



**THE ROLE OF MARKET FORCES AND SPATIAL PLANNING
ON LAND DEVELOPMENT:
CASE STUDY JAKARTA, INDONESIA AND HONG KONG**

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THESIS

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POLICY DEVELOPMENT
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AND

**ENVIRONMENTAL AND INFRASTRUCTURE PLANNING
FACULTY OF SPATIAL SCIENCE
UNIVERSITY OF GRONINGEN**

2008

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Abstract

Title : The Role of Market Forces and Spatial Planning on Land Development:
Case Study Jakarta, Indonesia and Hong Kong
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This study is about the role of market forces and spatial planning in land development. As case studies, it takes Jakarta (Indonesia) and Hong Kong. The purpose of this study is to understand the role of market forces and spatial planning on urban land development and the factors behind the success and failure in overcoming the market forces in both cities. To identify the dominance of market forces or spatial planning on land development, this study looks at the direction of land development in the last 25 years and the rate of green space reduction.

Spatially, the direction of land development in Jakarta is not in line with the intention of the spatial plan. According to 1985 Master Plan, the land development in Jakarta should take east - west direction. Furthermore, this master plan assigns the southern Jakarta as the preservation area for soil and groundwater. However in reality, Jakarta sprawls in all direction including to the southern Jakarta. Apparently, the sprawl of Jakarta follows the cheaper land price in the fringe area. Also, the enormous growth of land development has sacrificed the green space in Jakarta. During the years of 1980 - 2000, Jakarta has lost 31 % of its green space, replaced mostly by residential and commercial use. These findings confirm the dominance of market forces on land development of Jakarta. Simply put, market forces have dominated the land development in Jakarta.

In contrast, this study notices that the spatial planning in Hong Kong has successfully directed its land development. The development of urban use in Hong Kong follows the intention of Territorial Development Strategy (TDS) and New Towns Program. Additionally, Hong Kong has succeeded to preserve its green space. Within 2003, the green space still dominated the land use that is 75 % of its total area. Hong Kong has lost only 13 % of its green space during the periods of 1980 - 2000. Based on the case studies, this study finds that the market forces has overtaken the role of spatial planning in directing land development in Jakarta, while in Hong Kong, spatial planning steers the land development in Hong Kong. To discover the reasons for the success and failure to overcome the market forces, this study examines the spatial planning system in the two cities and the governance that surrounds it.

This study concludes that the governance that environs the spatial planning, particularly in land development control, is the more significant factor than the spatial planning system in overcoming the market forces. Although Jakarta has a strict spatial planning system, however without good governance, the spatial planning is impotent in the face of market

forces. The developers (individuals and companies) can influence the decision for permitting the development that is not in conformity with the spatial plans through negotiation and hidden fees, especially when the private sectors has specifically different ideas about the location of their investments. Moreover, this kind of practices has spread rampantly in Jakarta's urban management, including in the land development permit system.

In contrast, although Hong Kong has a flexible system, nevertheless, the good governance in Hong Kong has led to the spatial planning victorious in the face of market forces. Corruption is no longer the problem in its urban management. Therefore, this study recommends that Jakarta has to present the good governance, especially on its land development. Furthermore, the most important is to perform a clean government.

Keywords: market forces, spatial planning, land development, Jakarta, Hong Kong.

Preface and Acknowledgment

Jakarta is an ambitious city. It is reflected on its name that is derived from the word Jayakarta, which means “Victorious and Prosperous”. Almost 500 years of its being, Jakarta becomes the center of public administration, economic activity, politics and even entertainments for Indonesia. In fact, Jakarta is considered as one of the global city currently. Besides, Jakarta is also the city of millions of people that lives and works in it. Hence, managing this city is not an easy task. Many interests play in the development of Jakarta, including on its land development. The market force is one of the powers that influence the land development in Jakarta. On the other hand, the government has its own intention in developing Jakarta. Thus, Jakarta is the battlefield between market forces and the intentions of the government. This study is about the role of the market forces and government intentions through spatial planning in land development. As case studies, it takes Jakarta and Hong Kong.

For me, Jakarta has special meaning. This is the city where I was born, lives and works everyday. I have seen the development of Jakarta from 1980s until now, and I realize that something is not right in the development of my beloved city. Jakarta is also an inhuman city, especially for the have-nots. Slums and traditional settlements are evicted to be replaced by offices, malls, luxurious apartments, etc. Parks and green spaces are transformed into houses, shopping centers, high-rise buildings etc. With all the situations, it makes me questioning the root of these circumstances. For that reason, the idea of this study comes from. During my first year in ITB Bandung, when I followed the first year of this double degree programme between ITB-RuG, this idea is sharpened with the assistance from H, Winarso PhD.

It is impossible to write this thesis without any supports. First of all, it is to Allah SWT, the most merciful, I would like to express my greatest gratitude. I should like to take this opportunity of thanking my supervisors, Prof. Peter Ho and Bapak Haryo Winarso PhD, for keeping my thesis on the right track. Also, I wish to thank Dr. Johan Woltjer and Bapak Tubagus Furqon, Ph.D for giving some critical suggestions to my thesis. My thanks are also due to the *Bappenas* and my institution *Departemen Kelautan dan Perikanan* for giving me an opportunity to study in ITB-RuG, and also to the Netherland Education Support Office (NESO) through StuNed program for the financial support. I also bestow my special credit upon all my colleagues in DD’06 group who are always by my side in good and bad times, from Bandung to Groningen.

Most of all, I owe a special debt of gratitude to my beloved wife “Ruspita Wibawanti” and my lovely daughter “Zahra Reyqa Ghaisani” for being in my heart and supporting me during my study. Also, I would like to give my special appreciation of my parents “Mama and Papa” and all my family in Indonesia, for all their prayer and taking care of my wife and daughter. Finally, thanks are due to all the people who have supported me in writing this thesis. It is impossible to acknowledge all of them.

Groningen, 17 August 2008

Arief Sudianto

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Chapter 1

Introduction

1.1. Background

The urban area is a very dynamic field. It reflects human activities and the social-economic-political system that works within such a particular area. Therefore, the urban land use pattern reflects the interests of actors who play, what Kaiser et al (1995) have termed the “urban land use game”. They define the urban land use game as the attempt of actors, such as government, private sectors, communities, and individuals, to compete to get the best use of the land (Kaiser et al, 1995). These actors try to maximize the gain from the use of the land. Under this strong competition to get the maximum use, the fast growing city will face problems of land availability. Consequently, land becomes scarce and it is treated as an economic commodity. In the urban area, the market mechanism is greater than in the rural area, because the economic activities are generally concentrated in urban area, especially in a developing context.

Van der Krabben (1995) contends that in the absence of any government intervention, market forces, which work within the framework of the mechanism of supply and demand, determine urban land development. Yet, market efficiency in land development should be criticized (Balchin and Kieve, 1982). First reason is that the inefficiency of the market in the allocation of land. Equilibrium that supposedly achieved from perfect competition of the market in land development issue is rarely accessible. Secondly, market neglects the necessity of unprofitable land use, such as open spaces, public facilities etc. Finally, in market mechanism, those who have power to occupy the land tend to control the allocation of land. It can lead to discrepancy of wealth. These conditions are defined as the market failure in land use game. In order to correct the market failure in land allocation, I agree that the government should interfere the development of land through planning.

Thus, in the country that adopts planning, the market mechanism alone cannot direct the development of the land. The government intervention can play significant role in the allocation of the use of the land. Moreover, the role of government in determining the direction of land development can be active or passive. Government can initiate the development of an area; nevertheless, it will be costly. With this role, it means that the government plays an active role. On the other hand, government can encourage private sector for the development of the region through policies and regulations, otherwise, it can also discourage the development through permission mechanism. It means government plays a passive role (Pickvance, 1977). One of the instruments for the government to direct

land development is spatial planning. Accordingly, spatial planning is regarded as one of the forms of government interventions.

Spatial planning's task is to influence the distribution of activities in space. It is to create a balance between development and environmental protection, to realize social - economic objectives, and to arrange organization of land use. In addition, spatial planning also controls the development in the urban area in the direction indicated in urban development strategy. Finally, spatial planning also serves as instrument for coordinating the actions of the actors in land use game (European Commission, 1997). It includes government, private sectors and individuals.

In using the land, those actors have to be in conformity with the spatial planning that covers such area. Thus, the interaction between spatial planning and the way those actors respond the plan is the major factor that influences land development. For each country, this interaction depends on the spatial planning tradition and the market condition. Furthermore, the role of public and private sector in the implementation of the plan is one of the most important factors in land development. Their role varies for different country.

Many authors have discussed about land development in Jakarta. Some evidences show that the dominancy of market forces on land development has created some problems in Jakarta; such as uneven development, spatial segregation, demolition of traditional settlement, and the lack of infrastructures (Goldblum and Wong, 2000; Winarso, 2005; Firman, 2004a; Susantono, 1998). Furthermore, the tension of the capitalists has disdained the spatial planning commitment and has led to uncontrolled development (Cowherd, 2005; Goldblum and Wong, 2000; Susantono, 1998). However, the discussion about the pressure of market forces in a broad sense of land development, including spatial structure and the land use pattern is hardly to find. Thus, this research is focused on the role of market forces and the spatial planning in the design of the spatial structure and land development. Furthermore, in this research, Jakarta and Hong Kong is chosen as case study to see how the two cities overcome market forces land development issues.

1.1.1. Spatial planning system in Jakarta - Indonesia

Spatial planning in Indonesia comprises three major policy arenas as stated in the Spatial Planning Law of 2007 No. 26, which runs the spatial planning process, spatial promotion development, and spatial development control. These three arenas are an integrated system and are not separate (Government of Indonesia, 2007). Spatial planning process concerns with plan making activities. Spatial promotion development concerns about the utilization of space by the government and other parties. Finally, spatial development control aims at controlling the development to be in accordance with the spatial plan.

Historically, the spatial planning in almost every Asian country begin in 1970s (Kidokoro et al, 2007). In Indonesia, the first formal spatial planning is founded in early 1970s with the corporation of the Dutch - Indonesian team of experts. Therefore, at that time, spatial planning system in Indonesia was influenced by integrated-comprehensive approach, which confers the Dutch spatial planning model (Cowherd, 2005). It has features such as comprehensive, strong hierarchy top-down approach, strict regulation and binding (European Commission, 1997). Yet since 1980s, under the military regime of Suharto, Indonesia's planning system is influenced by American style of planning that campaigns neo-liberal concept of planning under Reagan's - Thatcherism command. The liberalization of the economy, deregulation, and privatization, as the heart of neo-liberal ideas, has influenced spatial planning culture in Indonesia in the last 20 years (Cowherd, 2005).

The economic crisis in 1997 - 1998 has ruined the military regime. Since then, Indonesia is in the period of transition. Spatial planning system in Indonesia without any exception is influenced by the changing situation. Hudalah and Woltjer (2007) note that after the collapse of the military regime, the influence of neo-liberal idea on the planning system is even greater than before. It is characterized by the decentralization of government, zoning concept, and efficiency of public administration.

In some extents, this idea is in line with the binding concept in the development control that has characterized Indonesia's planning style. In binding concept, if the proposal is in accordance with the plan, the government can authorize the proposal. Otherwise, the government rejects the proposal if it is not in conformity with the plan (Hudalah and Woltjer, 2007). In carrying out this system, there are two general planning instruments used in Indonesia planning system namely positive and negative instrument. General spatial plan (RTRW) is seen as positive instrument, and planning permit is seen as negative instrument (Winarso, 2000).

This binding system is specified in Spatial Planning Law of 1992 no. 24. As the consequence of this planning system, all development is led by certified plan. Moreover, plans are seen as the superior document in determining the location of the development. Theoretically, planning is seen as a tool for spatial coordination rather than economic development (European Commission, 1997). Within the Spatial Planning Law of 1992 no. 24, Indonesia adopts an incomplete integrated-comprehensive approach (Hudalah and Woltjer, 2007). Nonetheless, in the new law on spatial planning, Spatial Planning Law of 2007 no. 26, the binding concept is even strengthened, particularly in term of development control. The adoption of zoning regulation (article 36), administrative penalty (article 63), and criminal penalties (article 69 - 74) is clearly formulated. In this new law, the spirit of decentralization is obviously indicated.

The decentralization in Indonesia has its momentum in 1999 through Regional Administration Law of 1999 no. 22, five years later, Regional Administration Law of 2004 no. 32. Since then, Indonesia has the decentralization of administration. The

decentralization era has introduced a new concept in spatial planning system. According to Spatial Planning Law of 2007 no. 26, local governments can perform spatial planning as one of the instruments that guides and coordinates the development within their administrative area. Thus, the local government has the power to refuse the proposals for the development that do not conform to the plan. On the other hand, the private sector can promote the development by proposing the permission to the government. Theoretically, local authorities have the powers to the development of industrial, commercial and residential areas (Hudalah and Woltjer, 2007).

1.1.2. Spatial planning system in Hong Kong

The authorization of Hong Kong Island under British authority started in 1842 with the Treaty of Nanjing. Following Treaty of Nanjing in 1860 and 1898, Kowloon and New Territories was handed over by China to United Kingdom (Meyer, 2000). However, the economic growth in Hong Kong is not started until 1950s. The economy of Hong Kong grew as a result of industrialization transfer from China mainland. In 1960s, Hong Kong's economy was already in the takeoff. In 1997, Hong Kong was handed over back to China (Ng, 1999, 2005).

Since the British occupation, the government of Hong Kong takes "positive non-interventionist" policy in running the economic development (Ng, 1999; Tang et al, 2000). The government believes that the market will allocate resources efficiently. Economic growth is the main focus in Hong Kong development strategy. Ismail (1987) in Sparrow (1988) describes the role of the government of Hong Kong as:

"... is to provide the necessary infrastructure and a stable legal and administrative framework conducive to economic growth and prosperity" (Ismail, 1987 in Sparrow, 1988: 130).

Although the government runs *laissez faire* policy in economics' area, it must be understood that the government owns almost all the land in Hong Kong. In this term, the government has a great interest in land development and may lead to the conflict of interest (Ng, 2005; Hamer, 1997). Therefore, in the local level, Hong Kong government carries out statutory spatial planning to control land supply (Ng, 1999). The background of Hong Kong's planning system is the British style of executive-led government, highly centralized bureaucracy structure, and without democratically elected (Lai and Yu, 2001).

Despite the fact that Town Planning Ordinance has already been established in 1939, the first statutory spatial planning was drawn up in 1959 by Town Planning Board (Lai and Yu, 2001). In 1974, amendment of this ordinance took place in setting out planning permission system. Town Planning Board has the duty to approve statutory land use zoning plan and to control private land development. The daily planning practices are carried out by Planning Department (Tang et al, 2007).

Hong Kong planning system is rather unique. It has hybrid planning system. Tang et al, (2000) describe Hong Kong's planning system as they put it:

“..It embodies a British discretionary permission process within a framework of statutory land-use zoning plans” (Tang et al, 2000: 2467).

The government of Hong Kong defends this system because it provides certainty and flexibility at the same time in controlling land development (Branch, 1996 in Tang et al, 2000). Furthermore, Lo (1992) suggests that this kind of planning is the pragmatic solution for the dilemma that government faced in the beginning of spatial planning establishment. In one hand, too much planning would generate opposition from the citizen. On the other hand, without spatial planning the direction of development could go unchecked. The government also uses this system as the instruments to control the failure of the market (Hui and Ho, 2003). The concept of a combination of certainty and flexibility is further elaborated in Outline Zoning Plans mechanism and process of development control.

Outline Zoning Plans consist of two legal documents; land use plans and schedule of notes. Land use plans are filled with general land-use zoning and transportation framework. Schedule of notes set out the list of applications that always permitted (column 1) and the list of applications that needs planning permission from Town Planning Board (column 2). Within this system, landowners and developers have a certainty about uses that are permitted and development opportunities of the land. In granting the permission for the development, the government uses discretionary style. Application of the development is judged case by case by Town Planning Board.

1.2. Research questions

In this thesis, I would like to address the critical issue of the interaction between spatial planning and market forces. Furthermore, I try to compare the role of spatial planning and market forces on shaping spatial structure and land development in Jakarta and Hong Kong. The objective of this study is to understand the role of market forces and spatial planning on urban land development. Regarding to this idea, the main question that addressed in this master thesis is; “How do spatial planning and market forces influence land development in Jakarta and Hong Kong?” This main question will be divided into three sub questions:

1. What is the role of spatial planning in both cities on land development?
2. How do Jakarta and Hong Kong handle market forces in their territory?
3. What factors are the key determinants in controlling the market forces?

1.3. Research methodology

In response to these questions, a number of indicators are presented to identify the role of market forces in influencing land development in both cities. In the first place, I use urban expansion direction and compare with the expectation of the spatial planning. The second indicator is the existence of green space in the sequence of time. After showing the existence of market forces, I try to compare its role in the land development in both cities. In this comparison, I intend to find the successfulness and the failures of both cities in controlling the market forces. In doing so, I will seek the explanations of the success and failure from spatial planning system and the governance that surrounds spatial planning system in Jakarta and Hong Kong. Moreover, this research is conducted in several methodological steps, i.e.

1. *Theoretical framework and empirical base development*

First, this research develops the theoretical framework of how market forces and the spatial planning influencing the land development. In this theoretical framework, I try to explore how market forces (the situation without government intervention) has an impact on land development by means of supply and demand mechanism. Moreover, it is also important to understand the mechanism of the spatial planning as one of government's tools in influencing land development. Finally, I also examine how the market responds to the intervention of the government. The result of the construction of theoretical framework is the standpoint of this research and the parameters needed for the empirical evidence.

2. *The collection of data and information on the role of market forces and spatial planning on land development in Jakarta and Hong Kong*

After building theoretical framework and empirical basis, the data on role of market forces and spatial planning is collected. These data include spatial planning system of Jakarta and Hong Kong, the practice of spatial planning as the instrument for controlling land development, a number of parameters of the market in responding to the spatial planning and the role of private sector in utilizing land. The collected data are derived from secondary data i.e. literatures and official documents since there is limitation on primary data.

3. *Comparative analysis*

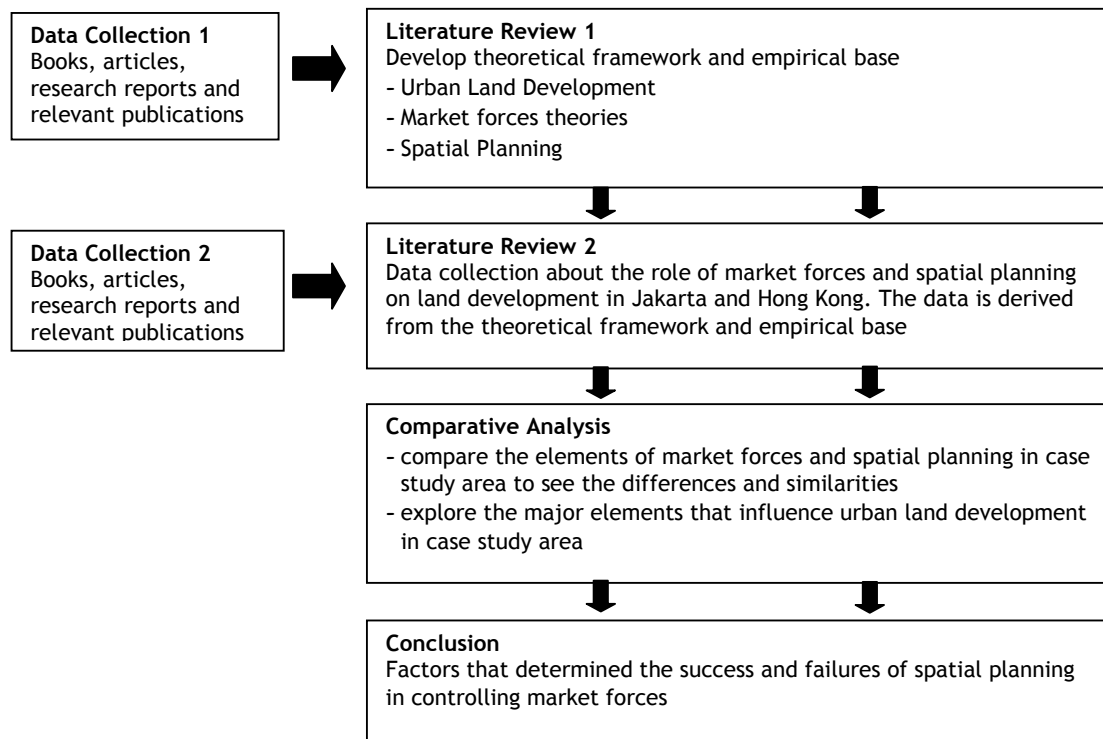
Once the data is collected, the next step is to compare the elements and characteristics of market forces and the spatial planning on land development in Jakarta and Hong Kong. At this stage, I examine the differences and similarities of the compared cases in both cities. The analysis will be conducted using comparative analytical method.

4. The formulation of conclusions and recommendations

At the end, this research elaborates the factors that might be useful in controlling the market forces in land development. The methodology of this research can be illustrated in diagram below.

In comparing Jakarta and Hong Kong, I realize that both cities have many fundamental differences. In the context of their spatial planning system, they have a contrast system. However, within this distinction I put my comparative analysis foundation. Furthermore, in this research, I will limit the discussion on the administrative boundary of both cities that is Capital City Special Region of Jakarta (Daerah Khusus Ibukota Jakarta) and Hong Kong Special Administrative Region (HKSAR). Finally, the timeline of this research is from 1980s - 2000.

Figure 1
Research Methodology



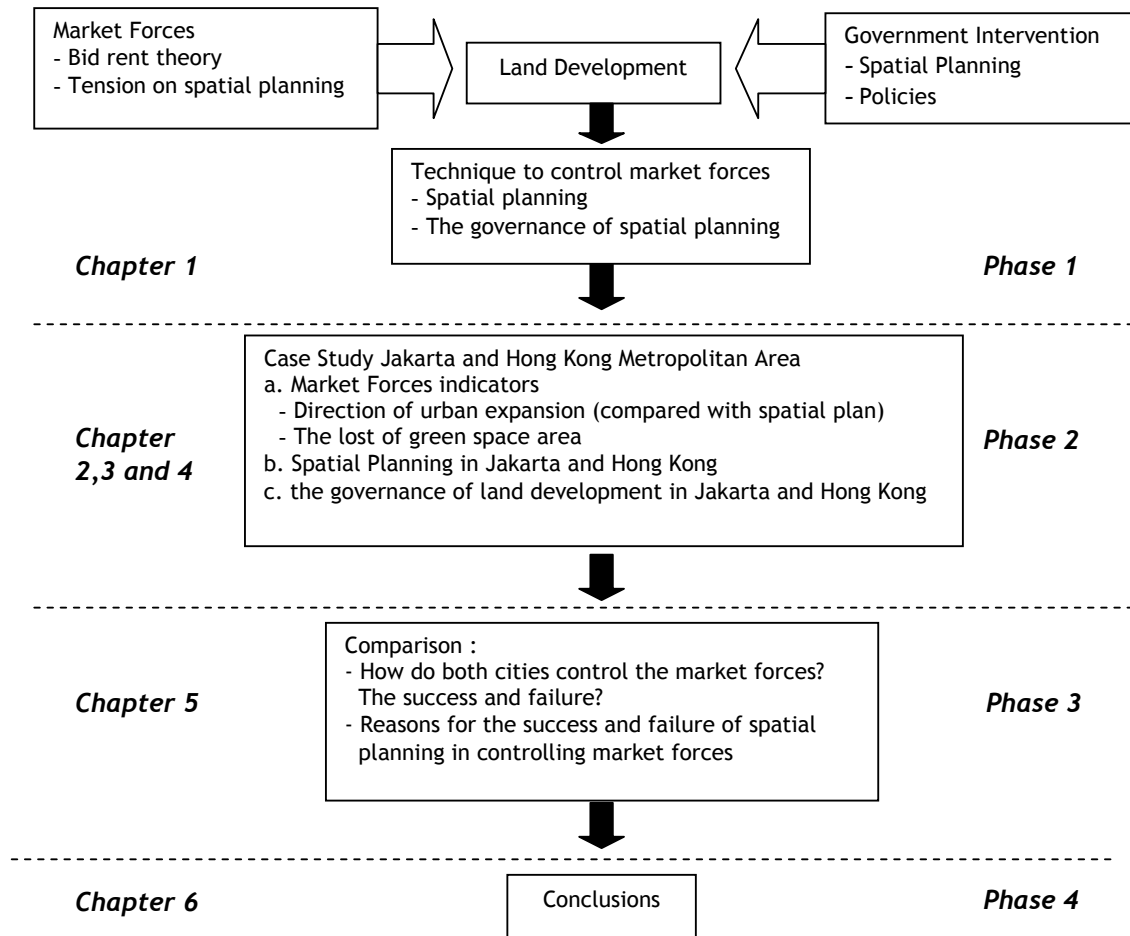
1.4. Thesis structure and framework

This study consists of six chapters. First chapter provides the basis of the research. It comprises background, research objectives, research question, methodology, structure, and theoretical framework. Theoretical framework discusses the debate between market and spatial planning importance and their impacts on urban land development. Chapter 2

describes the case study area that is to say, Jakarta and Hong Kong. It presents the description of geographic and social-economic background in both cities.

The next two chapters discuss the influence of market forces and spatial planning on land development in Jakarta and Hong Kong. In chapter 5, based on the discussion in chapter three and four, a comparison of the two cities in handling the market forces is presented. Furthermore, I would like to analyze the factors for the success and failure of the spatial planning in controlling the market forces. Finally, chapter six contains a number of conclusions and recommendations. Based on this structure, research framework is developed as it is seen in figure 2.

Figure 2
Report Structure and Research Framework



1.5. Theoretical framework

1.5.1. Market versus planning: an ongoing debate

The debate on the role of the free market versus state intervention has taken place since the beginning of the 20th century. In the last two decades, neo-liberal thinking¹, which is popularized in United Kingdom in the 1980s under Thatcher's administration and in United States under Reagan's, has widely disseminated across the globe in defense of free market mechanisms (Allmendinger, 2002). Nonetheless, the government interventionists have criticized the idea of free market liberalism since market mechanism does not work perfectly.

At one extreme, free market defenders criticize the role of the government in resolving the imperfectness of the market. In their arguments, the government is unable to coordinate the actions of individuals and to allocate resources efficiently, which they have termed the "government failure" as the counter of "market failure" argument developed by government interventionists (Buitelaar, 2007)². It is indisputable that the market failure theory is the main justification for government intervention (Cowen, 1988). In general term, Bator (1958) defines market failure as:

"... the failure of a more or less idealized system of price-market institutions to sustain 'desirable' activities or to stop 'undesirable' activities" (Bator, 1958: 351)

Indeed, in the real situation, perfectly competitive market is impossible to achieve. Thus, market tends to fail to allocate resources efficiently as Samuelson (1973) has mentioned:

"We can approach closer and closer to perfection, but can never quite reach it" (Samuelson, 1973 quoted by Keivani and Werna, 2001: 99)

Furthermore, competitive market can allocate resources that can only enjoyed by purchasing them. In fact, in the free market mechanism, those who have great economic power seem to have more prospects to accumulate resources than those with less economic power. Often this powerful group influences the policy for their own benefits due to the close relationship they have with the authority institution (Suselo, 2007).

¹ Neo-liberalism thought emphasizes on the balance of market oriented government and authoritarian government (Allmendinger, 2002). Besides the idea of free market competition, spontaneous order, and individual freedom, neo-liberal thought has added the importance of limited government intervention to promote the efficiency of the market. It makes neo-liberalism different from its ancestors (classic liberal and neo-classic economist). At the core of neo-liberalism's thinking, it propose three ideas; efficiency of government, rule of law and decentralization (Allmendinger, 2002).

² Government failure is the counter argument of market failure, which is the most important argument for government intervention. There are four items as the ground for their argument. Firstly, some forecasting provided by the government is proven to be mistaken due to imperfect information. Secondly, the government cannot guarantee the future because the environment is complex and uncertain. Thirdly, the assumption that government intervention is perfect and costless is not correct. The cost that arise in planning is never be counted by interventionists. Fourthly, government intervention can diminish market signal and obstruct price mechanism (Pennington, 1999; Webster, 1998; Buitelaar, 2007).

Criticisms of the market mechanism can also be found from the Marxists. David Harvey, a Marxist Geographer, contends that the market is incapable to maintain and to reproduce of immobilized fixed capital, such as road, bridges, drainage system, etc. (Harvey, 1973). Moreover, Klosterman (1985) lists four points that the market competition cannot solve that is public good consumption, externalities, inability of individuals' strive to achieve optimal outcome, and distributional issues. Thus, planning is important for delivering public goods, reducing negative external impacts, and coordinating actions to achieve an optimal outcome.

Until today, the debate between free market defender and interventionists still persist. Both parties stand their argument based on different assumptions. Pro market defenders base their theories on assumption of perfectly competitive market, while pro-government defenders base their opinions on an efficient, well-educated and humanitarian government. Interventionists also attack pro-market defenders by identifying the shortcoming of the market. In this arena of debate, I believe that market should be controlled especially in distribution of activities in space to prevent market failure. In the same time, the government itself should avoid the emergence of public failure.

It is interesting to underline Underhill's (2001) thought. He says that the market and the state in essence is not a separate term. In fact, he defines the market and the state as "one integral condominium". Additionally, he takes Polanyi's argument critically:

"...the market makes no sense without the state, that indeed the market system was created and enforced by the state...."
(Polanyi, 1944 quoted by Underhill, 2001: 8).

Finally, Wolf (1993) summarizes the debate of theories between market and government in figure 3 below.

Figure 3
Market versus Government

	Market	Government (Non Market)
Pro	Theory of market competition	Theory of planning and welfare economic
Against	Theory of market failure	Theory of government failure

Source: Modified from Wolf (1993)

The debate of the market versus the state intervention is not only in the field of philosophical thinking, but also in the "real life". This debate has influenced the evolution of political, economics, and other sciences' thinking (Underhill, 2001). Land development

discipline, without exception, has been affected by this ongoing debate too. Thus, after drawing attention to the arguments of free-market and planning defenders, it is important to break down our discussion into the influence of market forces and government intervention on urban land development. The following two sections discuss about land use in the context of the role of market forces and spatial planning. Finally, in the last section, I draw some theoretical conclusions on how they should interact.

1.5.2. Land development under market mechanism

In neo-classical economic approach, as the mainstream of free market defenders, the composition and structure of urban land development is determined by the spatial equilibrium that arises in urban area (Heikkila, 2000). In this view, land is seen as a commodity. Consequently, land is exchanged freely in market system following the supply and demand mechanism. Since the neo-classic economists believe the land as a fixed supply, the allocation of urban land would be largely determined by demand.

Neo-classical economists have developed a model to explain the relation between the use of land and market mechanism that is bid-rent model. In bid-rent model, the use of land is determined by the highest bid of the land purchasing. Consequently, only those who can afford the highest bid can occupy the land. Likewise, bid-rent model assumes that urban activities have different preferences to locate near the center of the city and will bid consequently (Kivell, 1993). As the result, the slope of intensity of the land will be different, base on their preferences. In essence, the land developers are risk-taker, they are willing to loose financially, or even bankrupt. They gamble that they can anticipate demand of the market (Kaiser et al, 1995).

In theory, commercial use is the highest value for the land because this type of land use is the most intensive one; in term of the profits that the land user will gain from it. Hence, it tends to occupy the first ring, noted as the core area. In time, the agglomeration of firms in the center generates Central Business District (CBD). It is characterized by good accessibility, high land price and good infrastructure. Thus, the CBD is the area with the highest value in urban areas. Balchin and Kieve (1982) confirm that in a very intensive use of land, the firms tend to carry out their activities in high-rise building due to the scarcity of land.

Moreover, commercial area in nature is the result of business or firms' interest activities in occupying urban space. Firms are not located at random but related to profit maximization as neo-classic economists concern (Maoh and Kanaroglou, 2007). Firms have shops, offices and factories. In a dynamic economic situation, the location is the foremost determinant of firm's value. Following land bid-rent theory, firms tend to locate in the center of the cities.

From the standpoint of the firms, location in the center offers many advantages, such as face-to-face communication with their clients. However, face-to-face communication is not the only preference for entrepreneurs to locate in the central area. The prestige of central area is also the significant factor for the firms to locate in the central (Balchin and Kieve, 1982). In this term, the entrepreneurs compose a trade-off between high cost of land rents/prices and the access to their clients. Furthermore, central area tends to attract other firms to locate near the center of agglomeration to reduce transportation cost that come from face-to-face communication. In other words, commercial use is very sensitive to the distance of their clients and colleagues.

The process of the formation of core area does not come off instantly. In many cases, the core area is developed from the former residential area. In latter years, when the land in the core area is occupied by user with big capital (usually businesses), the user with lower affordability to occupy land (usually households) will be forced to move from the core. It is characterized by a decline in population in the core. Firms can win the competition over industrial area to occupy land in the city center because industrials need large area.

Residential uses become the residual value of urban land development since household cannot compete with commercial and industrial uses to purchase land near the central. The decisions on urban land development in a market economy (without state intervention) are in the possession of individual firms, households and other institutions that related to jobs, housing, shops and many other urban activities. The essential element of residential use relies on housing. For the last two decades, housing provision in urban area has been the concern of most countries. Furthermore, the problem of housing provision is not only the concern of government but also communities and social groups (Ha, 2004). Like any other goods, housing can be provided by market mechanism. Indeed, most of housing provision is obtained through market mechanism (Harvey, 1996; Keivani and Werna, 2001).

In the rapidly growing urban area, economic growth can derive massive demand for urban land use such as residential, commercial and industrial use. Moreover, population growth may also increase the demand for land, especially for housing (Kivell, 1993). Lein (2003) describes the process of converting land caused by population growth as “the cyclical process”. Firstly, the population growth increase demand for housing and land. Since the land supply is considered as fixed, the land value will rise following the equilibrium. Accordingly, the market will find cheaper land to meet the demand for housing. As a result, less profitable type of land use, such as farmland and green space, will be converted into housing.

Bid-rent model has dominated the discussion of the formation of urban land development since 1960s after the works of Alonso (1964). It is based on free-market competition. Yet in reality, the condition of perfectly competitive market is almost

impossible to achieve if ever. Thus, the market mechanism is unlikely allocating land efficiently. Many scholars have demonstrated the market failure in land allocation. Firstly, market has failure to allocate unprofitable use and its social value when land is converted into urban use. Social costs resulting from conversion of land and congestion due to the use of road network is not counted. Thirdly, those who have power or money to own the land can control the market and neglect the poor and the less power people in competing to buy land (Klosterman, 1985; Buitelaar, 2007; Evans, 2004).

When market failure occurs in urban development, the result is the appearance of a number of urban problems. Sarosa (2007) indicates several problems that can arise when the market leads the development in urban area. In the first instance is the tension that can occur between individual interests and public interests. Individual interests may come from the firms and developers interests to maximize the profit by converting green space into built forms to be sold to individuals (customers). It may also arise from the urban poor interests to occupy pieces of land in the inner city for reducing transportation cost. They would have to live as squatters, as the land value in inner city is skyrocketed.

Furthermore, Sarosa (2007) points out that skyrocketed land value in inner city could lead to the second problem that is urban sprawl to all direction. Residential use would be forced to shift outward to the suburbs because it cannot compete with commercial use in purchasing the land (Balchin and Kieve, 1982). Statistically, it can be recognized by the declining population in the center and increasing population in the fringe. There would be influx of people from the urban center into its fringe (Firman, 2000). Residential may occur in inner city, but in the form of high-price apartment (Sarosa, 2007).

The land conversion into commercial use can also sacrifice the public space, such as open space, public facilities etc and environmental space such as catchments area, agricultural use, green belt etc. From the firm's point of view, it is more profitable to converse rural use into urban use in the suburban area for the reason that land value in suburban area is cheaper than in the inner city (Sarosa, 2007). Complementary, from the farmers' point of view, it is more profitable to sell their land than to exploit it for agricultural use (Firman, 2000). Simply saying, economic consideration is the main reason to convert rural use into urban use.

Lastly, Sarosa (2007) adds misallocation of scarce resources as the third problem. An example of this problem is land and property speculation in urban area due to uncontrolled land conversion. Consequently, phenomenon of vacant land and empty lots in urban area is common, as the result of the process in which Firman (2000) called "land business undertaking". Thus, the government should control the land market to ensure the allocation of land is fair and equitable (Harvey, 1973). One of the tools in controlling urban land use is spatial planning. Its role is to handle the goods that cannot be assigned by the market (Webster, 1998).

1.5.3. Spatial planning and land development

Nevertheless, many critics are devoted to bid-rent model. Marxists criticize the neo-classical economists' argument that treats land as a commodity. According to Harvey (1973), land cannot be regarded as a "normal" commodity because its characteristics, such as immobile, fixed supply, and has social value. This is the basis argument for the defenders of government intervention that recognize the land not only as commodity but also as a good with social value in it. Thus, land cannot be put under price mechanism. In other words, land has dualism characteristic, as a collective goods on the one hand and as a private right on the other hand. Many literatures have shown the shortcoming of the market to meet the social needs. Intervention of the government can be seen as a response to the social character of the land (Foglesong, 1986). It affects land use through the control of development and directing the development using their policies.

One way for the government to control land use is through urban land policy (Firman, 2004b). Urban land policy is also aimed at influencing the land use, land ownership and land prices (Mattingly, 1993). Another task of urban policy is to accomplish a good organization and equity of land market outcomes in urban area (Archer, 1990 cited by Firman, 2004b). One of the urban policy's instruments is the spatial planning. The tasks of spatial planning in the allocation of land are to assist market mechanism to behave efficiently, to mediate conflict of interests on the land development, to correct market failure that occurs, and to ensure justice and fairness in the land allocation (Klosterman, 1985; Harvey, 1973; Firman, 2004a; Nnkya, 1998 in Hui and Ho, 2003). Additionally, spatial planning is also seen as regulatory system for controlling development through non-price allocation. Thus, permit mechanism by granting and refusing development proposals can influence the supply of land (Lai and Ho, 2002).

In doing so, the type of planning plays an important role to win the land use game. Pickvance (1977) divided type of planning into two categories; *trend planning* and *interventive planning*. Trend planning is marked when the development plan merely reflects market trends in land allocation. In this type, planning is not used to influence the market. Consequently, it would not lead to different pattern of land use from non-planning situation. On the contrary, interventive planning uses its power to intervene the market. Thus, this form of planning will lead to different circumstances of land use from non-planning situation (Pickvance, 1977).

Spatial planning has many definitions. In term of land management, it is seen as a prerequisite to handle problem related to land. It also includes policies and programs made by the public sector for the allocation of people and of activities in space (European Commission, 1997). Through spatial planning, the demand on land development can be influenced (Evans, 2004). Since there are many competing interests on the use of the land, spatial planning is seen as the tools that can accommodate these interests and resolve the

conflict between actors in land use game. Problems and conflicts that might need spatial planning response are the scarcity of land, various interests on land, the pressure from private sectors, and the imbalance of demand and supply on land. Nowadays, spatial planning is shifting from traditional land use planning approach to the area of public policy that assessing competing demand to ensure the optimum use of the land. However, spatial planning can influence the land market mechanism too, such as increasing the land price.

Spatial planning can be regarded as a system that includes all level of governance (Healey, 2006). Its scope relating to land use planning spreads of urban planning, regional planning, national spatial planning, or even inter-countries spatial planning. The way, in which spatial planning operates, is closely related to the planning system of a country. European Commission (1997) has classified planning system into four general approaches, i.e. regional economic planning approach, comprehensive integrated approach, land use management and urbanism approach. In regional economic approach, spatial planning defined as:

“...has a very broad meaning relating to the pursuit of wide social and economic objectives especially in relation to regional disparities in wealth, employment, and social condition” (European Commission, 1997: 36).

In this approach, spatial planning cannot escape from national and regional subjects. Thus, central government is the main actor.

Comprehensive integrated approach is the most complicated approach. It requires a stable government to support public investments, because it is the key factor in the implementation of the plan. According to European Commission (1997), this type of planning system has systematic and formal hierarchy from national to local level. It coordinates the various public sectors' activities and focuses on spatial coordination. One of the weaknesses of this approach is the rigidity (Marcotullio, 2003). Furthermore, he continues that this type of plan usually focus one physical appearance such as roads, ports, etc. and rarely counting economic and social needs of the overall citizens (Marcotullio, 2003). This approach requires a strong and clean government, advanced planning organization, and a strong political motivation to commit with the plans (European Commission, 1997).

In urbanism approach, spatial planning has architectural favor and concern with urban design, townscape and building control (European Commission, 1997). Spatial planning in this approach works through strict zoning and codes. This approach has no stable political support that lead to less effective development control. Finally, in land use management approach, spatial planning has an assignment to control land use change in both strategic level and operational level (European Commission, 1997).

Spatial planning can also be classified on the basis of its concept on development control. In general, there are two opposite concept that is discretionary concept and binding or zoning concept (Healey, 2006). Booth (1996) describes binding concept as

regulatory concept (Booth, 1996 cited in Ng, 1999). Discretionary concept is attributed to British approach in regulating land use. It focuses on capacities of politicians and bureaucrats in making decision. Judgment on development proposal is conducted case by case based on planning official recommendation. Thus, the person in charge does judgment not based on the regulation. It makes the power of planning document is limited. Planning document has no binding power since it is only one of the considerations in making the decision. The feature of this approach is the high degree of flexibility and uncertainty, because there is no binding guarantee. Unlike the discretionary concept, zoning concept focuses on regulation that tied up all actors in the decisions about development proposal. However, it requires complete regulation in guiding the development (European Commission, 1997).

Both concept of spatial planning can influence the use of the land. In discretionary concept, the spatial planning is presented in general term. The realization of the plan is given to the development proposal made by private sector. The role of public sector is not much. Furthermore, the local authority grants approval of the development proposal. The proposal initiator can negotiate with the local authority for the permission. The development can take place after agreement is reached. This style opens the possibility for the private sector to influence the decision. Unlike discretionary style, the zoning concept offers more clarity than the discretionary concept. Every development proposal is reviewed by the plan itself. If the proposal does not fit in with the plan, no permission would be granted.

In general, there are two approaches to control land and property development in urban area; negative approach and positive approach. Negative approach is used to ensure that the development is in line with government's policies. On the other hand, positive approach is applied to direct development by encouraging private sector or public sector for the implementation the plan. It may appear in the form of direct public investments or in the form of guided land development (Winarso, 2000). The instruments for the negative approach are land development permit system and taxes. Land development permit system guarantees the government to interfere to the private developers. Furthermore, it also able to drive the location of development, to coordinate the developments that conducted by the government and private sector, and to smooth the progress of land assembly for large-scale development (Archer, 1993 cited in Firman, 2000).

1.5.4. Controlling the market forces on land development

Urban spatial structure is formed when demand for land and property meet the supply of land and property (Van der Krabben, 1995). However, land and property is one of the least perfect markets (Van der Krabben, 1995; Zhu, 1997). Spatial planning in nature deals with the supply of land and in many countries with an active public role in the

implementation of the plan. Furthermore, it can also influence the demand. This basis of thinking justifies the necessity for spatial planning to lead land development.

Nevertheless, in reality, neither market forces nor spatial planning alone can fully control the land use arrangement since the market and state in essence is not a separate term (Underhill, 2001). In fact, urban land use is shaped by decisions of firms, household, and government (Harvey, 1996). Moreover, Bryant et al (1982) indicate that the process of land development is affected by the competition of land and modified by government intervention. In other word, the interaction between market mechanism and spatial planning can influence the arrangement of urban land use. Furthermore, Lein (2003) adds personal motivations of the private landholders as the factor that can also influence land use arrangement. Thus, one of the tasks of spatial planning is to control the development under imperfect market of land and property through development control (Evans, 2004). As Tang and Tang (1999) put it:

“Development control is a public sector attempt to influence market forces in order to achieve certain social objectives. By regulating private investment decisions, land development control strategy helps shape transformation of the urban built environment...”

(Tang and Tang, 1999: 33).

In conclusion, I believe that it is important to control the market forces on land development, especially in the distribution of activities in space to prevent market failure. In the same time, the government itself must avoid the emergence of public failure. Furthermore, whatever the planning system that one country has, the most important thing is on the implementation of the system. Thus, it is important to understand the requirements of the planning system used (European Commission, 1997). One of the keys for the success of the spatial planning is a good governance structure around the planning itself (Albrecht et al, 2003; Laquian, 2005; Ng and Tang, 1999).

Finally, this theoretical framework is used to assess the role of market forces and the spatial planning on land development in Jakarta and Hong Kong. Moreover, it also provides the construction for overcoming the market forces. In the following chapters, based on this framework, the discussion will be focused on the case study area that is to say, Jakarta and Hong Kong.

Chapter 2

Case Study Area:

Jakarta and Hong Kong

This chapter discusses the social and economic background of Jakarta and Hong Kong. It describes general situational background where the market forces and the spatial planning form the land development in both cities. In the first section, the discussion focuses on general description of Jakarta as a rapidly growing city. It describes the regime of Jakarta in the regional context, particularly its metropolitan area, since the role of Jakarta goes beyond its administrative boundary. It also portrays the economic growth of Jakarta and the implication for the development of Jakarta in general. The next section discusses the social and economic background of Hong Kong. It describes the formation of Hong Kong to become the global city.

2.1. Jakarta

2.1.1. Jakarta and its metropolitan area: general description

Jakarta is the core city of Jakarta Metropolitan Area (JMA), also known as Jabodetabek³. JMA is the largest urban area in South East Asia and the ninth largest in the world (United Nation, 2005). It is located in western part of Java Island, the most populous island in Indonesia. JMA has an area of about 7,500 km² including Jakarta City and its surrounding areas: Bogor, Tangerang and Bekasi. Administratively, JMA consist of one provincial level that is to say Jakarta City, four municipalities and three regencies. Jakarta has a first-level autonomous region similar to a province (propinsi) and is headed by a governor. Its official name is the Capital City Special Region of Jakarta (Daerah Khusus Ibukota Jakarta). It covers 661 square kilometers of area (255 square miles).

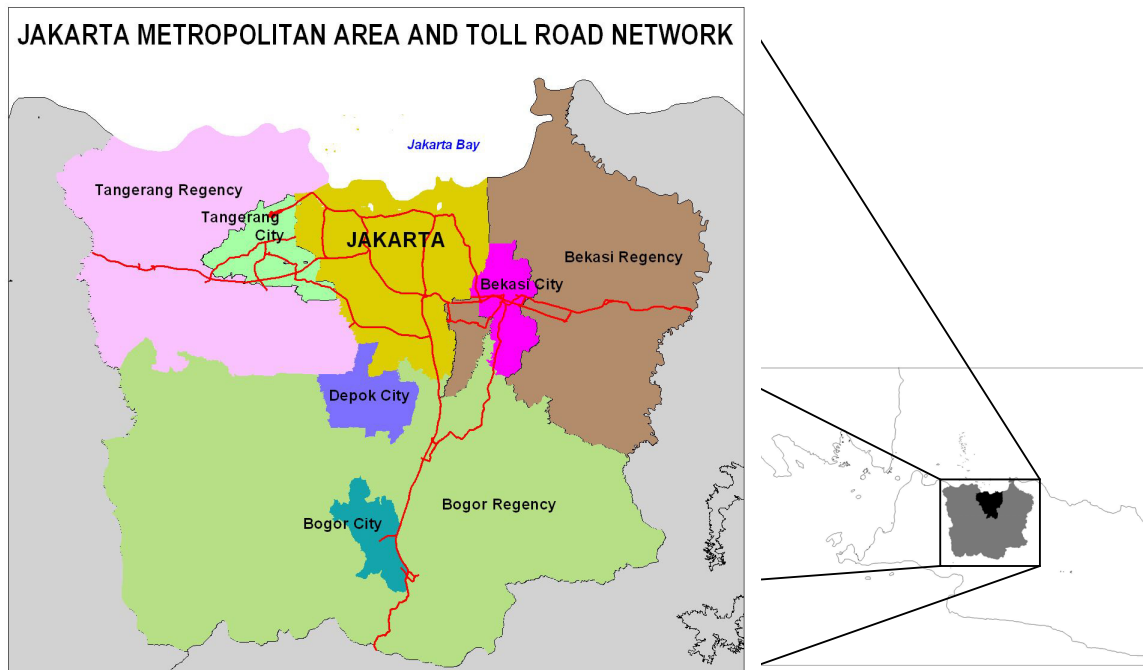
Historically, Jakarta is established as municipality in 1950 with the formal name Jakarta Raya. Today, it consists of five municipalities and the regency. They are Central Jakarta, North Jakarta, West Jakarta, East Jakarta, South Jakarta and Kepulauan Seribu Regency. A mayor heads each municipality. The neighboring region of Jakarta is known as Bodetabek. In the west border of Jakarta situates Tangerang Municipality, which is surrounded by Tangerang Regency. Bekasi Municipality is enclosed in the eastern border and surrounded by Bekasi Regency. Bogor Municipality is not directly located next to

³ Jabodetabek is the acronym in Bahasa Indonesia that stands for its adjoining district; Jakarta – Bogor – Depok – Tangerang – Bekasi. In the first place, Depok is not considered as Jakarta's satellite cities. Only since 1999 Depok is considered as part of Jabodetabek.

Jakarta. It is surrounded by Bogor Regency that is directly linked to Jakarta. All these adjacent regions are connected through integrated transportation system via toll road, artery road and railway network (see figures 4).

Jakarta plays a large number of leading roles in Indonesia. It is the center of public administration, economic activity, politics and even entertainments. This complete role of JMA triggers the rapid pace of urbanization (Goldblum and Wong, 2000). Thus, by 2000, resident of Jakarta was almost threefold in forty years (BPS-Statistic Indonesia, 2002). Table 1 shows the population growth of Jakarta and the adjacent regions. Nowadays, more than 80 % of JMA population lives in urban areas (Firman, 2004a). Hugo (2003) suggests that most people in JMA somehow have strong connections with Jakarta functionally.

Figure 4
Jakarta Metropolitan Area (JMA)



The role of Jakarta as the growth center in Indonesia, which is based on industrial and services sector, is the main reason for immigrants to come to Jakarta. Richardson (1978) indicates that one remark for the growth center is the agglomeration of industry and services. Firman (1998) argues that Jakarta still has important position on employment and economic activity. Indeed, by 2000, Jakarta contributed 14.9 % of the GDP of Indonesia. The contribution of Jakarta is even greater in 2005. Its GDP contributed 16.9 % of Indonesia's GDP. Moreover, approximately 4 million commuters travel from suburban area everyday (BPS-Statistic Indonesia, 2002). Indeed, Jakarta has the largest agglomeration of investments in Indonesia both foreign and domestic. Giebels (1986)

implies that the government plays the dominant role for Jakarta by giving more than half (official) national budget expenditure for the years 1970s - 80s annually.

In other word, economic activities of JMA are still based in Jakarta. For this reason, other regions outside Jakarta have high dependence to Jakarta economically. It is shown by the number of investments in Jakarta is still the highest in JMA. It is nearly double fold than the average amount of investments in its surrounding area. Better services and facilities that are provided is the attractor factor for the investors to invest their money in JMA. Nearly 50 % of Indonesia domestic and foreign investment is located in JMA (Firman, 1998). In 2003, foreign investment in Jakarta reached US\$ 5.3 billion (BPS-Statistic DKI Jakarta Provincial Office, 2007).

Table 1
Population Growth in JMA

Region	1961	1971	1980	1990	2000
Central Jakarta	1,002,100	1,260,300	1,236,900	1,074,856	790,399
North Jakarta	469,800	612,400	976,400	1,362,933	1,432,009
West Jakarta	469,500	820,800	1,231,200	1,815,309	1,990,003
South Jakarta	466,400	1,050,900	1,579,800	1,905,006	2,053,654
East Jakarta	498,700	802,100	1,456,700	2,064,544	2,113,004
Jakarta	2,906,500	4,546,500	6,481,000	8,222,528	8,379,069
Bogor	1,257,800	1,597,200	2,238,941	3,481,237	4,672,488
Tangerang	817,200	1,025,700	1,129,107	1,965,452	2,781,428
Bekasi	669,700	803,000	1,143,600	2,104.40	3,570,611
Depok City	-	-	-	-	1,143,403
Bekasi City	-	-	-	-	1,637,610
Tangerang City	-	-	-	-	1,311,746
Bogor City	-	-	246,946	254,967	750,819
BOTABEK	2,744,700	3,425,900	5,166.694	8,605,609	15,868,105
JMA	5,651,200	7,972,400	11,647,994	16,828,197	25,764,587

Source: BPS-Statistic Indonesia, 2002, based on population census 2000

The role of Jakarta as the center of manufacturing has shifted to the center of services, whereas the periphery becomes the center of manufacturing. Firman (1998) shows that many service facilities are built in Jakarta, such as shopping centers, bank offices, luxurious apartments, etc. The implication of this shift is the rapid development of commercial area during 1980s - mid 1990s period in Jakarta (Silver, 2008). This situation is reflected in the area for offices space. By 1998, the space for offices is recorded roughly 2.7 million m² (Firman, 1999). Moreover, based on the Gross Domestic Regional Product 2002, JMA is the center of manufacturing industry, trade and services. The distribution of manufacturing industry, trade and services activities can be seen in table 2. In overall, the total GDP of Jakarta in 2000 is recorded US\$ 19,840.5 million (BPS-Statistic Indonesia, 2002).

Table 2
GDP in Jakarta Metropolitan Area

Region	Industrial Manufacture (x 1000 \$)	% of total GRDP	Trade and Services (x 1000 \$)	% of total GRDP	Agricultural (x 1000 \$)	% of total GRDP	Total GRDP (x 1000 \$)
DKI Jakarta	4,929,900	22.42	7,338,364	33.38	4,739	0.22	12,273,003
Tangerang	870,000	57.90	266,000	16.39	135,520	9.68	1,271,520
Tangerang City	526,050	58.45	248,300	27.59	2,070	0.23	776,420
Bekasi	1,075,000	69.34	289,300	18.89	66,750	4.45	1,431,050
Bekasi City	385,000	46.54	196,000	35.18	8,890	1.27	589,890
Bogor	550,000	42.52	341,650	26.07	148,330	11.41	1,039,980
Bogor City	80,200	27.19	117,340	39.80	1,151	0.39	198,691
Depok City	184,900	38.39	186,000	38.55	18,816	3.92	389,716
Total JMA	8,601,050		8,982,954		386,266		17,970,270

Source: BPS-Statistic Indonesia, 2002 based on Population census 2000

2.1.2. Formation of the global city

The first attempt to build Jakarta as the modern city is executed as Ali Sadikin ruled Jakarta in 1967. Government of Jakarta established policies that were aimed to make the city more attractive for private investors both domestic and foreign (Leaf, 1991). Highways and main roads were developed during Sadikin's time (1967 - 1977). High-rise buildings and offices were explosive since early 1970s due to incoming investments both foreign and domestic in Jakarta. In the same time, the government launched a pro-poor program namely "Kampung Improvement Program" (KIP)⁴. This program aims to improve the quality of neighborhoods in the inner city without providing houses. It focuses on four important components specifically, physical infrastructure (roadways, neighborhood pathways, water service and sanitation), social services (health, education, and recreation), economic services (job training, credit for small enterprises, technical assistance) and home improvement.

In mid 1980s, due to depopulation of city center, the government has built many flats in inner city. By keeping the population in the center, expansion to the south can be slowed down (Abeyasekera, 1989). Population growth of Jakarta declines from 4.1% in period 1971 - 1980 to 2.4 % in period 1981 - 1990 (BPS-Statistic Indonesia, 2002). Indeed, it drastically declines to only 0.16 % during 1990 - 2000. Furthermore, in the same period, Central Jakarta shows negative growth; - 2.01 % (BPS-Statistic DKI Jakarta Provincial

⁴ *Kampung* is the rural settlement applied in urban area (Sullivan, 1986). The word *Kampung* also refers to an uneducated condition, poor condition of settlement within or near the urban area. Susantono (1998) also mention unclear land tenure as one of the characteristic of *kampung*. During colonial period, *Kampung* area was discounted by the Dutch administrator. As the result, *Kampung* had lack of infrastructures and facilities (Leaf, 1991). One of the accurate description about *Kampung* come from the great Indonesian writer Pramoedya Ananta Toer, he wrote "... **houses here are so close together that fresh air is unable to flush out the stale air heavy with shit and gutter gasses. This gutter's water, friend, can't flow unless municipal laborers put it along, since every residence throws his trash into it... in my peaceful kampung, with its stink and its condition...**" (Pramoedya Ananta Toer, 'My Kampung', Tales from Djakarta, 1957 quoted from Silver (2008:126).

Office, 2007). On the contrary, during 1980 - 1990, population growth of Tangerang and Bekasi is recorded at 6.3 % and 6.1 % successively. Bogor shows lower rate with 4.1% in the same period (Goldblum and Wong, 2000). In total, the urban population of Jakarta and its adjacent region grow at an average rate of 5.9 % annually during 1980 - 1990 (Henderson, et al, 1996). The sprawl and suburbanization in Jakarta has been predicted in Master Plan of Jakarta 1965 - 1985. That is why in early 1970s the government established an integration metropolitan area comprising Jakarta and the adjoining cities and regencies, namely Jabotabek, which in this thesis as Jakarta Metropolitan Area (JMA).

To connect cities and regencies in JMA, the government builds toll road and uses existing railway to Bogor, Tangerang and Bekasi. First project is Jagorawi Toll Road linking Jakarta and Bogor, which was launched in 1978. Toll road to Tangerang was opened in 1984. In the years 1990, all cities in JMA are finally connected through the toll road when toll road to Cikampek that links Bekasi and Jakarta completed. Within the core city Jakarta, the toll roads were developed to stimulate economy (Silver, 2008). This inner city toll road was completed in mid 1990s.

Together with road network development, built up area in Jakarta is expanding rapidly. Since mid-1980s, the expansion of Jakarta takes all directions to the surrounding area; Bogor, Tangerang and Bekasi (Abeyasekere, 1989, Susantono, 1998). In addition, Goldblum and Wong (2000) contend that the expansion of Jakarta is caused by accelerated sprawl and suburbanization. By mid 1990s, urban area of Jakarta has over spilled its administrative border (Hugo, 2003). According to National Land Agency in 1994 built up area covers 81 % of Jakarta, increasing nearly two times from built-up area in 1977 that covers only 42%. Meanwhile in the same period, built-up area in the adjacent area increase more than double (National Land Agency cited in Silver, 2008). Susantono (1998) summarizes the development in JMA in table 3.

In mid 1990s, Jakarta is considered as a global city that plays an important role in international economic process (Firman, 1999). The development of socio-economic and physical function in JMA goes toward the formation of the global city (Firman, 1998). JMA is regarded as the best location for their businesses especially for market oriented manufacturers (Susantono, 1998). However, Steinberg (2007) argues that JMA does not become global city yet. Many conditions for JMA to become global city have not been fulfilled, such as social-economic-ecological sustainability and the good quality of life (Steinberg, 2007). The economic crisis in 1997 - 8 has melt down the physical development in JMA. Unemployment and poverty increases rapidly. Meanwhile, the ability of the local government to ensure urban service drastically decrease (Firman, 1999). Yet the economic growth has recovered gradually. In 2006, economic growth of Jakarta is recorded at 5.9 % (BPS-Statistic DKI Jakarta Provincial Office, 2007). However, this rate is still lower than economic growth in 1996, one year before economic crisis hit Jakarta. At that time, economic growth of Jakarta was recorded at 9.09 % (Firman, 1999).

Nonetheless, before the economic crisis hit Jakarta and its surrounding, this area experienced a great strain on its land development (Firman, 2000). This tension came from two factors namely incredible population and economic growth (Firman and Winarso, 2002). Even after their argument, these two factors have increased the demand for land. As the result, massive land conversion came forward between mid 1980s - mid 1990s, mainly for housing and industrial sites. The most severe area for land conversion is the fringe area (Goldblum and Wong, 2000). Firman and Winarso (2002) emphasize that the deregulation policy, especially the 1988 financial, monetary, and banking reform, has triggered the explosive growth of the private developers in urban land development in JMA. These private developers are responsible for the rapid development of property in the fringe area.

The great tension on urban fringe area can be seen in the population outflow from the center to the outskirts of the city. This situation has started since 1980s. In other word, since 1980s, JMA has shown the phenomenon of the sub-urbanization (Rahmah et al, 2004). In term of population distribution, in the range of zero to five kilometers from the city center, the population density declines extraordinarily from 300 persons/ha in 1970 to 169 persons/ha in 1998. After 5 kilometers from center, the population density increase rapidly from 63 persons/ha in 1970 to 156 persons/ha in 1998. In a distance above 7 kilometers, the population density drops gradually (Mukarami et al, 2005). This description may explain the immense demand for land in the fringe area.

Table 3
Development of JMA 1980s - mid 1990s

Area	Early-1980s	Mid-1980s	Early 1990s	Mid 1990s
CBD / city center	Several high-rises building were built around major corridor	<ul style="list-style-type: none"> • Over-supply of office spaces, sluggish real estate market • High-rise apartment began to be constructed 	<ul style="list-style-type: none"> • High-rise office construction boom • High-rise apartment boom • New retail shopping centers 	<ul style="list-style-type: none"> • Over-supply of office spaces, though new buildings enter the market • High-rise apartment bust • More retail and shopping centers
Beltway Corridors (including inner and outer ring road) :	Residential areas for government employees and military, and public housing built near arterial roads	Real estate developers began to build large scale housing	<ul style="list-style-type: none"> • Several office buildings were built, high occupancy rates • Several apartments were located in Beltway • Massive development of various sized housing in the south, east and west 	<ul style="list-style-type: none"> • Mixed-use development • Continuing development of offices in Beltway • Continuing development of apartments • Several new towns were built in the east, west and south
Suburbs (three adjacent counties):			Housing demand skyrocketed	Demand for medium price housing is stable

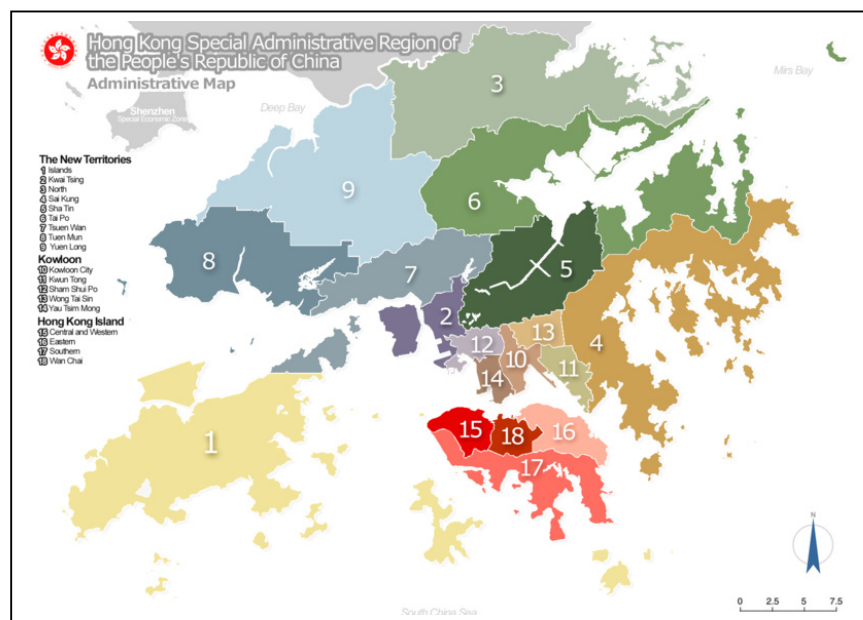
Source: Susantono (1998)

2.2. Hong Kong

2.2.1. Geographical background

Hong Kong, which its official name is Hong Kong Special Administrative Region (HKSAR), is part of People's Republic of China (PRC) after the handover from British in 1997. Administratively, Hong Kong consists of 18 districts with 1,108 square kilometers of the area (see figure 5). Together with Macao, Hong Kong enjoys high degree autonomy based on Sino-British Joint Declaration⁵ and the Basic Law of Hong Kong⁶. Thus, the social-economic of Hong Kong is less affected at least in the next fifty years after the handover. Since the late 1970s, Hong Kong has the role of the financial center in East Asia, the market economy, and democratizing society (Ng, 2005). Nowadays, Hong Kong is ruled under China's "One Country Two System".

Figure 5
Hong Kong Administrative Districts



Source: Wikipedia, 2008. Available at http://en.wikipedia.org/wiki/Hong_Kong

Geographic feature of Hong Kong, which consists of Hong Kong Island, Kowloon Peninsula and the New Territories, is unique. It is located in the South China Sea and is open to the Pacific Ocean, at the mouth of the Pearl River Delta in the southeast of China.

⁵ Sino-British Joint Declaration is the agreement between government of United Kingdom and People's Republic of China (PRC). It is signed on December 19, 1984 in Beijing. This agreement set up the mechanism of the handover of Hong Kong to PRC. One of the most important points in this agreement is the autonomy given by PRC to Hong Kong under special administration after the handover. This policy is in line with "one country two system" policy run by PRC.

⁶ Basic Law of Hong Kong is the constitutional document of Hong Kong Special Administrative Region. It is adopted on April 4 1990. this law is established in accordance to Sino-British Joint Declaration and regulate the relationship between Hong Kong and PRC. Article 5 of this law states "*The socialist system and policies shall not be practiced in the Hong Kong Special Administrative Region, and the previous capitalist system and way of life shall remain unchanged for 50 years*". (The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, 1990).

This geographical location makes Hong Kong a strategic point for transshipment to other parts of Asia (Lo, 1992). Hong Kong is also very fortunate with its natural deep-water port. In contrast to the port of Macao, Hong Kong's is free from sedimentation. In addition, Hong Kong has hilly landscape up to 500 meters height (see figure 6). It makes Hong Kong is protected from wind and periodic typhoon (Chiu, 1983). However, in addition to that fortunate landscape, Hong Kong is the very resource-poor area. Scarce mineral resource and limited arable has made marine fisheries as an important product. All these geographical characteristics have contributed to the creation of Hong Kong as the way it is today (Lo, 1992).

According to Census and Statistics Department, population of Hong Kong at the end of 2007 is recorded 6,963,100 people, which most of Hong Kongers (predicate for citizen of Hong Kong) live in urban area (HKSAR, 2008a). In 1995, 94 % of Hong Kongers live in urban area (Yeung, 1993 quoted by Ng, 1999). Approximately 73.5 % of them are in the range of productive age that is 15 - 64 years (CIA, 2007). Additionally, Kowloon is the densest area in Hong Kong with 42,969 people / km², followed by Hong Kong Island with 15,851 people / km² and New Territory is the lowest one with 4,489 people / km² (Census and Statistics Department, 2006). Nevertheless, population do not distribute equally to all area, they occupy only 25 % of the total area. This makes urban area in Hong Kong as one of the densest in the world (Cullinane and Cullinane, 2003).

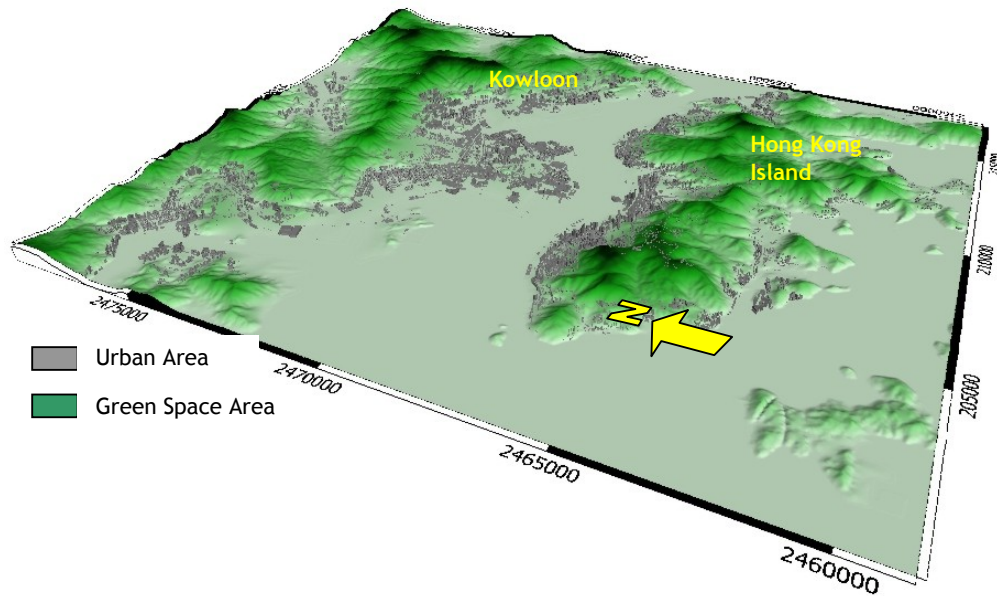
Population of Hong Kong is dynamic. According to Census and Statistics Department, Hong Kong's population increases around 1 million people per decade in the last three decades. It is projected that by 2030 population of Hong Kong will reach 10 million people. However, the annual Population growth in Hong Kong decreases from 1.8 % in 1996 to 0.4 % in 2006. Moreover, population of Hong Kong Island and Kowloon has declined in the past five years. Hong Kong Island population declines 67,357 people during 2001 - 2006 and Kowloon population declines 4,446 people in the same period. On the other hand, population of the hinterland (New Territories) has increased from 2,906,733 people in 1996 to 3,573,635 inhabitants in 2006 (Census and Statistics Department, 2006). The changes of Hong Kong population can be seen in table 4.

Table 4
Population Changes 1996 - 2006 in Hong Kong

District	1996		2001		2006	
	Number	% of total population	Number	% of total population	Number	% of total population
Hong Kong Island	1,312,637	21.1	1,335,469	19.9	1,268,112	18.5
Kowloon	1,987,996	32.0	2,023,979	30.3	2,019,533	29.4
New Territories	2,906,733	46.9	3,343,046	49.8	3,573,635	52.1
Hong Kong Total	6,217,556	100.0	6,708,389	100.0	6,864,346	100.0

Source: 2006 Population By-census Office, Census and Statistics Department.
Available at [http://www.censtatd.gov.hk/hong_kong_statistics/statistical_tables]

Figure 6
Landscape of Hong Kong



Source: AWE Communications.
Available at [<http://www.awe-communications.com/Databases/Urban.html>]

2.2.2. Development process: from small village to global city

Hong Kong is one of the global cities together with Tokyo, New York and London (Firman, 1998; 1999). Chau and Lai (2004) describe Hong Kong as:

“...a heavily populated, highly urbanized, land hungry, and fast growing open and laissez-faire economy” (Chau and Lai, 2003: 864).

Because of its role in international trade is irrefutable, Hong Kong becomes the center of decision making on capital exchange in Asia and the rest of the world (Meyer, 2000). The leading role of Hong Kong in regional economy is the result of laissez-faire economic policy in the last 165 years, with particular reference to the British colonization. However, economic momentum in Hong Kong is not started until 1950s (Ng, 2005). When British started occupying Hong Kong in 1842, it was still a scattered small village with 7,450 people (McDonogh and Wong, 2005; Ng, 2005).

The British acquired the Island of Hong Kong as the result of First Opium War under Treaty of Nanking on August 29, 1842. The defeat of China in Second Opium War results in the transfer of Kowloon Peninsula to the British rules under Convention of Peking on October 1860. The following years on July 1 1898 a 99 years of leasing on New Territories took place. In the first place, Hong Kong is intended for military purposes and permanent trading post (Lo, 1992).

The port of Hong Kong became a free port in 1842, when the British legally occupy Hong Kong. Beside as a free trading port, Hong Kong also provides a repairing services and stock supply (Lo, 1992). In the same time, the British built Victoria separately from Chinese residential as the main city, for the center of commercial and residential. Victoria is built on a sloping land in the northern coast of Hong Kong Island and soon became the center of economic activity (McDonogh and Wong, 2005; Lo, 1983). The expansion of Victoria, due to the rapid population growth, took east - west coast direction and onto the sea through reclamation. Overspill of Hong Kong Island's population, especially in Victoria, has forced the government to develop Kowloon Peninsula with a spatial planning (Lo, 1983). The period 1841 to 1914 was the period of stabilizing the foundation of Hong Kong's economy. Hong Kong acts as the free trading port and transshipment center (Lo, 1992).

During the First and Second World War (1914 - 1945) the economy of Hong Kong decline drastically. Japan became competitor for Hong Kong and during World War II; Hong Kong was eventually occupied by Japan. However, after the war, population of Hong Kong grew rapidly. It has increased to 650,000 (Lo, 1983). Instability of China's political situation has pushed migration from China's mainland to Hong Kong. Ng (2005) suggests that these refugees are a readily labor for the industrialization of Hong Kong in 1950s.

Industrialization of Hong Kong started in 1950s. The establishment of communist PRC in 1949 has enforced mainland capitalists to transfer their businesses to Hong Kong (Ng, 1999). Laissez-faire policy, which has been applied in Hong Kong since 1842, has attracted investors and entrepreneurs to run their businesses in Hong Kong. The foundation of industrial expansion in Hong Kong is light industries with an emphasis on cheap labor and exports that is the textile industry. The role of the market is very superior in industrial development. On the other hand, the government plays "positive non-intervention" that provides only security and stable environment (Lo, 1992; Ng, 2005). Industrialization has made of Hong Kong stands in the front row of Newly Industrial Countries (Lo, 1992).

The effect of industrialization is the explosive growth of factories in the very limited land. The result is a disorganized residential and industrial area. During the years 1950s - 1970s, the environment was in a poor condition. This condition has forced the government to interfere in the improvement of the residential area. The government run public housing program by removing squatters and slump area into housing provided by the government. Since the late 1970s, almost all squatters are resettled in public housing. On the other hand, private sector was encouraged to provide large housing (Wong, 1983).

The period of the years 1970s is the starting point for Hong Kong to shift from the industrial city into the service city (Ng, 2005). Hong Kong becomes financial center in East Asia. Since 1980, the contribution of services has dominated the economic activities. It reached 68 % of total economic activities and by 2000, it arrived at 85.6 % (Census and Statistics Department, 2006). Since 1980s, Hong Kong is regarded as a global city that plays a commanding role in regional economy.

2.2.3. Hong Kong today

The 1990s is the transition period for Hong Kong. The handover issue has made the economic growth in Hong Kong stop running in early 1990s. However, the Basic Law that adopted in 1990 guarantees Hong Kong is still capitalist at least until 2047. In fact, the economic growth in Hong Kong after the handover increases. For example, in 1996, the economic growth in Hong Kong was 4.6 % and ten years later, it reached 7 % (Perkin, 1997; Hong Kong Trade Development Council, 2008). Today, the economy of Hong Kong is considered as one the freest in the world and the ninth largest trading in the world. In 2000, Gross Domestic Product (GDP) of Hong Kong has reached US\$163,684,691,600. In addition, its GDP per capita rises to US\$24 400 in 2000 from US\$13 100 in 1990, even higher than it is during the British colonial era. (Cullinane and Cullinane, 2003).

Since 1990, Hong Kong has a restructuring of its economy. If in 1950s many industries moved from China mainland to Hong Kong, today the opposite direction occurs. Hong Kong has transferred most of its factories to China mainland and focus on financial services (Ng, 2005). By 2002, the area needed for office space reached 9.3 million meter square (Ho, 2005). In addition, number of person employed in manufacturing drops from 762,599 people in 1990 to 233,679 person in 2000. In the same time, services worker increase from 1,064,192 person in 1990 to 1,618,473 person in 2000 (Census and Statistics Department, 2006).

Nowadays, as an urban area, Hong Kong is very compact. Only 25 % of its land has been developed as an urban area, the rest is still rural area, parks and green belt zone. This makes the land in Hong Kong is very expensive. Although the government of Hong Kong always says that the minimum intervention and maximum support is their primary policy, in term of land market, the government strictly controls it. In fact, the government is the biggest landowner in Hong Kong and leasing lands to the private sector. This role has leaded the government as the main actor in urban development (Ng, 2005). Furthermore, she adds that the income from land leasing is one of the most important sources for Hong Kong. This is in fact in line with the argument of Rabushka (1979):

“The purpose of Hong Kong is to make money. Hong Kong has no other public, moral, intellectual, artistic, cultural or ethical purpose as a society. It is just one big bazaar”
(Robushka, 1979 cited in Cullinane and Cullinane, 2003: 282).

Nowadays, Hong Kong is still in the lead in the international business. Foreign investment in 2004 reached 34 billion, primarily in trade and service sector (AME info, 2005). These investments provide an enormous contribution to the life in Hong Kong. For example, more than 80 % of Hong Kongers work in the service sectors. Hong Kong is the ten largest in the world in external banking transaction and the second largest market capitalization in Asia (GIS, 2002 in Cullinane and Cullinane, 2003). Its airport and harbor is

one of the busiest in the world. Today, Hong Kong is not isolated from mainland of China in term of economic. Indeed, the government of China has included Hong Kong together with Senzhen and Guangzhou in the Pearl River Delta Special Economic Zone (Ng and Tang, 1999). Thus, many scholars are waiting for the role of Hong Kong in the coming years, whether Hong Kong will be able to continue its role as a global city or just as another city in China. Finally, the comparison on general situational background of social and economic condition in Jakarta and Hong Kong is presented in table 5 below.

Table 5
Social Economic Background of Jakarta and Hong Kong

Subject	Jakarta	Hong Kong
Area (km ²)	661	1,108
Population	8,379,069 (2000) ^a	6,708,389 (2001) ^d
Population Growth (%)	0.16 (1990 - 2000) ^a	1.56 (1996 - 2001) ^d
Population Density (people / km ²)	12,676 (2000) ^a	6,054 (2001) ^d
Leading sectors	Trade - Services and Industrial ^a	Trade - Services ^d
GDRP (2000)	US\$ 19,840,526,000 ^a	US\$ 163,684,691,600 ^e
GDRP / capita	US\$ 3,800 (2002) ^a	US\$ 24,400 (2000) ^e
Economic growth (%)	9.09 (1996) ^b 5.9 (2006) ^c	4.6 (1996) ^f 7.0 (2006) ^g
Foreign investment	US\$ 5.3 billion (2003) ^c	US\$ 34 billion (2004) ^h
Office space (m ²)	2.7 million (1998) ^b	9.3 million (2002) ⁱ

Sources:

- a. BPS-Statistic Indonesia, 2002
- b. Firman, 1999
- c. BPS-Statistic DKI Jakarta Provincial Office, 2007
- d. HKSAR, 2008a
- e. Cullinane and Cullinane, 2003
- f. Perkin, 1997
- g. Hong Kong Trade Development Council, 2008
- h. AME Info, 2005
- i. Ho, 2005

Chapter 3

Jakarta:

The Forces behind Land Development

“This is a city with a limitless demand for land development and few controls. Evictions will be carried out aggressively because rich conglomerates want to build plush housing estates, offices, leased apartments for expatriates and shopping centers”
(Ridwan Saidi in Jakarta Post 22 June 2004).

This chapter discusses the role of spatial planning and market forces in shaping the urban spatial arrangement in Jakarta. It describes the efforts of the government to direct spatial arrangement in Jakarta through spatial planning and the response of the market to these efforts. In the first section, the discussion focuses on the spatial planning that is applied in Jakarta. It discusses the planning system, the broader context of Jakarta spatial planning i.e. Jakarta Metropolitan Area Master Plan and the products of spatial planning in Jakarta i.e. the various master plans of Jakarta over time.

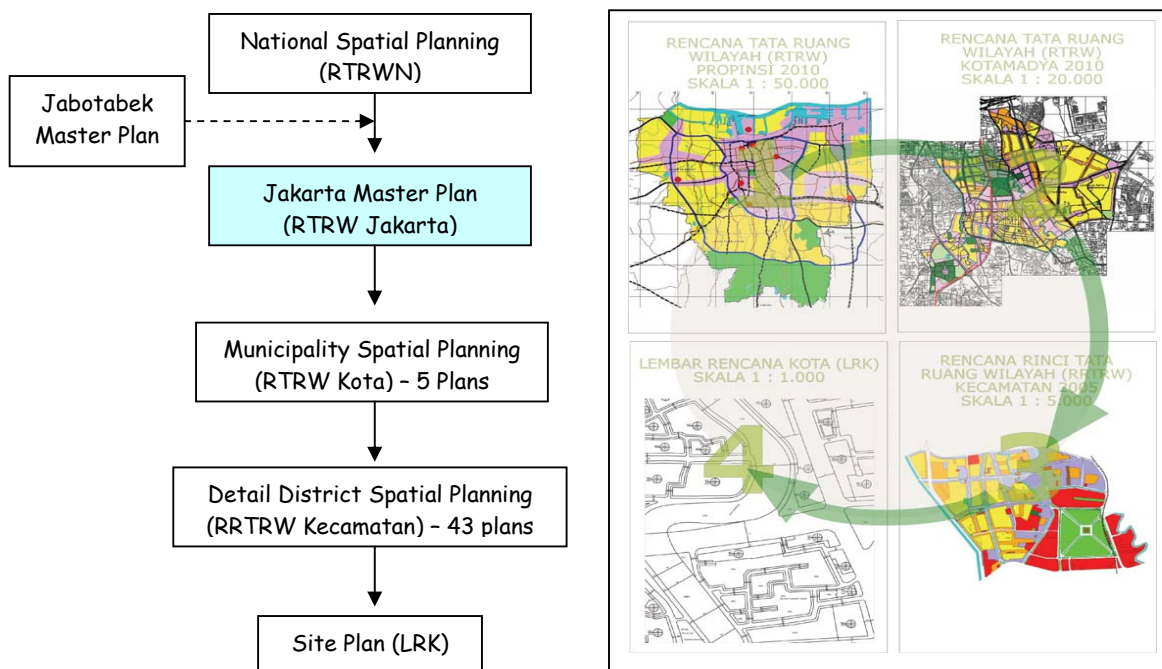
The subsequent section talks about the response of the market to the master plans in Jakarta. In reviewing the response, I use the indicators of spatial arrangement to examine the result of urban land development in Jakarta and its impact to green space. To conclude these two sections, I argue that market forces have conquered the spatial planning in Jakarta. Finally, the last section discusses the governance of spatial planning in Jakarta, and provides the reasons for the failure of the spatial planning in Jakarta.

3.1. Spatial planning in Jakarta

3.1.1. Spatial planning system: approach, hierarchy and development control

The planning system in Indonesia has a comprehensive, strong hierarchy top-down approach, strict regulation and binding style of planning. Officially, Jakarta Master Plan is part of Indonesia’s planning hierarchy as a provincial level of planning (see figure 7). This position of Jakarta Master Plan is based on Spatial Planning Law 1992 No. 24 article 19. In this research, I will focus the discussion of spatial planning in Jakarta on provincial level.

Figure 7
Hierarchy of Spatial Planning in Jakarta - Indonesia



Source: Jakarta DKI, 2007b. Available at <http://dtk.jakarta-mirror.com/index.php>

Since Indonesia use binding system for spatial planning, theoretically, the Jakarta Master Plans have a legal consequences in the face of law. In Spatial Planning Law of 2007 No. 26, it is clearly stated the sanctions for abusing spatial plan. The sanctions range from administrative penalty to criminal act. Administrative penalty may lead to cancellation of the permits or even demolition of buildings (Article 63). Additionally, Criminal punishment is applied not only for the developers (corporations or individuals) but also for the officials who abusing spatial plans such as granting the permit issued against the plans (Article 69 - 74). Nonetheless, the previous law on spatial planning, Spatial Planning Law of 1992 No. 24, does not clearly mention about the sanction for abusing this master plan. In the preceding time, the local government can only applied administrative penalty for the violence of the plans. The issuance of Spatial Planning Law of 2007 No. 26 has strengthened the binding system that applied in Jakarta spatial planning system. Consequently, every development in Jakarta must have permit from the local authority.

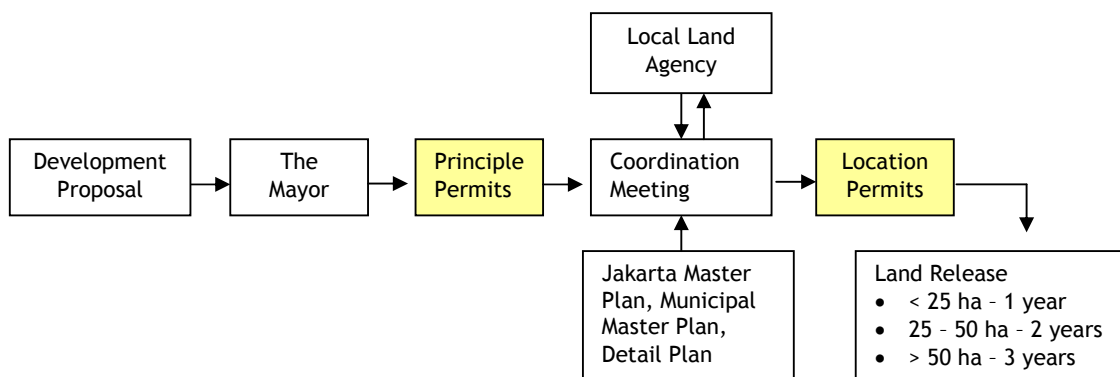
In Indonesia, permit system is mostly influential in controlling the development since the taxes on land and property is exercised on revenue enrichment not as a tool for directing the development (Winarso, 2000). Therefore, it is essential to draw the permit system in Indonesia, Jakarta in particular. Developers should acquire many permits for developing land. Nonetheless, the most significant permits that directly influence the spatial arrangement is principle permit (*Ijin Prinsip*), location permit (*Ijin Lokasi*) and building permit (*Ijin Mendirikan Bangunan*). (Leaf, 1991; Cowherd, 2002b).

Principle Permit is issued as the government approval for general intention of the land development. This permit is used as a prerequisite to apply for location permit. Location permit affirms that nominated area is in conformity with the spatial plan or development plan. This is a very important permit for the developers to release their land. For the development that takes more than 5,000 m square of land needs Gubernuratorial Reference for Land Use (*Surat Ijin Penunjukkan dan Penggunaan Tanah - SIPPT*).

Based on Presidential Decree of 2003 No. 34, the issuance of location permit is granted by the local government, that is the mayor or the Head of Regency (Bupati) (Government of Indonesia, 2003c). By rights, location permit is granted after the coordination meeting between the Mayor, Municipal Land Agency (BPN), Municipal Planning Board (Bappeda), and other related institutions. The holders of location permit must release the land within 1 to 3 years depending on the area of the land. For the area less than 25 hectares, the developers must release the land within 1 year, for the area from 25 to 50 hectares within 2 years and more than 50 hectares within 3 years. The permit can be extended if within the specified time for land release the developers have released the land at least 50 % of total area granted. Otherwise, the government can offer the land to other developers interested in developing the land. However, if the land is in the hands of the developers, location permit is not necessary but building permit is required (Government of Indonesia, 1999).

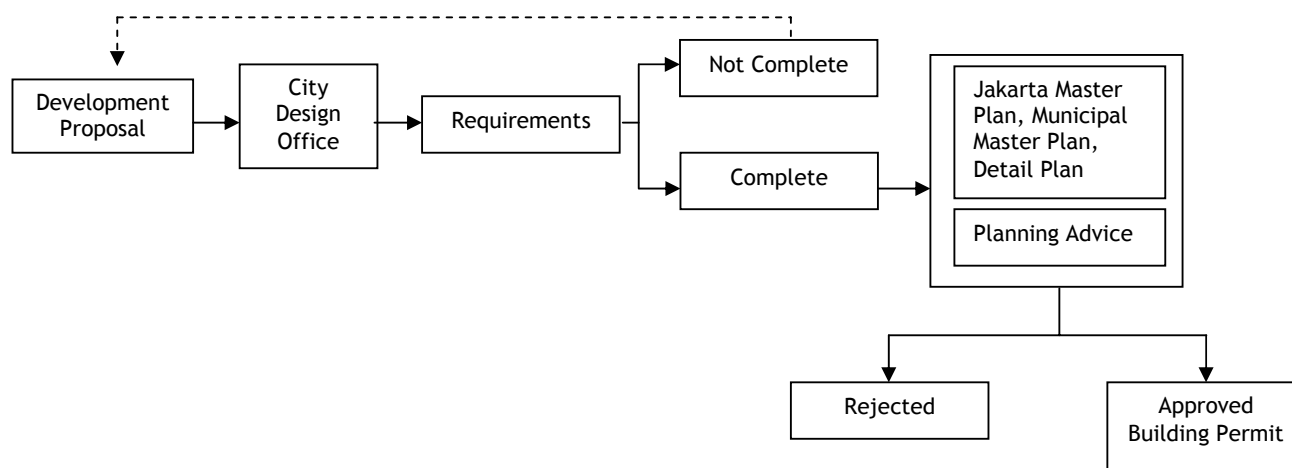
Furthermore, for the development of small portion of the land, such as individual housing, location permit is not needed but it needs building permit (IMB). Theoretically, if the construction is not in line with the spatial plans building permit will not be granted. The issuance of building permit is in the hands of local government. In the case of Jakarta, it has been delegated to City Design Office (Dinas Tata Kota). The procedure of location and building permit issuance can be seen in figure 8 and figure 9. The consequences of this permit system to land development in Jakarta will be discussed more detail in subsection 3.3.

Figure 8
Location Permit Procedure in Jakarta



Source: (Government of Indonesia, 2003b)

Figure 9
Building Permit Procedure in Jakarta



Source: (Government of Indonesia, 2003b)

3.1.2. History and framework development of Jakarta Spatial Planning

Before discussing the master plans in Jakarta, it is important to understand the history of spatial planning in Jakarta. Moreover, it is also important to review the development of ideas that built the framework for spatial planning in Jakarta. This subsection provides the insight of these items.

The attempt to conduct spatial planning in Jakarta is rooted to the work of a committee that consisting of Indonesian and Dutch planner in the early 1950s. This effort was aimed at deliberating the master plan for guiding the future development of Jakarta. The outline was finished in 1960 but it was never officially approved (Abeyasekere, 1989). This master plan outline initiates the idea of metropolitan concept under the name of Jakarta Raya (Greater Jakarta). Regional approach is used to guide the future development of Jakarta (Silver, 2008).

Giebels (1986) claims that regional approach in Greater Jakarta idea is the origin of Jabotabek (JMA) concept. The reason for this explanation is that the Greater Jakarta concept has already included the adjacent region of Jakarta as part of metropolitan area. It is indicated in the outline, which for handling the population growth of Jakarta, three adjacent regions is proposed as the location for new housing. Those areas are Tangerang in the west, Bogor in the south and Bekasi in the east (Silver, 2008).

In 1967, Ali Sadikin, the most legendary Governor of Jakarta, launched Master Plan of Djakarta 1965 - 1985. One of the main points in 1965 Master Plan is the recognition of the necessity for regional approach to the development of the capital city (Silver, 2008).

After the collapse of Soekarno⁷ power in 1966, Indonesia, under New Order regime, tries to restructure its urban development. The idea of Greater Jakarta is re-thought by the Government of Indonesia. Therefore, Dutch experts are asked for assisting Indonesian planning team to accomplish the concept of metropolitan area in Greater Jakarta. As the result, first study of Jakarta Metropolitan Area was reported in 1973 entitled: “JABOTABEK, A Planning Approach of the Absorption Capacity for New Settlements within the Jakarta Metropolitan Region” (Giebels, 1986). It is the first time that the term JABOTABEK came to exist. However, the strong hierarchy in the administrative bureaucracy is one of the burdens in bringing spatial planning in JMA in the legal framework. In Town Planning Ordinance 1948, it is stated that municipality government has the responsibility for its own city planning. The regional spatial planning that integrate cross-border administration area was not mentioned (Niessen, 1999).

To handle this problem, Lambert J Giebels wrote the report: JABOTABEK; Administrative Organization and Technical Assistance for the Formulation of a Master Plan. In his report, he proposes three options for administrative organization. In the first alternative, he proposes three-party coordination between Central Government, DKI Jakarta, and West Java Province. Second alternative is the creation of new institution that is Jabotabek Planning and Development Authority. Finally, the third alternative is the expansion of DKI Jakarta border in the metropolitan area that integrates the area included in the plan (Giebels, 1986).

As the response of these alternatives, the government of Indonesia chooses the first option. It was followed by President Instruction of 1976 No. 13 on the procedure for coordination within the central government. The result is the establishment of Jabotabek Planning Team (JPT). Subsequently, Joint Regulation of West Java Province and DKI Jakarta of 1976 No. 1 and No. 3 are issued (Giebels, 1986). In 1976, Ministry of Domestic Affairs Decree No. 10/34/16-282 - 1976 formally establishes this metropolitan conurbation. It regulate the cooperation between Jakarta as the core city and its adjacent areas those are Bogor, Tangerang and Bekasi (Secretariat Board of Development Cooperation Jabodetabekjur, 2006). Finally, JPT established *Jabotabek Metropolitan Development Plan 1981 (JMDP)*⁸, which offers an integrated plan for the period up to 2005 (Budhy, 1996).

Spatial planning approach for JMA Master Plan is the normative planning that influenced by *Randstad Model* (Cowherd, 2002a; Silver, 2008). Giebels (1986) identifies this concept as “Indonesian - Dutch Concept”, a hybrid concept derived from Dutch style of planning with a number of adjustments for Indonesia situation, since it was prepared by Indonesia planners in assistance Dutch planners. The interesting point of JMA Master Plan is

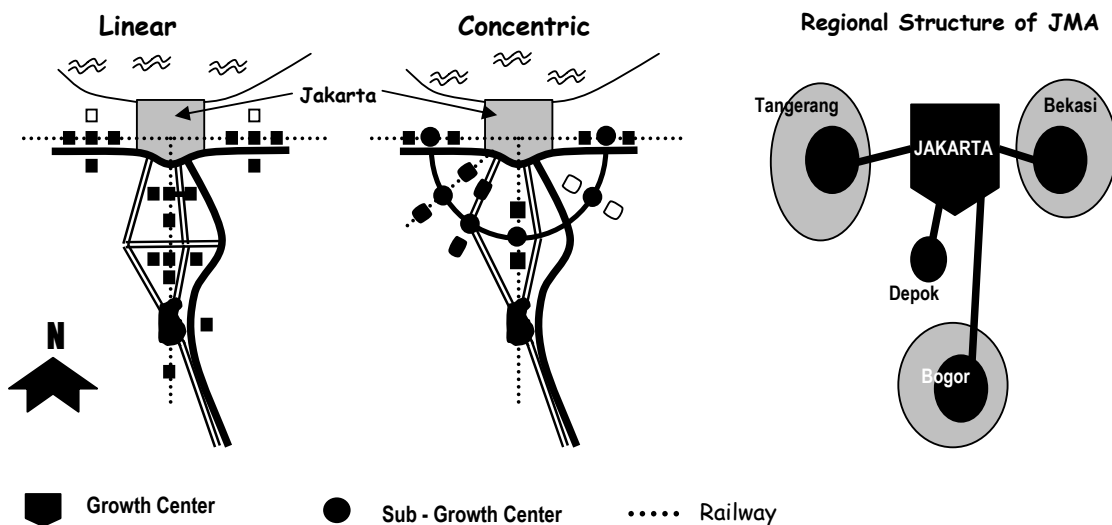
⁷ Soekarno is the first President of Indonesia. He was an architect graduated from Bandung Institute of Technology. His vision to Jakarta is to see Jakarta as a beautiful capital city of Indonesia and as the symbol of Indonesia unity (Silver, 2008).

⁸ Jabotabek Metropolitan Development Plan 1981 is seen as one of the main considerations for spatial planning conducted by each administrative region in JMA. Hereafter In this thesis, I will recall JMA Master Plan.

the contesting idea of the spatial structure model, which runs linear development model and concentric development model (see figure 10). The main difference between these two models is in the use of the transportation network modes in directing the development. In linear models, the existing railway network is the key element to direct the development, while the contested one is directed by radial ring road (Giebels, 1986; Silver, 2008).

Those models are put in “bundled deconcentration” concept, in which Jakarta plays as the growth center and each adjacent regions plays as the sub-center (Cowherd, 2005). Transportation network serves as the instrument for bundling the center and sub center. In addition, it serves as the instrument to direct the development in JMA. The main idea of this concept is to support the growth of settlements into a concentrated cluster pattern (Silver, 2008). For each sub-centers, they are expected to be self-sustaining activities center. It means that employment is created in each sub-center as well infrastructures and urban services will be improved.

Figure 10
Proposed Spatial Structure Models for JMA



Source: Giebels, 1986

The linear model is selected by JMA planning team due to environmental consideration. The planning team believes that it is important to preserve green space in the southeast and southwest of Jakarta relating to the water supply for Jakarta. In fact, in JMA Master Plan 1981, the linear model has been simplified by eliminating the south corridor and left only simple east - west corridor (Cowherd, 2005). It means that the area between Jakarta and Bogor City will be preserved as the green space and the expansion of Jakarta urban area is directed to Bekasi in the east and Tangerang in the west.

3.1.3. Jakarta master plan over time: 1960s - 1990s

The first Jakarta Master Plan is carried out in mid-1960s and is legally approved in 1967. It is known as *Master Plan of Djakarta, 1965 - 1985*. The focus of 1965 Master plan is the physical development and expansion of the city. The city is expected to expand concentrically (Forbes, 1990). Critical points in this master plan are the development of city center and improvement of city poor physical condition, such as transportation network, sanitation, slum areas and squatter settlements. According to this master plan, the problem of uncontrolled development is caused by lack of coordination in land development. Thus, 1965 Master Plan has functioned as the coordination instrument in land development (Silver, 2008).

While 1965 Master Plan is the legal basis for development in Jakarta, in the same time the government prepared JMA Master Plan. Nonetheless, the 1965 Master Plan cannot handle the rapid urbanization process in Jakarta (Forbes, 1990). The plan fails to guide the land development. As the result, land development in Jakarta was uncontrolled (Silver, 2008). For that reason, the Jakarta provincial government launched **1985 Master Plan**, which is legalized in 1984 by Jakarta City Regulation of 1984 No. 5 on Jakarta General Master Plan 1985 - 2005. It is based on JMA Master Plan due to many irrelevant assumptions in 1965 Master Plan. Another reason to lay JMA Master Plan as the basis of 1985 Master Plan is to put the development of Jakarta into regional context. Thus, the development of Jakarta becomes an integral part of the development of the metropolitan area.

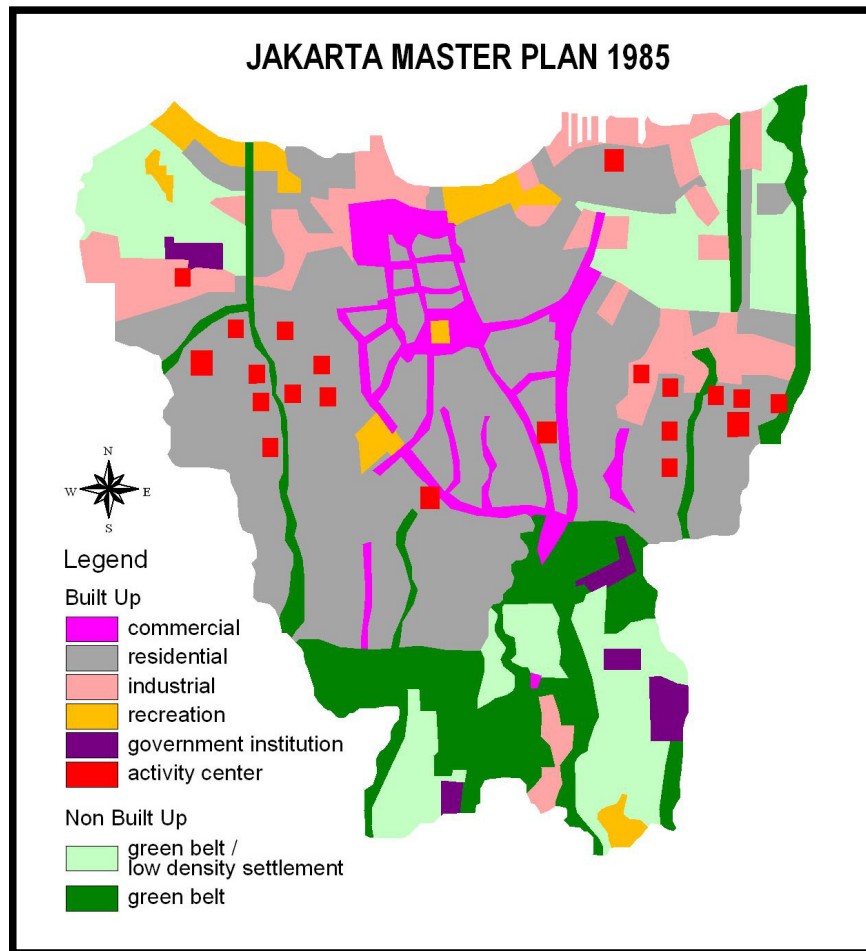
This master plan considers spatial planning as a strategic and structural approach for solving the urban conflicts and problems of the city. In general, the aims of 1985 Master Plan is to integrate regional and city strategies and to balance economic and physical solutions. It also set different infrastructure and environmental standards for various income groups and encourage community participation. Moreover, this master plan also recognizes chaotic urban fringe development and suggests some intensive efforts (Steinberg, 2007).

Generally, the 1985 Master Plan acknowledges several spatial policies for land development in Jakarta i.e.

- Urban development is focused on the east and west direction;
- Development in the southern area is strictly controlled
- Restriction of development in the direction of northwest and northeast

Related to the adjacent regions, the main policies of Jakarta is to promote urban development in the west and east, while limiting the development in the northeast and northwest. The reason behind these policies is environmental consideration that the south, northeast and northwest of Jakarta is intended for the protection of groundwater and soil (Budhy, 1996). It means that these areas will be preserved as green space of Jakarta. (See figure 11). In 1985 Master Plan, Jakarta adopted multi-nuclei model. It is marked with the distribution of the primary center outside the existing CBD.

Figure 11
Spatial Structure Plan of Jakarta 1985 - 2005



Source: 1985 Jakarta Master Plan, cited by Syaukat, 2007

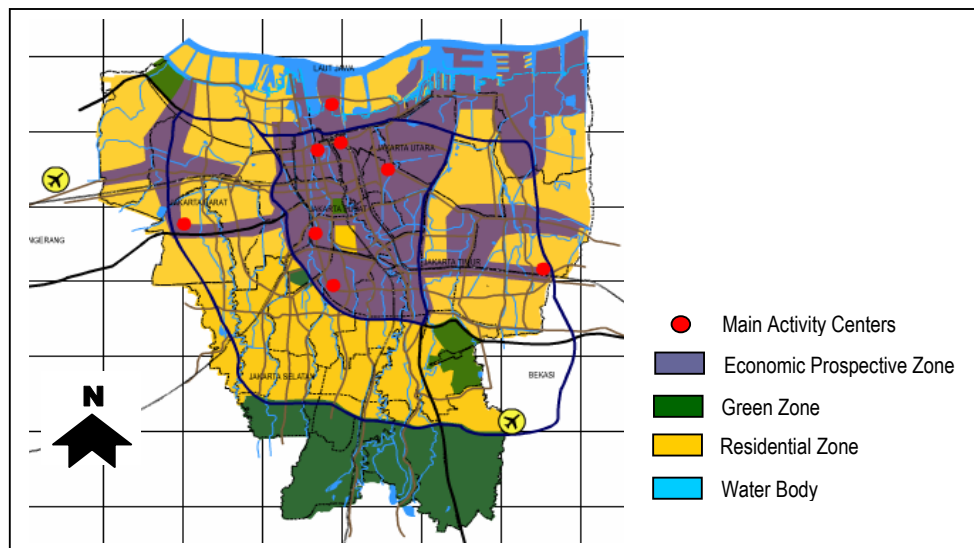
In 1992, the government of Indonesia release Spatial Planning Law of 1992 No. 24. Therefore, the government of Jakarta took the view that it is necessary to revise 1985 Master Plan for meeting the requirements in new law. As the result, the government of Jakarta revised 1985 Master Plan with Jakarta 2010 General Plan (*Rencana Umum Tata Ruang Jakarta*) (hereinafter: 2010 Master Plan). The timeline for this master plan is 2000 - 2010 and will be evaluated in 2005.

In 2010 Master Plan, Jakarta adopts the rhetoric of sustainability approach and bigger attention to social questions (Silver, 2008). This plan divided Jakarta into three development zones; North Development Zone, Central Development Zone and South Development Zone. The type of activities in spatial structure plan is divided into three categories; economic prospective zone, residential zone, and green zone. Spatial Structure Plan also located main activities centers (Jakarta DKI, 1999).

North Development Zone is destined for the port facilities and the development of a reclamation program. These activities are directed for the international commercial activities, upscale housing and tourism. Central Development Zone is subdivided into three areas. First is Mid-central Development Zone with governmental and commercial offices in combination with high-density housing. Secondly, west-central development Zone with its new business center dominated by residential use. Finally, East-central Development Zone is directed to be manufacturing and warehousing use together with residential use and its centers. Southern Development Zone is mainly residential use with high intensity in the adjacent of Central Development Area. In the southern part of South-Development Zone is designed for low-intensity housing regarding to green space preservation.

In line with 1985 Master Plan, the development of Jakarta in 2010 Master Plan is directed towards east and west direction with the addition on redevelopment of the northern part of Jakarta. The southern part is intended for low density housing and preservation of green space (see figure 12). Although this master plan is a revised version of the 1985 Master Plan, there are some big differences in both master plans. In general, the differences between three master plans of Jakarta are presented in table 6.

Figure 12
Spatial Structure Plan of Jakarta 2010



Source: Jakarta, DKI, 1999. Available at <http://www.jakarta.go.id/UserFiles/Flash/grid-blad-2.swf>

Table 6
Differences between Jakarta Master Plans

	Direction of development	City Formation and Structure	City Center Model	Population Projection
1965 Master Plan	All direction within 15 km radius	Concentric and Sectoral	One Center	6.5 million people
1985 Master Plan	East - West Corridor with 9 development areas	Multiple Nuclei	6 primary center of activities with 2 additions	12 million people
2010 Master Plan	East - West - North Corridor with 3 development areas	Multiple Nuclei	9 primary center of activities	12.5 million people

Source: Jakarta DKI, 2007b

3.2. Land development in Jakarta: between intention and market forces

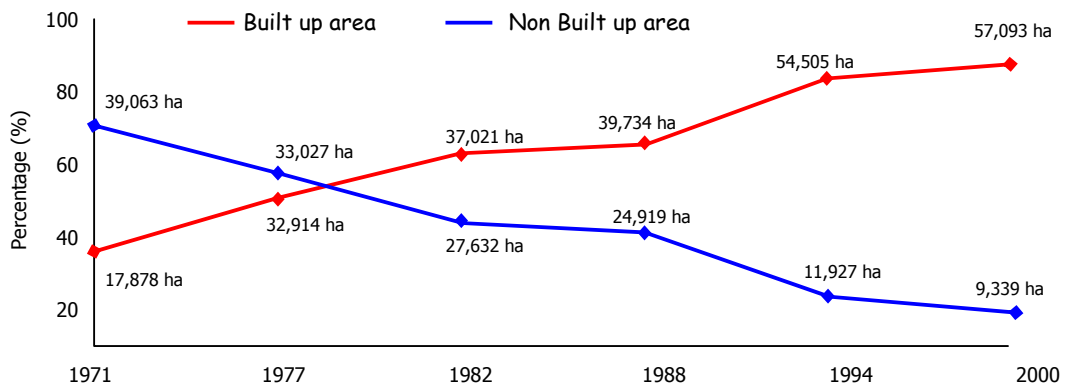
Having conferred the spatial planning in Jakarta, the discussion will now focus on another motion that I argue as a powerful force on land development in Jakarta that is, market mechanism. One of the indicators of market forces dominancy in directing the urban land development is urban sprawl in all direction (Sarosa, 2007; Balchin and Kieve, 1982). I believe that this condition happens in the land development in Jakarta. Hence, in this section, I would like to discuss some evidences of the market forces dominancy over statutory spatial plan in the land development. There are two indicators to show the dominancy of market forces over statutory spatial plan in Jakarta i.e. urban sprawl and the rapid decreasing of green space.

3.2.1. Urban sprawl in all direction

As a multifunctional city, Jakarta has grown very rapidly in the last three decades. In 1971, built up area in Jakarta only covered 31.4 %, but in 2000 it covers 84.93 % of total area (see figure 13). However, by 2000, the distribution of built up area has covered the largest part of Jakarta (see figure 14). Simply put, land development in Jakarta goes toward all direction. This is in contrast to the expectation of the master plan, which directing development toward east - west corridor (see figure 14 and figure 15). The 1985 Master Plan clearly stated that the southern area is intended as the green space.

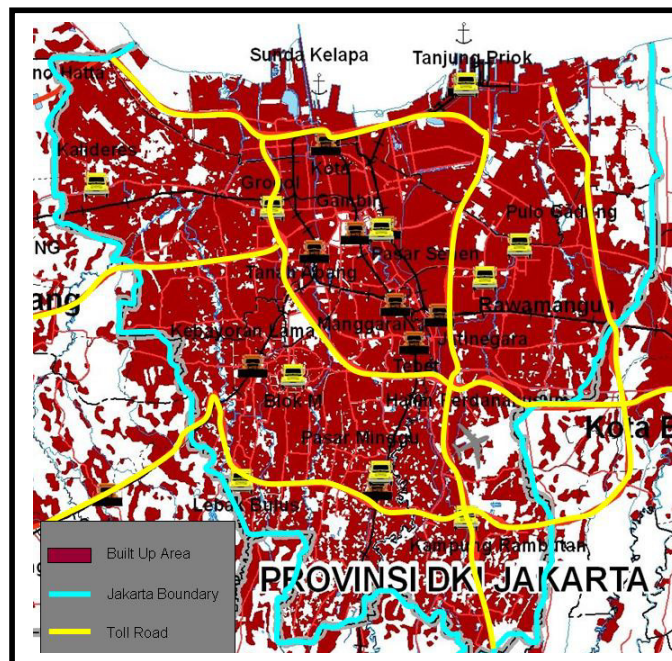
In 1980s, business activity is concentrated in the center and north of Jakarta. The north of Jakarta has been the center of business activity since the colonial period. It was followed by a residential area around the center to radius of 10 kilometers, in line with the precondition mentioned in 1965 Master Plan. Simply speaking, from the early 1980s, the central area has been transformed to the central for business activity (CBD).

Figure 13
Built Up Area Development 1971 - 2000 in Jakarta



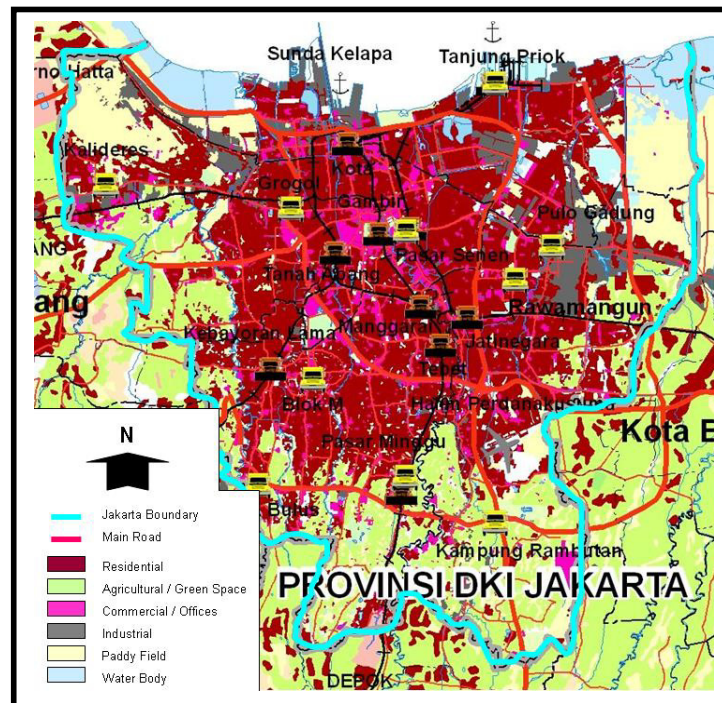
Source: National Land Agency (BPN) cited in Silver (2008);
BPS-Statistics DKI Jakarta Provincial Office (2007)

Figure 14
Built Up Area 2000 in Jakarta



Source: National Land Agency (BPN) - 2006

Figure 15
Land Use Pattern Jakarta 1983



Source: Land Use Map - National Land Agency (BPN) 2006

Starting in early 1980s, as the response of economic growth, the development of high-rise building took place in the city center, especially along the major corridor (see figure 16). High-rise apartment began to be constructed in mid 1980s and mushrooms in the early 1990s. The booming of high-rise office constructions and new retail shopping centers in the central area characterizes the early of the 1990s period (Susantono, 1998). During 1980 - 1992, approximately 600 new structures have been developed with a value of more than \$5 million (Dorleans, 1994 cited in Firman, 2004b). As the result, land prices in the central area astonishingly increased (see figure 17 and 18). In their study, Han and Basuki (2001) find that land value in the central area is the highest in Jakarta, especially in the CBD. In fact, by the early 1990s, the land price in the central area has reached US\$ 3,000 (Goldblum and Wong, 2000). Furthermore, they argue that the skyrocketed land price in the central area was driven by business speculation, as they put it:

“...in the early 1990s, it was admitted that about 40% of the lands in the central area were controlled by speculators who jacked up land prices and constructed large numbers of high-rise office buildings”
(Goldblum and Wong, 2000: 34).

Figure 16
High Rise Building in the Central Area of Jakarta



Source: Syaukat, 2007

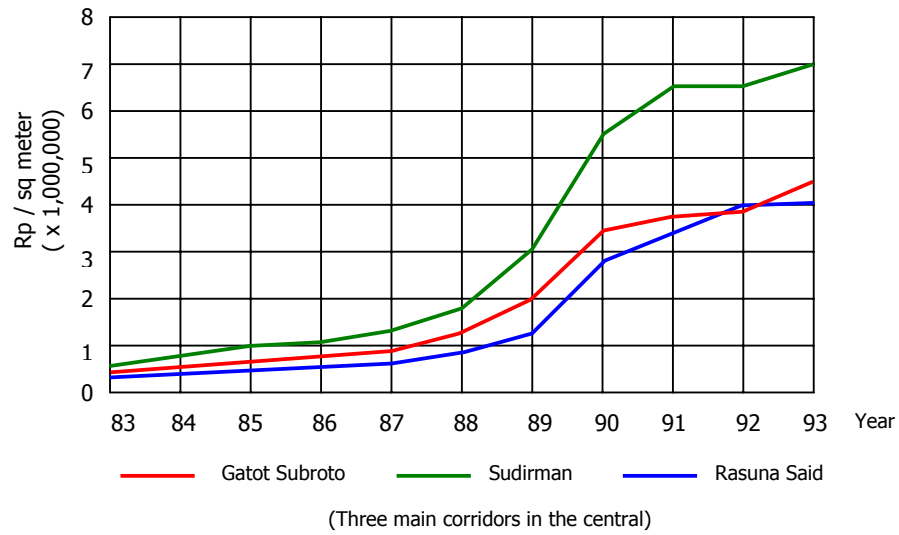
The transformation of the land use in the center of Jakarta has forced its residents to migrate to urban fringe for affordable housing (Browder and Bohland, 1995). Firman (1999) points out that by mid-1990s, the city center has been transformed into luxurious residential areas and offices. Jabotabek Metropolitan Development Plan Review (JMDPR) study discovers that:

“The most striking growth was on the immediate urban fringe of DKI Jakarta with many local areas showing intercensal growth rates close to or even in excess of 10 % annually”
(JMDPR Study, 1993 cited in Firman and Dharmapatni, 1994: 85).

In addition, Silver (2008) mentions some pressures that have evoked this out-migration that is, the housing clearance for new development and the pressure from skyrocketed rents. Statistically, the out-migration from the center into urban fringe is marked by the decreasing of population in central of Jakarta (see table 1). It can also be seen in land use change in Jakarta in the last 2 decades (see figure 19). From the figure 19, we can clearly see that land use in the urban fringe is mostly converted into housing, while in the inner city is transformed into commercial use. Surprisingly, residential density in the city center rose from 99.7 persons per hectare in 1980 to 135.7 persons per hectare in 1994 (Marcussen, 1990 cited in Silver, 2008). This phenomenon shows the very intensive land use in the central area.

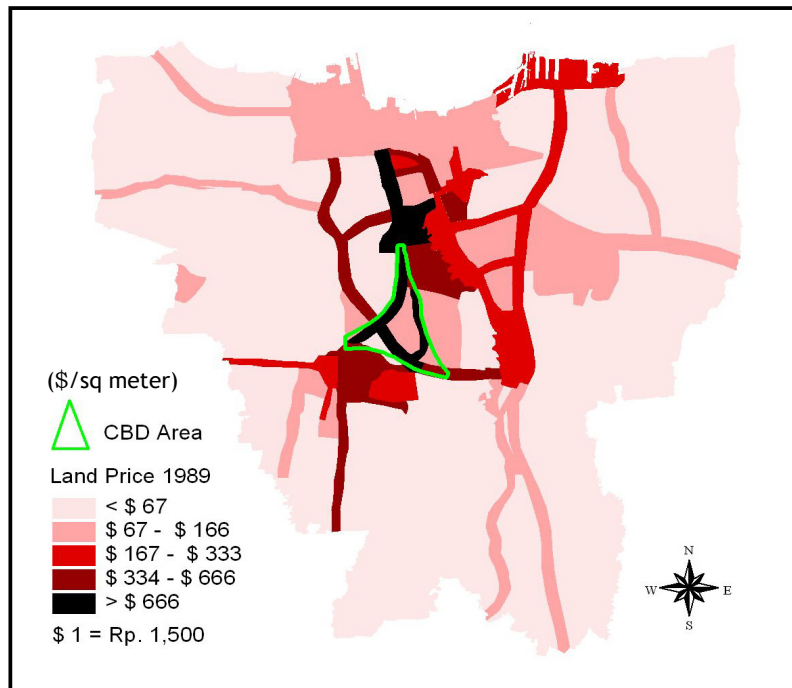
The outward expansion of urban use is not only performed by residential use but also commercial use, such as offices and retails. Syaukat (2007) observes that 203 offices building have been developed during 1985 - 2005. Furthermore, she finds that only 88 buildings located in the CBD, while the rest dispersed in all direction of Jakarta. Following her finding, cheaper land outside the CBD area and the strategic location is the main reason for firms to expand outward.

Figure 17
Land Price Escalation in the City Center of Jakarta



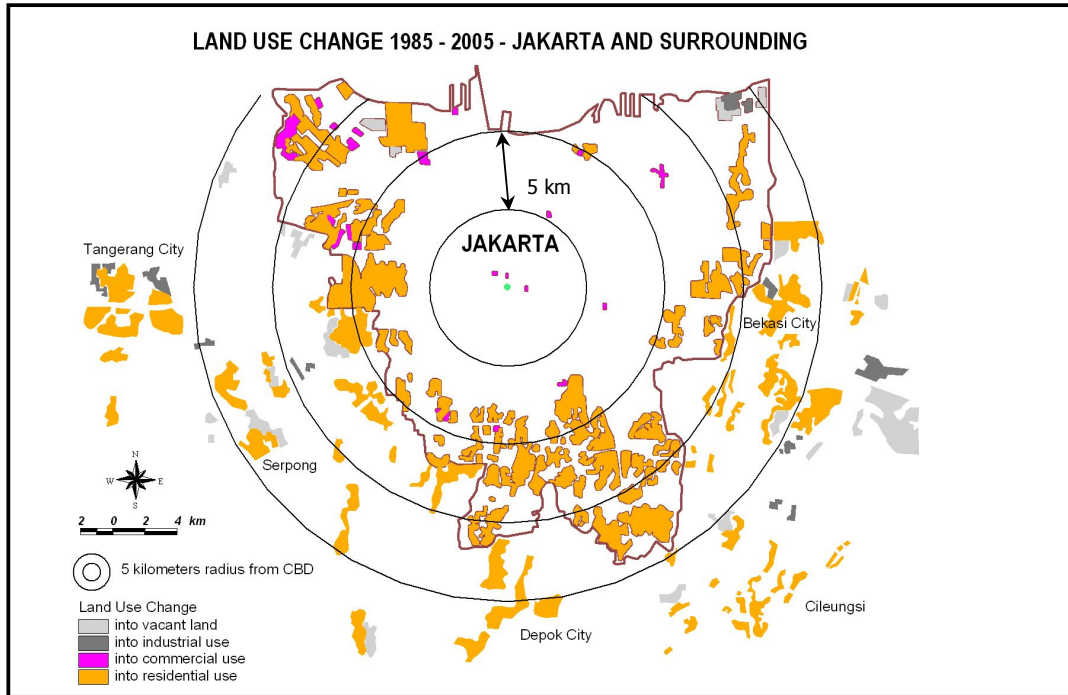
Source: Panagian Simanungkalit and Associate, Properti Indonesia, May 1994 cited in Winarso (2000).

Figure 18
Land Price in Jakarta 1989



Source: National Land Agency (1990) cited in Syaikat (2007)

Figure 19
Land Use Change in Jakarta 1985 - 2000



Source: National Land Agency - 2006

3.2.2. The decrease of green space

Another impact of market forces dominance on urban land development is the conversion of less profitable use of land into a more profitable land use, such as green space (Firman, 2000; Balchin and Kieve, 1982; Klosterman, 1985; Buitelaar, 2007). In a rapidly growing urban area, the existence of green space is always threatened by conversion of the land into urban uses (Firman, 2000). In the case of Jakarta, green space has declined tremendously in the last 30 years. Approximately 40 % of Jakarta area was covered by green space during the period of 1970s. In 1985, this number has dropped to merely 29 % and has continued to shrink ever since. In 2002, it only covers 9 % (Steinberg, 2007; Silver, 2008). Unfortunately, Jakarta Master Plans seem to accept this condition. The 1965 Master Plan targeted 37.2 % of Jakarta area for green space. This assumption was reduced in 1985 Master Plan to 25.85 %. The latest master plan targets the green space for Jakarta to be 13.94 % by 2010.

Spatially, the lost of green space mostly take place in the southern of Jakarta. The penetration of built up area to the south has replaced the green space (mostly agricultural), which had predominantly covered this area in early 1980s. In 1980s, the south of Jakarta was well known as the center of fruitage farm area that supplied the demand of Jakarta. It also functioned as a kind of greenbelt for Jakarta. Nonetheless, by 2000, the southern Jakarta is predominantly covered by residential use, which is against the intention of 1985 Master Plan.

3.2.3. Market beats planning

From the description of urban expansion in Jakarta, we can conclude that urban use has sprawled in all direction in the last 2 decades. The main reason of the sprawl is the economic boost in Indonesia, Jakarta particularly. It has triggered the vast physical development in major cities, including Jakarta (Firman, 1997). Skyrocketed land price in the central area has forced residential use to move outward into urban periphery. Residential use cannot compete with commercial use in the central area. Unfortunately, the sprawl takes all direction, including to the south.

This situation is somehow in line with neo-classical argument. In one hand, market forces have played the major role in the land development of Jakarta. On the other hand, Jakarta master plan cannot prevent the penetration of residential use in the south of Jakarta. In term of the decline of green space, Jakarta master plans seem to accept. In other word, market forces have overpowered the spatial planning in Jakarta.

3.3. Governance of land development: reasons for planning failure

After speaking about the failure of spatial planning to direct land development in Jakarta, it is now important to find the reasons behind that failure. One of the most important factors for the successful implementation of the plan is a good governance structure around the planning itself (Albrecht et al, 2003; Laquian, 2005; Ng and Tang, 1999). In this thesis, urban governance refers to what Ng and Tang (1999) have identified as “the processes and methods of governing urban areas”.

For the discussion of this section, I divide the governance that surrounds the spatial planning into two parts. Firstly, I will describe the general situation of the governance in Indonesia. Secondly, I will describe the biggest problem in governance of Indonesia namely corruption. Finally, the discussion will be focused on the governance of land development control in Jakarta.

3.3.1. Governance in Indonesia

Indonesia is in the transitional period after the economic crisis hit Indonesia in 1998. This economic crisis has led to a fundamental change in Indonesia’s political situation. Military regime, under Soeharto, has collapsed. As the result, Indonesia enters a more democratic political situation. Yet the political transformation has led to the deterioration of political stability. It can be seen from falling index for the political stability that has been released by the World Bank in its report “Governance Matters VII: Aggregate and Individual Governance Indicators, 1996-2007” prepared by Kaufmann et al

(2007)⁹. In 1996, Indonesia has -0.81 index for political stability and in 2007 was dropped to -1.13 (Kaufmann, et al., 2008).

In Governance Indicators Report from World Bank, there are six indicators of the governance condition for the state level. Nevertheless, for the purpose of this thesis, I will present four of them those are, accountability, government effectiveness, rule of law and control of corruption¹⁰. The latest report shows that Indonesia has -0.17 rating for accountability, -0.41 for government effectiveness, -0.71 for rule of law, and -0.72 for control of corruption (Kaufmann, et al., 2008). Apparently, in all four indicators Indonesia has negative (-) indexes. In other word, generally the good governance has not become visible in Indonesia.

In the case of Jakarta, there are various reasons for the failure to control land development. The uncontrolled land development in Jakarta indicates that spatial planning has unsuccessfully accomplished one of its tasks i.e. to have power over land allocation. According to Cowherd (2005), the lack of good governance around the spatial planning in Indonesia is responsible for the failure to implement the spatial plan. One of the biggest problems that Indonesia has faced in the carrying out of good governance is corruption.

3.3.2. Corruption in Indonesia

General description

Over time, Indonesia has faced the rampant corruption problem (Henderson and Kuncoro, 2004; Schwarz, 1999; Server, 1996). In fact, in the state level, Indonesia rests among the countries with the lowest rank of corruption index published by Transparency International. In 1996, Indonesia stood in 45 of the 54 surveyed countries with the Corruption Perception Index Score (CPI Score)¹¹ 2.65 on a scale of 10 (Transparency International, 1996). It means that Indonesia has serious problems with regard to corruption. In fact, in 2007, the CPI fell to 2.3 score of 10 and stood in 143 to 146 of 180 countries (Transparency International, 2007).

⁹ The assessment of the index ranges between – 2.5 to 2.5, which mean that the higher is the rating; the better it is for certain governance condition indicator.

¹⁰ Many definitions have been devoted to corruption. Probably definition provided by Jain (2001) can give description about the corruption. He defined corruption as "*in which the power of public office is used for personal gain in a manner that contravenes the rules of the game*" (Jain, 2001 quoted by Seldadyo, 2008; see also Robertson-Snape, 1999). In Indonesia, maybe in other countries as well, corruption is closely related to collusion and nepotism behavior. Indonesia people have specific term for these behaviors i.e. KKN, the abbreviation stands for first letter of corruption, collusion and nepotism in Bahasa.

¹¹ Corruption Perception Index Score (CPI Score) has the range of index from 0 to 10. The highest point is 10, which means that the country with 10 score is the cleanest country in the world. This score shows the countries' perceived level of corruption published by Transparency International. The rank of the surveyed countries is based on this score. The higher is the score, the higher is the rank that shown in smaller number. Thus, this score can give a glance description of the corruption situation in one country and its relative position to other countries.

In characterizing the corruption in Indonesia, Schwarz (1999) divided corruption into two categories. Both have the similar kind of actions but different in size. In the first category, Schwarz (1999) includes small bribes, payoffs, illegal bonus, and other incentives that accelerate the functioning of the bureaucracy. In the second instance, the nature of the activities is no different to the first one, but the size is larger and involves high degree of authority. Both types contribute to the governance of urban land management in Jakarta. While the first type occurs in the daily activities and on the small plots of land, the second types arise when the big project is carried out.

Although the corruption in Indonesia has occurred since 1950s, it took its significant momentum not until early 1980s. This situation is related to the economic growth in Indonesia, Jakarta particularly. Historically, the tremendous growth of Jakarta took its momentum in early 1980s, when New Order Regime under Suharto's leadership adopts "market liberalization strategies" (Cowherd, 2005)¹². Deregulation, privatization, and decentralization of the economy are the jargon of this new strategy. Consequently, many sectors are opened to the free market competition, including property. In the period of 1980s, Suharto built his regime with the support of military and business power. Cowherd (2002a) has termed the alliance between Suharto and businesspersons as "Cendana - Cukong" alliance¹³. In fact, most of the developers that play in the property sector have connection with the Suharto inner circle (Winarso, 2000).

Nonetheless, recently Indonesia is carrying out the serious actions against corruption. In 2004, its independence commission against corruption has been established. The seriousness of the government to combat corruption reflects in increasing index in World Bank Report on the control of corruption. In 1998, the index of control for corruption is -1.15 and it is to be increased to -0.72 in 2007 (Kaufmann, et al, 2008). Control from the press is also increasing since 1998. Regulations that restricted press freedom has been cleared. Social control is not only performed by the press but also by many independent organizations, such as Non-Governmental Organization (NGOs). As the result, accountability index increases from -1.04 in 1998 to -0.17 in 2007 (Kaufmann, et al, 2008).

¹² The late M. Suharto is the former president of Indonesia that ruled Indonesia for 32 years from 1966 to 1998. His regime is called *Orde Baru* (New Order Regime). Under his leadership, Indonesia experienced economic boost in 1980s - 1990s. His regime is also characterized by domination of his family and his cronies in business, including property business. He was charged as the most corrupt leaders on earth (Transparency International, 2004).

¹³ Cendana - Cukong is the alliance between Suharto's closest family / friends and the Chinese family-based business empire (Cukong). Cendana is the street in Menteng, the Jakarta elite neighborhood, where Suharto and his closest friend and family lives (Cowherd, 2002a). The support from the government (Suharto) made this alliance has a great power to control most of the business in Indonesia, Jakarta particularly, including in the property sector.

Factors that trigger corruption

Economic Pressures

Many arguments have been devoted to the cause of the mushrooming of corruption in the public sector. Robertson-Snape (1999) argues that political and economic factors are two significant factors that give confidence to the corruption practices in Indonesia. Economic pressure is considered as one of the most influential factor in the escalation of corruption practice. Indeed, Suharto himself mentioned about this, as he put it:

“Corruption in our country is not the result of corrupt minds but of economic pressures” (Suharto, 1991 cited in Schwarz, 1999: 136).

Low salary of the public officials is the most significant factors that confidence of small bribes, payoffs, illegal bonus, and other incentives that take place in public service, including the issuance of the permit (Robertson-Snape, 1999; Schwarz, 1999). The salary of the public officer could not meet the living expense. Hill (1994) states by 1990, the salary met only one-third of the living cost (Hill, 1994 cited in Robertson-Snape, 1999). In fact, sixteen years later, when the basic salary has been raised several times, the salary still cannot meet the living cost, especially in Jakarta. The living expense in Jakarta by 2006 is \$ 310 / month (BPS-Statistics DKI Jakarta Provincial Office, 2007)¹⁴. In the meantime, the highest basic salary for managerial level in the public sector is \$ 180 / month (Government of Indonesia, 2003a). In addition, Filmer and Lindauer (2001) find that the salary of a senior official level is lower than the salary of the senior level in the private sector. They discover that the salary in the private sector for managerial level is 1.5 higher than in public sector in the average.

Politic-institutional Factors

Besides the economic factor, politic-institutional factor is also considered as an important factor that stimulates the corruption practice in public service. The system of the public service itself encourages corruption. The lack of accountability, transparent, and democratic institutions in Indonesian politics is seen as a significant contributing factor to the unbridled corruption practice (Robertson-Snape, 1999). In fact, he claims that corruption has been maintained by the president's (Soeharto) necessitates for the protection of his position. The bureaucrats at all level are forced to their loyalty in the system that provides mutual benefit from corruption. In the top of the system, which Robertson-Snape (1999) describes as a pyramid, Suharto controlled the system. As he wrote:

¹⁴ In 2006, 1 dollar equal to Rp. 9,200 (Pacific Exchange Rate Service, 2006)

“Suharto ensured that the benefits of corruption were dispersed widely through the pyramid, so that bureaucrats at all levels had a stake in the system, the pyramid remained stable” (Robertson-Snape, 1999: 592)

In doing so, the government under Suharto regime intervene every element of economy sector, what Temple (2001) has termed “the politicization of economic activity”.

The huge role of government in every sector was not followed by the control from independent institutions. Not until the political reform after 1998, the independent institutions to superintend the corruption practice is established. The self-control conducted by government institutions is inadequate to control the corruption (Robertson-Snape, 1999). Furthermore, this situation is worsened by low law enforcement in term of corruption prevention (Schwarz, 1999). The control from the press was also insufficient during Suharto’s time since the government controlled the reporting through censorship and intimidation to shut down the company (Romano, 2003).

3.3.3. The governance of land development control in Jakarta

Having discussed the governance surrounds the planning in general, it is necessary to focus our intention to see how this governance works in the urban development. Niessen (1999) implies that corrupt activities also occur rampantly in municipality governmental level. In the case of urban development, Suharto and his inner circle to safeguard their political and economic interests use spatial planning as a vehicle. As the result, it creates a supportive environment to the mushrooming of corruption practices in urban development (Cowherd, 2005). In the case of Jakarta, Server (1996) affirms that one of the biggest problems in the governance of urban land development is corruption. Furthermore, Susantono (1998) claims that the informal procedure has dominated the governance of land development process (see also Firman and Winarso, 2002).

Moreover, Susantono (1998) argues that corruption is one of the most important factors that lead to uncontrolled development and aberration of land use pattern from spatial planning in Jakarta. In addition, Server (1996) insists that the corruption circle does not only involve the private sector but also the public sector through “hidden fees” and “close door negotiation”. Simply saying, Jakarta is confronted with the problem of accountability and transparency.

In term of urban land development control, location permit system is vulnerable to corruption (Cowherd, 2005; Firman and Winarso, 2002). This kind of permit plays a significant role in directing the land development because it has direct impact on the urban spatial arrangement. The function of this permit is to control and guide urban land use development in accordant with spatial plan (Firman, 2004b). Yet in practice, according to Winarso (2000), the complexity and the lengthy procedure of the permit system in

Indonesia increase costs. For instance, it may take 1 - 6 months to obtain only for location permit in Jakarta. As the result, the deceitfulness as bribery in obtaining the permit may occur (Firman, 2004b; Server, 1996). It can happen when the private sectors has specifically different ideas about the location of their investments (Server, 1996). Firman and Winarso (2002) point out that the modification of the spatial plan might happen as the result of high-level lobby.

Another problem that arises in granting location permit is such permit solely for the approved developers (Firman, 2004b). Following his argument, top down procedures in the permit system during 1980s - 90s has facilitated this situation. Close relationship between developers (individuals) and official staffs can make the procedure simpler and easier to get the permit, although the proposals are against the spatial plan. To ensure the permit issuance, the developers or individuals have to pay "tolerance fees" (Server, 1996). The same situation occurs in obtaining building permit. To describe this situation, Server (1996) writes:

"The development permits can be obtained from the Municipal Planning Agency. If the land-use proposed is in contradiction with the designations of the Master Plan and the Detailed City Plan, such breach of law will have its price" (Server, 1996: 25).

This situation explains the rapid reduction of green space in Jakarta. Instead of preserving the green space, the authority is willing to sacrifice green space for revenue. On the other hand, developers are enthusiastic on obtaining sites in green spaces, even if they have to pay certain amounts of illegal fees. In fact, the developers may sometime offer bribes (Server, 1996).

In term of the developers in Indonesia; Jakarta particularly, Winarso (2000) has shown that the practice of cronyism do exist. The developers somehow have connection to Suharto. It is widely known that those who are politically well connected to Suharto inner circle control the big businesses (Robertson-Snape, 1999). This group, known as "Cendana - Cukong" alliance (see footnote 12), steer the development of the city through informal bargains. In the issuance of location permit, this group frequently gives pressure to National Land Agency. Consequently, many location permits have been issued even though the proposals of the development do not meet the intentions of the plan (Cowherd, 2005).

To conclude, Firman (2000) argues that permit system related to land development in Indonesia has failed to control land development, because the developers (individuals) are awarded the easiest way to acquire the land, even by ignoring the requirement for land development permit. Furthermore, Server (1996) asserts that the corruption in urban management of Jakarta has widespread in all level of governance. The consequence of this situation is that many constructions (buildings and houses) are built without the adequate permits and are deviated from the spatial plan (Firman, 2000, 2004b). Furthermore, this situation is worsened by low law enforcement for master plan deviation.

Chapter 4

Hong Kong:

The Forces behind Land Development

“Like it or not, Hong Kong is the most interesting cities mankind has ever created, and it deserves some stateliness at the heart...”
(Morris, Jan, 1989 quoted by C.P. Lo, 1992: 149).

This chapter discusses the role of spatial planning and market forces in shaping urban spatial arrangement in Hong Kong. It describes the efforts of the government to direct spatial arrangement in Hong Kong through spatial planning and the response of the market to these efforts. In the first section, the discussion focuses on the spatial planning that is applied in Hong Kong. It discusses the planning system and the products of spatial planning in Hong Kong.

The following section talks about the response of the market to the master plans in Hong Kong. In reviewing the response, I use the indicators of spatial arrangement to examine the result of urban land development in Hong Kong and its impact to green space. To conclude these two sections, I argue spatial planning have successfully controlled the market in Hong Kong. Finally, the last section discusses the governance of spatial planning in Hong Kong, and provides the reasons for the success of the spatial planning in Hong Kong.

4.1. Spatial planning in Hong Kong

4.1.1. Spatial planning system: approach, hierarchy and development control

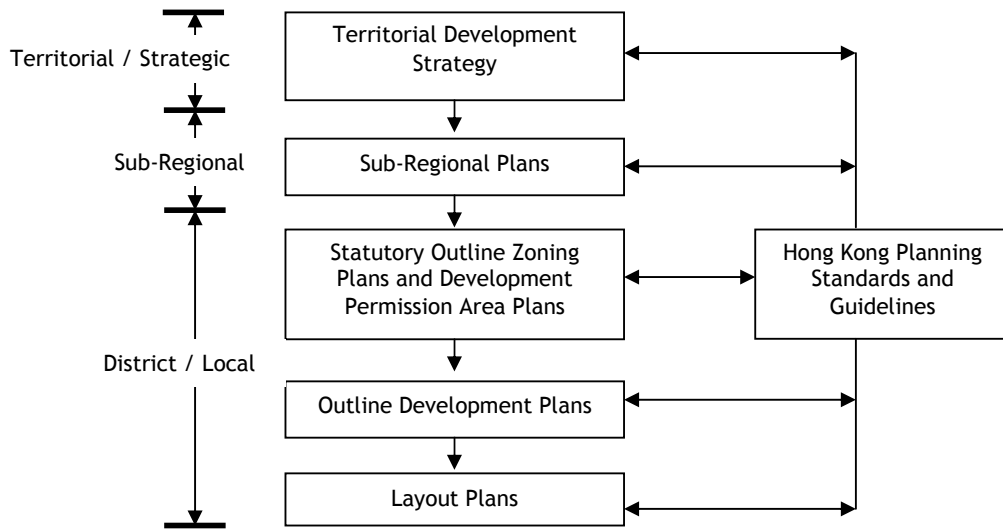
The economic growth is the main focus of Hong Kong development strategy. For that reason, the Government of Hong Kong takes “minimum intervention and maximum support” policy. The consequences of this ideology to planning is that planning is used to serve economic interests, while the social and environmental interests play as the secondary interests (Ng, 1999, Lo, 1992). It creates a flexible style of spatial planning in the face of the market mechanism. As the result, planning in Hong Kong is somewhat receptive to land use change necessities (Yeh, 1997).

Traditionally, the basis of Hong Kong’s planning system is British style of executive-led government. However, the spatial planning system in Hong Kong is not simply following British style of planning. It is a combination of British discretionary permission process and statutory land-use zoning plans as its legal framework. Tang et al

(2000) have termed this system as the “hybrid system”. Pertaining to this system, Tang and Tang (1999) assert that this scheme gives a balance between market efficiency and public control. Additionally, according to Branch (1996) such an approach provides certainty and flexibility at the same time in controlling land development (Branch, 1996 in Tang et al, 2000). The concept of combining certainty and flexibility is elaborated in Outline Zoning Plans mechanism and process of development control.

In Hong Kong, there are three tiers of spatial planning hierarchy; territorial land use plan, sub-regional land use plans and district / local land use plans (see figure 20). Territorial land use plan meets the long-term socio-economic strategy of Hong Kong. It set the general transportation network and land use pattern of Hong Kong and the connectivity between land use types. Sub-regional land use plans breaks down the territorial development goals into more specific objectives. In the District / local level, more detail spatial planning is conducted. The product of this spatial planning is the Outline Zoning Plans (OZPs), which is the statutory land-use zoning plan, and Development Permission Area (DPAs) Plans. DPAs are the intervening plan for the areas that uncovered by OZPs. The planning authority using statutory spatial plans performs legal supervision on private land development (Ng, 1999).

Figure 20
Hierarchy of Spatial Planning in Hong Kong



Source: Planning Department of Hong Kong (1995) cited in Ng (1999).

Development control in Hong Kong is carried out by Town Planning Ordinance through three different forms, namely; spatial planning, land lease and building controls. They cover two types of activities firstly, actual construction activities and, secondly, land use changes (Tang et al, 2000). In essence, control by planning is the land development

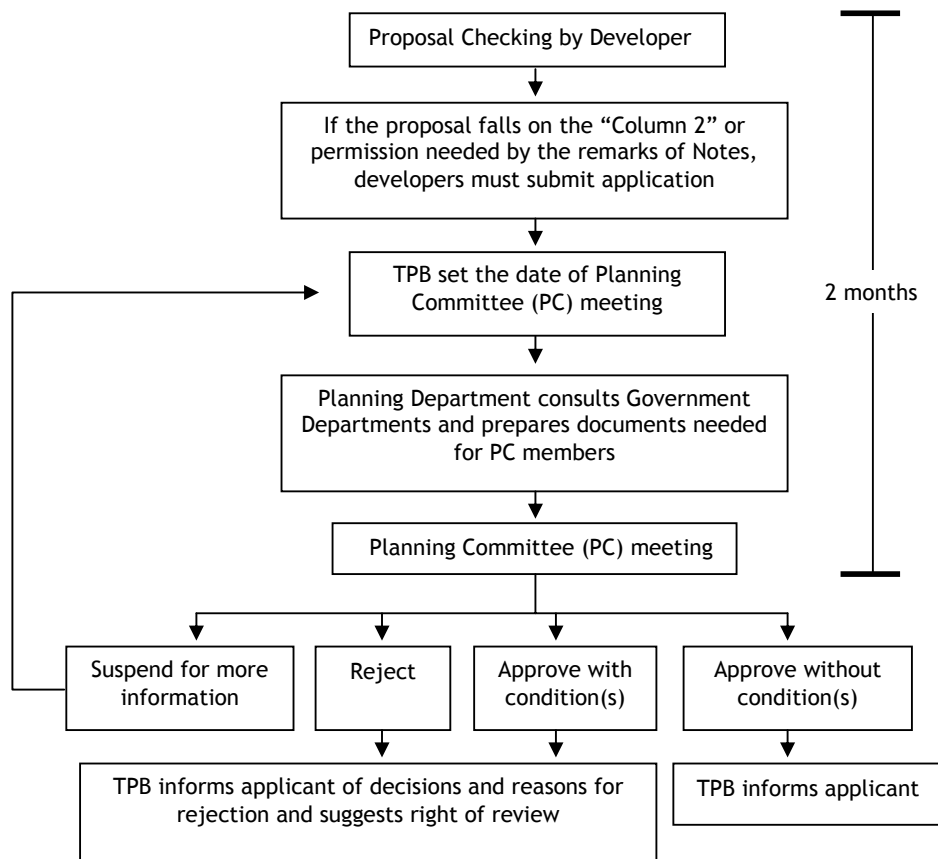
control through statutory OZPs and DPAs in the town level. Conceptually, OZPs and DPAs allocate the series of allowable uses on the spots of land. In addition to the control by planning, the government is able to control the development through the land lease documents, since the government owns all the land in Hong Kong (Tang and Tang, 1999). As the primary land lessor, the government can determine numerous prerequisites in the leasing document such as the range for leasing time, allowed land use, the form of construction, development concentration, and other government interests on that site. These conditions are set by the government and are not negotiable (Hong, 1998). By nature, a leasing document is a private contract that binds the parties involved (the government and the lessees). It makes the leases are enforceable (Cooray, 2002).

Lastly, the Buildings Ordinance regulates building controls. The authorization from the Building Authority is required for all private construction. The permit for the construction of the building will not be issued if the buildings do not meet the requisites of Town Planning Ordinance (Cooray, 2002). Of all these forms of control, spatial planning performs the precursor role. It means that it is an obligation for private developers to acquire the required planning permissions before they can proceed applying for other approvals (Ng, 1999).

In this context, the zoning of the site is essential. The zoning in Hong Kong spatial planning is an indicative one and has no contractual obligation (Tang et al, 2000; Lai, 1998). It sets up the general land use zoning and transport structure for the local area. This zoning has no retroactive consequence (Tang et al, 2007). Thus, the existing uses that are against the planned land-use on the site are not affected. Moreover, a Schedule of Statutory Notes that consists of two columns accompanies each zoning. Column 1 shows the types of land use that in line with the zoning or “as-of-right” land uses. Column 2 gives an overview of the other uses that need earlier permission from Town Planning Board. There may be some comments occur as a requirement for permitted land use in the two columns. Additionally, the range of possible changes to some extent is extensive and flexible (Tang et al, 2000).

Since there is no specific direction on land uses in the zoning, the decision for the permitted uses lies on the hand of the planners. In Hong Kong case, it lies on Town Planning Board (TPB). The members of TPB are government-appointed civilians from the community and delegation from relevant ministries (Pun, 1983). TPB is chaired by a senior government bureaucrat (the Secretary for Planning, Environment and Lands) (Tang et al, 2000). The development proposal is reviewed in a discretionary way (case by case). The permission is needed if the proposal falls in the range of column 2 or if the owners want to change the existing land use into type of land use in the column 2. The procedure of applying for development permit is shown in figure 21.

Figure 21
Development Application Procedure in Hong Kong



Source: Planning Department of Hong Kong (1995) cited in Ng (1999).

4.1.2. Spatial plans of Hong Kong

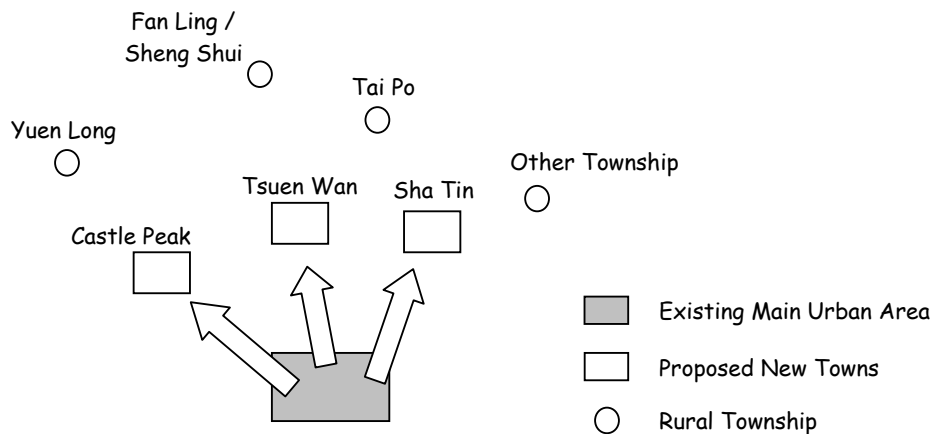
Although the large-scale development has taken place since the early days of colonization, the first formal spatial planning was not conducted until 1947. It was set up under the commission of Sir Patrick Abercrombie and finished in 1948 (Pun, 1983). Abercrombie's plan was focused on long and short-term policy. This plan was also encourage private sector to participate in the development of Hong Kong. The main idea of this plan is the openness to the revision of the plan (Bristow, 1984). The intention of Abercrombie's plan was to reduce the overcrowding in the main urban area (Lo, 1992).

In 1956, the Building (Planning) Regulation was introduced. This regulation put the basic element of the urban landscape at that time. In fact, it determines the urban landscape in the latter years (Bristow, 1984). After a long preparation to set the foundation for the planning system in Hong Kong, in 1965, the government decided to establish the plan for the whole area. This plan was accomplished in 1971 and was termed as "Colony Outline Plan". Shortly after the completion of the plan, the government

realized that the revision and updating should be executed. The revision of this plan was finished in 1979 (Pun, 1983).

The intention of the plan is the resettlement of population into new urban area (New Town). Furthermore, this plan also put the basis for the future of Hong Kong in the next 20 years (Bristow, 1989). In this plan, the development of urban area is focused on the north (see figure 22). Following this plan, the government launched New Town Program (Lo, 1992). Within this program, the government proposed three areas for the location of New Towns; Tuen Mun (Castle Peak), Tsuen Wan and Shatin (Pun, 1983). Density control through standard was applied in these new towns. However, this standard is always updated based on local requirement, topography, the density, socio economic structure of population and resource availability (Hong Kong Land Department, 1985 cited in Bristow, 1989).

Figure 22
Direction of Urban Development in Hong Kong



Source: Pun (1983)

Theoretically, the background of New Towns Program is to transform Hong Kong from a one-center city into a multi-centered one (Lo, 1992). Thus, the burden of the main urban area will be distributed to other centers. The demand for housing is the main consideration in this program (Bristow, 1989). The 1986 population estimation shows that the proposed new towns are not sufficient to cover the demand for housing at that time. As the result, three existing rural township, which are already mentioned in 1979 plan, were promoted as the new town; i.e. Yuen Long, Fanling / Sheung Shui and Tai Po and another two areas were proposed; namely Junk Bay and Tin Shui (Lo, 1992).

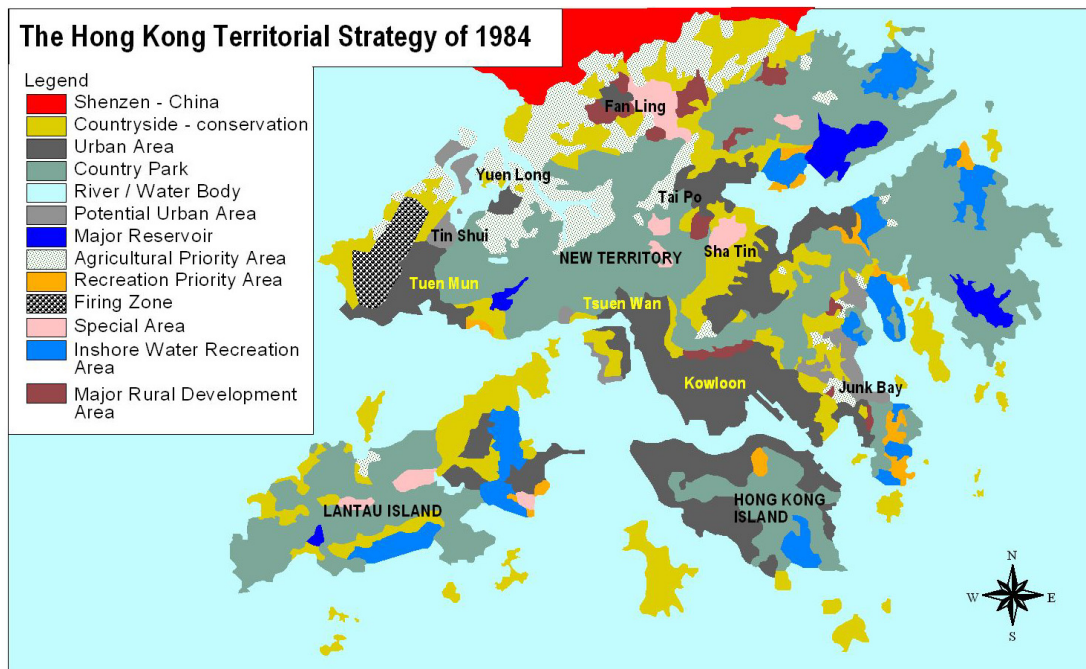
In implementing New Towns Program, the government incorporated this program with public housing program. Lo (1992) insists that public housing program were responsible for creating a compact urban area in Hong Kong due to its high-density living conception. Since 1970s, the New Towns Program took compact city concept with high-density, mixed land use, and short distances between different uses (Lau, 2005). Furthermore, this program also adopted self-contained concept by integrating place to work and to live in one town. It means that industrial, commercial and residential area were built in the new towns (Lo, 1992; Cullinane and Cullinane, 2003).

The development of urban area through New Towns Program was not followed by sufficient transportation network and coordination with other sectors (Yeh, 1997). To overcome this problem, the government has initiated Territorial Development Strategy (TDS), which guides the long-term spatial development in Hong Kong (Ng and Tang, 1999). Nonetheless, TDS is not a statutory plan in nature. This plan, which was implemented in 1984, handled the supplies for land, services, facilities, and economic growth (Hong Kong Government, 1995; cited in Yeh, 1997). In this plan, urban area is concentrated only in the planned new towns and in Hong Kong Island. The government also included the environment consideration in this plan. Most of the Hong Kong territory was designed as green space, such as Country Park, countryside and agricultural areas. (see figure 23).

Due to the uncertainty of future development in Hong Kong, the intention of TDS was not on cross-border issues, but on internal transportation and land use interaction (Yeh, 1997). In 1986 and 1988, small amendment on this plan was conducted. It included two significant strategic plans those are; The Port and Airport Development Strategy (PADS) and the Metroplan. The PADS is completed in 1989 and has been reviewed three times up to now. In general, it lays down a completely long-term planning outline for Hong Kong's port and airport (HKSAR, 2001). In addition, it sets out the new location for the airport, from urban area to Lantau Island (Hong Kong Government, 1990 in Lai, 1993). On the other hand, the Metroplan emphasizes on the urban redevelopment of the metropolitan area around the harbor. It focuses on the broad land use and transport plan, strategy for the urban blueprint, planning control, and conservation plan (Lo, 1992).

Since the TDS was organized when the political and economic relationship with the People's Republic of China were unclear, the connection between Hong Kong and Pearl River Delta was not seriously counted in the TDS (Yeh, 1997). Furthermore, as the consequence of the Sino-British Joint Declaration, which was signed in 1984, the government of Hong Kong realized that it is necessary to think about cross border interchange with China. Therefore, the government decided to review the TDS in the early 1990s. The review was completed in 1996 and known as Territorial Development Strategy Review 1996 (TDSR 1996).

Figure 23
Hong Kong Territorial Strategy 1984



Source: Strategic Planning Unit, Lands and Work Branch, Hong Kong Government (1983) cited in Bristow (1989)

Economic connection with the Pearl River Delta has been entirely recognized in TDSR 1996. Another significant element to be acknowledged in TDSR 1996 is the trend of growth caused by the connection with the Pearl River Delta. Two circumstances of trend of growth were proposed. First scenario considers Pearl River Delta as Hong Kong's main economic periphery. There are two sub-scenarios under this setting. In one hand, it considers Pearl River Delta as equal associate for Hong Kong. On the other hand, it proposes Hong Kong to be a main centre of development in the Pearl River Delta. The second scenario comprises the Pearl River Delta and the other areas of China as Hong Kong's main economic periphery (Yeh, 1997).

4.2. Land development in Hong Kong

Although Hong Kong runs laissez-faire ideology, in the context of land development, the government of Hong Kong plays a major role in directing the general pattern of land use in Hong Kong (Ng, 2005). Sarosa (2007) and Balchin and Kieve (1982) confirm that one of the indicators for the market forces dominancy on urban land development is the urban sprawl in all direction and the lost of unprofitable use of the land, such as green space. In this context, it can be understood that Hong Kong has successfully overcome the market forces on the land development. This section provides a

number of evidences for the success of the spatial planning to overcome the market forces that is urban sprawl in all direction and the rapid decreasing of green space. Apparently, these two indicators do not occur in Hong Kong.

4.2.1. The compact urban area

As a world city, urban area in Hong Kong takes only small portion of the total of land use. Before the New Towns Program was established, the urban area in Hong Kong was only concentrated around the harbor that is in Hong Kong Island and Kowloon. In 1975, built-up area in Hong Kong covers only 12 % of the total (see table 7). However, this small portion of built-up area contains approximately 95 % of the population in that time (Wholey, 1978 cited in Lam, 1983).

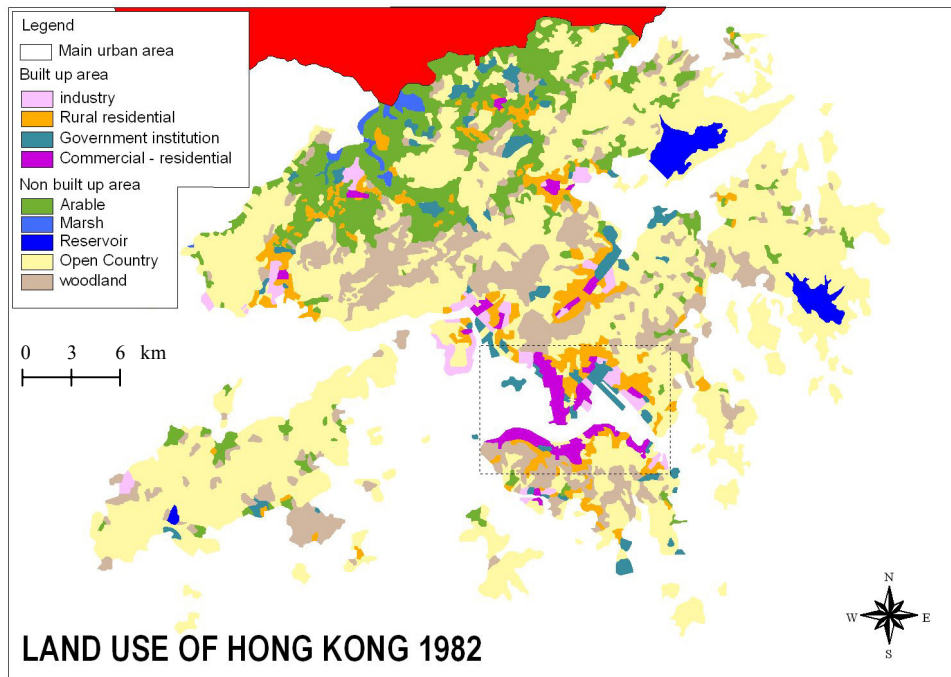
Table 7
Land Use Pattern of Hong Kong 1975

No	Land Use	Area (ha)	Percentage
1	Built up area	12,686	12.1
2	Arable agriculture	10,874	10.4
3	Fish pond	1,450	1.4
4	Swamp and mangroves	1,243	1.2
5	Badlands	4,350	4.1
6	Woodlands	12,764	12.2
7	Grass and scrublands	61,437	58.6
	Total	104,804	100.0

Source: Wholey, 1978 cited in Lam, 1983

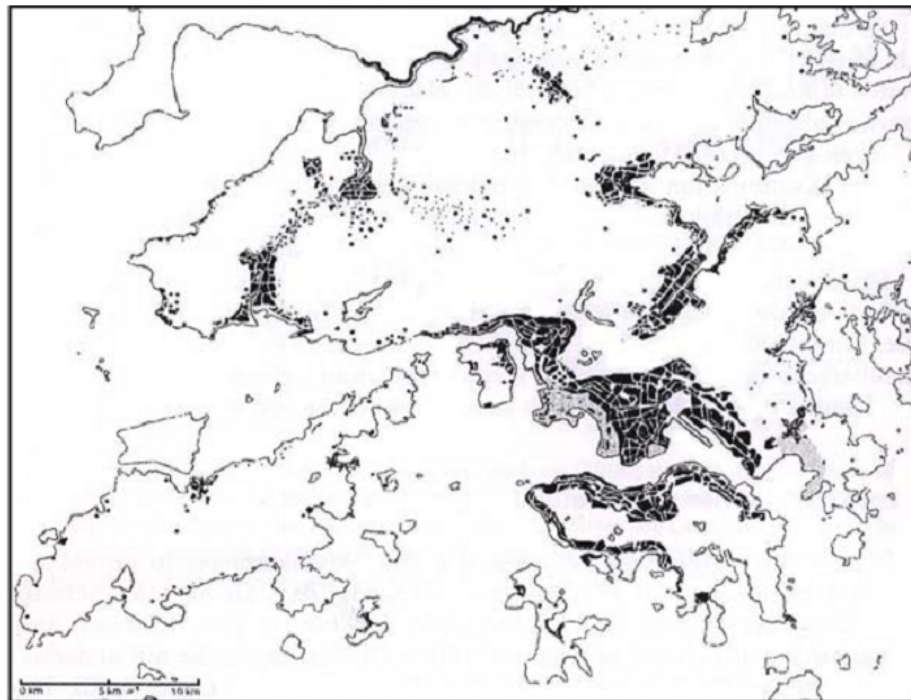
In the early 1980s, when New Towns Programs has fully established, the built up area in Hong Kong scattered in the areas proposed by this program. Indeed, many new activities center were located outside main urban area especially in the new towns (see figure 24). Consequently, the built up area in Hong Kong increased in number to 13.47 % or 14,117 ha by 1982. In developing the land, the government adopts the compact city concept, where the buildings are built in high-rise form, even for residential purpose (Lau et al, 2005). As the result, by 2003, the number of built up area in Hong Kong covered only 25 % of the total area (Cullinane and Cullinane, 2003). This is somehow in line with the Territorial Development Strategy that aims to maintain most of the Hong Kong as green space (see figure 25 and figure 26).

Figure 24
Land Use Pattern of Hong Kong 1982



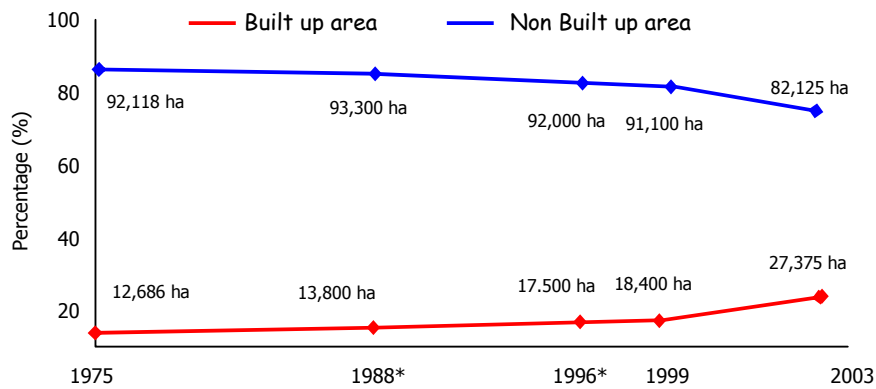
Source: C.P. Lo (1992)

Figure 25
Built Up Area of Hong Kong 1997



Source: Breitung W, 2006

Figure 26
Built Up Area Development in Hong Kong 1975 - 2003



Sources: Wholey, 1978 cited in Lam, 1983; Cullinane and Cullinane, 2003; Census and Statistics Department, 2000 cited in Hui and Ho, 2003; Hong Kong Annual Report 1986 - 1996 cited in Liu et al, 1997

* There is an increase of total area to 107,100 ha in 1988 and to 109,500 in 1996

Spatially, the direction of land development does not take a sprawling formation, but it takes the scatter one. In general, the development of the major built-up area follows the location of New Towns Program and Territorial Development Strategy (Cullinane and Cullinane, 2003). Although the population of Hong Kong continues growing, the land conversion for residential and other urban use is not mounting rapidly. This condition occurs because of the concept in what Lau et al have identified as “multiple intensive land use” (Lau et al, 2005). In responding the increasing population and housing demand, the government runs the verticality concept, where the residential use is built vertically (Lai, 1993).

To implement the verticality concept, the government actively built multi storey public housing and mix land use (Lo, 1992; Lau, 2005). In fact, by 1996, the public housing has covered 1,400 ha of land or 1.3 % of the total area (Liu et al, 1997). Moreover, by 1993, approximately 48 % of the population lived in public housing (Lai, 1993). The implication of the compactness of urban area in Hong Kong is that the price of land in urban area goes very high in the comparison with the rural area (Cullinane and Cullinane, 2003). As the result, the price of property in Hong Kong is skyrocketed. In fact, by 1998, the price of apartments and offices in Hong Kong is one of the most of expensive in the world (Segal, 1998).

Due to limited of urban area, the main economic activities are concentrated in the main urban area that is in the north of Hong Kong Island (CBD) and around the harbor in Kowloon. Additionally, there are numbers of others economic centers such as new towns centers. The fast growing economic activities demands additional space for urban area. To meet this demand, the government has planned to reclaim the land (Breitung, 2006). This

situation shows the economic importance of the main urban area and the rest of the area is less important, as Breitung (2006) notes:

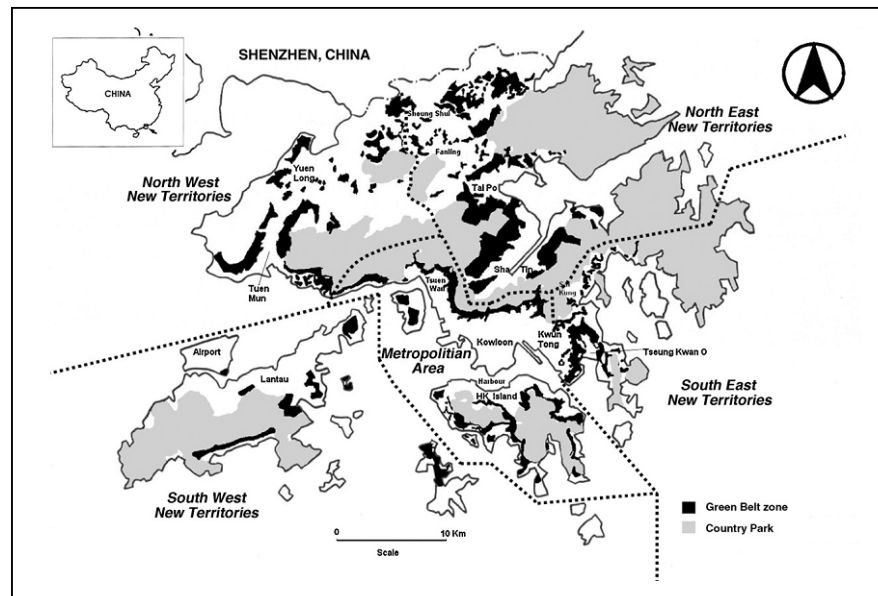
“Population and functions were concentrated in the small area surrounding Victoria Harbour. The New Territories were considered part of the hinterland and were thus only taken into consideration where necessary” (Breitung, 2006: 86)

4.2.2. Designated green space

The compact city concept also affects the existence of green space in Hong Kong. The government has successfully maintained the green space as the dominant use. In 25 years, the green space in Hong Kong has dropped only 13 %, from 88 % in 1975 to 75 % in 2003. In fact, by 2003, 40 % of the area is covered by designated Country Park, 13 % by green belt and the rest is by other green space (Cullinane and Cullinane, 2003; Tang et al, 2007) (see figure 27).

Spatially, the distribution of green space in Hong Kong follows the intention of the plan. The green belt is the frontier of the urban area. In some areas, the green belt exists in the form of agricultural area (Tang et al, 2007). It is then followed by the country park. The reason behind the preservation of green space is to insure the stability of water supply.

Figure 27
Green Space in Hong Kong



Source: Breitung, 2006

4.2.3. Planning beats the market

As the conclusion, I argue that the government has successfully directed the general land use pattern in Hong Kong. The indicators of the market forces dominance are not present in Hong Kong land development that is to say, urban sprawl and the loss of green space. Although the land price in urban area is very high, the situation that has been predicted by neoclassical economists does not occur, i.e. the expansion of residential area to the urban fringe to find the cheaper land. In fact, the development of the urban area has taken place as it has been intended in the plan.

In terms of green space, the government has successfully maintained its existence. The concept of compact city has been implemented in line with the intention of the plan. In other words, the government has overcome the market forces on land development in Hong Kong.

4.3. Governance of land development: reasons for planning success

Having discussed the success of spatial planning to direct land development in Hong Kong, now it is important to find the reason behind that success. One of the most important factors for the successful implementation of the plan is a good governance structure that surrounds the planning itself (Albrecht et al, 2003; Laquian, 2005; Ng and Tang, 1999). In the case of Hong Kong, although the emphasis of the land development relies on the market forces, the government has a great role to direct land development. Indeed, the government actively ensures its interests to be implemented through many tools available, such as permit system and leasing system (Ng, 2005). The key to successfully controlling the land development is the clean governance in Hong Kong (Tang et al, 2000; Hong, 1998). For the discussion of this section, I divide the discussion of the governance that surrounds the spatial planning into two parts. Firstly, I will describe the general situation of the governance in Hong Kong. Secondly, the discussion will focus on the governance of urban land development control.

4.3.1. Clean governance in Hong Kong

General description

Under British administration, Hong Kong has successfully created a conducive environment for the economic growth, as mentioned by Lo (1992):

“...British law and order and the colonial status have brought political stability and security to Hong Kong for its economic transformation.”
(Lo CP, 1992: 17).

In addition to bringing the stability and security, the colonial administration also has clean governance in Hong Kong. It is demonstrated by the high rank of corruption index published by Transparency International since 1995.

In 1995, Hong Kong stands in grade 18 of 54 surveyed countries with the Corruption Perception Index Score (CPI Score) 7.01. In fact, among the Asian countries Hong Kong is the third cleanest country after Singapore and Japan (Transparency International, 1996). By 2007, 10 years after the handover, the CPI Score even increased to 8.3. In the same year, Hong Kong stands in grade 14 of 180 surveyed countries (Transparency International, 2007) (For the meaning of the CPI Score, see footnote 10). Moreover, the latest report from World Bank shows that Hong Kong has 0.59 rating for accountability, 1.8 for government effectiveness, 1.4 for rule of law, and 1.61 for control of corruption (Kaufmann, D., et al., 2008) (for the meaning of the index, see footnote 8). Apparently, in all four indicators Hong Kong has positive indexes. In other word, generally the good governance has become visible in Hong Kong.

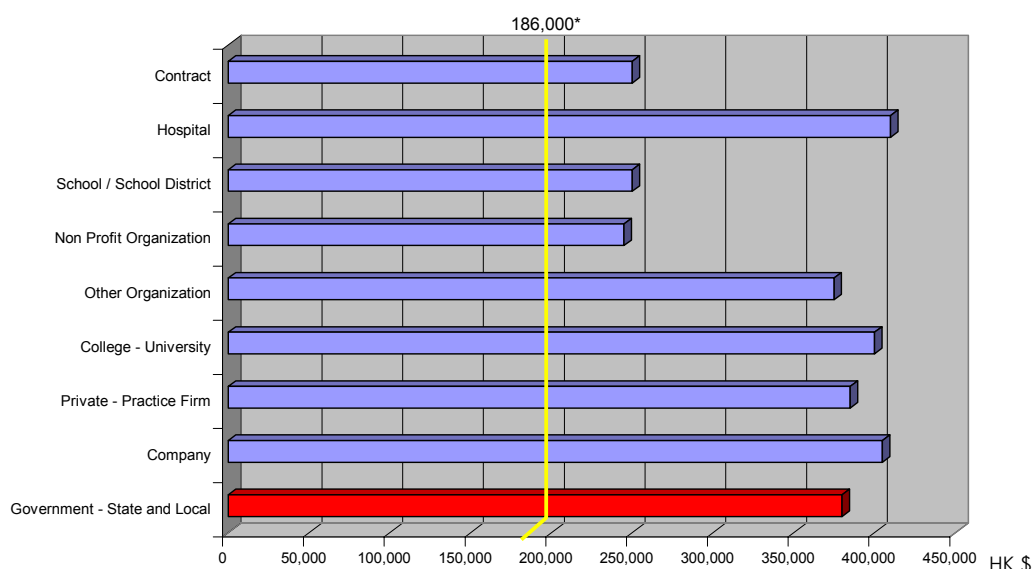
Factors creating the clean governance in Hong Kong

Hong (1998) argues that the clean governance in Hong Kong is the result of two factors. In the first instance is the objective of colonial administration in ruling Hong Kong. Unlike other British colonial countries, which indigenes were obliged to work in agricultural property to provide cheap primary goods for the colonial government, the main objective of British administration in Hong Kong was to promote economic growth and to develop its commercial interests (Lau, 1982; Bastin and Benda, 1968 cited in Hong, 1998). During the colonial era, Hong Kong enjoyed much autonomy to manage its own resources and recorded no notable fund transfer from Hong Kong to Britain in the period from 1970 to 1995 (Lo, 1992; Hong, 1998). With this objective in mind, the government attempted to create favorable condition for businesses. In addition, it led to the awareness of the government to fight against corruption.

The second factor that generates the governance in Hong Kong is the active government effort to combat corruption comprehensively since 1974 (Hong, 1998). In the last three decades, the government has actively fought against corruption. Before 1974, the corruption was endemic in Hong Kong, including in land development issue (De Speville, 1997; Quah, 1995). In 1971, the government constituted the Prevention of Bribery Ordinance. In this ordinance, any official who has shown an imbalance of living standard and disproportionate income without a logical explanation could be put on trial (Kuan, 1981 cited in Hong, 1998). This ordinance is not only affected civil servant but also the private sector (Burns, 1999; Lo, 1992). To implement this ordinance, in 1974, the government established an independence organization namely The Independence Commission Against Corruption, which directly reports its activity only to the Governor (De Speville, 1997). In addition, Hong Kong government also guarantees the freedom of press. It means that the control from the press is present (Lo, 1992).

The government also carries out a number of preventive actions to reduce corruption practices. One of these actions is to provide competitive salary for public official. It means that the public official salary is comparable to the salary in the private sector (HKSAR, 2008b) (see figure 28). In fact, over the past 20 years, the entire jobs in public service were paid more than 95 % of its equivalent in private sector job. Indeed, some of the jobs were paid even higher than the equivalent jobs in the private sector (Civil Service Bureau HKSAR, 2007). In the comparison to the minimum living cost, the lowest public official salary is still above the minimum living cost in Hong Kong (Huque, 1998).

Figure 28
Annual Median Salary of Public Official and Private Sector in Hong Kong



* Minimum Living Expense derived from Consumer Price Index a year for medium level 2007

Source:

1. HKSAR - Census and Statistic Department, 2008. Available at [http://www.censtatd.gov.hk/hong_kong_statistics/statistics_by_subject/concept/price/index.jsp]
2. Payscale, 2008. Available at [http://www.payscale.com/research/HK/Country=Hong_Kong/Salary]

4.3.2. The governance of land development control in Hong Kong

The land development control in Hong Kong is conducted through discretionary practice in issuing the permit of construction and land lease agreement. Using this system, the decision of the permit issuance relies on the judgment of the individuals in Planning Committee. Thus, it may open opportunities to influence the decisions are taken. Nevertheless, Ng (1999) points out that the representation of civilian in Town Planning Board (TPB) has given its contribution to minimizing the opportunity to influence the decision to be made.

Furthermore, in the land leasing system, the government acts as the sole landlord and gets the revenue from the leasing. However, In the case of land development control, the corruption is no longer a matter in Hong Kong. In addition, in the context of the permit and land leasing, the government is clean from corruption and inefficiency (Hong, 1998).

As a summary of this section, the clean government of Hong Kong has contributed to the success of the government to control land development. It is in line with Tang et al (2000) argument:

“... the Hong Kong planning control system offers a considerable degree of certainty. The planning authority has apparently applied a consistent set of criteria in determining whether the planning applications should be approved or rejected”. (Tang et al, 2000: 2481).

The result, as I have shown in the second section, is the direction of land development is in accordance with the intention of the general spatial plan, in Hong Kong case, Territorial Development Strategy.

Chapter 5

Analysis

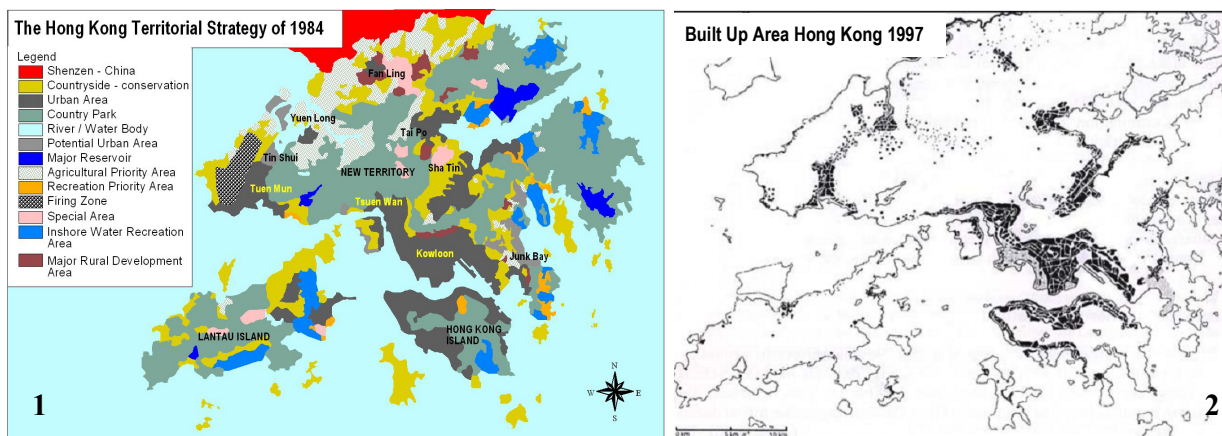
This chapter discusses the comparison on the role of the market forces and the intervention of the government through spatial planning on land development in Jakarta and Hong Kong. Firstly, it examines the indicators of the dominance of market forces in both cities that is the direction of the land development and the degradation of the green space. From this examination, I compare the success and the failure of both cities to overcome the market forces. Secondly, this chapter draws a number of factors that influence their success and failure.

5.1. The success and failure to overcome market forces: a comparison

One of the indicators for the dominance of market forces is the urban sprawl in every direction, which may not be in line with the intention of the spatial plan. It can occur because the central area is transformed into more intensive land use. As the result, the type of land use that cannot compete in the central area may occupy the fringe area. Without the control from spatial planning, the sprawl goes toward all direction. The second indicator is the intensification of land use might sacrifice the public space such as; open space, public facilities etc and environmental space such as catchments area, agricultural use, green belt etc (Sarosa, 2007).

Using these two indicators above, it is seen that Hong Kong is more successful to control the market forces on land development than Jakarta. The direction of urban development in Hong Kong is in line with the Territorial Development Strategy (TDS), which functions as the guidance for general spatial development in Hong Kong (see figure 29). Although the price of land in main urban area is very high, the sprawl of the urban use in all direction does not occur in Hong Kong. In fact, Hong Kong has successfully implemented the compact city policy as mentioned in the TDS.

Figure 29
The TDS 1984 and Built Up Area in Hong Kong 1997



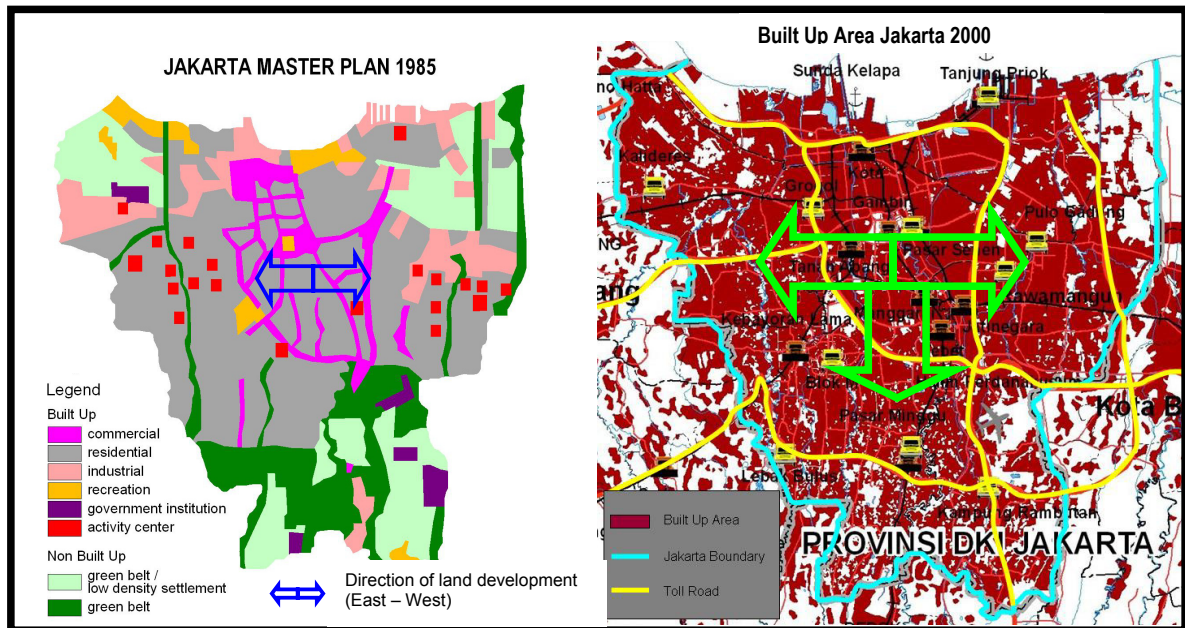
Source:

1. Strategic Planning Unit, Lands and Work Branch, Hong Kong Government (1983) cited in Bristow (1989)
2. Breitung W, 2006

In the contrary with Hong Kong condition, Jakarta fails to overcome the market forces on its land development. The direction of urban use development in Jakarta is not in line with the master plan that is Jakarta Master Plan 1985. The sprawl of urban use goes toward all direction in the fringe area including to the south, which is intended as green space. The sprawl goes following the cheaper land price (see figure 30). Moreover, the trend of urban use expansion in Jakarta is higher than in Hong Kong. The steeper slope of Jakarta's trend than Hong Kong's shows it (see figure 31). On the other hand, during the years of 1980 - 2000, the rate of urban expansion in Hong Kong is relatively stable.

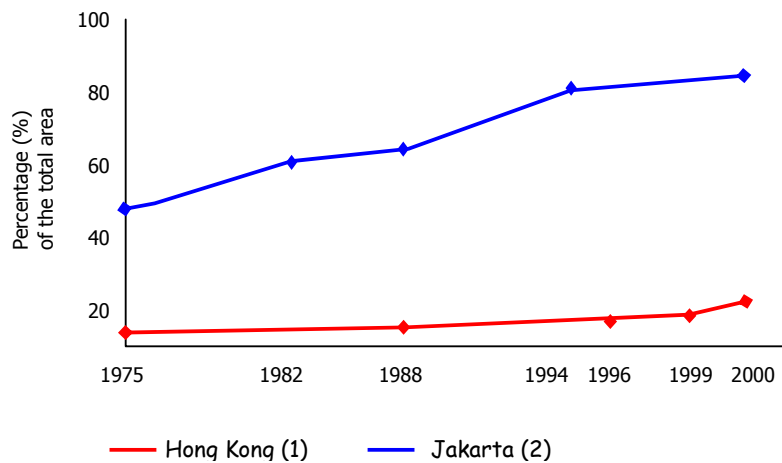
Beyond the success to control its land development, Hong Kong has also succeeded to maintain its green space. In the last 30 years, the green space of Hong Kong has only lost 13 %, from 88 % in 1975 to 75 % in 2003. Moreover, the success of Hong Kong in keeping its green space is internationally known. The country parks, which function as the conservation area, occupy the largest part of Hong Kong land use (Cullinane and Cullinane, 2003). The government intervention is responsible for the success of Hong Kong in keeping its green space (Britung, 2006). On the contrary, Jakarta has failed to keep its green space. Jakarta has lost 31 % of its green space in the same period.

Figure 30
 Jakarta Master Plan 1985 and Built Up Area in Jakarta 2000



Source:
 1. 1985 Jakarta Master Plan, cited by Syaukat, 2007
 2. National Land Agency (BPN) - 2006

Figure 31
 Trend of Land Development in Jakarta and Hong Kong



Sources:
 1. Wholey, 1978 cited in Lam, 1983; Cullinane and Cullinane, 2003; Census and Statistics Department, 2000 cited in Hui and Ho, 2003; Hong Kong Annual Report 1986 - 1996 cited in Liu et al, 1997
 2. National Land Agency (BPN) cited in Silver (2008); BPS-Statistics DKI Jakarta Provincial Office (2007)

To conclude, I argue that Hong Kong is more success in overcoming the market forces on the land development than that of Indonesia. The spatial planning has a dominant role in directing land development in Hong Kong (see table 8). This is in line with Ng, (2005) argument, which she had stated that although Hong Kong believes in laissez-fare ideology, it strongly controls the land development. On the contrary, the spatial planning in Jakarta has failed to direct the land development. Indeed, the market forces have overtaken the role of the spatial planning in directing the land development in Jakarta. In the same manner, Goldblum and Wong (2000) argue that it is the market forces that directing the land development in Jakarta, especially in the fringe area, as they said:

“It is a result of rising land values in the city core in the context of global tertiarisation marked by inflow of large volumes of global funds that industries and people move towards the peripheral zones”.
(Goldblum and Wong, 2000: 33).

In addition, it is worthy to consider the difference geographical condition in Hong Kong and Jakarta. Jakarta has a flat landscape while Hong Kong has a hilly landscape and scarce land. However, the topographical condition gives no significant impact on its land development, as Pun (1983) has mentioned:

“...., it is doubtful whether gradient is in fact such a significant constraint on development in Hong Kong. People are familiar with the sight of high-rise development standing on the very steep slopes of Victoria Peak, for example. Furthermore, modern engineering technology can level off slopes and make the steepest of land safe to build on ”.
(Pun, 1983: 195).

Table 8
 Indicators of Market Forces Dominancy in Jakarta and Hong Kong

Subject	Jakarta	Hong Kong
land development intention in Master Plan	West - East ^a	Scattered following New Towns ^b
Direction of land development	All direction	Scattered following New Towns
built up area expansion mid 1970s - 2000	34.03 %	12.9 %
The lost of green space between 1970s - 2000	31 %	13 %
Urban Sprawl	Present	Not Present

Source:

- a. 1985 Jakarta Master Plan, cited by Syaukat, 2007
- b. Strategic Planning Unit, Lands and Work Branch, Hong Kong Government (1983) cited in Bristow (1989)

5.2. Factors of success and failure in overcoming the market forces

Having discussed about the failure of Jakarta to overcome market forces and the success of Hong Kong, it is important to find the reason behind that success and failure. What factors of the success of Hong Kong in conquering the market forces on its land development? And what factors of the failure of Indonesia? In this thesis, the success of Hong Kong and the failure of Indonesia to overcome market forces on land development will be examined from two factors i.e. land development control system and the governance of land development.

5.2.1. Land development control system

Land development control system is derived from the spatial planning principles. The spatial planning in Jakarta and Hong Kong has different principles. Jakarta spatial planning emphasize on the balance between development, increasing quality of life and environment protection (Silver, 2008). In other word, Jakarta master plan must have included those principles. On the contrary, planning in Hong Kong is used to serve economic interests, while social and environmental interests play as the secondary interests (Ng, 1999, Lo, 1992). This paradigm is the result of “positive non-interventionist” policy in running the economic development (Ng, 1999; Tang et al, 2000). With this ideology in mind, the government believes that the market will allocate resources efficiently and economic growth as the main intention.

The case study shows that land development control system in Jakarta (Indonesia) is different from Hong Kong’s. Jakarta follows Dutch approach of spatial planning with its binding concept. Theoretically, the intention of this binding concept is to control development and no development approved without following the existing plans (European Commission, 1997). In other word, Jakarta has an inflexible style of spatial planning. On the other hand, Hong Kong’s is the combination of British discretionary and statutory zoning land use plans (Tang et al, 2000). In theory, British discretionary approach creates a flexible style of spatial planning (European Commission, 1997). Thus, the plans can be modified following the intention of the market. In the case of Hong Kong, the government set the range of acceptance changes.

Both cities use permit system to control land development. In the case of Jakarta, as the implication of binding concept, the spatial plan is the main consideration in issuing the building and location permit. In theory, it provides high certainty and superiority of law. However in reality, the permit system in Jakarta is performed in discretionary manner (Firman, 2004b). As the result, there is always an opportunity for compromise to modify the intended land use. Moreover, the permit system in Jakarta has more complex and lengthy procedure than in Hong Kong. For example, in Jakarta it may take 1 - 6 months to obtain only for location permit (Winarso, 2000).

On the contrary, the spatial plan is not the main consideration in issuing the development permit because the spatial plan in Hong Kong only draws general intention of land use (Tang et al, 2000; Lai, 1998). In fact, Territorial Development Strategy (TDS) as the guidance for spatial development in Hong Kong is not a statutory plan (Ng, 1999). It draws only general intention of the land use. In the local level, the government offers the range of acceptance use of land in the form of two columns. Column 1 is meant for the types of land use that in line with the zoning or “as-of-right” land uses. Column 2 shows the other uses that need earlier permission from Town Planning Board. The government uses these columns to review the development proposal in case by case or discretionary manner. As the result, there is always an opportunity for compromise to modify the intended land use. Moreover, the permit system in Hong Kong has more simple procedure than in Jakarta. For example, in Hong Kong it takes only 2 months to grant or reject the permit (Planning Department of Hong Kong, 1995 cited in Ng, 1999).

Besides using permit system as the tool for development control, the government of Hong Kong uses the land lease documents since the government owns all the land in Hong Kong (Tang and Tang, 1999). As the primary land lessor, the government can determine many prerequisites in the leasing document such as lease range of time, allowed land use, form of building, development concentration, and other government interests on that site. These conditions are set by the government and are not negotiable (Hong, 1998). It bounds the parties involved (the government and the lessees). It makes the leases are enforceable (Cooray, 2002). On the contrary, in Jakarta (Indonesia) the land is not owned solely by the government. Land is traded in land market mechanism. The summary of the comparison of land development control system in Jakarta and Hong Kong is presented in table 9 below.

In brief, the system of the land development control in Hong Kong may create more opportunity for the market forces to play a great role on land development than in Jakarta. Nonetheless in practice, the opposite result occurs. Hong Kong is more success in overcoming market forces than Jakarta. Up to this point, I argue that land development control system is not the significant reason for the success and failure in overcoming market forces. I presume that how this system operated is the major reason for the success and failure in overcoming market forces on land development. Hence, the next sub-section discusses about the governance of land development control.

Table 9
Land Development Control System in Jakarta and Hong Kong

Subject	Jakarta	Hong Kong
Spatial planning principles	Balancing development, increasing quality of life and environment protection	serving economic interests, while social and environmental interests play as the secondary interests
Spatial development control concept	Binding concept/ regulatory; spatial plans as the main consideration. In practice, discretionary	discretionary approach; case by case review
Flexibility	Strict; inflexible. In practice, flexible	Flexible
Status of Master Plan		
a. National / Regional	Statutory	Not Statutory
b. Local	Statutory	Some statutory plans
Instrument to control spatial development	Permit system	Permit system and land lease document
Land ownership	Government and private; traded in free market mechanism.	Government
Room for negotiation	None. In practice, there is always room for negotiation	The government set the range of possibility for negotiation

5.2.2. Governance of Land development control in Jakarta and Hong Kong

One of the key for the successful implementation of the plan is a good governance structure that surrounds the planning itself (Albrecht et al, 2003; Laquian, 2005; Ng and Tang, 1999). In this sub-section, I will compare the indicators of the good governance i.e. level of corruption in general and specifically the corruption practices in urban governance in Jakarta and Hong Kong. Furthermore, this sub-section discusses the reasons of differences in urban governance of both cities.

Corruption vs. clean governance

In Jakarta, the biggest problem in urban governance is the rampant corruption practices. In fact, the widespread corruption is marked by the low rank of corruption index published by Transparency International in 1996. Indonesia stands in rank 45 of 54 surveyed countries with Corruption Perception Index Score (CPI Score) 2.65. In the same year, Hong Kong stands in rank 18 with CPI Score 7.12 (Transparency International, 1996). In 2007, Indonesia's CPI score fell to 2.3 with rank of 143 - 146 of 180 countries, while Hong Kong's increase to 8.3 with rank of 14 (Transparency International, 2007) (for the meaning of this score, see footnote 10).

In the context of land development control, corruption becomes the biggest problem in Jakarta. In fact, Jakarta also faces the problem of accountability and transparency (Server, 1996). On the contrary, corruption is no longer a matter in Hong Kong. In brief, Hong Kong has more clean governance than Indonesia.

Reasons for corruption practices and clean governance

Many factors trigger corruption in one country. In Indonesia, Jakarta particularly, institutional and economic factor are two significant factors that give confidence to the corruption practices (Robertson-Snape, 1999). Low salary of the public official in Jakarta is the most significant factors that encourage the small bribes, payoffs, illegal bonus, and other incentives that occur in the public service, including in the issuance of the permit (Robertson-Snape, 1999; Schwarz, 1999). In fact, by 1990, the salary of public officers met only one-third of the living cost and by 2005, it met only half of the living cost. Additionally, the salary of public officers cannot compete with the salary of managerial level in the private sector. The salary in the private sector for managerial level is 1.5 higher than in the public sector in average.

For the comparison, in Hong Kong, the lowest public official salary is still above the minimum living cost. In average, the salary of public officers is two times higher than the living expenses. Moreover, the public official salary is comparable with the salary in private sector (HKSAR, 2008b). In fact, in the last 20 years, the entire jobs in public service are paid more than 95 % of its equivalent in private sector job. This condition has reduced the temptation to corrupt.

Besides the economic reason, institutional factor is also considered as an important factor that stimulates the corruption practices in public service. In Indonesia, not until 1999 the independent institution to fight against corruption was established. Indeed, the control from the press is not present until 1999. In term of land development control, although Jakarta (Indonesia) has the binding system, in practice, land development control is always performed in a discretionary way. The decisions are made solely by the authority officers. It is worsened by the lack of law enforcement. Theoretically, spatial plans are considered as the legal document that has jurisdictional power. However in practice, it is rarely to find any sanctions for the violation of the plans. Coupled with economic factors, it creates a favorable environment for corruption practices. Moreover, in development permit, there is no certainty on time consuming to obtain the permit. For example, in Jakarta it may take 1 - 6 months to obtain only for location permit. It may trigger the temptation to shortcut the time.

On the contrary, in Hong Kong, the independent institution to fight against corruption has been established since 1974. Furthermore, the control from the press has always presented. In the context of the land development control, the representation of civilian in Town Planning Board (TPB) has given the contribution to minimizing the

opportunity to influence the decision to be made. Coupled with adequate salary, it creates no room for corruption. Additionally, in development permit, there is certainty on time consuming to obtain the permit i.e. 2 months. The summary of the governance of land development control in Jakarta and Hong Kong is presented in table 10.

In conclusion from the comparison above, the governance structure that surrounds the planning has given the influence on how land development control is performed. Although the system in Hong Kong may create opportunity for market forces to play a great role, but the government is still able to direct its interests on land development by creating clean governance. In contrast, the government of Jakarta cannot implement its interests on land development because in practice, there is always room for market forces to direct land development by deceiving the legal system.

Table 10
Governance of Land Development Control in Jakarta and Hong Kong

Subject	Jakarta (Indonesia)	Hong Kong
Good Governance Indicators^a		
Accountability index	-0.17	0.59
Government Effectiveness	-0.41	1.80
Rule of Law	-0.71	1.40
Corruption Control	-0.72	1.61
Corruption Level Indicators		
CPI 1996 rank ^b	41 of 54	18 of 54
CPI 2007 rank ^c	143 - 146 of 180	14 of 180
CPI Score 1996 ^b	2.65 of 10	7.12 of 10
CPI Score 2007 ^c	2.3 of 10	8.3 of 10
Corruption in land development control	Occurs	None
Reasons		
Public officers' salary and living expenses	0.5 x living expenses	2 x living expenses
Public officers' salary and Private's	70 % x private's	Equal
Independent institution against corruption	Not Present until 2004	Present since 1974
Control from the press	Not Present until 1998	Present
Certainty on time consuming for the permit	Not certain	Certain
Representation of civilian in land development control	None	Present
Law enforcement	Low	High

Source:

(a). Kaufmann, D., et al., 2008 (b). Transparency International, 1996. (c). Transparency International, 2007

Chapter 6

Conclusion and Recommendation

Based on the previous chapters, this chapter discusses some concluding remarks and suggests some recommendations in overcoming market forces on land development. For this purpose, it firstly answers the research questions. Furthermore, this chapter revisits the theoretical framework and brings back the findings of this thesis into the theories about land development. Finally, this chapter provides some practical recommendations in overcoming market forces on land development.

6.1. Conclusions

Urban land development is the battle field between market forces and the intentions of government intervention. In order to implement its interests, the government has several instruments. Spatial planning is considered as one of the main government's instruments in executing its interests on land development. On the other hand, the intention of market forces may not be in conformity with the government's interests, because both of them depart from different justifications. Market forces work within the framework of price mechanism, whereby the defenders of the free market believe that competitive market can allocate societies' resources efficiently. Instead, spatial planning is based on the consideration that the price mechanism will not succeed for the allocation of society's resources efficiently. This battle of thinking reflects also in land development issues.

Hence, the purpose of this research is to understand the role of the market forces and spatial planning on land development. In this research, I believe that market forces should be controlled to diminish the impacts of market failure. However, controlling the market forces is a big challenge due to the complexity of the interests that play in the land development. Hence, it is important to understand how the market forces influence land development in one area in order to get effective spatial planning. Therefore, this research examines spatial planning system and the governance that surrounds it.

As mentioned in chapter 1, this research takes Jakarta and Hong Kong as the case study. Furthermore, this research examines the role of market forces on their land development and how these cities overcome the market forces. Both Jakarta and Hong Kong use spatial planning to control their land development. Nonetheless, they have different approach in their spatial planning. Indeed, the differences in their spatial planning system are very significant. Jakarta has a very strict system in controlling the land development. On the other hand, Hong Kong has a flexible system. In fact, the doctrine of the spatial planning in Hong Kong is to serve the economic or market interests. Theoretically, spatial planning in Jakarta should lead to a balance situation between economic, social and environment interests while in Hong Kong lead to only economic interests since social and environment interests play the secondary interests.

Nonetheless, this research finds the opposite result. Land development in Jakarta is driven by the market forces rather than by spatial planning. The land development in Jakarta is somehow in line with the neo-classical economists' argument. In their argument, the central area (CBD) of the city is occupied by commercial use and other very intensive uses while other uses like residential that cannot compete to obtain land in the city center occupy the fringe area. Theoretically, without government intervention, the residential use tends to locate surround the central area to minimize transportation cost and to find cheaper land. Simply put, there will be urban sprawl in all direction.

I have shown in chapter 3 that the situation above apparently occurs in Jakarta. It is seen in the direction of land development that follows the cheaper land price in the fringe area. As a result, the urban sprawl does occur in Jakarta. Unfortunately, the sprawl goes toward all direction, which is not in conformity with the plan. The master plan of Jakarta has allocated the southern Jakarta as the green space, where built up area is limited and in some areas is totally restricted. For Jakarta, keeping the south part as the green space is essential. It has the functions as the lung of Jakarta and groundwater and soil protection. Quantitatively, the green space in Jakarta continues to decrease. Regrettably, the spatial planning in Jakarta seems to accept that. The targets for green areas in Jakarta decrease in all of the master plans. In other word, the land development in Jakarta does not count the environmental consideration. It is simply economic consideration as the main reason.

In contrast, spatial planning drives the land development in Hong Kong. The government has controlled land development to be in conformity with the plan. Furthermore, it has successfully accommodated not only economic interests but also environmental interests. As I have shown in chapter 4, Hong Kong has successfully kept the green belt area and its country park. Although Hong Kong also experienced a rapid economic growth but it has not sacrificed the land for environment conservation. The government has enforced the compact city concept as the main paradigm in its land development. In fact, the rent price for offices and housing in Hong Kong is one of the

most expensive in the world. Thus, it may be cheaper for developers to acquire land in the fringe area. Nonetheless, government has effectively prevented the sprawl to the green belt area, which is located around the urban area. Simply put, Hong Kong has succeeded in overcoming market forces in its land development.

Obviously, Hong Kong is more success in overcoming market forces on its land development than Jakarta. Further question to this finding is why Hong Kong is more success than Jakarta? What factors are the key determinants in controlling market forces? To answer these questions, this research focuses on the spatial planning system in the two cities and the governance of the spatial planning system. The result is the governance that operates surrounds the spatial planning system as the main reason for the success in overcoming market forces rather than spatial planning system itself.

In the case of Jakarta, it is seen that the practice of the spatial planning in Jakarta does not completely perform the comprehensive approach. For example, although the product of spatial planning in Jakarta is a regulation in nature, however, in the reality land development control is always performed in a discretionary way. The decision in granting the location permit and building permit is solely in the hand of the authority. This practice has opened up the room for negotiation. Consequently, informal process has dominated the process to acquire location permit in Jakarta and its surrounding. It appears in the form of high-level lobby, which is clearly not recommended in the statutory spatial plan (Firman and Winarso, 2002).

From the developers' (businesses or individuals) point of view, this situation has given them opportunity to acquire cheaper land in the southern Jakarta, which was intended as green area. Furthermore, the southern Jakarta in 1980s was the pleasant place for living due to its clean air condition and its nearness from the central area. Certainly, the process to develop land for housings or other urban use in the restricted area is not without fees. In fact, Server (1996) has termed this kind of fees as "tolerance fees". With this kind of fees, the authority is willing to sacrifice green areas for revenue. On the other hand, developers are keen on obtaining sites in green areas, even if they have to pay some amounts of illegal fees. In fact, the developers may sometime offer bribes (Server, 1996; see also Firman, 2004b). In other word, corruption has become the characteristic of land development practice in Jakarta. In contrast, land development control in Hong Kong is clean from corruption practice. Although the system that works in permit issuance has room for negotiations, nonetheless, no evidence found that the decisions to be influenced by developers' interests (Hong, 1998).

Furthermore, this research explores the reasons for the rampant corruption practice in Jakarta's land development and for the clean governance in Hong Kong's. Apparently, there are two main factors as the main reasons for the rampant corruption practice in Jakarta's land development i.e. economic pressures and politic-institutional factors. In the first instance, it seems that public officials' payment in Jakarta is lower

than average living expense. Moreover, it is also lower than private sector's payment for managerial level of job. On the contrary, Hong Kong government provides competitive payment for its public officers. The payment for public officers in Hong Kong is above average living expense and is not lower than private sector's payment in all level of position. By having a good payment, it reduces the temptation to accept bribes. Simply put, Hong Kong has successfully created a clean governance.

Beside economic pressure, apparently political-institutional factors play a great role in fertilizing the corruption practice in land development in Jakarta (Cowher, 2005). Robertson-snape (1999) argues that the lack of accountable, transparent, and democratic institutions in Indonesian politic are seen as a significant contributing factor to the rampant corruption practice. The obvious example for this statement is the restriction of press freedom during and the absence of independent commission against corruption during the military regime in 1980s - mid 1990s. In fact, many authors believe that the absence of good governance in Indonesia is designed consciously by elite political actors to perpetuate their power (see Cowherd, 2005; Schwarz, 2007; Robertson-snape, 1999). In other word, there was no strong political will to create a good governance. Consequently, in the general indicators released from World Bank, such as accountability, rule of law and corruption control Indonesia has negative index. Combined with economic pressure, this situation has given a good environment for corruption in land development.

On the contrary, it is clear that Hong Kong has successfully built a good governance. According to indicators from World Bank, in terms of accountability, rule of law and corruption control Indonesia has positive index. Nonetheless, this result is not achieved in a short time and effortless way. Hong Kong government has declared a combat against corruption since 1974 and has consistently committed it (De Speville, 1997). In other word, there was a strong political will to create a good governance.

In brief, the discussion above lead to the conclusion that the governance that works surrounds the spatial planning, specifically in land development control, is the more significant factor than the spatial planning system in overcoming the market forces on land development. Although Jakarta spatial planning has a strict system, without a good governance the spatial planning is impotent in the face of market forces. In contrast, although Hong Kong has a flexible system, nevertheless, the good governance in Hong Kong has brought its spatial planning victorious in the face of market forces.

6.2. Recommendations

Based on the conclusion discussion, I would like to draw some recommendations in overcoming market forces in Jakarta. Initially, it is important to understand the nature of spatial planning system that is applied in Indonesia i.e. comprehensive-integrated approach. Theoretically, that comprehensive-integrated approach has some prerequisites

to be fulfilled. Generally, the success of the spatial planning depends on the good governance that operates it. Specifically, this approach needs a mature system, well-built planning institution, and strong political will to the commitment of the plans (European Commission, 1997). It may take a long time for Indonesia, Jakarta particularly, to achieve a mature system since Indonesia is still in the transitional situation. Moreover, it is beyond the scope of this thesis to discuss the development of the mature system in Indonesia.

From the case study discussion, it is clear that comprehensive-integrated approach, which is applied in Jakarta, has not been operated completely. There is an inconsistency between the formal system and the reality in practicing this approach. The binding concept is not operated appropriately. In fact, the discretionary approach occurs especially in land development control. It may open the opportunity for unnecessary informal practice. For that reason, I believe that it is important to build a clearer binding concept within the system. It is also important to strengthen the planning institution. The establishment of new spatial planning act, Act 2007 No. 26, has brought a good prospect for more clear binding concept. Additionally, Indonesia should have a consistency of comprehensive-integrated approach between the legal system and its practice in the real life.

The more important factor for the success of the spatial planning is the clean governance. Therefore, the government should evaporate the favorable environment for corruption by being more accountable. It is also essential to constitute indiscriminate law enforcement, for example, to implement the sanctions for abusing spatial planning as mentioned in Spatial Planning Act 2007 No. 26. Moreover, social control also plays a significant role in creating an encouraging condition for clean governance. Thus, the government should open up the access for more public participation, especially in land development control.

Furthermore in the context of preserving the green space in Jakarta, it is important to include several requirements for maintaining green space in the issuance of the permits (location and building permit). Learning from the case of Hong Kong, the government can make a contractual agreement with the developers. For example, the government determines the ratio for the green space and built up space as the requirement to obtain the permits and cancels it if the requirements are not fulfilled.

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