**Chapter 12**

**Hong Kong, Shanghai and Singapore: A Battle for Regional Dominance**

**- Mega**-**Projects and State**-**Led Visions**

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In chapter 10 we set out the key developments that have affected urban policy, and city priorities, in the pacific Asia region. In this chapter we will examine the same issues in the other leading cities of the region.

As the future of China will be so important for the future of this whole region, and because national policies are important for the future of this whole region, and because national policies are important in respect to both Hong Kong and Shanghai, we first explore the broader Chinese approach to globalization and city politics.

**Globalization, the state and Chinese cities**

The economic fortunes of china and the development of its major cities will have an impact throughout the region. The 'open door' policy since 1978 and the recent joining of the World Trade Organization indicate that the country is linking up the world economy and thus becoming more subject to the forces of globalization. China's economic growth in recent years suggests that it may be shifting its economic position in relation to other nations in the region, and its huge population provides a major potential market and incentive for foreign investment. These changes in the national economic system have in turn had an impact on the role of its cities. There has been a very rapid increase in the urban population, from 12.9 per cent in 1978 to 24.6 per cent in 1996. In the more open cities there has been a drastic change in the urban development pattern with a huge increase in the 'unproductive' sectors of housing and offices. The return of Hong Kong to china has resulted in new linkages and dynamics changing the global relations of that city.

The economic reforms since 1978 have created a 'socialist market system in which the basic framework of the previous socialist state remains while a market system is inserted in a controlled and spatially specific way. However, whereas the previous socialist system was a top-down centralized approach, the new phase has been described as increasingly bottom-up and decentralized. The new economy is not fully exposed to the forces of globalization as the state still plays a leading role. This situation has been described as ‘a partially market- oriented economy operating within a social and political system controlled by the Chinese Communist party dictatorship’.

So how does this combination of state and market, and central control and decentralization, operate in practice? The new economic system has been incrementally introduced by the central state, through the Central Committee of the Communist Party, and carefully monitored each step of the way. The open door policies were first tested out in Guangdong and Fujian provinces and four special economic zones were established there.

At the same time as orchestrating this gradual economic reform the state has been embarking on a policy of decentralization. The local level of government has obtained greater power. The proportion of revenue under local control has increased and local government has gained the discretion to arrange investment and promote local growth. Meanwhile state-owned enterprises have been freed from the hierarchical control of the central state. The increased autonomy enjoyed by local government and local enterprise produces a new system of local governance involving a more complex range of local actors. According to Wu, this creates a new form of governance that might be described as a Chinese form of urban growth coalition with the local state apparatus taking the lead role.

Local governments have also become outward-looking as they seek to attract inward investment to boost their local economies.

**Hong Kong : the gateway to China**

Hong Kong, transferred from Britain to china in 1997, has an advantage in developing as a global city as the international connections are already in place and the city plays a major gate way function in linking China to the new global economy.

As well as these external global connections, the city has also developed linkages with the surrounding Pearl River Delta and formed a region containing centres with different functions, including special economic zones and Guangzhou. Some argue that this region will become China’s first world city region comparable with London and New York or an example of a new kind of mega city based upon a network of linkages.

**Shanghai : a state-led world city**

From around 1990 Shanghai experienced a stunning explosion of development in its attempt to become a global city. This development has been orchestrated by the state and can therefore be seen as a prime example of a state-led attempt to create world city status.

From 1993 regulations were introduced that allowed foreign investors to develop domestic housing projects. The idea was to use this investment to rede-velop run-down urban areas. In 1986 more than 60 percent of Shanghai housing did not have toilets (Yatsko, 2001).

More and more property deals resulted from local government's desire to use land and property to attract foreign investment and solve their prob-lems, including financing infrastructure and upgrading the urban housing fabric. This led to an oversupply and high vacancy rates. In 1997 it has been said that there was a vacancy rate of 40 percent in the city as a whole and up to 70 percent in pudong (Haila, 1999b). However unlike in the West these figures did not lead to a slow-down in new projects.

Haila (1999b) gives a number of reasons for this: the keenness of foreign investors who saw an expanding market, investment motives not necessarily based on economic calculation such as those of the Overseas Chinese, the financial gains obtained by the city and district from the leasing of land and selling of constraint' and the knowledge that if things go wrong they will be bailed out by the state.

The multiplic-ity of actors and the competition between state entities led to a diversified and disaggregated pattern of decision-making. This makes strategic control over supply difficult. In theory the planning system could provide this strategic framework and, as se have seen, new forms of planning were being developed in China but these lacked sufficient powers of enforce-ment. The central state was therefore controlling and guiding the overall changes. However, in order to implement these it has had to pursue a policy of decentralization and allow municipal government more autonomy to realize resource potential at the local level and to control urban land management. However, the municipal government was still highly constrained by central government (Yeung and Yun-wing, 1996).

Local state enterprises also have land assets. However local government needs to be competitive and requires financial resources. They need these to build the infrastructure to make the city attractive to investors, and also to pay compensation to residents.

Some resources can come from national government and international bodies such as the World Bank. As Wu (2000) explains, they have been selling off leases on the land in order to raise capital for infrastructure projects that then open up new land for potential development. Foreign investors are able to provide the large amounts of short-term capital needed to buy the land and build the new projects. They are attracted by the potential profits available from a rapidly growing urban economy and the windfall profits available at the beginning of land reform (Wu, 2000).

**Singapore : city state and archetypal world city**

As a city state Singapore is free from the complexities of intergovernmental relations between national and city levels. Very soon after independence politicians were formulating the idea that Singapore should be a ‘global city’ and it can be said that the new city state ‘reconfigured itself as a “global” city, before the emergence and popularization of the concept in social science’ (Huat, 1999, p.784).

This prescience seems to have served the country well – its per capita income during the period 1980-95 more than tripled and reached the second highest position after Japan in the Asia Pacific region (van Grunsven, 2000). By the 1980s, the limits on the size of the workforce, and the restricted land area, made the government realize that it was becoming increasingly uncompetitive in labour-intensive industry. A second industrial revolution was launched to reorient manufacturing towards higher value-added activities and wages were doubled to weed out labour-intensive industries. Thus since independence the economic role of Singapore has been very consciously planned by a state that has been trying to keep one step ahead of global economic changes.

The world system of economic decision-making has been extremely centralized (Chua, 1996). The state-determined economic strategy is closely linked to land-use and development planning. The EDB has a key influence on the strategic land-use plans that are prepared by another arm of government, the Urban Redevelopment Authority (URA). The private sector is also involved in the planning process. They are invited to give their opinions in the committees that are set up to advise these government boards. Thus in preparing its plans the URA responds to the views of the various advisory committees and the boards and ministries of government, in which the EDB plays an important agenda-setting role.

In Singapore the ‘Sale of Sites’ programme has been the core of the close collaboration between the state and the private sector in urban development. This programme has been in operation since 1967 and involves the government acquisition of sites under the Land Acquisition Act of 1996. These sites are then consolidated and sold on to private developers. Through this system the state, using its various agencies, was able to own nearly 80 per cent of the land in Singapore (Dale, 1999). Using its landowning power and the Sale of Sites programme, the state has been able to determine the type of development, its location and scale, and the timing and pace of land release. The Sale of Sites programme has been guided by strategic plans for the city, called Concept Plans. The first plan in 1971 included the new international airport in Changi, a network of motorways and the Mass Rapid Transit. The Central Area was cleared of residential population and old building to prepare it for its new role.

The land provision for Singapore;s orientation towards an international business centre started in this period as the government realized that the city lacked the banking infrastructure for a modern economy. A new banking and corporate district known as the ‘Golden Shoe’ was planned incorporating the historic commercial area (Chua, 1989). This became the location for major international companies and various government financial agencies. A new Concept Plan was completed in 1991 and was clearly and openly oriented towards the attraction of business:

Ho (1998) has pointed out that in order to retain competitiveness in the global market-place cities need to be able to react speedily and implement their strategies as quickly as possible. This Singapore has been able to do. However, it does rely on societal consensus and acceptance of the policies, and hence the way that the Singapore government has achieved popular support becomes a significant factor in its success. The support of the business world has been achieved through the close cooperation between economic interests and the state in formulating its economic strategy.

One of the issues facing the state is whether the move into an increasingly open information age, with more innovation and creativity in the economic sphere, will have a spillover effect in the socio-political dimension. The state has strongly promoted the idea of Asian values and a ‘Singapore identity’ based on a set of shared values. The increasing inflow of migrants and foreign talents and resources that are needed to maintain Singapore’s world role, reflected in a more liberal state policy on foreign workers, may dilute the local culture of political commitment and lead to greater cosmopolitanism.

As Ho remarks, ‘the twin demands of attracting foreign talent and creating place loyalties will continue to be a challenge for the future’ (Ho, 1998, p.300).