integration of the colonial society of Hong Kong.

However, the English skills of Chinese teachers in The Government Central School was quite dismal. Hennessy, who took up governorship in 1877, reported to the home government his experience upon his visit to a classroom of the Central School as follows:

> … I should think there must have been about a hundred and fifty Chinese students who were being instructed by three Chinese teachers. They were reading Chinese classics… The three teachers who were instructing them in the Chinese classics had themselves no knowledge whatever of the English language… And of the pupils in that particular class-room not one could speak English… During the whole year we have had six hundred and ten pupils attending the School. I asked Mr. Stewart this morning how many of these were able to speak English and he said under fifty or sixty, and this small number very imperfectly… They point to that which Mr. Stewart wishes – to the desirability of endeavouring to keep the pupils a little longer in the school. In this English Colony we must not be satisfied with 60 out of 600 being able to speak English in our principal Government school, and that imperfectly…[18]

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[16] *Annual Report for 1886* (in Sweeting, op. cit., pp. 212–213).

[17] Pennycook, A., *English and the Discourses of Colonialism*, Routledge, 1998, p. 95.

[18] 'Dispatch from John Pope Hennessy, Governor of Hong Kong, to the Secretary of State for the Colonies, Earl of Carnarvon, 27 January 1878', quoted in Sweeting, *op. cit*., p. 232.

This deficiency had to be rectified as soon as possible. Governor Hennessy thus ordered in the government Education Conference held on 25 February 1878 that, among others, "the primary object to be borne in view… should be the teaching of English" and "five hours be given every day (except Saturday) to English" at The Central School since English teaching was the main task of the colonial government.[19]

7.2.3 Opening of the University of Hong Kong: 'A British University on Chinese Soil'

Toward the dusk of the Qing dynasty, ever-more mainland Chinese became interested in overseas affairs and opted to study at universities. However, the education system centred around *ke ju* (科舉, the imperial civil service examination) could not come to terms with this aspiration. The void of higher education thus caused the foreign imperial powers to penetrate into China in this sphere. Universities were established mainly by North American missionary societies in Shanghai, Beijing and Wuhan. From these universities with relatively high standards of teaching and research graduated many upper-class Chinese. Some Chinese sought to study abroad, especially in neighbouring Japan.

In this environment, the British living in East Asia were demanding that a university be established in the colony of Hong Kong. An editorial in the *China Mail*, a leading newspaper of that time, stated 1905 as follows:

> The future of China, with its ample prospects, lies in the hands of two powers – Japan and the British Empire… It is necessary to consider what our rival – for so Japan must be termed – is doing in preparation for the future… The corner-stone and essential of the method is education upon modern lines. Japanese teachers abound in China… On careful examination it will be found that the education provided in the schools of Hongkong is of an elementary nature… But if the British Empire intends to hold its own and spread its influence equally with its rival of the North [Japan] something far more than elementary education is needed. What is needed is a regularly established system of higher education in Hongkong –or, in other words, a University. If such an institution be set up so near to him, the Chinaman of the Southern provinces, and probably some of the Northern ones will take advantage of it… For there is no doubt as to the eagerness of the rising generation of Chinese to absorb Western ideas and Western civilisation… But a university established in Hongkong would rank as an Imperial asset and public money spent on it would be to the full as well spent as far as the prosperity of the Empire is concerned as, say, the yearly subsidy which provides the Ameer of Afghanistan with guns to defend India…[20]

Rev. Lord William Gascoyne-Cecil, a rector of the Church of England, expressed his desperate feeling that "the Chinese Government needs thousands of teachers, and they must be first-rate teachers. Japanese instructors are pressing in. Is the teaching to be based on Christian or agnostic foundations?"[21] In order to face up to

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[19] Hong Kong Government Gazette, 9 March 1878, p. 90.

[20] 'An Imperial University for Hong Kong' *China Mail,* 15 December 1905.

[21] Mellor, B., *The University of Hong Kong: an Informal History*, HKU Press, 1980, p. 16.

the penetration of Japan in higher education, the British cried for "a British University on Chinese soil".[22] The university was secular since it was established by the colonial government, yet missionary societies were allowed to establish residence halls, where Chinese students learn in a 'British environment' ethical, moral and personal properties typical to the British.

The University of Hong Kong (HKU) was founded in 1912, right after the Republican Revolution of China. Its reputation of having levels of matriculation and degree examinations equivalent to the UK, meant that many students of excellence came from mainland China to study at HKU, including the renowned Sun Yat-Sen. On the other hand, the local Chinese who graduated from middle school using Cantonese as their medium of instruction could not keep up with the lectures given in English and dropped out.

The foundation of HKU was, therefore, in an international context, the product of imperialist rivalries between various European powers and Japan who wanted to build their spheres of interest in China. The British thus managed to inculcate the Anglophile mentality into the Chinese and to establish a base for expanding the cultural frontier into China. Frederick Lugard, the first High Commissioner of Nigeria who later came to Hong Kong to take part in the foundation of HKU as Governor, clearly expressed British interests by claiming "its matriculation and degree examinations will be maintained at a standard equal to that of English Universities. Its medium of instruction will be English, so that those who graduate may be able to read for themselves the works in English dealing with the subjects they take up, and British influence in the Far East may be extended".[23]

7.3 Post-War Hong Kong Education as a Colonial Apparatus

The policy of the colonial government to manipulate education towards fulfilment of the colonial objectives remained unchanged in post-WWII Hong Kong. The government remained directly involved in administrative control of education in various ways.

7.3.1 The Grant Code as a Tool for the Control of Subsidised Schools

In the pre-war period, the government intervened in the governance of missionary schools to bring their standards to the level stipulated by the colonial government. This practice continued after WWII, using government subsidies as leverage.

The instrument deployed for government intervention was the Grant Code, or Code of Aid, which set out the principles to follow in every aspect of school opera-

[22] Ibid.

[23] Mellor, *op. cit*., pp. 36–37.

tion, including teacher qualifications, school finances, facility provision, procurement of goods, curriculum, student discipline and eligibility for admission in minute detail.

These regulations had the ostensible rationale of the constant maintenance of a high standard for education in Hong Kong. In reality, however, the Grant Code effectively placed the schools under the strict surveillance of the authority of the Director of Education, who was in possession of sweeping power: whether or not a school received financial support, the specific amount of support, the authority to revoke subsidies already granted and the evaluation of qualifications for personnel.

The 1955 Grant Code was the first of its kind after the war and expressed its character very plainly.[24] Its criteria comprised two parts, the 'Regulations for the Conduct of Grant-in-Aid Schools' and the Code itself. There were 45 entries in the Code alone, and the operating Regulations were far from laissez-faire, but in fact extremely detailed, extending to 20 clauses.

The regulations began by defining the terminology to be used in schools, stipulating that an 'Anglo-Chinese School' was one in which English would be the medium of instruction (Code §2). Faculty personnel would be limited to graduates of Northcote Training College (a normal school), or appointees from overseas had to have qualifications awarded from a normal school or university in the UK, the British Commonwealth, Europe or the USA (Code §10, §12), which meant the former teachers in mainland China could not teach in Hong Kong. The position of deputy headmaster, as a rule, must be a graduate of the HKU. Moreover, all personnel had to be reported to the Director of Education (Regulation I-1). In terms of the curriculum, lessons had to be conducted towards the goal of the Hong Kong Certificate of Education Examination (HKCEE, see Sect. 7.4.5 of this Chapter), for which students were obliged as a rule to sit (Regulation XIX-2). With regard to language education as a component of the curriculum, languages other than English, Putonghua (Mandarin Chinese), Cantonese and Portuguese were not allowed without the prior consent of the Director of Education (Regulation XIX-5, abolished after 1962). Textbooks should be selected from among those in a list approved by the Education Department, and in cases where teachers wished to use other texts, application had to be made by the principal to the Board of Education in advance (Regulation XX-7). School facilities were not to be used for anything other than school activities without the prior consent of the Director of Education (Regulation XX-2).

7.3.2 The Response of Colonial Government Towards Educational Bodies Conducting Ethnic and Alternative Education

In spite of this control by the colonial government, there were indeed schools that took direction towards autonomous or ethnically-based education. Although these kinds of education were severely oppressed, schools that sought ethnic education

[24] 'The Grant Code', revised and approved in December, 1955; and 'Regulations for the Conduct of Grant-in-Aid Schools' (mimeo). Education Department.

did exist. They were called ‘patriotic schools’ run by the group of people supporting the Chinese Communist Party (CCP). There were also a few schools seeking alternative education experimenting in revolutionary educational ideals independent of the CCP. Moreover, in this context the establishment of the Chinese University of Hong Kong (CUHK) needs to be examined, as it was fraught with the potential to transform the colonial university education system.

7.3.2.1 Suppression of PRC-Affiliated ‘Patriotic Secondary Schools’

After the founding of the PRC in 1949, a number of ‘patriotic secondary schools’ (愛國中學, *aiguo zhongxue*) were established in Hong Kong. These schools carried out ethnic education guided by the policies of the CCP. In response, the colonial government adopted in 1952 the ‘Education Regulations’, stipulating, *inter alia*, “no instruction, education, entertainment, recreation or propaganda or activity of any kind which shall be in any way of a political or partly political nature and detrimental to the interests of the Colony or of the public or contrary to the approved syllabus, shall be permitted amongst the masters or pupils either upon the school premises or upon the occasion of any school activity” (§88[1]); “the use of display by masters or pupils either upon the school premises or upon the occasion of any school activity of salutes, songs, dances, slogans, uniforms, flags or symbols which have a customarily political association and which shall have been declared in writing by the Director in his opinion to be detrimental to the interests of Colony or of the public or of the pupils shall be unlawful” (§88[2]); “no school premises may be used at any time for purposes other than the ordinary conduct of the school without the prior permission in writing of the Director” (§89[2]).[25] These provisions were obviously aimed at repressing the pro-CCP activities in these ‘patriotic secondary schools’. The colonial government attempted to seal off any PRC ideologies penetrating from the other side of the border through schools.

Suppression was actually initiated by the colonial government on 14 May 1958 against Pui Kiu Middle School (培僑中學), one of those patriotic schools. L. G. Morgan, the acting Director of Education of the colonial government, conveyed to the school’s director, Parker Tu, that “the teaching organisation and general activities at Pui Kiu School include much that is of a political nature… For example, meetings held at Pui Kiu School have been attended by teachers and pupils from other schools. Further, documents of political nature in contravention of the Education Regulations have been found in the Pui Kiu School library”.[26] Morgan then ordered the prohibited political activities not to take place on the school grounds, to remove political documents from the school, not to allow teachers and students of other schools to enter into the school grounds and not to hold political rallies outside of school hours. He further demanded that a complete roster of stu-

[25] *Supplement No. 1 to the Hong Kong Government Gazette*, 19 December 1952, p. 183.

[26] An order in writing from L. G. Morgan to Parker To, Dated 14 May 1958, in Enclosure A5 of *Memorandum for Executive Council, 1957–58*, X. C. S. 10/58.

dents and teachers at Pui Kiu Middle School be submitted and a detailed report of measures be taken within 2 weeks. In response to this, the school's director sought an official meeting with the acting Director of Education, while rejecting entirely the order of the Education Department. In a reply dated 13 May, the acting Director replied that he would meet only on condition of compliance with his previous instructions.[27]

Later, on 6 June, Mr. Tu was deported from Hong Kong as a criminal on the charge that the police found in the library of the school a series of books entitled *Xing Huo Liao Yuan* (星火燎原, a little spark makes a great fire), the epic odyssey of the People's Liberation Army.[28] In Guangzhou, Mr. Tu was welcomed as an anti-British patriotic hero by 200 people, including the President of Sun Yat-sen University and the head of the Guangdong Educational Trade Union.[29] On 22 July, the Executive Council of the colonial government stripped from Mr. Tu his teacher's license and his registration as the director of Pui Kiu Middle School.

Despite this sort of suppressions, during the period of the Cultural Revolution, these patriotic secondary schools achieved stable results in the HKCEE while continuing to reject the curriculum set by the colonial government. They kept operating for many years until 1986 as purely private schools that received no financial support from the colonial government, thanks to the private sector donations and teachers' voluntarily low wages,[30] thus maintaining a foothold of ethnic education in colonial Hong Kong. The colonial education system (see Sect. 7.4) in which students' future socioeconomic status was to a considerable extent determined by their HKCEE results was in a sense a form of control; yet on the other hand, it functioned as a universality where stable future status was guaranteed and the schools with students finding a way to deal with this educational goal were socially accepted regardless of their political or religious persuasions. Ironically, this dialectic gave the ethnic schools that taught independent thought and philosophy that refused colonial control the room to exist. One of the footholds for ethnic education, ironically, thus relied on the universality and anonymity of the competition that had been brought into being by the colonial power.

7.3.2.2 The Establishment of CUHK and Its Anglicisation

The path to admission to HKU, where English was used, was closed to Hong Kong Chinese who graduated from Chinese secondary schools and sat for the Chinese version of the HKCCE, CSCE. After graduating from secondary school, these

[27] *Memorandum for Executive Council, 1957–58*, X. C. S. 10/58, for discussion on 22 July 1958.

[28] http://www.metrohk.com.hk/pda/pda_detail.php?section=daily&id=226951 (accessed on 29 December 2017).

[29] *Southern Daily*, 6 June 1958.

[30] The six 'patriotic schools' of Pui Kiu, Heung To, Hon Wah, Fukien, Mong Kok Labour School and Rebirth all filed applications in 1986 to transition to subsidised secondary schools after the conclusion of the handover agreement. *South China Morning Post*, 22 November 1986; *Wen Wei Po*, 22 November 1986.

students had no choice but to either attend university in the PRC, Taiwan, abroad or else to seek admission to one of the private 'refugee colleges'. These refugee colleges had been founded in mainland China by Christian missionaries before the war, then relocated to Hong Kong after 1949, and had begun to offer higher education unaccredited by the colonial government there.

The colonial British, however, was aware that graduates of Hong Kong's Cantonese-medium secondary schools who went to study in the PRC 'are subject to well organised political indoctrination'.[31] The government therefore arranged for students who achieved high marks on the CSCE after completing 5 years of secondary school the offer of a course to enter HKU. The students would first study English in an intensive English course at Clementi (金文泰), a prestigious government-run Cantonese-medium secondary school; thereafter, they were allowed to sit for the HKSCE subject in English and awarded qualifications commensurate with those of English secondary school graduates if successful; they then studied for a further 12 months in matriculation levels, to finally be qualified for sitting the entrance examinations for HKU.

However, as the Governor himself recognised, "none but the very best students would be able to gain admission to HKU". The course was quite demanding and exhausting, and there were also problems in the behaviour of students that arose from the fact that those considered as independent 'adults' now that they graduated from secondary school, were made to study once again under rigid secondary school rules of conduct. Thus, those who chose this course remained few, and it did not achieve universal adoption.[32]

This problem led to the proposal by the five-member Fulton Commission, chaired by J. S. Fulton, president of Sussex University, UK, that a second university be established in Hong Kong. It was by this process that the 'Chinese University of Hong Kong (香港中文大學、CUHK)' came into existence in 1963, as a federation of the colleges of Chung Chi College, an institution of higher education established by Protestant Churches in Hong Kong, the United College, an amalgamation of refugee institutions from Guangdong and New Asia College, established after WWII with support from universities by scholars who had fled from mainland China.[33] In this sense, the constituent colleges were more or less 'refugees' from the PRC.

Unlike HKU, the mediums of instruction were chiefly Mandarin and Cantonese (along with English in some departments), and it was taken as the main academic destination for Hong Kong Chinese students who had received secondary school instruction in Cantonese.

Nevertheless, the founding of CUHK did not signal the triumph of Chinese ethnic education in Hong Kong. The colonial government approved its founding only on condition that CUHK contributed to the requirements of the colonial economy and the constituent 'refugee colleges' accepted their Anglicisation. During the

[31] *Memorandum for Executive Council*, X. C. C. 47, for discussion on 5 July 1955.

[32] Ibid.

[33] Report of the Fulton Commission, Hong Kong: Government Printer, 1963, pp. 2–3.

period of preparation, the presidents of the three colleges were given a ‘crash course’ on the university system of the UK. CUHK school regulations were drafted with the involvement of the colonial government and HKU personnel,[34] in order to keep the university within the colonial institutional framework.

With respect to the faculty structure, the Faculty of Law was absent in CUHK,[35] indicating that the colonial government did not intend to train the colonial bureaucrats there, whereas CUHK was provided with a Faculty of Business Administration, which HKU lacked. This structure clearly indicated that Cantonese-medium secondary school graduates who had not previously been able to go to HKU were expected to be trained as human resources whose advanced business expertise would contribute to developing the private business sector, thus ensuring post-war macro-economic growth of Hong Kong.

Thus, CUHK originally catered for students who had completed 1 year of matriculation levels at Cantonese-medium secondary schools. However, there were many cases of students who, after gaining admission to 2-year matriculation levels at English-medium secondary schools, realised how difficult it was to gain admission to HKU, and then withdrew from the matriculation level halfway through, switching their aspirations to CUHK instead of HKU, and thereby exacerbating stratification.

7.3.2.3 The Forced Closure of the Golden Jubilee Secondary School

In the 1970s, as Hong Kong Chinese became more aware of general civil rights thanks to the development of the education system, a new trend of resistance against British colonialism emerged. It was quite distinct from the former CCP line until the 1960s. Among these, we cannot ignore the famous struggle of the students and teachers of a catholic school against the colonial power.

In September 1973, the Catholic Convent of the Sisters of the Precious Blood founded Precious Blood Golden Jubilee Secondary School (寶血會金禧中學) with financial support from the colonial government. The first director and headmistress of the school, Sister Leung Kit-fun, had an enlightened educational philosophy, thus she brought together a group of young teachers from outside who were “highly motivated men and women who treated teaching very seriously”.[36] They did not begrudge working overtime to create their own teaching materials, incorporating small group-based learning into the classroom, offering classes that emphasised independent thought, analytical capability and the ability to voice personal opinion. The school sought to relieve examination pressures by increasing the weight given to regular grades in the evaluation of student performance. Students who had become involved in the triads society were not expelled, but given a chance to

[34] Mellor, *op. cit.,* p. 132.

[35] It was not until a decade after handover when Law School of CUHK opened for students.

[36] Huang, R. L. (Chairman), *Final Report of the Committee of Inquiry into the Precious Blood Golden Jubilee Secondary School,* <FCO40/1003> (available in the National Archives, UK), para. 10.

recover themselves, the student council operated on the basis of the autonomy of the entire student body, volunteer activities that cultivated a spirit of contribution and interest in society were encouraged, and awards were offered without grades. Sister Leung "had a very close working relationship with most of the teachers and their enthusiasm and dedication had generated a very tight group spirit which was also passed on to the student population".[37]

However, this group of teachers eventually began to accuse school authorities, including headmistress Sister Leung, of embezzlement for secretly stocking up revenue for supplementary teaching materials and other miscellaneous expenses collected from students into the monastic account and reaping excessive profits by charging exorbitant prices at the school cafeteria and tuck shop, and further defrauding the salaries of the teachers to an amount of HK$298,000.[38] Although the headmistress Sister Leung was in a position to explain the issue, she abruptly resigned in response to this criticism without offering a clear explanation, citing "a need to rest due to mental and physical exhaustion". In the following year, Sister Leung was revoked of her teaching license after being found guilty.

On 15 April 1977, the school authority appointed a new acting principal, Sister Sui Lai Fong. Taking a defiant position against the teachers, Sister Sui unilaterally appended on 1 June a new clause in to the contract of the teachers (Code of Practice) to the effect that the Board of Directors "reserved the authority to dismiss any teacher, after making appropriate notification, who did not abide by the Codes of Practice".[39] "The generally harmonious spirit of close cooperation and trust… were irreparably damaged".[40]

This move exacerbated conflict between the school authorities and teachers. Finally, on 9 and 10 June 1977, a group of students boycotted classes and staged sit-ins, holding banners reading "Let's fight for justice, through and through" and "Love the school, love the teachers" etc.,[41] demanding that school authorities should accept the three demands of the teachers, which were: to clarify the embezzlement incident, to clarify the new contract (under the tacit intention of having the school authority repeal it) and to not be dismissed. The struggle in the Golden Jubilee Secondary School now drew attention from throughout Hong Kong. Although the sit-in was claimed to be a spontaneous action by the students, the colonial government suspected that there must have been "tacit encouragement" and even "inciting"[42] from the teachers, given "the close relationship between students and teachers, leading the 'students' attitude towards questioning authority".[43]

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[37] <FCO40/1003>, para. 13.

[38] Report of Faculty Investigation, 25 February 1977, in: 16 Teachers of Golden Jubilee Secondary School, *Jinxi shijian: congchuang xiao dao fengxiao* [The Golden Jubilee Secondary School Incident: From the Founding to the School Closure], (Unpublished materials), 1978, p. 56.

[39] 16 Teachers…, *op. cit.,* p. 60.

[40] <FCO40/1003>, para. 23.

[41] 16 Teachers…, *op. cit.,* p. 12.

[42] <FCO40/1003>, para. 33(c).

[43] <FCO40/1003>, para. 33.

On 16 June 1977, the Director of Education, Kenneth Topley, a British who had built up his colonial carrier until 1955 in British Malaya, issued a written warning letter to the 35 teachers (including those who did not take part) "any repetition of the behaviour reported will give me grounds to consider cancellation of your permit to teach under Section 52(1)(b) of the Education Ordinance (Cap. 279)". The section stated, 'the Director [of Education] may cancel registration of a teacher… If it appears to the Director that the teacher has behaved in any manner which, in the opinion of the Director, is prejudicial to the maintenance of good order and discipline in the school"…[44] Which meant that the colonial bureaucrat had an omnipotence in intervening in the incident and in the practise of teaching, backed by the power of revoking teaching licenses at his will. This action instigated the formation of a more defiant 'hard-core' group of teachers, to whom the Hong Kong Professional Teachers' Union (香港教育專業人員協會), the largest local trade union of the school teachers, began to offer assistance.[45]

In the summer of 1977, the Precious Blood Congregation withdrew from the management of the school, which was placed under the direct administration of the Hong Kong Roman Catholic Diocese. The student council was dissolved, and the Diocese appointed Miss Hilda Wai Yin Kwan as the new principal in September 1977. The newly recruited teachers and new students entering in September were ordered not to have any contact with senior students. The new school authority adopted a series of measures including student card inspections at the school gate, uninformed inspections of the bags of senior students and the suspension of extra-curricular activities.

From around October of the same year, information began to appear in Chinese newspapers that a number of Golden Jubilee Secondary teachers were closely connected to the Revolutionary Marxist League (革馬盟), a Trotskyite activist group involved in the movement to promote the use of Cantonese in schools and the movement to reclaim the Senkaku/Diaoyu Islands.[46] The following spring, on 3 May 1978, violence broke out at the school.

Under these circumstances, Director of Education gave orders for the school's closure on 14 May. The Board of Directors made a resolution to terminate the employment of 16 teachers, and to re-open from September of that year as 'St. Teresa Secondary School' (德蘭中學). Hong Kong's Executive Council rubber-stamped this decision, and further resolved to establish a committee to prevent similar incidents to be repeated in future. The Final Report of the colonial government endorsed this decision by stating "closure of the… School was a virtually unavoidable outcome of the situation"; while indirectly criticising it by suggesting an alternative action that the Education Department could have taken to avoid closure, i.e. "to play a mediatory or conciliatory role since as early as April 1977".[47]

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[44] 16 Teachers…, *op. cit.,* p. 72.

[45] <FCO40/1003>, para. 34.

[46] See *Jinxi Shijian Fazhan Liankan* [Joint Publication on the Events of the Golden Jubilee Secondary School Incident], 6 December 1977.

[47] <FCO40/1003>, para. 45.

The people of Hong Kong, who had become more conscious of their political calling, however no longer trusted or gave themselves up to the claimed '*pouvoir pastoral*'[48] ideology based on the supposedly 'rational' British colonial administration. The student councils of HKU and CUHK determined to organise refresher courses for affected students, and the HKU student council also convened a 'Golden Jubilee Incident Exhibition'. Over 10,000 Hong Kong people took part in a 'Golden Jubilee Incident Mass Rally' held on 28 May, calling for the school's reinstatement.[49]

In the end, the school was not reinstated, and the struggle ended with the colonial government 'victorious'. Nevertheless, there is little doubt that this incident had a signal impact not only on education, but on Hong Kong's social movements in general. Ironically, as a result of the handling of this incident with the blatantly oppressive intervention of Topley to close schools using the power of the colonial authority, the people of Hong Kong at large manifested anger as they came to realise that even though the colonial British held ultimate power in governing Hong Kong, this did not necessarily mean that rationality and justice were on their side. The school's educational philosophy of respecting the autonomy of the educational process found support even in the pages of the *Hong Kong Standard*, a politically neutral English-language newspaper.[50] Ironically, it was through the exercise of authority that the colonial British realised that they would never again be able to exercise their power in the same form. In this struggle against the colonial suzerain, the Chinese of Hong Kong thereby managed to shift the power structure in their favour.

It was important to note that the CCP was either entirely absent in the movement or gave no support to the movement. This abstinence of the CCP revealed that it was no longer the PRC alone that opposed the colonial authority, but that new independent social movements were fermenting, aspiring to stronger autonomy of the Hong Kong Chinese. Thereafter, the Hong Kong Chinese pursued a more explicitly autonomous self-rule, independent of either the colonial British or the CCP.

7.3.3 The 'Medium of Instruction' Issue

As indicated in the agenda of the activists of Golden Jubilee secondary school, the medium language of instruction had been a contentious issue in the education of Hong Kong. English, the language of the suzerain, was specified as the language for instruction at HKU, as well as for many other prestigious secondary schools. The alternative option was to use the ethnic language of Cantonese as the medium.

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[48] Foucault, M., 'Sexualité et pouvoir', in *Dits et Écrits,* II*,* Gallimard, [1994 edn] pp. 561–564.

[49] 16 Teachers…, *op. cit*., p. 126.

[50] To Sir with Love: of "Naughty" Teachers and "Subversive" Students Who Rock the Boat', *Hong Kong Standard*, 26 June 1977. The author notes sarcastically that if the teachers of Golden Jubilee Secondary School had to accept the warning, then the Department of Education should also have had to warn Rousseau, Dewey, and Bertrand Russell, etc.

The language of instruction at most elementary schools was Cantonese (not Putonghua, as in the PRC or Taiwan), and English was taught simply as one of the subjects. However, as soon as students went on to English secondary schools, they began using textbooks that were not written in their native language and listening to lectures in English. This method of education naturally leads to clearer social stratification among secondary-school level children between the élite who can command the language of suzerain and the masses who cannot.

The use of English as the medium of instruction had a negative impact on the effectiveness of education. For example, in an experiment conducted by researchers connected to CUHK in 1979,[51] sample schools were divided into seven cohorts according to the academic achievement of students and the frequency of English usage in classroom. Experimental lessons were conducted in the three subjects history, mathematics and science in English and Cantonese languages, and learning outcomes were compared between the languages. For the sake of simplicity, we compare the highest-level students who were taught in English in their own schools (Cohort 1) with those with those from the lowest-level cohorts who were taught in Cantonese in their schools (Cohort 7). Comparing these two cohorts of students with respect to 'history' for Cohort 1, the group taught in Cantonese outperformed the group taught in English by a slight margin, although statistically insignificant. However, in Cohort 7, a highly significant difference was observed among Form 2 and 3 students with respect to the medium of instruction with a rejection rate of 0.001. Nevertheless, for Form 4 students, the significant difference disappeared even for Cohort 7. This suggests that for relatively low-achieving students in lower forms who were not sufficiently familiar with English-language instruction, the instruction in English substantially inhibited students' comprehension of social scientific concepts (Table 7.1). Even so, learning effectiveness is not something measured by testing alone, but spontaneous learning and classroom communication is also important. In this regard, a comparison of instruction using Cantonese and English led to the conclusion that "when English was used the teacher tended to 'lecture more', asked more questions about facts instead of analytical questions, and accepted or used less ideas from students".[52]

Seen from the perspective of Chinese students whose native language was not English, this meant that in order to pass the competitive examination that would instil their own elitist orientations, it was necessary to focus their studies more on memorisation than on comprehension. This method of study, which has been called 'cramming (*tianya shi jiaoyu* 填鴨式教育, literally 'stuffed duck-style education')'[53] contained elements reminiscent of *ke ju* (imperial civil service examinations) that

[51] Siu, P.K. et al., *The Effect of the Medium of Instruction on Student Cognitive Development and Academic Achievement*, Research Report, School of Education, Chinese University of Hong Kong, 1979.

[52] Siu, *op. cit*., p. 133.

[53] From 'Bi "tian ya" hai yao canren' ['More "cramming", but it's also cruel'], a lead article in *Ming Pao* (In *op. cit*., *Haizimen de kunan* [The Plight of the Children], p. 49). In order to give Peking Duck meat its delicious flavour, ducks are fattened by forcing feed into their mouths.

Table 7.1 Comparison of level of observed achievement by subject, language of instruction and school level

School level from among 7 cohorts		*Highest* level secondary schools (Cohort **1**)						*Lowest* level secondary schools (Cohort **7**)					
School year		Form 2		Form 3		Form 4		Form 2		Form 3		Form 4	
Medium of instruction		Cantonese	English	Cantonese	English	Cantonese	English	Cantonese	English	Cantonese	English	Cantonese	English
History	Sample size	32	27	27	32	25	24	72	49	95	50	60	69
	Mean	15.00	14.55	10.66	10.25	10.24	10.20	10.60	8.02	12.41	6.82	8.75	8.14
	Standard deviation	2.33	2.42	2.51	2.72	2.47	3.01	2.48	2.43	2.62	2.16	2.29	2.16
	F-value	0.510		0.368		0.002		31.99		49.67		2.37	
	Rejection rate	N. S.		N. S.		N. S.		0.001		0.001		N. S.	
Mathematics	Sample size	37	27	No data		No data		85	82	74	77	83	70
	Mean	11.19	12.56					9.26	7.74	16.16	17.15	16.83	18.3
	Standard deviation	2.55	2.86					2.70	3.57	2.08	2.04	2.98	1.65
	F-value	4.05						9.63		7.02		12.71	
	Rejection rate	0.05						0.002		0.009		0.001	

Source: Kee, S.P. et al. *op. cit.*, pp. 85, 87, 91 and 93

were in continuous practice for almost 1300 years in China until 1904. While it resembled the imperial examination in the sense that those who succeeded also became social élites, it differed in the sense that its elitism was directed to a colonial rule where Western 'rationalism' of British origin was embodied. Thus, "just before the exams the City Hall Gardens are packed with students walking up and down muttering to themselves as they learn their textbooks by heart".[54]

Teachers, too, were for the most part Hong Kong Chinese whose native language was Cantonese; thus, their fluency in English was not necessarily assured. Depending on the teacher, there were cases where teachers would read aloud in a monotone from English lecture notes prepared in advance, or where students would find it difficult to understand the broken English spoken by the teacher.[55]

Given that English was used as the medium of classroom instruction at English secondary schools, students who were not necessarily good at English as a school subject could not help but fall behind, even if they had potential ability in other subjects. Those who were crushed in this colonial education system could either function as a silent low-wage proletariat after receiving vocational training, or else be drawn onto a path to delinquency or suicide.

In any case, the consequences of individuals' exercise of instincts for self-preservation through laissez-faire struggle were their own personal responsibility, and not seen to be the responsibility of the suzerain.

This undue deployment of the medium of instruction was justified because English is simultaneously the means of global communication. In Hong Kong, this duality gave legitimacy in choosing the language of the suzerain as the medium of instruction, unlike South Africa, where black and coloured students fiercely struggled against learning in the local Afrikaans language, a variant of Dutch, which was of little use for global communication. Due to the market value of English, and the broadening of career potentials that proficiency in English language would bring about after graduating from the secondary school, the use of English in school was strongly supported by parents and students from even before the war.[56] However, although Cantonese was not even the national language of China, but merely a local dialect of the Chinese language, the struggle in the colonial education use of Cantonese took on a symbolic connotation for the social integrity of Chinese.

7.4 The 'Contrived Laissez-Faire' in the Education System

Along with the heated struggles and direct interventions from the colonial authority such as the Golden Jubilee case, the everyday consciousness of the younger generation of Hong Kong Chinese was controlled in a more tacit way by way of

[54] Walker, J., *Under the Whitewash*, 70s Biweekly, 1972, pp. 31.

[55] *Zhong Yun Bao*, dated 20 June 1980.

[56] Government Secretariat, *The Hong Kong Education System*, Hong Kong: HK Government. 1981, p. 17.

laissez-faireism contrived through the creation of scarcity, as well as the production of symbolic values.

The colonial government manipulated the policy variables so that the number of places in two universities that existed during most of the colonial period, HKU and CUHK, were scarce.

7.4.1 More Chinese Entering Secondary Level Education, Yet Many of Them Were Unable to Progress to University

After WWII, as the Hong Kong economy developed, secondary schooling became increasingly popularised among the Chinese. This is well evidenced in the composition of educational background by age cohort in the 1986 by-census (Table 7.2). Here, we observe a very intriguing duality.

Firstly, those studying up to Form 5 (grade 11 in the US equivalent) were steadily on the increase. The category of 'Through Form 5', which is described below, confers eligibility for the Hong Kong Certificate of Education Examination (HKCEE) and accounts for the highest proportion among 20- to 24-year-olds. The proportion of 'Through Form 5' as the highest educational attainment tended to decrease as age cohort rose, at 23.59% among 35- to 39-year-olds who received secondary education in the 1960s, then 14.44% among 45- to 49-year-olds for secondary education in the 1950s and dropping further to 6.64% among 55- to 59-year-olds for secondary education in the 1940s. On the other hand, the relative proportion for which the highest educational attainment was elementary school graduation or else pre-school is exactly the inverse of this, with the highest educational attainment of graduation after Form 3 serving as the axis of symmetry.

Secondly, however, this popularisation trend did not extend to university education. The proportion of students who succeeded in progressing to university peaks at 7.90% among 45- to 49-year-olds and a downward trend is indicated by falling proportionality as age cohort descends rather than by an increase in overall numbers. Looking at the real number of students continuing to university, although the number of 25- to 29-year-olds (33,733) has increased somewhat over the number of 45- to 59-year-olds (20,230), the rate of increase is no more than a factor of 1.67 over 20 years. For comparison, the number of students completing university matriculation level increased by a factor of 6.6 from 8120 to 53,718. We can see that in post-war Hong Kong, competition in the matriculation examination for an only modestly growing number of university places was becoming increasingly fierce.

School capacity, which was crucial to this duality, was a policy variable that was manipulated according to the intention of the colonial government. By keeping too few spaces available at higher educational institutions, Chinese students having entered into popularising secondary education, were driven by an imperative into laissez-faire competition for scarce resources (i.e. educational opportunities at universities and élite secondary schools). Through this contrived laissez-faireism, the

Table 7.2 Breakdown of educational level by age group

Age group (years)	Gender	No schooling, Kindergarten	Elementary school	Through Form 3	Through Form 5	Matriculation level	Higher education		Total
							Non-degree courses	Degree courses	
0–4	M	205,080							205,080
	F	183,413							183,418
	Total	393,498							393,498
		100							*100*
5–9	M	54,645	161,190						215,835
	F	50,765	149,460						200,025
	Total	105,410	310,650						416,060
		25.34	*74.66*						*100*
10–14	M	417	126,900	100,503	903				228,723
	F	420	110,315	96,944	987				208,666
	Total	837	237,215	197,447	1890				437,389
		0.19	*54.23*	*45.14*	*0.43*				*100*
15–19	M	1025	11,737	85,529	109,303	24,717	1379	1211	234,901
	F	1167	8424	57,228	119,105	27,307	1876	1316	216,423
	Total	2192	20,161	142,757	228,408	52,024	3255	2527	451,324
		0.49	*4.47*	*31.63*	***50.61***	*11.53*	*0.72*	*0.56*	*100*
20–24	M	2353	35,660	78,442	99,993	41,643	14,826	12,271	285,188
	F	3741	39,767	47,815	120,127	39,179	16,247	9471	276,347
	Total	6094	75,427	126,257	220,120	80,822	31,073	21,742	561,535
		1.09	*13.43*	22.48	***39.20***	*14.39*	*5.33*	*3.87*	*100*
25–29	M	5074	68,448	78,385	92,862	29,694	14,175	19,747	308,385
	F	7928	82,157	53,053	100,912	24,024	11,172	13,986	293,232
	Total	13,002	150,605	131,438	193,774	53,718	25,347	33,733	601,617
		2.16	*25.03*	*21.85*	***32.21***	*8.93*	*4.21*	*5.61*	*100*

30–34	M	5187	78,579	62,934	65,275	17,514	9597	18,774	257,860
	F	10,946	89,890	44,954	61,985	12,159	8281	10,136	238,351
	Total	16,133	168,469	107,388	127,260	29,673	17,878	28,910	496,211
		3.25	***33.95***	*21.74*	*25.65*	*5.98*	*3.81*	*5.83*	*100*
35–39	M	6398	68,501	51,268	52,927	13,762	6881	15,400	215,137
	F	13,763	*77,735*	33,649	42,707	8386	6594	7399	190,233
	Total	20,161	146,236	84,917	95,634	22,148	13,475	22,799	405,370
		4.7	***36.07***	*20.95*	*23.59*	*5.46*	*3.32*	*5.62*	*100*
40–44	M	7059	48,310	28,770	27,020	6727	3857	11,186	132,929
	F	15,557	45,526	15,834	18,109	4480	4221	5376	109,103
	Total	22,616	93,836	44,604	45,129	11,207	8078	16,562	242,032
		9.34	***38.77***	*18.43*	*18.65*	*4.63*	*3.34*	*6.84*	*100*
45–49	M	12,122	57,286	22,295	23,554	5481	3710	14,581	139,029
	F	29,310	49,581	12,565	13,405	2639	3857	5649	117,006
	Total	41,432	106,867	34,860	36,959	8120	7567	20,230	256,035
		16.18	***41.74***	*13.62*	*14.44*	*3.17*	*2.96*	***7.90***	*100*
50–54	M	20,222	71,766	19,369	17,430	3668	2667	9219	144,341
	F	53,213	49,392	8708	7399	1323	1862	2961	124,858
	Total	73,435	121,158	28,077	24,829	4991	4529	12,180	269,199
		27.28	***45.01***	*10.43*	*9.22*	*1.85*	*1.68*	*4.52*	*100*
55–59	M	24,020	70,376	14,042	11,382	2177	1309	5201	128,507
	F	64,926	39,046	6174	5068	1064	1127	1659	119,064
	Total	88,946	109,422	20,216	16,450	3241	2436	6860	247,571
		35.93	***44.20***	*8.17*	*6.64*	*1.31*	*0.98*	*2.77*	*100*

(continued)

Table 7.2 (continued)

Age group (years)	Gender	No schooling, Kindergarten	Elementary school	Through Form 3	Through Form 5	Matriculation level	Higher education		Total
							Non-degree courses	Degree courses	
60–64	M	20,599	57,622	10,107	9716	1554	987	4130	104,765
	F	61,764	31,283	4851	4347	777	700	1127	104,849
	Total	82,363	88,905	15,008	14,063	2331	1687	5257	209,614
		39.29	*42.41*	*7.16*	*6.71*	*1.11*	*0.80*	*2.51*	*100*
>65	M	44,884	85,642	13,517	15,274	2954	1652	7861	171,784
	F	174,633	46,136	5754	5985	1022	1694	1484	236,758
	Total	219,517	131,828	19,211	21,259	3976	3346	9345	408,542
		53.73	*32.27*	*4.72*	*5.20*	*0.97*	*0.82*	2.29	*100*
Total	M	409,085	942,017	565,211	525,639	149,891	61,040	119,531	2,772,464
	F	676,551	818,762	387,529	500,136	122,360	57,631	60,564	2,623,533
	Total	1,085,636	1,760,779	952,740	1,025,775	272,251	118,671	180,145	5,395,997
		20.12	*32.63*	*17.66*	*19.01*	*5.05*	*2.20*	*3.34*	*100*

Source: *Hong Kong Annual Digest of Statistics*, 1988 edition, p. 199

institutional framework was intentionally created whereby the human capital of Hong Kong's Chinese was allocated either into an élite Anglophile minority or a submissive working class majority.

Secondary students in Hong Kong recognised "by far the major value emphasis parents have is for doing well in school, an achievement value",[57] and revealed that students understood that gaining entrance to a university, particularly HKU, was a key to success in Hong Kong.[58] Inevitably, these conditions created a cut-throat competition for a better school at all levels of education. The colonial government was honest enough to admit to this fact, stating that "a strong competitive spirit began to develop among parents and pupils as they sought to achieve the best advantages that education could offer, and this spirit still prevails", "examinations are thus seen by many to be the focal points of the school system and this attitude is associated with a marked preference for education in the medium of English".[59]

In this section, we analyse this structural competition by scrutinising each of its constituent levels.

7.4.2 Kindergarten

As the starting point of the competitive school system that finds its apex at the university level, and as a preparatory school for entrance examinations for elementary schooling, the kindergarten curriculum acutely reflects educational demands among parents who were placed in an 'imperative of competition'.

In March 1959, there were 221 kindergartens, all privately run, attended by 19,547 kindergarteners.[60] This accounts for 7.3% of the total census population of 266,907 children between the ages of 5 and 7 years in 1961. By 1976, in contrast to the census population of 231,250 between the ages of 3 and 5 years, there were a total of 161,471 kindergarteners in 761 kindergartens, suggesting that 69.8% of the total population of children of relevant age were attending kindergartens. This proportion was significantly high, considering that kindergarten education was not compulsory, and that all schools collected tuition, though some kindergarteners from poor households received partial tuition subsidies from the government.[61]

Hong Kong's kindergartens were not for play and amusement, but for strict instruction in elementary school-oriented subjects such as English and arithmetic. In this regard, all kindergartens were essentially the same. However, there were

[57] Mitchell, R. E., *Pupil, Parent and School: A Hong Kong Study*, Taipei: The Orient Cultural Service, 1969, p. 194.

[58] Ibid., pp. 85 and 100.

[59] Government Secretariat, *The Hong Kong Education System*, Hong Kong: Hong Kong Government, 1981, p. 111.

[60] *Annual Summary 1958–59*, Hong Kong Educational Department, Section IV, Table la.

[61] Among these were a number of kindergartens operated as non-profit enterprises, and in these cases rental and property tax reductions and rebates could be received from the government.

already striking disparities among kindergartens. In kindergartens located in wealthy residential districts such as Kowloon Tong, Chinese kindergarteners were raised to be conversant in English by governesses, some of whom were native speakers of English.[62] Among such 'aristocratic' kindergartens, for example, a school with a capacity of 200 students might be inundated with 1500 applicants.[63] Tuition was high, and opportunities for acceptance were only extended to children from wealthy households that could afford to drop them off and pick them up by own automobile,[64] although the school bus service was also available for a fee. On the other hand, facilities at public kindergartens in the crowded city centre districts were insufficient, with 40–50 students packed into narrow classrooms, using textbooks, memorising the alphabet and arithmetic, as well as being assigned an hour of homework every day and graded with regular examinations of a type quite similar to those at the secondary level.[65]

7.4.3 Elementary School and Secondary School Entrance Examination

Elementary and secondary schools were largely divided into the three categories: (1) public (or governmental) schools; (2) grant-subsidised private educational institutions, such as missionary schools, for the majority of which funding came from government subsidies; and (3) purely private schools that were operated on the basis of tuition, with no government subsidies. Of these, schools in the second category were designated subject to inspection of their fulfilment of the Grant Code (or subsidy code) mentioned earlier in Sect. 7.3.

While elementary schooling became compulsory only after September 1971, the colonial government had already advanced policies to enhance primary education by the 1960s, and all children between the ages of 6 and 11 years had become eligible to enrol at elementary schools if they so wished. Hence, as of 1965, 93% of all school-aged children were already studying at elementary schools,[66] and by 1976, 5 years after the implementation of compulsory schooling, the matriculation rate of children between the ages of 5 and 9 years had reached 96.5%.[67]

Elementary school curriculums were themselves relatively formalised, being "fairly uniform and the teaching approaches are fairly traditional by international

[62] *Ming Pao*, 6 March 1981. Nevertheless, the education department officially opposed to English-language education in kindergartens (*The Hong Kong Education System*, Government Secretariat, 1981, p. 16).

[63] *Ming Pao*, 23 April 1981.

[64] *Ming Pao*, 23 April 1981.

[65] *Hong Kong Times* 16 March 1980.

[66] Education Department, *Annual Summary*, 1964–65, op. cit., p. 16.

[67] Table 14.3, *Hong Kong Annual Digest of Statistics*, 1978 edition.

standards”.[68] With the limited exception of elementary schools attached to English and Chinese secondary institutions, classes were conducted in Cantonese. Purely private schools were not subject to control by the Grant Code, thus there was a striking disparity in the standards of the facilities and curricula at these schools, some of which gave lessons in English, for example.

This caused a strong competitive pressure around school entrance examinations for enrolment in the better elementary schools. By 1983, the ‘Primary One Admission Scheme’ was introduced for government and government-assisted schools, with all of Hong Kong being divided into 60 school districts. Under this system, 35% of each school’s capacity was assigned to the enrolment of children who were automatically allocated from inside the local school district, a further 30% to selectively chosen children from inside the local school district, and the remaining 35% to freely selected children without any school district restrictions.[69] This was not a complete allocation of school children by school district, but one in which ample room remained for parental selection. In 1990, out of 72,324 new elementary school students, 6.22% matriculated at schools chosen by their parents.[70] Also, the Scheme “allows priority admission of children with specified relations with the respective schools”.[71] For example, children of the alumni of a prestigious elementary school could enrol at the same elementary school, thereby making the institutional inequalities and concomitant fixed social structure persist over generations.

Upon graduating from elementary school, the next barrier was gaining admission to a secondary school. Prior to 1961, if a student wished to attend a public or subsidised secondary school, s/he would have to sit the exhausting ‘Joint Primary 6 Examination,’ which lasted over 4 days. Those who were eligible to sit the examination were limited to the three categories of students from public or subsidised schools, and students from private schools who had obtained special recommendations from their school headmasters. In 1959, out of 10,246 examinees, only 2542 passed—a success rate of only 24.8%.[72] This indicates that secondary education during this period was still tinged with the colour of élite education. In 1961, this examination was replaced by the half-day Secondary School Entrance Examination, which focused on the three subjects Chinese, English and mathematics for a single afternoon. This led to a surge in applications from private school students (conditional on recommendations from their elementary school headmasters) and 7781 passed out of 25,966 examinees—a success rate of 30% (1962).[73]

This Secondary School Entrance Examination was abolished in 1979, in view of its adverse effects, including the cramming of subjects for the examination, the fact that one’s future was determined at the age of 11 years and the psychological anxi-

[68] Cheng, K. M., ‘Education’, *The Other Hong Kong Report*, 1991, p. 284.

[69] *EPA Resources*, 4(20), 1983.

[70] *Hong Kong 1991*, *op. cit*.

[71] Cheng, *op. cit.,* p. 288

[72] *Annual Summary*, Hong Kong Educational Department, 1959–60, p. 1 and Table VII*f*.

[73] *Annual Summary*, Hong Kong Educational Department, 1962–63, p. 1 and Table VII*f*.

ety evoked among both parents and students.[74] At the same time, education was made free and compulsory up to Form 3 (Grade 9 in the USA). Instead of an entrance examination, each prospective student was placed through the 'Secondary Schools Places Allocation System' that took into account both parents' wishes and elementary school level, as evaluated by participation scores and a 'Schools Aptitude Test' imposed on all elementary schools.[75] After this universalisation of lower secondary education, the rate of elementary school students proceeding to secondary level, which had already been straddling the 80% mark at the end of the 1960s, surpassed 100% (Table 7.3).[76] Nevertheless, even under the new system, there were multiple numbers of schools from which parents could choose for applying admission, the necessity of competition for secondary school entrance still persisted.

In ethnic terms, Hong Kong's secondary institutions were completely segregated. The children of expatriate and colonial British went to schools operated by the English Schools Foundation, subsidised by the colonial government, as well as schools which, in a similar manner to the pre-war St. Andrew's School, were dedicated to expatriate students fluent in English. These schools effectively barred Hong Kong Chinese students from admission, and so the children of Hong Kong British were protected in enrolling in these secondary schools without having to compete fiercely against Chinese students in examinations.

7.4.4 Stratification of Secondary Education: Allocation of Students at Promotion to Form 4, Intermediate Transfer and Withdrawal

As lower secondary school education became compulsory and popularised, the elitism that had once characterised secondary education became even more pronounced in the form of increased stratification among different schools.

Secondary schools, depending on their medium of instruction, were divided into two types: Chinese schools that used Cantonese, and Anglo-Chinese schools that used English as the medium of instruction. In 1960, Chinese schools were dominant, with 71,271 students enrolled at the former and 46,670 at the latter. However, the ambitions of both parents and students lay with English-medium public schools (wherein 912 students were enrolled in Form 1 in 1960) and subsidised English-medium schools (3149 of the same). Whereas the number of students at English-

[74] *The Hong Kong Education System*, *op. cit*., p. 179.

[75] Ibid. This was a systematic examination in which the higher a school's overall points, the higher the evaluation for that elementary school, thereby increasing opportunities for all students to gain admission to more prestigious secondary schools. Needless to say, this resulted in even further inciting examination-based instruction at a school-wide level.

[76] This is because some students were held back in Form 1. Conversely, it also means that the secondary enrolment rate had been inflated by only about this amount prior to the establishment of the compulsory system.

Table 7.3 Rate of progress between schools of different levels

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Secondary school admissions rate from Primary 6 (%)	70.8	72.3	73.6	73.6	76.2	80.5	80.0	78.3	81.4	79.2	83.6	80.1	85.4	89.7	95.6	102.7	104.0
Withdrawal rate between Form 1 and Form 5 (English medium)		26.0	19.0	24.0	23.9	17.5	20.8	20.8	25.2	30.9	29.4	35.4					
Withdrawal rate between Form 1 and Form 5 (Cantonese medium)	36.0	53.0	52.0	50.0	49.5	49.6	53.0	53.0	54.8	55.2	53.8	52.1	35.0	30.5	30.3	29.0	
Matriculation level admissions rate from Form 5 (%) (English medium)		27.6	28.9	27.8	28.1	27.6	32.9	30.2	32.6	32.7	34.0	33.8					
Matriculation level admissions rate from Form 5 (%) (Cantonese medium)	20.3	27.4	44.4	41.1	42.2	44.6	44.4	43.6	41.0	42.5	43.3	40.5	32.5	30.9	31.5	32.3	28.2
Students qualifying for HKU as a percentage of students enrolling in Matriculation level 2 years previously (%)		48.3	49.9	23.8	19.4	20.5	22.0	21.2	21.1	23.6	24.0	23.4	25.3	27.1	31.6	31.2	29.7
Students qualifying for CUHK as a percentage of students enrolling in Matriculation level 1 year previously (%)	42.9	43.6	19.1	16.0	16.2	17.8	16.2	15.9	17.9	18.9	19.5	19.9	20.1	17.5	17.9	16.5	20.3

Source: HK Educational Department, *Annual Department Report and Annual Summary*, various years

and Cantonese-medium secondary schools had been approximately the same in 1953 when the trajectory of industrialisation had just begun, in 1971 English-medium secondary schools had achieved the disproportionate enrolment of 3.5 times the number of students as Cantonese-medium schools (Table 7.4). Not only were Cantonese-medium schools tending to decline in enrolment compared with English-medium schools, but also from the 1960s until the beginning of the 1970s, they exhibited an astonishingly high school withdrawal rate between Forms 1 and 5, at consistently around 50% (Table 7.3). This is conceivably due to the withdrawal of students with low performances from secondary education itself, as well as to the fact that "the Chinese schools [Cantonese-medium] tend to lose their pupils to Anglo-Chinese [English-medium] schools, but the Chinese schools less frequently recruit pupils from the other language streams",[77] which tells us that Cantonese-medium secondary schools were relegated to a second-rate position within the education system of Hong Kong.

The Secondary School Entrance Examination that was abolished in 1979 was from 1981 replaced with 'Junior Secondary Education Assessment' (the equivalent of senior high school entrance exams), which reallocated students among schools on completion of Form 3. In addition to a unified examination on the three subjects of Chinese, English and mathematics (which had the same function as the Schools Aptitude Test) at the time of enrolment in secondary school, school placement for non-compulsory Form 4 was determined on the basis of regular school test results in the subjects of English, Chinese, mathematics, science, society and Chinese history in Form 3.

The secondary schools of Hong Kong had originally had an integrated 5 years plus matriculation level courses. With this new system, however, a large-scale performance-based intermural shuffling of students took place after Form 3, which furthered the stratification of students, and strengthened the character of prestige schools at the upper secondary level as places of élite education.[78]

7.4.5 Hong Kong Certificate of Education Examination

After completing Form 5, all secondary school students sat an examination for the Hong Kong Certificate of Education Examination (HKCEE). This examination was a system that corresponded to the UK's General Certificate of Education Examination. The candidates selected subjects for examination from among those they had studied over their 5 years of secondary school. While the results of this examination did not qualify immediately for studying at the institution of higher education, the results of the examination could be requested when enrolling at

[77] Mitchell, *op. cit.,* p. 19.

[78] *The Hong Kong Education System*, *op. cit.,* p. 183. Recently, measures have been taken to mitigate this situation; in 1990, 83.4% of Form-4 students across Hong Kong were able to continue attending the same secondary school that they had attended until Form 3.

Table 7.4 Number of students by school type

	Elementary school (6-y)			Secondary school (5, 6, or 7-y)			University matriculation levels (1 or 2-y)				Universities and post-secondary institutions						
								(A)			(B)						(A)/(B)
	English medium	Cantonese medium	British children	English medium	Cantonese medium	British children	Vocational training schools / occupational schools	English medium	Cantonese medium	British children	HKU (Mainly 3-y)	CUHK (4-y)	Private colleges	Colleges of education (1 or 2-y)	Vocational training schools (full-time)	Vocational training schools (evening/ Part-time)	
1953	15,387	136,066	610	19,231	18,737	412	3597	Included in Secondary School (cf. above)			964			202			
1954	18,822	149,518	727	21,547	20,759	405	3799				917			233			
1955	18,920	167,814	885	24,313	21,105	421	3714				844			242			
1956	20,792	173,045	974	27,553	20,928	412	3624		60		801		1974	272	861	3534	
1957	23,615	201,833	1091	29,691	20,824	381	3665		85		834		1719	385	685	4075	
1958	26,571	229,092	1182	32,074	21,856	429	5250	1635	81		1011		2896	667	465	4715	*1.70*
1959	34,209	278,292	1227	38,109	22,718	483	5653	1742	80		1059		3556	685	459	4712	*1.72*
1960	38,587	338,805	1447	44,284	24,601	550	2842	1766	70		1168		3705	720	455	5235	*1.57*
1961	45,417	390,781	1546	52,957	28,005	660	5061	1944	67		1236		3639	902	524	6442	*1.63*
1962	53,973	449,312	1643	66,870	32,324	760	6931	2200	63		1312		3866	1062	644	7113	*1.72*
1963	57,419	497,402	1807	81,189	38,154	820	8306	2545	51		1426		4065	1302	715	8291	*1.82*
1964	54,772	529,214	1940	82,021	41,501	818	9322	3449	24		1731	1347	2327	1005	730	14,678	*1.13*
1965	56,135	546,524	1989	92,481	44,753	897	11,485	3883	0	77	1991	1644	2431	931	1016	15,835	*1.07*
1966	55,785	578,487	2183	106,980	45,746	913	11,437	4847	1663	97	2146	1823	2877	861	1159	16,372	*1.64*
1967	59,471	600,227	2259	124,414	47,381	966	13,804	6413	2202	107	1875	2228	3806	2143	1308	33,805	*2.10*
1968	59,280	634,306	2590	134,711	47,725	1151	11,939	7801	2511	110	1965	2425	3643	2068	1458	40,828	*2.35*
1969	64,297	658,637	2738	147,028	48,926	1332	12,623	9497	2664	142	2159	2749	4056	2065	1510	44,669	*2.48*
1970	64,526	678,783	3050	152,194	48,169	1523	13,383	10,722	2867	159	3034	2239	4401	2095	1802	49,387	*2.58*
1971	66,953	691,134	3308	165,307	47,653	1802	14,913	12,590	3185	217	3185	2474	5286	2220	2098	54,743	*2.79*

Source: Hong Kong Education Department, *Annual Departmental Report and Annual Summary*, various years

university or applying for employment. The HKCEE results thus functioned decidedly in the allocation of human capital in the labour market. The objective of secondary education in Hong Kong was therefore first and foremost to get good results in the HKCEE.

In the early 1960s, school capacity linked to the HKCEE qualification was limited to 15% of elementary school graduates,[79] which meant taking the HKCEE examination itself was an affair for élite students. Until it was amalgamated in 1974, there were two versions of this test, namely the English School Certificate Examination (ESCE) for students from English-medium schools, and the Chinese School Certificate Examination (CSCE) for students from Cantonese-medium schools. Although students from Cantonese-medium schools predominated, there were more HKCEE candidates sitting for the ESCE. As English was indispensable for admission to HKU as well as for employment with the colonial government, the proportion of candidates sitting for the CSCE, which obviously conferred much fewer future prospectives for social advancement relative to those sitting for the ESCE, underwent an almost consistent decline from 1952 to 1967, with the exception of 1965, the year following the establishment of the CUHK (Table 7.5).

Typically, students after Form 4 were allocated into one of the three streams of arts, sciences or commerce, where they would study subjects in line with those streams while studying the core subjects of English, Mathematics and Chinese. In the case of ESCE, while 25 subjects were prepared (including applied subjects such as woodworking), the typical subjects chosen from among these by over 2000 candidates consisted of the 11 subjects English, Chinese, Chinese Literature and History, History, Geography, Civics, Bible Knowledge, Mathematics, Physics, Biology and Chemistry. The fact that 2863 candidates chose Bible Knowledge, more than even Mathematics, attested to the fact that many candidates had studied in missionary schools prior to sitting for the HKCEE. The pass level for English was high, and the proportion of successful candidates, which went from 86.03% in 1951 to 62.67% in 1967, showed an almost consistent decline along with the popularisation of secondary education. In the 1960s, over a third of students failed their subject English, which suggests the suzerain set a high standard on English proficiency for those who sat for HKCEE (Table 7.3).

For those who failed to continue on from Form 5 to the Matriculation Level, sitting the HKCEE marked the end of their formal school education. Students were launched into the labour market, with their lives more or less decided. Reprimands were often strong for those students whose parents had strong expectations for continuing their education further, but these could no longer be realised because of poor examination results. The students themselves often took a bleak view of their future. Students had to work quietly, accepting their own fate. This is an important "reason why the students in Hong Kong are so docile". The ground "must be the educational system".[80] Otherwise they were forced into anti-social or even self-destructive behaviours such as suicide, delinquency or participating in the triad society. For this

[79] *Education Policy*, Hong Kong: the Government Press, 1965.

[80] Walker, *op. cit.,* p. 28.

Table 7.5 HKCEE examinations and English pass ratios

	Total candidates for ESCE	Total candidates for CSCE	Ratio of CSCE candidates to ESCE candidates	Total candidates choosing 'English'[a]	Number passing 'English'	Pass rate for 'English'
1951	866			866	745	*86.03*
1952	1128	920	*81.56*	1123	893	*79.52*
1953	1491	1026	*68.81*	1491	1070	*71.76*
1954	1740	1211	*69.60*	1740	1359	*78.10*
1955	1979	1445	*73.02*	2046	1517	*74.14*
1956	2455	1548	*63.05*	2760	1808	*65.51*
1957	2958	1852	*62.61*	3642	2251	*61.81*
1958	3309	2118	*64.01*	3309	2596	*78.45*
1959	3944	2316	*58.72*	3945	2887	*73.18*
1960	4491	2377	*52.93*	6043	3807	*63.00*
1961	4644	2334	*50.26*	4644	2946	*63.44*
1962	5181	2284	*44.08*	5270	3388	*64.29*
1963	6334	2732	*43.13*	6334	4440	*70.10*
1964	8153	2964	*36.35*	8149	5014	*61.53*
1965	9675	6990	*72.25*	9675	6251	*64.61*
1966	13,977	5854	*41.88*	13,977	8614	*61.63*
1967	18,792	6817	*36.28*	18,711	11,727	*62.67*

Source: Hong Kong Education Department, *Annual Departmental Report and Annual Summary*, various years

[a]In some cases this number exceeds the total number of candidates due to the inclusion of students studying only English in night classes

consequence of the laissez-faire competition the students and parents never blamed the colonial government, which was in fact responsible for creating this cruel examination system.

7.4.6 Matriculation Level and University Entrance Examinations

Those who succeeded went on to the 2-year college matriculation level. These years were called 'Lower Form 6' and 'Upper Form 6' and were administered by secondary schools; and from a lifestyle point of view they were much like any other secondary school students, e.g. uniforms were still compulsory, although subjects were now elective, with an emphasis on self-directed learning.

Students were under no obligation to continue their studies at the same school they had been at up to Form 5, and student transfers took place according to their results in HKCEE. Excellent students became concentrated in more prestigious schools, further enhancing the process of stratification and elitism. Until the 1970s,

enrolment rates into matriculation levels at English-medium secondary schools whose students were eligible to sit for entrance examinations at HKU remained more or less consistently at around 30% (Table 7.3).

Gaining admission to HKU, the pinnacle of élite education in Hong Kong, required the completion of a 2-year course of study that culminated in Upper Form 6 in English-medium secondary school matriculation levels (hence 1 year more in secondary education systems than in the USA) and then, until 1980, sitting the 'Matriculation Examination of the University of Hong Kong', later known as the 'Hong Kong Advanced Level Examination'. This was an examination consisting chiefly of essay questions that were to be answered in English, administered by instructors from HKU, among whom were included a number of British instructors. In 1955, a student cap was introduced across all departments at HKU, with full capacity limited to a mere 1000 students.[81] By 1970, when as a result of the popularisation of secondary education the number of students studying for matriculation levels had increased by six times more than their numbers for 1960, student enrolment at HKU had increased by no more than 2.6 times, leading to a further intensification of competition (Table 7.4). In 1990, a total of 9256 students (including graduate students) were enrolled in the five science and engineering faculties of Medicine, Dentistry, Science, Engineering and Architecture and the four liberal arts faculties of Law, Arts, Social Science and Education, with 15,676 examination candidates vying for 1979 fresher positions, a competitive ratio of about eight to one.[82]

Conditions for admission to 4-year universities in Hong Kong and abroad, including CUHK, could be met by studying for only the first year of matriculation levels, in Lower Form 6.[83] As institutions of higher education, there were also post-secondary colleges, a polytechnic and a college of education, which trained teachers without university degrees, who would after graduation teach in elementary schools and in the early stages of secondary education.[84]

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[81] Mellor, *op. cit.,* p. 131.

[82] Hong Kong 1991, *op. cit.,* p. 134.

[83] More recently, it has become possible through CUHK's Provisional Acceptance Scheme for students with good HKCEE scores to secure admission to the university without taking another matriculation level examination, as described below.

[84] All universities and polytechnics, and some post-secondary colleges, were independent agencies operated by and largely subsidised with funds from an advisory body to the Governor called the University and Polytechnic Grants Committee. During the colonial period, the British Governor served nominally as Chancellor of the university, whereas administrative and teaching faculty, including the Vice-chancellor, were not civil servants. However, similar to the grant criteria for secondary schools, subsidies from the Grants Committee served as an important strategic variable within education policy, and the Government was variously involved in the long-term policies of each school.

7.4.7 Universities and Other Forms of Higher Education

Even those who were successfully admitted to HKU did not yet have it made. At HKU, performance in individual academic subjects is evaluated not on the basis of semester and year-end examinations, but rather the comprehensive graduation examinations were conducted upon completion of the third year to earn credit in each subject. Performance was assessed relatively, which means that only a limited number of students are able to achieve distinction. Bachelor degrees are ranked from ‘I’ for highest honours to the lowest level, which did not carry any rank. Each student’s rank is made public in the university bulletin board, and is also documented in the diploma. For this reason, student life at HKU is no idyll; rather students study furiously to improve their performance, just as at the secondary level. Successful HKU graduates, for example by aiming for employment in the colonial government or as headmasters in the secondary school system, would continue further on a path that supported the existing system of the colony.

With the founding of CUHK in 1963, Hong Kong came to have two universities. Yet the colonial government took held a long time an elitist policy in higher education to discriminate against other institutions of higher education, which had the essential character of universities but were not recognised as such. These institutions included Hong Kong Baptist College (香港浸會學院), established with the support of American Christian groups in 1956, Lingnan College (嶺南書院), the predecessor of the current Sun Yat-sen University (Guangzhou), which had moved its base of operations to Hong Kong as a ‘refugee university’ and Hong Kong Shue Yan College (香港樹仁學院), established in 1971 by Henry Hu, a barrister-at-law, as a private institution to accommodate those secondary school students who were unable to go to other institutions of higher education. These three schools belonged to the post-secondary college category of schools.

With the 1978 *White Paper on the Development of Senior Secondary and Tertiary Education*, the Government asked these colleges to abolish the university-equivalent courses, demanding that they be downgraded and replaced with the provision of 2-year professional and vocational training courses that followed on from Form 6 of secondary school in exchange for offers of financial subsidy from the government. Hong Kong Baptist College accepted it, resulting in the transition to a 2-year foundational course followed by a 3-year diploma course curriculum, along with the abandonment of student recruitment for engineering courses, which in effect meant ‘specialisation’ as a school centred on liberal arts. Since the Baptist College accepted this policy, it became an official member of the University and Polytechnic Grant Committee that included HKU, CUHK and the Polytechnics, and was thus eligible for financial subsidy, with grant monies provided by the colonial government according to the number of students in courses that conformed to the new policy. Hong Kong Shue Yan College, however, rejected this policy, and they were thus forced to operate their 4-year course totally without government aid.[85] It was not until 2006 when this college was promoted to university status.

[85] *Hong Kong 1980*, *op. cit.,* pp. 67–68.

In addition, Hong Kong had a polytechnic. Its post-war predecessor had existed as Hong Kong Technical College since 1947,[86] yet it really got a lift when its new campus opened in Hung Hom, Kowloon in December 1957, by a grant of HK$1 million from the Chinese Manufacturer's Union, on the condition that this funding would be matched by the colonial government (Chap. 4). It also lined up capital from Hong Kong British capitalists, including HK$282,000 from Jardine Matheson and the firm's managing Keswick family, HK$200,000 from Swire and its partner firms and HK$100,000 from the Hong Kong and Whampoa Dock. These facts attest to the fact that the industrially-driven development of Hong Kong's economy had obtained support that transcended ethnic lines. In 1972, this school developed into Hong Kong Polytechnic. Since then, on the basis of financial assistance from the Government's University and Polytechnic Grants Committee, the school has made advances in practical education for the training of mid-level management and engineers in Hong Kong's industrial and commercial sectors.[87] It was promoted to university status as Hong Kong Polytechnic University (香港理工大學) in 1994.

7.5 The Role of Symbolism in Colonial Education

As discussed in the beginning, elements of both mass education and elitism had to coexist within the very fabric of colonial education in Hong Kong. In the PRC, in contrast, the takeover of all missionary schools through the Communist Party-led *jiaoyuquan huishou yundong* (教育權回收運動, the movement to restore educational rights) meant establishment of socialist ideology as an educational basis and the concomitant loss of their Christian founding traditions and associated elitism.[88] However, in post-war Hong Kong, while the popularisation of secondary education contributed to produce labour power for industrialisation, the pre-war legacy of missionary education was essentially preserved intact. These missionary schools included those with traditions that dated from before WWII as well as those that had fled to Hong Kong from the mainland. A typical example of the latter was the prestigious True Light College (真光書院), founded in 1872 in Guangdong Province by American Presbyterian missionaries, as China's first missionary school for girls. This legacy reinforced a stratified duality within post-war Hong Kong's secondary

[86] 'History', https://www.polyu.edu.hk/web/en/about_polyu/facts_figures_development/history/index.html (accessed on 17 January 2018).

[87] While course graduates traditionally received only a certificate of completion, from the end of 1980, here, too, they began to be awarded the degree of 'Bachelor'. However, the official bachelor degree was limited to graduates of the applied programmes of textile studies, graphic design, hospital management, interior design, languages, construction technology and management, architectural surveying, land management, child care, and surveying. Just before the handover, the school was promoted to the full university status.

[88] Hisako Satō, *Beichu Kyoiku Koryu Shi Kenkyu Josetsu: Chugoku Misshon Sukuru No Kenkyu* [*Introduction to the Research on History of Educational Exchange between the US and China: A Research on the Missionary Schools in China*],1990, Ryukei Shosha, pp. 142–149.

education: 'prestige schools'[89] with missionary traditions dating back to the pre-war period provided a space for élite education, while newly established schools generally provided a space for popular education.

Interestingly enough, in both segments of education, symbolism played a significant role in embodying the system into the mind of the younger generation Chinese. It is this cultural topic in the colonial education system to which we now turn.

7.5.1 Elitist Symbolism

An important psychological motivator in driving students to compete for better schools was the symbolism that 'prestige schools' brought about. As the pinnacle of secondary education, these schools had inherited this from the British public-school model, dating from the Government Central School in the nineteenth century. In the education system of colonial Hong Kong, the superiority of the suzerain was expressed through its ideology and the symbolism that was conjoined with high levels of academic achievement manifested in belonging to the schools managed by the Anglican Church or the colonial Government, which had a long heritage.

This sense of superiority was linked to the Chinese notion that 'to teach without severity is the teacher's idleness', thus further heightening its legitimacy. Strict discipline and authoritarian behaviour by the teachers and headmasters towards students thus became normal in daily school life, which had especially become the hallmark of prestige schools. The headmaster of a prestige school in Hong Kong once stated, "many parents in Hong Kong have the liking to be tortured. The harsher the rule the merrier they will be. The severer methods you display, the quicker they will send their children. The more assignments you give to their children, the more they will say this is a good school. So, the more you ill-treat their children, the more 'prestigious' your school will become".[90]

Knowing how this élite symbolism was manipulated, and the extent to which it was embedded in the consciousness of the students, is important to understand the functioning of symbolism, e.g. of school uniforms, badges and school buildings as a visible manifestation of their success in joining as a student a prestigious educational institution as a result of their successful competition.

To begin with, we shall examine a narrative published in a pro-PRC newspaper in 1967, when the anti-colonial struggle became fierce in Hong Kong:

> Tak-sing Tsang, an excellent matriculation level student who serves as a prefect at the prestigious Anglican St. Paul's College, once had the dream of studying at the HKU and

[89] Er, C., *Xiang Gang Ming Xiao Xun Li* [*Pilgrimage to Prestigious Schools of Hong Kong*], 1986, Xiang Gang Zhou Kan Chubanshe, gave mention to a total of 27 institutions as 'prestige schools' (名校*mingxiao*) in Hong Kong.

[90] Ye Huo, *Haizimen de kunan* [*The Plight of the Children*], Modeng Wenwu Gongsi, 1977, p. 35. English original.

> going on to graduate school in the USA, after graduating from St. Paul's. However, after witnessing the colonial police beat innocent women and children until their faces were bloody and they lost consciousness in the uprisings of May 1967, he began to hold doubts towards those who purported to be British gentlemen. Soon, his illusions that Britain was a 'democratic' or 'free' country faded, and out of his sense of youthful passion and justice he began to feel sympathetic towards the philosophy of Mao Zedong. As National Day 1967 approaches, some patriotic students are trumpeting the motto "Long Live the Great Unity of Patriotic Students"! on school grounds and mobilising to distribute patriotic anti-imperialist leaflets. Students have also appeared that have participated in street actions. Tsang took part in these actions dressed for school in his usual manner, wearing his St. Paul's school uniform complete with necktie and prefect's badge. When asked "why take part in the action dressed in such a fashion"? Tsang answered that "When even the 'prefect' considers rebellion, regular students have no need to fear. In this way more and more of our classmates will join us in our struggle". By contrast, for bringing shame to the symbol of the 'prefect', the colonial government, in league with school authorities, has imposed a penalty of two years in prison.[91]

In Hong Kong society, which at the time was rife with intense anti-colonial struggle, the consciousness of secondary students once caught in the common norm of élite education, which was the default legitimacy and superiority of British culture associated with embodied 'rationality', was severely undermined through the brutal actions of the colonial riot police against those protesting the colonial rule. Yet, the symbolism supposedly associated with the superiority of the colonial suzerain was converted in Tsang's consciousness into the general symbol of superiority and his closeness to the righteousness. This case of embedded elitism in Tsang manifested the symbolism associated with the Anglican prestigious schools in the colonial education system and the position of 'prefect'[92] therein, visible as the uniform and badge, a normative symbolism of superiority by default, irrespective of the ethnic standpoint.

Another narrative written by a Chinese student with an English name of Blance, a graduate of Ying Wa (Anglo-Chinese) Girls' School (英華女學校), demonstrated how this symbolism remained largely unchanged even in the 1990s, right before handover. The school was another prestigious English-medium secondary school established by the non-conformist London Missionary Society.

> If you ask me what impressed me most in Ying Wa, undoubtedly, I would say the 'stairs' and the 'cheung sham [*cheongsam*]'. I always wonder if there is any other school in Hong Kong as tall as ours? Remember the days we had to rush down ten floors to the canteen to have our delicious lunch, and then climb up ten floors again to our classroom when we were in Form One?… 'Cheung sham' is part of our life and memories in Ying Wa… I always claimed that our 'cheung sham' was the most beautiful among all "cheung sham uniforms" in Hong Kong! Honestly, few of us would think in such a way when we still had to wear them to school every day. Often, we might have complained about the inconvenience it brought to us…

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[91] *Wen Wei Po*, 27 October 1967 (edited and translated by the author).

[92] Class president. In every school in Hong Kong, prefects were asked to wear special 'PREFECT' badge on the uniform all the time, which made his/her superiority and closer position to the authority always visible.

In pre-WWII China, including Shanghai and Beijing, it was customary for schools run by Western missionary societies to have girl students wear *cheongsam* (長衫, *qipao* 旗袍 in Mandarin Chinese) as a uniform. In Beijing, the famous architect Lin Hui Yin studied at Beijing Pei Hua Girls' Middle School (北京培華女子中學), established by a British missionary, in an eclectic uniform of a tunic with a *qipao*-style stiff high collar and western style pleated skirt. This legacy was brought into Hong Kong in 1918, when the Anglican St. Paul Co-educational School adopted *qipao* as the girls' uniforms (boys wore a traditional British-style jacket with a tie) for the first time. Although *qipao* is a typical Chinese traditional dress of Manchu origin, there are few examples of indigenous Chinese schools, including 'patriotic schools' in Hong Kong, that ask their students to wear *qipao* as their uniform. This legacy should therefore be regarded as visible stereotyping of traditional Chinese culture, in part to avert antagonism and leeriness among the Chinese parents against the school run by foreign missionaries. The *qipao*-style school uniform therefore became an icon of prestigious missionary schools, and for this very reason it was abandoned in the PRC, which wanted to destroy such a bourgeois sense of superiority. The *qipao* uniform only survived in post-WWII colonial Hong Kong.

Nevertheless, *qipao* originated in Northern China in a much cooler climate to keep the wearers warm, was quite uncomfortable and was not functional for active students in the tropical climate:

> The stiff collar [of the school uniform of Ying Wa], a bit higher than others, is tailored to allow little slack between the collar and the neck of the students, when it is hooked up… The tightly-fit stand-up collar permits poor ventilation, keeping perspiration inside the uniform, which becomes soggy when the weather is hot and humid. Yet the school dress code stipulates that the collar must be kept hooked closed at all times, even in the hottest tropical summer. It is uncomfortable to wear and it takes some time for new students until they get used to it. Yet, *once they learn to endure these hardships, the uniform turns to the most significant pride and icon of their blissful life in Ying Wa*.[93]

Yet, Blance went on to say,

> I think that what I have learnt in Ying Wa is how to discipline myself… I have to stress that 'discipline' is not equivalent to 'mere conformity', one has to use her 'reason' to think of what she ought or ought not to do. When we were young, we might think that we followed the teacher's instructions because they had authority. Yet, with time and experience, we might discover why they want us to do certain things and with contemplation, their instructions make sense to us… Ying Wa has brought me a lot of blissful memories, it is what I am pleased to say…[94]

Blance learned to discipline herself first under the authority of teachers. These instructions eventually fermented within her inner mentality into the rationality of authority and thinking of her own, and she found that they indeed made sense, using

[93] *Girl's Schools in Hong Kong, Including: Diocesan Girls' School, True Light Girls' College, St. Stephen's Girls' College, Ying Wa Girls' School, St. Paul's Convent School, Daughters of Mary Help of Christians Siu Ming Catholic Secondary School*, Hephaestus Books, p. 13 (emphasis mine).

[94] Kwong Yee Shun, 'Blissful Memories of Ying Wa', *Ying Wa Girls' School 95th Anniversary Issue*, Ying Wa Girls' School, 1995, pp. 82–83.

the yardstick of 'reason', which was a British pedagogical value that gave legitimacy to feelings of self-confidence. Through everyday endurance of the hardships, she was inculcated into this conclusion, and embodied the discipline within herself, with which she enjoyed the 'blissful' life and memories of the school. Provided that this process had such reason, the uniform should be accepted, however 'uncomfortable' it was to wear.

Amidst the exclusive residential areas of Hong Kong Mid-Levels where almost exclusively White expatriates had lived before WWII, the towering school buildings dwarfed others; and the *qipao* uniform spoke of her hard-earned membership of prestige through fierce competition. They had the resolute conviction that enduring hardships could transcend the functional shortcomings into a reward: to acquire a blissful life and the pride of being a member of the élite. With this in mind, she graduated from their schools under the auspices of the Union Jack flag and God Save the King.

Using the medium of symbolism, the two elements of British colonial pedagogy that had been present in Hong Kong's pre-war education, namely inculcation in the British culture of 'Western rationality' and the training of comprador élites, in this way put down strong roots among students who had successfully embodied the elitism of the post-war education system. A positive orientation towards British rationality was spontaneously, firmly and unconsciously embedded in the mentality of young Hong Kong Chinese of the upper echelon. The 41% of the students who had thus come to hold an elitist consciousness felt that "the policies and administration of the Hong Kong Government agree with their views", as compared to only 24% of the students that held a more egalitarian consciousness who felt the same way.[95]

7.5.2 Symbolism of Those Who Dropped Out from the Popularised Education: Suicide and Delinquency

In contrast to this process of children's ascent through stages in order to join the 'ruling-class alliance', there were underlying those successes many youngsters who were forced to be relegated to take a lower position in the labour market through failure to compete.

Amidst the vying of increasing numbers of parents and students who held high hopes for success, fewer students managed to reach the summit. Yet the more ruthless the competition, the more miserable the conditions for those destined to fall by the wayside. As the colonial government recognised, this gave rise to the "very real problem of stress among children as they progress from one stage of education to the next",[96] which inevitably brought forth a panoply of youth problems.

[95] Mitchell, *op. cit.,* p. 361.

[96] *The Hong Kong Education System*, *op. cit.,* p. 111.

The Hong Kong branch of the Samaritans, a British Christian volunteer organisation committed to preventing suicide by offering counselling services through offices established throughout UK, described the problem of youth suicide in Hong Kong in the following terms:

"Students study with all their might from kindergarten until secondary school. During this time, as they go to great pains to support these students, parents have great expectations for their children. When faced suddenly with failure, students feel that they have brought shame upon their parents, and worry about their own futures. Unfortunately, youths are unaware of how to solve these problems".[97]

The busiest time of the year for the Samaritans was mid-July, when the HKCEE results were posted. "To cope with the flood of calls that are too sure to follow the publication of results, the Samaritans are making arrangements with the Hong Kong Telephone Co. for a special phone mechanism to be installed".[98]

Another factor in which students who dropped out of Hong Kong's intense educational competition became involved with, and that contributed to social ills, was youth delinquency and involvement in the triad societies.

In 1968, there were 1078 criminal incidents involving youths below the age of 16 years. By 1977, this count had risen to 1685.[99] These included strongly anti-social behaviours such as crimes and moral offences (including rape and sexual assault) that related to illegal organisations (such as gangs and others that disrupted public order), as well as murder. Youths involved in such crimes tended to have low academic grades, and had fallen out of the education system.

Along with poor performance, signs of delinquency began with dissatisfaction of school discipline, which was typically severe, followed by the application of symbolism in ways quite opposite to those of the élite students described above. Students conspired to show off their identity by forming cliques such as the 'No Necktie Faction' (不結領帶黨*Bujie lingdai dang*), who refused to wear school neckties, The 'Short Skirt Faction' (短裙黨*dua qun dang*), who hemmed their skirts up far above their knees or with *qipao* uniform leaving their tight collar unhooked or hemming the bottom up above the knees. Such conduct of course caused them to become targets for discipline, yet this further stirred up their spirit of rebellion. When students lost interest in school or their studies and did not abide by the school dress code, it could lead ultimately to truancy and expulsion. The proportion of students that left school during the 2 years from Form 1 to the first semester of Form 3, at the beginning of the 1970s, was one in four students, and one in eight students in the 1980s (Table 7.6).

The organised crime syndicates known in Hong Kong as 'the triads' lay waiting for the students degenerating into these circumstances. In Hong Kong, "strictly speaking… There is nowhere in any elementary and secondary school (including

[97] J. Walker, *op. cit.,* pp. 29–30.

[98] *SCMP*, 23 June 1977.

[99] Census and Statistics Dept., *Hong Kong Annual Digest of Statistics*, 1978 edition, p. 202. Notably, the population of children between the ages of 5 and 14 was also considerably higher in 1968 (1022,300) than in 1977 (916,200).

Table 7.6 Rate of withdrawal from secondary school enrolment

	Number of students in the first semester of Form 3	Number of students admitted to secondary school 2 years previously	School withdrawal rate during the 2 years before the first semester of Form 3
1970	41,400	53,900	*23.2*
1971	40,700	53,600	*24.1*
1972	47,800	63,500	*24.7*
1973	53,500	72,500	*26.2*
1974	63,600	84,300	*24.6*
1975	70,300	87,300	*19.5*
1976	76,300	94,800	*19.5*
1977	78,600	90,100	*12.8*
1978	87,000	98,000	*11.2*
1979	90,200	100,200	*10.0*
1980	95,200	111,400	*14.5*
1981	85,681	102,000	*16.0*
1982	81,778	96,900	*15.6*
1983	77,687	92,024	*15.6*
1984	77,240	90,540	*14.7*
1985	76,305	89,523	*14.8*
1986	79,588	92,500	*14.0*
1987	81,256	93,549	*13.1*
1988	83,699	95,628	*12.5*
1989	81,740	93,285	*12.4*
1990	79,272	90,969	*12.9*

Source: Education Department, Hong Kong SAR Government

government and private schools) that does not fall under the impact of organised crime".[100] Students facing trying conditions were stimulated by films and the like that represented the violence and commercialised sex that filled the streets of Hong Kong, and sought out and joined the triads in order to overcome their stress and feelings of inferiority. Yet once a student became a member of the triads, s/he would be in danger should s/he ever try to leave. S/he would also carry a criminal record for life if they were ever found guilty.

Hong Kong's pro-PRC newspaper, *Ta Kung Pao*, published the following narratives of a student nicknamed Beanie (豆皮仔、Doupi Zi) who had studied as far as Form 3 at a subsidised school in the New Territories:

> He had seven or eight pockmarks on his face, so he was called Beanie. He was a small kid, bullied because of his pockmarks and teased for having an 'IQ minus 30' on account of his poor grades, but he kept silent, bottling up his anger. One day, there occurred an incident in which five of his classmates jostled Beanie into the WC, and left him naked from the waist down. Beanie, fed up with his feelings of inferiority and no longer able to endure this

[100] Sheng Z., *Xianggang Heishehui Huodong Zhenxiang* [*The Truth about Triad Activities in Hong Kong*], Cosmos Books, 1980, p. 208.

> humiliation wanted somehow to become stronger so that he could lord it over his classmates. With a burning sense of determination, he told a triad member that lived in the same apartment building that he wanted to join the triad group. After joining the group, Beanie gradually began to distinguish himself at school through the bravado he gained. When a classmate suffered the same bullying he had once received himself, Beanie demonstrated his chivalry by coming to help. In this way, within 6 months Beanie had attracted 100 'soldiers', and began to conspire to form a faction at school. The school had taken notice and contacted the police in secret. One day, they were brought in by the headmaster and Beanie was arrested in the classroom. On the day of sentencing, Beanie's father, who had been ill for many years with kidney disease, forced himself to attend in the public gallery of the court. Beanie, upon seeing his father, leapt from the dock and cried "Dad, I'm sorry"! and with tears streaming down his face, tightly embraced his father. His father, thin and pale, collapsed, eyes brimming over with tears. Sitting in the prison van while listening to the siren of an ambulance that came to pick up his father, Beanie tore out his hair, unable to stop his wracking sobs of regret.[101]

7.6 Conclusion

Before WWII, when Hong Kong served as an entrepôt for China, education in Hong Kong was fundamentally characterised by its elitism. It was a system for inculcating a select number of Chinese in the British value system, culture, language and the justifications of British rule in order to train a comprador class.

After the war, vast numbers of immigrants surged into Hong Kong without either skills or capital. Subsequently, after the entrepôt function came to a halt, export-oriented light industry replaced it. In order to educate these immigrants with the skills and labour discipline appropriate for the production sites of labour-intensive capitalist manufacturing, and imprint them with the qualities they should possess as a labour power in the colonial economy, popularisation of secondary education became necessary. This added fundamentally new dialectics to Hong Kong's post-war education.

As discussed at the beginning of this chapter, this process created a dilemma of simultaneously having two objectives: using educational processes to convince the Hong Kong Chinese of the legitimacy of British rule and to foster meek acceptance of the colonial system without any doubts. Those same people on becoming economic subjects were able to sell their labour power as a commodity and to respond flexibly to changes in business ambience and production technologies.

In these circumstances, the colonial government skilfully combined elements of elitism with the popularisation of education, imposing contrived laissez-faire based on frequent examinations of the Hong Kong Chinese in the structure of rapidly dwindling educational opportunities to progress to the upper levels. This system presupposed that individual Hong Kong Chinese students and their parents would

[101] 'Doupizi ruci jiaru heishehui' ['Beanie thus Joined the Triads'], *Ta Kung Pao*, 27 April 1981 (edited and translated by the author).

adequately exercise an instinct for self-preservation,[102] participating endlessly in an examination-based imperative for competition at loggerheads with each other. English, the language of the colonial suzerain yet simultaneously the means of global communication, fraught with a symbolism crowned by British cultural values, grounded in 'rationality', symbolised by 'prestige schools' and embedded in the experience of students, prepared the stage upon which Hong Kong Chinese students and their parents played out a fierce competition in the pursuit of economic and social uplift in Hong Kong.

The pressure of opportunities for educational advancement that had been kept scarce and the lack of sufficient English skills to understand the content of lessons had left the HKCEE students with little choice but to resort to written memorisation with no independent or critical spirit to pass their examinations. Hence, within the increasingly popularised secondary education, among low-achieving students and at lower-level secondary schools, a category of obedient humans was being produced.

As the content of school education was tightly controlled by the Grant Code and the like, schools that engaged in alternative and ethnic education that deviated from this policy framework risked suppression by the power of the colonial authority. However, direct administrative oppression that did not depend on this policy of 'contrived laissez-faire' ironically spurred the development of the movement for autonomous democracy in Hong Kong, and built up the elements that were inimical to colonial rule, as manifested in the patriotic and Golden Jubilee school cases.

Through the policy of 'contrived laissez-faire', however, a mechanism for the production and allocation of human resources could be carried among those Hong Kong Chinese, without being aware of the fact that the system was laid down by the British colonial power. Thus, any criticism being directed towards the colonial system itself was averted. From this process, the colonial governance with the British at the pinnacle as rulers was reproduced in a stable manner, and ethnic integration was achieved in the sub-consciousness of the masses of Hong Kong Chinese.

[102] Harvey, D., *Urbanization of Capital*, Johns Hopkins University Press, 1985, pp. 131–132.

Chapter 8
Conclusion

Lacking wide expanses of land for plantation agriculture or natural resources to be exploited, the administration of this colony that originated with the 'barren island' indeed needed a genius in the Art of Colonisation. Although Hong Kong had nothing in terms of natural resources, the colonial British consistently extracted wealth from barren, pristine space through creation of scarcity and growth of demand on it. With the curtailment of the entrepôt function after the founding of the PRC and Korean War, Hong Kong ensured the continuance of its position within the global relative space by creating a new function of export-oriented industrialisation. The growth of the macro-economy enhanced demand on space; and concomitantly the opportunities for land speculation co-opted wealthier Chinese into the colonial apparatus. The crux of the colonisation of Hong Kong lay nowhere but in the space itself. It had to be deployed and developed with great care and planning in an era when the British could no longer expand their empire.

The successful 'mining' of the resource space took a subtle contrivance on the part of the colonial government to steer the course of laissez-faire. The colonial apparatus achieved this contrived laissez-faire in two ways: artificial creation of scarcity and production of the built environment at a cost as low as possible.

The idea of contriving laissez-faire was not the invention of the colonial bureaucrats of Hong Kong, however. It originated in the nineteenth century in Wakefield's *Art of Colonisation*. The scarcity generated fierce competition, which was instrumental in redirecting the Chinese from the struggle against the suzerain to among themselves. Thus, contrary to the common image of overcrowding, a huge space of the colony was kept on reserve, in the pretext of, for example, country parks, left without much development for recreational use, either. This put a limit on the supply of space (land), leading to realisation of dearer land premiums, which nourished the government coffer. The opulence of the coffer guaranteed the virtual independence of the British in Hong Kong from the home government in London (Fig. 8.1).

Colonial governance of this kind presupposed the production of a certain form of spatial configuration as the stage of competition. The production of the 'arena' of the built environment that regulated social integration and capital accumulation

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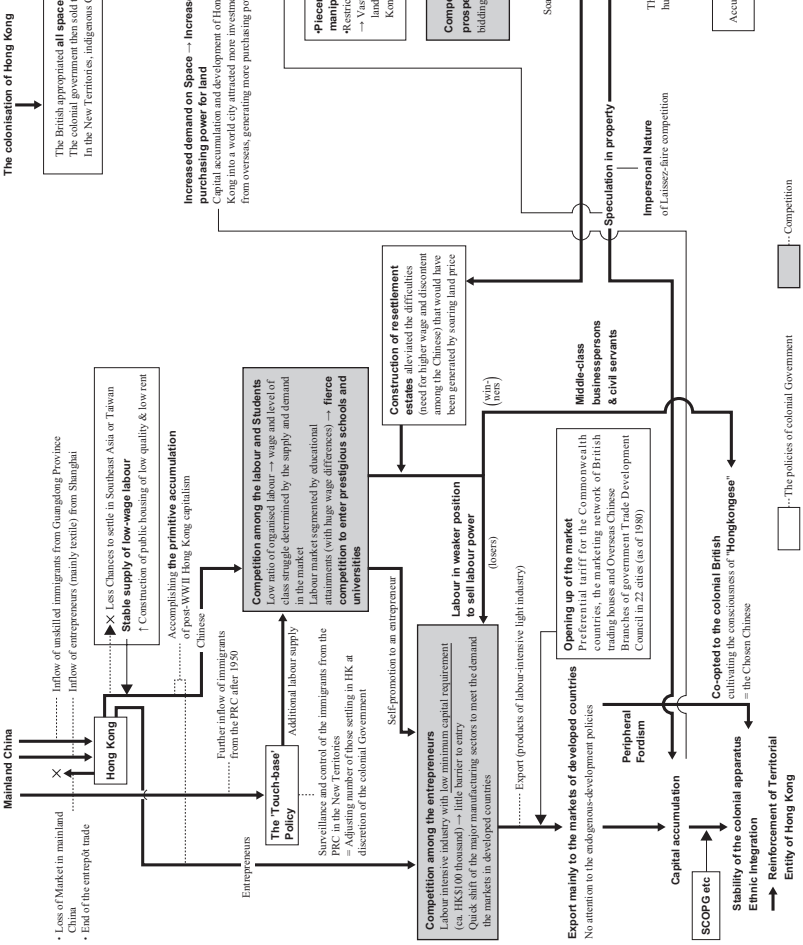

Fig. 8.1 The structure of the colonial domination of British over Hong Kong

constituted therefore another way of contrivance. The production of 'arenas' of both productive and residential space facilitated the squatters to become commodified as labour power or to become petty entrepreneurs of cottage industry. The spatial integration of these urban functions with the MTR built under austere financing further ensured that the Chinese function as the labour power and petit entrepreneurs for the export-oriented industrialisation.

In this built environment, the agents, mainly Cantonese-speaking Chinese, were driven spontaneously by their instinct for survival into a system of competition engineered by their colonial suzerain. Once the racecourse was set, the hard-working Chinese competed recklessly against one another. "If you fail, then blame yourself", not the colonial administration that created the racecourse, and accepted, if grudgingly, the principle of 'only the fittest shall survive'. "If you succeed, bless yourself"; celebrate your promotion closer to the colonial rulers, enjoy the blissful life in Hong Kong and ornate yourself with the honours given in the name of British Empire! The Chinese on the side of the wealthy winners, through speculation on properties, and on the side of middle-class through admission to prestigious schools and universities, were thus co-opted into the colonial apparatus, while the losing side never realised that their fate was a manipulated outcome of the apparently laissez-faire competition.

Thus, the disciplinary effect of 'compete or perish' and the ideological veil of diverting the attention of the subordinated Chinese from the colonial regime worked perfectly well and served to reinforce and stabilise the dominance of the colonial British. A direct ethnic confrontation between the British and Chinese was thereby skilfully averted except for on a few occasions. The British in Hong Kong stayed aloft in a safe haven where they remained isolated from any challenges from the Hong Kong Chinese.

Peripheral Fordism earned through the sweat of the hard-working Chinese brought them a living standard much higher than their independent neighbour, the PRC. Through the impersonal nature of market competition, some of the fortunate Hong Kong Chinese ate the fruit of property speculation or blissful self-image of superiority and co-opted with the colonial British, bringing about social and ethnic integration and concomitant stability in Hong Kong to a degree that the subjugated ethnic Chinese spontaneously gave support to the British colonial apparatus, so that that they endogenously gave preference to the British colonial system over the independent Chinese country across the border. The consciousness as 'Hongkongers' or the chosen Chinese thus cultivated reinforced the territorial entity of Hong Kong, amidst originally homogenous Cantonese-speaking Southern China. This deliberate 'divide and rule' further facilitated conflict-free accumulation of capital for export-oriented industrialisation, which gave Hong Kong an even firmer territorial entity.

It was *never* 'collaborative colonialism' or the so-called traditional Chinese cultural pattern of 'utilitarianistic familism' that sustained colonial Hong Kong. The collaboration or familism was produced out of the imperative of competition tailored by the British for the colony. The analysis of this art of colonisation has taken the length of a book that concludes with this final chapter.

To review the points made in this book, first, consider the subsumption of space by the colonial government. The events of space subsumption such as squatter resettlement policies and Kwun Tong development as well as the quaint 'Letters B' manifested that contrived scarcity, contrived forms of landed property and planned production of relative space in the colony substantiated capital accumulation and social integration towards a more stable colonial rule.

Second, consider the way of obtaining human capital. The colonial government adjusted the porosity of the border to regulate the number of incoming immigrants from the PRC in order to avoid class struggles, most notably through quaint 'Touch-Base Policy'. The industry in Hong Kong could thereby enjoy a competitive edge in terms of labour cost. The sons and daughters of these Hong Kong Chinese suffered from another kind of 'contrived laissez-faire', where only those secondary school students who did not hesitate to cram could win one of the limited the number of places in prestigious schools and higher education, while the majority of children who ended up as losers had to grudgingly join the labour market of the labour-intensive export-oriented industry.

The colonial government then coupled space and people together in squatter resettlement and construction of public housings, spatial planning for industrialisation in Kwun Tong and production of the MTR to connect them together. The MTR system offered efficient and comfortable commuting between places of work and living, yet the colonial contrivance was tacitly and firmly embedded in it, through deployment of the deskilling ATO, and spacious carriages that could mobilise police and military forces under the urban artery if it was paralysed by the anti-British uprisings. Upon configuration of space thus produced, 'contrived laissez-faireism' carried on fully fledged.

The ultimate aim of the colonial British in Hong Kong through this endeavour was to maintain the political apparatus and territorial entity that had protected their vested economic and social interest that had existed since 1842: trading houses and banks to exploit wealth from China. Britain's re-establishment of colonial domination at the end of WWII over Hong Kong, which the colonial British managed to keep for another half a century amidst the post-war global trend of decolonisation into 1997 was thus achieved.

In this post-war colonial era, the colonial British wanted to accomplish virtual independence from their home, the UK. Although they did not grant any independence moves to Chinese, they themselves strove hard for maximum independence from the home government for their own economic and political interest, as in the cases of New Zealand or Australia. For this purpose, the colonial government had to maintain a sound level of budget surplus, through which they were liberated from the need to beg for funding from London and thereby from any political intervention. The budget surplus could only be attained with sound revenue, which called for speculative spatial policy, capital accumulation of local macro-economy and development of the efficient built environment with a minimum burden of expenditure for the government coffer.

In maintaining the White minority rule in the era of decolonisation, it was imperative to maintain peaceful ethnic integration in Hong Kong, at least in appearance.

Repeated fierce anti-British struggles would surely have drawn critical attention from the international community, triggering a move to abolish the outdated colonial regime. The direct physical oppression of the Chinese using the overwhelming power of the riot police or armed forces and subsequent arrest and torture of the coloured dissidents in jail, as occurred in the former South Africa, would therefore be the last thing that colonial British could endeavour in Hong Kong.

To achieve all these cumbersome tasks, the colonial British resorted to apparent spontaneity and impersonality in participating in the cut-throat market competition among Chinese themselves, as well as elevating those successful Chinese into the sphere of influence of the British, through property speculation and education.

It is also wrong, therefore, to state that the success of post-War economic development of Hong Kong was due to pure market fundamentalism. The crux existed in the adoption of a subtle yet deliberate initiative of the colonial government to contrive the operation of the laissez-faire competition to achieve capital accumulation and class cum ethnic integration to sustain this British Crown Colony. This unique neoliberalism à la Hong Kong was indeed nothing but part and parcel of the intention of the colonial British for sustaining political domination over Hong Kong. The colonial British dealt with the territorial entity of the colony thus created as if it had been an independent country, in terms of border control, of economy and society as well as of the consciousness of the people living in Hong Kong.

This book has thus analysed this uniquely queer 'Art of Colonisation' by the colonial British.

Temporarily placed in the post-war era of decolonisation and spatially surrounded with the independent and 'self-reliant' nations of the ethnic Asians, 'the last prize of Empire'[1] was thus maintained and consolidated as a politically anomalous territorial entity until its term expired on 30 June 1997.

[1] Wiltshire, T., *Hong Kong: Last prize of empire,* FormAsia, 1989.

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