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Studies in Urban and Social Change

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THE NEW CHINESE CITY

GLOBALIZATION AND MARKET REFORM

Edited by

John R. Logan

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Yixing Zhou is Professor of Urban Geography and chair of the Department of Geography, Peking University. He has published numerous studies on China’s urbanization, urban system, urban policy, statistics, and planning.
The primary mission of this book is to introduce readers to the far-reaching changes that are now taking place in urban China. The contributors describe cities that are new in many dimensions. They are larger, taller, and more sprawling than those of the socialist era, offering higher standards of housing and consumption, but at the same time more segregated by class and social position and between natives and newcomers. In the best traditions of urban scholarship, these chapters link the visible changes in urban life to changes in the larger political economy of China. Broad notions of the transition from socialism, market reform, and globalization — concepts that are central to understanding this country’s re-emergence on the world stage — are given tangible meaning in terms of more mundane questions about people in the city (like how much tenants pay for rent and where migrants can find a protective niche) and about how cities develop (like why local governments have become growth promoters, how profits are reaped from redevelopment, why new skyscrapers stand empty, or how foreign investors make connections in the Chinese market).

This book marks a step in the development of a mature and self-conscious urban research community in China. Just fifteen years ago the few whose writings on these topics were widely available, such as anthropologist G. William Skinner, sociologist William Parish, and geographer Laurence J. C. Ma, were pioneers, working with incomplete data and typically based in universities in the West. Now there is quite a large and diverse array of scholars studying the processes of urbanization, migration, and urban planning and their
impacts on Chinese society, many of whom are employed in universities and research institutes on the mainland. Several of the most senior and productive urbanists in China have contributed to this volume, as have some of the most promising in the new generation of scholars. Many have received training in both China and the West. Better data, more advanced techniques, and a wider range of theoretical ideas are being brought to bear now. Readers will find here sophisticated institutional analyses, survey methods, urban applications of geographic information systems, and ethnographic fieldwork.

It is no longer a novelty to find original research on urban China in the major academic journals. International conferences in this field are now held regularly. Indeed, this book itself is the result of such a conference, one that I organized in Shanghai in 1999 with the cooperation of sociologist Lu Hanlong, Director of the Institute of Sociology at the Shanghai Academy of Social Sciences. The initial impetus for the conference came from the Research Committee on Urban and Regional Research, a component of the International Sociological Association, whose founders are also responsible for publishing the *International Journal of Urban and Regional Research*. The post-conference activity that brought this volume to fruition is part of a longer-term effort to strengthen this field through the Urban China Research Network. Based in Albany and supported by the Andrew Mellon Foundation, the Network offers grants for research by graduate students and young Chinese faculty members and fosters new collaborative projects through international working groups.

I wish to acknowledge the many debts that I have accumulated in the years that I have conducted research in China. My deepest gratitude is to Nan Lin, who created opportunities and connections in China for me and for others, and to the Chinese sociologists whom I first knew as my students but whom I now appreciate as collaborators: Min Zhou, Yanjie Bian, and Fuqin Bian. Lu Hanlong (Shanghai Academy of Social Sciences) and Pan Yunkang (Tianjin Academy of Social Sciences) have been long-term partners in data collection and scholarship. For their financial contributions to the Shanghai conference, I thank the Foundation for Urban and Regional Studies and the American Sociological Association, as well as the Vice President for Research, the Center for Social and Demographic Analysis, and the Lewis Mumford Center for Comparative Urban and Regional Research of the University at Albany.

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Part I
Introduction to the New Chinese City
1

Three Challenges for the Chinese City: Globalization, Migration, and Market Reform

John R. Logan

China has a special place in the sociological imagination, particularly at this juncture of history. As the clock has ticked into a new millennium, China’s connections to an ancient past remind us of the continuity of time. Our sense that this civilization is poised for a new leading global role turns our thoughts to the future, to transformations that are barely begun, but to which China now seems irrevocably committed. The weight of tradition and the promise of change combine to make this a remarkable moment. A century from today, we suspect, people will take for granted that this nation was being reshaped at this time, that a new, more dynamic society was being forged in the coastal zones of East Asia.

China has set out on a path whose destination is unknown. We certainly can chart the major changes of the past two decades, when the Cultural Revolution was brought to a close (in 1978) and the revolutionary ideology of Chairman Mao’s red book was supplanted by a pragmatic leadership more concerned with economic performance than with political purity. The government’s encouragement of joint ventures with foreign investors, combined with the availability of a vast, low-wage, and underutilized labor force, boosted exports of consumer products to the West to phenomenal levels. Work units, even large enterprises in the state sector, were gradually released from central planning controls and given incentives to increase productivity and to seek profitability. Slowly, the workforce began to shift from the traditional state sector to enterprises that mixed private, cooperative, and state ownership in new combinations. Bonuses, which soon became half or more of workers’ net
wages, were instituted to reward successful work units; the days of a standard, low salary for just about everyone were only a memory. Standards of living rose sharply for both rural and urban residents in the coastal zones. And relaxation of a wide variety of restraints on mobility (from controls on work unit recruitment methods to the end of the system of grain rationing that provided for only authorized city residents) made it possible for large numbers of migrants to move into cities and their surrounding hinterlands. China’s cities grew again in tandem with economic expansion: the best estimates show the country evolved from only 12 percent urban in 1950 (and not much more than that at the end of the Cultural Revolution) to close to 30 percent in 1993 (Chen and Parish, 1996).

Something Old, Something New . . .

In fact, the debate over where China is headed—and how fast—is the core question for China scholars. There is no support for the exuberant optimism that led some economists to expect the former socialist countries of the Soviet bloc to be able instantly to create effective market institutions. There is agreement, instead, that China has taken a slower course, that its current status should be called “partial reform” rather than radical marketization. Within this consensus, sociologist Victor Nee (1996) takes the strongest position, predicting a process of displacement of state sector enterprises (representing the centrally planned economy) by the private sector (representing a free market economy). His theoretical imagery envisions these two sectors as remaining separate, one shrinking while the other grows; at the point sometime in the future that the economy becomes predominantly private, reform will have been completed. Nee has been most interested in the ramifications of this process in the stratification system, and especially in the allocation of income. The state sector, he has argued, organizes income inequality mainly along lines of bureaucratic authority. Especially, he emphasizes, it rewards Party membership. The private sector, in contrast, rewards skills, especially education. His model therefore implies that the structure of income inequality will shift over time alongside—and as an indicator of—the shift toward a market economy. Party membership will lose value, while education gains value.

This same logic shows up in other domains. For example, Guthrie (1996) argues that managers with more experience and contact with Western firms, and in more competitive sectors, will be the first to adopt modern industrial management methods, and that these will diffuse throughout the economy as market reform progresses. If we extend this model to the housing sector, we find the current official government view of housing reform: that allocation of housing as a collective good must be replaced by the treatment of housing
as a market commodity. In conformity to this principle, apartment rents have been raised from nominal levels to more substantial amounts, and residents have been encouraged to purchase their homes outright (a conversion that now has been extended to more than 50 percent of the housing units in some cities). Housing provision, too, is being marketized. Real estate development firms have been created with the mission of building for a profit; land that was formerly simply allocated for new projects is now bought and sold. The result, potentially, is a new process of urban development and housing allocation, the replacement of a socialist city by a market-driven form.

As always, there is an alternative view. Many China scholars, and perhaps the majority, perceive a strong continuing state presence in what others think of as the market economy. One apt characterization is Zhou’s (2000) account of the state and market sectors as two interpenetrated spheres. Work units and other actors in the state sector increasingly find good reasons to take market processes into account – if only, as when the army decides to build and sell trucks as a way to finance arms purchases, to share in the fruits of the private sphere. And at the same time, ostensibly “private” transactions often have a strong public connection, as witnessed by the occasional show trial and punishment of high officials who used their insider status to turn a private profit. It would be a mistake to think of this interpenetration mainly in terms of corruption, however. The fact is, in China it is the state, the Central Committee of the Communist Party, that decided to embark on the path of market reform, and the concrete choices made at every step of the way are marked by the state’s continuing intervention. It is the persistence of the Communist Party’s rule that naturally implies the persistence of an economy where private interests are interpenetrated with public agencies.

Hence, for example, being a member of the Communist Party, or working for an enterprise with strong connections to the authorities, continued in the early 1990s to be associated with earning more (Bian and Logan, 1996), or with getting allocated a larger or better equipped apartment (Logan et al., 1999). The great transformations of the political economy notwithstanding, traditional ties to influence continued to count.

A central question for research on the new Chinese city is, therefore, how new is it? To be more precise: what aspects of the current explosive urbanization should be interpreted as outgrowths of pre-existing processes of planning, control, and distribution – characteristic of socialist China – and what should be understood as the urban impacts of emerging market processes?

The same question arises in the case of the East European countries that have undergone market transitions in this era. Summarizing research on these changes for the purpose of analyzing their urban impacts, Harloe (1996) emphasizes that the free market was not born whole in 1989. “The transformation now taking place in the former state socialist nations is
path-dependent,” he writes (1996, p. 10), “it is shaped by cross-nationally (and
subnationally) variant historical legacies and current conjunctures. Rather
than some simplistic and immediate process of abolition of the economic,
political and social structures of state socialism and their replacement by those
of an idealized Western capitalism, we see a conflictual and contradictory
complex of social actions in which differing groups deploy what resources they
have available to secure their position in the new order.”

We must be careful not to be misled by use of the term “privatization” to
describe the market reforms being undertaken in East Europe or China. As
others have emphasized (Walder, 1996), what is at stake is not simply “own-
ership” but “property rights” over the use of land, the built environment, and
future development, a set of social relations involving control, extraction of
profit, and investment. China created a very complex system of property
rights in the guise of “socialism,” and there is an equally complex set of trans-
formations under reform.

Comparison with urban patterns in East Europe also reminds us that we
must be cautious in our view of what was specifically “socialist” about the
pre-transition situation. Szelenyi (1996) argues that there were distinctively
socialist patterns, not necessarily according to the designs of socialist plan-
ners, but due broadly to “the consequences of the abolition of private prop-
erty, of the monopoly of state ownership of the means of production, and of
the redistributive, centrally planned character of the economic system” (p.
287). These features included under-urbanization (relative to capitalist systems
at the same industrial level), low levels of spatial differentiation, unusually low
density in central areas, and few signs of socially marginal groups. Old neigh-
borhoods were allowed to deteriorate, while new construction was focused in
high-density blocs in peripheral zones. Similar observations could be made
about urban China through the 1970s.

There are, of course, great differences between the Chinese and other
socialist experiences. Market reform in China was introduced by newly as-
cendant members of the old regime, rather than by an entirely new governing
coalition, and it was implemented in the context of economic expansion
rather than collapse. Szelenyi (1996) believes the economic crisis in East Euro-
pean cities has temporarily blocked some potential effects of privatization.
These include new rural–urban movement, and a substantial increase in
diversity of use of urban space, with small shops, markets, new marginality,
crime, and deviance. Szelenyi envisions also suburbanization and urban decay,
as inner city areas suffer crime and environmental problems that render gen-
trification undesirable. To some extent, the Chinese experience – where the
economy has expanded rather than contracted – offers a test of his view. On
the other hand, the stability of political control may explain why China has
not experienced some of the other expected consequences of the transition,
such as the social, ethnic, and nationalistic movements, and collective action
on issues of housing privatization, that occurred in East Europe. Such mobilization is still under wraps in China.

**China’s Urban Pattern**

China is unusual even in the Third World for its historically lagging level of urbanization. Its older urban centers (like Nanjing and Beijing) used to have a primarily administrative function. A limited number of treaty ports (such as Shanghai, Wuhan, Tianjin, and Guangzhou) became industrial and trade entrepots after the mid-nineteenth century, and these cities grew through large-scale migration through the early twentieth century. A map of China (figure 1.1) shows that the dozen largest cities are highly concentrated along the coast. These are major cities, indeed, with populations in the millions. Still, at the time of establishment of the People’s Republic (1949), China was largely a rural nation.
Early investments by the socialist state in industrial development were concentrated in cities and satellite towns, resulting in a gradual rise of urban population. Zhou and Ma (2000) point out, however, that much greater changes occurred in response to subsequent policy shifts (see also Lin, 1999). First was a wave of mass urbanization: 8.3 million new urban residents per year during the Great Leap Forward of 1958–60. Then, due to food shortages associated with the failure of the Great Leap and a national defense strategy (Third Front Construction) of dispersing industry from the coastal cities to the interior, China experienced a sudden de-urbanization. During the Cultural Revolution millions of peasants were recruited into urban industry, but this movement was counterbalanced by “sending down” millions of urban youths to the countryside. Hence by the end of the Cultural Revolution in 1978 the level of urbanization was still only around 17 percent. Even now, with more than thirty cities of over a million population, the nation’s urban system is tilted toward smaller places, with 375 cities of less than 200,000 population (Jankowiak, 1999).

Increasing urbanization since that time has been accompanied by other sorts of changes in the urban pattern. Chief among these is suburbanization – decentralization of population and economic activity to the periphery of cities. Between 1982 and 1990, despite overall population growth, the core areas of major cities like Beijing and Shanghai declined by about 3 percent, while inner suburbs grew at a rate of 40–60 percent (Zhou and Ma, 2000, p. 214). Suburbanization results in part from the displacement of permanent city residents out of core areas due to urban renewal activities by the state. Also, work unit investments in new housing vastly increased in the reform era, and these are often located in inner suburbs because of the availability and price of land. Another factor has been the infusion of migrants from the countryside, who are restricted by government policy largely to peripheral zones (a phenomenon discussed in more detail below).

Suburbanization has also been stimulated by changes in the valuation of land. As central locations became more valuable, there were large profits to be reaped from moving out of core areas, especially by large industrial work units that were under pressure to leave the city for environmental reasons and that could take advantage of newly available suburban locations. Suburban land prices, in contrast, were artificially depressed, because land rights were held collectively by villages, and villagers valued not only the cash transaction but also the possibility of gaining urban residency rights and new housing in return for agricultural land.

The trend of urban development can also be seen in the rising levels of investment in the built environment. In Shanghai, for example, Zhu (2000) documents these dramatic changes between the period 1953–78 and 1979–95: investment in fixed assets rose from 8.6 to 40.6 percent of total output, and investment in housing rose from 0.4 to 7.4 percent of total output.
Housing construction soared from 18 million to 86 million square meters in the later period. (For an overview of reforms in the housing sector itself, see: Wang and Murie, 1996; Logan et al., 1999.)

Two chapters in the first section of this book (chapters 2 and 3) summarize and comment on these changes. Duo Wu and Taibin Li describe Shanghai’s rapid growth in the 1990s in mostly positive terms, noting the successful redevelopment of the old center alongside the creation of a new and expanded city. They applaud the increasing reliance on market mechanisms and the more limited role of government. Their analysis nonetheless concludes with a number of concerns for planners: the inadequacy of public infrastructure, estranged human relationships, and poor adaptation of migrants to city life. By contrast, Yan, Jia, Li, and Weng emphasize the emerging costs of the metropolitan transition – from new social inequalities to environmental damage. They are especially critical of the lack of coordinated plans on the part of government, and they argue for stronger and more comprehensive social planning mechanisms to counteract these costs. It is important to note that both of these evaluations come from a Chinese perspective, and they reflect a discussion that rages behind closed doors about the character of the new Chinese city. What is at stake is the balance between state planning and market forces, a very sensitive topic given the regime’s overall commitment to abandon central controls.

Global Impacts on the Chinese City

As much as in Western market societies, China’s urban development depends upon (and its development options are limited by) the country’s global connections. This is not a new phenomenon; indeed, most of China’s major coastal cities developed under foreign influence after the mid-nineteenth century. Shanghai grew mainly to the north of the confines of its old walled city, with extensive French and English zones that were actually governed by the consuls of those countries. Not until the end of the Second World War, when the Japanese were expelled, was modern Shanghai fully under the control of Chinese authorities. Several of China’s major cities therefore always have had both a Chinese side and a global one.

An important indicator of global connections is foreign direct investment, which grew exponentially after 1991 (having recuperated from the effects of the 1989 Tiananmen repression), reaching a total of $16 billion in 1996 (Wu, 2000, p. 1361). Since 1993 foreign investors have been allowed to develop commodity housing for the domestic market, and real estate soon accounted for more than a third of the value of new contracts signed for foreign direct investment. Thus they play a strategic role in urban renewal, replacing older residential neighborhoods with mixed residential/commercial projects. Their
chief advantage in this realm is their ability to provide large upfront capital investments, while local government is relatively land-rich and cash-poor. Hence, as in the West, localities have found themselves competing for outside investment.

Foreign investment is one feature of the emerging “global cities” of coastal China. Sprawling Beijing, the nation’s capital, lies to the north, with the port city of Tianjin only a short drive away on the new divided highway that connects the two cities. Shanghai, arguably the new economic power center of China, lies near where the Yangtze River completes its journey through such major cities as Wuhan. In the south, where Guangzhou was once the key trading center and Hong Kong was maintained by the British as a kind of international free market city, there is a confusing new lineup. Here within a short distance of one another are Macao (retrieved from Portugal), Zhuhai (a free trade zone created alongside Macao to attract foreign investment), and especially Shenzhen (the newly established city of millions, created as an experiment in international trade and investment). Hong Kong, of course, remains the big city of this Pearl River Delta region. But surprisingly, the bulk of new growth is in the rural towns that lie in the hinterlands of these cities.

Yixing Zhou (chapter 4) proposes that China’s first “world city” – a center with the size, economic power, and international weight of cities like New York, London, and Tokyo – will be a regional urban agglomeration of Hong Kong with the Pearl River Delta. This is a very special case, because it involves a very high density of transactions across borders in a relatively limited regional space. The operation of this “Greater China” network (Sun, 1997), involving China, Hong Kong, and Taiwan, hinges on the efficiency of complex transborder networks of actors.

China’s Communist Party Central Committee stimulated investments in this region by deciding in 1979 to adopt special policies toward development in Guangdong and Fujian provinces (reforms that were extended later throughout the country). Many enterprises were transferred from central to provincial control, there was a shift from fixed to variable, negotiated prices for products, local governments were allowed to retain 70 percent of surplus foreign currency earnings, and wage reforms were introduced at the enterprise level. Further, Special Economic Zones (SEZs) were established in Shenzhen, Zhuhai, Shantou, and Xiamen. Offering cheap land and labor, common cultural tradition and language (Cantonese and Fujianese), and counting on established personal and kinship connections, officials at the county and township or village level had great success in soliciting investments, first from Hong Kong and later (after 1988) from Taiwan.

Alan Smart (chapter 6) suggests that the de facto regional integration that has evolved in this case, despite coexistence of quite different political economic systems on either side of the border, offers new insight about how global connections are carried out. The border itself, he points out, creates
opportunities for manipulation of exchange. It now allows unfettered movement from Hong Kong to China, but restricts Chinese access to Hong Kong. The low-wage labor market and ambiguous character of market reform on the Chinese side provides openings for creative opportunism by entrepreneurs with subcontracting ties to Hong Kong. Other mechanisms for taking advantage of the border have even stronger elements of social transgression (from maintaining second wives on the Chinese side to paralegal real estate deals). Up to now, reliance on cooperation and trust, or what Smart refers to as “muddling through” (using informal and under-regulated institutions to manage exchanges), has been successful. But it is unclear whether the real mechanism has been a temporary convergence of interests (allowing outside investors to give up a share of their profits to local Chinese elites in exchange for stable returns). What will be the longer-term relationship between the Pearl River Delta region and the global system?

Part of the answer depends upon Hong Kong itself. Sum (in chapter 5) points out that there have been fierce debates in the past five years about Hong Kong’s development strategy, partly inspired by the collapse of Southeast Asian bubble economies in the late 1990s. As textile and other industries were relocated in South China, the performance of Hong Kong’s service and property sectors has become more crucial. How can these be sustained? Sum describes two alternatives that have emerged, to develop as an industrial site at high levels of technology, or to aim to be a world service and financial center.

Another part of the answer depends upon competition with other regions. Zhou (chapter 4) suggests that Shanghai will eventually surpass Hong Kong due to its more favorable geographic location with respect to the Chinese hinterland. What could also make a difference, of course, is the central government’s willingness to continue to promote Shanghai. It is not simply by chance that the former mayor of Shanghai has now risen to the top of the central government elite. Analyzing the relative success of Hong Kong, Shanghai, Beijing, and other contenders for world city status in China opens a window on the interaction of domestic and global forces in urban development.

More can be learned by exploring these interactions in detail within individual cities. Our interest here is primarily in the impacts of globalization on the process and form of urban development. Thus we highlight the ways in which the locus of decision-making has been altered under these conditions. The key innovation – and one that derives as much from the Beijing-led decentralization of governmental power as from globalization – is the emergence of the municipality as the key player in urban development. And with new priorities: a large share of local government revenues now is drawn from urban renewal and real estate projects in which the municipality (or its district governments) is a partner.
Zhengji Fu (chapter 7) and Alexius Pereira (chapter 8) study these changes in Shanghai and Suzhou. Fu analyzes the specific constellation of local and global forces at work in Shanghai across six historical periods (beginning in the nineteenth century). Like Sum and Smart, he focuses on three categories of actors, representing foreign capital, the national government, and local elites. In the commercial city of the nineteenth century, he suggests, the central government was entirely absent, and development was managed by a dominant foreign faction in alliance with local elites. The socialist era, in turn, was unique in its exclusion of foreign capital and the dominance of national-level planners. In the current reform period, for perhaps the first time, all three play a significant role. There is a convergence of interests in developing the financial and services sectors, as symbolized in the creation of the Pudong development zone. Fu outlines the pattern of deal-making that has taken place around Pudong, and he concludes that the key roles are played by a coalition of local authorities and global capital – both of which seek growth more aggressively than does the central government.

This notion of a shifting triangle of power is illustrated again in Pereira’s study of Suzhou. In this city, the national governments of Singapore and China contracted to collaborate in the creation of a vast new industrial zone. The project drew nearly $4 billion in foreign direct investment by 1999, vastly reshaping the character of Suzhou (formerly best known for its gardens and canals). But despite these successes, there were weaknesses in the inter-organizational network through which investment was conducted – in particular, the failure of the Beijing government to involve Suzhou municipal authorities in the project. Indeed, Suzhou initiated its own development zone in 1997. Pereira shows how these strains, combined with the Southeast Asian financial crisis of the late 1990s, led Singapore to withdraw from the project.

**Market Reform and the Urban Development Process**

Besides opening the country to new international influences, market reform has vastly reorganized the exercise of state power within China. Lin (1999, p. 673) summarizes the changes in terms of decentralization, concluding “that decentralization of decision-making has favored local governments, that the capacity of the central state has been eroded, and that the state system has become increasingly fragile or fragmented such that the central state can no longer monopolize local developmental affairs. . . . The combined result of decentralization, marketization and globalization has been a new central–local relation in which local governments and enterprises no longer play a passive and obedient role.” Decentralization was not altogether altruistic: one motive for the national state was to shed its subsidies of local expenditures.