

Spaces of globalisation: Institutional reforms and spatial economic development in the Pudong new area, Shanghai

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Abstract

This paper investigates the unique institutional structures which manage interactions and interrelationships among key actors, their roles and functions, and how these articulate with national and global forces to produce new spaces of spatial economic development in the Pudong New Area in Shanghai. We begin with a revisionist historical perspective which links the official creation and initial development of Pudong to the political and international trade relations uncertainties of post-Tiananmen China and an economically laggard Shanghai of the late 1980s. The early focus in Pudong on export-oriented development has since yielded to a rather more sophisticated and comprehensive combination of strategies incorporating local, regional and international dimensions. Planning priorities and the resulting patterns of development in Pudong arose from the deliberate amalgamation and professionalisation of administrative responsibilities which have initiated and managed processes of change. The morphology of these spatial economic changes is not fully explained in relation to decentralisation, marketisation, and globalisation. The article considers a number of elements which need to be considered as part of a new conceptual framework for understanding the depth and extent of new spaces of globalisation in Pudong.

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I d c i

The Pudong New Area (PNA), lying to the east of the Huangpu River in the Shanghai municipal region and covering an area of 533 km², has seen a remarkable transformation since the Chinese government formally announced plans for large-scale development here in 1990. In the 10 years until 2000, the area experienced average annual GDP growth of 20% reaching US\$13.2 billion in 2001 (Pudong New Area Statistics Bureau (PNASB), 2002). Population has grown from 1.34 million to more than 2.4 million over the same period. The PNA is Shanghai's largest urban district with local financial revenue above US\$1 billion in 2001 (PNASB, 2002). The strategy and design of the PNA and subsequent spatial economic outcomes are large-scale, comprehensive and have been rapidly implemented with a number of relatively distinctive local characteristics not seen elsewhere in China, including a dramatic new central business district

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2. Selling of land-use rights and land leases, funds from listing the four key development

ministries and their affiliated enterprises who invested in buildings and office space, including the prominent Jinmao Tower largely financed by the State Economic and Trade Commission and the Shanghai Municipal Government.

The practical operating responsibilities and, initially, most of the staff for the project resided with the Shanghai Municipal Government and the Shanghai Municipal Party Committee. Headed

with the older core of Shanghai in Puxi and some of the relevant planning initiatives undertaken at the local level.

Provincial, municipal and county level governments from virtually every region in China became interested in the benefits of having a presence in Pudong. Similar to the response from government ministries and other agencies, these other local and regional authorities often constructed their own buildings and commercial interests in Pudong to take advantage of the latest market and other economic information, to facilitate and engage in domestic and international trade, to seek opportunities to acquire capital, technology, to recruit and train skilled employees, and to solicit business for enterprises in their home areas. Indeed, much of the new skyline in Pudong arises from the presence of these domestic local government interests.

Developers and investors can be grouped into three general categories. The first was comprised of the four key development companies affiliated with each of the four specially designated development zones and sub-areas introduced earlier. These companies executed three primary responsibilities, including: (i) developing and implementing concrete plans within the territory they manage; (ii) cultivating and managing appropriate types of investment into their respective zones, and; (iii) managing certain economic and social affairs within their jurisdiction on behalf of the Shanghai Municipal Government and, more recently, the new PNA administration.

The second major category was domestic investors and companies. At the end of 2001, there were 5200 domestic businesses in Pudong with a registered capital of nearly US\$2.5 billion (PNASB, 2002). Among these were the subsidiary and main offices of 138 domestic foreign trade companies. Some of these included the government and government-linked interests referred to previously in addition to the relocated headquarters of more than two dozen large Chinese business groups. The third category of investor was comprised of more than 6700 companies from over 70 countries and areas with a total contracted investment of about US\$15 billion (PNASB, 2002), including more than 100 *Foreign* firms. Most of these investments are concentrated in capital intensive high-technology manufacturing, communications and transportation, finance and insurance. Many foreign experts have also contributed through extensive consultancies in these sectors as well as in the planning and design of certain components of the project, especially Lujiazui (Olds, 2001).

With more than 100 universities and research institutes in Shanghai, there was a critical mass of academic expertise available to investigate the many dimensions of developing Pudong and the wider region. Indeed, academics and other researchers at several key institutions, including the Shanghai Academy of Social Sciences, Fudan, Jiaotong and East China Normal Universities and the Shanghai University of Finance and Commerce among others, were actively debating proposals and strategies for the development of Pudong in the early 1980s. Some of this work found its way into formally commissioned reports and discussion papers which were vital in supporting the key strategic decisions to proceed with the project (Wan et al., 2000). Actively exploring the idea of remodelling a heavily industrialised Shanghai into a multi-functional international metropolis, the initial steps to formulate relevant new policies to revive Shanghai were supported.

Development of the PNA has created very good opportunities for the well-educated and very experienced personnel at home and abroad to realize their ambitions. Skilled employees here can give full play to their abilities, while migrant labour contribute to and benefit from work in Pudong (Wu, 2002). Local residents are both active participants and beneficiaries of the project.

Many have contributed both manpower and their older housing on land in good locations for the sake of urban or industrial development, themselves moving into better living conditions. The newness and innovative character of the project has accommodated significant and important opportunities for women. Women play a very active and successful role in much of the policy-making, urban planning and construction, industrial development, and economic, social and administrative management in Pudong (Wu, 2002).

Designable era

With reference to the wider strategies and development priorities, and the description of key actors and their institutional settings, this section reviews the design and implementation of five stages of the project. Discussion of the processes and mechanisms underlying development of the PNA in this way is not intended to suggest that they are discrete unconnected endeavours. Indeed, the nature of these overlapping interactions and interrelationships must be considered together to appreciate the Pudong scheme as a whole and the way in which they have impacted the emerging spatial economic landscape. While there are references to specific dates and events below, it is the gist of their cumulative and simultaneous impact that we wish to emphasise here.

Stage 1: Overall objectives and strategy

With many years of detailed academic research and internal policy debate before 1990, the stage was finally set for the Shanghai Municipal Government to begin the overall substantive preparations for the development of Pudong and the revival of Shanghai in earnest. There were three main aspects to this work in the very earliest stage.

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Between 1996 and 2000, the early planning and policy preparations and ongoing construction of infrastructure projects was complemented by increased attention to issues of function, the environment and management. Here we introduce the notion of functional development to highlight this subtle shift in attention to these latter issues. While many of the preliminary “soft” elements and initial “hard” infrastructural developments were well in hand, planning and project management officials were keen to promote the simultaneous and deepening development of specific functions over space within the PNA. These included finance and trade and related services, high-tech manufacturing, tourism and exhibition space, real estate, and logistics and communication functions.

C¹ a¹ c¹ e c¹ c¹: The ongoing development of infrastructure and related projects during this period involved consolidation of the transportation network of the inner urban area of the PNA, including links to the new Pudong International Airport, the construction of sub-roads within the main network, construction and landscaping of Century Avenue and adjacent boulevard between Lujiazui and the newly completed Century Park, and construction and landscaping to improve the environment in the area of Lujiazui and the Huamu Ecological and Administrative Area and several local rivers. Other work focused on infrastructure connecting Pudong to the rest of Shanghai, including the newly completed subway line to the Zhangjiang High-Tech Industry Park, and internationally, including phase one of the new airport, phase two of the Waigaoqiao Container Port and the new Shanghai Telecommunications and Information hub among others.

M e e¹ c e¹: The Shanghai Municipal Government took the lead in pressing the State Council to approve a range of new measures to support the development of high-level services in the PNA. For example, the People’s Bank of China granted permission to qualified foreign banks based in Shanghai to conduct Renminbi business and to other foreign firms to enter the domestic insurance market. These centrally sanctioned policies were complemented by a host of locally determined initiatives designed to facilitate domestic economic cooperation by attracting well-qualified personnel, big firms and enterprise groups and their headquarters to Pudong. By 1999, the Shanghai Municipal government had also issued policies focusing on the development of the Zhangjiang High-Tech Industrial Park in response to international trends in the information technology (IT) sector. Several preferential policies to streamline investment approval and the establishment of enterprises combined with concessions on land leasing and taxes were also implemented at this time.

F c¹ a d e e¹ e¹: As policy formulation matured and the construction of infrastructure continued during this period the Shanghai Municipal Government oversaw the “filling in” of various functions across the PNA. All of these had implications for spatial economic and social transformation in Pudong.

In terms of high-end service, and economic management functions, by the late 1990s more than 70 financial institutions, including all of the big domestic banks and 30 foreign banks, and the Shanghai Securities Exchange had located in the Lujiazui Financial and Trade Zone. Moreover, 28 regional headquarters of multi-nationals also relocated to Pudong. The construction of very high-grade commercial and residential space was also well underway. Nearby Zhuyuan, one of the Business and Trade sub-districts, saw the establishment of the new Shanghai Futures, Property

Rights, Intellectual Property and Commodity Exchanges and several large-shopping centres. The international trade and distribution functions of the Waigaoqiao Free Trade Zone expanded with the entry of bonded warehousing, trade companies and logistics centres. The national and international significance of many of these developments were reinforced with recent high-profile gatherings, including the annual general meeting of *Forbes* 500 and the APEC Summit held in Pudong.

Meanwhile, the tourism, exhibition, cultural and administrative functions of Lujiazui and especially the Huamu Ecological and Administrative Area emerged with the opening of the

more than 5.5 million m² of floor space. Residential housing development brought 38.3 million m² of new floor space on stream by 2001, accounting for nearly 60% of the overall new construction of commercial and residential space in Pudong (PNASB, 2002). The construction and spatial proliferation of medium to very high-grade residential real estate is a key feature of the economic and functional development of the PNA.

During this period much attention was given to the continuing large-scale development of infrastructure both locally within the PNA and in fostering regional and international transportation linkages and economic cooperation. Meanwhile, simultaneous functional development at this time saw the deepening and proliferation of particular types of economic, social, environmental and administrative activities over discrete spaces. This included the introduction and establishment of many kinds of functional “carriers” like industrial enterprises, financial institutions and other high-end services, corporate headquarters, government and related administration and management activity, highly educated and qualified personnel, and the construction of cultural and ecological spaces. The dramatic, highly conspicuous transformation of the spatial economic landscape are all the more remarkable in the context of the 1997 financial crisis elsewhere in Asia, the bursting of the dot com bubble, and the global economic slowdown led by the US from 2000. By the early 2000 Pudong was beginning to blossom as a new urban entity.

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This current phase, which will last from 2001 until about 2010, will see the maturing of the functional development described above and the continuation of urban construction. In spatial economic terms, this phase sees the PNA moving towards a more spatially coherent and functionally integrated urban landscape. Pudong will emerge more and more as a hub of capital, commodity, technology and information flows. The foundation for these flows is state-of-the-art information services and infrastructure, the abundance of business opportunities within Shanghai, the Yangzi delta and the wider China market, maintaining a competitive cost structure within environmentally friendly superior living and working conditions, and advanced local administration and management. The processes and mechanisms by which various actors execute their interests in relation to these factors will continue to play out in an increasingly dense transactional environment affecting the morphology of, and the articulation of interactions and interrelationships within the built environment.

Building on the current successes in stimulating the development of finance, trade, telecommunications, and some tourism, conference and exhibition functions, concrete priorities seek to take advantage of China’s WTO accession to promote accounting, legal, consulting and other advanced producer services. Micro-electronics, bio-engineering and pharmaceuticals and other high-tech non-polluting manufacturing, and software development and incubator/innovation functions will continue to develop. The real estate industry will broaden to include middle-level as well as high-grade residential housing and the development of advanced intelligent office buildings. Movement towards achieving the urban CBD status of Lujiazui as the core of the PNA was signalled with the beginning of the overall development of the frontage areas along the Pudong side of the Huangpu River in 2001. Development of these areas was held in reserve until the construction and “filling-in” of adjacent zones was completed or well underway. Meanwhile,

administration to manage a coherent common vision. Indeed, it is the deliberate amalgamation and professionalisation of urban planning and governance—albeit over mostly green field sites

the Shanghai and Pudong authorities to respond to these changing international and domestic circumstances by adjusting priorities and institutional frameworks was a key feature of development in the PNA and is reflected in particular spatial outcomes. For example, despite the downturn in global technology stocks, investment in high-technology manufacturing in Pudong has continued apace through re-interpreting guidelines to widen the types of activities encouraged within designated development zones. Meanwhile, construction of the new Lujiazui finance and trade district, and the Huamu Administrative and Ecological Area have stimulated massive construction of residential space. Indeed, development of the residential real estate sector across Shanghai has had a significant impact on the local space economy (Wu, 2002), not to mention the impact on the financial sector as a result of a rapid increase in mortgage lending. Supported by preferential business development policies and the overlapping specific economic interests and motivations of the Shanghai and Pudong governments, there emerged many opportunities for skilled personnel and other actors to undertake relatively bold planning and entrepreneurial endeavours which have affected the economic landscape of the PNA. The construction of public places such as new parks and “ecological” green spaces, investments in new schools and higher education institutions, hospitals and other social welfare facilities are also evident in the emerging urban landscape.

Finally, there were two linked characteristics of development in the PNA alluded to above which need to be further highlighted to help understand and explain the particular patterns of spatial change in Pudong. The first was the mutual recognition and coincidence of similar economic motivations and interests among the key actors affecting transformation in the PNA. This convergence towards profit-making activities was especially evident in terms of how development in Pudong attracted an unusual array of trans-jurisdictional interests and actors from within Shanghai itself, regionally, nationally and internationally. Ironically, while much of the resulting behaviour of key actors in the PNA may be market-oriented and even global in outlook, the institutional and spatial parameters were largely determined by the local state. However, while difficulties may persist in managing certain aspects of regional economic cooperation across administrative boundaries in and around Shanghai (see Wang & Slack, 2002), there was a strong sense that development in Pudong was being driven by a set of factors which were not always bounded by territorial jurisdiction. It is still largely the case in China that regional governments are able to exercise considerable administrative influence (not always deleterious) over the behaviour of actors within their jurisdiction (Marton, 2002; White, 1998; Yan, Jia, Li, & Weng, 2002). It remains to be seen over the long-term, however, whether the rationale of marketisation and the external forces of globalisation in the PNA and Shanghai can overcome the problems of “economic warlordism” and irrational regional industrial and infrastructural patterns seen elsewhere in China (Marton, 2000). Thus so far, the trajectory and patterns of spatial economic development in Pudong seem to suggest that, at least within the Shanghai municipal region of more than 6000 km², there is a very good level of state-led coordination.

Which brings us to the second characteristic referred to above. The authorities responsible for development in Pudong have sought explicitly to maximise the mutual benefits of links to the older parts of central Shanghai in Puxi and to the wider region, especially the lower Yangzi delta. This is most clearly reflected in the construction of new transportation infrastructure linking Pudong to Puxi. Utilising an established urban core to support the development of new adjacent

areas is not unique to Shanghai. This sort of thing has happened elsewhere in China. Notable nearby examples include Suzhou and Kunshan in southern Jiangsu (Cartier, 1995; Marton, 2000). However, the scale of such developments elsewhere, and the implications for spatial economic change and urban transformation, pale in comparison to the depth and extent of changes in the PNA in relation to Shanghai. While the contours of the spatial economic landscape have been transformed, there have also been other less obvious, but no less significant changes in perceptions of Pudong in relation to the rest of Shanghai (Gamble, 2003). A common refrain among Shanghai residents before 1990 suggested that a single bed in Puxi was preferable to a new house in Pudong. While some locals in Puxi may still scoff at the prospects of living across the Huangpu River, there is little doubt in the eyes of many Shanghai residents and other observers that Pudong represents the future of a modern, urbane, internationally competitive and cosmopolitan China.

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