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Urban Redevelopment under Market Transition:

A Case Study of Shanghai

by

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ABSTRACT

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Against the backdrop of globalisation and market transition, the policies and practices of urban redevelopment in China have experienced great transformation. The aim of this research is to explore the political economy of urban redevelopment and its impact on urban neighbourhoods. With reference to the Western theories of neo-liberalism, property-led redevelopment and the growth machine, this study develops a research framework to understand the political economic conditions and operational mechanism of urban redevelopment in China, and to explore the relationship between different players. In this study, Shanghai is treated as a laboratory to examine how national and local political economic transformation affect redevelopment approach, how property-led redevelopment works to facilitate capital accumulation and generate new urban landscapes, and what the socioeconomic outcomes are. Both qualitative methodologies, e.g. interview, questionnaire and interpretive analysis, and quantitative methodologies, e.g. statistical and GIS techniques, are applied in this research.

My research has three major findings. First, in the post-reform period, selective neo-liberal policies have been adopted by the state to encourage more marketised practices in urban redevelopment. Within the moments of partial 'destruction and creation' of existing institutional arrangements, Shanghai's urban redevelopment is undergoing a partial and conditional neo-liberalisation. Meanwhile, neo-liberalisation operates in a more vibrant way at local level than at central level. Second, in contrast with the US-based growth machine, the private sector does not play a dominant role in the pro-growth coalition. The state is still overseeing and modulating urban redevelopment process through policy intervention and various economy leverages. The booming property-led redevelopment in Shanghai is actually operated by the 'state-led pro-growth coalition'. Third, since the state legitimises and encourages property-led redevelopment, which exploits exchange value at the cost of use value, urban neighbourhoods are experiencing tremendous residential displacement and functional transformation. The external institutional forces, i.e. the 'growth coalitions' formed by the state and developers, play a predominant role in shaping the trajectories of neighbourhood change. The neo-liberal policy and the marketised operation of urban redevelopment have brought uneven impacts on affected residents with different socioeconomic statuses. Within redevelopment, residents' housing statuses are stratified, and the interests of low-income residents are neglected.

Contents

List of Tables

List of Figures

[1] He, Shenjing & Fulong Wu 'Trajectories of neighbourhood change under market-oriented redevelopment in Shanghai'. Under Review.

[2] He, Shenjing & Fulong Wu 'Neo-liberal shifts in China's urban redevelopment: from dilapidated housing alleviation to state-sponsored property development'. Under Review.

[3] He, Shenjing, Zhigang Li and Fulong Wu (2006) 'Transformation of Chinese Cities, Geographers' Perspectives', *China Information* **20** (3). (in press)

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CHAPTER ONE

INTRODUCTION

1.1. Research background

Urban redevelopment has long been an intriguing research topic attracting vast theoretical and practical studies. Under globalisation and market transition, the policy and strategy of urban redevelopment in China have experienced great transformation. Something really new is happening, which should not be simply regarded as a reappearance of the phenomenon that once took place in developed economies. Redevelopment practices were highly monopolised by the state before the advent of land reform. In the post-reform period, especially since the late 1990s, vast sums of capital have flowed into the unfledged real estate market with a spatial preference for inner city and waterfronts. With the extensive involvement of domestic and global capital, new patterns of urban redevelopment were created. Meanwhile, the unprecedented large-scale redevelopment has significantly promoted urban growth, and has resulted in rapidly changing urban landscapes and volumes of residential relocation and displacement. Urban redevelopment and the accompanying tremendous socio-spatial changes have become eye-catching issues in contemporary China.

Market-oriented economic reform and institutional decentralisation have given birth to entrepreneurial governance and a neo-liberalised local state in China. To some

extent, government has released many decision-making rights and responsibilities to the market in terms of urban (re)development and local economic expansion. With the adoption of the land leasing system and housing commodification, a nascent property industry has generated and promoted extensive and rapid urban redevelopment across the country. Property-led redevelopment thus begins to be employed as an instrument for urban growth and place promotion. Consequently, a series of urban socio-spatial changes such as functional transformation of urban spaces, redistribution of urban population, changing profiles of urban neighbourhoods etc. have emerged. New urban landscapes and socio-economic conflicts have also arisen.

However, existing researches on urban China have not been able to provide thorough understandings of relevant issues on urban redevelopment. This research, therefore, attempts to anatomise the new dynamics, practices and impact of urban redevelopment in market transitional China, with special reference to Shanghai. The rationale of choosing Shanghai as a study focus not only lies in its significant role in China's economic development, but also lies in its active role in seeking growth and striving for global city status. Well known for its entrepreneurship, Shanghai has seen a comparatively high level of marketisation and commoditisation, which allows for the active participation of the private sector. Meanwhile, a relatively mature real estate market has also developed. As one of the four big cities directly under the jurisdiction of central government (the other three cities are Beijing, Tianjin, and Chongqing), Shanghai has a two-level government which includes municipal and district governments, and a three-level administration, composed of municipality, districts and sub-districts. These empower the Shanghai local state with comparatively strong decision-making rights and many responsibilities. In Shanghai, the cooperation and conflict between market and state are evident and typical. As the 'dragon head' of Chinese cities, Shanghai never pauses in its struggle to rebuild itself as a global city (F. L. Wu 2000; Yusuf and Wu 2002). The tasks of urban restructuring and functional transformation are therefore very urgent for Shanghai.

Prosperous property development and large-scale urban (re)development, as well as a tremendous amount of residential relocation have become elements of Shanghai's grand scheme of recasting itself as a world city (Zhang 2002). Shanghai thus epitomises the transforming (re)development practices and strategies of contemporary Chinese cities, and provides an intriguing case to investigate.

1.2 Aims of this research

As more market-oriented urban redevelopment has appeared in urban China, the power of the market, rather than the ever omnipotent government has significantly reshaped urban landscapes. Seemingly, 'spaces of neo-liberalism' (Brenner and Theodore 2002) have been created in Chinese cities within the drastic urban restructuring movement. Property development is prevailingly adopted as a strategy of expanding the local economy and re-imaging the city throughout the country. However, a deficiency of relevant studies on these issues is highly disproportionate to the importance and prevalence they present. Therefore, contemporary urban China studies call for an exploration on the political economy of urban redevelopment, the new relationship between market and state. Specifically, there is an urgent need for an inquiry into why property-led redevelopment is proposed as a growth engine and how it works to serve the needs for growth in the period of market transformation. Moreover, it is important to understand what meaningful change and impact have been brought about by redevelopment to urban neighbourhoods and affected residents. Under the particular historical-cultural and political-economic settings, the dynamics of China's urban redevelopment is different from that of the West, thus providing an interesting case to understand the topic in a diverse context. This research has a theoretical significance in that it will provide an interpretation of urban restructuring in a different context of entrepreneurial governance. There is also a practical significance to this research in that it will shed light on how property-led redevelopment operates and generates neighbourhood change.

With reference to the studies on neo-liberalism and the urban growth machine, this research applies a political economic approach to inquire into the causation and mechanism of extensive urban redevelopment in contemporary China. Other relevant western-based studies on property-led regeneration, neighbourhood change and residential displacement are also referred to in this research to investigate the operational dynamics and socio-economic outcomes of urban redevelopment. Based on an in-depth investigation in Shanghai, this study explores the background, formation and impact of the burgeoning property-led redevelopment and how it has been adopted as an urban developing strategy to recast Shanghai as the global city. This study finally generates a thorough understanding of the political economy and socio-economic implications of urban redevelopment under the particular context of market transition in Shanghai; it also contributes to the contemporary studies on urban redevelopment in transitional cities which has not been fully understood under the western theoretical framework.

1.3 Organisation of the thesis

My PhD thesis consists of seven chapters, which basically cover three parts of my research. Chapter One, Two, and Three constitute the first part which introduces the research background and literature review, and then develops a research framework and methodology. The following three chapters, i.e. the second part, are the nucleus of my original work in this thesis. Following a brief overview of Shanghai's urban redevelopment in different stages, this part of the thesis elaborates on the causation/rationale, operation mechanism and socioeconomic impact of urban redevelopment under market transition. Finally, the third part of my thesis, which is Chapter Seven, summarises the major research findings, proposes several policy recommendations, and suggests the direction for further research.

After the introductory chapter, Chapter Two attempts to understand the political economy of urban redevelopment through reviewing the research works related to

the topic of urban redevelopment. First, studies on neo-liberalism, property-led redevelopment, and the growth machine are reviewed. Then this chapter reviews the research on the outcomes of urban redevelopment, i.e. neighbourhood change and residential displacement. Finally there is a review of the studies of urban redevelopment in market transitional economies, i.e. post-socialist countries and China. Research relevant to the topic of urban redevelopment in China constitutes a significant part of the literature review.

Chapter Three develops the research framework and methodology for my research. First of all, based on existing theoretical and empirical studies, a research framework is developed for this study. Then several research questions and hypotheses are raised. The second section of this chapter is a detailed introduction to the methods of data collection and data analysis. Plenty of secondary and firsthand data related to urban redevelopment in Shanghai have been collected during the last three years. Both approaches of qualitative analysis and quantitative analysis are applied in this study, within which qualitative analysis is the major research method.

Chapter Four examines the neo-liberal shifts in Shanghai's urban redevelopment by looking at how political economic reforms and changing policies affect urban redevelopment practices. This chapter first provides an overview of different development stages of urban redevelopment in Shanghai, and recognises its significant change in the post-reform era. Then, through compiling and analysing the changing policies of land and housing reforms, demolition and relocation, this chapter examines the neo-liberalising process in Shanghai's urban redevelopment, and conceptualises its particular characteristics. The neo-liberal shifts in Shanghai's urban redevelopment can be termed as partial and conditional neo-liberalisation, meanwhile different levels government have different degrees of engagement with neo-liberalism.

Chapter Five aims to contest the urban growth machine through examining property-led urban redevelopment in Shanghai. This chapter first summarises the changing redevelopment approaches under different political economic conditions and briefly introduces the burgeoning property-led redevelopment in Shanghai. Then this chapter looks at a well-known redevelopment project called Xintiandi, exploring its operation process, redevelopment strategy, and the roles of different players. Followed by a comparison of property-led redevelopment practices between the UK and China, the characteristics of property-led redevelopment in Shanghai are conceptualised. Meanwhile, the applicability of the US-based urban growth machine theory in contemporary urban China research is challenged, and the 'state-manipulated growth machine' is proposed to provide better understanding of the mechanism of Shanghai's urban redevelopment.

Chapter Six examines the socioeconomic outcomes of urban redevelopment in terms of trajectories of neighbourhood change and the impact on affected residents. This chapter firstly summarises Shanghai's changing urban landscapes and demographic characteristics under extensive urban redevelopment in the past two decades. Based on the 500 questionnaires and 30 interviews conducted in my fieldwork, this chapter tries to understand the socioeconomic outcomes of the ongoing property-led redevelopment from the perspectives of urban neighbourhood and affected residents. Through comparing the built environment and socioeconomic profiles in the pre-redevelopment and post-redevelopment neighbourhoods, this chapter traces the trajectories of neighbourhood change under different types of urban redevelopment. Meanwhile, this chapter also examines the uneven impact of redevelopment on different groups of people by analysing their changing housing tenure, and their evaluation on their own neighbourhoods and the redevelopment approach.

Chapter Seven summarises and discusses the major research findings and theoretical implications. Through examining the research hypotheses, this chapter gives answers to the several research questions raised at the beginning of the thesis. Based on the

findings of this research, policy recommendations are proposed for China's urban redevelopment from three perspectives. Meanwhile, the limitations of this research are summarised and suggestions for further researches on relevant topics are put forward.

CHAPTER TWO

LITERATURE REVIEW: UNDERSTANDING THE POLITICAL ECONOMY OF URBAN REDEVELOPMENT

2.1 Introduction

In the early 1970s, Marxist geographers interpreted uneven urban development by referring to basic Marxist concepts, such as collective consumption and capital accumulation (Castells 1977; Gordon 1984; Harvey 1973; Lefebvre 1991). They provided an understanding of the nature of urban redevelopment through investigating the profit-seeking capitalist system. According to Harvey (1973), urban redevelopment is the reconstruction of the built environment that aims to create a more efficient arena for profit making, within which land and real estate development is an important means of accumulating wealth and promoting growth. From the late 1970s to the 1980s, the new approach of 'critical political economy', or the 'socio-spatial approach', was developed to introduce new dimensions into urban (re)development studies. These include class, race, and gender; powerful economic actors, especially those in the real estate industry; growth-assisted government; symbols, meaning, and culture influencing city development; and global level changes (see Fainstein *et al.* 1986; Gottdiener 1994; Hutchison 2000; Molotch 1976; Logan and Molotch; 1987; Smith 1995; Squires 1994). This new approach has dealt with the complex nature of urban redevelopment, making it

'an auspicious process fraught with many dilemmas, conflicts, and contradictions regarding the links between space, capital, and power' (Gotham 2001: 3). A large volume of literature has continued to contribute to research on urban redevelopment from the 1980s (see e.g. Couch *et al.* 2002; Cumming 1988; Fainstein 1994; Gotham 2001; Healey *et al.* 1992; Smith 1996; Squires 1989; Stone and Sanders 1987). These multi-perspective studies cover class, race, and gender, economic and cultural, spatial, and social topics. They tackle the macro issues of the global context, ideologies and themes, the micro issues of institutional arrangement and redevelopment strategies, conflicts and opposition, etc.

Figure 2.1

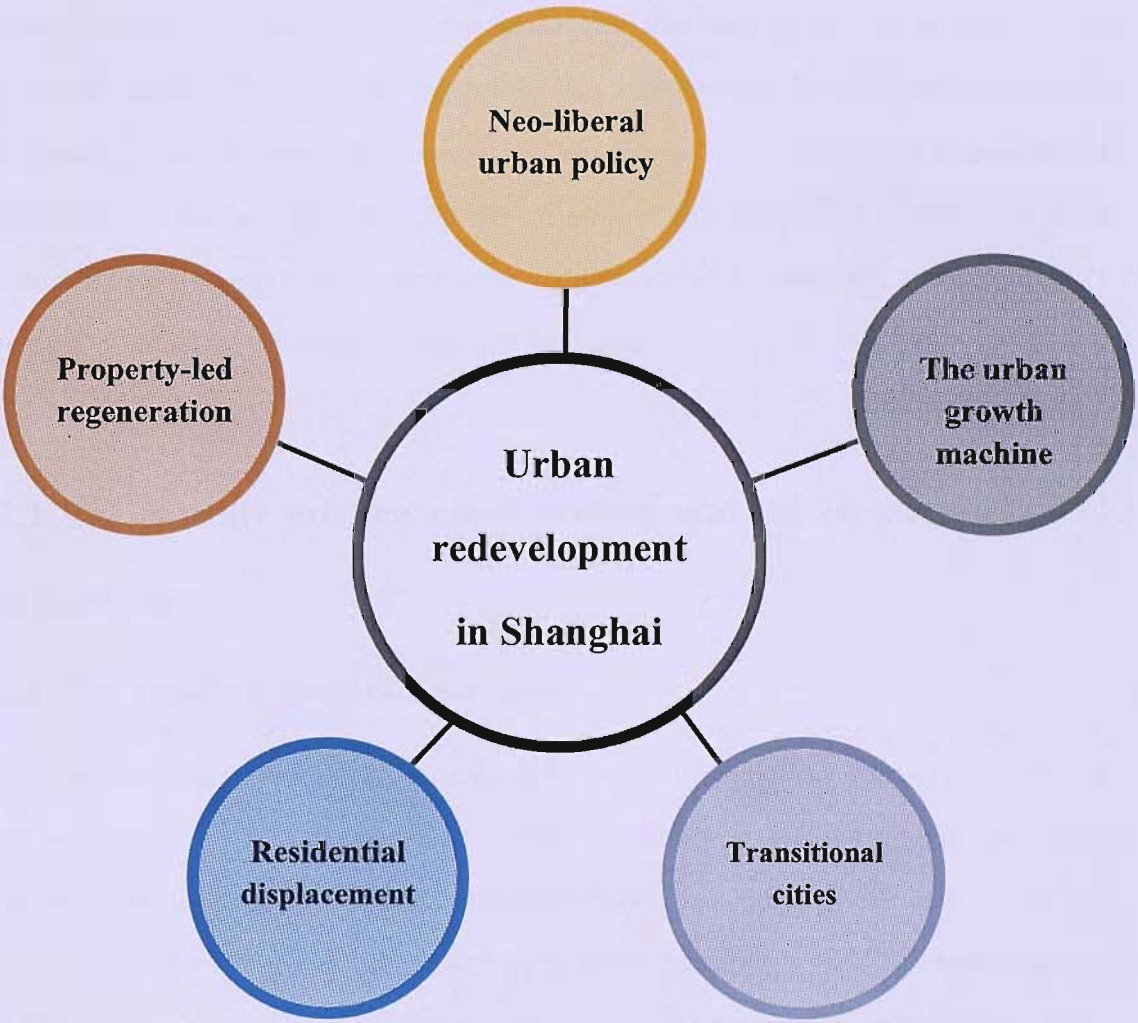
Interpreting the urban conflicts and changes within urban redevelopment

In attempting to apply the political economic approaches to understand the rationale, operation and outcomes of urban redevelopment in China, this chapter reviews the existing theoretical and empirical studies related to the topic of urban redevelopment, i.e. political-economic transformations, operation mechanism and socioeconomic implications. As figure 2.1 shows, this study aims to interpret urban conflicts and changes within the process of urban redevelopment, with particular attention paid to

the interactions between the growth-assisted government, powerful economic actors especially those in the real estate industry, and local neighbourhoods. This study also looks at how these interactions shape urban transition, especially at the level of urban neighbourhood.

Figure 2.2

Linkage between urban redevelopment in Shanghai and a wider range literature



Urban redevelopment in market transitional Shanghai is not an isolated topic purely related to China and developing countries studies. Actually, it has a close linkage with a wider range literature, e.g. neo-liberal urban policy, property-led regeneration,

the urban growth machine, neighbourhood change and displacement, transitional cities (see figure 2.2). As an influential ideology rationalises the priority of economy and urban growth in western capitalist countries, neo-liberalism has significant impact on the production and reproduction of urban space. Therefore, this chapter first summarises the studies on 'the actually existing neo-liberalism' in its birthplace and the rest of the world. In response to the neo-liberal transformation, property-led regeneration becomes a dominant redevelopment approach in western countries. Its practices, implication and limitation are generalised in this study. The urban growth machine constitutes an important content of this literature review as a useful critical political economic research approach in interpreting local (re)development. Following the review of studies on neighbourhood change and residential displacement as a negative outcome of urban redevelopment, there is a brief summary of studies on urban transition in post-socialist countries, and a review of relevant studies on urban redevelopment in China.

2.2 The actually existing neo-liberalism and the (re)production of urban space

2.2.1 The actually existing neo-liberalism

The origin of neo-liberalism dates back to the 1960s when it first emerged as an economic theory. It was soon accepted as economic orthodoxy and promoted by international institutions, e.g. International Monetary Fund (IMF) and the World Bank. Neo-liberalism can be viewed as a set of ideologies, policies and practices which promote capital accumulation, release the constraints for international trade, privatise state-controlled industries and services, and introduce market-oriented practices to the shrinking public sector (Jessop 2002; Peck and Tickell 2002). During the last three decades, neo-liberalism has experienced three stages of evolvement. In the late 1970s, neo-liberalism first prevailed as an important political response to the sustained global recession. Entering the 1980s, neo-liberalism has transferred from a

relatively abstract economic doctrine to a means of dismantling established Keynesian welfarist arrangements and extending market discipline, competition and commoditisation throughout all sectors of society. Most recently, a reconstituted form of market-guided regulation suggesting a strongly path-dependent evolutionary trajectory is proposed, not only to pursue short-term economic growth but also to deal with some deep socio-political contradictions induced by earlier forms of neo-liberal policies (Brenner and Theodore 2002). By now, neo-liberalism has become the dominant political and ideological form of capitalist globalisation, significantly reconstructing the institutional infrastructures upon which Fordist-Keynesian capitalism was grounded, and bringing out dramatic institutional and spatial changes throughout the advanced capitalist world.

Neo-liberalism is best understood as 'a complex and contested set of processes comprised of diverse policies, practices and discourses' (Perreault and Martin 2005: 194). It is argued that the process of market-driven socio-spatial transformation, namely 'neo-liberalisation', 'actually existing neo-liberalism', rather than pure definition of the political economy of neo-liberal restructuring deserves more in-depth research (Peck 2004; Peck and Tickell 1994, 2002; Brenner and Theodore 2002). The 'actually existing neo-liberalism' is multiple, and contradictory other than single and unitary (Larner 2003). As a set of hybrid constructs endeavouring to constitute and reproduce itself in different settings, the 'contingent neo-liberalism' in different political economic contexts weaves a patchwork of various urban neo-liberalisation that barely resembles each other (Wilson 2004). To explore the role of neo-liberalism in the ongoing processes of urban restructuring, the path-dependency of neo-liberal reform projects needs to be emphasised. Brenner and Theodore (2002: 349) argue that 'an adequate understanding of actually existing neo-liberalism must therefore explore the path-dependent, contextually specific interactions between inherited regulatory landscapes and emergent neo-liberal, market-oriented restructuring projects at a broad range of geographical scales'.

Martin (2005) also argues that meaningful study of neo-liberalism should include both localised and generalised analysis. Peck (2004) detects the growing need for tracking the actual patterns and practices of neo-liberal restructuring, while connecting localised and specific neo-liberal practices with wider discourses and ideologies of neo-liberalism. He also stresses the importance of continuing study of various localised neo-liberalism and understanding the diffusion and constitution of neo-liberalism as a trans-national phenomenon.

2.2.2 Neo-liberalism and the role of the state

Creative destruction is an important concept in interpreting changes of state institutions within neo-liberalising process (Peck and Tickell 1994; Brenner and Theodore 2002; Weber 2002). It actually contains two dialectically intertwined but analytically distinct concepts: destruction and creation. Destruction refers to the process of dismantling extant institutional arrangements and political compromises through market-oriented reform; and creation refers to developing a new infrastructure for market-oriented economic growth and the rule of capital. Earlier studies have underscored the dominantly destructive character of neo-liberalism (Peck and Tickell 1994). Recent research suggest that the dialectical conceptualisation of destruction and creation can help to explain the complex and often highly contradictory trajectories of institutional change generated through the deployment of neo-liberal political programs at various spatial scales (Brenner and Theodore 2002). The creative destruction of the built environment can not be viewed as purely market-determined, it is also influenced by different tiers of state and non-state institutions (Weber 2002).

'Roll back' and 'roll out' are two important concepts of neo-liberalism in the decade of the 1980s and the 1990s respectively (Peck and Tickell 2002). During the era of roll-back and roll-out, the nation state experiences various institutional destruction and creation. In the era of 'roll back' neo-liberalism, municipalities increasingly

reduced the costs of local state administration, capitalist production and social reproduction, therefore to accelerate external investment. Later on, in the era of 'roll out', neo-liberal strategies were reconstituted to manage the inherent contradictions and potential crisis of neo-liberalism, e.g. bringing back certain state functions, especially the provision of social services and regulation of corporate practices. During the 1990s, state institutions were even more directly involved in the creative destruction of urban built environments (Hackworth and Smith 2001; Webber 2002). Further, diverse administrative, social, and ecological criteria were introduced to the localised neo-liberalism by urban political and economic elites (Harleo 2001; Jessop 2002). In general, to maintain the economic accumulation process, new forms of neo-liberal localisation in the 'roll out' era established non-market forms of coordination and cooperation, thereby supplanting the 1980s' institutionally destructive 'roll back' neo-liberalism (Gough 2002; Peck and Tickell 2002).

It has been realised that there is a significant disjuncture between the ideology of neo-liberalism and its political practices, and social effects (Peck 2004; Peck and Tickell 1994; Gill 1995; Moody 1997). Under neo-liberalisation, the logic of market privileges capital accumulation and private sector at the expense of broader social interests (Kohl and Warner 2004). The self-regulating markets fail to generate an optimal allocation of investments and resources. As a result, uneven development, social inequality and citizen opposition are accompanying the process of neo-liberalisation (Miraftab 2004; Warner and Gerbasi 2004). It is pointed out that the manifold disjunctures of neo-liberalism between ideology and practice; doctrine and reality; vision and consequence are among its most essential features (Gill 1995). When looking at the process of neo-liberalisation, there are contradictions within neo-liberalism. The state has to deal with the contradictory missions of maintaining its legitimacy and securing conditions for capital accumulation. Rather than being diminished, the state is playing an active role in facilitating the implementation of neo-liberal projects, within which the state actions can be fairly subtle or really

salient (Perreault and Martin 2005). Despite the functions of governments being partially transferred to non-state and quasi-state bodies, e.g. non-profit organisations, civil society, and private sector (Jessop 1998; Peck and Tickell 2002), neo-liberalism does not come close to the death or shrinking of the nation state (Peck 2004). In fact, other than being just a market-assisted process of state withdrawal, neo-liberalism involves the restructuring and reorganisation of state capacities, since the inherent limitations of market need to be managed and regulated by the growth-assisted state.

2.2.3 The central role of cities within the neo-liberalising process

As a result of a gradual decomposition of the Fordist model of development and the erosion of key institutions of the welfare state, cities which provide places to work, live and to engage in leisure and political activities have seen significant changes (MacLeod *et al.* 2003). Meanwhile, as the major arenas for market competition and economic growth cities occupy the central place in neo-liberalising programs and play a strategic role in reconstructing political-economic spaces. As Taylor (1995: 58) argues, 'cites are replacing states in the construction of social identities', neo-liberal urbanism is characterised by a restructuring of scale and re-empowerment of cities which means a recapture of urban political privilege vis-à-vis regions and nations (Smith 2002). Cities also become increasingly important geographical targets and institutional laboratories for various neo-liberal policy experiments, e.g. place-marking, urban development corporations, public-private partnerships, new forms of local boosterism, property redevelopment etc. (Brenner and Theodore 2002).

Therefore, analysing the complex and often highly contradictory implications of the ongoing neo-liberalisation of urban political-economic spaces becomes an important content of neo-liberalism studies (see Smith 2002; Swyngedouw *et al.* 2002; Webber 2002). Studying Montreal' world city project, Paul (2004) points out that the project emphasising capital accumulation, cosmopolitan ethos and identity is actually

underwritten by the advocacy of neo-liberalism and free trade. Observing several events in New York in the late 1990s, Smith (2002) identified the neo-liberalisation of local state which simply follows market logics, and becomes an active partner to global capital, rather than modulating the behaviours of private investment. Although it adds some new characteristic of unprecedented mobilisation of state power at different geographical scales, neo-liberalism represents a significant return to the original principle of liberalism: private property is the foundation of free and democratic exercise of individual self-interest which leads to the optimal collective social goods; free market exchange is the ideal vehicle for these practices. Real estate development is thus recognised as 'a central driving motive of urban economic expansion, a pivotal sector in the new urban economies', and also 'a vehicle of capital accumulation' (Smith 2002: 447).

2.2.4 Neo-liberal policy and urban redevelopment

Under the context of globalisation and neo-liberalism, the neo-liberalised urban policy has resulted in new urban redevelopment strategies and has significantly reshaped urban spaces. Exploring the changing context for urban revitalisation in Newark, New Jersey, Newman (2004) argues that neo-liberal urban policy and the decentralised and partially dismantled welfare state have led to a redevelopment strategy that deconcentrates poverty and attracts middle-class residents. Noticeably, the neo-liberal shift in public policy provides resources e.g. state and federal funding, new decision environment, for local government and non-profit organisations to reinvest even in the poorest neighbourhoods. By attracting middle-income households, the local government hopes to seek a better competitive position in the global economy. Housing development has been adopted as economic development strategy by the local government, within which gentrification becomes a preferred pattern urban redevelopment. Under the context of shrinking welfare state, the redevelopment strategy had little to do with the low-income residents and resulted in

a worsening housing crisis involving overcrowding and increasing problems of poverty and crime (Newman 2004; Newman and Ashton 2004).

Focusing on the impacts on a wider range of affected people, especially those vulnerable low-income populations, Slater (2004) examines the gentrification process in Toronto, which is actually driven and managed by neo-liberal policy. In the context of deepening neo-liberalisation, gentrification has led to the 'unhappy coincidence of reinvestment and displacement, home improvement and homelessness, renovation and eviction' (Slater 2004: 322). In Seoul, a landlord-initiated gentrification process is recognised, and interpreted as 'a consummate expression of neo-liberal urbanism' (Ha 2004: 381). Due to the inequity of housing allocations, and lack of residents' participation and housing affordability for low-income residents, the market approach of urban redevelopment has resulted in the broken low-income community and the fragmented social network of low-income residents. Other than focussing on the well-being of residents, urban renewal projects in Seoul concentrate on restructuring the inner city to facilitate capital accumulation and urban economic expansion.

Swyngedouw *et al.* (2002) study the neo-liberal urbanisation in Europe through looking at thirteen large-scale urban development projects in twelve European Union countries. Deemed as an opportunity to solve the fiscal problems of local government and reinforce the competitive position of urban economy within the metropolitan region, urban redevelopment becomes an effective device and necessary precondition for economy regeneration in major European cities. Weber (2002: 520) argues that the increasingly neo-liberalised urban policies endeavour to extract value from the city by developing 'mechanisms to make built environment more flexible and responsive to the investment criteria of real estate capital'. Since urban redevelopment relies on private property market more and more, the dilapidated urban areas, where the needs for redevelopment are great while chances for private

investment and value extraction are small, have been bypassed by the redevelopment policy. The shifting emphasis of urban redevelopment policy from use value to exchange value have resulted in the spatialised capital accumulation processes with a preference for seeking short-term returns from subsidised property investment (Weber 2002).

2.2.5 Neo-liberalism elsewhere

Neo-liberalism can be viewed as a reconstruction of the relationship between capital and the state which promotes and normalises a 'growth-first' approach to urban development. Providing an operating framework for competitive globalisation, state restructuring and rescaling across a wide range of national and local contexts, neo-liberlism can be found 'everywhere' (Peck and Tickell 2002: 380). The accumulation strategy and market-oriented approaches of neo-liberalism not only prevail in its heartlands, North America and west Europe, but also profoundly affect the urban policies of developing countries. The premises of neo-liberalism established the basic rules for global lending agencies operating in the less developed economies of Asia, Africa, Latin America, and the former Soviet Union, where new forms of 'free-market' dirigisme have been constructed (Peck and Tickell 2002). Also, through various structural-adjustment and fiscal programs, the extension of market forces and commoditisation were mobilised and transferred into the Third World by the transitional 'neo-liberalism agents', e.g. World Bank, World Trade Organisation (WTO) etc. (Brenner and Theodore 2002). It is claimed that the Third World has entered the 'second age' within the post-cold war era of neo-liberal globalisation, which is characterised by 'its re-entry into the protracted process of primitive accumulation' (Moore 2004: 87). Smith (2002: 436) even argued that 'the leading edge in the combined restructuring of urban scale and function does not lie in the old cities of advanced capitalism, where the disintegration of traditional production-based regions and the increasing dislocation of social reproduction at the urban scale is certainly painful, unlikely to pass unopposed, but also partial. Rather,

it lies in the large and rapidly expanding metropolises of Asia, Latin America, and parts of Africa, where the Keynesian welfare state was never significantly installed, the definitive link between the city and social reproduction was never paramount, and the fetter of old forms, structures, and landscapes is much less strong'.

Since the ideology of neo-liberalism impressively extends its influence from developed capitalist countries to the rest of the world, different countries have seen their path-dependent political economic transformation. In Latin America, political-economic restructuring is intertwined with the emergence of neo-liberalism at global scale, thus becomes a key arena of radical political-economic experimentation throughout the last two decades (Perreault and Martin 2005). Studies on neo-liberalism in Latin America have tackled the processes of uneven development, state restructuring, and the production of neo-liberal landscapes (Bury 2005; Martin 2005). Explorations on the spaces of neo-liberalism in East Asia e.g. Japan, Korea and Taiwan, illustrate the process of state restructuring in response to the influence of neo-liberalism and the emergence of a hybridity of 'developmental neo-liberalism' in urban policy (see Choi 2005; Chu 2002; Mizuoka 2005; Wang 2005). Discussion on China's engagement with neo-liberalism also emerges. Liew (2005: 349) argues that the path dependency, China's geography and the Chinese Communist Party's successful self-reinvention, all ensure China's engagement with neo-liberalism 'remain a loose hug rather than an intimate embrace'. In a study of political-economic transformation in Eastern Europe, Ganev (2005: 343) interprets the socioeconomic change dominated by the neo-liberalism ideology as 'the impact of a set of ideas disseminated by international financial institutions and eagerly implemented by local elites'.

2.3 Property-led regeneration and its impacts on urban restructuring

2.3.1 The central role of property-led regeneration in urban policy

Since the second half of the 20th century, a range of economic and political factors have led to a property emphasis within western urban policy. Property has been used as an instrument of macro-economic management by the post-Second World War governments, and also has been extensively used to promote regional development since the 1930s (Pacione 2001: 317). During the 1980s, the urban policy came to rely increasingly on private-sector property development to provide the driving force (Turok 1992). Property-led regeneration, which offered the potential to achieve visible results and changing appearance, had a central place in urban policy for decades. Here, property development refers to 'the assembly of finance, land, building materials and labour to produce or improve buildings for occupation and investment purposes' (Turok 1992: 362).

The urban policy of the 1980s, which emphasised property-based development, was underwritten by co-operation between the government and the private sector, namely public-private partnerships. 'The primary thrust of the policy was to achieve urban regeneration through attracting and assisting investment by the private sector in property development' (Healey *et al.* 1992: 277). To attract private investment, various forms of public support were provided on the urban regeneration process (Healey 1991). The privatising transition of urban policy in the UK was epitomised by the formation of Enterprise Zones (EZs) and Urban Development Corporations (UDCs), and characterised by private-sector-led entrepreneurialism and minimising local government's role in the regeneration process (Wilks-Heeg 1996; Adair *et al.* 1999; Imrie and Thomas 1999). EZs formed a major plank in the Conservative strategy to remove state regulations on private capital investment and entrepreneurial activities, with an assumption that encouraging companies to redevelop derelict

urban sites will boost an entire local economy revival (Butler 1982). From the early 1980s, UDCs, which were designed as 'trouble-shooting' organisations and appointed by central government to oversee the physical regeneration of specific localities by bypassing the local governments, became a central institutional mechanism of British urban policy (Imrie and Thomas 1999). The essence of these property-led initiatives has been the removal of private-sector supply-side constraints through attracting private capitals with a series of subventions. And the spatial focus of these initiatives was very often the city centre or waterfront sites (Jones and Watkins 1996).

As the arena of institutional transformation, urban policy of the 1980s is deemed as the neo-liberal response to the Fordist crisis, which is characterised by its economic emphasis over social objective and by the waning state (Jessop 1994; Wilks-Heeg 1996). The inner cities in the 1980s thus rapidly became 'a testing-ground for the enterprise culture in the form of the UDCs, EZs...' (Wilks-Heeg 1996: 1266). Though several major changes occurred in the 1990s' urban policy, the economic emphasis, the enterprise strategy and the privatisation of public policy were extended from the 1980s (Deakin and Edwards 1993; Imrie and Thomas 1999; Jones 1996). While the British government introduces new elements of social regeneration and partnership, e.g. the announcement of English Partnership as a major urban policy initiative, the fundamentals of the property-led strategy remain in the urban policy (Jones 1996). For example, in response to economic restructuring and the intensification of inter-city competition, high-profile prestige property developments and civic boosterism activities have been adopted by a number of British city governments and central government agencies as pro-growth local economic development strategies (Loftman and Nevin 1996).

2.3.2 Flagship projects of property-led regeneration

'Flagship project' in here refers to the 'significant, high-profile and prestigious land and property developments which play an influential and catalytic role in urban regeneration' (Bianchini *et al.* 1992: 245). The Charles centre regeneration project in central Baltimore in 1958 fundamentally contributed to the physical regeneration of the whole city. It is thus regarded as the prototype of flagship project. To redevelop the Charles centre into multi-purpose district with offices, retailing and apartments, the city undertook land acquisition and clearance, whilst the private sector provided most of the investment. A non-profit, semi-pubic development corporation supervised the regeneration process. The success of this scheme facilitated more ambitious regeneration projects elsewhere downtown, thus became the paradigm of downtown regeneration and has been extensively imitated. In the 1980s, the flagship approach began to be adopted in the UK. It was the consensus among the commercial logic of private sectors and the needs of local authorities gave birth to flagship projects (Bianchini *et al.* 1992). It was even suggested by the Confederation of British Industry (CBI) that there should be one or more flagship projects in every single city to tackle the inner-city decline (CBI 1988). Flagship projects are proposed to redevelop derelict urban areas and magnetise further development; are adopted as economic and tourism development strategies; are also used to promote new land use; to transform the image of declining industrial cities as part of the place-marketing strategy...(Bianchini *et al.* 1992). Despite these diverse functions, flagship projects are common in the fundamental objective of striving to reinvent the city.

Though flagship projects brought certain beneficial impacts to the local economy, they had some problematic socio-economic implications as an important strategy of urban regeneration, in terms of benefits redistribution, accessibility and accountability to local citizens, public spending priorities, imitation of city culture etc. The establishment of London Docklands Development Corporation (LDDC) was

described as 'the flagship of the radical right's attempts to 'regenerate' inner city areas by minimising public sector involvement and maximising the private sector's' (Brownill 1990: 23). Replacing the local councilors with a government–appointed board, neglecting the opinions and needs of local residents has also resulted in various conflicts between central and local government, between community organisations, residents and the state in the London Docklands projects. Demolition of firms, which did not suit the new image or were obstructive to the development proposals, has also led to the unemployment of local residents (Brownill 1990). Merrifield (1993) identified the continuous social conflicts, such as community opposition and local struggle concerning local employment, affordable housing, residential displacement accompanying the LDDC activities throughout the 1980s. The Canary Wharf project, which was supported by the urban and economic policy acquiescing market-driven, speculative short-term practices, has resulted in 'an unprecedented squandering of public resources' (Merrifield 1993: 1260). Jacobs (2004) studies the redevelopment project of the former naval dockyard in Chatham, which is a high-profile flagship project aiming to encourage business investment. Her findings show that property-led redevelopment in the UK is predominated by the institutions of the central state. The redevelopment strategy encourages private-sector interests and has very limited community involvement. Therefore, it is argued that attention should be paid to the collective response of local people to generate alternative positive results of flagship projects (Merrifield 1993).

2.3.3 Assessment of property-led regeneration

Consumer demand, landowner strategies, competition between local and external property interests, and the movement of international capital have been identified as the key driving forces affecting development activity (Healey *et al.* 1992). In the property-led redevelopment process, the public sector is playing an active role by encouraging and facilitating redevelopment activities. Expecting to raise capital, generate jobs and other local assets through property development, the public sector

creates and opens markets through coordination of development activity, land assembly, subsidy providing and risk minimisation, while the private sector follows up the opportunities (Healey *et al.* 1992). Property interests have been recognised as the central element in the formation of growth coalitions within the redevelopment processes (Harding 1992). 'Public-private partnership suggests that the old dichotomy between state and market is disappearing as growth coalitions are formed, apparently transforming urban governance' (Wilks-Heeg 1996: 1275). Property-led redevelopment, which is underwritten by the alliances between public and private sector, has significantly reconstructed urban spaces and changed city appearance, and also contributed to the prosperous property market and local economy growth. Regarding the specific beneficiaries, landowners and some local development firms have benefited from the property development; the middle-class also have more housing choices available to them; visitors to the cities can enjoy a better local environment; some people can also find a wider range of jobs available, though many of them are low-ranking and badly-paid (Healey *et al.* 1992: 287).

Property development has played an important role in producing urban landscapes, in giving cities an identity, and even in place promotion to some extent, but it is less obvious how it affects their economy fundamentally (Turok 1992). With an undue emphasis upon immediate action and visible results, property-led regeneration was criticised due to its insufficient basis for integrated urban economic and social regeneration (Adair *et al.* 1999). Property-led regeneration was also criticised because of its short term perspective which relies on the immediate measure of the cost of physical development and initial job creation (Jones and Watkins 1996). Turok (1992) examines how property-led regeneration affected urban economic regeneration in five ways. He points out that property-led regeneration fails to consider the crucial issue of developing human resources, the underlying competitiveness of local production, and investment in infrastructure. He finally states that property development should be part of a more holistic approach that

embodies concerns for people living in deprived areas and for the underlying condition of the local economy, to achieve positive economic effects (Turok 1992). Criticism has also been made that the prestige property-led regeneration projects merely contribute to achieving physical and economic regeneration of discrete parts of urban areas rather than integrating urban systems (Loftman and Nevill 1995). The property-led initiatives, such as UDCs and EZs, are criticised for having too much of a narrow focus on purely physical regeneration and ignoring social regeneration and community participation (Cameron and Doling 1994; Berry and McGreal 1995). Specifically, some locally based development firms have suffered from the drastic competition; low-income people have suffered from the rising property prices; also rate and tax payers have suffered from lost opportunities as funds for social and environmental objectives have been impropriated for property development (Healey *et al.* 1992: 287). Ng's (2002) study of Hong Kong's property-led redevelopment detects the limited role played by community in urban governance, and advocates an integrated approach in tackling urban restructuring with the active involvement of local communities. In short, 'the growing influence of an economically neo-liberal government and the profit-seeking private sector has marginalised those voices advocating the specific targeting of benefits to the urban underprivileged since the mid-1980s' (Harding 1992: 231).

2.4 The urban growth machine as a framework interpreting urban (re)development

2.4.1 Key elements of the growth machine

The urban political economy approach 'is ambitious in that it includes the full range of place-related issues, but modest in attending to the mechanisms of development as opposed to everything political and economic in late modernity' (Molotch 1999: 248). As an approach to such 'place-related' studies, the growth machine thesis addresses the issues of growth, local economic development, and who promotes

these, which are central to the politics of cities and places in the global economy (Jonas and Wilson 1999). 'Growth', 'local elites (rentiers)', 'growth coalition' thus become the key elements of the urban growth machine. Moreover, 'local government', 'local neighbourhoods (residents)', 'competition', 'cooperation', 'opposition' etc. are also indispensably involved in the growth system.

According to the growth machine thesis, 'growth' is the political and economic essence of any locality in the American context (Molotch 1976). Whilst, the 'rentier class' -- developers, realtors and banks who have interests in the exchange of land and property -- is the central actor within the growth process (Logan and Molotch 1987). Cooperation among rentiers -- local business elites -- and their auxiliaries gives birth to the growth coalition. To promote economic growth, changes in the built environment are necessary, which thus bring negative effects on residential neighbourhoods and the local quality of life. Though intending to unit locals around the goal of growth, the rentiers encounter resistance from local neighbourhoods (Molotch 1976). Thereby, both the rentiers and residents seek support from the influence of local government which in turn results in social, fiscal and racial inequalities between neighbourhoods within and between cities (Logan and Molotch 1987). Since the resources within a national economy are fixed, competitions for scarce mobile resources between growth coalitions at different geographical scale -- neighbourhoods, cities and regions -- are generated. When competing with rentiers in other cities, growth coalitions invariably face the opposition from local residents, which is sometimes powerful enough to slow down the growth process (Molotch 1976). Local urban politics are thus shaped by the conflicts between pro-growth coalitions and neighbourhood interests. In some cases neighbourhoods triumph over the pro-growth coalitions, while in other circumstances the growth coalitions overrides the neighbourhoods (Ackerman 1999; Ferman 1996; Gill 2000; Schneider 1992). However according to Molotch (1993: 49), despite local neighbourhoods' opposition and institutional regulation, 'the growth machine system remains durable,

sustained in manifold ways through the mutual reinforcement of political, cultural and economic dynamics'.

2.4.2 The pro-growth coalition and the urban regime

Logan and Molotch (1987) theorised that the urban space owns a dual significance of use value, which is regarded as a human necessity for inhabitation and everyday use, and exchange value, which is regarded as a source of commodity generating revenues. By implementing place-bounded real estate development, pro-growth coalition often produces exchange value at the expense of the local community's use value. Molotch's (1976) original growth machine thesis provides a fundamental insight: 'coalitions of land-based elites, tied to the economic possibilities of places, drive urban politics in their quest to expand the local economy and accumulate wealth' (Jonas and Wilson 1999: 1). Such private-sector-led coalitions have a significant influence on the decision-making of local policy agents through their great capability of creating and sustaining urban economic development, to which local authorities aspire. It is believed that growth coalitions dominate the local political arena, and continue to influence local development policy despite the continuing resistances from local communities (Logan *et al.* 1997). The renewal and growth of US cities have thus been driven forward by the pro-growth coalitions led by property owners and developers but which enjoy extensive support from the local media, universities and wider culturally based bodies (Molotch 1976; Logan and Molotch 1987).

The locally dependent actors of the growth machine, those who have long-term interests in local growth constitute a pro-growth system which could also be deemed as a particular kind of 'urban regime' (Stone 1989). According to Motlotch, the dependency of growth machine actors lies in 'the degree to which a return on investment turns on aggregate local growth or its specific distribution within the locality' (1999: 248), rather than their sunk costs in a specific location *per se*. Instead

of accepting the notion of autonomous participants independently coming together to form growth coalitions, the theory of urban regime seeks to explain the formation, activities and influence of urban regimes in terms of their structural derivation and power held by their members (Elkin 1987; Stone 1989). It suggests that the complexity of urban governance demands the participation of non-governmental actors in the task of development regulation, within which a growth coalition consisted of local government and business group was created (Stone 1993). Elkin (1987) postulated three defining axes to analyse urban politics: public and private growth alliances, electoral politics, and bureaucratic politics. Two assumptions for the regime theory are developed by Stone (1993): firstly, the urban governing coalition seeks to use political power for the purpose of social production; secondly, regimes, as informal arrangements among coalition partners, are formed by government officials because local government lacks the authority and resources to govern, due to the division of labour between state and marketplace in liberal democratic societies. Urban regime is a useful approach to investigate the relationship between redevelopment outcomes and urban governance. Fainstein (1994) fits the explanation of redevelopment policy into liberal and structuralist frameworks, with an overlapping third category designated regime theory. She also points out the character of urban regime is a key element in determining the differences in redevelopment efforts among cities (Fainstein 1994). Recently, some scholars have reconstructed the traditional regime theory by combining it with the regulationist theory (Lauria 1997) or by introducing new factors such as growth control programs into regime modelling (Logan *et al.* 1997). They have also redefined the theory by emphasising the importance of the internal logic of city politics rather than external pressures in coalition leadership construction (Judd 2000).

2.4.3 The preconditions for growth machine operation

Considering the transferability of the growth machine theory outside the North America context, it is very important to inquire into the conditions that activate or

prevent growth machine-like activities (Molotch 1993; Jonas and Wilson 1999). According to Molotch (1993), to what extent land and building are treated as commodities is a decisive factor, determining whether the local conditions are conducive to the growth machine. "Structural speculation' -- investing not in property *per se* but in the capacity to influence the future social-spatial structures that determine the value of property' (Molotch 1999: 251) is deemed to be the symbol of the growth machine. A standardised mature real estate market, under which the property rights and transactions are effectively protected, is another precondition for growth machine operation. Furthermore, the proportion of financial stake in land-use manipulation must be high, comparing with that of other sources of fortune building (Molotch 1999).

Based on Vicari and Molotch's (1990) research, Jessop *et al.* (1999: 145) outline four types of political conditions under which urban growth machine most likely emerges: local governments' dependence on local tax revenue and primary responsibility of land-use control; a relatively autonomous local state; weak party organisation; no 'anti-growth' party existing. They also argue that under the post-Fordism background, the political conditions become more and more complex and vary across countries and spaces (Jessop *et al.* 1999). Since crucial distinctions exist between the effects of casual mechanisms and their conditions of activation (Cox 1991), it is suggested that 'a more appropriate 'test' of the transportability of the growth machine thesis is to investigate the extent to which its necessary preconditions are found to exist elsewhere' (Jonas and Wilson 1999: 15).

2.4.4 The usefulness and limitations of growth machine thesis

The 'growth machine' concept is considered to be one of the most influential frameworks to analyse urban politics and local economic development in North America. 'The strength of the growth machine thesis lies in its ability to contextualise important aspects of the political economy of place development'

(Jonas and Wilson 1999: 18). Molotch's (1976) contribution is regarded as a cornerstone in the literature since it was the first study that identified growth as the central concern of local politics within which growth coalition is the essential agency (Logan *et al.* 1997). In recent studies, the growth machine theory continues to resonate in the contemporary research of urban politics (Jonas and Wilson 1999). The growth machine thesis has filled the gap in studies of urban politics and the social construction of place, and has also provided a down-link to daily urban existence, an up-link to the macro-economy, and an across-link to other contexts (Molotch 1999). However, it is dangerous to transfer the growth machine thesis onto the context outside North America without considering the particular local political-economic and cultural setting (Jonas and Wilson 1999).

Recent studies suggest the necessity of linking the growth machine to wider political economic contexts, e.g. to the regional and national scale (Cochrane 1999; Jessop *et al.* 1999; Jonas and Wilson 1999; Kirby and Abu-Rass 1999; Logan *et al.* 1997). Logan *et al.* (1997) argue that the main impact of growth coalition activity is distributional in nature, which suggests a broader analytical focus on the impacts of regional economic restructuring and national politics other than the conflict between rentiers and residents. Accepting most of the value of urban growth machine and urban regime theories, Jessop *et al.* (1999) criticise the isolation of urban politics from wider economic and political forces and processes; solely focusing on local actors and agency, and greatly attributing the changes of local economic and political structure to the manipulation of local elites. Cochrane (1999) criticises the growth machine thesis for separating urban politics from national politics, and suggests that the urban politics should cover both local politics and national politics, both politics of consumption and politics of production. Despite the 'hollowing out' national state as a political institution (Jessop 1994), the national scale retains its strategic importance, which lies both in theoretical analysis and its influences on urban growth trajectories (Jonas and Wilson 1999). The research on land development and

settlement policy in Israel identifies a much stronger role of state in the urban and regional development than the growth machine thesis suggests, and argues that the pivotal role of state needs be seriously counted (Kirby and Abu-Rass 1999). Furthermore, Wood (1999) points out several weaknesses of the growth machine thesis, which have lessened its effectiveness as a comparative framework for local economic development analysis: the overemphasis on the prominent role of local government; and the insufficient awareness of a social labour division. As for the (re)emergence of growth coalition in the post-Fordist regime of accumulation, Lauria (1999) suggests that consensus-seeking state institutions must be set up at the local level, and there will be a more active role of mobile capital in local politics than it was predicted by the growth machine thesis.

The application and efficacy of US concepts of urban regime and growth machine in British cities have been critically examined (Axford and Pinch 1994; Basset 1999; Harding 1994, 1999; Jessop *et al.* 1999; Wood 1996, 2004). Axford and Pinch (1994) examine the concept of urban growth coalitions in the context of South England. Their analysis reveals the similarities between the US model and the UK case, e.g. growth orientation, property sector bias, an ideology of value-free development, as well as the differences which are the reflection of different character of the local government systems in the two countries. Although the urban growth machine was not designed to be used cross-nationally, 'some of the core features of US urban political economy are worth retaining and building upon' (Harding 1999: 698), it could be 'a means of harnessing the diversity of current approaches, retaining an emphasis on the dynamics of strategic action and, at the same time, recognising the strategically selective nature of the context within which that dynamic unfolds' (Wood 2004: 2115). Upon regulation theory and neo-Gramscian state theory, Jessop *et al.* (1999) suggest an alternative theoretical basis for a more effective growth machine approach in urban politics research, with an emphasis on the dialectic of strategy and structure at different spatial scales. Based on empirical studies in the

British context, two conclusions were drawn: 1) to restructure a neo-liberal and market-driven state apparatus, business leaders have been recruited into the local political process by the state to redefine the institutional form and policy orientation; 2) the political power of local business elites is endowed by the state as a structural-strategic position within a broader political system, rather than created from the autonomous business communities (Jessop *et al.* 1999: 159).

2.5 Neighbourhood change and residential displacement within urban redevelopment

2.5.1 Methods of studying neighbourhood change

Neighbourhood has long been a key spatial scale in government's policy for urban redevelopment (Meegan and Mitchell 2001). Meanwhile, although economic and demographic changes caused by redevelopment may operate at regional or sub-regional level, the problems of change typically are more apparent in neighbourhood level (Cameron 2003). Therefore, neighbourhood change receives much attention from researchers to study the socioeconomic outcomes and policy implication of urban redevelopment.

Ecological, sub-cultural and political economy are three major schools studying neighbourhood change (Temkin and Rohe 2002). The ecological perspectives which include the invasion/succession model (Burgess 1925), the filtering model (Hoyt 1933; Smith 1963), the bid rent and border models (Fujita 1989; Muth 1969), assume that neighbourhood change has a positive impact on both in-movers and out-movers, and understate the effect of localised intervention (Knox and Pinch 2000). Sub-cultural perspectives emphasise the influence of non-economic factors on the stability of neighbourhood, e.g. social networks, neighbourhood reputations, and the sense of attachment to neighbourhood (Ahlbrandt and Cunningham 1979; Firey 1945; Gans 1962; Suttles 1968, 1972). The political economy perspectives premise that

urban spaces are used by powerful local elites to facilitate capital accumulation through pursuing exchange value at the expense of its use value (Castells 1977; Harvey 1973; Lefebvre 1991; Logan and Molotch 1987; Molotch 1976). Scholars of political economy school also suggest that institutional forces outside the neighbourhood, which allocate scarce resources throughout the city-wide area, are determinant to the fate of neighbourhood (Galster 1990; Palm 1985; Squires and Velez 1987). The ecological models argue that neighbourhoods are affected by larger structural changes, e.g. metropolitan area's economic and social characteristics; sub-cultural perspectives stress the importance of social fabric/characteristics of local neighbourhoods; while the political economy framework focuses on the decisive effects of institutional actors.

Attempting to combine all three approaches to study neighbourhood change, Temkin and Rohe (2002: 419) view a neighbourhood's change 'as the result of the interaction of metropolitan area-wide changes and the social characteristics of the neighbourhood'. They argue that the trajectory of neighbourhood change is associated with its ability of adjusting itself to external financial, political, and social resources, while this ability is largely related to the physical, social, and locational characteristics of the neighbourhood. Based on the works by Grigsby *et al.* (1987) and Varady (1986), Temkin and Rohe (2002) develop a holistic theoretical framework, which not only recognises how social and economic conditions changes in metropolitan area affect individual neighbourhoods, but also acknowledges neighbourhoods' capability to maintain stability through formal collective action or informal social behaviour. Meanwhile, different social institutions within each neighbourhood also result in various trajectories of change among neighbourhoods with similar physical characteristics. Temkin and Rohe (2002) consider the forces of neighbourhood change to come from two sources: changes in national economic, social and political conditions, and metropolitan area maturation. They also stress the social fabric and the perceptions outsiders have of the community. Neighbourhood change is a complex process involved in the competition for scarce resources within

the political and social environment of a metropolitan area. Neighbourhood residents' capability of influencing larger political, financial and other institutional actors is also crucial for them to promote the stability of their neighbourhood.

2.5.2 Residential displacement as a negative outcome of urban redevelopment

As Molotch (1999: 249) asserts, the urban growth machine 'puts localities in chronic competition with one another in ways that harm the vast majority of their citizens as well as their environments'. Residential displacement is one of most remarkable 'harms' imposed to local residents by the processes of economic growth and urban redevelopment. Newman and Owen (1982) defined 'the displaced' as those who move due to 'conditions affecting their dwelling or its immediate environment.' This definition appears to be accepted as standard in the research of residential displacement (Gale 1984; Hartman 1980; Lee and Hodge 1984; Keating 1985). The central argument on residential displacement is that low-income households are unevenly burdened with the costs of redevelopment (Hartman 1980; Keating 1985). Undoubtedly, residential displacement has long become a contentious issue all over the world as a negative socio-economic outcome of urban redevelopment.

Without allowing residents' participation in redevelopment process, without offering them adequate compensation, without providing them with sufficient replacement housing, and without the possibility for them to return to the redeveloped area, the urban renewal programs devastated the diversity and vibrancy of neighbourhoods (Gans 1967; Hartman 1964; Jacobs 1961). It's estimated that, by 1967, the federal bulldozer had bulldozed 404,000 housing units, most of which had been inhabited by low-income families and had been built over the course of nearly two decades (Friedland 1983). Moreover, Halpern (1999) stated that during the urban renewal period in US, only half of all people who were displaced from their homes and neighbourhoods had received an average relocation payment of 69 USD per family. Corresponding to this, it is estimated that from 1990 to 1998, Beijing demolished 4.2

million square meters of housing in the old city. Approximately 32,000 families, comprising about 100,000 people, have not been relocated, although some have waited up to five years for moving into new houses (Fang 2000). It is also suggested that there is a much larger scale of residential displacement in recent Shanghai than that of the urban renewal period in US cities (Zhang 2002).

As a process 'by which working class residential neighbourhoods are rehabilitated by middle class home buyers, landlords and professional developers' (Smith 1982: 139), gentrification accompanies the displacement of incumbent residents, i.e. the working class. Although gentrification was once deemed as a solution to, or even an emancipation of, the declined inner city (Caufield 1994), its potential negative outcome of displacing disadvantaged residents has raised much attention from scholars (e.g. Atkinson 2000; Cameron 2003; Engles 1999; Freeman and Braconi 2004; Hartman 1980; Loftman and Nevin 1996; Vankempen and Vanweesep 1994). Residential displacement has been deemed as a process that is socially and psychologically harmful to displaced families within gentrification, since they bear the costs of urban revitalisation and suffer a lot from locating to new housing and adjusting to unfamiliar environments (Atkinson 2000; Hartman 1980). Applying a longitudinal study on the census data, Atkinson (2000) measures gentrification and displacement in London and demonstrates a displacement effect clustered around gentrified wards. Tracing changes in the ownership and tenure structure of gentrifiable housing over a longitudinal period, Engels (1999) illustrates the process of gentrification in inner Sydney. His findings suggest that besides the conventional interclass displacement, another kind of displacement taken place between more affluent gentrifiers and marginal gentrifiers also emerges in the later stages of the gentrification process. Based on a study of gentrification and the urban poor in Utrecht, the Netherlands, Vankempen and Vanweesep (1994) point out that severe problems will occur if the displaced low-income population within gentrification are not offered affordable housing in the suburbs. The UK's regeneration strategy of 'go

for growth' proposes large-scale redevelopment involving displacement of low-income, low-demand housing neighbourhoods and introduction of a more affluent population (Cameron 2003; Loftman and Nevin 1996). Freeman and Braconi (2004) study the residential mobility among disadvantaged households in New York City during the 1990s. Their findings show that although normal succession (aside from displacement) is responsible for changes that occur in gentrified neighbourhoods, gentrification still exacerbates the housing problems of the poor due to the shrinking low-cost housing stock.

2.5.3 Tackling the adverse effects of displacement

The existing studies suggest that as an inevitable outcome accompanying urban redevelopment under the 'growth first' request, residential displacement could result in the collapse of indigenous social communities and could cause severe physical and psychological damages to the relocated residents, especially to the low-income groups, since these redevelopment projects frequently replace existing residents with much higher income households or turn the residential areas into commercial land-use due to its property-led essence. Meaningful community participation and positive government intervention are put forward as effective measures to relieve the disadvantageous impacts of residential displacement (Gale 1984; Ha 2004; L. Keating 2000; W. D. Keating 1985; Patel *et al.* 2002; Susnik and Ganesan 1997).

Ha (2004) studied the urban renewal projects and neighbourhood change in Seoul, and recognises the potential psychological problems and increased economic burden for low-income population caused by displacement. He thus proposes that policies protecting tenants' rights and preventing dislocation of people, especially low-income tenants from their homes and for the poor should be adopted (Ha 2004). Keating (2000) warns that legislation mandating asset retention and resident participation in redevelopment processes should be seriously concerned in the recent US public housing policies to avoid the severe negative social outcomes of urban

renewal from the 1950s to the 1970s. Patel *et al.* (2002) describes a resettlement program of 60,000 people in Mumbai, within which attentions have been given to minimise the adverse effects to relocated residents, and community organisation has seen active participation for the whole process. They also suggest that measures must be taken to prevent the impoverishment of low-income groups during the urban redevelopment process (Patel *et al.* 2002).

Government action in the redevelopment process appears, in many cases, to generate positive outcomes and to redistribute the costs and benefits of redevelopment in favour of the low-income class. Gale (1984) identifies various factors that combine to reduce the adverse effects of displacement in European cities, including greater public intervention in housing. He additionally recommends that tertiary-industry expansion and related benefits provide displacement relief in the long term. Keating (1985) suggests that government intervention should be adopted as a positive response to local demand. Based on empirical observations and case-study findings, Susnik and Ganesan (1997) examined the determinants and effects of urban redevelopment-led displacement in Hong Kong, and argued that government intervention through urban renewal particularly mitigates negative residential displacement outcomes. Introducing government intervention into the urban redevelopment process, the renewal policies aimed at social equity in redevelopment, better zoning and public-private development agency cooperation. Susnik and Ganesan (1997) also pointed out that the local conditions necessary for the success of Hong Kong's urban redevelopment appear to be a high service sector output, a high personal economic growth, and a booming real estate market. The successful urban renewal program also was attributed to a mass public-housing system, equal access to employment, and social action leading to urban planning betterment.

2.6 Urban redevelopment under market transition

2.6.1 Urban transition in post-socialist countries

Since the late 1980s and the early 1990s, cities in Central and Eastern Europe have experienced dramatic political and socio-economic transformations after the collapse of socialist political system. It is believed that diverse forms of economic organisation, class formation and political structures in cities of capitalism and socialism have radical links respectively to the major features of capitalist and socialist orders (Harloe 1996). As the old orders have been disorganised whilst the new orders have not been developed, far-reaching changes are happening in all fields of political and socio-economic system. These tremendous changes have therefore led many researchers to explore the ongoing urban transition from diverse perspectives (Andrusz *et al.* 1996; Harloe 1996; Pickles and Smith 1998; Pickvance 2002; Szelenyi 1996).

Decentralisation of governance power, which is characterised by the empowerment of local state and the eroded power of central state, has become one important component of the political transformation in transitional Central and Eastern European countries. The weakening of city government and the strengthened power and competence of the districts government also results in the fragmentation of urban governance in many transitional large cities (Bennett 1998; Kovacs 1999). Exposed to the global economic competition, many post-socialist cities have seen bankruptcy of large scale state-owned-enterprises and high unemployment rates. Therefore these cities are undertaking intensive economic transformation and striving for inward investment. Accordingly, the neo-liberal economic theory is generally dominant in the transformation policies (Kovacs 1999; Turnock 1997, 1998). Nevertheless, it does not suggest that a new social order will be produced simply based on the neo-liberal or any other west-based doctrines. The persisting legacies from the socialist period still have significant influence on the political economic

transformation (Harloe 1996). As Kovacs (1999: 5) suggests, 'the process of post-socialist urban transition does not operate in a vacuum and it has to be embedded in the global track of transition as well as in the local socio-economic relationships inherited from the past'.

Housing reform and the development of real estate market are among the most remarkable issues in transitional cities and have been elaborately investigated (Begovic 1993; Ghanbari-Parsa and Moatazed-Keivani 1999; Keivani *et al.* 2001; Kovacs 1998, 1999; Pichler-Milanovich 1994; Tasan 1999; Van Weesep 1997). To be released from the heavy burden of housing subsidies, the state withdrew from the housing market right after the collapse of socialist state. Since the state could not maintain and revitalise the housing stock due to economic crisis, the privatisation of the housing market is believed to be the only feasible strategy to prevent its further deterioration (Van Weesep 1997). The privatised housing market is changing rapidly, however the problem of affordable housing for low and middle-income groups is still unresolved (Tasan 1999). The diminishing state housing construction and the accompanying rapid privatisation of existing public housing have resulted in housing shortage and residential disparity (Kovacs 1999). Meanwhile, comprehensive rehabilitation is deficient in the newly privatised housing stock. The redevelopment activities, which were underwritten by the re-establishment of real estate market, mostly concentrate on office and commercial property development in the inner city of capital cities and major business centres. Nevertheless, as a result of increasingly integrating into the world economy, the built environment of post-socialist cities, especially the inner city, has been changing swiftly (Kovacs 1998, 1999).

Some research has been done on urban development and the transformation of the built environment in post-socialist cities (Bitusikova 1998; Dingsdale 1999; Pagonis and Thornley 2000; Sailer-Fliege 1999; Sykora 1999; Wiebner 1999; Young and Kaczmarek 1999). According to Dingsdale (1999: 65), 'transition in the built

environment of the city can be interpreted as the relationship between the built form of current societal (political, social and economic) processes and the urban fabric of antecedent societal organisation'. To tackle the declined old housing stock, large scale derelict industrial areas and deficient high rise housing estates, which are deemed as the legacy of the socialist era, substantial urban restructuring are taking place in the transitional cities of East Central Europe (Sailer-Fliege 1999). Suburbanisation characterised by rapid development of industrial and business estates and single family housing construction, is promoted by private investors and national support programmes. Meanwhile, the inner city regeneration is facilitated by the development of financial, public and business oriented services (Sykora 1999; Wiebner 1999). However, the suburbanisation and urban renewal in the inner city is more extensive in some countries than others, due to the diverse capabilities of local authorities to offer financial subventions to private investors (Wiebner 1999). Also, large-scale declined urban areas remain static or have even deteriorated since the regeneration actives are very limited and selective within urban space (Sailer-Fliege 1999; Sykora 1999). It is recognised that 'an active urban planning, an intense public and private investment as well as a good city marketing are essential conditions for further development' (Wiebner 1999: 47). It has also been realised that city image is an important factor in attracting investment. Therefore, transforming their negative image and excelling in investment competition, that is place promotion, becomes an important strategy for some post-socialist cities, though the efficiency of this strategy is still in question (Young and Kaczmarek 1999).

2.6.2 Urban redevelopment in post-reform China

Post-reform China shares some characteristics of the post-socialist countries in terms of the abandoning of central planned economy and the introduction of market economy, the development of tertiary industry and housing privatisation etc. Similarly, the political transformation has resulted in tremendous socio-economic changes and spatial restructuring. However, the public ownership of urban land and

the gradualist institutional transformation in China have endowed particular characteristics to urban restructuring in the post-reform era. China's urban development 'has been the direct outcome of national political strategizing, state articulation and reconfiguration, and shifts in global capital accumulation' (Lin 2002: 299). To understand the complexity of urban redevelopment, this section reviews its evolution process, the catalysis of land and housing reform, the reshuffling redevelopment agents, and the outcomes of demolition and relocation.

2.6.2.1 An introduction to urban redevelopment in China

The starting point of urban redevelopment in China was to improve the housing conditions of old and dilapidated areas. Before the full adoption of land leasing system and housing commoditisation, local government took charge of urban redevelopment, or, in some cases, large state-owned enterprises took charge of it. There was a very low level of redevelopment activity across urban China due to the financial restriction of local government, though the overcrowded housing condition and the deteriorated inner city has become one of the most wrenching problems (Yang and Wu 1999). Even after the private sector had been invited into the urban redevelopment process, the redevelopment regulations, which require on-site relocation, provision of community facilities and numerous administration charges, have also greatly impaired the feasibility of most urban redevelopment projects. It is thus suggested that Chinese cities should consider following the example of Hong Kong, Seoul and Singapore, and adopt monetary redevelopment compensation to make the redevelopment projects more financially feasible, market-driven and economically transparent (Dowall 1994).

Since economic reform, the capability of local government to conduct urban redevelopment has greatly increased by attracting private investment. Spurred on by innovative government policies and market-led investment, large-scale redevelopment has been extensively carried out as a unique process of place making in post-reform China (Tang and Ng 2002). As the adverse by-products of large scale

redevelopment, the heavy social cost of damaging historical culture, urban texture and social networks has attracted extensive criticism (Fang 2000; L. Y. Wu 2000; Zhang 1996). Accordingly, many empirical studies on the preservation and redevelopment of historical and cultural zones are conducted to explore alternative redevelopment approaches. The Ju'er Hutong redevelopment project in Beijing, presided over by Professor Wu Liangyong, is regarded as a successful preservation and redevelopment project in historical zones. This project exemplifies the idea of organic renewal developed by Wu (2000). Other alternative redevelopment approaches have also been advocated to preserve historical culture and the social environment (Wu and He 2005). For example, Dong (1996) suggests that self-help neighbourhood regeneration conducted by individual family should be encouraged as a valid redevelopment manner. Zhang (1996) advocates the virtues of piecemeal and incremental redevelopment mode. Fang (2000) also puts forward a tentative mode of community cooperation redevelopment, which suggests a partnership between community organisations, residents, government and developers within the redevelopment process. However, none of these redevelopment approaches which emphasise social and cultural values, have been successfully replicated and popularised in China. Zhang and Fang (2003) pointed out that the underlying value of the stakeholders of urban redevelopment programme, which aims to exploit exchange value at the cost of the use value of local community, has determined the failure of these redevelopment approaches.

With the rise of the private economy, real estate industry remarkably augments its contribution in the urban economy and is increasingly involved in the urban redevelopment process. The property development boom now provides a significant driving force for urban redevelopment, with its formidable capability of producing both physical changes and commercial profit (He and Wu 2005; Zhang 2005). With the scale of urban redevelopment projects increasing, its commercial component also increases in proportion to this. The formal adoption of the monetary relocation

compensation system in November 2001 also suggests the marketisation of urban redevelopment. In many cases, the redevelopment of old and dilapidated areas has been turned into a large scale property development (Fang 2000). Urban redevelopment in China, which used to be driven by government investment, is now driven by property development.

2.6.2.2 The rise of property-development-driven urban redevelopment

Urban redevelopment is actually under the comprehensive impacts of institutional power, social driving force and economic driving force, which are interwoven in the urban development process. The impetus of urban redevelopment in post-reform China is thus various, including the institution reform, the adjustment of industry structure, demands of economic growth, the changing urban policy, and urban spatial transformation etc. (Geng 1999). Within these momentums, land and housing reform, and real estate market development have been recognised as the direct catalyst triggering off the high tide of large scale urban redevelopment.

The adoption of a land leasing system in 1987 allowed land use rights to be transferred in the market while the state maintains the ownership of urban land. That means private enterprises can acquire land use rights from local government by paying certain land leasing charges, through which the foundation for the establishment of land market is laid (Dowall 1993). As land use rights entered the market, creating profits through transferring urban land into the secondary land market or through carrying out property, development became possible and then prevalent. After two decades of urban land reform, the privatisation of land use rights has achieved remarkable progress. Under the system of paid-transfer of land use rights, the new land development process significantly restructured land use and created urban sprawl and new social areas in the 1980s and early 1990s (Yeh and Wu 1996). However, the existence of a dual-track land market, and the great difference between the cost of administratively allocated land and the market price, have also induced the

emergence of land black-market (Xie *et al.* 2002; Yeh and Wu 1996). Granting land through negotiation mode rather than market competition has created a distorted land market (Li 1997; Ding and Knaap 2005), which partially contributed to the real estate bubble in early 1990s. Meanwhile, the new revenue sharing regulation, the decentralisation process and the establishment of land market have contributed to the urban sprawl in China (Deng and Huang 2004; Ho and Lin 2003; Zhang 2000). Chinese cities have experienced a rapid expansion at the cost of large amount of farmland lost during the late 1980s to the1990s. Between 1986 and 1995, more than 1,973,000 hectares of farmland had been occupied and transferred into non-agricultural construction (State Statistical Bureau 1996). Under the high pressure of limited land resources, the State Council publish a series of farmland preservation regulations and laws to solve the severe problem of farmland lost, e.g. the Basic Farmland Protection Regulation published in 1994, the new Land Administration Law published in 1998. These strict regulations have made urban spatial expansion increasingly difficult (Ding and Knaap 2005). As an alternative way of land development, urban renewal schemes made the focus of land development turn to the inner city (Chan 2005). Obtaining land use rights from local government and transferring the old and dilapidated inner city neighbourhoods into high-profile properties, such as luxury apartments, office and commercial buildings, become highly profitable and attract great amount of foreign and domestic investment (Tang and Liu 2005). It is also pointed out that the desire to capture the land asset on the open domain and to transfer the ambiguous property right into a secure one is part of the driving force of urban redevelopment (Zhu 2002). Thus, the informal institution of land development right has greatly contributed to the hasty land redevelopment (Zhu 2004).

Housing reform also has remarkable impacts on the property market development and urban redevelopment process. Since commercial housing development made great progress during the 1980s and 1990s, significant changes in the housing provision

system emerged (Wang and Murie 1996, 2000). Housing provision is no longer monopolised by government and work units. The state intends to promote homeownership through introducing market operation (Huang 2004a). Although a series of institutional factors such as work units and *hukou* system still remain impacts on housing production and consumption processes (Huang 2004b; Li 2004), an immature housing market has been fostered during the gradual and 'partial' housing privatisation process (Song *et al.* 2005). The transformation of the housing production mechanism has also introduced extensive redevelopment activities into the long neglected inner cities (Leaf 1995). Since housing is no longer a welfare item provided by local government and work units, demand for housing emerged in the property market, resulting in the second real estate boom in China in the late 1990s. The privatisation of housing and real estate market has contributed to the redistribution of housing location and the changing patterns of foreign and domestic investment in urban development (Gaubatz 1999). The residential function of the inner city has been largely replaced by commercial use and redistributed to suburban areas. Despite the comparatively high cost and difficulties of inner city redevelopment, the great potential for redevelopment profits attracted more and more foreign and domestic investors and developers (Tang and Liu 2005).

To release themselves from the heavy fiscal and management burden of the earlier pre-reform period, the government changed its redevelopment strategy by adopting land leasing in redevelopment projects. Since the late 1980s and the early 1990s, declining industrial and residential areas in the inner city were leased to private enterprises to implement property development. The great capacities of property development in bringing in commercial profits and changing physical appearances have impressively changed the urban redevelopment mode in China (He and Wu 2005). To fulfil the growing demands of urban redevelopment and economic growth, property development is greatly encouraged and supported by the government as a new development tactic (Hsing 2005). Furthermore, raising local revenue through

property development has also become a major objective of the municipal government to realise place promotion and show off their capacity to the central state (Zhang 2002). In short, the land and housing reforms give birth to prosperous property development, which in turn facilitates the large-scale urban redevelopment.

2.6.2.3 Reshuffling the redevelopment agents

A series of political-economic and social changes, such as institutional reform, changing employment and investment patterns, the transformation from production-emphasis to consumption-emphasis, have led to tremendous physical transformation in urban China. The re-emergence of the land rent gradient in Chinese cities has led to urban spatial restructuring in the inner city to pursue maximum land use efficiency, and has also led to urban sprawl in the fringe to develop large scale housing projects and economic and technological development zones (Yeh and Wu 1996). Urban spaces have therefore seen the process of land-use specialisation, such as the emergence of CBDs, the relocated industry zone and residential areas on the outskirts (Gaubatz 1999). With the increase of intra-urban residential mobility, a clear suburbanisation trend is discerned in major Chinese cities as a compositive result of work units and housing bureau interventions and commodity housing development (Li and Siu 2001a, 2001b).

In the pre-reform period, urban (re)development was completely dominated by the state. New players from the private sector were invited into the domain within the ongoing market-oriented economy reform. Since the newly established market system is immature, urban development in China is unbalanced and instable. Institutional governance and policy intervention thus are still powerful and necessary in China. In inland China, the emerging property market is dominated by the government, not only because the government formulated development directions and set up rules and regulations, but also due to extensive state involvement in the development projects (Han and Wang 2003). However, the state is no longer playing an omnipotent role,

'the market is much more than a tool in the state's decision-making' (Zhang 2003: 1549). Economic liberalisation has made the market become an indispensable actor in shaping China's urban development (Han 2000). The sheer scale of private investment greatly contributes to the rapid economy growth and urban development. Moreover, under the context of globalisation and economy transition, 'the predominant role of the state is now being substituted by complex interactions' among central and local governments, domestic enterprises, and foreign investors (Wu 1999: 1757).

With economic reform making steady progress, urban redevelopment driven by property development has significantly restructured the urban spaces and has extensively been adopted as an instrument to promote urban growth. The application of the terms 'pro-growth coalitions' and 'the urban growth machine' has emerged in the literature of urban China studies to explain the extensive urban redevelopment in China (Fu 2001; Zhang 2002; Zhang and Fang 2004; Zhu 1999). With reference to the concepts of 'growth machine' and 'urban regime', Zhu (1999) claims that pro-growth is the core of urban policies both in the economic transitions of US and China; the country is undergoing a transformation from socialist political state to socialist developmental state; the local authorities, enterprises and international capitals form an informal pro-growth coalition to cope with the regional competition. Similarly, Zhang (2002) argues that the regime theory works well in China in the economic dimension, while is not applicable to the political dimension. He describes the pro-growth coalition in Shanghai as 'a regime characterised by a strong local government followed by cooperative non-public sectors with excluded community organisation' due to their absence of political leverage (Zhang 2002: 475). Fu (2001) emphasises that urban development of Shanghai is greatly promoted by the growth coalitions formed between local government and international financial institutions. Zhang and Fang (2004) compare urban renewal in the US in the 1950s and 1960s with inner-city redevelopment in China since the late 1980s and assert that a 'growth

machine' has formed during China's economic decentralisation processes. Nevertheless, simply identifying some elements of growth machine and urban regime, and explaining the relationship between different players in the Chinese context, these scholars fail to explain how pro-growth coalition is formed and operationalised. They do not adequately relate the global and national level changes to the local redevelopment practices, and carefully examine the applicability of western theories in the Chinese context grounded upon specific case studies.

2.6.2.4 Housing demolition and residential relocation

Demolition and residential relocation is always a controversial issue of urban redevelopment. Since the 1990s, the demolition and relocation regulation in China has changed from compulsory on-site relocation to off-site relocation and monetary compensation. With the publication of new regulation on urban housing demolition and residential relocation management on 1st November 2001, monetary compensation was recommended as a major component of compensation. This marketised operation has increased the feasibility of urban redevelopment projects. Meanwhile, housing commodification and the rising land rent in the inner city have contributed to a dramatic capital flux into real state market and redevelopment projects. Consequently, massive housing demolition and residential displacement have occurred. To make places for property-led redevelopment, residents are forced to vacate from their houses even before alternative housing are provided, and often are not given advance warning of this (Gaubatz 1999; Hsing 2005). Within the booming urban redevelopment, tremendous demolition and relocation occurs in Chinese cities. It is estimated that from 1990 to 1998, the city of Beijing demolished 4.2 million square meters of housing in the old city. Approximately 32,000 families, comprising about 100,000 people, were not relocated, and some have waited up to five years to move into new houses (Fang 2000). It is also suggested that the residential displacement amount in recent Shanghai is much larger than that in the urban renewal period in US cities (Zhang 2002).

Scholars also criticise the negative socioeconomic outcomes of large-scale redevelopment (Fang 2000; Gaubatz 1999; Leaf 1995; Zhang 2002; Zhang and Fang 2004). It is argued that the immature marketised operation and supervision mechanism have been taken advantage of by the developers to extract great profit from the redevelopment process, at the cost of severe violation of relocated residents' interests (Fang 2000). As a result, social resistance from displaced residents has emerged. The government has to adopt certain measures to relieve the social conflicts. However, the interests of relocated residents have hardly been protected due to their economic and political weakness (Zhang 2002). Although housing conditions for relocated residents have been improved in physical terms, the hasty redevelopment and residential displacement ignore 'the potential for social upheaval which accompanies relocation, as the interpersonal networks which urban dwellers depend upon both socially and economically are broken apart and not easily reconstituted' (Leaf 1995: 161). Moreover, even if the current generation of relocated residents enjoy better housing conditions, the next generation might suffer from drastic residential disparity between themselves and the better off residents in the inner city (Leaf 1995). It is also argued that introduction of a real estate market has sharply increased neighbourhood inequality, within which urban redevelopment and suburbanisation will be two powerful trends exacerbating these inequalities (Logan 2005).

Urban redevelopment in China has not attracted much research interest until the late 1990s. Today, while research interest in this topic is encouraging, it rarely goes far enough. Current studies have shed some lights on the dynamics of urban redevelopment in the Chinese context in terms of primarily identifying new stakeholders, new driving forces and certain social impacts. Up to the present, however, understanding on the political economy of urban redevelopment in post-reform China is still very limited and fragmented, which is greatly

disproportionate to the prevalence and significance of redevelopment practices. Systematic studies on the relationship between urban redevelopment and residential displacement, and their implication on neighbourhood changes are also lacking. Therefore, further explorations are necessary on the formation and operation of the burgeoning property-led redevelopment, and its implications on urban restructuring and neighbourhood change.

2.7 Summary

Urban redevelopment has become an increasingly sophisticated research topic in the West. This chapter has reviewed the studies on urban redevelopment from the perspective of political economy. As cities are playing a central role in the process of neo-liberalisation, studies on the 'actually existing neo-liberalism' examine the neo-liberal shifts of political-economic transformation, the reorganised state-market relationship, and their effects on the production and reproduction of urban spaces. Neo-liberal urban policy, which seeks an efficient way of capital accumulation and short-term return, encourages and justifies substantive property investment in urban redevelopment practices. Property-led redevelopment thus is extensively implemented in Western countries. The flagship project of property-led redevelopment was even deemed as the saviour of severe inner-city decline. Despite its insufficient effects on integrated economic and social regeneration, property-led redevelopment is vital in urban policy to meet the needs of urban growth. To interpret the urban and economy growth driven by local elites-led property development, the urban growth machine thesis introduces the concept of 'pro-growth coalition'. Although the growth machine has been regarded as one of the most useful frameworks for analysing the political economy of local (re)development, there is a sense that transferring the growth machine thesis into non-US contexts does not provided an adequate explanatory framework. Neighbourhood change and residential displacement are the important outcomes of urban redevelopment, and have attracted much research interest in the West. As an influential school studying neighbourhood

change, the political economy perspectives stress the decisive effects of powerful local elites and external institutional forces on shaping the trajectories of neighbourhood change. To extract the exchange value by sacrificing the use value, urban redevelopment has resulted in a vast sum of residential displacement and brought negative impacts on the low-income residents. Extensive community participation and positive government intervention are thus suggested as effective strategy to tackle the adverse effects of displacement.

After the collapse of the socialist political system in the Central and Eastern European (CEE), tremendous political and socioeconomic transitions, e.g. decentralisation, housing reform, rapid real estate development and urban restructuring, are happening in cities. Similar to the post-socialist cities in CEE countries, urban China has experienced dramatic socio-spatial restructuring in the post-reform era as the reflection of political-economic transformations on urban spaces. Existing studies on China's urban redevelopment have touched upon the emerging land and housing markets, the reshuffling redevelopment agents, and the problems of housing demolition and residential relocation. However, a systematic and precise understanding of the complexity of China's changing urban redevelopment is yet to be developed. To understand the political economy of urban redevelopment in market transition in Shanghai, the major tasks of this research are to investigate its rationale, operation and socioeconomic outcomes. Following the clues in this review, this study will firstly examine how political-economic and institutional transitions result in the neo-liberal shifts of urban redevelopment; then the formation and operation of property-led redevelopment, and the applicability of growth machine thesis; and finally the socioeconomic outcomes in terms of neighbourhood changes and residential displacement.

CHAPTER THREE

RESEARCH FRAMEWORK AND METHODOLOGY

3.1 Research framework and hypothesis

Chinese cities are undergoing dramatic transformations since the launch of economic reform, especially after the 1990s. In order to precisely understand the complex urban transition in China, Ma (2002) argues that political economy perspectives should be emphasised, as China's economy and urban development are inherently influenced by political factors. Applying existing western theories and approaches, e.g. capital switching, rent gap, urban growth machine, urban regime, multi-scale and multi-mechanism, property regime, a few scholars have adopted the perspectives of political economy to interpret China's economic and urban restructuring (see Smart 1998; Wu 1997, 1999; Zhu 1999; Zhang 2002; Wei 2000). This research follows the vein of the political economy approach while it avoids hastily jumping into the western models to study the changing policies and practices of urban redevelopment in China. This study uses a case study of Shanghai, the largest and most developed city in China.

3.1.1 Research framework

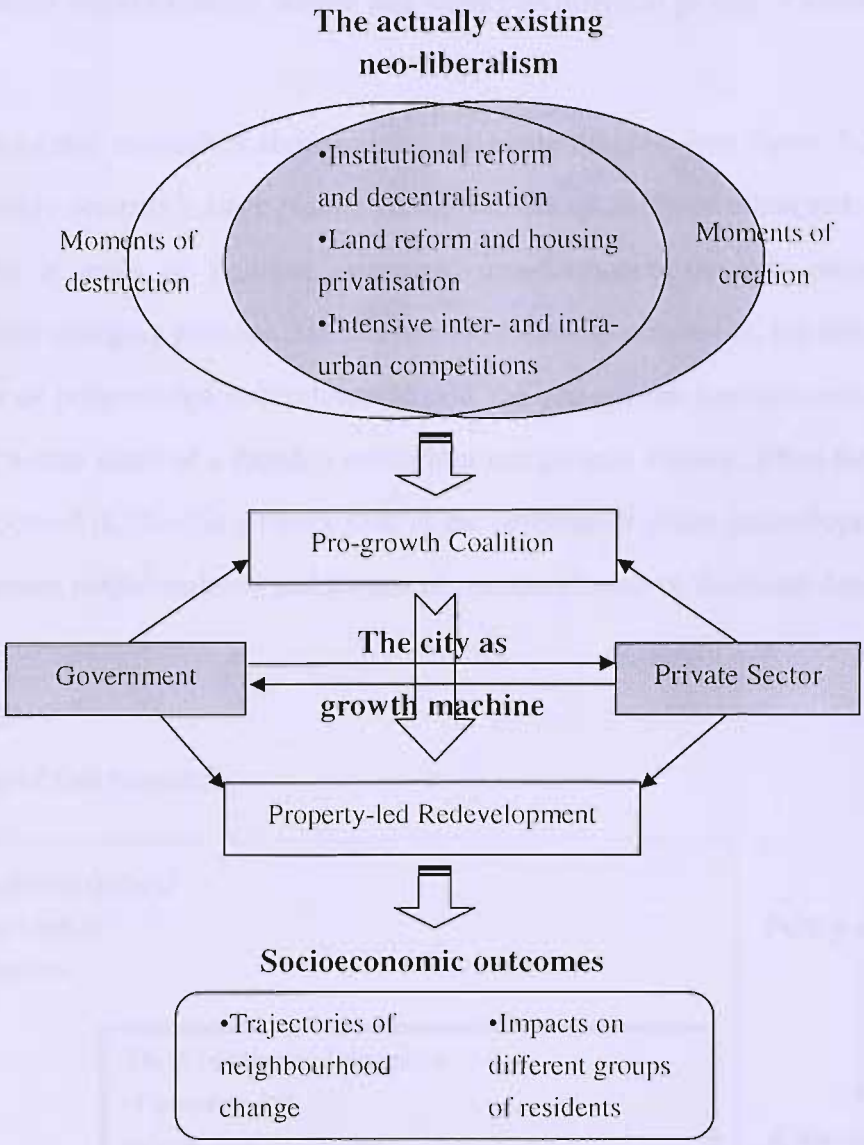
Based on the review of existing theoretical and practical studies on the topic of urban redevelopment, a research framework is developed to understand the political economy of urban redevelopment in market transitional China (see figure 3.1). First of all, this research recognises that the ideology of neo-liberalism has brought out profound

influences to countries throughout the world, from its heartlands — advanced capitalist countries — to post-socialist countries and developing countries, including China. Within the moments of destruction and creation of the existing institutional arrangements, the political economic transformations happening in urban China possess some neo-liberal characteristics, e.g. the administrative and fiscal decentralisation, land reform and housing privatisation, the intensified intra- and inter- urban competition. However, the influence and characters of 'the actually existing neo-liberalism' in China's urban transition is yet to be examined. Therefore this research first analyses the major policies and regulations relevant to urban redevelopment at both national and municipal levels. Through studying the changing policies, this research illustrates the characteristics of the neo-liberal shifts in urban redevelopment which are directly affected by political-economic transformation. Furthermore, the roles of different tiers of governments and their different degrees of engagement with neo-liberalism are examined.

As a result of political-economic transformations, tremendous socio-economic and spatial changes are emerging in urban China, within which property-led redevelopment is responsible for the significant urban restructuring. It is the so-called 'pro-growth coalition' constituted by local state and private sector promoting the extensive property-led redevelopment all over the country. To understand the operation of property-led redevelopment in urban China, an in-depth investigation into a flagship redevelopment project in Shanghai, namely Xintiandi is carried out. Through delving into the interactions between different actors in the redevelopment project, this study examines the formation of a 'pro-growth coalition'. There is also a comparison of property-led redevelopment between the UK and China, and an examination of the applicability of the urban growth machine thesis in the Chinese context.

Figure 3.1

The research framework



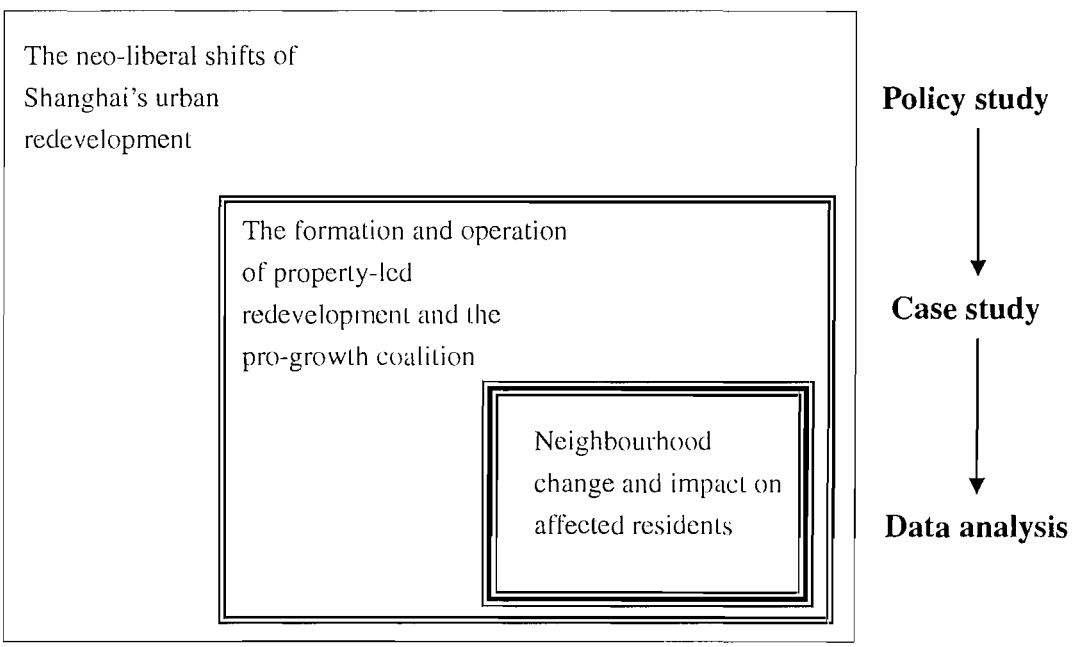
To understand the socioeconomic outcomes of urban redevelopment, this research investigates the changing built environment and socioeconomic composition caused by redevelopment at neighbourhood level. Driven by powerful external institutional forces, urban neighbourhoods are experiencing tremendous changes, within which the trajectories of neighbourhood change are shaped by different redevelopment approaches. Urban redevelopment has also profoundly influenced residents' lives.

Under market transition, the impact of redevelopment on different groups of residents is affected by the changing urban redevelopment approach. Therefore, the socioeconomic outcomes of urban redevelopment are examined from two perspectives: trajectories of neighbourhood change and impact on different groups of residents.

The logic of this research is shown in the following diagram (see figure 3.2). First of all, this study presents a large picture of the neo-liberal shifts of urban redevelopment caused by a series of political economic transformation through compiling and studying the changing policies. Then, when the picture is zoomed in, the formation and operation of property-led redevelopment and the pro-growth coalition are illustrated based on a case study of a flagship redevelopment project. Finally, when the picture is further zoomed in, there is a closer look at the outcome of urban redevelopment at the scale of urban neighbourhood and groups of residents based on firsthand data analysis.

Figure 3.2

The logic of this research



3.1.2 Research questions and hypotheses

This research assumes that under the background of neo-liberalisation, property-led redevelopment is employed as a growth engine by the coalition of local government and the private sector to promote rapid urban and economy development. Based on policy analysis at both national and municipal levels, this study investigates how neo-liberalisation happens in the Chinese context, and examines different levels of governments' engagement with neo-liberalism. Focusing on a case study in Shanghai, this study inquires into the formation and operation of pro-growth-coalitions in urban China, which underwrite the extensively implemented property-led redevelopment. Finally, the socio-economic impact on urban restructuring, especially at the neighbourhood level is examined by analysing the empirical data collected in my fieldwork. In short, this research attempts to understand the linkage between political-economic transformation, property-led urban redevelopment, and its socio-economic outcomes. Specifically, this study tries to give answers to the following three questions:

1. How did political-economic and institutional transformations affect urban redevelopment in Shanghai?

2. How are pro-growth coalitions formed and how do they work to facilitate property-led redevelopment in the context of Shanghai?

3. What are the socio-economic outcomes of property-led urban redevelopment in terms of neighbourhood change and impact on affected residents?

Corresponding to the research questions raised here, several theoretical hypotheses are put forward:

1. Neo-liberal policies have been adopted by the government to encourage marketised practices and a growth-first strategy in urban redevelopment;

2. Based on the common interests in property development, local government and the private sector constitute pro-growth coalition to promote extensive property-led redevelopment as an effective urban development strategy;

3. Urban neighbourhoods are experiencing significant changes in both built environment and socioeconomic profiles, and urban redevelopment has brought uneven impact on different groups of residents.

3.2 Methodology

To provide answers to the above three research questions and examine the hypotheses, this research mainly applies qualitative methodology, in combination with some forms of quantitative (statistical) analysis. Qualitative study is important for this research, because 'it has a key role to play in providing insights, explanations and theories of social behaviour' (Ritchie and Spencer 2000: 174), while quantitative study is also significant in measuring the features of certain groups of people, by using statistical techniques to examine survey data and/or census data. The design of combining two methods is intended to enhance the validity and strength of the overall analysis, by producing data on different aspects of the research (in this case, urban redevelopment in Shanghai) so that a rounded and credible overall picture could be built up (Mason 2000). The qualitative study covers a limited number of informants but in more depth, and several aspects of the research—changing policies, different opinions by different actors. By covering a larger number of informants, the quantitative study provide a broad picture of a specific aspect of the research—socioeconomic outcomes of urban redevelopment.

Qualitative study and quantitative study yield diverse sets of data on different phenomena, and analyse these data using different methods. The sources of data for this research are from multiple channels: semi-structured interviews, a social survey using questionnaires, and a large range of documentation from a verity of sources. The following sections give more details about the methods of collecting data and analysing data.

3.2.1 Data collection

3.2.1.1 Study cases

This study generally looks at the changing urban redevelopment policies and practices in Shanghai. To generate in-depth understanding of urban redevelopment operation and its socioeconomic implications, two recently completed redevelopment projects are chosen as study cases. Before conducting the field work in Shanghai, I had done a desktop research on Shanghai's ongoing urban redevelopment and real estate markets. Relevant information was mainly collected from internet and media (magazine and newspaper). I also consulted several local urban experts about Shanghai's 'flagship' redevelopment projects. Based on the information gathered, this research chooses two well known redevelopment projects as in-depth study cases to represent Shanghai's ongoing urban redevelopment practices: Zhongyuan Liangwancheng (also know as Brilliant City, Zhongyuan is the name of the developer, Liangwancheng means 'city of double-bays') and Xintiandi (meaning 'new heaven and earth'). The two projects are selected because of their 'flagship' effects in the urban redevelopment of the city. They have remarkably re-imaged the run down urban areas and significantly influenced and catalysed the later redevelopment activities.

Zhongyuan Liangwancheng is one prominent project of '365 plan' in Shanghai (a plan of redeveloping 365 hectares of old and dilapidated housing estates before 2000 proposed by Shanghai municipality). Invested and developed by the Zhongyuan Group (China Overseas Shipping Corporation), a large scale state-owned enterprise,

the Liangwancheng project has successfully redeveloped the 50 hectares of dilapidated areas into modern condominiums accommodating more than 6500 households or about 20 thousand people. The implementation of the Linagwancheng project has greatly influenced other projects of '365 scheme'. Its operation mode was soon extensively followed. The Liangwancheng project not only successfully re-images a derelict urban area, but also obtains great commercial success, as its property prices have reached the top level of the Shanghai property market. Xintiandi is one of the most successful commercial redevelopment projects in Shanghai. As part of the entire Taipingqiao area redevelopment, Xintiandi project was invested and developed by Shui On Properties Ltd. from Hong Kong, and designed by architectural firms from the US and Singapore. Part of Xintiandi was a cultural heritage preservation zone characterised by traditional Shanghai-style architecture. Within nearly three years between 1999 and 2001, Xintiandi has now been redeveloped into a multi-purpose district, with multiple facilities of retail, restaurants and entertainment fitting into the preserved architectures and alleys. Being transferred into one of the most famous and popular recreational and commercial districts, Xintiandi has now boosted the reputation and property prices of the entire Taipingqiao area and facilitated the subsequent large scale redevelopment projects. Besides the two sites of Xintiandi and Liangwancheng, two adjacent old urban neighbourhoods, i.e. Jing'anli and Shenjiazhai possessing similar built environment and socioeconomic profiles to the pre-redevelopment Xintiandi and Liangwancheng are also selected as study sites to reconstruct the pre-redevelopment neighbourhoods.

3.2.1.2 Semi-structured interviews

Interviewing is one of the most usual and appropriate ways of collecting data in social survey, although it introduces various sources of error and bias (Moser and Kalton 1973). The sources of response error might come from interviewer's characteristics, e.g. sex, age, education and social type; interviewer's opinions; interviewer's expectations; and errors arising from respondents (Moser and Kalton

1973). According to Cannell and Kahn (1968), the necessary conditions for a successful interview can be summarised into three broad concepts: *accessibility* of the required information to the respondent; *cognition* or understanding by the respondents of what is require of him/her; *motivation* of the respondent to answer the questions accurately. To reduce error and bias and guarantee the effectiveness of my interviews, I have paid particular attention on these three issues. First, to ensure 'accessibility', interviewees are carefully selected to offer valuable insights from different perspectives and represent different players in the redevelopment process, i.e. the government officers, planners, developers and residents. For interviews with scholars, planners, government officers, the interviewees were found through my local contacts to make sure they have enough expertise and local knowledge on urban redevelopment and the two study cases I was looking at. I visited the developers who implemented the two flagship redevelopment projects, i.e. Liangwancheng project and Xintiandi project, and some other real estate companies to arrange interviews with their directors and managers, who are the most appropriate informants of the two projects and local real estate development. I also went to the study sites to meet different residents and when I made sure they are the appropriate informants I arranged interviews with them. Second, I explained the purpose of this survey and what information I needed to all of the interviewees carefully. When necessary, I showed the informants my research proposal or repeated my questions and explained my questions in plain language. Third, I tried to develop trust with the respondent and therefore conducted the interviews in a friendly and informal atmosphere to increase respondent's motivation to answer my questions accurately. Some respondents admitted that demolition and relocation is a sensitive topic for them, especially for government officers. So I attempted to remove their suspicion and worry by ensuring them the content of interview is confidential and anonymous and will not be used for other purpose other than my research. After my explanation, most of the respondents expressed their understanding and willingness to support my research. Some of the respondents were very supportive of my interviews, in particular those residents in pre-redevelopment site, because they regarded the interview as a good opportunity to

express their opinions and feelings to 'outsiders' and to the public. When I applied consistency checks to ascertain whether two sources produce same or different answers (Moser and Kalton 1973), I got similar answers from different respondents for some specific questions, which provides support for the view that the answers provided by the respondents were accurate.

The interviews were held during my fieldwork in Shanghai from February to April 2004. The interviews were recorded in a digital recorder and fully transcribed onto a personal computer using a word processor. Since the interviews were conducted in Chinese, the data analysis involves some translation work. Most of the interviews took place in interviewees' offices or residence. The duration of the interviews varied from half an hour to two hours. In total I have conducted a total of 30 interviews with different people: scholars and planners (3 cases); local government officers (5 cases); directors and managers of property consulting, developing and construction companies (6 cases); residents in pre-redevelopment sites (8 cases); residents in post-redevelopment sites (4 cases); and residents relocated to the suburbs (4 cases). For more details about the interviews, please refer to appendix I . These semi-structured interviews concentrated on the issues of urban redevelopment, property development and residential relocation in Shanghai. Particular attention is paid to the two study cases. Specifically, the interviews are centralised on several questions: What strategies of urban redevelopment are adopted by Shanghai local government? How are the redevelopment projects proposed and carried out? What are the roles of different players in redevelopment projects (different tiers of government, investors and developers, residents) and how do they interact? What are residents' opinions on the ongoing urban redevelopment? What is the impact of redevelopment on different groups of residents?

3.2.1.3 Questionnaire survey

A questionnaire survey was also conducted at the two pre-redevelopment sites and the two post-redevelopment sites. The survey aims to examine neighbourhood change caused by redevelopment and the impact of urban redevelopment on different groups of residents. The underlying logic of questionnaire survey is that 'random sampling would produce a population whose social characteristics would mirror those of a larger population' (Mason 2000: 101). In designing the content of questionnaire and distributing questionnaire, again, it is important to insure that 'respondents are likely to possess the knowledge, or have access to the information, necessary for giving a correct answer', namely the *ability* of people to give accurate answers and their *willingness* to do so (Moser and Kalton 1973: 310). In this survey, several measures were undertaken to increase the accuracy of the survey result. The questionnaires were distributed to the heads of households or their spouses, in the case of XTD, to the consumers, which ensured that the respondents had the ability to answer the questions. Before conducting the survey, I visited the residents' committees/management offices of the four sites to learn the basic information of the sites and acquire their agreement and support to distribute questionnaires to residents/consumers. Since residents' committees in China play an important in managing local community, their support greatly increased respondents' willingness to answer questions. Furthermore, learning the basic information on the neighbourhoods, e.g. general socioeconomic profile, age structure and housing conditions, also helped to apply consistency checks, i.e. referring to the general information, it would help me to spot obvious errors in the answers to the questionnaire. In addition, I prepared some gifts for respondents, which are also likely to have helped to increase their willingness to answer questions accurately.

Two versions of the questionnaire were designed for different respondents in this survey, using pre-coded questions. The content of questionnaire comprised of both factual questions and opinion questions. Questionnaire A was distributed to the heads

of households in the three residential areas i.e. Liangwancheng, Shenjiazhai and Jing'anli. This questionnaire is composed of three parts. The first part is about the basic information on the socio-economic status of the head of household, including age, gender, education, *hukou* (household registration), occupation, income etc. The second part is about the respondent's experience and opinions of redevelopment and relocation. Questions focus on respondents' experiences of redevelopment, opinions on the approach of urban redevelopment and compensation etc. The third part of the questionnaire is about respondents' housing conditions, including housing floor area, housing quality, housing facilities, housing tenure, assessment of the neighbourhood etc. Aiming to present precise information at different sites, the second part of questionnaire A is designed to be slightly different for pre-redevelopment sites and redeveloped sites. For the pre-redevelopment sites, the second part of the questionnaire is designed to learn whether respondents approve of redeveloping the local neighbourhood and their reasons, respondents' opinions and suggestions on potential redevelopment, their prediction for possible impact brought to their lives by redevelopment etc. For the post-redevelopment sites, people were asked to compare their impression of the neighbourhood before and after redevelopment, evaluate the impact of redevelopment etc. Questionnaire B was distributed to consumers in Xintiandi because residents are absent since the former urban neighbourhood has been displaced by a commercial and recreational district. This questionnaire is composed of two sections. The first section is about the basic personal information of the respondents, including age, gender, education, *hukou* (household registration), occupation, income etc. The second section is about respondents' opinions on Xintiandi. Questions related to respondents' purpose and frequency of visiting Xintiandi, their impression and evaluation of Xintiandi etc. For more details on the questionnaires, please refer to Appendix II and III. In this study, both consumers in Xintiandi and the residents in the other three neighbourhoods are regarded as the occupants or users of urban spaces. The questionnaire is designed to compare the socioeconomic characteristics of old and new occupants and the built environment before and after redevelopment.

The questionnaire survey has received great help from the survey team members of Shanghai Academy of Social Sciences, postgraduate students from East China Normal University and from the Shanghai Maritime Institute. The investigators were split into four teams to distribute questionnaires at the four sites. In total, 500 questionnaires were distributed in the four sites covering roughly three to eight per cent of the households in each site: 200 in Zhongyuan Liangwancheng, a post-redevelopment residential complex site with 6500 households; 100 in the nearby Shenjiazhai, an old and dilapidated housing estate with about 1200 households; 100 in Xintiandi, a mixed-uses district with commercial and recreational facilities; 100 samples in nearby Jing'anli, an old-fashioned *lilong* neighbourhood in Taipingqiao area with about 1500 households. In order to guarantee randomness, questionnaires were distributed along the streets at a fixed interval of 10 or 15 households. For example, number 1, 11, 21 ... or 1, 16, 31... on the same street were picked as the survey households. If there is no response from the selected household, the next household will be visited. In Xintiandi, questionnaires were randomly distributed to consumers at various locations including restaurants, coffee bars, shops and cinemas etc. All questionnaires were distributed at weekends or in the evenings to ensure the accessibility to target responders. To ensure the validity and accuracy of the survey, the investigators helped the responders to fill in the questionnaires by asking and explaining the questions to them when necessary. In the sense, this survey can be termed as 'recording schedule' (Moser and Kalton 1973).

3.2.1.4 Secondary data

To supplement the firsthand data collected from the interviews and questionnaire survey, secondary data have also been collected continuously during the last three years. Secondary data which contain abundant information of the whole city can be used to illustrate urban redevelopment progress, real estate development, changing spatial distribution of population in Shanghai, as well as specific information about individual redevelopment projects. They mainly come from following sources.

Shanghai Statistical Yearbooks from 1990 to 2005 (Shanghai Statistical Bureau 1990, 1992; 1994; 1995, 1998, 2005) provide information on Shanghai's real estate development and redevelopment progress at district scale, such as yearly investment and construction of commodity housing, number of relocated residents, and amount of demolished housing. However, due to the changing statistical caculation, there are some gaps between different years' data. Furthermore, specific information on redevelopment projects, such as number and location of redevelopment projects, amount of investment is not available in these yearbooks.

The Fourth (1990) and Fifth Census (2000) data at sub-district (street office) level complement the yearbook data at a smaller scale. These data are used to illustrate the changing demographic and socioeconomic composition in the whole city after the implementation of extensive large-scale urban redevelopment.

Other official publications including *The Atlas of Shanghai* (The Atlas of Shanghai Editorial Board 1997), *Shanghai Construction 1949-1985, 1986-1990, 1991-1995, 1996-2000* (Shanghai Construction Editorial Board 1986, 1991, 1996, 2001), *Shanghai General History* (Shanghai General History Editorial Board 1999), *Shanghai Urban Planning History* (Shanghai Urban Planning History Editorial Board 1999) etc. provide abundant information on the history of Shanghai's urban redevelopment. Only general information is available in these publications; accurate longitudinal data of urban redevelopment in Shanghai are still lacking.

Monographs including books and unpublished theses relevant to the topic of Shanghai's urban redevelopment contain not only rich information but also insightful understanding on Shanghai's changing redevelopment practices.

Internal reports from real estate companies and *planning and design documents* from Shanghai Urban Planning and Design Institute give detailed information, including data and maps on specific urban redevelopment schemes and projects in Shanghai.

News and reports from internet and local media are also collected to provide the most up to date information. Most policies related to urban (re)development at both national and municipal levels are available online. Fresh news on redevelopment practices from local media, homepages of flagship redevelopment projects in Shanghai, such as Xintiandi and Zhongyuan Liangwancheng are very useful data sources for my research.

3.2.2 Data analysis

As different survey methods yield data on different aspects of urban redevelopment in Shanghai, diverse analysis techniques are used to generate and strengthen various claims. Specifically, this research applies a series of qualitative methods to analyse and interpret interviews records, urban policies and relevant documents; while quantitative methods are also employed to analyse the survey data and census data, using statistical and Geographical Information System (GIS) techniques. The two sets of methods play different roles in discovering and interpreting a variety of research findings, but they are complementary rather than competing.

3.2.2.1 Qualitative analysis

The aim of qualitative analysis is to provide some coherence and structure to the data collected through qualitative methods, which is invariably unstructured and unwieldy, and usually in detailed and micro form (Ritchie and Spencer 2000). Therefore, generation of concepts is one of the most important aspects of qualitative analysis (Bryman and Burgess 2000). In order to do so, Hammersley and Atkinson (1983) recommend researchers to immerse themselves in the data and then search out pattern, to identify surprising phenomena, and to be sensitive to inconsistencies, e.g. diverse views from different groups of informants. In other words, the major task of qualitative data analysis is detection, which allows certain functions to be performed. The frequently used functions of qualitative analysis include (Ritchie and Spencer 2000: 176):

'Defining concepts: understanding internal structures;

Mapping the range, nature and dynamics of phenomena;

Creating typologies: categorizing different types of attitudes, behaviours, motivations, etc.;

Finding associations: between experiences and attitudes, between attitudes and behaviours, between circumstances and motivations, etc.;

Seeking explanations: explicit of implicit;

Developing new ideas, theories or strategies.'

In this research, all of these functions in doing qualitative analysis are applied at various points. This research first recognises the critical aspects of the market-oriented reforms, namely institutional form, land and housing reform, and changing demolition and relocation policies, and their association with the changing rationale and approach of urban redevelopment. In doing such a research, desk research and document/policy analysis form an important part. Through compiling and analysing important policies and regulations from both central government and Shanghai municipal government, this research identifies the political-economic and institutional changes that facilitate and modulate urban redevelopment. Besides discerning the influence of policy change on urban redevelopment practices, this study examines different levels of government engagement with neo-liberalism.

Building of typologies and taxonomies is an important component of qualitative analysis (Hammersley and Atkinson 1983; Spradley 1979; Woods 1986). By doing so, the researcher can identify differences in the data and elucidate their relationships. Even the simplest classification can help to organize material and to identify patterns in the data (Bryman and Burgess 2000). In this research, analysis of qualitative data involves classification of different groups of residents according to their socioeconomic status. Through analysing the interviews with these different groups of residents, their different routes of changing housing status are categorised.

Combining the materials from fieldwork and information from government publications and the internet, this study traces the redevelopment process and analyses the interactions between different actors. By doing so, this research interprets the case of Xintiandi redevelopment project as a form of 'property-led redevelopment', and examines the concept of 'growth machine' in the Chinese context. Based on the above analysis, this study conceptualises the rationale, characteristics, operation and outcomes of the changing urban redevelopment in contemporary China, by critically examining a number of western concepts, e.g. neo-liberalism, the urban growth machine, property-led redevelopment.

3.2.2.2 Quantitative analysis

An important part of quantitative analysis of survey data is to work out statistical distributions, constructing diagrams, and calculating simple measures such as averages, measures of dispersion, percentages, correlation coefficients and so on. These tasks could be precisely simplified as statistical description, since they are aim to describe the features of the survey aggregate (Moser and Kalton 1973). Statistical description, however, is only one part of analysing quantitative date. Establishing and interpreting multivariate relationships are also important tasks for quantitative analysis, which involves complicated statistical techniques such as regression analysis (Moser and Kalton 1973).

In this research, quantitative analysis is applied to illustrate the socio-economic and spatial changes caused by urban redevelopment from two levels: the whole city and specific study sites using census data and survey data respectively. Under extensive urban redevelopment, the demographic characteristics and socioeconomic composition in different areas of Shanghai have been significantly changed. These changing can be illustrated by analysing the 1990 and 2000 census data and data from statistical yearbooks. Applying GIS software *Mapinfo 7.0*, I convert the data into maps to visualise the changing characters of urban construction and population

distribution at sub-district level. The distribution of people with different socioeconomic status can be presented by mapping the patterns of location quotients (LQ), which measures the degree of concentration of a variable within the metropolis. Details on the calculation and application of LQ index will be explained in Chapter Six.

To investigate the two study cases, I used statistical software *SPSS 13.0* to analyse the data collected from the questionnaire survey. Statistical description methods such as frequency distribution, measure of averages and percentages are used to produce straightforward analysis result, for instance, to compare the built environment and socioeconomic characteristics of neighbourhoods before and after redevelopment. To measure the correlation between two or more variables and to make cause-effect inferences, this research also involves multivariate statistical procedures such as logistic regression analysis and correlation analysis. For instance, logistic regression analysis is applied to make cause-effect inference between redevelopment status and the change of various socioeconomic variables; correlation analysis is employed to find out the relationship between residents' socioeconomic characteristics and their assessment on monetary compensation. Details on the application of these techniques will be explained in Chapter Six.

3.3 Conclusion

This research applies the political economy approach to investigate urban redevelopment under market transition, based on an in-depth inquiry into the changing policies and practices of Shanghai's urban redevelopment. Referring to three groups of theories: neo-liberalism, the urban growth machine, and neighbourhood change, a research framework is established for this study. Three research questions are raised surrounding the themes of underlying political economic transformation, operation mechanism, and socioeconomic outcomes of urban redevelopment. Accordingly, three hypotheses are developed based on the

three groups of theories, and awaiting to be examined through policy analysis, case study of redevelopment projects, and analysing survey data.

In the design of research methodology, both qualitative study and quantitative study are employed, with the former as a dominant method. As qualitative methods and quantitative methods cover different parts of this research and contribute to different aspects of research findings, a combination of both methods will provide a rigorous and reliable basis to understand the topic of changing urban redevelopment. Semi-structured interviews, a questionnaire survey, and secondary data are major sources of data for this research. Within both interviews and questionnaire survey, particular attention has been paid to avoid error and bias, and guarantee their validity and accuracy. The most important tasks were to select appropriate respondents who have the ability/knowledge to answer questions, and to motivate and facilitate respondents to answer questions accurately. Secondary data were collected from a variety of sources such as government publication, statistical yearbooks, internal reports, and internet. Qualitative study is applied to analyse materials collected from interviews, as well as policies and documents gathered from secondary sources. The analysis performs the various functions of defining, categorising, theorising, explaining, exploring and mapping. Quantitative study is adopted to analyse the survey data. The analysis involves both statistical description and complicated statistical techniques to describe the features of the survey aggregate and interpret multivariate relationships.

CHAPTER FOUR

NEO-LIBERAL SHIFTS IN SHANGHAI'S URBAN REDEVELOPMENT

4.1 Introduction

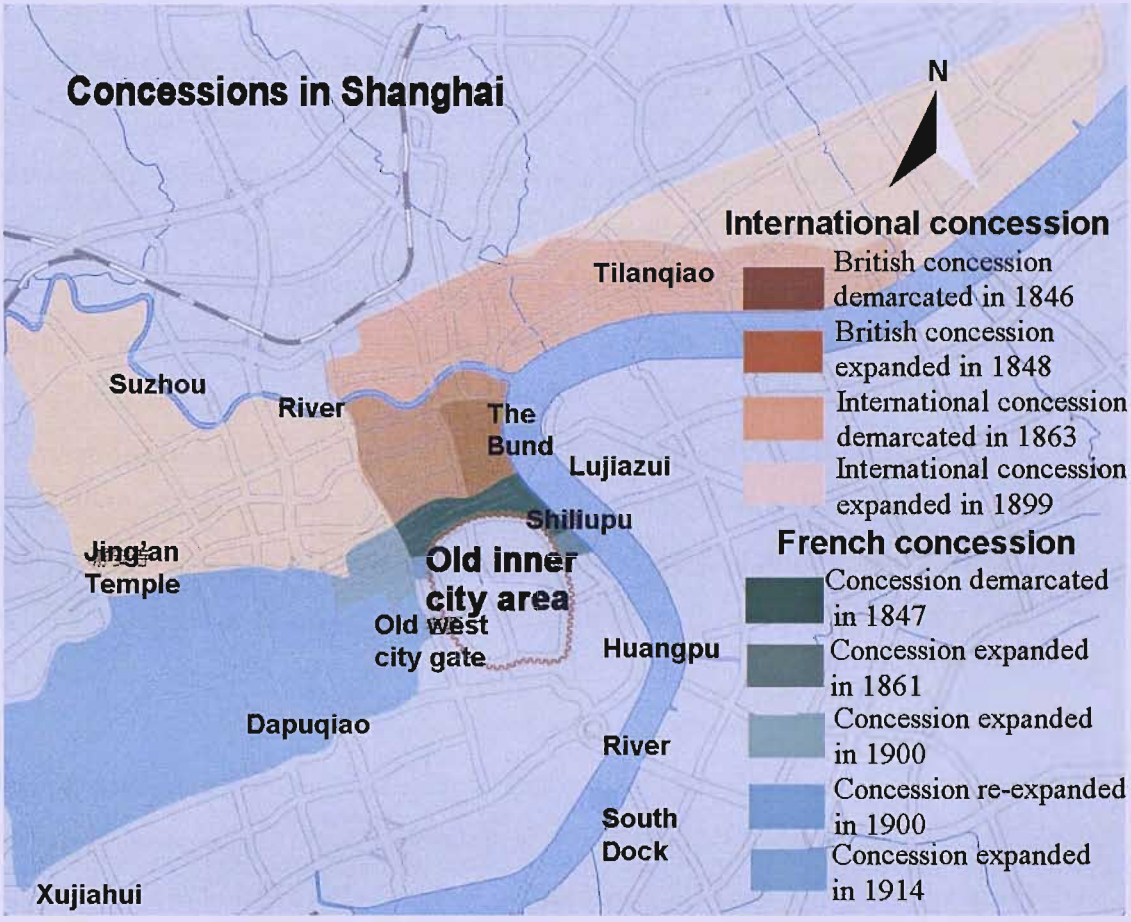
Shanghai was first developed as a county in 1292, covering an area of 2,000 square kilometres. In 1843, Shanghai became a treaty port forcedly opened for international trade, and gradually developed into one of the biggest industrial and commercial cities in China (The Atlas of Shanghai Editorial board 1997). First Great Britain, then France and other Western capitalist countries were attracted to this prosperous city and developed concessions in the inner city (see figure 4.1). With the influx of domestic and foreign capital, the urban economy and population also experienced high speed growth. In 1900, the total population of Shanghai exceeded one million. From 1915 to 1930, the population increased from two million to three million. At that time, Shanghai became the second largest city in the far-east, and the fifth largest city in the world (Cheng 1999). There is no doubt that Shanghai has played an important role in recent Chinese history, in terms of its economic, political, social, and culture significance.

The dramatic political revolution in 1949 damaged the place of Shanghai as an international city. During the three decades from the 1950s to the 1970s, Shanghai was developed as an industrial centre of China by central government. However, urban infrastructure and urban housing were seriously lacking in development and maintenance due to serious underinvestment. In 1978, the market-oriented reform policy began to provide new development opportunities for Shanghai. After decades of endeavour in pursuit of economic growth and place promotion since the 1980s,

Shanghai now exceeds other cities and has become the largest and most developed city in China. With the booming recent economic development, Shanghai today has expanded into a metropolitan city covering 6340.5 square kilometres and accommodating 13.52 million people (Shanghai Statistical Bureau 2005).

Figure 4.1

The concessions in Shanghai from mid 19th century to early 20th century



Source: compiled from *The Atlas of Shanghai*.

In the post-reform era, urban redevelopment in Shanghai has experienced significant transition which interweaves institutional, political economic and social changes. With the marketisation of urban redevelopment accelerating, the power of the market rather than the 'omnipotent' government has significantly reshaped urban landscapes. Against the backdrop of globalisation and market transition, intense competition and widened cooperation, conflict and compromise all serve the goal of 'development'. Bringing visible physical improvement and rapid economic development, the burgeoning real estate industry became a shortcut to access 'development' and to

exceed other cities in the fierce competition for 'place promotion' (Zhang 2005). The local government and enterprises have cooperatively endeavoured to promote extensive urban (re)development which is largely based upon real estate development (He and Wu 2005). The market-driven urban development has entered an unprecedented prosperous period in China.

The concept of 'actually existing neo-liberalism' offers a useful and influential research platform to interpret urban restructuring in advanced western cities (Brenner and Theodore 2002). The neo-liberalism ideology believes that the forces of the market which are assumed to operate upon immutable logics can effectively reshape urban space through carrying out a series of neo-liberal restructuring projects. There have been some discussions emerging on the topic of 'space of neo-liberalism' in East Asia. Researchers examine the processes of neo-liberalisation in Japan, South Korea and Taiwan, and look at how the urban spaces are shaped under the interplays between inherited institutional setting and emerging neo-liberal policies (Choi 2005; Chu 2002; Mizuoka 2005; Wang 2005). There is also a discussion on 'China's engagement with neo-liberalism' (Liew 2005), although neo-liberalism has not been related to the issue of urban spatial restructuring in China. In present-day China, the elements of marketisation, drastic inter- and intra-urban competition and booming real estate development are emerging. Seemingly, this Western born neo-liberalism has penetrated into urban China. However, how do the neo-liberal political-economic transformations affect urban redevelopment practices? What are the characteristics of neo-liberal shifts in Shanghai's urban redevelopment? These questions have yet to be answered.

Therefore, this chapter aims to provide an understanding of how political economic reforms affect the practices of urban redevelopment in contemporary Shanghai, and in the meantime examine the 'actually existing neo-liberalism' in the context of urban China. First of all, a general history of urban redevelopment in Shanghai from 1949 to recent years is briefly introduced. Urban redevelopment has seen an upsurge in the post-reform era, especially since the 1990s. Under market transition, the rationale and approaches of urban redevelopment have also experienced significant changes. Therefore political economic reforms and changing policies at both national and local scales are analysed to understand the neo-liberal shifts in Shanghai's urban

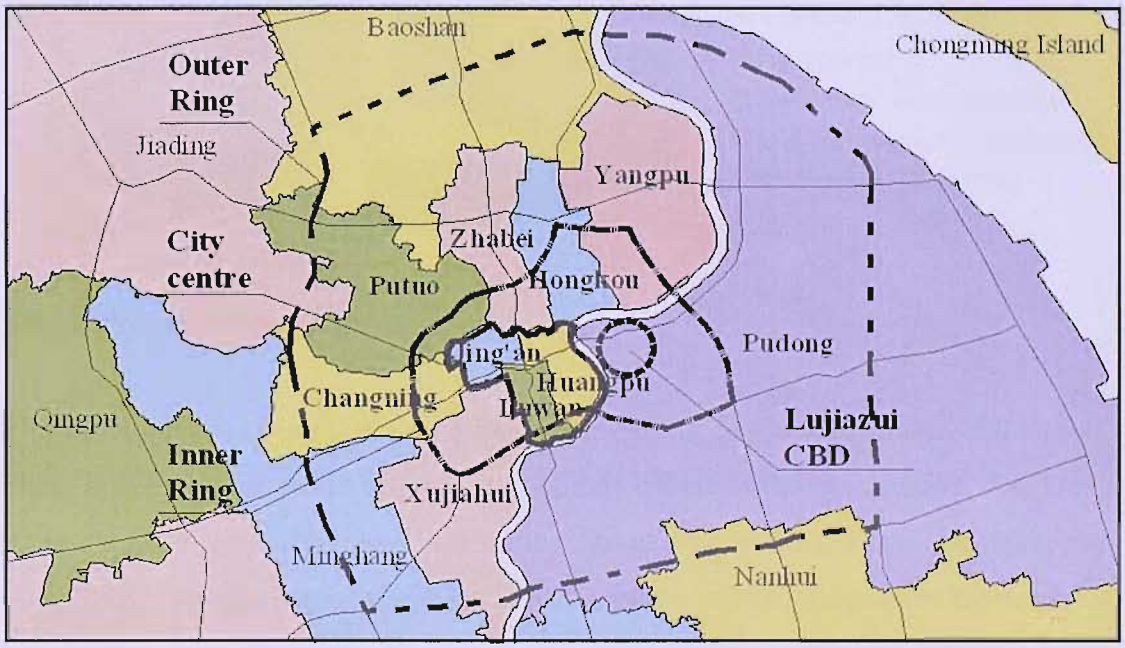
redevelopment. Meanwhile, the characteristics of the 'actually existing neo-liberalism' in urban China are summarised and the governments' engagement with neo-liberalism at different levels is examined

4.2 Urban redevelopment in different stages

Before looking into the history of urban redevelopment in Shanghai, it is necessary to define the study area and focus. This study mainly looks at urban redevelopment in the inner city of Shanghai i.e. the urban area within the inner ring road. This area covers parts of ten districts: Huangpu, Luwan, Jing'an, Changning, Xuhui, Putuo, Zhabei, Honhkou, Yangpu and Pudong (see figure 4.2). There have been several adjustments of administrative boundary in Shanghai since 1949, so the boundary of study area refers to current district and sub-district boundaries. Meanwhile, due to the limitation of available data, 'urban redevelopment' in this research mainly refers to residential redevelopment, and does not include brown-field redevelopment and historical-cultural zone preservation and redevelopment etc.

Figure 4.2

The inner city of Shanghai



In this study, urban redevelopment in post-1949 Shanghai is divided into four stages: modest improvement of shanties/crude houses from 1949 to 1957; fitful small-scale

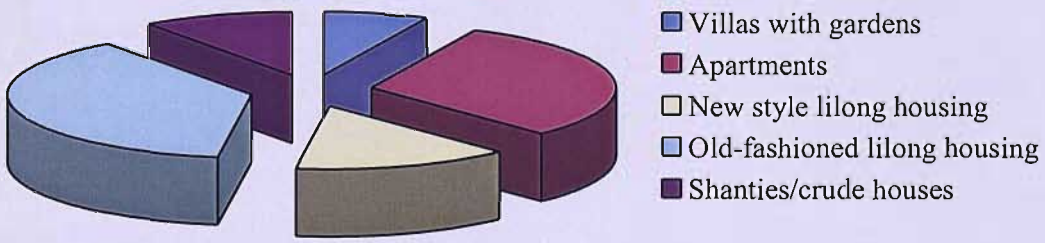
redevelopment from 1958 to 1977; larger scale redevelopment and diversified financing sources from 1978 to 1991; extensive urban redevelopment through land leasing since1992 till now. The main focus of this study is the two stages after market-oriented reform.

4.2.1 Modest improvement of shanties/crude houses (1949-1957)

In 1949, the built-up area in Shanghai was only 82.40 square kilometres, accommodating 4.52 million people. The population density was as high as 54.9 thousand people per square kilometre (The Atlas of Shanghai Editorial Board 1997). Houses in Shanghai were extremely deficient, and the housing conditions were appalling. At that time, the average floor area per capita was only 3.9 square metres. The housing types can be roughly divided into five types: detached villas with gardens, apartments, new style *lilong* housing, old-fashioned *lilong* housing, and shanties/crude houses (see figure 4.3).

Figure 4.3

The proportion of different types of housing in 1949



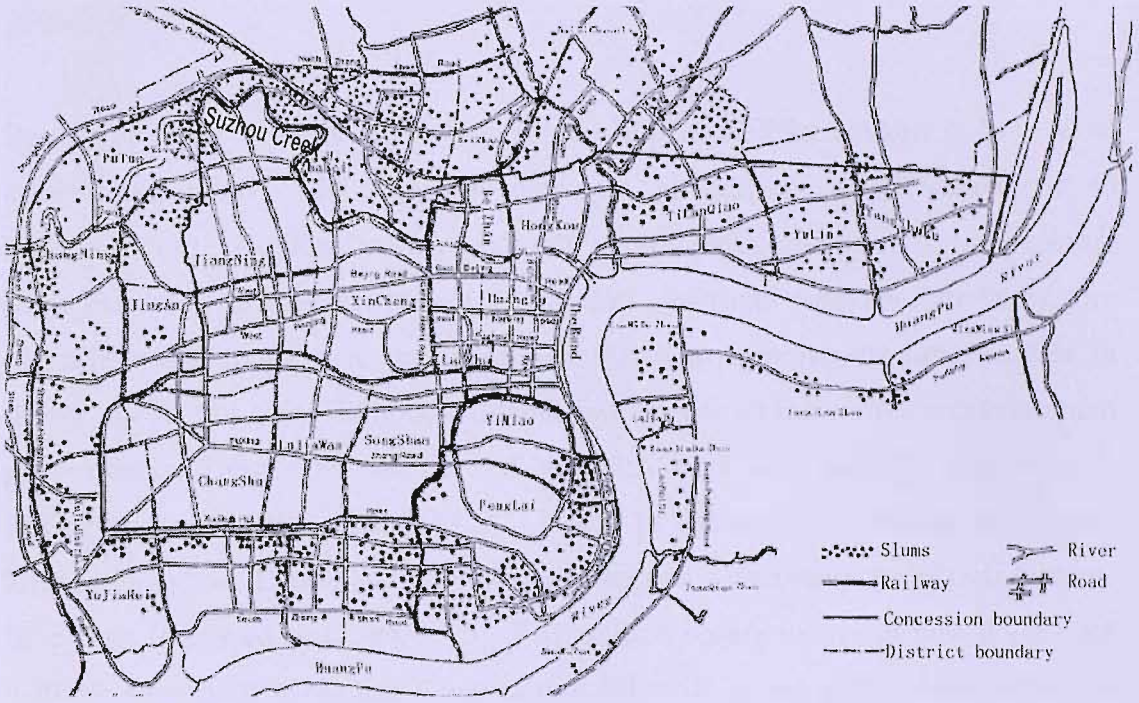
Source: Compiled from Xu 2004.

The development of *lilong* housing dates back to the 1860s when some British real estate developers started to develop many crude cabins in the concessions. They rent these cabins to the urban poor and rural migrant who swarmed into the inner city (Fan 2004). As the basis of *lilong* housing, these cabins were later replaced by two-storey wood & bricks structures and extensively constructed by real estate developers. There are different types of *lilong* housing including old-fashioned *lilong*, new style *lilong* and *lilong* housing with a garden. The building styles and residents of different *lilong* housing vary. Old-fashioned *lilong* housing blends the features of

the Western terrace house and the Chinese courtyard house to become a particular Shanghai style architecture, known as *shikumen* house. *Shikumen lilong* housing has long been the major housing style in Shanghai until late 1980s. However, due to long term over-crowding and the lack of proper maintenance, the housing conditions of old-fashioned *lilong* houses have deteriorated significantly and are now predominately occupied by middle- to low-income residents.

Figure 4.4

Distribution of slums/shanty towns in Shanghai before 1949



Source: Lu 1995.

Shanties emerged from early 20th century to mid-20th century. With the rapid development of Shanghai, more and more rural migrants and refugees mainly from Jiangsu province and Anhui province were attracted to the city to seek for working opportunities (Cheng 1999). Most of them could not afford the rent, thus constructed temporary buildings using very rough materials, e.g. bamboo, asbestos, plastics. Actually shanties can hardly be called 'buildings', since they only provide a place for people to rest at night, and do not posses the basic facilities to live. These crude self-built structures soon sprawled into slums and shanty towns around the boundary of concessions and riversides (see figure 4.4). Until today, there are still some sporadic blocks of shanties and crude houses existing in the inner city and periphery.

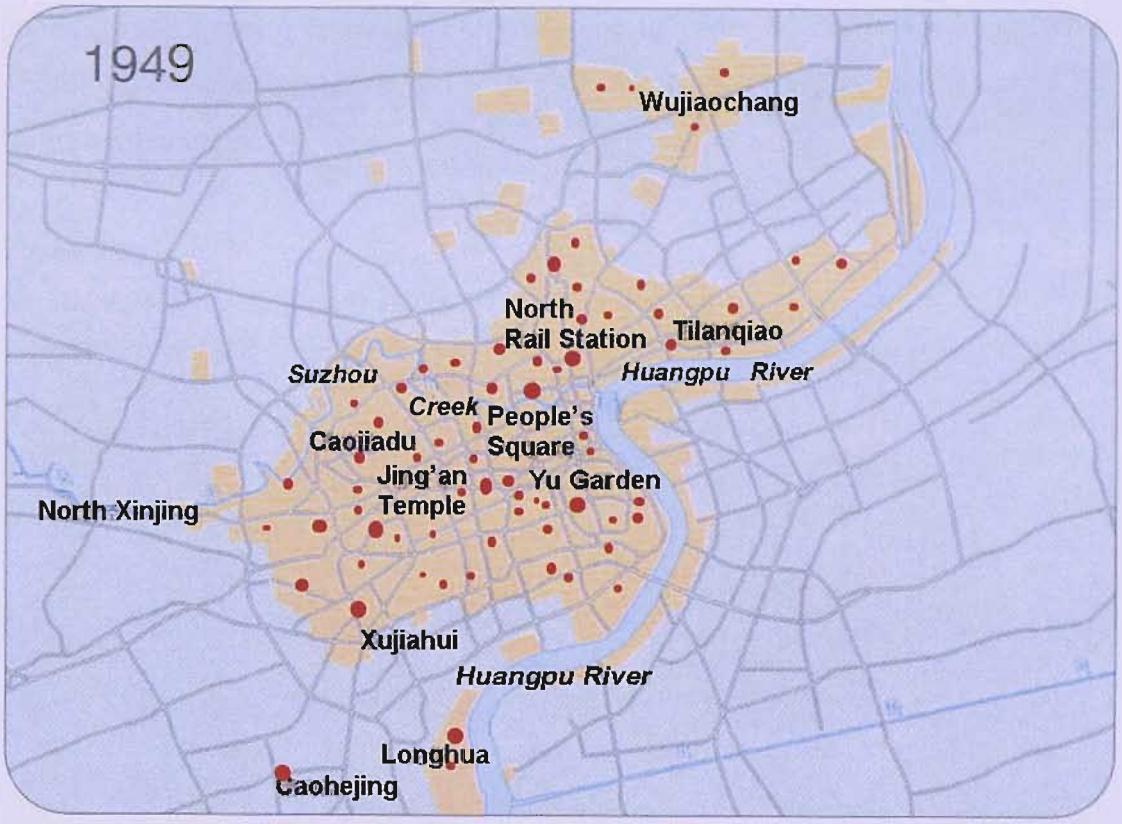
In 1949, the total area of shanties and crude houses was 3.22 million square metres, which took up 13.7 percent of the housing stock in Shanghai (Xu 2004). The housing conditions of these shanties/crude houses were extremely poor and urgently needed improvement. Furthermore, due to lacking planning and management, the residential land use was mixed with industrial land use, which resulted in very poor living environment and transport conditions. The seriously differentiated housing conditions, and the highly deficient and overcrowded houses became severe problems in Shanghai. Therefore, improving residents' housing conditions in the most dilapidated urban areas was a principal task for urban redevelopment in the 1950s.

Besides building 'workers' new villages' (new houses built for workers in large-scale state-owned plants), the Shanghai municipal government also endeavoured to improve living conditions in shanties/crude houses areas, and selectively to rebuild some extremely dilapidated houses. Water and electricity supplies, litter bins, fire exit alleys, and roads were set up or constructed to improve the infrastructure in shanty towns. For some extremely dilapidated houses, an innovative redevelopment pattern called *Zijian gongzhu*, i.e. self-help plus work units subsidy, was adopted. During the seven years after 1949, 227 blocks of shanties/crude houses in Yangpu, Zhabei, Hongkou, Putuo, and Nanshi (now merged with Huangpu district) districts have been improved (see figure 4.5). 1.61 million square metres of new houses for workers were built (Shanghai Construction Editorial Board 1986). More than one million square metres of crude houses were also repaired or rebuilt through *Zijian gongzhu*.

In sum, during this period, the redevelopment objective was modest. Redevelopment was mainly carried out in very small scale areas, even individual buildings. The local government aimed to improve living conditions for residents in shanties/crude houses through infrastructure construction, e.g. electricity, water supply and sanitary facilities. Redevelopment investment was mainly from the local government. Due to the financial limitation, the redevelopment standard was comparatively low. Therefore the modest and sporadic redevelopment in this period did not effectively solve the housing problem and bring substantive change to the dilapidated inner city.

Figure 4.5

Modest and sporadic redevelopment (1949-1957)*



Source: compiled from *The Atlas of Shanghai* and *Shanghai Construction 1949-1985*.

Note: * red spots indicate the approximate location and size of redevelopment projects according to the description in *Shanghai Construction 1949-1985*.

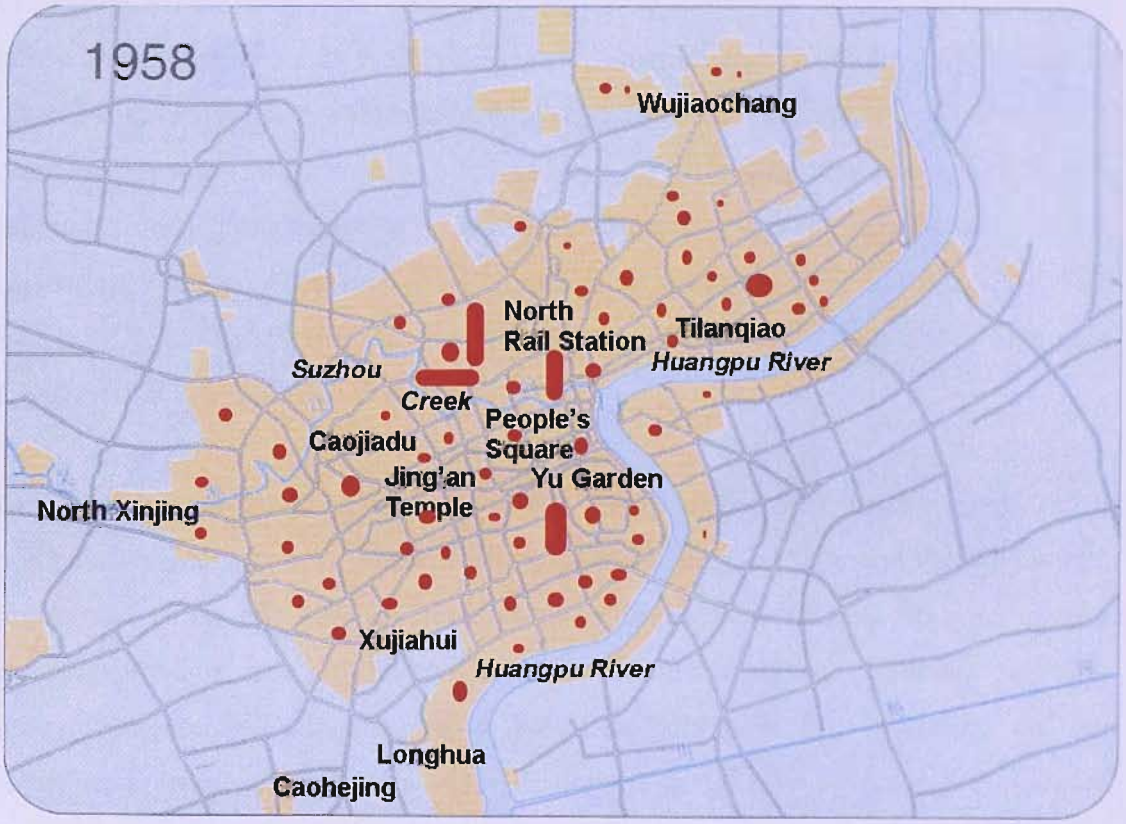
4.2.2 Fitful small-scale redevelopment (1958-1977)

Since 1958, the whole country entered a 'great leap' period. Shanghai was rapidly built into an industrial centre. The municipal government also augmented the investment in housing construction. From 1958 to 1960, the total investment in housing construction reached 144.38 million Yuan (about 17.6 million USD) (Shanghai Construction Editorial Board 1986). Within these three years, three million square metres new houses were constructed, which equalled the total construction of the last 8 years. Most of the new houses built in this period were 'workers' new villages'. The municipal government also proposed an ambitious urban redevelopment scheme. However, the unrealistic 'great leap' plan soon resulted in government financial deficit. Therefore, the progress of both new housing construction and urban redevelopment had to be slowed down. During the ten years of 'Cultural Revolution', only 1.5 million square metres new housing was

constructed. Moreover, tens of thousands of people were expelled from their homes, and 1.42 million square metres of private housing and 0.79 million square metres of public-owned housing in the inner city were occupied by the radicals (Cheng 1999). Therefore, the housing shortage became the most severe social problem after the Culture Revolution.

Figure 4.6

Small-scale redevelopment (1958-1977)*



Source: compiled from *The Atlas of Shanghai* and *Shanghai Construction 1949-1985*.

Note: * red spots and strips indicate the approximate location and size of redevelopment projects according to the description in *Shanghai Construction 1949-1985*.

During this period, urban redevelopment mainly concentrated on partially reconstructing some residential buildings to increase floor area and improve housing conditions. Meanwhile, some residential areas along main roads and railways were also integrally redeveloped, e.g. North Tibet Road, West Tianmu Road, Fangualong etc (see figure 4.6). Zhabei and Nanshi districts became the emphases of urban redevelopment. Combining residential redevelopment and infrastructure improvement, selective redevelopment projects in Yangpu, Hongkou, Putuo and

Huangpu were also implemented (Shanghai Construction Editorial Board 1986). With reference to the earlier experience of *Zijian Gongzhu*, the municipal government advocated residents adopting self-help redevelopment to improve their housing conditions. Under the organisation of district government, urban planners and residents' representatives constituted a redevelopment planning team. The investment was mainly raised from local residents. Work units also provided some subsidy, and local government provided construction materials. In practice, this kind of self-help redevelopment had successfully redeveloped several shanties/crude house areas, such as Xicun Garden *lilong* in Nanshi district, Nantong New Village in Zhabei district. To deal with the problems of financial deficiency and shortage of construction materials, a strategy of implementing redevelopment projects by stages and under unified planning was proposed. A few redevelopment projects had adopted this strategy in the 1970s, such as Mingyuan New Village in Yangpu district, No. 991 lilong in New Zhaozhou Road, No. 464 lilong in West Zhongshan Road (Shanghai Construction Editorial Board 1986).

In sum, redevelopment projects in this period were still implemented on a comparatively small scale. The situation of the housing shortage and the dilapidated appearance of the city had not seen significant improvement. Quite the contrary, the housing problem even deteriorated after the culture evolution. Although self-help redevelopment was adopted, urban redevelopment still heavily relied on the investment from local government. A limited budget plus a volatile political environment seriously restricted the scale and strength of urban redevelopment. The experiment of 'implementing redevelopment projects by stages and under unified planning' in the 1970s helped to resolve the problem of capital insufficiency, and slightly promote the progress of redevelopment. Meanwhile, integrated redevelopment and unified planning was emphasised to implement larger scale redevelopment projects since the 1960s.

4.2.3 Larger scale redevelopment and diversified financing sources (1978-1991)

At the end of 1978, the urban area of Shanghai had expanded to 158.56 square kilometres, with 5.57 million people (The Atlas of Shanghai Editorial board 1997). The population density in the whole city was 35 thousand people per square

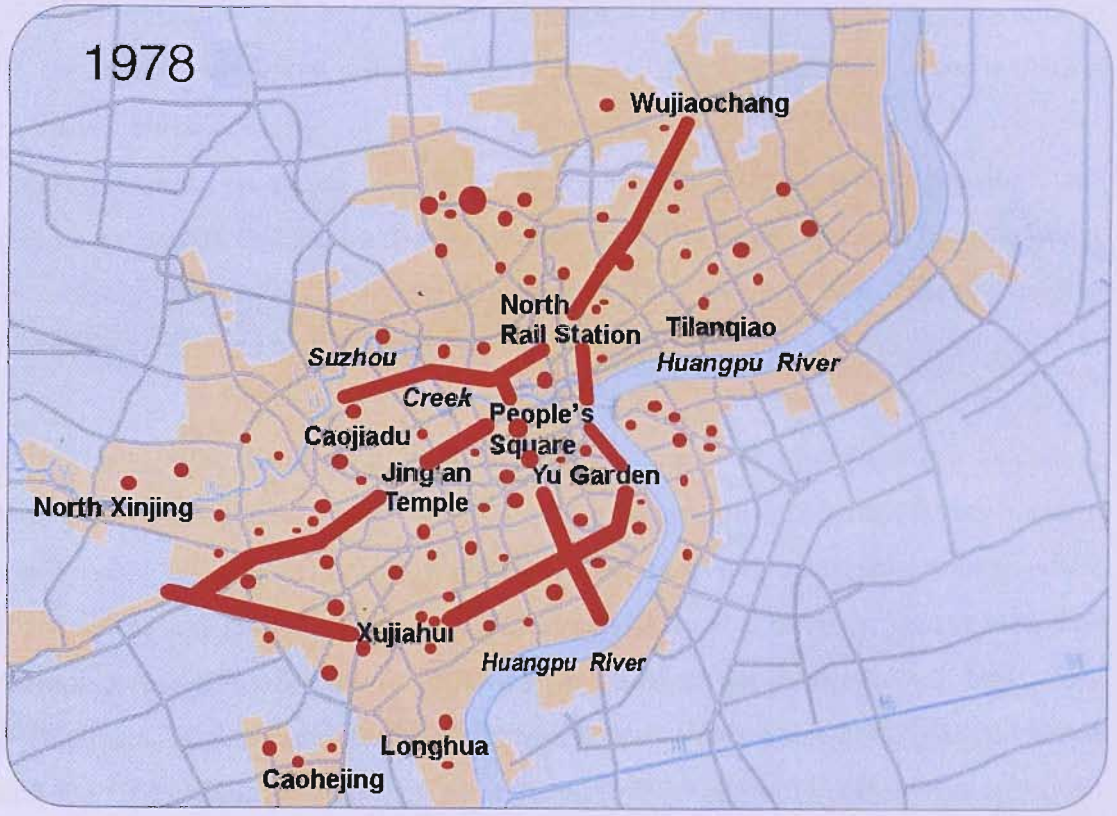
kilometre. Meanwhile, there were still 4.83 million square metres of shanties/crude houses areas in the inner city. The average floor area per capita was only 4.5 square metres, which has barely seen any improvement compared with the figure of 3.9 in 1950 (Cheng 1999). Entering the 1980s, housing deficiency became a huge problem faced by the Shanghai municipal government. This problem was partially due to the slow progress of housing construction, and partially due to the several large-scale out-migration and in-migration from the 1960s to the 1980s. In the 1960s, hundreds and thousands of youths were encouraged to migrate to the countryside and inlands in the name of supporting rural construction and inland industry development. Since the 1980s, many of the out-migrated households have managed to return to Shanghai and thus resulted in a rapid increase of population. Compared with 1962, the urban population has decreased 12.3 per cent in 1978. However, in 1985, the urban population increased 25.3 per cent, due to the mass influx of former out-migrants (Cheng 1999). By then, the need of increasing housing floor area became more urgent than ever.

According to the master plan of Shanghai compiled in 1982, housing construction was still the emphasis of urban (re)development. Urban redevelopment projects were mainly concentrated on the areas along several main roads: Hongqiao Road, Zhaojiabang Road, Yan'an Road, and Tianmu Road (Shanghai Construction Editorial Board 1991) (see figure 4.7). High-rise residential, commercial and office buildings were proposed to replace the dilapidated urban areas after redevelopment. Meanwhile, the local government decided to carry out large-scale redevelopment projects in the city. In 1980, Shanghai municipal government proposed a plan to redevelop 23 blocks of dilapidated areas which comprise a total area of 415.7 ha, more than 120,000 households, 3.31 million square metres of dilapidated buildings. This redevelopment scheme was one important project of the 'Sixth Five Years Plan (FYP)' (1981-1985) and 'Seventh FYP' (1985-1990), known as '23 blocks redevelopment scheme' (Shanghai Urban Planning History Editorial Board 1999). The major operating agents were district governments. The municipal government provided land subsidy, financial support, and temporary housing for relocated residents. To ensure that the proportion of net housing production (excluding the housing built for relocated residents) was higher than 40 per cent, 117 ha urban land was allocated to district governments to carry out redevelopment projects by the

municipal government during the 'Seventh FYP' (1985-1990). From 1986-1989, the municipal government invested 0.42 billion Yuan for redevelopment projects. 330,000 square metres of temporary housing were also provided for relocated residents until they moved back to the original sites (Shanghai Construction Editorial Board 1986, 1991). Most redevelopment projects of the '23 blocks scheme' adopted on-site residential relocation. The government also adopted various measures to maintain the comparatively high proportion of returning residents, and to speed up the on-site relocation process.

Figure 4.7

Larger scale redevelopment along the main roads (1978-1991)*



Source: compiled from *The Atlas of Shanghai*, *Shanghai Construction 1986-1990,* and *General History of Shanghai: Modern Society*

Note: * red spots and strips indicate the approximate location and size of redevelopment projects according to the description in *Shanghai Construction 1986-1990* and *General History of Shanghai: Modern Society.*

During 'Seventh FYP' (1986-1990), besides the local government's financial allocation, various financing strategies were adopted in different districts, e.g. *Jizi*

Zujian, *Lianjian Gongzhu*, *Mingjian Gongzhu* (Shanghai Construction Editorial Board 1991).

- ***Jizi Zujian*** means raising money from different channels. Redevelopment capital was raised from sitting work units, outside work units, municipal and district government. After residents were all relocated, surplus housing belonged to the invested work units. To guarantee the proportion of extract housing was no less than 40 per cent, municipal and district government provided a land subsidy.
- ***Lianjian gongzhu*** was mainly invested by work units and partially by residents, and accepted subsidies from government. In these areas, most housing was public-owned before redevelopment. The rebuilt housing was sold to residents with partial property rights. Surplus housing belonged to the investing work units.
- ***Minjian Gongzhu*** In those areas where private-owned housing was concentrated, residents and employees invested in redevelopment projects under the organisation of the district government. They also accepted financial support from work units and government.

In the late 1980s, developing commodity housing was also adopted as a financing strategy. The original residents were off-site relocated, and provided better housing conditions. Commodity housing was built on the redeveloped site and sold to cover construction and relocation costs and even produce net interest in some cases. For example, in 1988, *Songbaili* in Huangpu district was redeveloped under the arrangement of Huangpu district housing bureau. This project demolished 7164 square metres of dilapidated housing, relocated 230 household and 9 work units. 80 per cent of households were relocated to Pudong (the east side of Huangpu River), 20 per cent were relocated to other sites of Huangpu district. 27,000 square metres of high-rise commodity housing were built on the redeveloped site and sold in the real estate market (Xu 2004). The strategy of commodity housing development had successfully resolved the problem of fund deficiency in this case.

From 1978 to 1991, the progress of urban redevelopment has been greatly accelerated. The demolition amount within this period was 6.78 million square

metres, which took up 77.1 per cent of the total amount of the period from 1949 to 1991 (Shanghai Statistical Bureau 1992). Under the '23 blocks redevelopment scheme', a few large-scale redevelopment projects have been implemented. Redevelopment financing has changed from purely local government-invested to work units/enterprises and local government jointly invested. Later on, residents' investment was also absorbed. Although various financing strategies have been adopted in the 1980s, the municipal and district governments were still burdened with the major investment for redevelopment projects. Marketised operation had not been adopted. As a result, the investment amount was still very limited. Extensive urban redevelopment was not been carried out.

4.2.4 Extensive urban redevelopment through land leasing (1992-date)

In the early 1990s, there were 300,000 households whose average floor area per capita was below 4 square metres, and of which 30,000 households were below 2.5 square metres (Cheng 1999). Therefore, increasing housing floor area through redeveloping old and dilapidated urban areas was still an urgent task for the Shanghai municipal government. In 1992, the first redevelopment project through land leasing was launched in Shanghai. This innovative redevelopment approach significantly solved the problem of capital deficiency and greatly promoted the progress of urban redevelopment.

At the end of 1991, a scheme aiming to accomplish the redevelopment of 365 hectares of old and dilapidated housing estates before 2000 was officially proposed (Xu 2004). The basic strategy of this scheme was to promote urban redevelopment through land leasing. To accelerate the redevelopment progress, the municipal government provided a series of favourable policies to developers. Moreover, to facilitate the participation of private developers, many redevelopment projects with extremely high construction density have been approved. Three documents were issued by the municipal government in 1996, 1997, and 1998 respectively to facilitate these redevelopment projects (source: official website of Shanghai Housing and Land Resources Administration Bureau: http://www.shfdz.gov.cn/zcfg). In 1996, document No.18 was published to exempt or decrease various administrative charges and land using charges for all projects relevant to '365 scheme' according to the

proportion of dilapidated areas included in the pre-set 365 ha range. In 1997, document No.20indicated that redevelopment projects included in '365 scheme' could pay the land leasing costs by instalment. In 1998, document No.33 even provided a subsidy of 900 Yuan per square metre to developers to redevelop the uncompleted 125 hectares of shanties and dilapidated areas. The total government financial input for the scheme was 1 billion Yuan (122 million USD). By the end of 2000, the scheme was successfully accomplished. In total, 27.87 million square metres of buildings were demolished, and 640,000 people were relocated (Xu 2004).

After the accomplishment of '365 scheme', the tasks of redevelopment were still very arduous. Therefore Shanghai municipality published a document titled *Tentative measures to encourage residents to return to redevelopment sites, and to promote a new round urban redevelopment* in February 2001, which started a new round redevelopment scheme (source: official website of Shanghai Housing and Land Resources Administration Bureau: http://www.shfdz.gov.cn/zcfg). This redevelopment scheme mainly targeted those areas where the proportion of dilapidated and old-fashioned *lilong* housing was higher than 70 per cent. This scheme aimed to demolish 20.15 million square metres of old buildings within the whole city. By October 2003, 307 plots comprising 13.48 million square metres and more than 0.3 million households had been confirmed as the redevelopment target (Xu 2004). Similar to '365 scheme', this new round redevelopment scheme also aimed to attract investment from real estate developers to redevelop the old urban areas through providing certain favourable policies. For example, land leasing costs and other administrative charges were partially waived or reduced in some redevelopment projects. Although an ordinance published in July 2001 required that land leasing for the purposes of business should adopt bidding and auction, the municipal government offered the privilege of negotiated land leasing to those projects included in the new round redevelopment scheme. This scheme originally tried to encourage residents returning to the redeveloped sites through purchasing new housing at discounted prices. However, since the scheme did not specify the requirement on percentage of returning households, most developers who participated in these redevelopment projects tried to avoid on-site relocation to maximise their margins. Therefore, the objective of 'encouraging residents returning' was not realised. With the property prices in Shanghai increasingly mounting up, many redevelopment

projects become feasible. Therefore, the municipal government stopped to include new redevelopment projects into the new round redevelopment scheme since 2003.

Besides redevelopment projects claimed by the government in the '365 scheme' and the 'new round redevelopment scheme', a number of urban land in the inner city which possess great potential of profitable real estate development have been swiftly redeveloped through land leasing. Accumulating substantive capital through land leasing, Shanghai municipal government constantly increased the investment in infrastructure construction to redevelop the city. During the 1990s, dramatic changes were happening in the inner city characterised by newly-built roads and highways, increasing public green areas, and improved electricity, water and sanitary facilities etc. replacing the old and dilapidated residential areas and closing down industrial firms (Shanghai Construction Editorial Board 1996, 2001). Meanwhile, alternative redevelopment approaches were also adopted to avoid 'bulldozer redevelopment'. For example, three redevelopment approaches are experimented in this period, i.e. *Chengtao Gaizao*, *Pinggaipo* (Shanghai Construction Editorial Board 2001) and *Jiuzhufang Zonghezhengzhi* (Source: Jiefang Daily online news: http://jfdaily.com.cn, date accessed: 22nd August 2005).

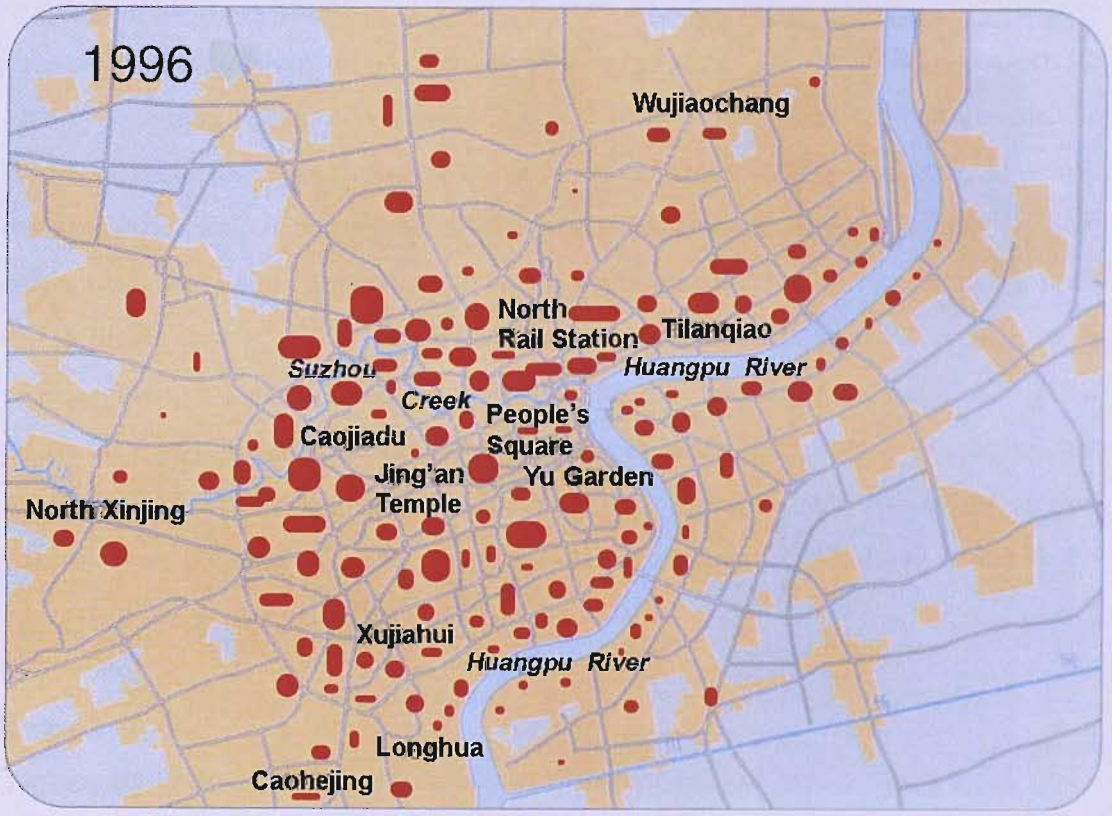
- ***Chengtao Gaizao*** aims to re-modify the old-fashioned housing into modern housing with private kitchen and toilet meanwhile maintaining the original housing style through partial reconstruction and enlargement.
- ***Pinggaipo*** aims to re-modify the flat-roofed housing into sloping-roofed housing to increase housing quality and simultaneously improve the exterior appearance.
- ***Jiuzhufang Zonghezhengzhi*** means comprehensive renovation of old housing, i.e. re-modifying and partially rebuilding the old houses to improve housing function and quality. In 2003, Shanghai municipal government proposed a plan called 'three years action plan of *Jiuzhufang Zonghezhengzhi* which aimed to renovate 20 million square metres of old houses within three years.

Since the adoption of the land leasing system, urban redevelopment in Shanghai has entered a booming period, characterised by unprecedented scale and speed. Urban

redevelopment in this period has a spatial preference for the city centre and waterfronts along Huangpu River and Suzhou Creek (see figure 4.8). To hasten the redevelopment of those most dilapidated and highly populated urban areas, the municipal government proposed grand redevelopment schemes, e.g. the '365 scheme' and the 'new round redevelopment scheme'. Through leasing urban lands to real estate developers, urban redevelopment has absorbed tremendous investment from the private sector. Real estate development thus became a driving force for urban redevelopment. Although other redevelopment approaches were tried, e.g. *Chengtao Gaizao*, *Pinggaipo*, and *Jiuzhufang Zonghezhengzhi*, large-scale demolition and reconstruction become the major method of redevelopment.

Figure 4.8

Extensive large-scale redevelopment (1992-present)*



Source: compiled from *The Atlas of Shanghai*, *Shanghai Construction 1991-1995* and *Shanghai Construction 1996-2000.*

Note: * red spots and strips indicate the approximate location and size of redevelopment projects according to the description in *Shanghai Construction 1991-1995, 1996-2000.*

This section introduces the general evolutionary process of urban redevelopment in Shanghai from 1949 to the present. In the first decade after 1949, urban redevelopment concentrated on the improvement of shanties and crude housing. The standard and speed of redevelopment were comparatively low. During the following 'great leap' and the Cultural Revolution period, fitful and piecemeal urban redevelopment was carried out. After market-oriented reform, some large-scale redevelopment projects were implemented by the local government and work units. Diverse financing and redevelopment approaches were also experimented with. However, due to the funding deficiency, Shanghai has not been disentangled from the long standing severe problem of housing shortage and dilapidated urban appearance. The most significant change happened in the late 1980s and the 1990s when a series of political economic transformations took place and directly contributed to the booming urban redevelopment. The adoption of land leasing in urban redevelopment projects made extensive urban redevelopment possible. The revitalised real estate industry provided substantive feasible capital sources for urban redevelopment. As table 4.1 shows, the demolition of housing areas between 1992 and 2004 is nearly five times the total of the previous forty years. Meanwhile, a huge number of new houses have also been constructed since 1978. As a result, the average housing floor area in Shanghai has also seen a rapid increase since then. In physical terms, urban redevelopment has significantly improved residents' housing conditions during the last two decades. In fact, the dramatic changes in urban redevelopment practice are closely related to political economic transitions. Therefore, the following section analyses how political economic reforms and changing policies have affected the progress of urban redevelopment in Shanghai.

Table 4.1

Housing demolition and construction in different period

	Demolished housing area (million m^2)	**Relocated households** (thousand)	**Constructed housing area** (million m^2)	**Average floor area** (m^2/capita)
1949-1957	2.02	Not available	3.30	3.9-3.1
1958-1977		Not available	12.63	3.8-4.5
1978-1991	6.78	Not available	178.82	4.5-6.7
1992-2004	42.25	964.52	241.40	6.9-14.8

Source: Shanghai Statistical Bureau 2005.

4.3 Political economic reforms and changing policies

After 1949, Shanghai was experiencing a transformation from a consumption city to a production city. Since 1953 when the 'First FYP' started, Shanghai was proposed as an industrial centre of China. Entering the 1980s, as a 'super production base', the urban development of Shanghai was in a downturn due to the over-emphasis on industrial development, the increasing reliance on a central planned economic system, and the stagnant infrastructure and housing construction, coupled with strictly restrained social mobility. Not only was its economic superiority declining, urban society and people's life quality was also seriously affected. The tasks of urban redevelopment became more and more urgent. Therefore, a series of reforms in all aspects were carried out during the late 1980s and the 1990s, within which institutional reform, land reform and housing commodification have directly facilitated extensive urban redevelopment in the post-reform period. Under the background of decentralisation, marketisation and globalisation, the institutional actors, especially the municipal government, have managed to mobilise the national and global forces to create new spaces of globalisation in Shanghai (Marton and Wu 2006). The changing policies on land and housing reform, real estate development, demolition and relocation have also significantly influenced the practices of urban redevelopment. Presuming that urban redevelopment in Shanghai is affected by the potent influence of neo-liberalism, the political economic transformation is expected to be dominated by the market-centred neo-liberal policies. However, the 'actually existing neo-liberalisation' in China could be different from those in the Western countries due to its particular political and socioeconomic setting. This section analyses how the political economic reforms and changing policies in Shanghai contribute to the changing redevelopment practices in Shanghai, and examines different levels of association of the governments with neo-liberalism.

4.3.1 Institutional reform and decentralisation

Since the bold 'open poor' policy was put into practice in 1978, a series of institutional reforms have been implemented in China to realise the transition from a central-planned economy to a market economy. The decentralising policy in the fiscal and administration system has endowed the local state with a significant role to play within the market-oriented reform. A few scholars have studied the role of local

state within the market transition in China from different perspectives. Oi (1992; 1995; 1999) and Walder (1995) put forward the concept of 'local state corporatism' and 'local governments as industrial firms'. They argue that the fiscal system reform provides great financial stimulation to the local state and thus invigorates the local state to maximise their interest as an enterprise does. Yang and Su (2002) explain the changing role of the local state as from 'deputised (for the central state) authority' to 'profit-seeking authority'. Hong and Cao (1996) emphasise the key role of local state within the gradual market reform. They argue that the local state promotes the progress of marketisation; the local state bridges the incomplete central-planned system and the incomplete market system; the local state adds market elements into the macro policy of the central state; the local state carries out institutional innovation. Hu and Wang (2000) stress the particular role of the local state in the market transitional period, in terms of modulating the market operation and increasing investment in infrastructures etc. Apparently, the role of the local state within local (re)development has experienced a dramatic transformation after decentralisation. Meanwhile the so-called 'entrepreneurial government' (Duckett 2001) is created.

The institutional reform of Shanghai's urban construction system started from 1984 (Lu and Geng 1999). For the first time, the municipal government put forward the idea of partially decentralising from municipal government to district government, specifying their own rights and responsibilities. Concretely, municipal government was in charge of constituting policies, regulations and standards, and some important construction and redevelopment projects, while the district government had decision-making rights on the management of redevelopment projects, land and real estate development, and the implementation of specific projects. Furthermore, the division of administration and enterprise running functions was realised, which means the government was in charge of administration, while their affiliated companies were in charge of running their own business. The first round of institution reform from 1984 to 1986 had stimulated the district government's motivation in urban construction, effectively promoting urban redevelopment and housing construction.

From 1987 to 1991, the municipal government furthered institutional reform, through reconstructing the municipal and district levels of governmental organisations. Major organisations of urban planning, construction, and administration were thoroughly readjusted. Some of them were abolished, some were merged, and some new ones were developed. The decision-making rights were further decentralised to district governments. Therefore, the municipal government was disentangled from the holistic administration work, while the district government increased its self-determination. By then, a two levels, that is municipal-district administration system was first developed. In 1996, the governance framework of 'two levels government, two levels administration' was further developed into 'two levels government, three levels administration'. Together with municipality and urban districts, sub-districts (street office) also took charge of part of the administrative responsibility, which forms the 'three levels administration'.

During the last two decades, the administrative system in Shanghai has experienced a transformation from central-planed to two levels administration, to three levels administration. With the deepening of market-oriented reform and decentralisation, district and county governments possess more and more decision-making power in city construction and land provision. The municipal government is actually playing a modulating, supervising, and guiding role. With the increasing of decision-making power, district governments also undertake more responsibility. The municipal government has assigned a number of tasks to the district governments, e.g. increasing GDP, revenue raising, attracting investment and promoting urban (re)development. Intensive competition thus exists between different districts.

As a result of institutional reform and decentralisation, on the one hand, the empowerment of district governments has stimulated their motivations of profit-making through urban (re)development. In contrast to the pre-reform period, district governments no longer have to submit all their revenues to the supper level of government. Since the proportion submitted to municipal government is reduced, the more revenues district governments make, the more profits they gain. On the other hand, the high pressure from municipal government and the drastic competition between different districts also induces them to increase revenues by all means possible. Stimulated by the multi-motivations of profit making and political pressure,

local government, especially the district government, has endeavoured to promote rapid urban (re)development through land leasing and real estate development.

4.3.2 Land reform and changing policies

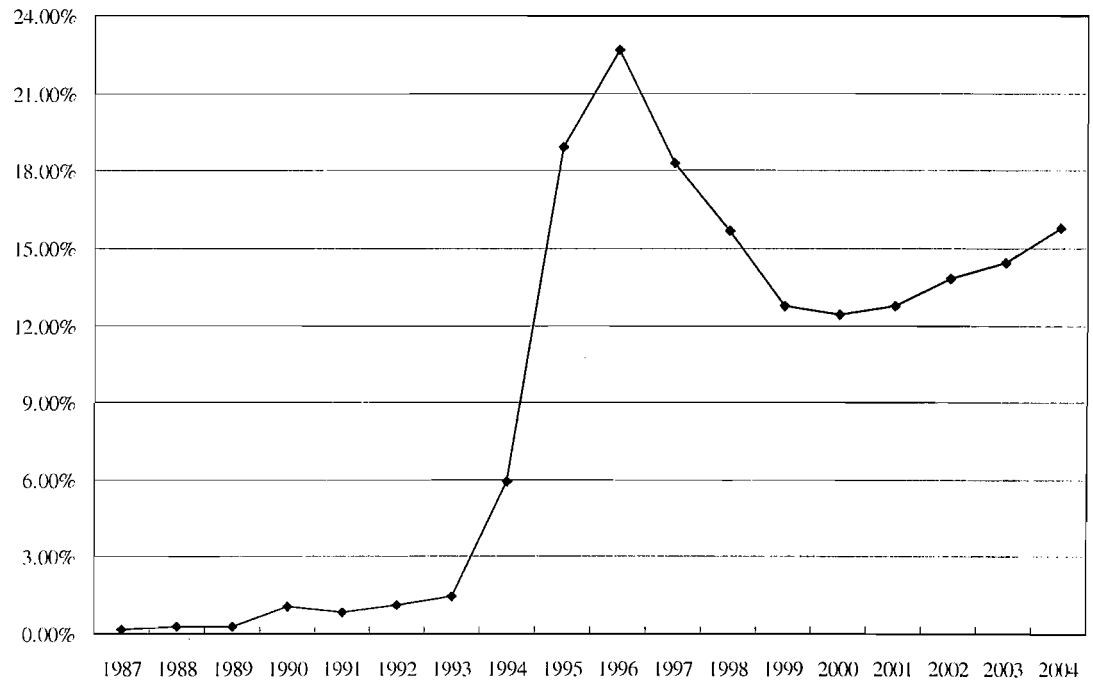
From the 1950s to the 1970s, urban land used for redevelopment was free of charge since these projects were implemented by local government or work units. The deficiency in funding had impaired the feasibility of large-scale redevelopment projects. Meanwhile, the large number of sitting land users, such as private housing owners, small businesses, factories and various work units, had also hampered extensive urban redevelopment in the inner city (Zhu 2004). Entering the 1980s, some large-scale redevelopment projects were proposed by the municipal government. To guarantee the interest of major investors, the enterprises affiliated with municipal or district government, additional urban land was allocated as subsidy to ensure on-site residential relocation and extra housing production. According to *Shanghai Construction 1986-1990* (Shanghai Construction Editorial Board 1991), during the 'Seventh FYP' (1986-1990), the Shanghai municipal government allocated 273.3 hectares of urban land to several district governments, of which fifty per cent was directly used for urban redevelopment land subsidy. Land subsidy as a major incentive offered by local government to some extent facilitated urban redevelopment in the 1980s.

The motivation of land reform in Shanghai was initially in response to urgent demands for urban redevelopment and state-owned enterprises reform commenced in the early 1990s (Twenty Years of Reforms in Shanghai Editorial Board 1998). In order to solve the problem of housing shortage, in 1990 Shanghai municipal government planned to construct 40 million square metres of houses within 10 years. However, according to the government's financial budget at that time, it was a mission impossible. Land leasing was therefore adopted as an effective means of capital accumulation to promote extensive urban redevelopment. In the meantime, state-owned-enterprise (SOE) reform also became an urgent task for Shanghai municipal government. In 1995, the total debts of all SOEs in Shanghai were 100 billion Yuan, which exceeded 80 per cent of the total capital. In order to reduce the debts of SOEs, the municipal government proposed a plan to raise capital for SOE

reform through land leasing. Through land leasing and real estate development, one of the largest SOE in Shanghai, Shanghai Meters and Electronic Industry Groups accumulated large amounts of capital and successfully accomplished enterprise reform (Twenty Years of Reforms in Shanghai Editorial Board 1998).

Figure 4.9

Changing ratio of real estate investment to GDP in Shanghai (1987-2004)



Source: Shanghai Statistical Bureau 2005.

In January 1992, the contract of the first redevelopment project through land leasing in Shanghai, namely 'Haihua Garden', was signed by the Shanghai Urban Housing and Land Resources Management Bureau and a foreign-invested enterprise, the China Overseas Construction Company (Shanghai Construction Editorial Board 1996). This company obtained the right to the use of 19,790 square metres of urban land in Luwan district by paying certain land leasing charges through negotiation. This project demolished 26,000 square metres of buildings, of which 20,000 square metres were shanties and old-fashioned *lilong* housing, and redeveloped multi-storey modern apartments (History of Luwan District Editorial Board 1996). The commercial running of this project effectively resolved the problem of the financial deficiency and provided a paradigm for urban redevelopment through land leasing.

Since then, real estate investors and developers both domestic and overseas (mainly from East Asia) began to actively participate in land market and urban redevelopment projects in Shanghai. As shown in figure 4.9, the ratio of real estate investment to GDP in Shanghai experienced a soaring increase from 1993 to 1996. After a short downturn, it has presented a constantly increasing trend again since 2000.

Table 4.2

Added value from the six pillar industries in Shanghai (2000-2004)

Indicators	2000	2001	2002	2003	2004
Added Value (billion yuan)*	**198.953**	**220.660**	**242.352**	**296.907**	**3529.45**
Financial industry	68.503	61.999	58.467	62.474	74.168
Trading and circulation industry	43.143	48.801	52.904	56.991	60.923
Information industry	33.818	42.267	48.907	62.204	84.929
Real estate industry	**25.170**	**31.685**	**37.363**	**46.393**	**62.259**
Auto manufacturing industry	16.605	21.844	28.463	45.600	40.400
Whole-set equipment production	12.973	15.553	17.886	25.000	32.200
Ratio of Added Value to GDP(%)	**43.7**	**44.5**	**44.8**	**47.5**	**47.4**
Financial industry	15.1	12.5	10.8	10.1	10.0
Trading and circulation industry	9.5	9.9	9.8	9.1	8.2
Information industry	7.4	8.5	9.0	10.0	11.4
Real estate industry	**5.5**	**6.4**	**6.9**	**7.4**	**8.4**
Auto manufacturing industry	3.6	4.4	5.3	7.3	5.4
Whole-set equipment production	2.9	3.1	3.3	4.0	4.3

Source: Shanghai Statistical Bureau 2005.

During the last two decades, Shanghai has acquired substantive capital to implement the grand reform scheme through land leasing. Although the real estate market in Shanghai entered a downturn during the Asian Financial Crisis, Shanghai has successfully accomplished the first round of capital accumulation, which has greatly

contributed to the rapid urban (re)development. Since the late 1990s to the early 2000s, the real estate market in Shanghai has entered another heyday. Land leasing is still an important capital source for the Shanghai government, and provides a driving force for GDP increase. As shown in table 4.2, the real estate industry has become an important supporting sector in Shanghai. Its contribution to GDP (Gross Domestic Product) also continuously increased. In 2004, the proportion of real estate industry in Shanghai's GDP reached 8.4 per cent. The proportion of investment in real estate development within the total fixed assets is 38.1 per cent (Shanghai Statistical Bureau 2005).

Table 4.3 shows the changing policies related to land reform published by the central government and Shanghai municipal government. In 1987, before the central government published any policy and regulation on the transfer of land use right, the Shanghai municipal government first constituted the *Regulation on paid-transfer of land use right in Shanghai*, which was approved by the State Council in December 1987. This is the first regulation in China allowing developers to obtain the use right of urban land plots for certain purposes within a certain period. By paying land leasing charge and land use fee to the government, developers can transfer the land use right they obtained according to the regulation (Dowall 1993; Yeh and Wu 1996). On 22nd March 1988, one plot in Hongqiao economy and technology developing zone was leased out through international bidding, which started the land leasing process in Shanghai. Two years later, the publication of *Provisional regulations on leasing or transferring the use right of public-owned land* by the State Council in May 1990, further normalised the land leasing system by setting up the basic regulations for land leasing and land transfer. Then in October 1996, Shanghai municipal government published a revised version of the land leasing regulation. No doubt, the land reform has brought out a profound influence on China's urban (re)development since the late 1980s (Han and Wang 2003; Li 1997; Xie *et al.* 2002; Zhang 2000; Zhu 2002, 2004).

Table 4.3

Changing land policies

National policies				Shanghai policies			
Policy	**Issued date**	**Issued by**	**Key issue/effects**	**Policy**	**Issued date**	**Issued by**	**Key issue/effects**
Provisional regulations on leasing or transferring the use right of public-owned land	May 1990	State Council	Set up the basic regulations for land leasing and land transfer, e.g. definition of land use right leasing, land leasing method, time limit for leasehold etc.	Regulation on paid-transfer of land use right	Dec. 1987	Shanghai municipal government	First regulation normalising land leasing and developing a system of paid transfer of land use right in China.
Notice on further promoting land leasing through bidding and auction	Jan. 1999	Ministry of Land and Resources	Deepening the land use system reform through increasing the proportion of land leasing through bidding and auction.	Regulation on paid-transfer of land use right (revised version)	Oct. 1996	Shanghai municipal government	Set up the basic regulations for land leasing and land transfer in Shanghai
Regulation on leasing state-owned land through open bidding and auction	May 2002	Ministry of Land and Resources	Requiring land leasing for the purpose of running a business must adopt open bidding or auction.	Provisional regulation on land leasing through bidding and auction	Jul. 2001	Shanghai municipal government	Requiring that land leasing for six purposes of running a business must adopt the method of bidding or auction.
Announcement on the implementation and supervision of land leasing through bidding and auction	Mar. 2004	Ministry of Land and Resources & Ministry of Supervision	Requiring all lingering problem related to negotiated land leasing must be solved before 31st August 2004.	Opinions on promoting the 'new round redevelopment'	Aug. 2003	Shanghai municipal government	Requiring land leasing for all redevelopment projects with the purpose of running a business must adopt open bidding or auction.

Source: Compiled from documents downloaded from the official websites of the Ministry of Construction, P.R.China: http://www.cin.gov.cn/law and Shanghai Housing and Land Resources Administration Bureau: http://www.shfdz.gov.cn/zcfg.

Basically, real estate developers can obtain urban land use right through negotiation, bidding, and auction. However, until recent years land leasing through negotiation has taken up the greater proportion, inevitably contributing to inefficient land use and corruption. Since the late 1990s, a series of policies have been published by both central government and municipal government to restrain negotiated land leasing.

To increase the transparency of the land market and introduce marketised operation, in January 1999 the Ministry of Land Resources published an ordinance titled *Notice on further promoting land leasing through bidding and auction*. In July 2001, Shanghai municipal government published *Provisional regulation on land leasing through bidding and auction in Shanghai*, requiring that land leasing for six types of land use for the purposes of running a business, i.e. commercial, tourism, recreational, financial, service, commodity housing, should adopt open bidding or auction. In May 2002, the Ministry of National Land Resources published an important document titled *Regulation on leasing state-owned land through bidding and auction*, which reiterated that land leasing for purposes of running a business must adopt bidding, auction, or other methods of open transaction. This document was called 'a new round land reform'. Land use for work units, urban redevelopment projects claimed by the municipal government, important municipal projects, etc. still enjoyed the privilege of negotiated land leasing in Shanghai.

In August 2003, by publishing the document titled *Opinions on promoting the 'new round redevelopment'*, Shanghai municipal government announced that land leasing for all redevelopment projects, including those claimed by government must adopt open bidding or auction. However, since the requirement of public bidding and auction normally increases the land leasing cost by 30-50 per cent, the district government tried to help real estate developers bypass the policy. Before this announcement was officially published, many district governments swiftly leased out most of these urban lands through negotiation.

In order to fundamentally stop improper negotiated land leasing, a further document titled *Announcement on execution and supervision of land leasing through bidding and auction* was published by the Ministry of National Land Resources and the Ministry of Supervision in March 2004. This document required that before 31st

August 2004, all of the lingering problems concerning negotiated land leasing must be solved. Specifically, the developer must submit 20 per cent of the total land leasing cost when the contract is signed, and the rest must be submitted within 60 days; the development project must be carried out within two years, otherwise the contract will be invalid, and the land will be taken back by the government; land leasing for the purpose of running a business through negotiation was strictly prohibited. The 31st August 2004 was supposed to be the deadline for improper negotiated land leasing, and for speculative and corruptive practices in real estate development.

Despite the endeavour of central government by publishing strict policies one after another, the problems of revenue loss, inefficient land use and corruption caused by negotiated land leasing do not seem to have been easily solved in a short term. Basically, it was a battle between the central government which aimed to foster a mature land market and the local government, especially the district government and individual government officers who aimed to gain huge profits through improper land transactions. Disregarding various undesirable outcomes which occurred in the complicated process of market transition, land reform has greatly accelerated the progress of urban redevelopment within last two decades.

4.3.3 Housing reform and changing policies

Until the end of 1980s, the average housing condition in Shanghai was still very wretched. In 1989, the average housing area in Shanghai was only 6.4 square metre per capita (Shanghai Statistical Bureau 1990). There were still 1,240,000 square metres of shanties and crude housing, and 146,000 square metres of dilapidated housing urgently needing redevelopment (Xu 2004). As a result, the free housing allocation and low rent system was destined to be reformed, since financial deficiency had resulted in this severe consequence after long term lack of maintenance and redevelopment (Wang and Murie 1996; Zhang 2000). Later on, 'Shanghai housing problems study committee' was constituted in 1990, and then a city wide debate was held to absorb residents' opinions on the housing reform scheme. Shanghai was one of the cities launching housing reform earliest in China.

Table 4.4 shows the major policies published by the central government and Shanghai municipal government to promote housing reform during the last two decades. Based on *The execution scheme of promoting a housing system reform in the whole country by stages and by batches* issued by the State Council in January 1988, the Shanghai municipal government constituted *The execution scheme of Shanghai's housing system reform* in February 1991. The basic principles of this scheme are: replacing the free housing allocation and low housing rent system, gradually realising housing commodification; establishing a new housing financing mechanism combining the inputs from the state, work units, and individuals; constituting a management and supervision organisation, preventing inequity in housing distribution. Concretely, this scheme sets up a housing provident fund system for the first time; raises housing rent and provides certain subsidies; issues housing construction bonds; offers discounted housing prices; sets up a housing reform committee.

In July 1994, the State Council issued an ordinance titled *Decision on deepening urban housing system reform* to promote the implementation of provident fund system and public-owned housing reform in the whole country. Accordingly, Shanghai municipal government published a document titled *Planning on deepening Shanghai's housing system reform till the end of 20th century* in October 1995. This plan put forward four objectives: complete housing provident fund system; promote rent reform; continue selling public-owned housing; accelerate the process of *anju* project (affordable and comfortable housing). In July 1998, the state council published another ordinance titled *Notice on further deepening urban housing system reform and accelerating housing construction*, which aimed to further the housing privation and provide more affordable housing. One year later, in August 1999, the Ministry of Construction also published a notice titled *Further promoting existing public-owned housing reform* to set up the guideline for the commercialisation of public-owned housing (similar to the 'right to buy' scheme in the UK), e.g. selling public-owned housing and increasing the rent for public-owned housing. In order to activate the second and third housing markets and increasing home ownership, Shanghai municipal government published *Provisional regulation on selling public-owned housing in Shanghai* in October 1997 and *Provisional regulation on public-own housing paid-exchange activities in Shanghai* in January 1999.

Table 4.4

Changing housing policies

National policies				Shanghai policies			
Policy	**Issued date**	**Issued by**	**Key issue/effects**	**Policy**	**Issued date**	**Issued by**	**Key issue/effects**
The execution scheme of promoting ahousing system reform in the whole country by stages and by batches	Jan. 1988	State Council	Constitute strategies and measures of housing reform	The execution scheme of Shanghai housing system reform	Feb. 1991	Shanghai municipal government	Set up guidelines and specific measures for implementing housing reform
Decision on deepening urban housing system reform	Jul. 1994	State Council	Promote provident fund system, rent reform, and the sale of public-owned houses in the whole country	Planning on deepening Shanghai's housing system reform till the end of 20th century	Oct. 1995	Shanghai municipal government	Consummate housing provident fund system; promote rent reform and selling public-owned housing; accelerate *anju* projects
Notice on further deepening urban housing system reform and accelerating housing construction	Jul. 1998	State Council	Set up the guidelines and general principles for deepening the housing reform and accelerate housing construction	Provisional regulation on selling public-owned housing in Shanghai	Oct. 1997	Shanghai municipal government	Set the principles and procedures for selling and purchasing public-owned housing
Notice on further promoting existing public-owned housing reform	Aug. 1999	Ministry of Construction	Set up the guideline for selling and increasing rent for public-owned housing	Provisional regulation on public-own housing paid-exchange activities in Shanghai	Jan. 1999	Shanghai municipal government	Regulate public-own housing paid-exchange activities, activate secondary and third housing markets

Source: Compiled from documents from the Ministry of Construction P.R.China: http://www.cin.gov.cn/law and Shanghai Housing and Land Resources Administration Bureau http://www.shfdz.gov.cn/zcfg

Transforming the housing provision from work-unit allocation to market provision and increasing the private housing ownership are the major objectives of housing reform. Since the late 1980s and the early 1990s, land and housing reform has facilitated the development of a real estate market (Ding and Knaap 2005). Through leasing land to domestic and foreign real estate developers, redevelopment projects have thus absorbed substantial investment, which has effectively solved the problem of funds deficiency. The financing of urban redevelopment projects has become diversified, and large-scale redevelopment has thus become possible.

Therefore, it is important to look at the changing sources of financing for real estate development in present day China. Table 4.5 shows the major policies related to real estate loan and housing provident fund. Loans are an important capital source for real estate investment and property consumption in China. Although the local government and work units continue to play a role in housing provision, personal housing consumption has started to make a contribution to the development of the housing market in China (Chen and Gao 1993; Huang 2004; Li 2000a; Wang and Murie 2000; Zhang 1999). In an attempt to make home ownership available to larger segments of the population, mortgage loans are provided to individuals intending to purchase commodity housing. In May 1998 and December 1999 the People's Bank of China and China Construction Bank respectively published a document titled *Regulation on personal housing mortgage loan management* to set up rules for personal loans application and application procedures in the two banks. Since then, mortgage loans have become an important source of capital for personal housing consumption.

Table 4.5

Changing financing policies

Loan policies				Housing Provident fund policies			
Policy	**Issued date**	**Issued by**	**Key issues/effects**	**Policy**	**Issued date**	**Issued by**	**Key issues/effects**
Regulation on personal housing mortgage loan management of the People's Bank of China	May 1998	People's Bank of China	Set up conditions for qualified loan applicants, loan application procedure and other details of the People's Bank of China.	Provisional regulation on establishing housing provident fund system	Nov. 1994	Ministry of Finance, Housing System Reform Team of State Council & People's Bank of China	Establish the housing provident fund system in the country
Regulation on personal housing mortgage loan management of China Construction Bank	Dec. 1999	China Construction Bank	Set up conditions for qualified loan applicants, loan application procedure and other details of China Construction Bank.	Regulation on housing provident fund management (first edition published in Apr. 1999)	Mar. 2002	State Council	Set up basic rules for the saving, using, management and supervision of housing provident fund
Announcement on further strengthening the management of real estate development loans	Jun. 2003	People's Bank of China	Restrict the qualifying conditions for real estate development loan application, increase loan interest and restriction for certain types of personal loans.	Notice on the publication of 'Regulation on administration and supervision of housing provident fund'	Mar. 2004	Ministry of Construction, Ministry of Finance, People's Bank of China & Committee of Banks Supervision	Strengthen the administration and supervision of housing provident fund system; complete the supervision and punishment system.

Source: Compiled from documents from the official websites of the People's Bank of China: http://www.pbc.gov.cn and the Ministry of Construction P.R.China: http://www.cin.gov.cn/law.

With the real estate market in China entering its second climax with incredible speed since the late 1990s, the central government foresees the risk of over-relying on bank loans in real estate investment. To regulate the 'overheated' real estate market, a document titled *Announcement on strengthening the management of real estate development loan business* was issued in June 2003 by the People's Bank of China to increase restrictions on real estate development loan applications. Under the new requirement, the percentage of the governable self-raised capital of developers should increase from 20 per cent to 30 per cent. Without meeting the required procedures and qualifications, real estate development loan applications are not allowed. Individuals who wish to purchase luxury or second (and more) housing or commercial property have to pay higher interest for their loans.

With the sources of real estate investment becoming more and more diversified, the proportion of loans has significantly decreased compared with the early 1990s. Nevertheless, loans still play a crucial role in China's real estate market. As shown in table 4.6, the proportion of loans from domestic commercial banks within total real estate investment in Shanghai has increased to 41.4 per cent in 2003. Personal housing purchase loan has also taken up more than 50 per cent of the commodity housing sale total in the last two years. Therefore, national policies on real estate development loans have significant effects on regulating the unfledged real estate market.

Table 4.6

Loans from domestic commercial banks and their proportion in real estate investment and sales in Shanghai (2001-2003)

(Unit: Billion Yuan, unless specified)

Year	Real estate investment amount	Real estate development loan	Proportion of loan within total investment (%)	Commodity housing sale amount	Personal housing purchase loan	Proportion of loan within sale amount (%)
2001	62.03	10.796	17.4	69.465	29.886	43
2002	74.889	24.996	33.4	81.503	44.399	54.5
2003	90.124	37.269	41.4	121.634	62.242	51.2

Source: Compiled from Xun Wu, *The effects of macro adjustment in Shanghai real estate market on commercial banks*, 13. 9. 2004: http://www.jjxj.com.cn/.

Housing provident funds are another important capital source for personal housing consumption. The idea of the provident fund was first developed in Shanghai in 1991 based on Singapore's experience, then introduced to many Chinese cities to ensure that both employers and employees in the public sector make a monthly contribution to employees' saving accounts for housing purposes (Wang 2001). The rate and date of monthly saving may vary between different work units according to their financial situation. In November 1994, the Ministry of Finance, Housing System Reform Team of State Council and People's Bank of China jointly published a document titled *Provisional regulation on establishing housing provident fund system*, which set up the guild lines for establishing a housing provident fund system in the country at the first time. In April 1999, the State Council also published an ordinance titled *Regulation on housing provident fund management* to set up the basic rules for saving, using, managing and supervising housing provident fund. In March 2002, the State Council published a revised version of this regulation, which requires every city to set up a housing provident fund management centre to manage local business. Apparently, the central government has paid much attention to the development of a provident fund system to promote housing commodification and real estate development. In March 2004, the Ministry of Construction, the Ministry of Finance, the People's Bank of China, and the Committee of Bank Supervision jointly published *Notice on the publication of 'regulation on administration and supervision of housing provident fund'* to strengthen the administration and supervision of the housing provident fund system, to complete the supervision and punishment system. Today, the provident fund system has been adopted in most public-sector work units, collective-owned enterprises, private enterprises, and even in some joint ventures or foreign-invested enterprises throughout the country. This system helps to shift housing provision from employers to the market.

4.3.4 Housing demolition and residential relocation

Before the 1990s, most redevelopment projects adopted on-site relocation, except for infrastructure construction projects and those projects adopting a commodity housing development strategy. With the increasing demands of redevelopment and real estate developers' involvement in urban redevelopment, the problems of on-site relocation emerged. The requirement to provide temporary housing and on-site housing compensation to residents greatly impaired the feasibility of redevelopment projects

(Dowall 1994). On the one hand, the local government did not have the capability to implement extensive redevelopment. On the other hand, developers were reluctant to carry out redevelopment projects requiring on-site relocation since the cost was extremely high. Therefore, on-site relocation became no longer a compulsory requirement for redevelopment projects. By adopting off-site relocation, developers can develop high value-added property on the original sites in order to obtain high profits. The progress of urban redevelopment has thus speeded up since this happened (Wu 2004).

The demolition and relocation policy in China has changed a lot during the two decades (see table 4.7). In March 1991, the first regulation on urban housing demolition and relocation was published by the State Council. This regulation allowed in-kind compensation and monetary compensation, of which the former is the major type. Developers were required to provide corresponding housing for relocated residents (Li 2000b). Many new houses were built in the suburbs, and second-hand housing was bought on the property market to accommodate the relocated residents. In fact, in-kind compensation is time-consuming as much argument may occur when residents are not satisfied with the relocated housing. Moreover, since extensive redevelopment is being carried out, the available resettlement housing even in the suburbs has become increasingly deficient and expensive. In November 2001, a new *Regulation on urban housing demolition and relocation management* encouraging monetary compensation replaced the old one. The adoption of monetary compensation aims to increase the feasibility of urban redevelopment and provide more housing choices. The compensation standard for demolition and relocation was once based on household size. The compensation amount equals the number of family members multiplied by the compensation standard (a certain amount of area or money per person). Some residents took advantage of this policy by adding relatives who did not actually live in the same housing to the name lists of their households. To prohibit this speculative behaviour, the new demolition and relocation regulation published by the State Council discarded household-based compensation, and suggested a type of floor-area-based compensation. This new regulation indicates that compensation for housing demolition and relocation should be evaluated according to the location, function and construction area of the house rather than the size of household.

Table 4.7

Changing demolition and relocation policies

National policies				Shanghai policies			
Policy	**Issued date**	**Issued by**	**Key issue/effects**	**Policy**	**Issued date**	**Issued by**	**Key issue/effects**
Regulation on urban housing demolition and relocation management (first edition published in Mar.1991)	Jun. 2001	State Council	Encourage monetary and housing quality-based compensation; strengthen the management and supervision of demolition companies	Detailed management rules of Shanghai's housing demolition and relocation	Oct. 2001	Shanghai municipal government	Define compensation accepters, set up compensation standard and minimum compensation standard
Urgent notice on prudently handling urban housing demolition and relocation, maintaining social stability	Sep. 2003	State Council	Suggest prudent ways of handling demolition and relocation issues, relieve the intensive social conflicts of demolition and displacement	Notice on developing relevant regulations on housing demolition and relocation in Shanghai	Aug. 2003	Shanghai Housing and Land Resources Administration Bureau	Develop a series of regulations to guarantee the transparency of housing demolition and relocation and protect the interests of affected residents and work units
Notice on the publication of 'Regulation on the administrative arbitration of urban housing demolition and relocation'	Dec. 2003	Ministry of Construction	Set up the basic conditions and procedures for administrative arbitration when demolition company and affected residents or units cannot come to an agreement				

Notice on the publication of 'Guidelines for compensation evaluation of urban housing demolition and relocation'	Dec.2003	Ministry of Construction	Set up the compensation evaluation standard, regulate demolition and relocation practices, protect the interests of affected residents and work units	Provisional regulation on the management of compensation evaluation of housing demolition and relocation (first edition published in Feb. 2002)	Mar. 2004	Shanghai Housing and Land Resources Administration Bureau	Set up the principles and procedures of compensation evaluation, increase the equality and transparency of demolition compensation
Notice on controlling the scale and strengthening the management of urban housing demolition and relocation	Jun.2004	State Council	Regulate the immoderate scale and speed of demolition and relocation, prevent inequitable compensation and forced relocation	Notice on further strengthening the management of housing demolition and relocation	Mar. 2005	Shanghai municipal government	Regulate demolition and relocation practices, increase the transparency of policy, harmonise the conflicts between different interests

Source: Compiled from documents from the Ministry of Construction P.R.China: http://www.cin.gov.cn/law and Shanghai Housing and Land Resources Administration Bureau http://www.shfdz.gov.cn/zcfg.

Accordingly, in October 2001, Shanghai municipality also published a document titled *Detailed rules of Shanghai's urban housing demolition and relocation management*. This regulation defines the compensation accepters, and set up a compensation method, while the detailed rules for compensation were to be constituted by district government. Before May 2002, all districts and counties had set up their independent standards for relocation compensation. In practice, the majority of redevelopment projects adopted floor-area-based compensation, while in some cases when the average housing area per capita was extremely low, household-size-based compensation was adopted to improve residents' housing conditions.

In 2003, the conflicts of demolition and relocation become extremely acute. To guarantee the transparency of housing demolition and relocation and protect the interests of affected residents and work units, in August 2003 Shanghai Housing and Land Resources Administration Bureau published *Notice on developing relevant regulations on housing demolition and relocation in Shanghai*. In September 2003, the State Council published an *Urgent notice on prudently handling urban housing demolition and relocation*, and maintaining social stability. Three months later, in December 2003, the Ministry of Construction also published two documents titled *Notice on the publication of 'Regulation on the administrative arbitration of urban housing demolition and relocation'* and *Notice on the publication of 'Guidelines for compensation evaluation of urban housing demolition and relocation'* to regulate the demolition and relocation practices and relieve the intensive social conflicts. Accordingly, in order to increase the equality and transparency of compensation for demolition and relocation, Shanghai published a revised version of *Provisional regulation on the management of compensation evaluation of housing demolition and relocation* in March 2004.

In June 2004, the State Council published another document titled *Notice on controlling the scale and strengthening the management of urban housing demolition and relocation* to regulate the immoderate redevelopment scale and speed and to prevent inequitable compensation and enforced relocation. Accordingly, in March 2005 Shanghai municipal government published an ordinance titled *Notice on further strengthening the management of housing demolition and relocation* which aims to

regulate demolition and relocation practices, increase the transparency of policy, and harmonise the conflicts between different interests.

The local state and work units used to take charge of redevelopment projects as a means of welfare provision for urban residents. In the post-reform period, local government, especially district government, is still responsible for the demolition and relocation process, since a demolition and relocation fee is included in the land acquisition fee submitted by developers. In all redevelopment projects, the local government assigns demolition and relocation tasks to qualified demolition companies, which are under the direct administration of the municipal or district governments and should be familiar with the redevelopment areas. The demolition and relocation fee normally takes up the majority of the land acquisition fee (Zhu 2004). Its calculation is based on the location and area of the redevelopment site, the quality of buildings, property prices, the number of relocated work units and households, etc. However, the calculation standard is always vague and 'flexible'. Usually, a certain amount of the funding is given to the appointed demolition company to carry out demolition and relocation. After part of the fund has been compensated to affected residents and work units, the demolition company gets the rest as their commission. Many of these companies may also engage in real estate development, so they can either offer monetary compensation or in-kind compensation by providing housing developed by themselves or purchased through the market. Pursuing high profits, demolition companies will try to reduce the compensation for relocated residents to increase their margins.

The intrinsic motivation of the changing demolition and relocation policies and practices is to facilitate urban redevelopment. From on-site relocation to off-site relocation, from in-kind compensation to monetary compensation, from household size-based compensation to floor area-based compensation, from government/work units operation to demolition company operation, the process of demolition and relocation has been gradually marketised. The progress of urban redevelopment is therefore accelerated. Nevertheless, the local government still has an important role in facilitating and regulating the market operation of urban redevelopment. Meanwhile, the state also struggles to balance social stability and urban growth by mediating the social conflicts aroused by extensive residential relocation.

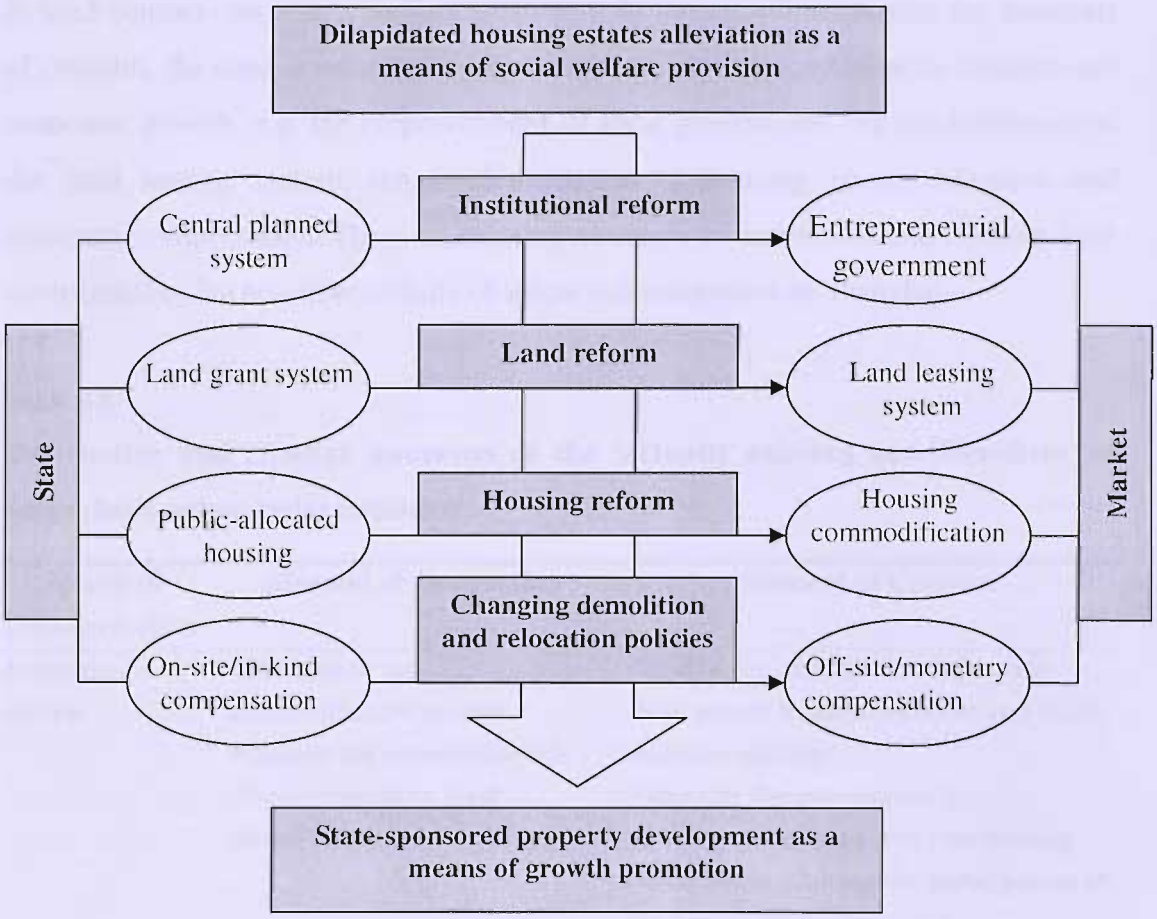
4.4 The neo-liberal shifts in urban redevelopment

4.4.1 Partial and conditional neo-liberalisation

The administrative and fiscal decentralisation has greatly stimulated the enthusiasm of local government, especially district government in promoting local redevelopment. Meanwhile, a series of national and municipal policies have resulted in the adoption of the land leasing system, the diversified financing strategies, and the normalisation of monetary compensation in urban redevelopment. With urban redevelopment being accelerated by the marketised operations, the 'growth-first' strategy of neo-liberalism resonates in urban China. Real estate development as an effective means of capital accumulation and economic growth is providing a potent driving force for urban (re)development. The state, especially the local state, is no longer a social welfare provider. With the active involvement of the private sector, housing provision and urban redevelopment, which used to be the obligations of the state, have now been partially transferred to the immature market. Figure 4.10 shows how political economic reforms and changing policies result in the changing rationale and approach of urban redevelopment. A series of market-oriented reforms, i.e. the administrative and fiscal decentralisation which empower local government with stronger decision-making rights and create the entrepreneurial government; the adoption of the land leasing system and housing commodificaiton which facilitate the development of the real estate market; and the changing demolition and relocation policies which represent the marketisation of the redevelopment process, have together significantly changed urban redevelopment approaches in China. To accelerate urban and economic growth, the state introduced market operation. Meanwhile, the state maintains an important role in the process of urban (re)development. Within the interaction between the state and the market, the rationale of urban redevelopment in China has changed from dilapidated housing estates alleviation as a means of social welfare provision to state-sponsored property development as a means of growth promotion.

Figure 4.10

Changing urban redevelopment approach under political economic reforms



To analyse the 'actually existing neo-liberalism' in Shanghai's urban redevelopment, it is necessary to examine two 'dialectically intertwined but analytically extinct' moments of institutional transition: 'the (partial) *destruction* of extant institutional arrangements and political compromises through market-oriented economic reform initiatives; and the (tendential) *creation* of a new infrastructure for market-oriented economic growth, commodification, and the rule of capital' (Brenner and Theodore 2002: 362). Based on the study of political economic transformation and changing policies related to urban redevelopment in Shanghai, table 4.8 summarises the basic elements within the two moments of neo-liberal institutional restructuring. In the post-reform era, both the central government and Shanghai municipal government have endeavoured to foster a market operation in the urban redevelopment process by implementing a series of 'creative destruction'. Within the moments of destruction, the state has abandoned a number of institutional arrangements

accompanying the old central-planned system, e.g. the free land allocation system, the work unit and government housing allocation system, on-site relocation and in-kind compensation as a welfare treatment. In the meantime, within the moments of creation, the state develops new regulations to facilitate capital accumulation and economic growth, e.g. the empowerment of local government, the establishment of the land leasing system, the implementation of housing commodification and monetary compensation. These co-existing moments of destruction and creation have contributed to the neo-liberal shifts of urban redevelopment in Shanghai.

Table 4.8

Destructive and creative moments of the 'actually existing neo-liberalism' in Shanghai's urban redevelopment

Sphere of transformation	Moment of Destruction	Moment of Creation
Institutional reform	•Deregulate the central-planned system •Change the omnipotent role of government in local development	•Endow the local government with more power in administrative and fiscal decision-making •Separate the government's administrative and enterprise running functions by inviting the participation of the private sector into local development
Land reform	•Abandon the free-of-charge land-grant system •Gradually stop negotiated land leasing	•Establish land leasing system by introducing paid-transfer of land use right •Introduce open bidding and auction into the land leasing system
Housing reform	•Discard housing allocation and low rent public-owned housing system •State and work unit withdraw from housing investment and construction process	•Foster housing market and encourage private home ownership •Introduce personal mortgage loan and housing provident fund system
Changing demolition and relocation policies	•Discard on-site relocation and in-kind compensation •Gradually withdraw from providing resettlement housing as a social welfare to affected residents	•Introduce off-site relocation and monetary compensation •Introduce marketised operation in evaluating compensation and implementing demolition and relocation

However, due to the unique historical, cultural and political-economic settings, the neo-liberal shifts in Shanghai's urban redevelopment possess particular characteristics. Although no longer playing an omnipotent role in local development, the state still struggles to regulate market operation and modulate the uneven development. Instead of entirely resting on market logic, the institutional changes happening in China, e.g. decentralisation, the entrepreneurial government, empowerment and localisation, are not intended to diminish the role of government, but rather to foster market operation through providing certain governmental services and supports. Since the legacy of the central-planned economy continues to exist within the gradual market-oriented reform process, urban redevelopment in Shanghai is actually following a mixture of market logic and state authority logic.

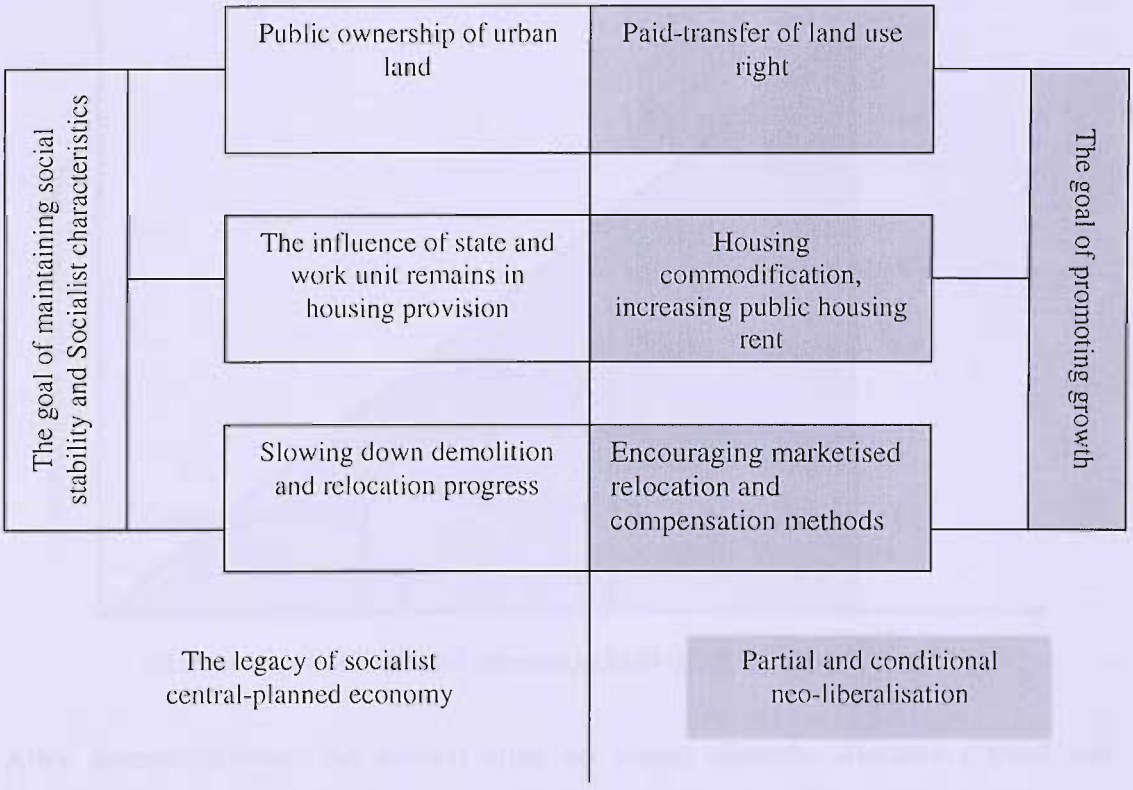
As figure 4.11 shows, the changing urban redevelopment in Shanghai is accompanied by a partial and conditional neo-liberalisation which is the result of the particular political economic transition. Only parts of the extant institutional arrangements, which do not touch upon the fundamental essentials of public ownership, are creatively destructed during the gradualist market-oriented reform. Within the land reform, the state maintains its control over urban land development by transferring land use right into the market while retaining the public ownership of urban land. Similarly, within the housing commodification process, many house owners are only granted 'user rights' but not 'property rights' (Song *et al.* 2005). Even after housing reform, the impact of government and work unit's on housing provision is still evident (Huang 2004b, Li 2004). Before a mature market system is developed, the government can still input significant influence into the emerging land and housing markets by regulating land and financing policies. As the study in the above section shows, the demolition and relocation policy also swings between promoting and restricting rapid urban redevelopment. Different from those in advanced market economies, a partial neo-liberalisation is happening in China's urban redevelopment.

On the Fourteenth National Congress of the Chinese Communist Party (CCP) held in 1992, the idea of 'developing a socialist market economy with Chinese characteristics' proposed by Deng Xiaoping was proclaimed as the leading strategy of CCP on the first occasion, which means that maintaining social stability and

socialist characteristics are the important objectives of the party state, although economic growth is the ultimate goal. To balance the multiple needs, the party state is tracking a tortuous road to growth. In other words, the state might not always directly assist capital accumulation and growth promotion because of the needs of maintaining social stability. The state might temporarily depart from the goal of 'growth first' and emphasise the social needs. Only under the precondition that social stability and socialist system are not to be challenged, neo-liberalisation in urban China happens in an apparent way. Therefore, urban redevelopment in Shanghai is experiencing a conditional neo-liberalising process.

Figure 4.11

Partial and conditional neo-liberalisation in Shanghai's urban redevelopment



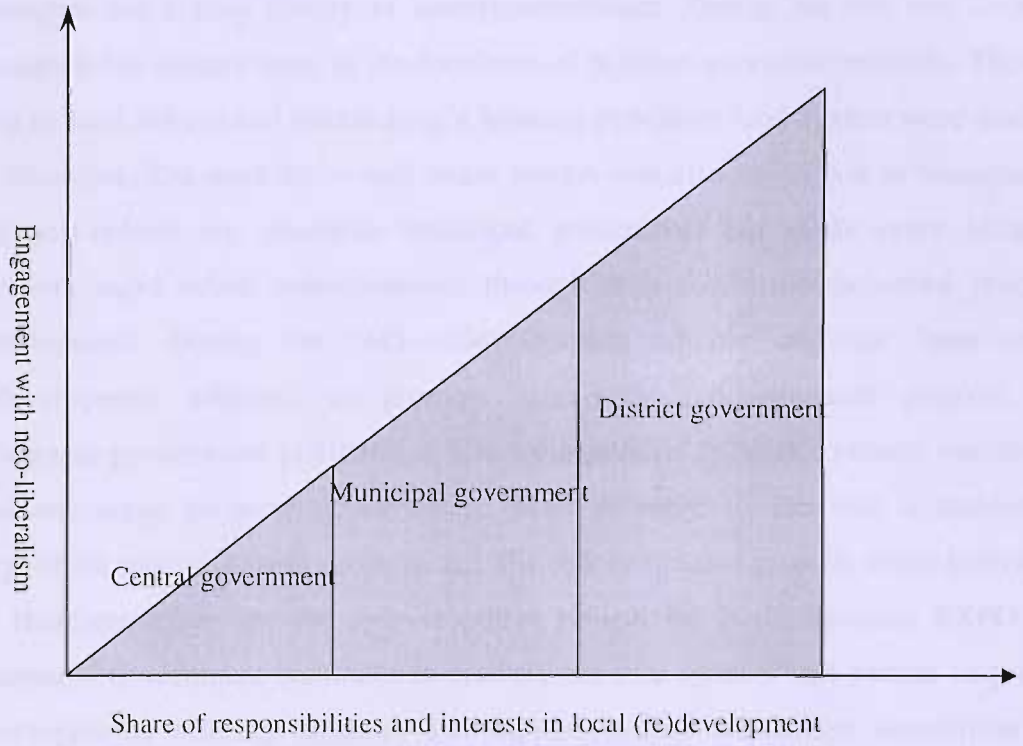
4.4.2 Different levels of engagement with neo-liberalism

Study of the changing land and housing policies, demolition and relocation policies shows a 'top-down' neo-liberalising process, within which the central government set up the guideline of political-economic reforms and then the municipal government follows up the direction. However, this does not mean that neo-liberalisation operates

in a less active way at the local level. After administrative and fiscal decentralisation, the central government, the provincial/municipal government and district government have their different shares of responsibilities and interests in urban redevelopment. Their development strategies and their interactions with the market are different. Therefore, different levels of governments in China actually have different degrees of engagement with neo-liberalism. As figure 4.12 shows, as the share of responsibilities and interests in urban redevelopment increases, the degree of engagement with neo-liberalism increases too.

Figure 4.12

Different levels of engagement with neo-liberalism in China



After decentralisation, the central state no longer directly allocates capital and resources to support local (re)development. Accordingly, the central state has a smaller share of the (re)development interests. Withdrawing from direct participation in the local development business, the responsibility of the central state is to constitute development strategies and policies to direct and assist local (re)development. Since the early 1990s, the central state initiated the neo-liberalisation of urban redevelopment by launching a series of market-oriented reforms. As the real estate market became 'overheated' and the social conflicts within

urban redevelopment emerged, the central state adopted various measures to regulate the market and even interrupt the neo-liberalising progress. Seemingly, the neo-liberalisation of the central state is incomplete and inconsistent. In fact, the state is facing the contradictory needs of maintaining its dominant authority and social stability on the one hand, and securing conditions for capital accumulation on the other. As mentioned before, to balance its multiple needs, the central state has to introduce a partial and conditional neo-liberalisation. Therefore, the central government's engagement with neo-liberalism is only a 'loose hug rather than an intimate embrace' (Liew 2005: 331).

As one of the most developed cities in the country since the early 20th century, Shanghai has a long history of entrepreneurialism. During the last two decades, Shanghai has always been in the forefront of political economic reforms. The first step of land reform and establishing a housing provident fund system were initiated in Shanghai. The most active real estate market was also developed in Shanghai. In the post-reform era, Shanghai municipal government has made every effort to promote rapid urban redevelopment through state-subsidised/sponsored property development. During the '365 redevelopment scheme' and the 'new round redevelopment scheme', to promote large-scale redevelopment projects, the municipal government published a few local policies to attract private investment and encourage property development. Most recently, to facilitate a number of large-scale redevelopment projects, e.g. the redevelopment projects along both sides of Huangpu River and the redevelopment project for 2010 Shanghai EXPO, the municipal government continues to actively act as a sponsor and partner of private developers by offering subsidies and support in land acquisition, demolition and relocation. Since the progress of (re)development is directly related to the revenue of the municipal government, the image and place of Shanghai in the country, and the political and economic interests of government officers, the municipal government always has more motivation in making way for market operation and implementing neo-liberal programmes. Besides following up the national policies, the municipal government produces many more moments of creative destruction in the market transition. Neo-liberalisation at municipal level is thus carrying out in a more intensive way. However, subjected to the direct administration of central government, and the particular Chinese political election system, the municipal government has to

deliver the policy of the central government and has its own responsibility in maintaining the balance between economic growth needs and social needs.

District government is the actual administrative unit for most urban redevelopment projects in Shanghai. Different district government even has different policies of land acquisition, demolition and relocation compensation for redevelopment. Therefore, district government has comparatively high independence in the decision-making process of urban redevelopment. Pursuing instant return and visible achievement, district government always shows great enthusiasm for neo-liberal measures and is an advocate of property-led redevelopment. Having collaborated with private developers, district governments in Shanghai have promoted extensive property-led urban redevelopment in the whole city, and have paid little attention to the social needs of affected residents. Despite several ordinances which aim to slow down urban redevelopment have been published by the central and municipal governments, district governments are reluctant to interrupt the rapid capital accumulation process. Although under the governance of both central and municipal government, district governments can still manage to bypass some of the policies and continue to promote rapid redevelopment. Acting on behalf of the capital, district government endeavours to make way for neo-liberal programmes through playing deregulation and negotiating with upper authorities. Within the neo-liberal shifts in Shanghai's urban redevelopment, district government has played an irreplaceable role and has the most intimate engagement with neo-liberalism. Its cooperation with private developers and its role within property-led redevelopment will be discussed in detail in the next chapter.

4.5 Conclusion

Through reviewing Shanghai's urban redevelopment at different stages, a significant change in terms of redevelopment approaches, speed and scale has been recognised in the post-reform era, especially after the 1990s. The changing redevelopment practices in Shanghai are actually promoted by the comprehensive impact of institutional changes, political economic driving forces and social driving forces, which are interwoven throughout the development process. This study analyses the political economic reforms and changing policies which are closely related to urban

redevelopment practices at both national and Shanghai levels. Based on the analysis on institutional reform, changing land policies, housing policies, demolition and redevelopment policies, the characteristics of the neo-liberalising process in Shanghai's urban redevelopment have been examined.

China's market-oriented reform has introduced neo-liberal shifts in different facets of the society, e.g. the growth-assisted government, the intensified inter- and intra-urban competitions, the adoption of a series of marketised operation in the domains used to be monopolised by the government. The changing policies in various key spheres of China's political economy show that the state is undergoing a series of 'creative destructions' at both central and municipal levels. With the deepening of market-oriented reform, 'development/growth' has become the primary goal of the state, while marketisation is the means of promoting growth within which real estate development is one of the first thrusts. Under a series of political economic transformations, the rationale and approaches of urban redevelopment are undergoing significant change, and property-led redevelopment has been adopted as a strategy for rapid growth in the country. Changing from a means of social welfare provision to a means of capital accumulation with preference for property development, the neo-liberal shifts in Shanghai's urban redevelopment are evident.

Nevertheless, the market-oriented reform in China can only be termed as a partial 'creative destruction' and a conditional neo-liberalisation. Although the motivation for reforms in China is bold, the progress of reforms is gradual and the creative destruction of extant institutional arrangements are modest which do not overthrow the socialist characteristics and public-ownership of urban land. The central state opens up the opportunities for market operation and meanwhile modulates the development process by controlling land provision and playing policy intervention. And the local state is delivering the policy of the central state and reconciling social tension with the imperative for growth. Under institutional reform, the central government has curtailed public investment and withdrawn from widespread intervention in local development. Administrative and fiscal decentralisation also endows various tiers of local governments with more decision-making powers and responsibilities in local (re)development. Accordingly, the government's engagement with neo-liberalism is uneven at different governmental levels. In sum, struggling to

balance the dual needs of growth promotion and maintaining social stability which reflects on the swinging policies, Shanghai's urban redevelopment is undergoing a partial and conditional neo-liberalising process. Corresponding to their different responsibilities and interests in urban redevelopment, different tiers of government have different degrees of engagement with neo-liberalism, within which the neo-liberalisation of urban redevelopment is more evident at the local level.

CHAPTER FIVE

PROPERTY-LED REDEVELOPMENT IN SHANGHAI: CONTESTING THE URBAN GROWTH MACHINE

5.1 Introduction

During the 1970s and 1980s, aiming to achieve rapid economic growth and a changing urban appearance through private property development, many developed western countries especially the UK adopted property-led redevelopment as an important urban policy (Turok 1992). According to this policy, various public supports were provided in the urban redevelopment process to attract private investment (Healey 1991). As a result, the public sector and private sector formed an alliance, within which property interests were the central element (Harding 1992). Until today, property-led redevelopment still plays a significant role in restructuring urban spaces and producing urban landscapes, in giving cities an identity, and even in place promotion (Deakin and Edwards 1993; Imrie and Thomas 1999; Jones 1996). In Shanghai, a series of institutional changes, ongoing land and housing reform, and prosperous real estate development are turning the long neglected inner city into a hotspot of urban redevelopment (Leaf 1995). In line with the institutional and political-economic transformations, the urban redevelopment approach has also experienced significant change in the post-reform era. With the increasing involvement of private enterprise, property development significantly facilitates urban redevelopment and transforms urban landscapes in the post-reform period. Therefore, the ongoing urban redevelopment in Shanghai can be deemed as 'property-led redevelopment'. Due to the particular background, the incentives and characteristics of property-led redevelopment in urban China differ from those of the west. Nevertheless, the strategy of property-led redevelopment has been extensively

employed by many Chinese cities and brought about significant socio-spatial change.

The theory of the growth machine recognised 'growth' as the central concern of local politics and the local elite-led 'growth coalition' as the essential agency promoting 'growth' in the US context (Molotch 1976; Logan and Molotch 1987). As an influential framework for analysing the political economy of local urban development, the urban growth machine thesis has been critically examined to interpret the urban politics and economic growth outside its birth place (see Axford and Pinch 1994; Harding 1992, 1999; Kirby and Abu-Rass 1999; Wood 1996, 1999). The concepts of the urban growth machine and the pro-growth coalition have also been applied to provide an interpretation of ongoing urban redevelopment in China (Fu 2002; Zhang 2002; Zhang and Fang 2003, 2004; Zhu 1999). These studies have primarily identified the growth-promotion activities cooperated by government and the private sector under market transition. However, the essential elements and preconditions of the growth machine in the Chinese context have not been carefully examined. The formation and operation of the growth coalition and the interactions between different actors are still vague. Embedded in the historical legacies of central-planned economy and confronting the concussion of market transition and globalisation, the transformations happening in China are never straightforward or self-illustrated. It is worthwhile to examine the applicability and efficacy of the growth machine in the Chinese context based on in-depth analysis of case study.

This chapter aims to provide an understanding of how the ongoing property-development-driven redevelopment actually operates in market transitional Shanghai, with reference to the western concept of property-led redevelopment and the urban growth machine. First of all, the changing urban redevelopment approach in post-reform Shanghai is briefly introduced by comparing three different large-scale redevelopment projects. Under various political economic conditions, three redevelopment projects, YaoShuiLong, Zhongyuan LiangWanCheng, and TaiPingQiao, which respectively represent large-scale urban redevelopment in the 1980s, 1990s and 2000s Shanghai, is used to illustrate the changing urban redevelopment approach under tremendous political economic transformation. At present, a number of large-scale property-led redevelopment projects have been proposed and implemented, as an effective strategy of city re-imaging and place

promotion in Shanghai. After a brief introduction to the ongoing property-led redevelopment in Shanghai, there is a case study on the Xintiandi redevelopment project, a famous redevelopment project in recent Shanghai. Based on an in-depth investigation into the operation process, redevelopment strategy, and the roles of different players in the Xintiandi project, the operation of property-led redevelopment in urban China is examined. Finally, the unique characteristics of property-led redevelopment in Shanghai are conceptualised and a comparison of property-led redevelopment practices between the UK and China is explored. Meanwhile, the applicability of the US-based urban growth machine in contemporary urban China research is challenged, based on the case study of the Xintiandi project.

5.2 The changing redevelopment approach in post-reform Shanghai

To understand the changing urban redevelopment approach under different political economic conditions, this study looks at three large-scale redevelopment projects which respectively represent the major redevelopment approach in the 1980s, 1990s and 2000s Shanghai. YaoShuiLong was a famous redevelopment project of the '23 blocks redevelopment scheme', which represents the alleviation of dilapidated housing estates in the 1980s. Zhongyuan LiangWangCheng was a government-subsidized real estate development project, also an important project of another large-scale municipal redevelopment plan '365 redevelopment scheme' in the 1990s. The TaiPingQiao project is a well-known ongoing redevelopment project which reflects the most recent redevelopment approach. Based on the secondary data and firsthand data collected in fieldwork in Shanghai, this section illustrates the major features of various urban redevelopment approaches in different periods.

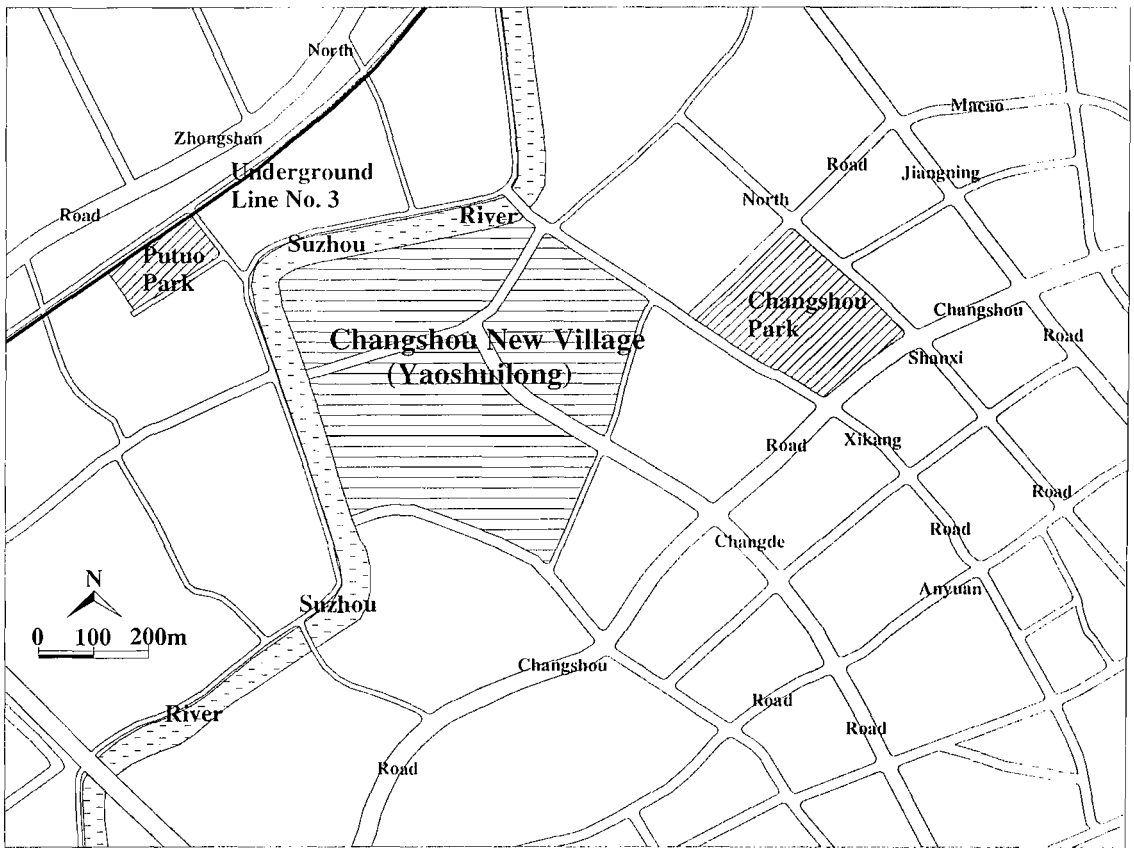
5.2.1 State-planned alleviation of old and dilapidated housing estates: YaoShuiLong (YSL) project

YaoShuiLong was a notorious shanty area in Putuo district (see figure 5.1). 'YaoShui' means chemical solution in Shanghai slang, while 'Long' means alleys. Literally, YSL was alleys with chemical plants nearby. YSL was first formed in the 1920s-1930s, with dilapidated shanties constructed along the extremely narrow alleys and occupied by poor migrants worked for the chemical plants. Later, more

and more people, mostly refugees and urban poor, moved into this area. YSL became a deteriorated slum with an extremely high population density, and a lack of basic facilities such as electricity and water supply. Since the 1950s, sporadic housing improvements and rebuilding have taken place in this area. However, housing quality, infrastructure and sanitary conditions remained appalling.

Figure 5.1

The map of YSL



YSL was an important project of the '23 blocks redevelopment scheme' proposed by the Shanghai municipal government in 1980. The housing and construction bureau of Putuo district took charge of redevelopment project design and housing reconstruction. A number of work units participated in this redevelopment project as major investors, and implemented demolition and relocation. Since the scale of the project was comparatively large, the project adopted a piecemeal redevelopment strategy. It took ten years, from 1985 to 1995, to accomplish this project (Cheng 1999).

There were no land transactions in this project since it was implemented by work units and local government. The financing of the YSL project followed the method of *Lianjian gongzu* (as mentioned in chapter 4). Investment came from three channels: mainly from work units, partially from residents, and partially from government subsidy (Shanghai Urban Planning History Editorial Board 1999). The total investment in the YSL project was 117.03 million Yuan (about 14.3 million USD), within which 113.8 million Yuan were invested by 92 work units, and 2.21 million Yuan came from local residents, while the local government actually only invested 1.02 million Yuan (Shanghai General History Editorial Board, 1999). Though contributing less investment, the local government actually provided land for the construction of relocation and temporary housing, and offered various supports to facilitate the project. In the YSL project, 75 work units and 3581 households were relocated, of which more than 2000 households returned to the redeveloped site. The rest were relocated to Pudong district. After redevelopment, the built environment was greatly improved. Ten high-rise buildings and 23 multi-storey buildings were constructed. The average housing construction area was 17.50 square metres per capita. The name 'YaoShuiLong' was also changed to 'Changshou Xincun' (meaning long life new village). In general, most residents were satisfied with the relocation results. This project was known as a famous 'shanty fighting' redevelopment project in the 1980s through transforming the image of 'YaoShuiLong' and improving the residents' living conditions. It has also become a symbol of the 'drastic changes' happening in post-reform Shanghai. As a typical redevelopment project carried out in the 1980s, the YSL project was undertaken by work units and local government, instead of the real estate market, since an open real estate market was not well developed.

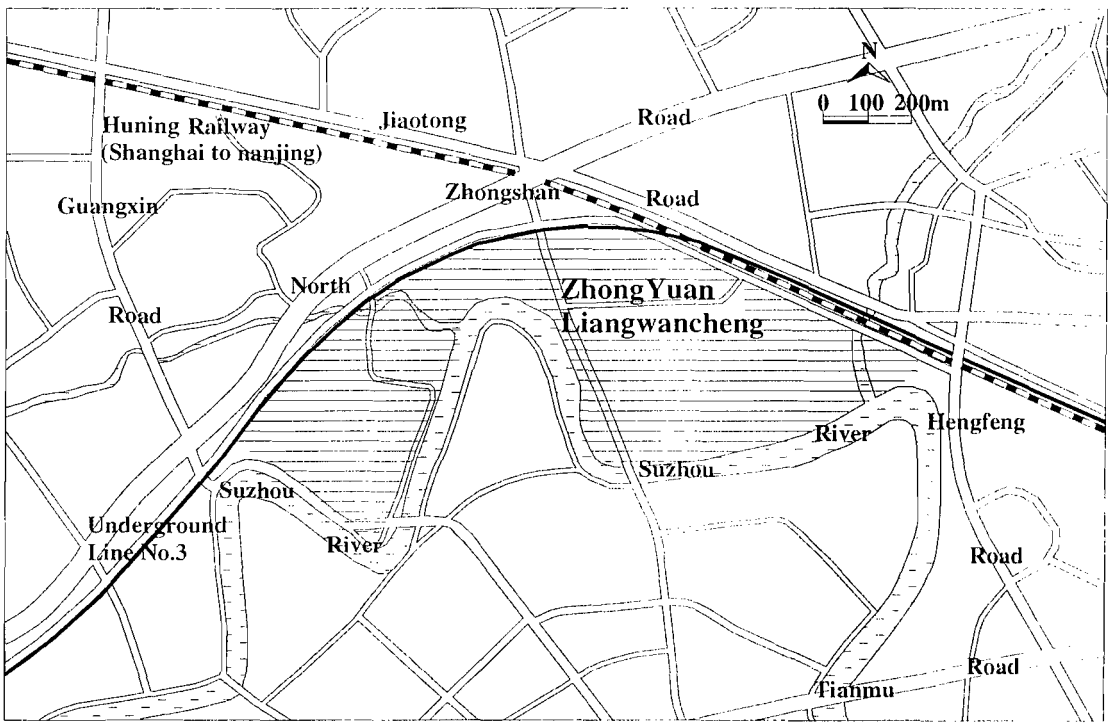
5.2.2 State-subsidized urban renewal: Zhongyuan LiangWanCheng (LWC) project

Similar to YSL, 'LiangWan YiZhai' (the former name of LWC, which means two bays and one housing area)—Panjia Wan, Tanzi Wan, and Wangjia Zhai—was a notorious shanty area in Shanghai before redevelopment. Figure 5.2 shows the location of LWC. Since the late 1990s, to facilitate the '365 scheme', the municipal government exempted or decreased various administration charges and land use fees

for '365 scheme' projects, and allowed developers to pay the land leasing costs by instalment. In 1998 the government even provided a 900 Yuan per square metre subsidy for developers to redevelop the remaining old and dilapidated estates. 'LiangWan YiZhai' was one of the remaining targets of the '365 scheme'. However, many real estate developers were reluctant to take charge of the LWC project due to its bad reputation and extremely large scale.

Figure 5.2

The map of LWC



At the end of 1997, the Putuo district government eventually signed a contract with Zhongyuan Group (COSCO: China Ocean Shipping Co.) to redevelop the 'LiangWan YiZhai' area. The area of 49.5 ha was leased to Zhongyuan Group through negotiation. As part of the '365 scheme', the LWC project was exempted from various administration charges and land use fees, and accepted direct financial subsidy. Furthermore, an extremely high-density development along the waterfront of Suzou River was also approved. Shanghai COSCO SALIM Group Ltd., COSCO Development Ltd., and COSCO LiangWan Ltd. were joint investors in the redevelopment project of LWC. Other than adopting a gradual development strategy, LWC project invested 2.38 billion Yuan (about 290 million USD) in the first stage to

implement the demolition and relocation of the 'Liangwan Yizhai' area. The residential relocation process of the LWC project was very swift since people living in the shanty areas were very eager to improve their housing conditions. Two hundred and seventy-four work units and 10,500 households were relocated in less than a year. Demolition and relocation was taken charge of by the demolition company affiliated with Putuo district government. In kind compensation was adopted as the major method of compensation. Most residents were relocated to other places in Putuo district or nearby Baoshan district and Jiading district (Personal communication, I7). There were also some residents who managed to purchase new housing in the redeveloped site. As another large-scale shanty-clearance movement after YSL, LWC has successfully improved living conditions for more than 10,000 households and re-imaged the dilapidated urban landscape. In general, the relocation process was very smooth and relocated residents were satisfied.

Within six years, the LWC project has transformed 49.5 ha of shanty areas into 32 modern high-rise condominiums. Since late 1999, LWC has become one of the bestsellers in the Shanghai's property market. On August 2004, the fourth phase of the project was completed and entered the property market. Reconstructing the last large-scale shanty area in Shanghai, this project was highly praised by the municipal government as an important redevelopment project in the public interest. Adopting real estate development as a strategy to facilitate redevelopment and the granting of various privileges from local government, the LWC project has not only successfully re-imaged the derelict urban area, but also obtained great commercial profits.

5.2.3 State-sponsored property development: TaiPingqiao (TPQ) project

In 1996, the tasks of the '365 scheme' in Luwan district (one of the busiest and oldest inner city districts of Shanghai) were basically completed. However, the tasks of old-fashioned *lilong* redevelopment were still very arduous. A quarter of the old alleys in Luwan district were concentrated in Taipingqiao (peace bridge) area, which thus became a focus for redevelopment. Figure 5.3 shows the location of TPQ. Comparatively, the TPQ area had a better profile before redevelopment. The 52 ha of the TPQ area comprises 23 residential blocks and more than 25,000 households. Immediately to the south of Huaihai road, one of the most prosperous commercial

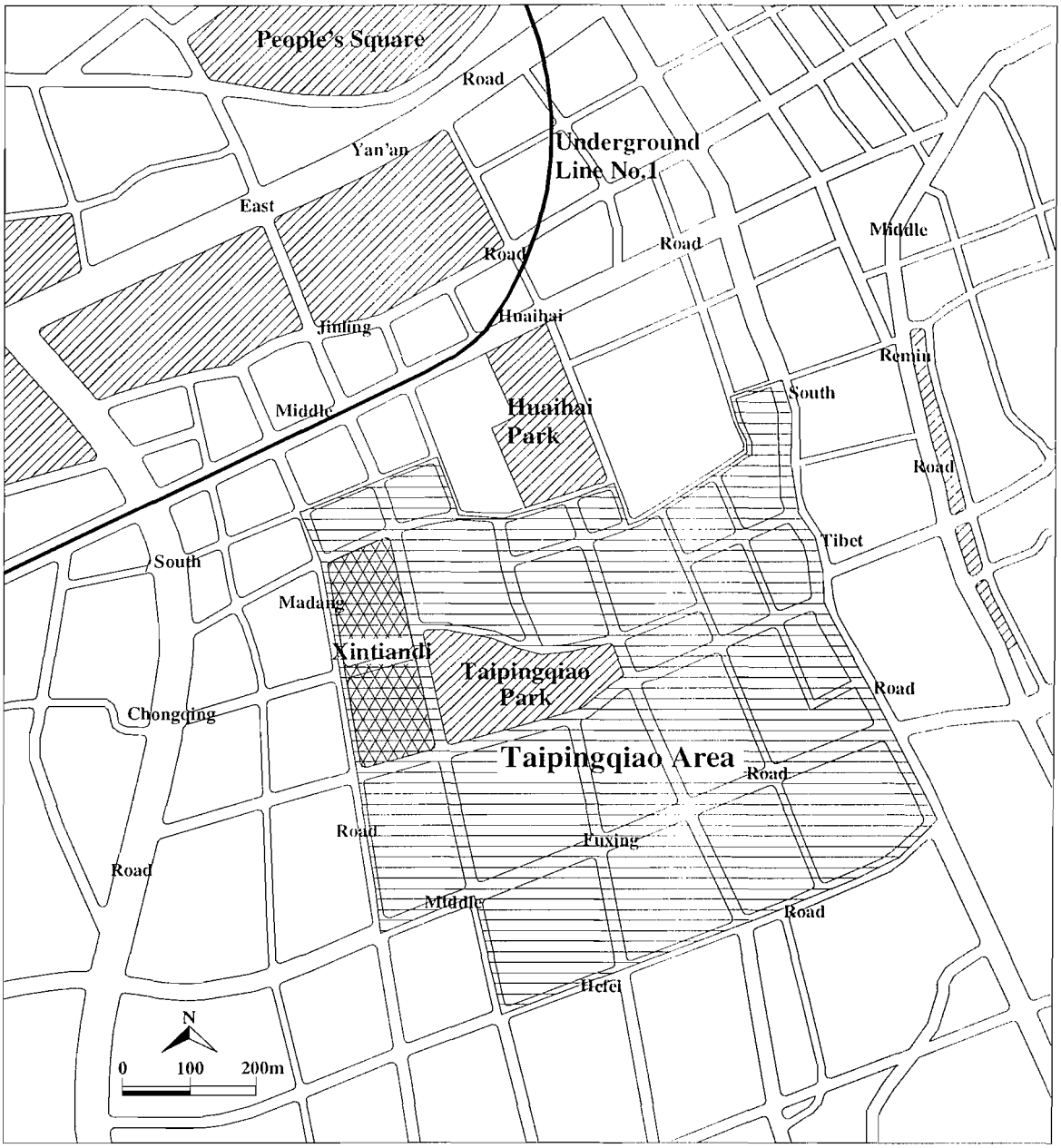
streets in Shanghai, the TPQ area shows great potential for high-end property development. In May 1996, Luwan district government and Shui On Group, a Hong Kong-based construction and real estate development corporation, signed an agreement cooperating in TPQ redevelopment projects, which aimed at promoting the redevelopment of this area through real estate development. Due to the success of Xintiandi (part of the TPQ project, famous for successfully redeveloping the old-fashioned *lilong* neighbourhood into a high-end commercial and recreational district), the reputation and property prices of the entire TPQ area have significantly increased. Although the redevelopment of TPQ is still in progress, it has become one of the most eye-catching projects in modern Shanghai.

The Shui On Group adopted a gradual development strategy in this complex redevelopment project. It was planned that 2 to 3 blocks in this area would be redeveloped every year. The redevelopment of the whole area was expected to be accomplished within 15 years. Since the contract for every sub-project is signed separately, the corresponding land acquisition fee actually varies. The leasehold is 50 years, and commences from the date when demolition and relocation in each individual sub-project is accomplished. In 1998, the first 6 blocks in the TPQ area including two blocks of the Xintiandi project were leased out through negotiation. The land use fee was assessed based on the prices set by the government, which are adjusted every three years (Personal communication, I5).

In the TPQ project, Shui On Group is the principal investor. It is estimated that 25 billion Yuan (about 3 billion USD) will be invested in this project (Personal communication, I5). In February 2004, the Shui On Group successfully attracted investment from several prestigious international and local real estate and private equity investors, including ERGO Tru Asia Limited, Metro Holdings Limited, Citigroup Venture Capital, International Asia Pacific, Standard Chartered Bank etc. A flagship property company named Shui On Land Limited, which was valued at nearly one billion US dollars at its formation, was then established. The newly developed Shui On Land Limited has now taken direct charge of the TPQ redevelopment project (Source: homepage of Shui On Group: http://www.shuion.com).

Figure 5.3

The map of TPQ



Since the TPQ project comprises sub-projects that have not started as well as those that are completed and ongoing, their situation regarding residential relocation varies. The two projects of Xintiandi and Taipingqiao Park were proposed as gifts to contribute to the 80th anniversary in July 2001 of the establishment of the Chinese Communist Party, and were thus given higher priority by the local government. The residential relocation was very swift and efficient since a comparatively high standard of compensation was offered to relocated residents. The relocation of 1950 households in Xintiandi was accomplished within half a year. In the Taipingqiao Park

project, more than 3800 households and 156 work units were relocated in only 43 days, which created a record in the relocation history of Shanghai (Xu 2004). Most of the relocated residents in these two projects were offered in kind compensation since the local government and developers intended to acelerate the relocation process. In recent years, monetary compensation has been adopted as the major method of compensation in TPQ. However, the compensation standard set by the government for relocated residents has barely increased since 1999, while housing prices in Shanghai have been constantly rocketing. As a result, the demolition and relocation process has been significantly slowed down due to the resistance from local residents. Nevertheless, the Luwan district government still endeavours to facilitate the TPQ project by helping the developer to implement residential relocation (Personal communication, I6).

5.2.4 Changing urban redevelopment approach

Under different political economic conditions, various redevelopment approaches emerge in the post-reform Shanghai. Table 5.1 summarises the major characteristics of three different redevelopment approaches in the 1980s, the 1990s and early 2000s Shanghai based on the comparison of the three redevelopment projects (YSL, LWC and TPQ). Motivated by various incentives, different policies and measures are adopted by the local government to facilitate redevelopment projects in different periods. The changing redevelopment objectives, land provision, project financing and relocation methods in the three projects show that during the last two decades, the rationale of urban redevelopment has gradually changed from a means of social welfare provision to a means of growth promotion through property development.

In the 1980s, although marketisation has been carried out in certain facets of the Chinese society, urban redevelopment was still regarded as an obligation of local government and work units. YSL was one important project of the '23 blocks redevelopment scheme' proposed by the municipal government. The state-planned alleviation of old and dilapidated housing estates, which was also funded by local government and large-scale work units, was the major urban redevelopment approach in 1980s Shanghai.

Table 5.1

Comparison between three different redevelopment approaches

	State-planned alleviation of old and dilapidated housing estates (YSL)	State-subsidized urban renewal (LWC)	State-sponsored property development (TPQ)
Redevelopment period	1985-1995	1998-2004	1998-date
Area	10.6 ha	49.5 ha	52 ha
Location	Putuo district	Putuo district	Luwan district
Built environment before redevelopment	Notorious old and dilapidated housing estates	Notorious old and dilapidated housing estates	Old-fashioned *lilong* neighbourhood
Major involved actors	Work units, local government, and residents	Developer, local government, and residents	Developer, local government, and residents
Redevelopment approach/ objectives	*Lianjian gongzu*/ improving residents' housing conditions	Real estate development/ city re-imaging	Real estate development/revenue raising and city re-imaging
Land provision	Administrative land grant	Land leasing, exempting land use fee	Land leasing through negotiation
Project financing	117.03 million Yuan, invested by large-scale work units and local residents with government subsidy	6.498 billon Yuan, invested by developer with government subsidy	Estimated 18 billion Yuan, invested solely by developer
Relocation method	On site	Off-site: in kind compensation	Off-site: mainly monetary compensation
Relocated work units & households	75 work units and 3,581 households	274 work units and 10,500 households	About 800 work units and 25,000 households
Reputation/influence	Famous redevelopment project in the 1980s successfully redeveloped the old and dilapidated housing estates	Successfully redeveloped the old and dilapidated housing estates and generated great profits	Well known for the Xintiandi project, successful commercial property development

After land reform, land use right became a commodity based on a paid-transfer system. The introduction of the land leasing system into urban redevelopment in 1992 significantly promoted the redevelopment progress in Shanghai. The housing reform also contributed to the creation of an active real estate market. In the 1990s, the Shanghai government proposed another large-scale redevelopment plan called the '365 scheme' aiming to attract investment into redevelopment projects from real estate developers through land leasing. The LWC project was funded and implemented by a real estate development, meanwhile accepting subsidy and support from local government. This state-subsidized property development became a major redevelopment approach in the 1990s.

Since the late 1990s, real estate development more and more become a driving force for urban redevelopment. The institutional reform also empowers the district government with more decision-making power in urban redevelopment. As an effective way to redevelop the dilapidated inner city and create economic growth, the profitable real estate development induces the cooperation between district government and developers. Although redevelopment projects are no longer given financial subsidy, the government continues to facilitate urban redevelopment through providing favourable policies and implementing residential relocation. The TPQ project represents the prevailing redevelopment approach of state-sponsored property development since the late 1990s. In sum, as the urban redevelopment approach changed from state-planned alleviation of old and dilapidated housing estates, to state-subsidized urban renewal, to state-sponsored property development, property-led redevelopment has become a prevailing redevelopment approach in present-day Shanghai.

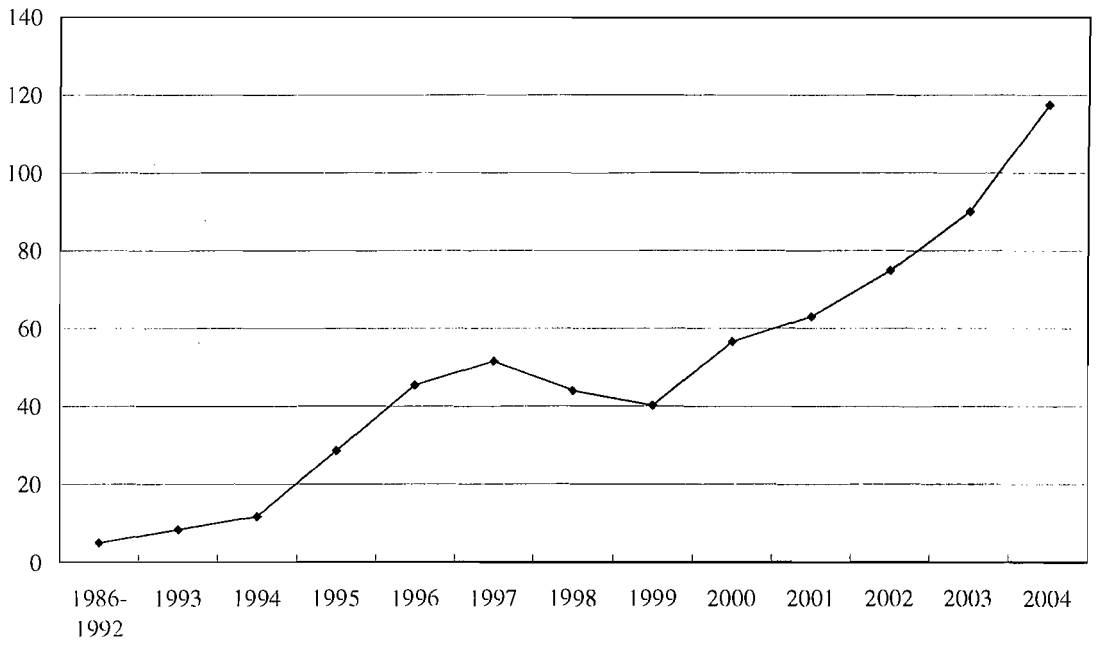
5.3 The ongoing property-led redevelopment in Shanghai

As mentioned in chapter four, a number of policies were adopted to attract investment into real estate development from the private sector in the early 1990s when the real estate market was in an unfledged period, and in the late 1990s when the market was experiencing a downturn. In present-day Shanghai, urban redevelopment based on property development is continuously employed as an effective tool to realise place promotion and local boosterism. In recent years,

investment in commodity buildings, including residential, office and commercial buildings, presents a rapidly increasing trend (see figure 5.4). Shanghai has become one of the most vibrant arenas of property development in the whole country. The rocketing property prices and the promising real estate market attract not only numerous domestic investors and developers, but also thronging adventurers from overseas, such as the Rockefeller Group, Tishman Speyer Properties, Intel Foundation, the Landmark Entertainment Group from the US, and the top rank real estate magnates from Korea (source: Soufun Shanghai real estate news website: http://news.sh.soufun.com, date accessed: 18th July 2005).

Figure 5.4

Investment in commodity housing in Shanghai (1986-2004) Unit: billion Yuan



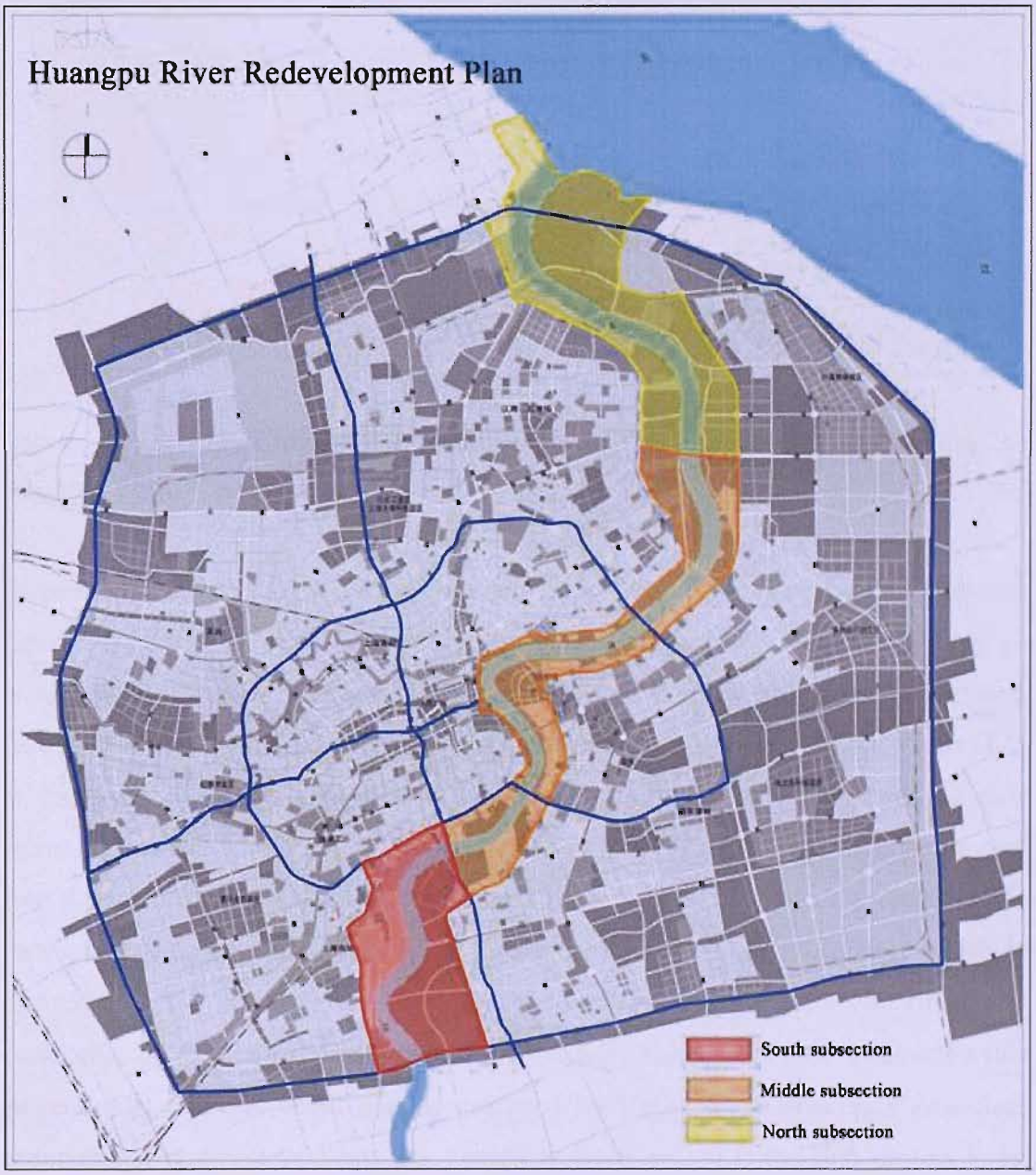
Source: Shanghai Statistical Bureau 2005.

Nowadays, a number of eye-catching flagship redevelopment projects are proposed or ongoing in Shanghai, with the common characteristics of vast sums of investment and the involvement of famous international companies. Echoing property-led redevelopment in Western countries, city centre and waterfronts have become the particular spatial emphasis of urban redevelopment in Shanghai. Since 1992, the inner city has experienced constant redevelopment through land leasing, including those projects in the government- proposed redevelopment scheme, e.g. '365

scheme', 'new round redevelopment scheme'. In recent years, urban areas along both sides of Huangpu River and Suzhou Creek, two major waterways of Shanghai, have also become the focuses of redevelopment. Except for urban infrastructures construction projects, urban redevelopment in Shanghai is mostly invested and implemented by private sector through real estate development, which witnesses the prevalence of property-led redevelopment.

Figure 5.5

Huangpu river redevelopment plan



Source: compiled from planning document, 'Structural planning of the south subsection of Hunagpu River redevelopment project' by Shanghai Urban Planning & Design Research Institute, December 2002.

Figure 5.6

The planning of Waitanyuan (the headstream of the Bund) project

Source: compiled from planning document, 'Detailed planning of Waitanyuan area' by Shanghai Urban Planning & Design Research Institute, 2002.

At present, the Huangpu River redevelopment projects have taken the first step (see figure 5.5), and the initial stage of investment will reach 100 billion Yuan (about 12 billion USD). The birthplace of Shanghai's modern finance and trade, Waitanyuan (the headstream of the Bund area) is expecting a redevelopment project which aims at preserving Shanghai's historical and cultural heritage, meanwhile adding new recreation and retail outlets to the existing hub of banks and insurance companies (see figure 5.6). The Waitanyuan project is listed as one of the key projects in the redevelopment of the Huangpu River areas, the first phase investment of which is estimated at 250 million USD. The Rockefeller Group from the US was successful over other rivals to become the partner of the New Huangpu Group to develop this project. The redevelopment plan is designed by Italy-based Gregotti, a first-class international architecture firm. The Peninsula Hotel which is the first project to be launched under the Waitanyuan plan, is expected to be completed in 2008.

Figure 5.7

The planning site of Shanghai World EXPO 2010

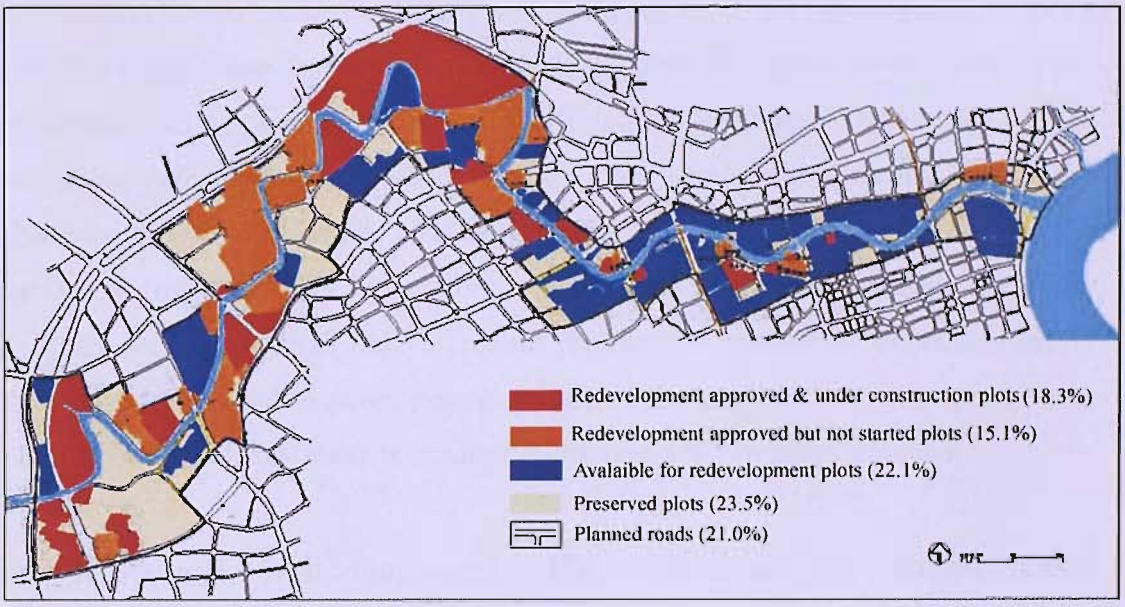
Source: Presentation of the blue print of 'EXPO 2010 Shanghai China' by the Architecture Studio, Paris, France, September 2002.

Shanghai's successful bidding for the World EXPO 2010 has also initiated a large-scale redevelopment project. In October 2003, the bureau of Shanghai World EXPO was established, which is a symbol of the official commencement of this spectacular project. The investment for this project is estimated at 30 billion Yuan (about 3.62 billion USD), of which 20 billion will be used for demolition and relocation, and 10 billion will be used constructing the venue. According to the budget plan, the investment will partially come from government funding, and the rest will be raised through the capital market, e.g. issuing bonds and holding lotteries to attract financing from home and abroad. Through international bidding, the design from the France-based Architecture Studio was finally chosen. A 528 hectares site crossing both sides of the Huangpu River (see figure 5.7) will be redeveloped for the

event facilities, which is currently covered with factories, docks, and dilapidated residential areas composed of about 270 companies/work units and 17,000 households. The site clearance of the project has been carried out since November 2004, and is expected to finish by 2007. Two new residential zones in Minhang district and Pudong new district are especially developed to house the relocated residents at the World EXPO sites.

Figure 5.8

Suzhou Creek redevelopment plan



Source: compiled from planning document, 'Suzhou Creek waterfront landscape planning and design' by Shanghai Urban Planning & Design Research Institute, October 2002.

Both sides of Suzhou Creek are also proposed as important redevelopment areas by the Shanghai government. This large scale waterfront redevelopment plan covers an area of 6.8 square kilometres (excluding water area) along the 13.3 kilometres long Suzhou Creek which used to be known for its black and stinking water. This redevelopment scheme aims to rehabilitate a cleaner, more prosperous waterway and beautify the riverside landscapes through increasing public green space, preserving historical buildings, and creating new landmarks. 11.35 billion Yuan (about 1.37 billion USD) will be invested by the Shanghai government to clean up the creek. It is planned that 100 ha of waterfront greenbelts will be developed by 2010. A number of commercial complexes, high-end apartments having good views over the waterfront, will also be constructed along the creek to replace the factories, warehouses, and

dilapidated housing. As figure 5.8 shows, at present, 18.3 per cent of urban lands (124 ha) along Suzhou creek have been approved for redevelopment and are under construction; 15.1 per cent (103 ha) have been approved for redevelopment while not yet implemented; 22.1 per cent (150 ha) are available for redevelopment. This redevelopment plan also used international bidding to select the best design. A number of well known planning and design companies are involved, e.g. EDAW and RTKL International Ltd. from the US, UPA from France.

The unprecedented scale and profound influence of the spectacular property interest-centred urban (re)development happening in Shanghai makes property-led redevelopment a particularly intriguing topic to investigate. Meanwhile, the flourishing property-led redevelopment and the astounding speed of urban and economic growth in Shanghai also make people wonder whether the urban growth machine is created in the Chinese context, and if yes, how does it work? Therefore, the study on the Xintiandi redevelopment project will provide an understanding of how the property-led redevelopment project operates and how the pro-growth coalition is formed and works to create the engine for urban redevelopment.

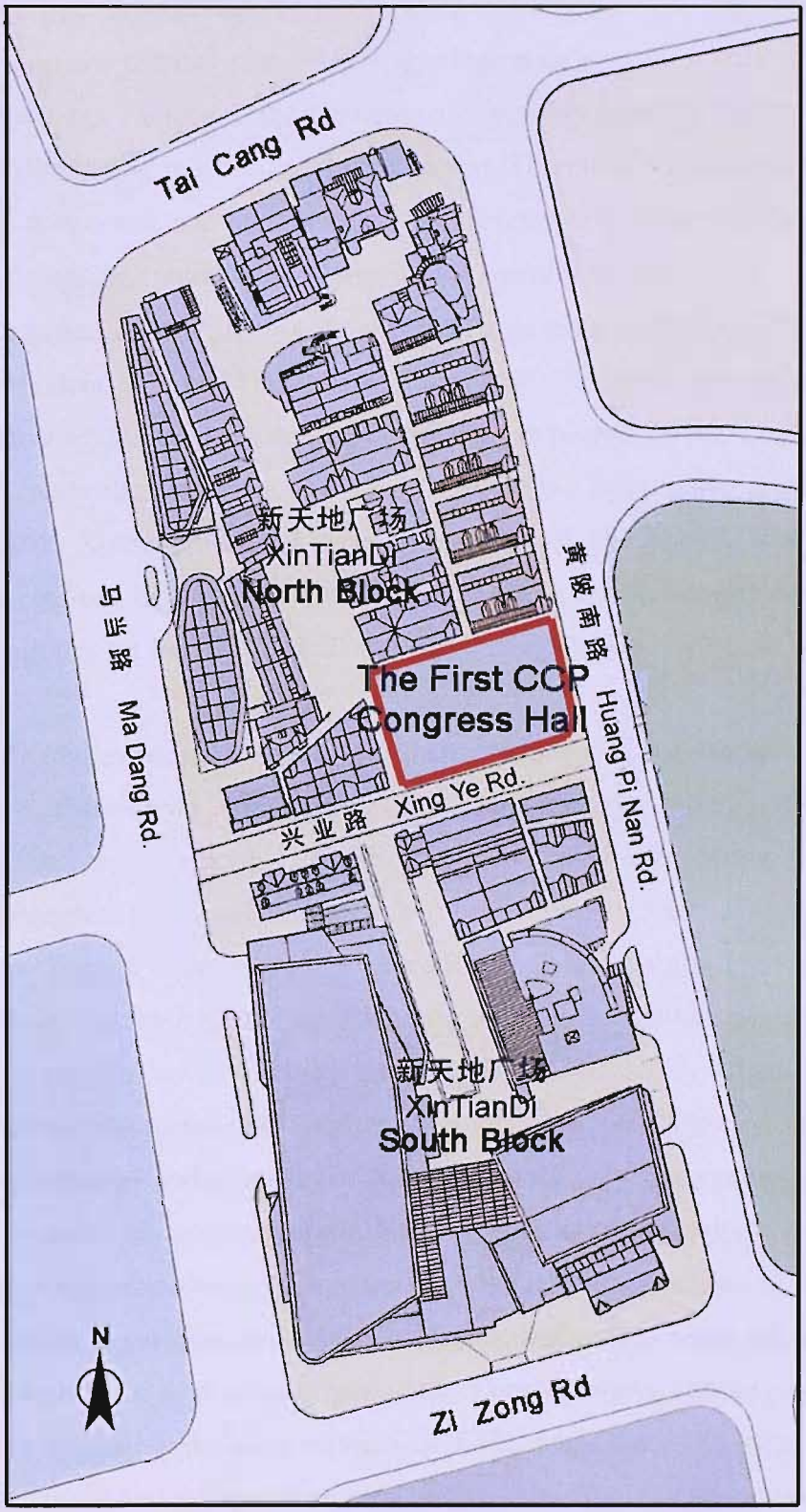
5.4 Xintiandi redevelopment: the operation of property-led redevelopment in urban China

5.4.1 The project

Located on the west side of Taipingqiao area, Xintiandi is a pivotal project of the Taipingqiao redevelopment project in Luwan district. Xintiandi was part of the French Concession from the mid nineteenth century to the early twentieth century. The *shikumen* houses in this area were mostly built by French developers in the 1920s and are now a valuable reminder of Shanghai's history. Moreover, on the east side of Xintiandi there is a building where the First National Congress of the Chinese Communist Party (CCP) was held, which is now a national cultural heritage preservation site (see figure 5.9).

Figure 5.9

The layout of Xintiandi



Source: Complied from planning document, 'Detailed planning of Taipingqiao redevelopment project' by Shui On Properties, February 2003.

In the late 1990s, the property market of Shanghai was in a downturn after its first upsurge. Also affected by the Asian economic crisis, the Shui On Group had to adjust the original plan of first developing large scale luxury apartments and office buildings. Moreover, the Shanghai municipality required that the first CCP Congress Hall location must be strictly preserved. Therefore, the historical site was preserved as a museum, and the traditional architecture and *lilong* structure in the north block of Xintiandi were also retained. As mentioned above, in 1997 the project was proposed as a present for the eightieth anniversary of the CCP (July 1, 2001) by the president of Shui On Group, Vincent H. S. Lo (Personal communication, 15). Meanwhile, the project was elaborately deployed as an image-raising strategy to increase the reputation and price of the entire Taipingqiao area. Between 1999 and 2001, Xintiandi, an old-fashioned *lilong* neighbourhood, was redeveloped into a mixed-use district with a multitude of retail, entertainment, commercial, and hotel facilities set into the original architectures and alleys.

'Yesterday meets tomorrow in Shanghai today' is the slogan of Xintiandi. Seizing the commercial opportunity of regenerating the *lilong* lifestyle of Shanghai, Xintiandi introduced a modern urban lifestyle (representing 'tomorrow') into the preserved traditional architecture (representing 'yesterday'), and became a unique and popular commercial and recreational site. At the north block of Xintiandi, some of the *shikumen* houses were restored, and selected buildings were reconstructed with the original bricks and tiles based on the old design drawings. At the south block, those dilapidated old buildings have now been totally rebuilt into modern recreational and commercial buildings, with only the symbols of *shikumen* at the entrances of alleys preserved. Impressively, all of the restored and reconstructed old buildings had the latest modern facilities installed, such as modern mechanical and electrical systems, escalators and concealed optical-fibre for various recreational, commercial and dining purposes. People enjoy various modern commercial, recreational and dining services in XTD, while they can immerse themselves in a historical and traditional cultural atmosphere. Actually, the project caters to the local elites' consumption demands and reminds people of the ever-resplendent culture of old Shanghai. The project reflects the period from the 1840s when Shanghai was opened as a treaty port to the 1940s when it was liberated. Ironically, though the buildings and alleys are elaborately preserved, the original residents have been

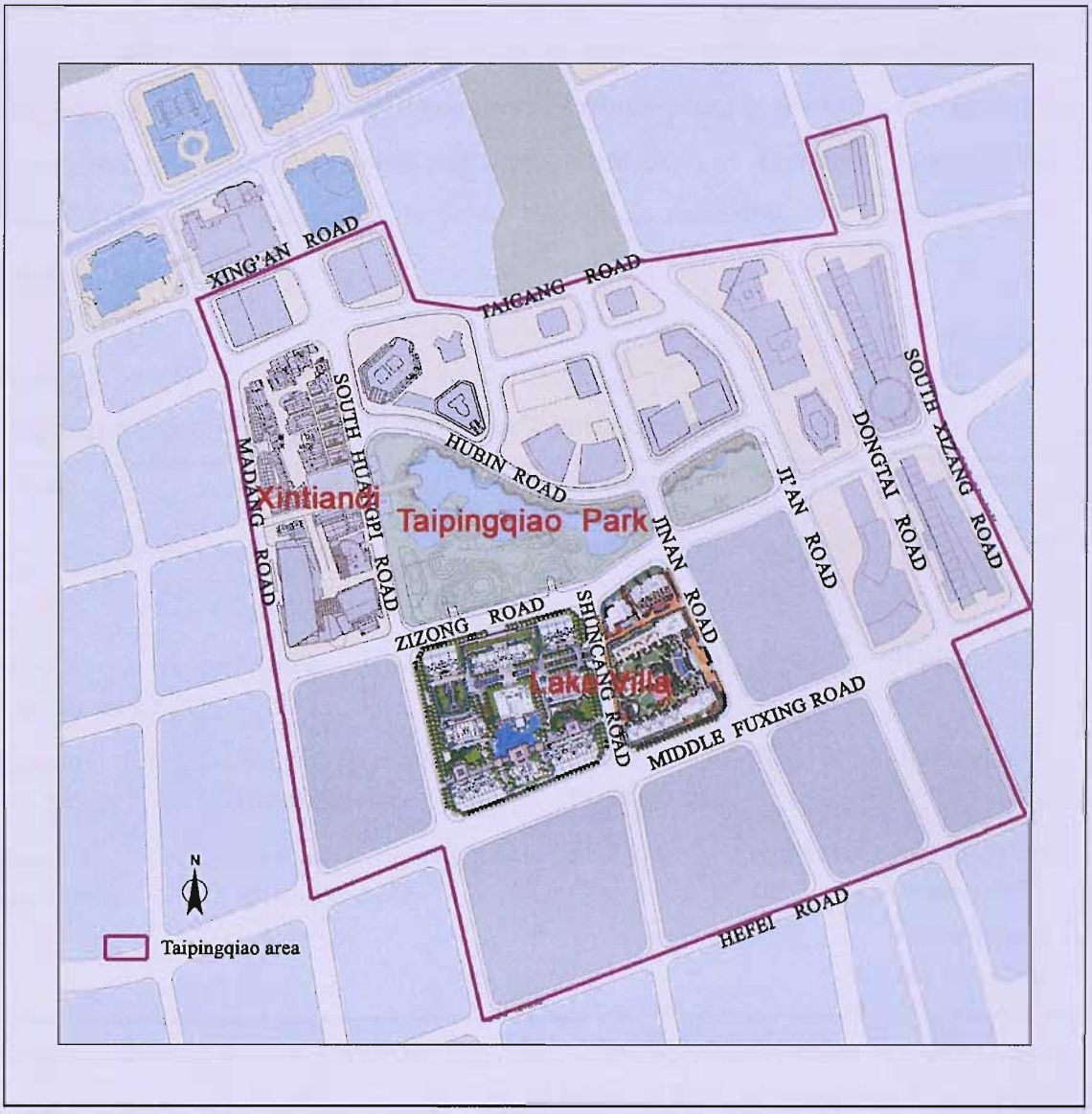
totally excluded. These preserved *shikumen* houses (though only the exterior parts) are no longer homes for middle to low-income residents, but instead are spaces to be lingered over by local elites, expatriates, and tourists.

5.4.2 The tactic of Xintiandi: flagship project of property-led redevelopment

With modern high rise buildings prevailing in the city and attracting the better off, the *shikumen* houses in the old-fashioned *lilong* neighbourhoods in the inner city were concentrations of middle to low-income residents. Most structures were private housing belonging to wealthy people before 1949. They were later transformed into public-owned housing and rented to ordinary residents by the government. Lacking in maintenance over a long period, most of these old houses became overcrowded, inconsistent with the image of Shanghai as the most developed city in China. With the emergence of affluence in the post-reform period, demands for high-end properties and consuming facilities dramatically increase. The city is facing a transformation from a place of production to a place of consumption (Wu 2003). Therefore, since the late 1990s, property-led redevelopment featuring the preference for luxury apartments, high-ranking office buildings, recreational and commercial facilities, has been extensively carried out in the inner city to meet the demands of city re-imaging, also to fulfil the consumption functions of the city. The strategy of property-led redevelopment also attracts local government as a means of revenue generation. For example, one high rise office building can yield 100 million RMB (about 12 million USD) tax per year for the local government in some commercial centres in Shanghai (Personal communication, I4). Meanwhile, urban redevelopment is a political task for local government. For instance, during the '365 scheme' every district government had to accomplish their respective task under high pressure from the municipal government. As mentioned in chapter four, the municipality also adopted many measures to facilitate the scheme, such as decreasing land leasing prices and offering financial subsidies, because it was deemed to be an important political achievement. Therefore, the old-fashioned *lilong* neighbourhoods were destined to become the focus of property-led redevelopment in the inner city under the multiple motivations of city re-imaging, market demands, functional transformation, revenue-raising, and realising political goals.

Figure 5.10

Lake Villa in Taipingqiao project



Source: Complied from planning document, 'detailed planning of Taipingqiao redevelopment project' by Shui On Properties, February 2003.

In the case of Xintiandi, property development is employed as a major redevelopment strategy, raising the area's reputation and changing its image through physical and functional transformation of the area. Immediately after the construction of Xintiandi and Taipinqiao Park, a luxury apartment project called Lake Villa (Cuihu Tiandi) at the south of Taipingqiao Park was launched (as shown in figure 5.10). In late 2003, all the apartments were sold before formally entering the property market (Personal communication, I9). At an average price of 2,200 USD per square metre, this was among the highest housing prices in Shanghai. It is evident that the

redevelopment strategy was very successful. At present, Xintiandi has become the landmark of Shanghai's international dining, fashion, entertainment and tourism locations. Well established international restaurants, recreation locations and stylish shopping centres, as well as various street performances, promotions and first-rate events, provide great recreational and tourist attractions in Xintiandi. Xintiandi has also had significant positive effects on the subsequent property development of Taipingqiao.

Table 5.2

Flagship property-led projects in China's large cities

Project	Location	Developer	Scale (m^2)	Investment (Yuan)
Xihu Tiandi	Hangzhou, the capital city of Zhejiang Province	Shui On Group	50,000	1 billion
SOHO commercial street	Beijing	SOHO China Group	90,000	Not available
Daonan sub-district	Wuhan, the capital city of Hubei Province	Dalian Wanda Group	967,100	1 billion
Yongqing sub-district	Wuhan, the capital city of Hubei Province	Shui On Group	480,000	10 billion (of which 3.39 billion is land use fee)

Source: Homepage of Shui On Group: http://www.shuion.com, Homepage of SOHO China Group: http://www.sohochina.com, official website of Wuhan Municipal Government: http://www.wh.gov.cn, date accessed: 22nd July 2005.

The redevelopment project of Xintiandi can be regarded as an attempt to grasp the opportunity to rediscover historical and cultural values and turn them into economic outcomes through the strategies of image changing and property development. As a flagship project of property-led redevelopment, the success of Xintiandi also bears witness to the ambitions of the local government and property developers who are together making efforts to rebuild Shanghai as an international metropolis. Property development has become an effective and profitable means of realising the great transition with its potential for providing visible and instant results. The commercial success of Xintiandi has led to replicas of its model in other cities (see table 5.2). The

recently proposed Xihutiandi project in Hangzhou and the Yongqiangpian project in Wuhan (both will be developed by Shui On Group), and the recently completed SOHO commercial street (called Beijing Xintiandi) at outer Jianguomen (an ancient city gate of Beijing) as part of Beijing CBD etc. are in fact trying to follow the model of Xintiandi. It is clear that flagship projects of property-led redevelopment have been carried out in many Chinese cities, especially the major large cities, to realise place promotion and strive for investment. These flagship projects have significantly changed urban appearances, facilitated the further development of wider urban areas, and contributed to the local economic development.

5.4.3 The roles of key actors

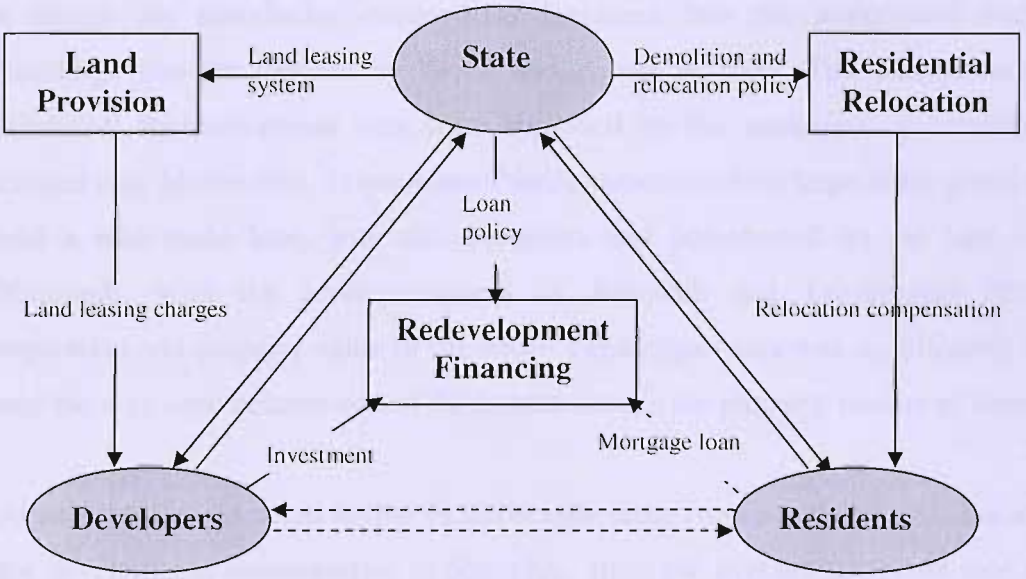
As figure 5.11 shows, the state, developers and residents are the key actors of urban redevelopment. The three actors involve in the three main processes of urban redevelopment: land provision, redevelopment financing, and residential relocation. Within these three processes, the key actors interact with each other and promote the progress of urban redevelopment. It has been recognised that different levels of government play different roles within the urban redevelopment process. In this study, 'the state' actually includes two actors: municipal government and district government. To fully understand the operation of property-led redevelopment, it is necessary to investigate the complex relationship between developers, district government, municipal government, and urban neighbourhoods. Meanwhile, the resources that different actors own and the specific roles they are playing are also unclear. Therefore, this section will interpret the motivation, available resources and roles of the four players individually to reveal how the pro-growth coalition is created and how the property-led redevelopment is operated.

In the case of Xintiandi, the Shui On Group, the Luwan district government, the municipal government and urban neighbourhoods were the major involved actors. Shui On was the principal investor and developer. An American architectural and urban design firm, Skidmore, Owings, and Merrill (SOM), which has actively participated in the Chinese planning and design market in recent years, took charge of the master planning of Xintiandi. Wood and Zapata Inc., a Boston-based architectural firm specialising in the adaptive reuse of old buildings, and the

Singapore office of Nikken Sekkei International Ltd. were also invited by Shui On to redevelop the *shikumen* houses in Xintiandi in a sophisticated way. The Urban Planning, Design and Research Institute of Shanghai Tongji University served as architectural consultant (Personal communication, 112). The Luwan district government and the Shanghai municipal government were also important participators in this project. Meanwhile, the old-fashioned *lilong* style neighbourhoods, which were evacuated to make room for the property redevelopment, were passively involved.

Figure 5.11

The interactions between key actors



5.4.3.1 Shui On Properties: primary participator in the redevelopment project

As a member of the Shui On Group, Shui On Properties Ltd. is engaged in property development and investment as well as property management, marketing, sales and leasing. Shui On Properties began to expand its business into mainland China in 1985 and has built a sizeable portfolio of property development and investment projects in Shanghai and Beijing, including office buildings, residential apartments, commercial complexes, and hotels.

In 1996, Shui On Properties as the principal investor obtained the land use rights of the two blocks of Xintiandi from Luwan district government through negotiation. Fuxing Construction Development Ltd, which is a subordinate real estate development company of Luwan district, also a nominal partner of Shui On, contributed only 2 to 5 per cent of the investment in the project (Personal communication, I12). Fuxing Construction and Development Ltd. was involved because the policy in 1996 required a local participator in the 'foreign' invested project. This was also a gesture of cooperation between government and private enterprise. With certain supports from Luwan district government, including residential relocation and prior development policy, Shui On Properties and its partners took charge of the main redevelopment process from investment and design to construction and management. To increase both commercial profit and feasibility, a design for introducing commercial functions into the maintained traditional buildings was put forward by Wood and Zapata in 1997. The scheme known as Xintiandi Redevelopment was soon approved by the municipal government and carried out. Meanwhile, Taipingqiao Park, characterised by large-scale green spaces and a man-made lake, was also proposed and constructed on the east side of Xintiandi. With the accomplishment of Xintiandi and Taipingqiao Park, the reputation and property value of the entire Taipingqiao area was significantly raised, and the area soon became one of the hottest sites in the property market of Shanghai.

At present, many foreign investors, especially those from Southeast Asia are looking for development opportunities in Shanghai, since the average net profit rate of real estate investment in Shanghai is much higher than those in the US, Japan and Singapore. On June 2003, Mainland China and Hong Kong signed an agreement titled *Closer Economic Partnership Agreement* (CEPA), which decreased the restrictions on real estate investment, and allowed investors from Hong Kong to independently provide real estate development or related services (source: http://www.chinanews. com.cn, date accessed: 29th June 2003). After the CEPA agreement, an influx of investment from Hong Kong entered the Shanghai real estate market. Shui On is among those earliest Hong Kong-based companies entering the mainland China real estate market. Shui On thus has priority in expanding its development in mainland China, meanwhile also faces intensive competition. Xintiandi project was part of Shui On's strategy of playing 'structural speculation' to

increase its influence on local development decision-making. The extremely high cost of the Xintiandi project has proved to be worthwhile, since the success of Xintiandi has helped Shui On raise its reputation and obtain the trust of local government, thus smoothing the path for its further development in Shanghai.

In this property-led redevelopment project, the private sector effectively changes physical appearances, transfers urban function, and upgrades image and reputation by offering substantive investment and elaborate designs. Not the redevelopment project of Xintiandi *per se* but the strategy of flagship property-led redevelopment project has become a prototype of private sector-led property development with its successful development concepts and operational mechanism. The Shui On Group thus not only played a principle role in the Xintiandi project, but also paved the way for further cooperation with the local government. Against the background of globalisation and industrial restructuring, and the demands of rapid urban development and capital accumulation, private players, especially international private players, extensively participate in the processes of urban redevelopment, and occupy an increasingly significant place.

5.4.3.2 Luwan district government: active collaborator of the private developer

It is well known that Shui On successfully made Xintiandi a new landmark in Shanghai. Nevertheless, the local government, especially the Luwan district government,was also an important player in this redevelopment project. In many ways, Xintiandi is the epitome of what Shanghai is attempting on a grander scale -- to increase its attraction and raise its image with particular oriental features and modern international characteristics, and to preserve and gentrify historical landmarks, while demolishing old and dilapidated buildings in favour of commercial and tourist property development. It has been proposed in the tenth 'Five Year Plan' for Shanghai that real-estate development will continue to be one of the important pillar industries of the city. Obviously, redeveloping dilapidated areas and promoting economic development through property development has become an important element in the development strategy of Shanghai. Under the urgent redevelopment requirement, Luwan District is seeking partners to promote redevelopment. The Shui On Group, which is attempting to expand its business into the largest city in

mainland China, was thus invited to launch the property-led redevelopment of Taipingqiao.

Studies in Chapter Four show that district government has the most intimate engagement with neo-liberalism. In the case of Xintiandi, the Luwan district government spared no effort to facilitate the redevelopment project and to develop a collaborative relationship with the private developer. Enjoying favourable policy and certain privileges, the demolition and relocation processes of the Xintiandi project and the Taipingqiao Park project were accomplished in a smooth way and with incredible speed by a demolition company affiliated with Luwan district government. To facilitate the construction of Taipingqiao Park, Luwan district government also fought to obtain a favourable policy for the construction of large-scale public green areas from the municipal government. Therefore, Shui On actually was only burdened with half of the investment, as the municipality and Luwan district provided the other half (Personal communication, I5). Furthermore, because both Xintiandi and Taipingqiao Park were proposed as gifts contributing to the eightieth anniversary of the CCP, both projects had political objectives and thus obtained extra attention and priority from the local government. According to interviews with former residents of Taipingqiao Park (Personal communication, I28, I29, I30), advantageous compensations (e.g., free property rights for residents who used to live in public housing and increased housing area without extra charge) have been offered to relocated residents. The high efficiency of the project should be largely attributed to support from local government and the reciprocal cooperation between government and private enterprise.

Taking charge of and being directly involved in redevelopment projects, the district government actively promotes property-led redevelopment through offering various supports and removing constraints for private developers. They not only play deregulation to facilitate the redevelopment process, but also implement demolition and relocation for developers, while the developers only need to pay the compensation fee (Personal communication, I2). Based on the common interest of property redevelopment, district government develops a partnership with the private sector. Whilst having different shares of responsibilities and interests within the redevelopment process, district government and municipal government are actually

inconsistent in some aspects.

5.4.3.3 Municipal government: mediator and supervisor

Municipal government has been playing an important role in promoting and regulating urban redevelopment practices in Shanghai. To promote the progress of urban redevelopment in Shanghai, the municipal government created several policies to facilitate property-led redevelopment during the downturn of the property market in the late 1990s. Due to the stimulation of a series of favourable policies and loose administration on real estate development, large-scale redevelopment projects have been extensively implemented. With the property prices rocketing since 2001, tens of thousands of new buildings have been constructed in the inner city replacing the old and dilapidated houses.

In November 2003, the municipal government realised the problems of immoderate high density property development and the conflicts of residential displacement in the inner city, and thus demanded that all of the property development projects in the inner city decrease construction volume and Floor Area Ratio (FAR) (Personal communication, I3). Although it was not compulsory for projects approved before November 2003, developers had to adjust the FAR of projects that were under construction after the policy was issued. To a certain extent, property-led redevelopment in Shanghai is the result of negotiation and coordination between local government and private capital. The volume of construction in Taipingqiao projects has been reduced from 1.6 million to 1.3 million square metres, and the FAR has also correspondingly decreased after negotiation with municipal government (Personal communication, I5). Within the negotiation process, the district government is delivering the policy of the municipal government while also trying to protect the interests of developers, which are directly related to its own interests.

Decreasing the volume of construction and FAR means a big loss of commercial profit for investor and developers, but most of them have to accept the requirements of government. The reason partly lies in the prosperity of the property market and constantly increasing property prices in Shanghai since 2000, from which the developers still can extract profits even after reducing construction volume and FAR.

More important, the private sector does not have significant influence on the local development decision-making process and thus has to obey the municipal government, who own both particular authority and land resources in the Chinese context. Since land reform, the central government has released the decision-making rights and revenue of land leasing to local government. In the case of Shanghai, the municipal government is in charge of all land leasing and relevant affairs. Although specific projects are implemented by district government, the municipal government actually oversees the progress of urban redevelopment throughout the city. While district governments try to promote rapid and high-density redevelopment to serve the interests of both developers and themselves, the municipal government is trying to slow down redevelopment to relieve social conflict and seek sustainable development.

The system of paid transfer of land use rights and common development interests have become the basis of a partnership between the government and the private sector in China. The particular public ownership of urban land endows local government with monopolised land resources and strong decision-making powers in the urban redevelopment process. After administrative decentralisation, local government's role in delivering policies and strategies, and even in formulating rules and regulations, is significantly enhanced. Despite the increasing importance of the private sector, local government remains an essential player in urban redevelopment.

5.4.3.4 Urban neighbourhood: an excluded actor

The original objective of urban redevelopment in Shanghai was to improve the living conditions of residents in old and dilapidated housing estates. After market-oriented economic reform, promoting economic growth and image changing also became important goals of redevelopment. Facing global competition and economic restructuring, the motivations for redevelopment in Shanghai have become more and more diversified. However, the interests of urban neighbourhoods, especially middle to low-income neighbourhoods, are less considered. Most of the favourable policies and supports have been offered to investors and developers rather than low-income residents.

It seems that relocated residents in the Xintiandi project have accepted favourable compensations and most of them were satisfied with the relocation method. However, some potential conflicts and problems still exist in terms of concentration of urban poor, employment difficulties and broken social networks (Personal communication, I1). Most people who used to live in Xintiandi and other places in Taipingqiao were relocated to the periphery of the city and suffered from the inconvenience of commuting and the absence of amenities, though spacious housing and a better environment were provided. According to interviews, some people even had to quit their jobs because of the expensive commuting costs (Personal communication, I28, I29). Recently, monetary compensation has gradually been replacing in kind compensation. With the constantly increasing property prices and the booming urban redevelopment, it is becoming harder and harder for relocated residents to purchase affordable housing within a reasonable distance of the city centre. In the redeveloped Taipingqiao area, the returning rate of residents is zero.

In most cases, urban residents are unaware of the urban redevelopment plan until it has been decided and announced by government and developers. Moreover, people normally have no idea about exactly when the demolition and relocation will commence even if they have been informed of the redevelopment plan from various channels. In the case of Xintiandi, people were lucky. Most of them have obtained reasonable compensation because Xintiandi is a pivot project and has substantial support from the government. Also, the redevelopment happened in 1999 when property prices were comparatively low. At the demolition and relocation office of the site, it was found that the compensation standard set up by the government had barely increased compared with that of Xintiandi in 1999, while housing prices in Shanghai increased 24 per cent in 2003. In certain cases, the actual compensation is higher than the standard, and the government is going to adjust the standard soon (Personal communication, I10). Even so, the compensation for relocated residents can still hardly resolve their housing problems, which are due to continuously increasing housing prices.

Recently, the conflicts of residential relocation have attracted the attention of central and local government. Accordingly, some measures have been adopted to protect the interests of relocated residents and slow down urban redevelopment, e.g. prohibition

of violence in the demolition and relocation process and controls on the volume of construction and FAR. Some informal organisations (e.g., homeowners' associations) have struggled to maintain residents' interests. Nevertheless, these organisations have hardly any influence on redevelopment projects either financially or politically. Residents suffering from unjust redevelopment can only adopt individual resistance. Neighbourhoods are still excluded from the pro-growth coalitions constituted by local government and the private sector. They do not have a share in the decision-making and implementation processes, nor do they even know how and when the redevelopment projects will operate. Instead, they have been unequally burdened with the costs of large-scale property-led redevelopment.

Table 5.3

Different players in the property-led redevelopment

	Role description	Resources	Contribution/Response
Private enterprises	Primary participator	•Ample capital resources and impelling accumulating capability •Lack of influence on local governance	•Act as principal investor and developer •Bring new urban landscapes and economic growth
Directly involved local state	Active and potent collaborator	•Limited land and financial resources •Limited governing resources in certain urban areas	•Provides direct support, e.g. housing demolition and residential relocation •Strives for favourable policy from upper state
Upper governing agent	Mediator and supervisor	•Land resources and financial leverage •Superior governing authority	•Encourages or modulates market operation through policy intervention and economic leverages •Delivers the policy of central state and oversees the redevelopment process
Urban neighbourhoods	Excluded player	•Deficiency of economic resources •Deficiency of political/ governing resources	•Vacate from original neighbourhoods and relocate to suburbs •Individual resistances

In sum, as shown in table 5.3, private enterprises are the primary participators in the coalition. They take charge of the redevelopment projects and bring about visible physical improvements through their ample capital resources. However, being absent from the local governance, the private sector in China does not play such a leading role as western theories suggest. Within the coalition, the directly involved state (the district government in the case of Xintiandi) is an active and powerful collaborator with the private sector, providing direct support and striving for favourable policy. The higher level of the state — the municipal government — is another essential player possessing political and land resources, and controlling financial leverages. It acts as the mediator and supervisor of the redevelopment process by modulating market operation and delivering the policy of the central state. Urban neighbourhoods always play a passive role in redevelopment due to their lack of political and financial resources. They are thus totally excluded from the decision-making process in urban redevelopment. As a result, high value-added property, e.g., luxury condominiums, commercial and office buildings displace the old and dilapidated urban areas at the cost of dramatic residential relocation and neighbourhood damage.

5.5 Examining property-led redevelopment and the urban growth machine under market transition

5.5.1 Characteristics of property-led redevelopment under market transition

Against the backdrop of globalisation and market transition, economic development and urban restructuring have become the premier tasks of Chinese cities. After decades of stagnation, once the land development market was opened up to domestic and international capitals, numerous urban redevelopment projects have been promoted. Property development has significantly changed the mode of urban redevelopment in China by bringing great commercial profits and swiftly changing physical appearances. Under the particular context of market transition, property-led redevelopment in China presents some unique characteristics.

Land provision is always a contentious issue within urban redevelopment in China due to the particular public-ownership of urban land. Regardless of the requirement of land leasing through open bidding and auction by the central and municipal governments, negotiated land leasing still happens, especially in areas that urgently need redevelopment. Moreover, some privileges such as transferring industrial land development to more profitable commercial or residential land development, increasing FAR etc., can also be offered to developers by local government through negotiation. Although the market operation has expanded its influence in China, developing a good relationship with local government is essential for developers in terms of land acquisition and project approval (Personal communication, I11). The good relationship may be developed through successfully accomplishing a demonstrative project, or through helping local government carry out some low-profit public projects, or in some cases through personal relationships, even bribery.

Since economic reform, the state ceased taking sole charge of redevelopment activities and began to seek cooperation with the private sector. Pursuing common interests in local economic expansion and wealth accumulation, pro-growth coalitions have been formed to facilitate inner-city redevelopment between local government, construction companies, and financial institutions (Fu, 2002; Zhang, 2002; Zhu, 2000). However, in the common effort of transforming the city into a growth machine, the private sector is modulated by various rules and regulations, and by the tiers of urban governance. The influence of private enterprises on urban governance is still very inconspicuous. The essential role of local elites suggested by the theory of growth machine has not been found. Furthermore, the primary land market is monopolised by the government. Under the land leasing system, private enterprises can only possess partial property rights for limited durations.

Even in post-reform China, the state is still an influential player within urban redevelopment. The central state adjusts redevelopment through financial leverage (e.g. to regulate the immoderate property boom, and restricting loans from state-owned banks for property development), through policy intervention (e.g. to control the total volume of construction), and through institutional changes (e.g. to accelerate housing reform and housing construction). The local state directly controls

the primary land market, delivers the policy of the central state, and makes specific rules and decisions for local development. Moreover, within the gradual reform process, government and work units are still actively involved in housing provision and the property market (Han & Wang, 2003; Wang & Murie, 2000). Rapid urban development in Shanghai is the result of the policy intervention of the central state. Although market forces have become increasingly powerful, intervention and governance from the state are still crucial and necessary as supplements to an immature market system. In other words, the government is controlling the direction and pace of redevelopment. Within the process of urban redevelopment in China, marketised operation is advocated on the one hand, government mediation is continued on the other.

5.5.2 Comparison of property-led redevelopment between the UK and China

In the 1980s UK, urban policy relied on privately invested property development to promote urban redevelopment (Turok 1992). In present-day Shanghai, the local authority also adopts the strategy of property development to expedite urban redevelopment through attracting and assisting investment from the private sector. Intending to provide a better understanding of the ongoing urban redevelopment boom driven by property development in Shanghai, the concept of property-led redevelopment is referred to in this study. To contextualise this concept in the Chinese context, this study compares the practices of property-led redevelopment in the UK and China. In comparison with property-led redevelopment prevailing in the UK during the 1980s and the early 1990s, remarkable similarities are found in modern urban China, while differences are also salient in terms of basic motivation, roles of the state and the private sector, and the method of operation.

There are similarities in many aspects: redevelopment strategy, spatial emphasis and social impact (see table 5.4). Similarities are also found partially in the basic redevelopment motivations and the roles of the government and private sector. In the UK, property-led redevelopment once occupied a central place in urban policy and attempted to expand the local economy, revitalise declined areas, and re-image the city. The increasingly privatised urban policy relied on the private sector and public-private partnership to create pro-growth coalitions and turn the city into a

growth machine. In urban China, similar motivations have been identified. The strategy of promoting redevelopment through property development has also been adopted. Pursuing maximum potential profits, both in the UK and China, property-led redevelopment has particular spatial emphases on city centres and waterfronts, e.g., the London Docklands redevelopment and the ongoing Huangpu River redevelopment in Shanghai. In both countries, various supports and priorities are provided by the state to attract private investment and facilitate redevelopment. Carrying out most of the redevelopment projects, the private sector is the principal participator in the pro-growth coalition and undoubtedly provides a driving force for urban redevelopment in both the UK and China. Furthermore, the social impacts in both countries are also similar. Urban neighbourhoods are excluded from the growth coalition of redevelopment in both countries. Ignoring social regeneration and community participation, property-led redevelopment has aroused social conflicts concerning residential displacement in the UK, due to the uneven distribution of redevelopment outcomes. In China, the large-scale redevelopment taking place in some thriving inner city neighbourhoods has brought significant damage to the residents and small businesses, especially to the middle- and low-income groups.

The differences are also noticeable. Regenerating derelict areas and revitalising the inner city are the basic motivations of property-led redevelopment in the UK. However, in China the inner city is always a hub of various urban functions covering residential, commercial, and recreational land uses. Urban redevelopment is not only a means of reconstructing the dilapidated urban areas. Local revenue raising and the capture of consumption capital are also important motivations for urban redevelopment. Moreover, creating demonstrative redevelopment projects to win promotion for political elites is another important motivation for local government under the particular Chinese political promotion system (Zhang 2002). During the 1980s, the role of local government in the redevelopment process in the UK was minimised and substituted by private-sector-led initiatives. However, the situation in China is different. The state monopolises the primary land market and oversees the redevelopment process. Under administrative decentralisation and government entrepreneurialism, local government is empowered with more decision-making rights. Accordingly, local government can decide their specific redevelopment strategy and redevelopment methods. There are also differences between the UK and

China concerning the role of the private sector in urban redevelopment. In the UK, private-sector-led initiatives, e.g. the Enterprise Zones (EZs) and the Urban Development Corporations (UDCs), were developed to deliver redevelopment strategies and supervise redevelopment projects. The privatisation process of urban policy ensured the leading role of the private sector. However, in urban China, despite its increasing importance, the private sector has little influence on local governance and the decision-making process in local development. Under market transition, private enterprises are still modulated by the state. Finally, the operation mechanisms in the UK and China are also distinctly different, based on the diverse urban land ownerships and political systems. Property-led redevelopment in UK adopts a full market operation mechanism under a mature market system and the private ownership of urban land. However, in China the government controls the ownership of urban land, and the upper level of government rather than the residents has the power of decision-making on the promotion of officials. The redevelopment processes are thus influenced by non-market factors such as inequitable practices and corruption, policy intervention by different tiers of government, and the political motivation of the local government (such as using land development to build a record of political achievement).

Table 5.4

Comparison of property-led redevelopment between the UK and China

Similarities	**Basic motivations**	Local economic growth, urban re-imaging
	Strategy	Relies on private property development to promote urban redevelopment
	Spatial strategies	Inner city areas and waterfronts regeneration
	Role of government	Favourable policies and various supports are provided to attract and facilitate the extensive involvement of the ate sector
	Role of private sector	Principal participator of the pro-growth coalition, provides driving force for urban redevelopment
	Social impacts	Urban neighbourhood is neglected, and suffers from the uneven distribution of redevelopment benefits

		United Kingdom	**China**
Differences	**Basic motivations**	Inner-city revitalisation, regenerates derelict areas	Local revenue raising; urban function transformation; political place promotion
	Role of the government	Local government's role in supervising redevelopment projects and policy delivery is minimised	Local government is empowered with more autonomy under administrative decentralisation and government entrepreneurialism, plays a leading role in the pro-growth coalition
	Role of the private sector	Plays a leading role in the pro-growth coalition; private-sector-led organisations are developed to deliver regeneration strategies	Weak influence on local governance; regulated by policy intervention, financial leverages, and different tiers of governance
	Operation mechanism	Private ownership of urban land; full market operation	Public ownership of urban land; influenced by non-market factors

5.5.3 Contesting the urban growth machine

To examine the applicability of the urban growth machine to the Chinese context, it is essential to look at several key elements of the urban growth machine: the rentiers (developers), local government, local residents, and their interrelationships.

First of all, this study examines the interaction between local government and developers. At the early stage of land and housing reform, the state provides various privileges to manoeuvre the investment from enterprises into urban redevelopment projects, e.g. exempting land use fees and approval of flexible land development. To some extent, offering a number of favourable policies and subsidies, the local government was still playing a paternal role to guarantee the implementation of urban redevelopment. With the deepening of market-oriented economy reform, a series of institutional transformations has taken place. As a result, the interests of the local state and developers overlap in many aspects. For instance, increasing local revenue, re-imaging urban landscapes and acquiring political achievement through real estate development have become important targets for local government. Based on the common goals of economic growth and urban development, a reciprocal relationship between local government, especially district government, and developers has been developed. Nowadays, under market transition, the interaction between local government and developers is becoming very complicated and subtle. Although 'the market is much more than a tool in the state's decision-making' (Zhang 2003: 1549), it is also clear that 'global capitalism has to seek shelter from locally specific conditions in order to take root in socialist soil' (Lin 2001: 383). International capital has to adapt itself to the uncertain market conditions and unpredictable institutional changes in China. According to the experiences of some successful real estate companies, it is crucial to maintain a close connection with the local state, which allows them to have higher priorities in land development.

Different from the US-style urban growth model in which the influential local business elites reign over the development progress, urban redevelopment in China is directed by the state. The mode of urban (re)development is shaped by the strategies of the government other than purely the interests of rentiers. The local government is far from the helper of the private sector. Quite the contrary, the private investors and

developers are trying to be auxiliaries to the local government to solidify their interests. The interests of developers and the local government are not reconciled all the time, and the interests of the former have to give way to that of the latter. The interrelationship between the local government and developers can be boiled down to government-centralised cooperation. The government provides opportunities and incentives for property development, and the developers produce physical improvement and economic development as a return. However, their reciprocal cooperation is not developed on an unequal basis, as the government can change the rules of the game. Apparently, lacking the overriding role of the 'rentiers' and 'growth', the foundation of the US-style urban growth machine does not exist in the context of urban China.

In the post-reform period, local government, especially district government, is still responsible for the demolition and relocation process, since the demolition and relocation fee is included in the land acquisition fee submitted by developers. As the redevelopment project gets started, the local government assigns demolition and relocation tasks to affiliated demolition companies. Therefore, there is no direct interaction between developers and residents. Here, the interaction between the state and residents within the demolition and relocation process is examined. For people living in old and dilapidated areas, redevelopment is the best and also possibly the only way to improve their housing conditions. Therefore, people used to long for redevelopment and cooperated with the government to facilitate the demolition and relocation process. Today, demolition and relocation is becoming a complicated and time-consuming process. The profit-seeking nature of demolition companies, the undefined or unreasonable compensation standards, and the opaque operation have together resulted in corruption and unfair practices within the demolition and relocation processes, and have created conflicts between the state and residents. Formerly taking care of the interests of residents, the local government now endeavours to pave the road to economic development, within which residential relocation becomes a means of facilitating real estate development. However, facing the intensified social conflicts caused by redevelopment, notwithstanding the dominating imperative of development, the government has slowed down the pace of development to mitigate the conflicts and protect the interests of relocated residents. In early 2005 Shanghai started to propose a series of affordable housing development

plans in a few inner city districts where the most expensive properties are concentrated. This is obviously a great gesture showing the government's intention to protect the interests of middle- to low-income residents. The government's deviation from the 'growth first' goal, maybe just a temporary and necessary reaction though, greatly contrast to the durable and sustained characters of the urban growth machine suggested by Molotch.

Table 5.5

Examining the elements of urban growth machine under different political economic contexts

	Rentiers	Local government	Local residents	Pro-growth coalition
Under the U.S. context	Land & capital owners, play a leading role in the growth coalition	Co-agent of the rentier, offering wide support to promote urban growth	Resistance does not affect the durability of the growth machine	Property interests-centred, led by private sector, durable goal of 'growth'
Under the Chinese context	Lack of land ownership, restricted by the regulations and governance from the local state	Owns urban land & political resources, supports and modulates private sector	Intense social conflicts lead to the slowing down development process	Led by the state and modulated by the state policy

To sum up, table 5.5 examines the elements of the urban growth machine in the US and Chinese context. In China, the 'rentiers' have a quite different role compared with the US, since the state instead of the private sector is the virtual landowner. Inevitably, private enterprises do not play a leading role in the growth process, while the government retains its formidable influence on urban redevelopment. Furthermore, the social conflicts caused by residential displacement in China have aroused the attention of the government and led to tight control over the development process. The foundation and durability of the urban growth machine is therefore significantly impaired. Regarding the great contrasts existing in the elements of the urban growth machine, simply transplanting the US-born theory in the socialist soil is really problematic. The ongoing urban redevelopment in China is actually sponsored and regulated by the state rather than promoted by local business elites.

Nevertheless, the concept of the urban growth machine is still useful to interpret the rapid local development in China in terms of analysing the interactions between key actors. But in the Chinese context, the machine has been retooled into a state-manipulated growth machine and is operated by the state-led pro-growth coalition.

5.6 Conclusion

In the post-reform era, the urban redevelopment approach has experienced the change from state-planned alleviation of old and dilapidated housing estates, to state-subsidized urban renewal, to state-sponsored property development. At present, driven by political economic reforms and demands for urban growth and property development, property-led redevelopment featuring the private sector's extensive participation and chasing after property interests has become a dominant redevelopment approach in Shanghai nowadays. Similar to the practices in the 1980s UK, the ongoing property-led redevelopment projects in Shanghai are mainly concentrated in the inner city and waterfronts. Furthermore, the redevelopment scale and speed in Shanghai even exceed its prototypes in Western countries. Within the booming property-led redevelopment movement in Shanghai, the Xintiandi redevelopment project attracts much attention and discussion, and even rouses a 'Xintiandi phenomenon' in the country, as many cities try to copy its successful experience. The case study on the Xintiandi project illustrates the operation of property-led redevelopment in a different political economic context, and also manifests a particular public-private relationship within the urban redevelopment process.

To implement 'property-led redevelopment' in market transitional Shanghai, private enterprises, including those from overseas, play an irreplaceable role by providing amber capital resources. The local state acts as an active collaborator. However, administrative decentralisation also results in a division of labour between district governments and municipal government. Due to their different interests and responsibilities, an inconsistency between different levels of government emerges. Pursuing rapid revenue increase and political achievement, the district governments are the advocators for extensive property-led redevelopment. However, the municipal

government has to modulate the redevelopment process and retain the balance between urban growth and social needs, since it is directly responsible to central government. Therefore, district governments maintain cooperative relationships with the private sector based on their common interests, whilst the municipal government adjusts the market operation by different means. As a result, the private sector has to play structural speculation to facilitate their development and maximise their profits under different levels of governance. As for the urban neighbourhoods excluded from the pro-growth coalition, property development and residential displacement are carrying through to pursue rapid urban growth, regardless of whether the area is thriving or declining. In fact, residents have never been included in the decision-making process of urban redevelopment in China. The difference between the pre-reform and post-reform era is that the interests of local residents, which used to be taken care of by their local government and work units, have now been made secondary to the imperative of growth.

In Shanghai, the local government and the private sector are bonded together to promote urban growth. However, the local government is not just a partner of the private sector or a facilitator of urban development. Actually, the extensive urban redevelopment movement is not triggered by the profit-seeking local business elites, but by the growth-targeted state. Furthermore, the 'growth promotion' motivation of urban redevelopment is also modulated by the objectives of maintaining social stability and sustainable development. The government is a promoter and a regulator of redevelopment at the same time. Deregulation and re-regulation coexist within the ongoing experiment of market-oriented reform in China. Within the gradual reform, the government adjusts their goals and policies in different phases. Although 'growth' is the long term goal of the state, there are intervals of other temporary goals, and the strategies of 'growth promotion' might be adjusted from time to time. Therefore, the partnership between the local state and enterprises can be more properly termed as 'state-led pro-growth coalition'.

The prosperous real estate market, in which urban growth is rooted, is forged neither by the local business elites nor the local state *per se*. In fact, the booming urban redevelopment in Shanghai has close connections with a wider range of political economic transformations, e.g. globalisation and central government policy. Since

1992 when Pudong New District development was proposed, the central state is undergoing its ambitious experiment to rebuild Shanghai as a global city. Special priorities are given to the largest city in China to attract FDI and promote rapid development. Stimulated by state policy and the internationalised market, huge expectation and tremendous demands in the property market are created, which directly contribute to extensive urban redevelopment. The incentives of the active participation of private investors and developers come from the favourable policies offered by the government, the profitable market conditions and the long term profits gained through maintaining good contact with local government. In other words, the prosperous real estate development and the mushrooming urban redevelopment are sponsored by the government, rather than automatically generated by the market or dominated by the local business elites. Therefore, the rapid urban redevelopment centralised on property development is the result of the operation of 'the state-manipulated growth machine'.

CHAPTER SIX

SOCIOECONOMIC OUTCOMES: NEIGHBOURHOOD CHANGE AND IMPACT ON AFFECTED RESIDENTS

6.1 Introduction

In present-day Shanghai, urban redevelopment has been adopted as an 'effective' strategy to re-image the city and promote urban and economy growth. The entire city, especially those old urban neighbourhoods in the inner city, has been under tremendous influence. Within the booming urban redevelopment area, the urban landscapes and population distribution have seen significant change. Meanwhile, tremendous housing demolition and residential relocation occur. Although redevelopment generally improves the housing conditions for relocated residents in comparative terms, the socioeconomic outcomes of redevelopment are not always optimistic. Apparently, a study on the socioeconomic outcomes of urban redevelopment is of great significance. Previous chapters have answered the questions about why and how extensive large-scale redevelopment is carried out in today's Shanghai, through analysing the political-economic conditions and operation of the property-led redevelopment. Therefore, this chapter mainly looks at the socioeconomic outcomes of urban redevelopment, especially at the level of urban neighbourhood. This study is not simply aiming to focus on the problem of residential displacement per se. Instead, this chapter will delve into the socioeconomic implications of urban redevelopment on neighbourhood change and affected residents. Two questions will be raised here: how are the trajectories of neighbourhood change shaped under rapid urban redevelopment? What is the impact of urban redevelopment on different groups of affected residents?

Studying neighbourhood change in the Western society, the school of political economy emphasises the decisive effects of the capital accumulation process and the external institutional actors in shaping the trajectories of neighbourhood change (Castells 1977; Galster 1990; Harvey 1973; Lefebvre 1991; Logan and Molotch 1987; Palm 1985; Squires and Velez 1987). However, the situation of neighbourhood change in market transitional China is still unknown. Although existing studies on China's urban redevelopment have recognised the negative effects of residential displacement (see Gaubatz 1999; Leaf 1995; Zhang 2002, Zhang and Fang 2004) and called for alternative urban redevelopment approaches emphasising residents' interests (see Fang 2000; L. Y. Wu 2000, Zhang 1996), a full understanding on the specific impact of urban redevelopment on different groups of residents is still lacking. Therefore, referring to the previous studies and based on the firsthand data collected from the questionnaire survey and interviews, this chapter aims to examine the socioeconomic outcomes of urban redevelopment in Shanghai from two perspectives: the trajectories of neighbourhood change and the impact on different groups of residents.

First of all, there will be an introduction on the outcomes of urban redevelopment in the whole city in terms of changing urban landscapes and demographic characteristics. Then, based on the questionnaire survey, this study traces the trajectories of neighbourhood change in two redevelopment projects by examining the change in both built environment and socioeconomic profiles. Through analysing affected residents' changing housing status and their evaluation on neighbourhoods and redevelopment, this study examines the impact of urban redevelopment on different groups of residents. Based on interviews with residents of various socioeconomic status (Personal communication, I15-I30), different routes of housing status change among affected residents and the socioeconomic implications are illustrated. Residents' evaluation on their neighbourhood and the ongoing redevelopment, e.g. potential impact of redevelopment, assessment on redevelopment approach and relocation compensation method are also analysed. Finally, the socioeconomic outcomes of urban redevelopment in Shanghai are summarised.

6.2 The outcomes of rapid urban redevelopment in the whole city

This section aims to provide a general picture of the changing urban landscapes and demographic characteristics in Shanghai under rapid urban redevelopment. Basically, these changes include the improvement of the built environment and the redistribution of population in the whole city. The extensive urban redevelopment movement has resulted in the clearance of dilapidated urban areas, increasing construction density and high-rise/high-end properties, and the beautification of environment. Meanwhile, the inner city has also seen decreasing population density and increasing concentration of population with higher socio-economic status.

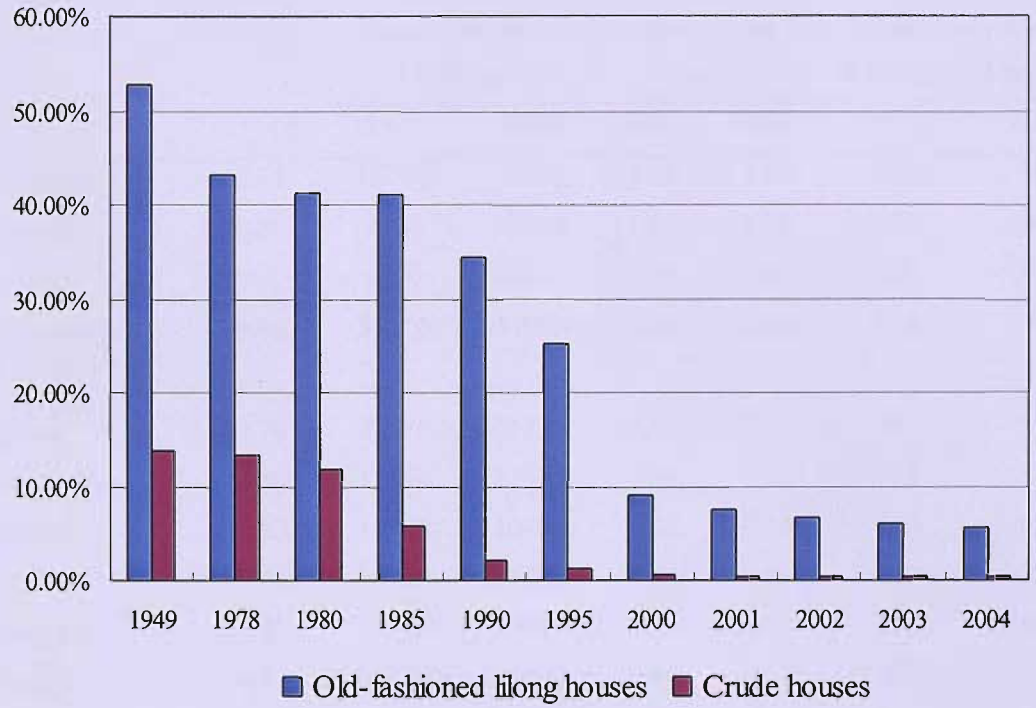
6.2.1 Changing urban landscapes

As city re-imaging has become one of the major incentives of urban redevelopment in Shanghai, urban landscapes are experiencing tremendous transformation, e.g. clearance of old and dilapidated urban areas, mushrooming new construction and city beautification. Until the late 1990s, the inner city of Shanghai had a high concentration of old and dilapidated housing estates, which mostly consist of old-fashioned *lilong* houses and crude houses. These old and dilapidated neighbourhoods have long been the focus of urban redevelopment in Shanghai. With urban redevelopment projects being extensively carried out since the 1990s, hundreds and thousands of old-fashioned *lilong* houses and crude houses have been demolished and replaced by modern apartments, offices buildings, commercial and recreational facilities. As a result, their proportion within Shanghai's housing stock has dramatically decreased (see figure 6.1).

Meanwhile, a number of new buildings have been constructed at the redeveloped sites through real estate development to re-image the inner city and increase local revenues. Pursuing high profit from the real estate market, large amount of high density and high value-added properties are developed. As shown in table 6.1, the amount of commercial housings constructed, especially villas and luxury apartments are constantly increasing in recently years, while the construction of affordable housing has been suspended since 2000.

Figure 6.1

Changing proportions of old-fashioned *lilong* houses and crude houses in Shanghai (1949-2004)



Source: Shanghai Statistical Bureau 2005.

Table 6.1

Construction of various buildings in Shanghai (1995-2004) (unit: 1000 m^2)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Residential	5297.7	9923	11761.4	12420	12292.3	13880.1	15242.1	17081.1	21399.9	30761.9
Villas & luxury apartments	755.0	982.8	504.0	439.9	659.3	663.8	927.4	1728.2	2573.1	2631.4
Affordable housing	748.3	510.8	681.5	595.3	909.1	--	--	--	--	--
Offices	308.2	860.1	1707.0	1669.4	930.1	959.3	622.3	548.3	631.5	730.5
Commercial	507.4	628.8	593.2	1110.9	908.9	1001.6	1134.8	1278.3	1630.1	1657.3
Others	890.6	666.7	588.0	453.2	554.9	595.2	914.4	939.1	1256.9	1280.5

Source: Shanghai Statistical Bureau 2005.

Table 6.2

Changing amount of construction and development intensity in central Shanghai (1993-2004)

	Area (km^2)	Amount of construction ($1000m^2$)		Gross FAR (floor area ratio)		Number of buildings with 8-floors and beyond	
		1993	2004	1993	2004	1993	2004
Huanpu*	12.41	13290	18290	1.07	1.47	110	388
Luwan	8.05	8460	12340	1.05	1.53	47	288
Jing'an	7.62	9470	14190	1.24	1.86	58	359
Sub-total (city core)	**28.08**	**31220**	**44820**	**1.11**	**1.60**	**215**	**1035**
Xuhui	54.76	22010	41230	0.40	0.75	207	831
Changning	38.30	15070	27510	0.30	0.72	132	570
Putuo	54.83	17770	40800	0.32	0.74	110	952
Zhabei	29.26	15020	23600	0.51	0.81	78	337
Hongkou	23.48	17710	27990	0.75	1.19	157	530
Yangpu	60.73	26570	40590	0.44	0.67	99	1272
Total (central area)	**289.44**	**145370**	**246540**	**0.50**	**0.85**	**998**	**5527**

Source: Shanghai Statistical Bureau 1994, 2005.

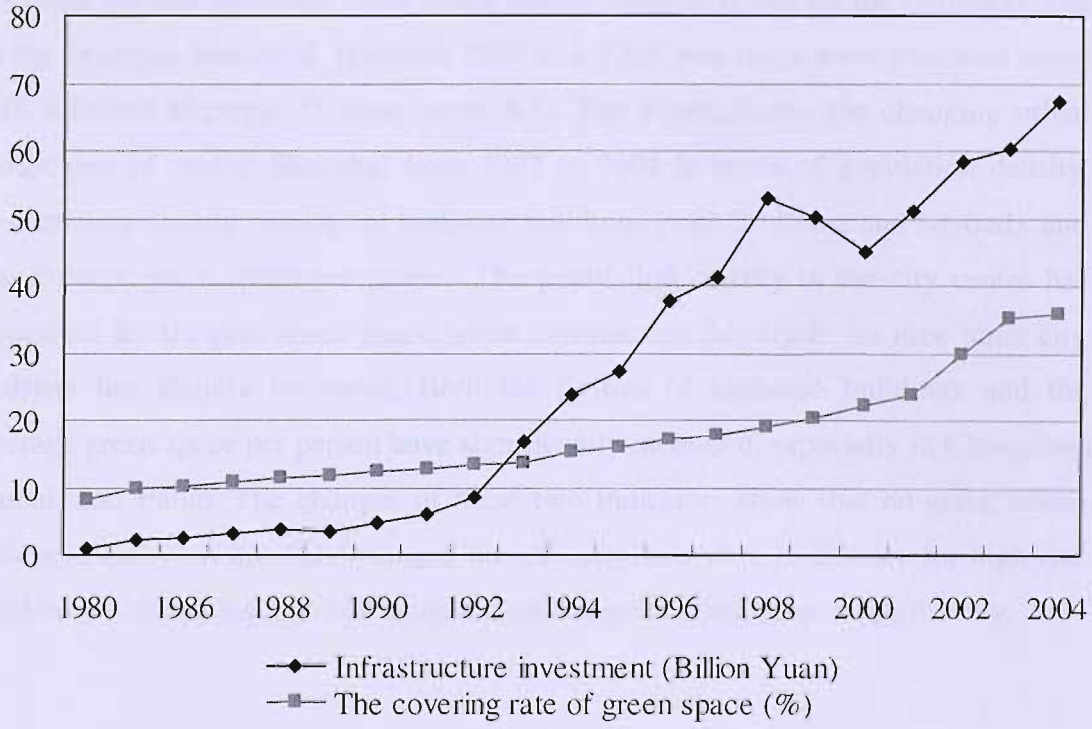
*Note: since Nanjing district has been merged in to Huangpu district in 2000, the data of Huangpu district in 1993 includes that of Nanshi district.

Table 6.2 shows rapidly increasing amount and density of construction in central Shanghai. From 1993 to 2004, the amount of construction in the city centre has increased by 43.6 per cent; the FAR has increased by 44.1 per cent; and the number of buildings with 8 floors and more increased nearly five times. The central city area also experienced a great increase in the amount of construction (69.6 per cent), FAR (70 per cent), and number of buildings with 8 floors and beyond (5.54 times). According to the Shanghai Statistical Yearbook 2005, the number of high-rise buildings (with 20 floors and more) in the whole city has exceeded 2870, the total built floor area in the city has reached 593.14 million square meters towards the end of 2004 (Shanghai Statistical Bureau 2005). Furthermore, there are still a number of high-rise buildings under construction. It is reported that Shanghai has become one of the cities owning the largest number of high-rise houses in the world. These

figures suggest that, boosted by the unprecedented large-scale and high-speed redevelopment and real estate development, the urban landscapes of central Shanghai has seen significant changes characterised by increasing construction density and heightening skyline.

Figure 6.2

Increasing infrastructure investment and the covering rate of green space (1980-2004)



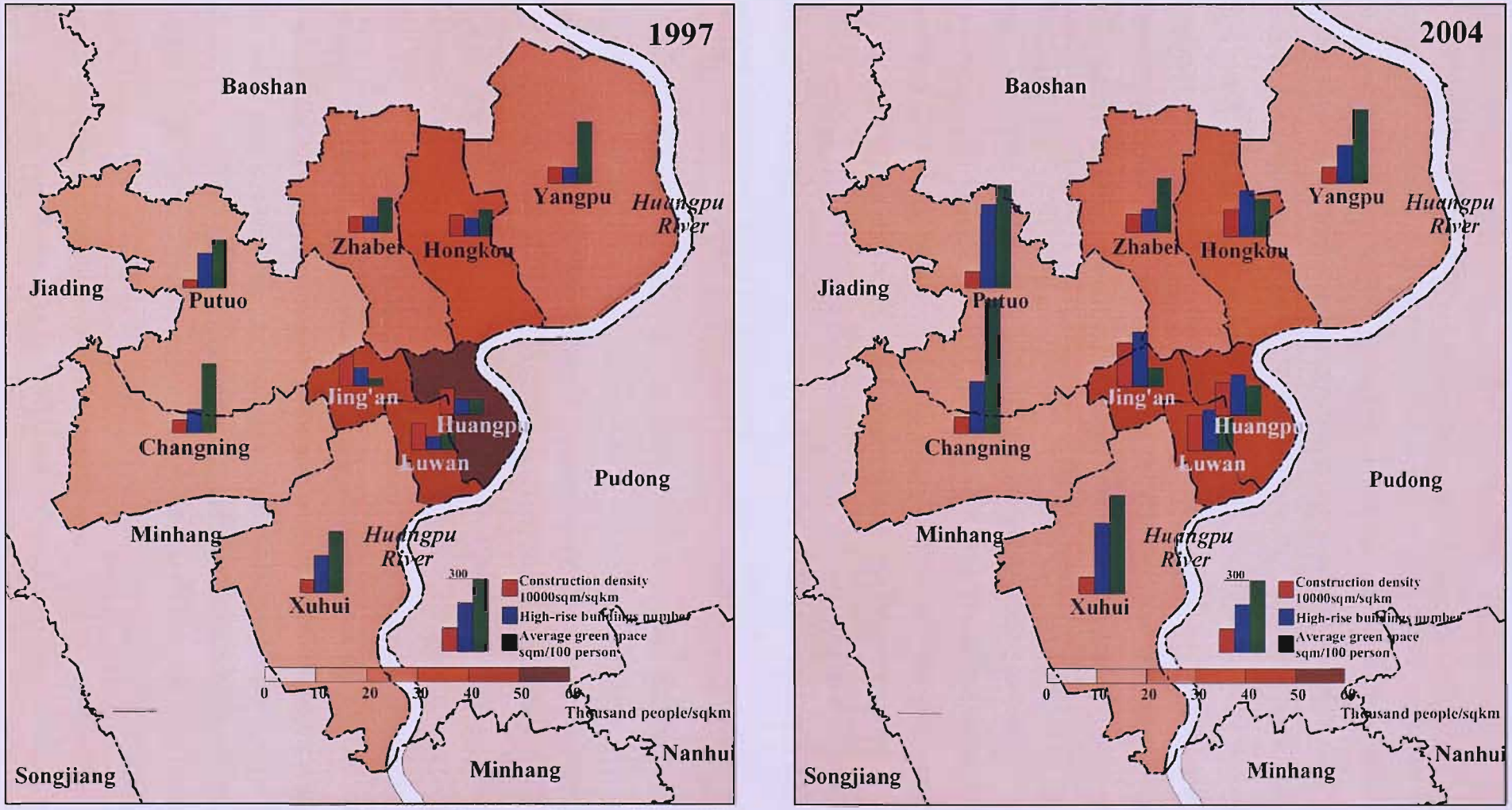
Source: Shanghai Statistical Bureau 2005.

Besides dilapidated areas clearance and new buildings construction, Shanghai also endeavours to improve its infrastructures and city's appearance. Once criticised as a 'forest of steel and concrete', Shanghai launched a city beautifying movement since the Ninth FYP (1996-2000) to accelerate public green area construction through implementing urban redevelopment projects. During the last two decades, infrastructures and public green space construction in Shanghai have experienced rapid progress through large-scale redevelopment projects. A number of large scale public green areas have been developed along main roads in the inner city and waterfronts. As shown in figure 6.2, the investment in urban infrastructure has constantly and significantly increased since 1980. The public green space

construction also experiences a rapid increase. Towards the end of 2004, the percentage of green area covering Shanghai rose to 36.0 per cent. And Shanghai was therefore awarded the honour of 'national garden city' by the Minister of Construction in 2004 (Shanghai Statistical Bureau 2005). Shanghai government's endeavour to develop public green space indicates that urban redevelopment has been adopted as an effective strategy of city re-imaging and beautification.

The real estate market in Shanghai was in its downturn in 1997, after that it entered a booming era and promoted rapid urban redevelopment. Based on the statistical data in the Shanghai Statistical Yearbook 1998 and 2005, two maps were produced using GIS software *Mapinfo 7.0* (see figure 6.3). The figure shows the changing urban landscapes of central Shanghai from 1997 to 2004 in terms of population density, construction density, number of high-rise buildings (with 20 floors and beyond), and the average green space per person. The population density in the city centre has decreased for the past seven years, while construction density in the nine inner city districts has slightly increased. Both the figures of high-rise buildings and the average green space per person have significantly increased, especially in Changning, Xuhui, and Putuo. The changes of these two indicators show that on-going urban redevelopment has not only changed the city skyline with a preference for high-rise modern buildings, but also has increased public green areas to re-image the city.

Figure 6.3 Changing urban landscapes in central Shanghai (1997 versus 2004)



Source: produced based on data from Shanghai Statistical Bureau 1998, 2005.

6.2.2 Population redistribution

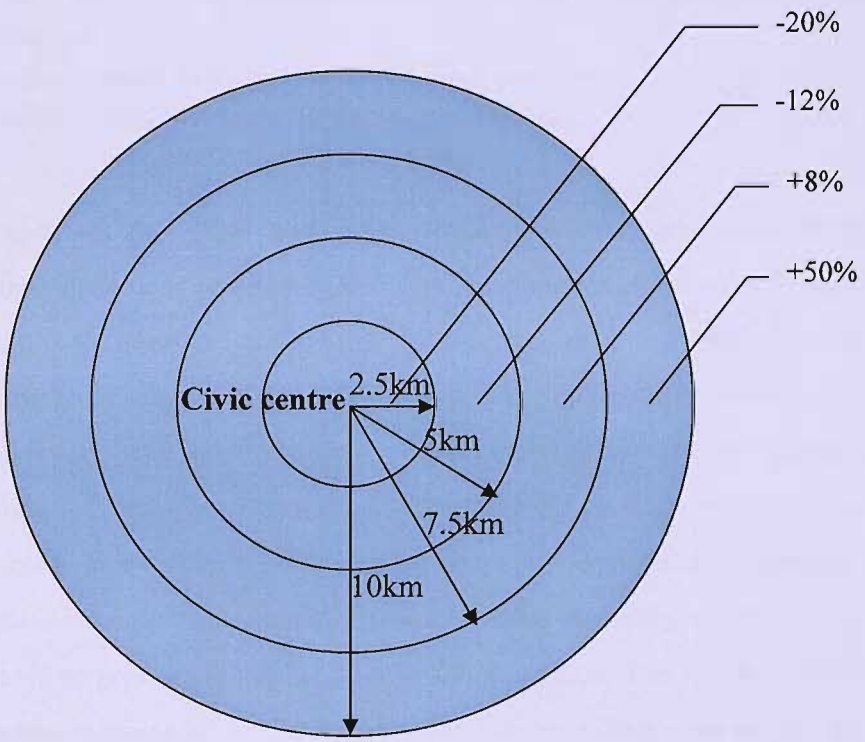
With the implementation of large scale urban redevelopment and the rapid real estate development through land leasing, Shanghai has experienced tremendous residential relocation between the inner city and the fringe. According to statistical data, until the end of 1997, there were about 456,300 households, comprising more than 1.4 million people moving out the inner city (Fan 2004). Meanwhile, a large population also entered the inner city and other built-up areas in Shanghai. According to the 1990 and 2000 census data, the population in the city core, that is Huangpu district, Jing'an district, and Luwan district, has reduced by 691,700 within 10 years, with a reducing rate of 36.4 per cent. During the same period, the population in the six districts: Xuhui, Putuo, Pudong, Minghang, Baoshang, and Jiading have increased by 2,998,400, with an increasing rate of 63.5 per cent. The population redistribution from 1990 to 2000 could be generalised as a co-centric circles model (Gao and Jiang 2002). As show figure 6.4 shows, if the civic centre in the People's square is set as the centre point, the population has decreased by 20 per cent and 12 per cent respectively within the radiuses of 2.5 km and 5 km, and has increased 8 per cent and 50 per cent respectively within the radiuses of 7.5km and 10km.

Table 6.3 also shows the changing population distribution in different areas of Shanghai based on the five census data between 1953 and 2000. Except for a slight increase between 1982 and 1990, there is a clear trend of decreasing population in the inner city area between 1953 and 2000, especially the ten years period between 1990 and 2000. The population in the city centre, i.e. Huangpu, Luwan and Jing'an, has decreased by nearly 50 per cent from 1990 to 2000. For those people who have relocated from the inner city to the periphery, many have relocated involuntarily, and urban redevelopment projects and work units housing allocation are two major motivations for this. The comparatively cheaper housing prices in the outskirts do attract some people who wish to purchase a larger house but lack the capability. However, the inconvenience of commuting and the poor infrastructure has greatly hampered large scale voluntary relocation to the outskirts. On the contrary, residential relocation that involves moving towards the inner city is normally voluntary relocation associated with personal choices, e.g. purchasing commodity housing (Li and Siu 2001a, 2001b; Wu 2004). Considering the extremely high housing prices in the redeveloped inner city, people relocating to the inner city

generally have comparatively higher socioeconomic profiles. On the one hand, the extensive redevelopment in the inner city pushes numerous middle- to low-income people relocating into the outskirts. On the other hand, this attracts the influx of affluent people into the inner city by re-imaging the dilapidated urban areas. Apparently, urban redevelopment has significantly contributed to population redistribution in Shanghai. In general, the implementation of a series of urban redevelopment projects, e.g. the '365 scheme', has resulted in the significant decrease of population in the city centre.

Figure 6.4

The co-centric circles model of population redistribution in Shanghai (1990-2000)



Source: compiled from Gao and Jiang 2002.

Table 6.3

Population distribution in different areas of Shanghai (1953-2000)

Unit: million people / percentage

	The first census-1953		The second census-1964		The third census-1982		The fourth census-1990		The fifth census-2000	
	people	%	people	%	people	%	people	%	people	%
Whole city	**8.98**	**100**	**10.82**	**100**	**11.86**	**100**	**13.34**	**100**	**15.57**	**100**
Inner city[1]	**5.28**	**58.8**	**6.29**	**58.1**	**5.89**	**49.7**	**6.86**	**51.4**	**6.68**	**42.9**
City centre[2]	2.39	26.6	2.57	23.8	2.11	17.8	1.97	14.8	1.18	7.6
Outskits[3]	**3.7**	**41.2**	**4.53**	**41.9**	**5.97**	**50.3**	**6.48**	**48.6**	**8.89**	**57.1**

Source: compiled from Lu 2003.

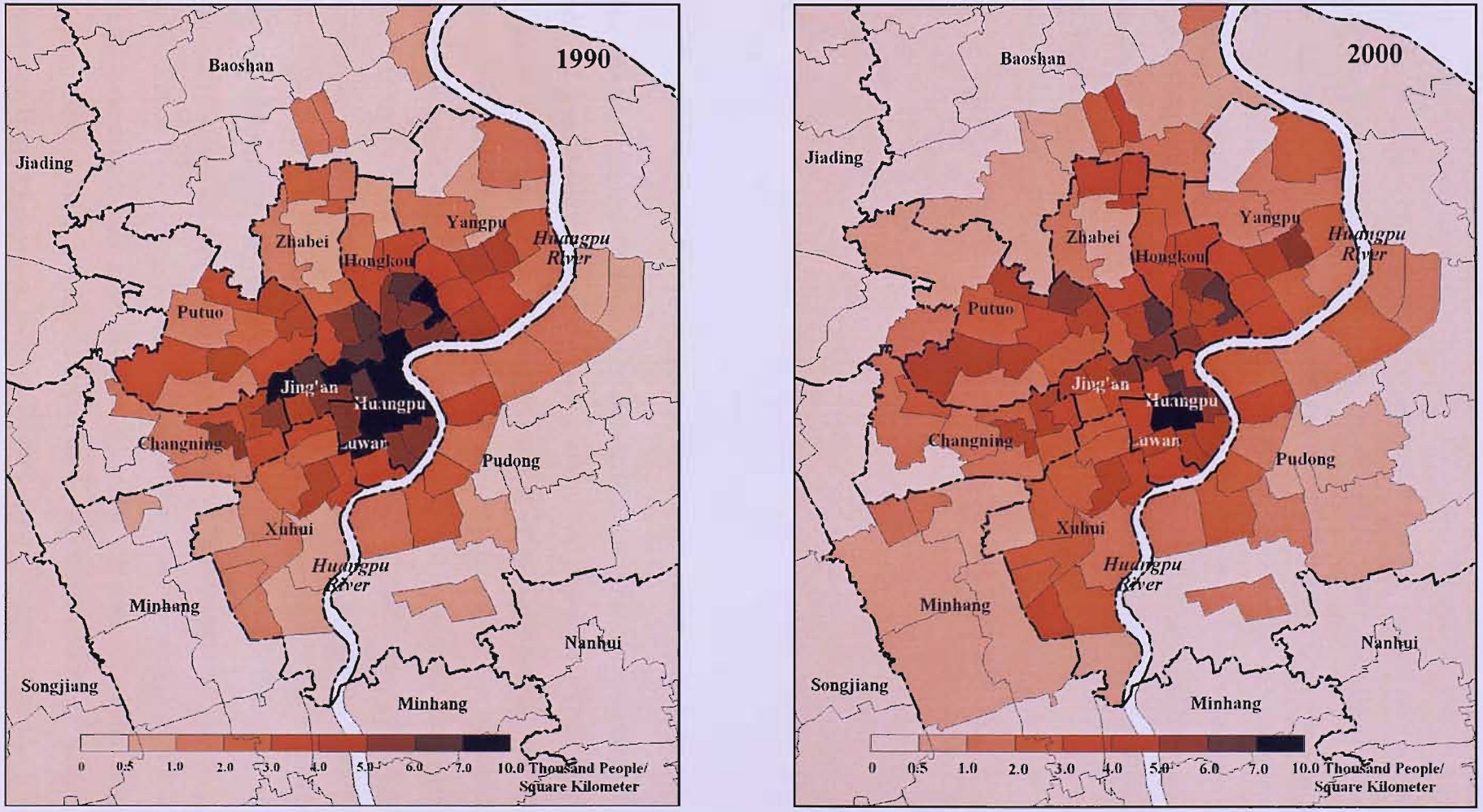
Note: [1] includes nine districts: Huangpu, Luwan, Jing'an, Changning, Xuhui, Putuo, Zhabei, Hongkou, Yangpu;

[2] includes three districts: Huangpu, Luwan and Jing'an;

[3]the rest of the city, including Pudong new district.

Based on the 1990 and 2000 census data (at sub-district level), two maps of population density in 1990 and 2000's Shanghai are produced (see figure 6.5). As the figure shows, the population density in the inner city, especially four districts: Jing'an, Huangpu, Luwan, Hongkou, has significantly decreased during a period of ten years. Meanwhile, some sub-districts in the city fringe, e.g. some areas in Pudong, Minhang, Baoshan, have absorbed a large chunk of the population relocated from the central areas, which results in an increase of population density. After a series of administration adjustments since the 1980s, Minhang, Baoshan, Jiading, Pudong, etc. have experienced rapid development, which has greatly facilitated the urban redevelopment in central Shanghai by providing spaces for relocated residents, factories, and work units.

Figure 6.5 Changing population density in Shanghai (1990 versus 2000)



Source: produced based on 1990 and 2000 census data.

Along with the decline of population density in the inner city, the socioeconomic profiles of population have also changed. Evidently, the central area is more and more concentrated with a higher socioeconomic profile population (people with higher level of education and income). Based on the 1990 and 2000 census data, figure 6.6 shows the redistribution of population that have gone through higher education (two years of college education and beyond) through comparing the location quotient (LQ) of people with higher education level at sub-district scale. The LQ index measures the concentration of a variable in a spatial boundary in comparison with the concentration of the variable throughout the metropolitan area (Burt 1996). The formula for calculating local quotient is as follow:

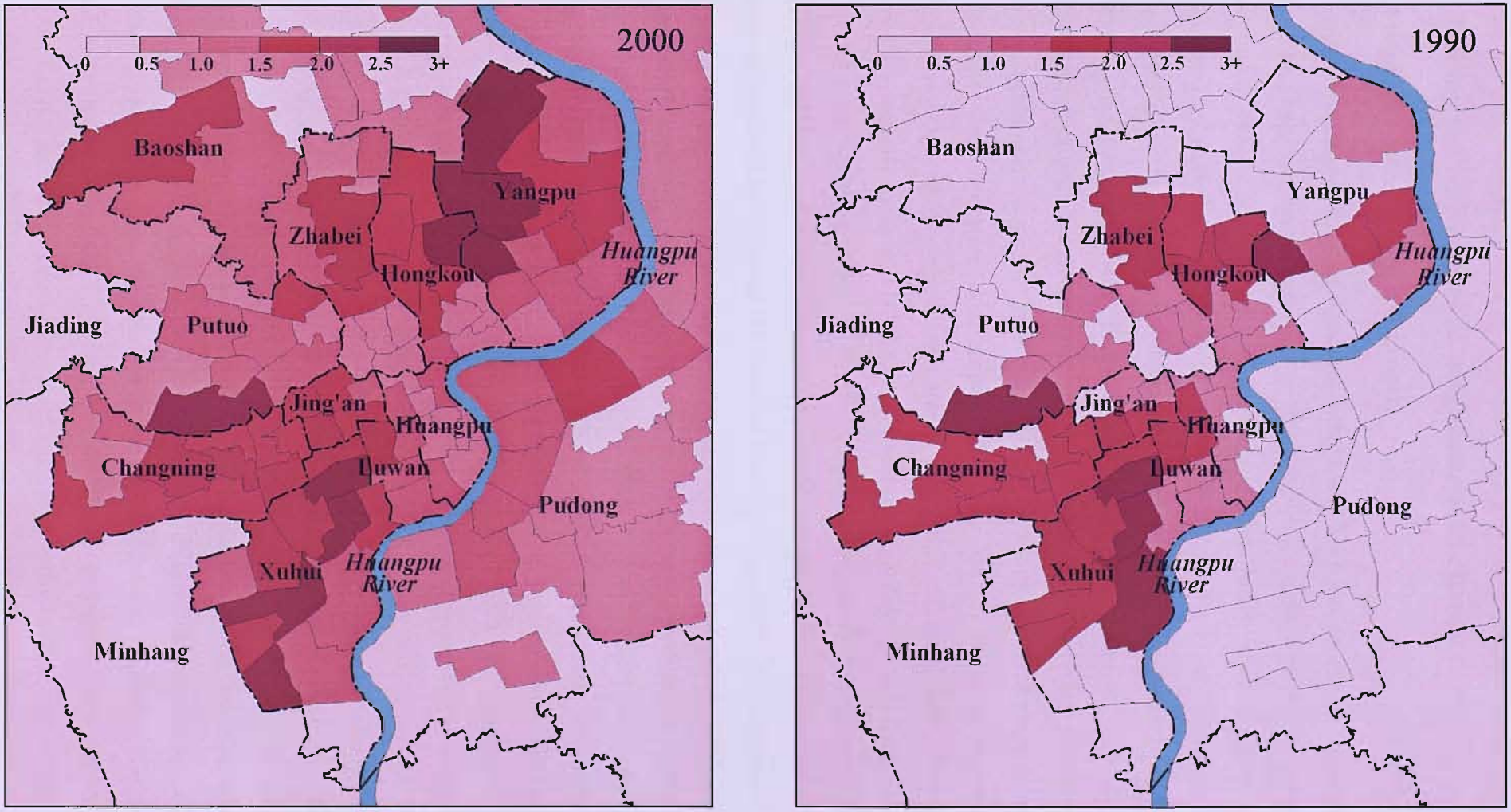
$$LQ = \frac{\dfrac{Q_i}{\sum_{i=1}^{n} Q_i}}{\dfrac{P_i}{\sum_{i=1}^{n} P_i}}$$

In this formula, i represents a spatial boundary, Q is the value of the variable, P is the number of some basic or aggregate phenomenon, e.g. population. The LQ index is very useful to compare an area's share of a particular activity/characteristic with the area's share of some basic or aggregate phenomenon. Here, i stands for a sub-district, Q is the number of people with higher education level, P is the number of population. If the LQ index of a sub-district is higher than 1, that means the degree of concentration of people with higher education level in that sub-district is higher than the average level. A higher LQ index suggests a higher concentration of people with higher education level. In 1990, the proportion of people who have gone through higher education in the whole city is 6.54 per cent. Excepting some sub-districts in Yangpu, Xuhui, Putuo, the percentage of people who are educated to higher level in the city central area was generally low. In many sub-districts of the inner city, especially those old and dilapidated urban areas, e.g. parts of former Nanshi (now merged into Huangpu district), Jing'an, Zhabei, Putuo, Yangpu, their LQ was even

lower than 1.0, which means the concentration of people with higher education level was lower than average. In 2000, the average percentage in the whole city has increased to 10.94 per cent. The LQ of people with higher education level in most parts of the inner city districts is higher than 1.0, which means a higher concentration of people with higher education level than average. Compared with 1990, people with higher education level have a considerably wider distribution and higher concentration in the inner city. In most parts of the inner city and even many areas in Baoshang and Pudong, the concentration of people with higher education level is much higher. Parts of Xuhui, Changning, and Yangpu have the highest percentage of higher education population, which is more than 30 per cent. While in some areas of Luwan, Huangpu, and Zhabei, the concentration of people with higher education level is lower than other inner city sub-districts because of lacking redevelopment.

As the result of extensive urban redevelopment, rapidly changing urban landscapes and population redistribution occur in Shanghai. The image of the city has been significantly reshaped. High-value-added properties, e.g. high-rise buildings, luxury apartments, office buildings, commercial and recreational facilities, have replaced the old and dilapidated urban areas. A number of public green areas have also been developed to beautify the city. Millions of people have relocated from the central areas to the periphery of the city. Meanwhile, the inner city is rapidly gentrified, in terms of people with higher socioeconomic profiles replacing those with lower socioeconomic profiles, better housing replacing the dilapidated ones. Apparently, urban redevelopment has profoundly influenced the city in both physical and socio-economical terms.

Figure 6.6 Changing location quotient of population with higher education level (1990 versus 2000)



Source: produced based on 1990 and 2000 census data.

6.3 Tracing the trajectories of neighbourhood change

6.3.1 Study areas and research approach

The extensive large-scale urban redevelopment in China has produced tremendous new urban landscapes and a vast sum of residential relocation. Serving for property development interest of developers, old neighbourhoods in the inner city have been redeveloped into diverse land uses. Therefore, their trajectories of neighbourhood change vary. This study focus on two famous urban redevelopment projects in recent Shanghai: the Liangwancheng project and the Xintiandi project. These two redevelopment projects are chosen because they represent the dominant property-led urban redevelopment approach in current Shanghai, though with slightly different motivations and operation approaches. As part of a Shanghai municipal government-proposed redevelopment scheme, the LiangWanCheng (LWC hereafter) project was initially motivated by the local government. While the XinTianDi (XTD hereafter) project was sparked off by real estate development. Nevertheless, both LWC and XTD have a central interest in property development, and involve large amount of residential relocation. In order to trace the trajectories of neighbourhood change in the two projects, it is necessary and important to understand the situation of pre-redevelopment neighbourhoods. However, it is impossible to visit the pre-redevelopment sites of the two projects since the old neighbourhoods have disappeared whilst the redevelopment projects were implemented. Therefore, to reconstruct the pre-redevelopment neighbourhoods in these two projects, two adjacent old urban neighbourhoods with similar built environment and socioeconomic profiles to the pre-redevelopment areas are also selected as study sites. Figure 6.7 shows the location of the four study sites. Table 6.4 shows the basic information about the four study sites. LWC represents residential redevelopment proposed by the local government and invested by a real estate developer. ShenJiaZhai (SJZ hereafter) is an adjacent dilapidated urban neighbourhood located in the north of Shanghai rail station and east of LWC, possessing a similar history and sharing characteristic with pre-redevelopment LWC. XTD represents private invested property-led redevelopment. With the most stylish and expensive shops and restaurants in Shanghai, XTD attracted lots of middle- to high-income consumers. JingAnLi (JAL hereafter) is a dilapidated old-fashioned *lilong* neighbourhood in Taipingqiao area, comparable to the pre-redevelopment XTD.

Figure 6.7

Location of the four study sites

Table 6.4

Basic information of the four study areas

Redevelopment type	Name	Description	House-holds*	Sample size
Government-proposed residential redevelopment project	LWC	Redeveloped residential complex: concentrated with middle-income groups from diverse origins	6,500	200
	SJZ	Pre-redevelopment of the neighbourhood: dilapidated shanty area concentrated with elderly and laid-off/unemployed	1,200	100
Property-led commercial redevelopment project	XTD	Redeveloped multi-purpose district: containing the most stylish and expensive shops and restaurants in Shanghai	NA	100
	JAL	Pre-redevelopment neighbourhood: old-fashioned *lilong* houses, filled with elderly and low-income residents	1,500	100

Note: *data provided by the residents' committee in each neighbourhood

The questionnaires and interviews were conducted within the fieldwork in Shanghai 2004. A total of 500 questionnaires were distributed in the four sites: 200 in LWC (about 3 per cent of the total households in the area); 100 in SJZ (about 8 per cent of the total households in the area); 100 in XTD; 100 in JAL (about 7 per cent of the total households in the area). The questionnaires were distributed to the heads of households or their spouses. Since XTD has been redeveloped into a recreational and commercial district, questionnaires were distributed to the consumers. Details on the sampling and survey approach used have been explained in Chapter three, and will not be reiterated here. Through looking at the two influential redevelopment projects and comparing two groups of urban neighbourhoods before and after redevelopment, this section assesses the changing built environment and socioeconomic profiles in the two cases, and traces the trajectories of neighbourhood changes.

6.3.2 The case of LWC project: SJZ versus LWC

6.3.2.1 Changing built environment

First of all, this study examines the changing built environment of the old urban neighbourhood in the LWC project. Lacking necessary maintenance and redevelopment, housing conditions in SJZ are appalling. Once an old and dilapidated housing estate similar to SJZ, LWC has now been redeveloped into modern high-rise condominiums. There is a great contrast of built environment between the pre-redevelopment and post-redevelopment neighbourhoods.

Table 6.5 shows the basic characteristics of the built environment of the two neighbourhoods. In terms of building style, SJZ is littered with dilapidated low-rise houses and crude houses, while LWC consists of high-rise modern buildings. The average floor area in SJZ is only 10.21 square meters per capita, while in LWC the figure is more than twice that. Referring to the average level of Shanghai at the end of 2004, which was 14.8 square meters per capita, the pre-redevelopment neighbourhood is below the average, while the post-redeveloped neighbourhood is far above the average. The contrasts of housing facilities between SJZ and LWC are also very impressive. Less than one third of households in SJZ possess a living room, a toilet and a bathroom etc. which are necessary facilities in their own houses. In LWC, besides the basic facilities, most houses have other modern facilities, such as

air conditioning, gas and broadband.

Table 6.5

Built environment in SJZ and LWC (unit: percentage)

	SJZ	LWC
Building style	Dilapidated low-rise houses/crude houses	High-rise modern apartments
Average floor area*(m^2 / person)	10.21	35.04
Housing facilities		
Living room	19.0	100
Bedroom	71.0	100
Kitchen	56.0	100
Toilet	22.0	100
Bathroom	11.0	100
Air conditioner	47.0	99.5
Gas	17.0	100
Broadband	8.0	72.5

Note: *here refers to the actual dwelling area.

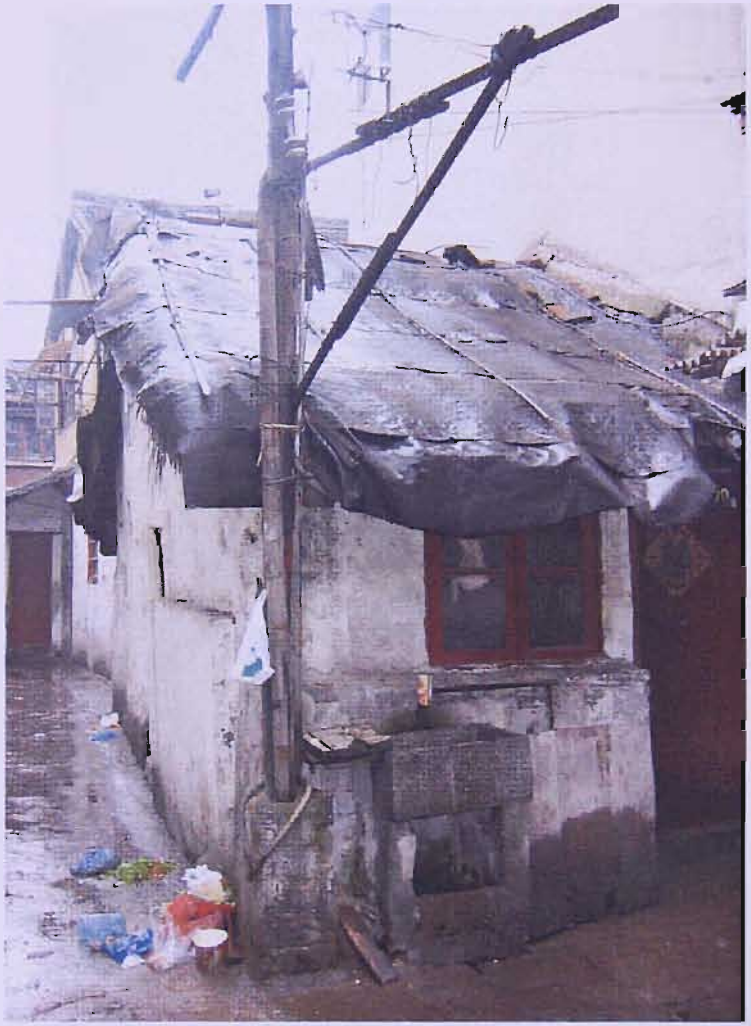
The contrasts in the built environment between the two neighbourhoods of SJZ and LWC are evident (see figure 6.8). The survey findings suggest a trend of residential stratification: the better off have moved into spacious apartments, while the low-income people still struggle with their appalling living environment. The great contrast in the housing conditions between the pre-redevelopment neighbourhood and the post- redevelopment neighbourhood indicates that the problems of housing shortage and deterioration are still very severe. Although resolving housing problems in those dilapidated area is still claimed to be one of the objectives of urban redevelopment in Shanghai, the demands of housing improvement for the lowest-income groups are overwhelmed by the demands of revenue-generating and profit-making through real estate development.

Figure 6.8

The great contrast in built environment between SJZ and LWC

A: Dilapidated low-rise houses in SJZ

B: Modern high-rise buildings in LWC



C: A shabby self-built house in SJZ

D: The luxury apartments in LWC

E: A shabby living room SJZ

F: A spacious well decorated living room in LWC

Source: A-E: author's copyright, F: downloaded from http:// www.sh-redstone.com.

6.3.2.2 Changing socioeconomic profile

In this section, a logistic regression analysis is applied to examine whether redevelopment associates with the change of various socioeconomic characteristics. Please note that the logistic regression is not intended to model the choice of residents for living in different neighbourhoods. Rather, it is used to suggest the probability associating the neighbourhood, regardless whether this is resulted from residents' active choice or other passive selection process. In a sense, the logistic regression is used in a similar way as the model of cancer and smoking behaviour. The advantage of using logistic regression lies in that its controls the multi-variables. Redevelopment status is the dependent variable. The value of post-redevelopment equals one, while the value of pre-redevelopment equals to zero. Six independent variables representing the socioeconomic profiles of responds are chosen in this analysis.

1) Age: 1=under 18 years old; 2=18-40 years old; 3= 41-64 years old; 4= above 65 years old.
2) Education level: 1=primary school and below; 2=junior secondary school; 3=high school; 4=college/university; 5=postgraduate.
3) Occupation (roughly divided into two categories due to the difficulty of classification): 0=professional/managerial (includes government officer, managerial personnel, technical personnel, teacher or medical care personnel etc.); 1=working class/unemployed (includes worker, clerk, housewife, retired, unemployed, laid-off etc.)
4) Working sector: 0=public sector (includes governmental or Chinese Communist Party organization; educational, medical or scientific research organization; state-owned enterprise; collective enterprise); 1=private sector (includes foreign company or joint-venture; private enterprise; self-employed etc.). Usually, people working in state-owned and collective enterprises get lower pay than foreign and private enterprises, and might face the risks of laid-off.
5) Annual family income: 1=below 20 thousand Yuan; 2=20-50 thousand Yuan; 3=50-100 thousand Yuan; 4=100-200 thousand Yuan; 5=200-400 thousand Yuan; 6=above 400 thousand Yuan.

6) Housing tenure: 1=public rental (includes housing allocated by government and work units); 2=private rental; 3=inherited private housing; 4=affordable housing/purchased with housing subsidy; 5=commodity housing. As the value increases, housing tenure changes from public-owned to private-owned, or, in other words, the respondent's ability to own private housing increases.

The analysis results are shown in table 6.6. It shows that in the case of LWC project, education level, occupation, working sector, family annual income and housing tenure are five variables related to the redevelopment status of the neighbourhood. Education level is positively related to redevelopment status, which means respondents in the redeveloped site have a higher probability of having higher educational level. Occupation is negatively related to redevelopment status, which means residents in post-redevelopment neighbourhood are more likely to be professional or managerial personnel. The coefficient of the variable working sector is positive, which means residents of redeveloped neighbourhood tend to work in the private sector. Both of family annual income and housing tenure are closely associated with the redevelopment status, and the coefficients are both positive. This means in redeveloped neighbourhood, family annual income tend to be higher, and residents have higher probability of owning commodity housing. Age does not have significant connection with redevelopment status, possibly because the continuous data (people's actual age rather than categories of age range) is not available. The logistic regression analysis suggests that residents in the redevelopment site tend to have higher socioeconomic status, particularly in terms of income and home ownership, while residents live in the pre-redevelopment site tend to be less advantaged in terms of socioeconomic status. It can be inferred that within the LWC redevelopment project, residents with higher socioeconomic status have displaced residents with lower status after redevelopment. This is the inevitable result of the property-led redevelopment approach. With the built environment has been improved after redevelopment, the housing price of the redeveloped LWC has increased significantly. Only a limited number of original residents could afford the new houses even after they were offered a discounted price by the developer. The percentage of residents returning to their original neighbourhoods was extremely low, since the redevelopment project was led by property interest, with less attention

being paid to the interest of original residents.

Table 6.6

Logistic regression of redevelopment status (pre-redevelopment and post-redevelopment) on respondents' socioeconomic profiles -- LWC vs. SJZ

(post-redevelopment=1, pre-redevelopment=0)

	LWC vs. SJZ	
	B	**SE**
Age	-0.208	0.639
Education level	0.961**	0.361
Occupation	-1.699*	0.680
Working sector	2.248**	0.819
Family annual income	2.017**	0.437
Housing tenure	1.754**	0.276
Constant	-12.375**	3.203
Model chi square (6 df)	292.122**	--
2LL	88.158	--
Number of cases	300	--

Notes: *significant at 0.05 level, **significant at 0.01 level.

Table 6.7 compares the residents' mobility of relocation and income change in the two neighbourhoods of LWC and SJZ, in terms of *hukou* status, relocation experience, willingness to be a long term resident, changes of housing conditions and family income. The majority of residents' *hukou* in SJZ belong to the local street office, while residents in LWC are from diverse origins, e.g. other street offices in Shanghai and outside Shanghai. In terms of relocation experience, there is only 13 per cent of respondents in SZJ who have relocated within ten years, while 78.01 per cent of respondents in LWC relocated at least once in the same period. Furthermore, in SJZ 83 per cent of respondents prefer to live in the neighbourhood long term. Whilst, only 40.3 per cent people in LWC prefer to live in their neighbourhood long term, 54.5 per cent are indifferent. Three quarters of respondents in SJZ reported that there is no change to their housing conditions during the last ten years, even 12 per cent of them reported that their housing conditions have deteriorated or seriously deteriorated. On the other hand, most respondents in LWC reported that their housing conditions have either slightly improved or greatly improved. Similarly, less than one third of respondents in SJZ indicated that their incomes have significantly changed in

the last ten years, of which only 46.4 per cent reported a significant income increase. While in LWC, more that half of the respondents indicated that their incomes have significantly changed in ten years, of which 86.6 per cent reported a significant income increase. With higher concentration of local people characterised by less relocation experience, preference for long term residence, and less improvement to housing conditions and income, SJZ represents the typical old urban neighbourhoods in Shanghai. Compared with the pre-redevelopment neighbourhood -- SJZ, residents in the post-redevelopment neighbourhood -- LWC have greater mobility of relocation and income change.

Table 6.7

Respondents' residential and income mobility (unit: percentage)

	SJZ	LWC
Household registration status belongs to		
Local street office	95.0	65.0
Other street offices in Shanghai	3.0	25.5
Urban household outside Shanghai	2.0	7.5
Rural household outside Shanghai	0	2.0
Hong Kong, Macao, or Taiwan	0	0
Overseas	0	0
Relocation within the last ten years	13.0	78.01*
Prefer to be long term resident	83.0	40.3
Change of housing conditions in ten years		
Greatly improved	0	47.7
Slightly improved	12.0	48.2
No change	76.0	4.1
Deteriorated	9.0	0
Seriously deteriorated	3.0	0
Significant income changes happened in the last ten years	29.0	54.0
Of which income significantly increases	46.4	86.6

Note: *of which 73.4 per cent have moved once, 20.8 per cent have moved twice, some people have even moved 5 times.

As table 6.8 shows, in SJZ, 70 per cent of properties are private-owned housing, of which the majority are inherited private housing. There are also 10 per cent labelled as 'commodity housing', which are houses sold by original residents to people from elsewhere. The average estimated value of inherited private housing in SJZ is around 250,000 yuan. In LWC 93 per cent of houses are purchased by residents as commodity housing. The average housing cost among respondents is 4252 yuan per square metre. Actually, in 2004the highest housing price in LWC has exceeded 13,000 yuan per square meter. This means that the value of an average inherited private housing in SJZ only equals 20 square meters in LWC, which is the size of one bathroom in a luxury apartment. Furthermore, there are only 4 per cent of respondents in SJZ owning another property, while in LWC, more than one quarter of respondents own more than one property. Obviously, compared with SJZ, LWC has a higher percentage of commodity housing ownership, higher housing price and a higher percentage of second/more property ownership.

Table 6.8

Housing ownership in SJZ and LWC (unit: percentage, unless specified)

	SJZ	**LWC**
Housing tenure		
Government/work units owned	**29.0**	**1.5**
Allocated by government	21.0	0
Allocated by work units	8.0	1.5
Private owned	**70.0**	**94.0**
Inherited private housing	56.0	0
Purchase with subsidy	4.0	1.0
Commodity housing	10.0	93.0
Private rental	**1.0**	**4.5**
Average housing prices (estimated)	**250,000 Yuan/property**	**4252 Yuan/ m^2**
Owns more than one property	**4.0**	**25.5**

The survey data of SJZ has helped to reconstruct the pre-redevelopment neighbourhood of the LWC project. Thus the trajectory of neighbourhood change in LWC can be traced through comparing the two neighbourhoods of SJZ and LWC. The above results illustrate the great contrast of built environment and the residents' socioeconomic profiles before and after redevelopment. Apparently, the

redevelopment project of the LWC has involved improving the built environment and residential displacement, which is comparable to the gentrification process in the developed Western countries. The improvement of the built environment was not based on the interests of local neighbourhood. It was motivated by local government's intention of city re-imaging, developers' property interests, and middle- to high-income residents' housing demands. According to Grier and Grier (1978: 8), displacement happens 'when any household is forced to move from its residence by conditions which affect the dwelling or its immediate surroundings and; 1. Are beyond the household's reasonable ability to control or prevent; 2. Occur despite the household having met all previously imposed conditions of occupancy; and 3. Make continued occupancy by that household impossible, hazardous, or unaffordable'. In this case, displacement occurs because the redeveloped residential area has become unaffordable to the original residents. The increasing housing prices have prevented them from moving back. The redeveloped neighbourhood with improved built environment is thus occupied by residents with higher socioeconomic status.

6.3.3 The case of XTD project: JAL versus XTD

6.3.3.1 Changing built environment

Before redevelopment, XTD consisted of two blocks of old-fashioned *lilong* neighbourhoods, which are similar to JAL. In these neighbourhoods, 6-7 or even more than 10 families share a two to three-storey building, without private kitchens and sanitary facilities. The public spaces, even the corridors, staircases and balconies are occupied by the tenants to extend their housing spaces. Table 6.9 shows some characteristics of built environment in JAL. The minimum residential floor area per capita in JAL is only 2.33 square meters, while the average is 9.97 square metres per capita, which is much lower than the average level of Shanghai. As for housing facilities, only 29 per cent of respondents have the living room separated from the rest of their house; 39 per cent have private kitchens; 9 per cent have private toilets; 5 per cent have bathrooms. Furthermore, only 13 per cent of respondents reported that their housing conditions have been slightly improved in ten years, while 73 per cent of them reported that nothing was changed, even 10 per cent reported that their housing conditions have deteriorated.

Table 6.9

Built environment in JAL (unit: percentage)

Building styles	Old-fashioned *shikumen* houses
Average floor area*(m^2 / person)	9.97
Housing facilities	
Living room	29.0
Bedroom	54.0
Kitchen	39.0
Toilet	9.0
Bathroom	5.0
Change of housing conditions in recent 10 years	
Greatly improved	1.0
Slightly improved	13.0
No changes	73.0
Deteriorated	10.0
Seriously deteriorated	0

Note: * here refers to the actual dwelling area.

As introduced before, the Xintiandi project applied an innovative redevelopment strategy to fit the modern facilities into the preserved old-fashioned *lilong* buildings. As shown in figure 6.9, although the *lilong* structure was preserved, the exterior and interior of buildings have been significantly refurnished or reconstructed. The north block and south block of XTD present different architectural styles and design ideas. In the north block, the exterior forms of *shikumen* houses were restored, while the interior function and structure were totally converted. From here, people can find the feeling of 'yesterday' while enjoying the facilities of 'today' and 'tomorrow'. In the southern part, several elaborately designed modern buildings with glass screens were constructed, which embody Shanghai's 'today and tomorrow'.

Figure 6.9 The great contrast in built environment between JAL and XTD

A: *Shikumen lilong* before redevelopment

B: *Shikumen lilong* after redevelopment

C: Drying washing in the doorway of *lilong* houses

D: The refurbished doorway of *lilong* houses

E: A shared kitchen in an old-fashioned *lilong* house

F: A trendy restaurant in a preserved *lilong* house

Source: A-E: author's copyright, F: downloaded from http://www.xintiandi.com

XTD redevelopment targets at fashionable and high-quality commercial and recreational establishments in favour of local elitist consumption demands, while endowing the site with the identity of 'old Shanghai' to make it the destination of tourism and high-end consumption. Table 6.10 shows the details of classified stores in Xintiandi. Compared with the average price level in Shanghai, most of the stores and services in Xintiandi are relatively expensive. Their targeted consumers are middle-high income groups, expatriates and foreigners. Table 6.11 shows the most recent events held in Xintiandi, which have to be something exotic, fashionable, fancy and eye-catching. As the advertisement on the homepage suggests, Xintiandi is leading 'a stylish, luxury and westernised life experience'.

Table 6.10

Classified stores in XTD

Categories	**Details**	**Price** (compared with average level)
Restaurants	Chinese cuisine	Expensive
	Southeast Asian cuisine	Expensive
	American and Continental cuisine	Expensive
	Café and teahouse	Medium to expensive
	Desserts	Medium to expensive
Bar and entertainment	Entertainment complex	Medium to expensive
	Cinema	Medium
	Bar	Medium to expensive
Fashion shops	Home furnishings	Expensive
	Clothing/ jewellery boutiques	Expensive
	Gift shop	Expensive
Hotel/club	Serviced apartments	Expensive
	Membership club	Expensive
Gym/Salon	Yoga centre	Medium to expensive
	Gym and spa club	Medium to expensive
	Hair-styling salon	Expensive
Art/antique shops	Antique and craft shop	Expensive
	Fine Arts Gallery	Expensive
	Open house *shikumen* museum	Medium
Services	Italic business service centre	Expensive
	English training centre	Medium to expensive

Source: Xintiandi website: http://www.xintiandi.com.

Table 6.11

Various events in the Xintiandi

Events	Contents
Paulaner Oktoberfest Beer Festival	Beer festival sponsored by a famous German brewery
Anne Fontaine New Collection	Fashion show
'Live it Up' at Luna	Live concert performed by a French band in a trendy restaurant
Xintiandi Fashion Extravaganza: 'Beauty Takes Flight'	Beauty competition
'Just gold, just diamond'	Jewellery show and auction
'New concept of Jazz'	Live Jazz music performed by famous Norwegian Jazz band
'Colourful golden Autumn'	Home furnishings show and promotion
'Viva September'	A series of performances and fashion shows
'Soul Dance' from Great Britain	Modern dance performances

Source: homepage of Xintiandi: http://www.xintiandi.com.

As table 6.12 shows, both the built environment and the urban function have been greatly transformed in XTD redevelopment project. Aiming at transferring the historical and cultural heritage into economic outcomes, the traditional *lilong* neighbourhood is redeveloped into a mixed-purpose district. Therefore the urban function of this area has been thoroughly transformed. The pre-redevelopment neighbourhood of XTD, which could be reconstructed referring to JAL, was once homes for thousands of middle- to low-income residents allocated by the local government. It represents the typical Shanghai *lilong* lifestyle: with shared kitchens, over-crowed houses, dying washing hanging in the doorway ... Although it experienced severe decline after a long period since 1920s, the old-fashioned *lilong* neighbourhoods are still thriving and accommodating a diverse population. In XTD, the old neighbourhood has been redeveloped into a 'new heaven and earth' for leisure, shopping and tourism. More significantly, this area has been transferred from a place offering welfare housing to residents to a place that provides high-quality commercial services and aims to generate profits.

Table 6.12

Changing built environment and urban function in XTD project

	JAL	XTD
Housing style	Over crowded old *shikumen* houses	Preserved and reconstructed *shikumen* houses
Interior facilities	Shabby interior and lacking private kitchen and sanitary facility	Refurnished with the latest modern facilities for recreational and commercial purposes
***Lilong* structure**	*Lilongs* as the extension of interior housing spaces	Beautifying the preserved *lilongs* to create a nostalgic atmosphere
Occupiers	Accommodating local middle- to low-income families	Attracting local elites, expatriates and tourists
Urban function	Offering public-owned low-rent houses as welfare treatment	Providing commercial services and producing profits
Property ownership	Mostly owned by local government/work units (98%)	Owned by Shui On Group

6.3.3.2 Changing socioeconomic profile

The results in table 6.13 show the great contrast between different occupants in the two sites of JAL and XTD in terms of the respondents' age, education level, *hukou* status, occupation, working sector and annual family income.

In JAL 55 percent of respondents are middle-aged (between 40 to 65 years old), 26 per cent are elderly (above 65 years old). Within the 100 randomly selected respondents in XTD, 87 per cent are under 40 years old. This suggests that the redeveloped XTD area attracts many younger people than JAL does. As for level of education, the majority of respondents in JAL are poorly educated. 40.4 per cent have been educated to junior high school level; 36.4 per cent are at high school or technology school level; only 13.1 per cent are at college or university level. On the contrary, respondents in XTD have higher level of education. 63 per cent of them are college or university educated, actually15 per cent are educated to Ma./Msc. level and beyond. In terms of *hukou* status, 100 per cent of respondents in JAL belong to

the local street office. However, out of the 100 respondents in XTD, only 29 per cent are local consumers; 71 percent are from outside of Shanghai, of which 32 per cent are from other cities in mainland China, 32 per cent are from overseas, the remaining 7 per cent are from Hong Kong, Macao or Taiwan.

Table 6.13

Socioeconomic characteristics of respondents in JAL and XTD (unit: percentage)

	JAL	XTD
Age		
18-40	19	87
40-65	55	12
Above 65	26	1
Educational level		
College/ university and beyond	13.1	78
***Hukou* status**		
Local	100	29
Outside Shanghai	0	71
Occupation		
Professional/managerial	26	72
Working sector		
Public sector	67	15
Private sector	18	53
Others	15	32
Annual family income		
<20,000Yuan	40.0	0
20,000-50,000 Yuan	55.0	33
50,000-100,000 Yuan	5.0	20
100,000-200,000 Yuan	0	12
>200,000 Yuan	0	35

There are only 26 percent of respondents in JAL who belong to professional/managerial occupation, while the figure in XTD is 72 percent. Most consumers in XTD have 'decent' jobs e.g. manger, architect, engineer, teacher etc. The percentages of people working in the public sector and the private sector are also different in the sites. 67 per cent of respondents in JAL work in the public sector, of whom 12 per cent work in educational, medical or scientific research organisations, 55 per cent work in state-owned and collective enterprises. In XTD, 53 per cent of respondents work in the private sector, of which 21 per cent work in foreign

companies or joint ventures, 23 per cent are in private companies, 9 per cent are self-employed. Usually, people working in state-owned and collective enterprises get lower pay than foreign and private enterprises, and might face the risks of laid-off. Annual family income is another important indicator. In JAL, 40 per cent of respondents' annual family income is under 20 thousand Yuan; 55 per cent earn between 20-50 thousand Yuan; only 5 per cent earn between 50-100 thousand Yuan. In great contrast to JAL, 67 per cent of respondents' annual family income is above 50 thousand Yuan, of whom 20 per cent earn between 50-100 thousand Yuan; 12 per cent earn between 100-200 thousand Yuan; remarkably 35 per cent earn over 200 thousand Yuan.

In general, the contrasts of socioeconomic characteristics of respondents in the two sites are apparent. In order to find out which socioeconomic variables have close association with redevelopment status, a logistic regression analysis is also applied in the case of XTD. The dependent variable and independent variables are same as the case of LWC (please refer to section 6.3.2.2), except for the variable of housing tenure. The variable housing tenure is not chosen here, because XTD has been redeveloped into a multi-purpose commercial and recreational district, which makes comparing housing tenure before and after redevelopment impossible. The logistic regression analysis results are shown in table 11. In XTD project, education level, working sector, and family income are three indicators highly relevant to redevelopment status. Similar to the case of LWC, education level has a strong positive relation with redevelopment status, which means the consumers in XTD tend to have higher education level than residents in JAL. Meanwhile, working sector is also positively related to redevelopment status, which means compared with JAL, XTD has a higher proportion of people working in the private sector, such as foreign companies, joint-ventures and private enterprises. Again, family annual income is highly related to redevelopment status, and the coefficient is positive. This suggests that people visiting the redeveloped XTD also tend to have a higher annual income than those residents in the pre-redevelopment neighbourhood -- SJZ. Age does not have salient correlation with redevelopment status due to the same reason as in LWC case. Nor is occupation, possibly because that the simplified category fails to precisely reflect respondents' occupation in XTD and JAL. Nevertheless, the result

of regression analysis suggests that the redeveloped XTD attracts and serves people with higher socioeconomic statuses rather than the original lower income groups.

Table 6.14

Logistic regression of redevelopment status (pre-redevelopment and post-redevelopment) on respondents' socioeconomic profiles -- XTD vs. SJZ

(post-redevelopment=1, pre-redevelopment=0)

	XTD vs. SJZ	
	B	**SE**
Age	-0.140	0.378
Education level	1.275**	0.370
Occupation	-0.713	0.562
Working sector	1.430 *	0.572
Family annual income	2.162**	0.498
Constant	-8.997**	2.295
Model chi square (5 df) 1	170.395**	--
2LL	104.091	--
Number of cases	200	--

Notes: *significant at 0.05 level, **significant at 0.01 level.

Different from the trajectory of neighbourhood change in the LWC project, the XTD project involves functional change of urban space. The transformation of urban function not only includes the changing built environment, which is the physical function, but also includes the changing profiles of people receiving the services, which is the socioeconomic function. JAL, the pre-redevelopment old-fashioned *lilong* neighbourhood, accommodates the local low-income groups, while XTD, the post-redevelopment high-end mixed-purpose district, attracts consumers with higher socioeconomic statuses, e.g. 'white-collars', local business elites, tourists and expatriates. By transferring the old inner city neighbourhood into high-quality commercial and recreational land use, XTD changed from a traditional low-income urban neighbourhood to a place that exclusively serves high profile consumers and visitors.

According to the political economy perspective, urban space has two main functions. First, urban space has a use value, which is regarded as a human necessity for inhabitation and every day use. Second, it has an exchange value, which is regarded

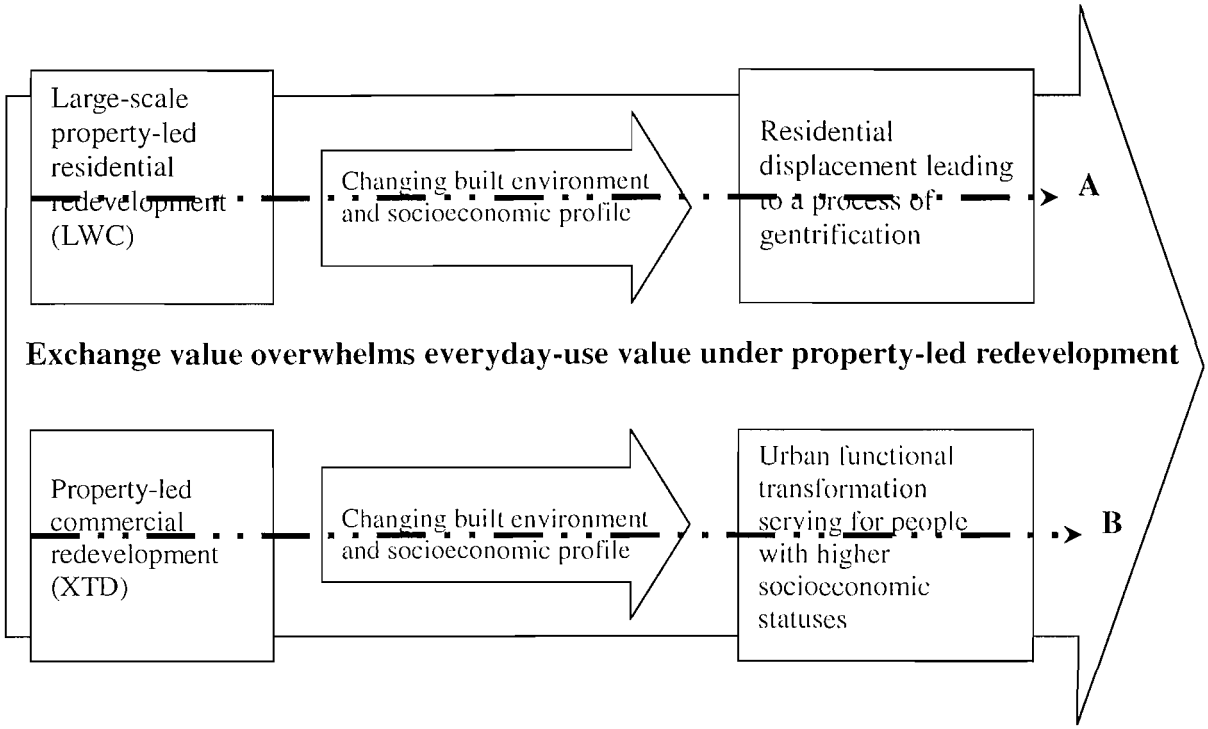
as a commodity generating revenues (Logan and Molotch 1987). XTD redevelopment project is another example of property-led redevelopment in Shanghai which involves the process of urban functional transformation. Rather than concentrating on local residents' interests, XTD was a property-interest-centred redevelopment project. The XTD project evaluated the original residents to make room for profit-making property development by transforming the residential area into a multi-purpose commercial district. The research finding suggests that in the XTD redevelopment project, to pursue the global-oriented exchange value of urban spaces, the everyday use value of the local-oriented neighbourhood has been sacrificed.

6.3.4 Trajectories of neighbourhood change

Comparison between the two groups of neighbourhoods suggests that urban redevelopment has changed urban neighbourhoods physically and socio-economically. The changes in the built environment is tremendous in terms of increasing housing area and housing quality, improved infrastructure and basic facilities, changing building styles and living environment. More importantly, the changing socioeconomic profiles of occupiers are also remarkable. Lacking redevelopment, old neighbourhoods in the inner city are condensed with low quality and dilapidated houses, and residents with lower socioeconomic statuses. These residents have been marginalized from the rapidly changing society and are stuck in the dilapidated neighbourhoods. In contrast, the redeveloped neighbourhoods are accommodating people with higher socioeconomic profiles and mobility. The ongoing redevelopment is actually a movement of growth-seeking and city re-imaging through property development. To promote economic development and beautify the urban appearance, the local government legitimizes the demolition of old urban neighbourhoods and the construction of high-value-added properties, regardless of the real needs of those low-income residents. And the private sector follows up the opportunities and forms alliance with the local government to facilitate property-interest-centred redevelopment. As a result, property-led redevelopment becomes the dominant urban redevelopment approach in Shanghai.

Figure 6.10

Trajectories of neighbourhood change under urban redevelopment



The trajectories of neighbourhood change are different in LWC and XTD projects. The former resulted in a process of residential displacement, while the latter not only saw displacement but also saw the functional transformation of urban space. The two cases represent different types of neighbourhood change resulted from property-led redevelopment, which can be summarized into two trajectories. As figure 6.10 shows, path A represents the trajectory of neighbourhood change conceptualised from the LWC project, while path B represents the other trajectory of neighbourhood change conceptualised from the XTD project. Within trajectory A, residential displacement becomes an inevitable outcome accompanying the property-led redevelopment process. A process of gentrification is emerging in urban China, with middle-income residents displacing the low-income residents in the redeveloped inner city. Within trajectory B, there is a significant transformation of urban function, which involves not only the change of land use but also the change of users of urban space. For instances, in the XTD project, a multi-purpose commercial district, which serves the consumption demands of middle- to high-income groups, has replaced the old-fashioned neighbourhood, which accommodated low-income residents. Although

the LWC project and the XTD project represent different trajectories of neighbourhood change in China, they share the common characteristics of evacuating original low-income residents and developing high-value-added property. In both cases, the demand for pursuing exchange value overwhelms the demand for maintaining the everyday use value of old urban neighbourhoods. Within both trajectories A and B, residents do not have the capability to influence the institutional actors and promote the stability of their neighbourhoods. The external institutional actors, i.e. the local government and the private developers, other than the social needs of the urban neighbourhoods are the dominant forces shaping the trajectories of neighbourhood change.

6.4 Examining the impact on affected residents

6.4.1 Stratified housing status among affected residents

There has been evidence showing that urban China is undergoing housing stratification and residential inequality (Huang 2004a, 2004b, 2005; Li 2004; Logan 2005; Wang 2000; Wang *et al* 2005; Wu 2002). Through examining urban residents' changing housing tenure, these studies suggest that housing disparities in post-reform urban China are mainly determined by three factors: market reforms, institutions, and historical legacies. Huang (2004a: 792) argues that the 'transition from renting to first homeownership is a complex process determined not only by households' socioeconomic status and housing conditions, but also by households' institutional status as well as the nature of the housing system'. Although socioeconomic status and housing preference start to affect housing choices, the lingering housing dependency of households on work units, plus a series of institutional factors such as government intervention and *hukou* system still significantly affect residents' housing choices (Huang 2004b; Li 2004). Based on household studies, these studies have examined the changing housing tenure under a comparatively static background, rather than integrated it into the dynamic process of urban (re)development. In fact, the extensive urban redevelopment in urban China has become an important causation of housing tenure change. Therefore this section conducts a primary investigation on how urban redevelopment affects residents' housing tenure and identifies different routes of housing tenure change under redevelopment.

6.4.1.1 Changing housing status among different groups of residents

For affected residents in urban redevelopment projects, their housing status after redevelopment used to be standardised based on the resettlement housing allocation system. The coexistence of market and non-market elements in China's gradualist market reform has resulted in a unique hybrid urban housing stock (Wang and Murie 1999; Zhang 2005). Commodity housing in China can be divided into four categories: commodity housing in the open market, work unit housing, resettlement housing, housing-bureau housing (Li 2000a; Li and Tang 1998). The latter three types of housing are beyond the logic of housing market, which could be seen as a legacy of central-planned economy or the consequence of gradualist market reform. Local government and developers used to provide compulsory resettlement housing for affected residents in redevelopment projects (Li 2000a, 2000b). As a result, all of the original residents were relocated to the standardised resettlement housing, although housing space may vary according to their previous housing status. However, the marketised redevelopment process and rocketing housing prices have resulted in a shrinking resettlement housing stock. That means affected residents in the redevelopment have been exposed to the emerging housing market. They have to participate in market transition and the housing privatisation process. Undoubtedly, this change will significantly affect residents' housing tenure after redevelopment.

Interviews with affected residents in different sites suggest a close connection between the outcome of redevelopment and residents' socioeconomic status, e.g. income, occupation and *hukou* status. Since the adoption of monetary compensation, resettlement housing is no longer compulsory for affected residents by demolition companies, excepting infrastructure construction projects and government- proposed important redevelopment projects. Only limited resettlement houses are available, and the situation varies in different redevelopment projects. Since the compensation for redevelopment has changed from resettlement housing to a certain amount of money, affected residents are pushed into the housing privatisation process. In other words, rather than moving to unified resettlement housing, affected residents have to relocate through the open market by purchasing or renting houses. Therefore, the outcome of redevelopment in terms of residents' housing tenure varies according to their socioeconomic capabilities. The 16 interviewees (I15-I30) could be roughly

grouped into four categories: A) better off residents able to afford commodity housing in the city centre; B) middle-income residents who managed to obtain homeownership after accepting the relocation compensation; C) low-income residents who obtained considerable relocation compensation through bargaining in specific urgent redevelopment projects; D) low-income residents who had great difficulty in improving their housing conditions due to their unfavourable socioeconomic status. Following four cases of interviews represent these four types of residents.

A) An interview with an old gentleman, current resident of JingAnLi (I16):

'My income and housing conditions are better than most people in JAL. Currently, my wife and I live in a *lilong* house of about 55 square meters which is quite spacious. My daughter also has her own house in the city centre. I really enjoy living in this neighbourhood. If this area is redeveloped, I would like to move back or to some place around here. Obviously, the relocation compensation they (developer) offer will not be enough, since the housing price will dramatically increase after redevelopment. But I won't worry about that, since I will be able to afford a commodity house around here by myself.'

In this case, the interviewee has his own choice of relocation because he can afford the commodity house even if the housing price goes up after redevelopment. The potential redevelopment project is good for him, since he will have housing choices and does not have to worry about the affordability of new housing in the redeveloped area.

B) An interview with a middle-aged gentleman, former resident of Changning district, who relocated to the vicinity of outer ring road (I27):

'I used to live in Changning district, close to the city centre. The floor area of my house was 50 square meters. In 2002, I was informed that I had to move due to underground construction. At that time, the compensation standard was 6,000 Yuan per square meter, which is relatively high, while the price of new housing in that area was 7,000 Yuan per square meter. The government also offered a reward of

20,000-30,000 Yuan for those residents who moved out by the deadline. Therefore, I got a total of 325,000 Yuan for the redevelopment compensation. Using some of my saving, I managed to buy a new unit of 92 square meters close to the outer ring road. Although the transportation condition is less convenient than before, my living conditions have greatly improved.'

This gentleman was lucky because he was highly compensated for relocation because the Shanghai government was making great efforts to smooth the underground construction project in any way, including offering a high compensation rate. The middle income residents greatly benefited from this kind of redevelopment project, and thus have more choices and advantages to purchase commodity houses than the low-income groups do.

C) An interview with a middle-aged lady, former resident of Taipingqiao, who relocated to Pudong new district (I29):

'I used to live in one room of an old-fashioned lilong house in Taipingqiao with my husband and one child. The floor area was only 14 square meters. The housing quality and condition were horrible, without sanitary facility and private kitchen. The condition of my house has greatly improved after relocation. Now I own a two-bedroom flat. The construction area is 77 square meters. I was supposed to pay the charge of 28,000 Yuan for the extra floor area. But my family can hardly afford that. Therefore I tried to bargain with the demolition company in every way to ask them to decrease the charge. Since the project was very urgent, after much bargaining, I had to pay 8,000 Yuan, but finally I negotiated a reduced rate of 4,000 Yuan.'

This lady got a great deal from the demolition company after much bargaining. However, this result should not rely on her negotiation skills, but be due to a highly flexible compensation standard that reflected the urgent needs of the developers and local government to implement the redevelopment project.

D) An interview with an old lady at a demolition site of Taipingqiao (I22):

'There are seven people who live together in our house: my husband, my son,

my daughter, son in law and two granddaughters. The relocation compensation for us is extremely unfair. They (the demolition company) did not take my daughter's family into account because she does not have formal Shanghai *hukou*. She grew up in Shanghai, but her *hukou* problem hasn't been solved all along. That is ridiculous. My daughter and son in law have been to Beijing twice to appeal for justice (from central government). The staff of the demolition company tried to stop them appealing and took revenge on them because of their appeal. Now there are only about 20 households left on this site, most people having moved out. My neighbourhood also resists moving out due to the problem of *hukou*.'

Due to the disadvantage of non-Shanghai *hukou* status, the family of this old lady suffered from the unfair relocation compensation offered by the demolition company. With limited socioeconomic capability, they do not have any other choice but to struggle to obtain an acceptable compensation.

6.4.1.2 Different routes of housing status change

With urban redevelopment involving a more and more marketised operation, people are gradually advised to improve their housing conditions through housing market rather than through government/work unit. Residents have to struggle to adjust themselves to the marketised transformation. That means in order to improve housing condition and obtain private housing ownerships, residents have to involve themselves in the market-oriented reform and housing privatisation. Within the transformation from resettlement housing allocation to market participation, the situation of different groups of residents vary according to their diverse socioeconomic capabilities. According to the interviews, four routes of housing tenure change within urban redevelopment are summarised.

Route A: For those better off residents, they generally have higher mobility and more relocation options through purchasing commodity housing from the market. In fact, some better off residents even leave the old and dilapidated neighbourhoods before redevelopment, and sell or rent their housing to other low-income people or migrants.

Route B: Comparatively, middle-income people have less relocation options due to their limited socioeconomic capabilities. Redevelopment is a good opportunity for them to improve their housing conditions. Accepting certain amount of monetary compensation, they will be able to have more options in purchasing housing from the market.

Route C: In some redevelopment projects within which developers apply highly flexible compensation standards to facilitate the relocation process, low income residents who are good at bargaining might acquire better deals on relocation compensation, i.e. better resettlement housing or even private housing ownership.

Route D: Failing to adjust to the market transition, the low-income groups have few relocation options: they can only either accept the compensation housing in the suburb offered by the demolition companies, or accept the compensation money to rent cheap houses.

As shown in figure 6.11, both the better off and middle-income groups have successfully adjusted to the market transition through participating in the housing commodification process and acquiring housing ownerships. For the low-income groups, the relocation compensations are far from resolving their housing problems, especially for those large-size households, since the property prices have constantly increased from the late 1990s. Therefore, their access to private housing ownership has been denied for lacking the capability to purchase commodity housing, even after accepting relocation compensation. Some of them refuse to move from the redevelopment site and keep bargaining with the demolition companies to struggle for better compensation. Serving the objective of rapid redevelopment, local government and developers deploy flexible rules of residential relocation in some cases. Therefore a few low-income people have received considerable compensation through bargaining, which is actually unfair to relocated residents in general. But the low-income residents are not always so lucky. For those families with large households and non-local *hukou* status, purchasing commodity housing in the open market is unrealistic. What they can do is to resist relocation and struggle to get better/bigger resettlement housing. In one demolition site in the Taipingqiao area, people complained about the relocation compensation (personal communication, 119

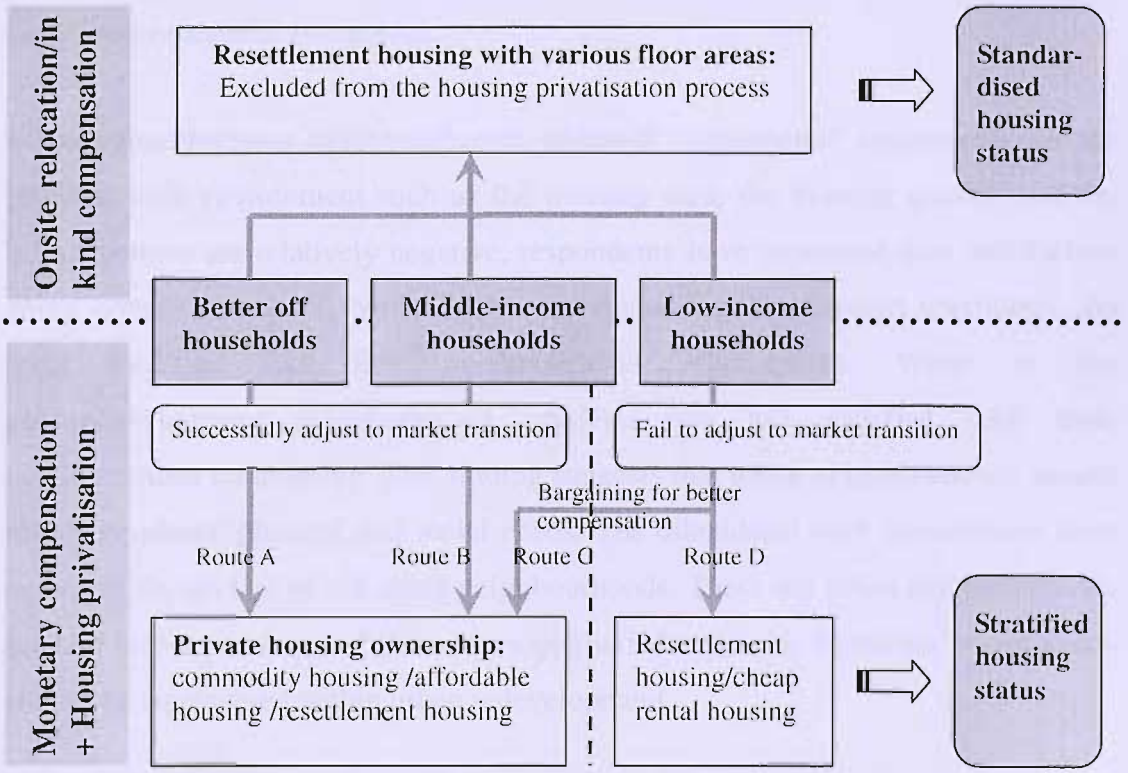
and I20):

'Those people who can afford a house elsewhere have moved out very quickly. If we have the capability, we would like to move as soon as possible. However, the compensation standard is too low, based on which we can never afford a house within a reasonable distance from the city centre. The alternative housing they (the demolition company) provided is too far away and lacking necessary local facilities such as banks, hospitals and schools, we don't want to accept that.'

In route A, B and C, people have benefited from urban redevelopment, while in route D, the low-income residents who are more vulnerable, have inequitably been burdened with the cost of rapid redevelopment. Unable to benefit from the market-oriented reform and no longer accepting certain privileges provided by the local state and work units i.e. resettlement housing allocation, these low-income people are gradually evacuated from the inner city, and become invisible in the transitional city.

Figure 6.11

Affected residents' changing housing status after redevelopment



6.4.2 Differentiated evaluation on neighbourhoods and redevelopment

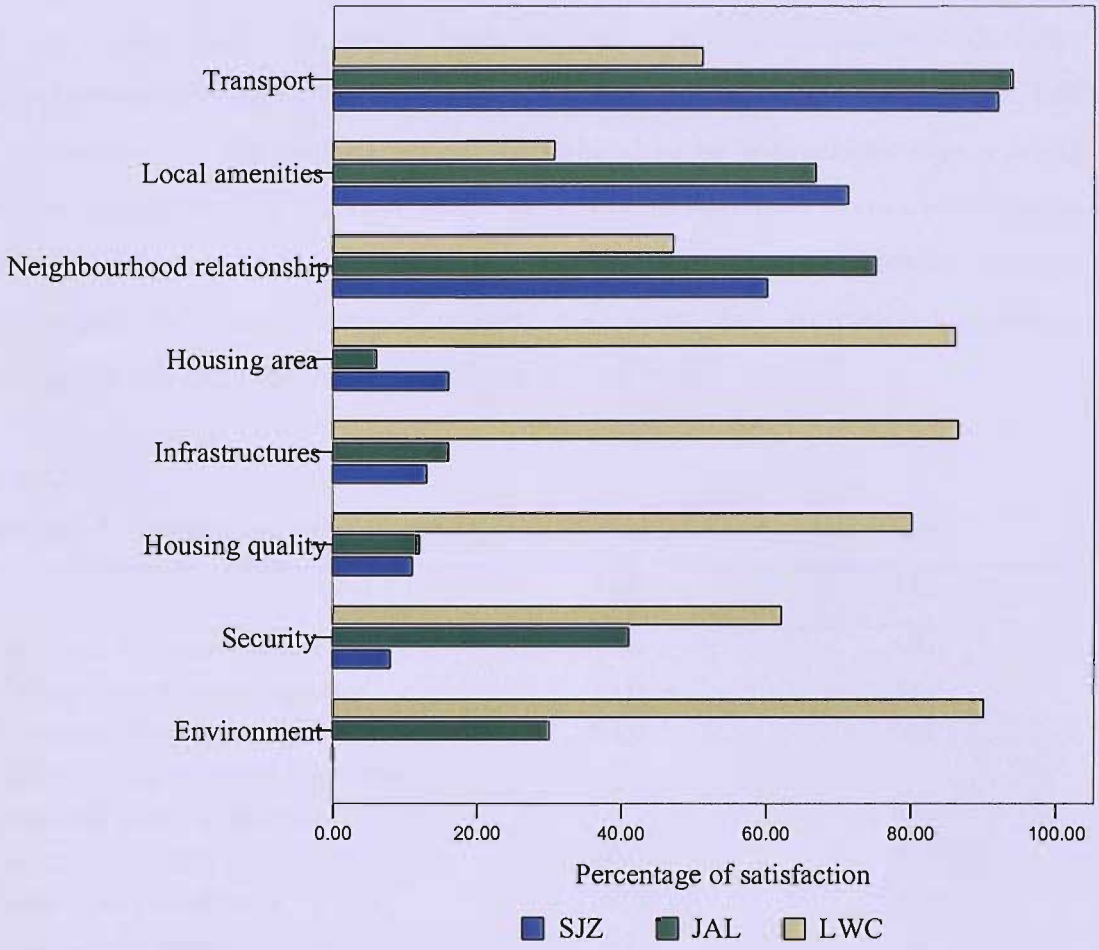
6.4.2.1 Assessment on local neighbourhoods

Figure 6.12 illustrates the details about how residents assess their neighbourhoods. In SJZ, people are more satisfied (higher than 90 per cent) regarding transport conditions in their neighbourhood. They are also very satisfied with neighbourhood relationships and local amenities. However, they are less satisfied with the housing area, infrastructures, housing quality, security and their living environment. In particular, residents' satisfaction about their security and the living environment is extremely low, even non-existent. Similar to SJZ, respondents in JAL are highly satisfied with transport conditions in their neighbourhood. They are also satisfied with their neighbourhood relationships and local amenities. Their satisfaction on their security and the living environment is lower. As for infrastructures, the housing quality and housing area, the residents' satisfaction is comparatively low. In contrast with the two pre-redevelopment neighbourhoods, the residents in LWC are very satisfied with the physical conditions of their neighbourhood, such as infrastructures, the housing area, the housing quality, the living environment and the security. However, compared with pre-redevelopment neighbourhoods, they are much less satisfied with the transport conditions, the neighbourhood relationships, and the local amenities, partly because many facilities are still under construction in the newly developed residential compound.

In pre-redevelopment neighbourhoods, although respondents' assessments on the physical built environment such as the housing area, the housing quality, and the infrastructures are relatively negative, respondents have expressed their satisfaction about certain aspects of their neighbourhood such as the transport conditions, the local facilities and their neighbourhood relationships. While in the post-redevelopment neighbourhood residents are less satisfied with their neighbourhood relationship. This finding suggests that urban neighbourhoods should satisfy residents' physical and social needs. The dilapidated built environment does not equal the decline of old urban neighbourhoods. These old urban neighbourhoods are still thriving in terms of their developed social networks. Residents' social needs should be emphasised within urban redevelopment.

Figure 6.12

Residents' assessment on their neighbourhoods



Notes: Infrastructures: e.g. sanitary facilities, gas, drainage etc.; Local amenities: e.g. clinic, public school, market etc.; Environment: e.g. green areas, sanitary etc.

6.4.2.2 Opinions on potential redevelopment

The questionnaire also discovers residents' opinions on potential redevelopment in the pre-redevelopment neighbourhood. As table 6.15 shows, three quarters of respondents in SJZ approve redevelopment in their neighbourhood. Figure 6.13 shows the reasons for approval/disapproval of urban redevelopment in their neighbourhood. Among those approving redevelopment, 50 per cent of respondents in SJZ reported that the reason for approval is their urgent need for housing improvement. For those people who did not approve redevelopment, the major reasons for this are their preference for convenient access to local amenities (42.9 per cent), e.g. hospital, school etc., and their dissatisfaction about the insufficient compensation for relocation (30.9 per cent). Residents' attachment to their

neighbourhood is also an important reason for disapproving redevelopment (21.4 per cent). Due to the strong attachment to their neighbourhoods, most respondents in SJZ (94 per cent) prefer to move back to their original neighbourhoods after redevelopment if possible. As for the potential usage of the redevelopment site, half of respondents in SJZ prefer their neighbourhood to be redeveloped into a *lilong* style residential area. In SJZ only 34 per cent hope to have their houses redeveloped into multi-storey apartments, much fewer people prefer their neighbourhood to be redeveloped into non-residential usages, e.g. sport and recreational facilities, commercial and recreational facilities, hospital or school.

Table 6.15

Residents' opinions on redevelopment in SJZ and JAL (unit: percentage)

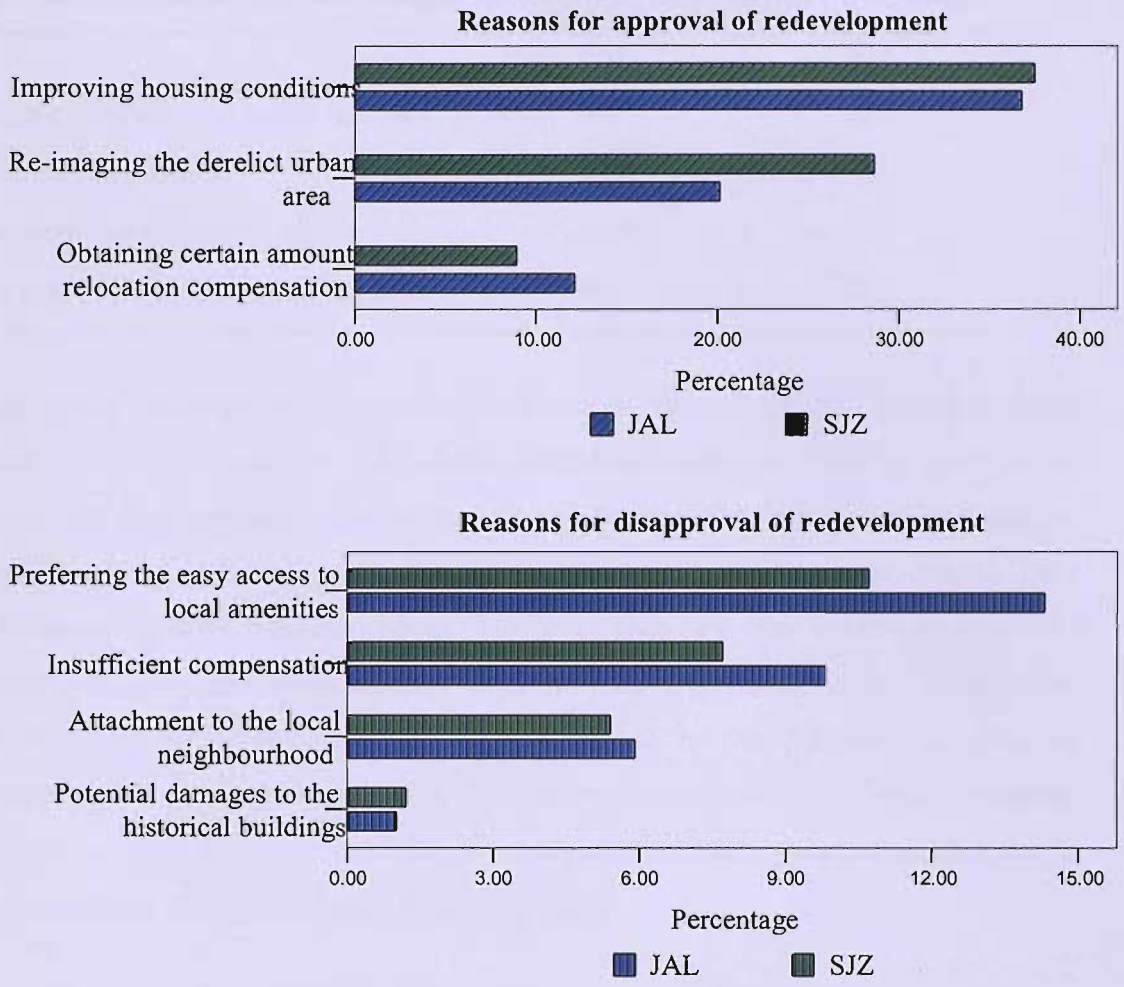
	SJZ	JAL
Approval of redevelopment	75.0	69.0
Disapproval of redevelopment	25.0	31.0
Preference for moving back to the original neighbourhood if possible	94.0	96.0
Potential usage of the site		
Lilong style housing	50.0	70.0
Multi-storey apartments	34.0	20.0
Sport & recreational facilities	2.0	0
Commercial & recreational facilities	2.0	4.0
Hospital or school	2.0	1.0
Public green spaces	10.0	5.0

In JAL, when people were asked whether they would approve a redevelopment of this area, 69 per cent replied yes. Similar to the situation in SJZ, among those approving redevelopment, 53.3 per cent reported that improving housing condition is the major reason for their approval. For those disapproving redevelopment, the major reasons were their preference for easy access to local amenities (46 per cent) and their dissatisfaction with the insufficient compensation for relocation (31.7 per cent). 19.1 per cent of respondents also reported that their attachment to the neighbourhood is the major reason for disapproving the redevelopment. Nevertheless, 96 per cent of respondents answered that they would like to return to this area after redevelopment if they could only afford it. As for the potential usage of the redevelopment site, 70 per cent of respondents prefer to redevelop *lilong* style houses. Only 20 per cent wish

to redevelop their neighbourhood into multi-storey apartments. Obviously, people in JAL are less keen to redevelop the area into non-residential usages.

Figure 6.13

Reasons for approval and disapproval of redevelopment



To assess the potential impact of urban redevelopment on people's lives, respondents in the JAL and SJZ were asked to predict what kind of impact redevelopment will have on their lives. As shown in table 6.16, inconvenient access to public facilities, such as hospitals, schools, cultural and recreational facilities is the most significant change predicted by residents in JAL (34.1 per cent) and SJZ (32.5 per cent). Negative impact on employment status, i.e. rising unemployment due to increasing commuting cost and time, is the second significant change predicted by residents (24.8 per cent in JAL and 28 per cent in SJZ). Fragmentised social network is also another important change expected by residents (22.9 per cent in JAL and 23.5 per

cent in SJZ). Apparently, the potential impact of redevelopment predicted by people living in old and dilapidated areas are vital, which affect the most important facets of residents' lives, including their employment status.

Table 6.16

The potential impact of redevelopment on residents' lives (unit: percentage)

	JAL	SJZ
Inconvenient access to public facilities	34.1	32.5
Rising unemployment	24.8	28
Fragmentised social network	22.9	23.5
Too great a distance from the city centre	18.2	16

The above assessments by respondents in pre-redevelopment neighbourhoods illustrate that residents in dilapidated neighbourhoods are looking forward to improving their housing condition through urban redevelopment. They also want to move back to their original neighbourhoods after redevelopment due to their attachment to their neighbourhoods. However they are less confident about the ongoing property-led redevelopment since they have predicted various undesirable outcomes of urban redevelopment, e.g. relocated to the periphery, insufficient compensation, rising unemployment, damage on social networks. In short, residents' opinions on potential urban redevelopment are contradictory and complicated, due to the uncertainty about the impact of redevelopment.

6.4.2.3 Evaluation of redevelopment approach

Figure 6.14 shows how residents from the three neighbourhoods have evaluated the current redevelopment approach. 28 per cent of respondents in JAL and 22.3 per cent in SJZ considered that the current redevelopment approach has disinterested relocated residents. In LWC, nobody holds the same opinion. There are 27.5 per cent of respondents in JAL and 17 per cent in SJZ who criticise the way that extensive redevelopment has resulted in rocketing housing prices. However, only 3.9 per cent of respondents in LWC agreed with this. Furthermore, a few respondents in SJZ (22 per cent) have been anxious about the damage to historical culture caused by redevelopment. Obviously, people in LWC have evaluated the redevelopment

activities more positively. In contrast, people in pre-redevelopment areas are less optimistic. A considerable proportion of respondents in LWC (68.2 per cent) admitted that redevelopment has effectively beautified the urban landscapes. The percentage in JAL and SJZ are much lower: 34.6 per cent and 22.7 per cent respectively. 26.8 per cent people in LWC agreed that redevelopment has promoted economic development, while in JAL and SJZ only 8.1 per cent and 15.9 per cent have the same feeling. According to their knowledge of other people' experiences, people in the pre-redevelopment sites have a suspicious and even hostile attitude to the ongoing urban redevelopment. Their comparatively low socioeconomic status also suggest that they have less confidence and capability to protect their interest within redevelopment. Most residents in LWC are able to obtain private housing ownership within the market-oriented reform, or have benefited from the earlier redevelopment projects. Unsurprisingly, they generally are more positive about the current redevelopment approach.

Figure 6.14

Residents' evaluation on the current redevelopment approach

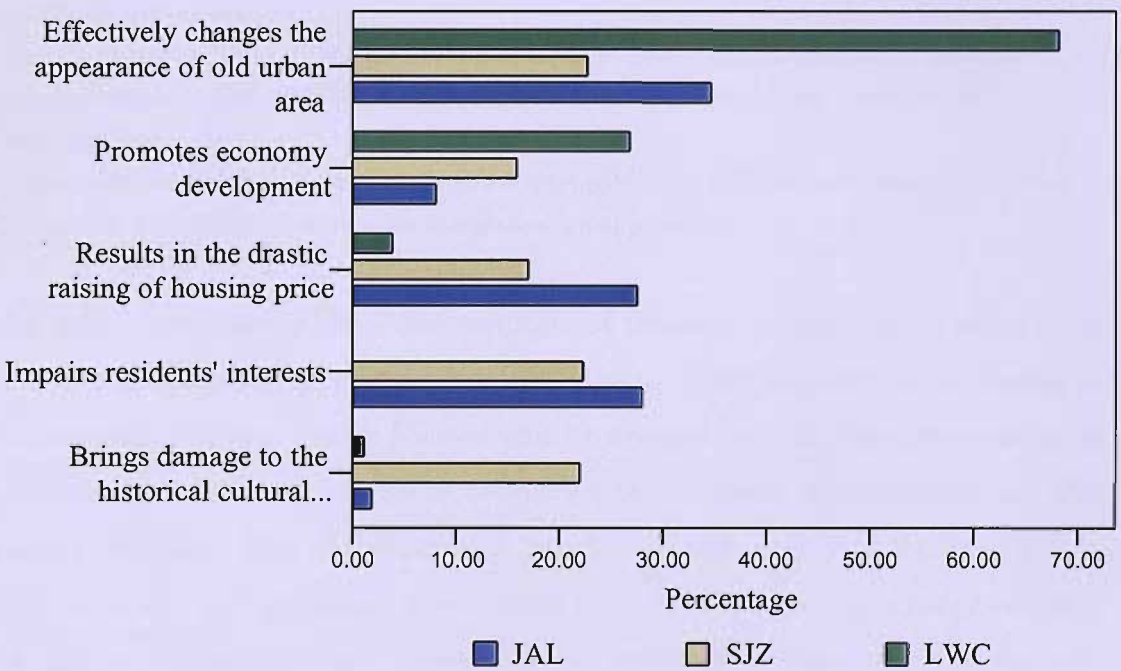


Table 6.17

The correlation between residents' evaluation on monetary compensation and their socioeconomic indexes (in JAL and SJZ)

		Education level[1] (low to high)	Employment status[2]	Family annual Income[3] (low to high)	Whether prefer to stay in the same neighbourhood long term (1.yes, 2. don't care, 3. no)
Evaluation on monetary compensation[4] (positive to negative)	Pearson correlation coefficient	-.168*	.152*	-.180*	-.187**
	Sig. (2-tailed)	.018	.032	.011	.008

Notes: ** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

[1] Education level: 1=primary school and below; 2=junior secondary school; 3=high school; 4=college/university; 5=postgraduate.

[2] Employment status: 1= permanent; 2= short term contract; 3= laid-off; 4= unemployed; 5= retired; 6= self-employed.

[3] Family annual income: 1=below 20 thousand Yuan; 2=20-50 thousand Yuan; 3=50-100 thousand Yuan; 4=100-200 thousand Yuan; 5=200-400 thousand Yuan; 6=above 400 thousand Yuan.

[4] Evaluation on monetary compensation: 1= reasonable and efficient compensation approach; 2= neutral; 3= inefficient and unfair compensation approach.

The data in this survey show that residents of different socioeconomic status have different opinions and assessments on the ongoing urban redevelopment. People in redeveloped sites have a more positive attitude towards redevelopment than people in pre-redevelopment sites. Moreover, people's assessments on redevelopment are also closely related to their socioeconomic status. Through analysing the correlations between a series of indexes, e.g. education level, family annual income, evaluation on redevelopment approach, evaluation on monetary compensation in the two pre-redevelopment neighbourhoods: SJZ and JAL, it is evident that different socioeconomic characteristics suggest various assessments on monetary compensation approach. As shown in table 6.17, residents' evaluation on monetary compensation is connected with their education level, their employment status, their family annual income, and their preference to remain in the same neighbourhood

long term. Higher socioeconomic profiles in terms of a higher education level, more stable employment status, higher family annual income usually indicates a higher probability that people will be positive about monetary compensation. Furthermore, people with a preference to stay in the same neighbourhood long term (which means less residential mobility) are more likely to be negative about monetary compensation.

The survey findings in the three inner city neighbourhoods suggest that people in redeveloped sites who have better socioeconomic conditions enjoy the benefit of redevelopment, e.g. more housing choices, better built environment etc. Therefore they are more likely to be more positive about the ongoing redevelopment. People in pre-redevelopment, who generally have lower socioeconomic profiles, concern about the negative impact on their lives, e.g. relocating to the outskirts, the increasing commuting fee and the risks of unemployment. Therefore, they generally hold negative attitudes to urban redevelopment. The correlation analysis also indicates that people's evaluation about relocation compensation, which is the envisioned impact of redevelopment, is also highly connected with their socioeconomic status. Higher socioeconomic profiles suggest more positive assessment, and *vice versa*.

6.4.3 Uneven impact on different groups of residents

The above research findings suggest that the impact of urban redevelopment on different groups of residents is uneven according to their socioeconomic status. The extensive urban redevelopment has involved different groups of residents in the marketisation and housing commodification process. Corresponding to their capabilities of adjusting to the market transition, their housing tenure experiences different routes of change. As the urban redevelopment process is gradually integrated into market transition, socioeconomic status has become one of the most important determinant factors of residents' housing statues. However, under the unfledged market system and incomplete social welfare system, the low-income groups enjoy less benefits of redevelopment than the middle- to high-income groups. Despite some specific instances where low-income residents acquire high compensation, in general the low-income groups have been unfairly burdened with the social cost of the ongoing property-led redevelopment. Failing to obtain private

housing ownership from the market, the low-income residents suffer from the undesirable outcomes of redevelopment and have been pushed out of the inner city. The residents' evaluation on their neighbourhoods shows that despite the physical decline of neighbourhood, residents still enjoy the various merits of the local neighbourhoods and have the feeling of attachment to their neighbourhoods. However, the ongoing urban redevelopment does not consider the social needs of residents in old and dilapidated neighbourhoods. A number of thriving urban neighbourhoods have been demolished to make room for property-led redevelopment. Residents in pre-redevelopment neighbourhoods are uncertain about the outcomes of redevelopment due to their limited socioeconomic abilities, thus are suspicious and even resistant to urban redevelopment. This research also indicates that the respondents' evaluation of urban redevelopment approach varies according to their socioeconomic profiles. The results show that redevelopment is more beneficial to middle- to high-income groups compared with the low-income groups whose need for redevelopment is much more urgent. Therefore, higher income groups' evaluation of urban redevelopment is more positive than that of the lower income groups.

6.5 Conclusion

Since the late 1990s, real estate development in Shanghai has entered a rapid development period. Urban redevelopment relies heavily on the real estate market to offer driving force. The property-interest-centred redevelopment thus prevails in the city. As the outcomes of rapid urban redevelopment, the urban landscapes in Shanghai have been significantly changed during the last decade. The inner city has been dramatically re-imaged and beautified through demolishing numerous old and dilapidated buildings, and reconstructing high-value-added properties and public green areas. Meanwhile, the population distribution in the inner city has also experienced great change. With the implementation of large-scale redevelopment projects, the population density in the inner city has significantly decreased. As more and more middle- to low-income groups have been evacuated from the inner city, people with higher social status, i.e. higher education level and income level have been attracted to the redeveloped areas.

The socioeconomic outcomes of urban redevelopment can be more clearly illustrated at the urban neighbourhood level. Under the mushrooming large-scale urban redevelopment, urban neighbourhoods in the inner city are experiencing tremendous transformation. The great contrast between pre-redevelopment neighbourhoods and redevelopment neighbourhoods can not only be seen in the built environment, but also in the socioeconomic profiles of residents. Based on the firsthand data acquired from a field work in Shanghai, this study traces the trajectories of neighbourhood change within two redevelopment projects — LWC and XTD, which are both underwritten by real estate development, although with different incentives. Meanwhile, to fully understand the socioeconomic outcomes of urban redevelopment, the impact of redevelopment on different groups of residents is also examined, which focus on affected residents' stratified housing status and evaluations on their neighbourhoods and redevelopment approach.

Clearing dilapidated housing estates and improving housing conditions for low-income residents in these areas was the original objective for the urban redevelopment in China. Since the late 1990s, in order to solve the problem of financial deficiency, the local government justifies the property-led redevelopment and demolishes the old and dilapidated neighbourhoods to make way for capital investment. Since most of these old urban neighbourhoods are located at the desirable areas in the inner city or the waterfront, a residential displacement process happens in the previous low-income urban neighbourhoods with many higher-income households being attracted into the newly constructed commodity housing. Although it wasn't the primary incentive of the local government, redevelopment in LWC turns out to be a process of gentrification. In the XTD project, the local government rationalises the reinvestment in the old urban neighbourhoods by approving commercial development of the old-fashioned *lilong* neighbourhoods under the rhetoric of historical and cultural preservation. As the first of its kind in Shanghai, XTD caters for the consumption preference of middle- and high-income groups and thus become a new landmark in Shanghai. The XTD project involves a process of the evacuation of low-income residents and the transformation of urban function. In both LWC and XTD projects, the everyday use value of old urban neighbourhoods has been sacrificed for the developers to pursue exchange value, within which residential displacement and functional transformation are inevitable.

The pro-growth coalitions formed by the local government and the private developers play a dominant role in shaping the trajectories of neighbourhood change. With the process of urban redevelopment becoming more and more marketised, e.g. adopting monetary compensation, affected residents are no longer allocated unified resettlement housing, thus have to struggle to get better housing and private housing ownership by adjusting themselves to the market transition. As a result, the housing status of affected residents has been stratified according to their socioeconomic status. The better off and middle-income groups who have successfully participated in the market transition and housing privatisation acquire private housing ownership from the market after redevelopment. Within some redevelopment projects deploying flexible compensation standards, those low-income residents who are good at bargaining might obtain better redevelopment compensation. Whilst, most other low-income groups who fail to adjust themselves to the market transition have to accept fewer relocation options. The analysis also shows that not only the physical needs of the improvement of built environment, but also the social needs of protecting social networks are essential for residents. Failing to pay attention to residents' social needs, the ongoing property-led redevelopment in Shanghai has induced residents' suspicion and anxiety in pre-redevelopment neighbourhoods. The residents' assessment on redevelopment approach illustrates that the impact of urban redevelopment is more vital for residents with low socioeconomic status than for those with higher socioeconomic status, as redevelopment may significantly affect low-income groups' housing status and employment status. People with higher socioeconomic status are more likely to benefit from redevelopment, thus are more positive about the ongoing redevelopment. On the other hand, people with a lower income and a lower education level tend to be more negative towards redevelopment since they are less confident about improving their lives after redevelopment.

CHAPTER SEVEN

CONCLUSIONS, POLICY IMPLICATIONS AND FUTURE WORK

Aiming to understand the political economy of urban redevelopment in market transitional China, this study traces the political economic conditions, operational mechanisms, and socioeconomic outcomes of the ongoing urban redevelopment in Shanghai. Referring to a series of Western theories, i.e. neo-liberalism, property-led regeneration, the urban growth machine, neighbourhood change and residential displacement, this research is grounded upon policy analysis, case studies and data analysis. Other than mapping the West-based theories onto the Chinese context, this study examines their relevance and effectiveness in developing an understanding of the changing urban redevelopment under the background of globalisation and market transition. As the concluding section of my PhD research, this chapter discusses the research work done in the previous chapters, and draws conclusions from the major findings of this study. Based on these research findings in Shanghai, I shall propose several policy recommendations for China's urban redevelopment. Finally, the limitations of this study are summarised and continuing work on this topic are put forward.

7.1 Discussions and conclusions

7.1.1 Partial and conditional neo-liberal shifts in China's urban redevelopment

The neo-liberal urban policy which normalises urban competition and market operation has facilitated the market-driven urban restructuring in the post-Fordism Western society (Smith 2002; Swyngedouw *et al.* 2002; Webber 2002). In the 'roll back' era, municipalities reduced state intervention to accelerate private investment; while in the 'roll out' era, new institutions are reconstituted to manage the inherent contradictions and potential crisis of neo-liberalism (Peck and Tickell 2002). Both the 'destruction' and 'creation' of existing institutional arrangements aim to maximise the power of the market. Under market-oriented reform, China has experienced tremendous institutional, political and economic transformation to introduce marketised operation. The rationalisation and promotion of marketisation in urban China shares some characteristics of neo-liberalisation in developed Western countries. In present-day China, the changing role of the state, the intense inter- and intra-city competition, and the unprecedented enthusiasm for 'growth' and real estate development indicate the increasing significance of market power, and contribute to the changing rationale of urban redevelopment. As Deng Xiaoping argued that 'development is the primary principle (fazhan cai shi ying daoli)', development/growth is destined to be the predominant goal of the state to fight poverty and underdevelopment which harassed China for a long while.

By now, urban redevelopment has emerged as a neo-liberal frontier in China, which is linked to a set of multi-scalar political economic transformations. Through examining a series of political-economic transformation and changing policies related to urban redevelopment, this study has recognised a localised neo-liberalising process, which legitimises the growth-first strategy and promotes extensive large-scale urban redevelopment. By adopting land leasing in urban redevelopment, the government partially deregulates the tight control over the transactions of urban land, which effectively solves the problem of financial deficiency (Ding and Knaap

2005; Yeh and Wu 1996). The state also encourages housing privatisation through launching housing reform to change the housing provision pattern from government- and work unit-provided to market-provided (Huang 2004a; Song *et al.* 2005; Wang and Murie 1996, 2000). Land and housing reform has led to a new approach of urban redevelopment underwritten by the development of the real estate market. The adoption of a monetary compensation method also suggests a marketisation of the demolitions and relocation process. Nevertheless, the government and work unit continue to influence the processes of land provision, housing provision, housing demolition and residential relocation (Ding and Knaap 2005; He and Wu 2005; Huang 2004b; Li 2004). The changing urban redevelopment approach in China is characterised by the waxing market operation and private sector participation, and the remaining involvement of government and work unit. As the key elements of neo-liberalisation, deregulation and marketisation have been partially implemented in China, and have stimulated extensive urban redevelopment, within which real estate development has become an effective means of capital accumulation.

Yet, there are also some changes in China not consistent with what neo-liberalism would suggest. For example, when the overheated urban redevelopment causes social problems, the state acts as a fire-fighter to quench the social conflicts through re-regulating the market operation and slowing down the growth process. Indeed, neo-liberalism, which involves the restructuring and reorganisation of state capacities, does not necessarily suggest the vanishing of the nation state (Peck 2004). However, the 'creative destruction' of neo-liberalism in advanced market economies is quite different from that in China. The former aims to maximise the growth strength of the market and optimise the capital accumulation process, while the latter intends to balance development and stability based on a trial and error experiment. In fact, the state not only endeavours to secure conditions for rapid economic growth, but also struggles to maintain social stability and the socialistic characteristics of the country. Therefore, other than an external-imposed process, neo-liberalisation in China emerges as a process of partially and conditionally employing neo-liberal policy to

meet the state's needs of growth promotion. In order to maintain the 'socialist' system, only selective aspects of urban redevelopment such as the use of private finance and investment are undergoing a neo-liberalising process. The local government still actively acts as a planner, decision-maker and supervisor for city-wide redevelopment schemes and large-scale redevelopment projects. To balance the multiple needs of the state, a conditional neo-liberalisation happens in urban China. Violating the interests of urban neighbourhoods, the neo-liberalising process of China's urban redevelopment is facing resistance from local residents who appeal to the central government, refuse to be relocated, and even partake in some extreme activities. When the dominant needs for growth encounter the resistance from social needs, the state has to interrupt the neo-liberalising process and intervene between different interests. Cushioned by layers of resistance from the public ownership system and the local neighbourhoods, the thrust of neo-liberalism has been weakened in the context of China.

Meanwhile, within the process of decentralisation, the local governments, including provincial, municipal and district governments have been empowered with much decision-making power in local (re)development (Oi 1995, 1999; Walder 1995). Since local development is directly related to local revenue and even individual interests, the local governments adopt various neo-liberal strategies to facilitate urban and economic growth. In this study, the interplay between different levels of local government has illustrated their different degrees of engagement with neo-liberalism. Although the neo-liberal shifts in China's urban redevelopment is basically a 'top-down' process, the critical role of local state should be acknowledged, of which the actually existing neo-liberalisation manifests in a more apparent way.

7.1.2 The state-manipulated urban growth machine in China's property-led redevelopment

Cities have been recognised as the major arenas for neo-liberal programs competing for investment and resources, and for sustaining social reproduction (Smith 2002). In this research, the framework of the growth machine thesis is applied to analyse the underlying mechanism of urban redevelopment in Shanghai. Through looking at the changing urban redevelopment practices in different periods, this study has recognised that the redevelopment approach has changed from government-planned and government-subsidised urban renewal to government-sponsored property development. The extensive participation of private enterprises and the assistance from the growth-seeking local government have induced the burgeoning property-led redevelopment in China.

Referring to the urban growth machine thesis, this study pays much attention to the formation of growth coalition and interactions between different players. Based on the studies of the redevelopment projects in Shanghai, this research argues that the local state plays a conducive and dominant role in the process of coalition-formation. To attract domestic and foreign private investment into the inner city, the local state puts forward a series of policies and financial leverage, e.g. adopting new land and housing policies, providing financial subsidy and bank loans to encourage real estate development. The formation of the pro-growth coalition is accompanied by a set of deregulation and constraints removal. For example, urban land use right is allowed to be transferred through the market, bank loans are provided for real estate development. As the urban growth machine thesis suggests, rapid urban redevelopment in the inner city is underwritten by the growth-assisted government and the profit-seeking developers. Nevertheless, contrary to the growth machine thesis, the local government takes the initiative to ally the private sector to form property interest-centred coalition by offering the opportunities for market operation.

The public ownership of urban land has given the local state the partial role of 'rentier', rather than just the auxiliary partner of the local business groups. Therefore, to a great extent, the 'growth machine' does not revolve around the interests of the local business groups but around the needs of the virtual land owner -- the local state. Furthermore, the predominant role of the local government within the pro-growth coalition also greatly attributes to the so called 'state entrepreneurialism' (Duckett 2001), i.e. the local governments, in particular the municipal and district governments extensively involves in local development business. Even in the post-reform era, the state still plays an influential role in real estate market (Han and Wang 2003). In Shanghai, there are several state-owned or semi-state-owned real estate development corporations affiliated to the municipal government. Every district government also owns a real estate development company evolved from and affiliated to the housing management bureau. Possessing the characteristics of both government authority and enterprise, these state-owned and semi-state-owned corporations take charge of state-invested urban (re)development projects as well as other profit-making projects. Corporations partially invested by the state are also established to oversee and manage those government-proposed large-scale redevelopment projects. Besides, a number of large state-owned enterprises (SOEs) have successfully developed their real estate development branches and actively participated into local development business. Taking advantage of their developed networks with the local government, these SOEs have more privileges in land acquisitions and project development. For the private developers participating in the local real estate market, they also have to develop connection and reciprocal relationship with the local government (He and Wu 2005). Obviously, the local state directly or indirectly influences the local development business.

The property-led redevelopment in Shanghai is actually operated by the 'state-led pro-growth coalition', within which the private sector is rallied and led by the local government based on the common interests of urban and economyic growth. Therefore, the original concept of growth machine is hardly applicable in the Chinese

context. Nevertheless, in a different political-economic setting, the Chinese 'growth machine' is retooled (vis-à-vis Jessop *et al.* 1999) to provide the support for the local urban (re)development. To some extent, the urban growth machine is in the same vein as neo-liberalism by stressing the leading role of private sector/market and their alliance with the growth-assisted government. According to the urban growth machine thesis, cities are produced and reproduced during the process of struggles and bargains between different groups and interests, within which the exchange value of urban land is exploited at the expense of its use value (Logan and Molotch 1987). Focusing on the land development-bounded process and the interplay between public-private partners, the urban growth machine merits our understanding of the complex urban redevelopment process in market transitional Shanghai.

However, existing studies on China's urban (re)development with reference to the theory of growth machine have not provided a precise explanation for the particular rapid growth process. The 'informal local government-enterprise coalition' (Zhu 1999) and the 'socialist pro-growth coalition' (Zhang 2002) only partially describe the characteristics of the ongoing urban redevelopment in China, and fail to capture the key features of the particular growth coalition. The assertion of 'China's redevelopment has been propelled by emerging *local* elites using decentralised state power to pursue fast growth in the rising real estate markets' (Zhang and Fang 2004: 286) is only valid if the 'elites' refers to the political elites. Far from influencing the local state power, the so-called 'local business elites' still have to obey the local authority to a great extent, and endeavour to play 'structural speculation' to strive to produce more interests in the local development. In Shanghai 'while much of the language may be of growth, the nature of the machine is quite different' (Jessop *et al.* 1999: 159). The U.S.-based urban growth machine is at best premature in the Chinese context. The logic of the growth-targeted state, rather than the logic of capital, is dominating the process of urban redevelopment. Therefore, in attempting to apply the thesis of the growth machine in urban China, 'the state-manipulated growth machine' becomes a better interpretation.

7.1.3 Trajectories of neighbourhood change and impact on affected residents within urban redevelopment

The issue of socioeconomic outcomes of urban redevelopment in China is an important research topic yet still lacks an in-depth discussion. Although the negative impact of large-scale urban redevelopment on urban neighbourhoods has been recognised (Fang 2000; Y. L. Wu 2000; Zhang 2002; Zhang and Fang 2003, 2004), there is less understanding of how and why these undesirable outcomes are created. In attempting to answer these questions, this study thus investigates the socioeconomic outcomes of redevelopment from two perspectives: how the trajectories of neighbourhood changes are shaped and what induces the uneven impact on different groups of affected residents.

This study traces the processes of neighbourhood change by looking at the changing built environment and socioeconomic profiles of urban neighbourhoods in two famous redevelopment projects in Shanghai, i.e. LWC and XTD projects. LWC is a government-subsidized property development project, which results in residential displacement, while XTD is a government-sponsored property development project which results in transformation of urban function. Although the redevelopment approaches and outcomes are different in the two projects, they have the same emphasis on property development. Under the intense demands of urban growth through property development, both projects have resulted in significant change to the built environment and socioeconomic composition. Pursuing exchange value through redevelopment, both projects have sacrificed the original residents' everyday use value. The dominant demands for growth have decided the fates of these two urban neighbourhoods.

Combining ecological, sub-cultural and political economy perspectives, Temkin and Rohe (2002) argue that both external institutional forces and the social characteristics of the neighbourhood have important effects in shaping the trajectories of

neighbourhood change. However, in the context of market transitional Shanghai, the political economy perspective gives a more precise explanation for neighbourhood change. To a great extent, the trajectories of neighbourhood change are shaped by the institutional actors in the metropolitan area rather than the social characteristics of the neighbourhoods. Local government plays an important role in the process of neighbourhood change by justifying the property-led redevelopment. Forming pro-growth coalitions with the local authority, developers make profits from urban redevelopment projects at the expense of the original residents' interests. Whilst, local neighbourhoods are always excluded from the decision-making process of urban redevelopment, due to their lack of financial, political and social resources (Zhang 2002). In fact, urban neighbourhoods have hardly had the ability to influence the strong external institutional forces, i.e. the growth demands of the pro-growth coalition. Although the social conflicts between residents and developers/local government within the urban redevelopment process has attracted the attention of the central government, and various measures have been adopted to alleviate the conflicts, 'growth' is still the predominant goal of the local state and urban neighbourhood does not have a proper role to play in local development.

This study also identifies the uneven impact of redevelopment on different groups of residents. Affected residents in redevelopment projects used to be allocated standardised resettlement housing according to the quality and floor area of their original housing (Li 2000a, 2000b; Li and Tang 1998). Since the adoption of the monetary compensation approach, the impact of urban redevelopment on residents with different socioeconomic status has become uneven. Income and education become two of the most important indicators for residents' housing conditions after redevelopment. This change is attributed to the marketisation of urban redevelopment and the government's efforts to promote urban growth. The booming real estate market has made redevelopment become a more and more profitable business. The local government thus longs to promote the growth process further. Longing to harvest the windfall profit of redevelopment at the expense of local

neighbourhoods' interests, the local government withdraws the favourable policy for residents under the rhetoric of increasing the efficiency of redevelopment. Exposed to the open market, affected residents in the redevelopment projects have to manage to relocate through the open housing market or otherwise accept the limited resettlement houses provided by the demolition companies. As a result, those better off and middle-income residents, who have successfully adjusted to the market transition process to obtain homeownership and more relocation choices, while those low-income residents who fail to adapt to the market transition can not afford commodity housing even after having obtained a certain amount of compensation, and have to accept undesirable resettlement housing in the peripheries.

The analysis of the residents' evaluation of the ongoing redevelopment and the compensation method also shows that people with different socioeconomic status also have different opinions of redevelopment. The better off and middle-income groups are more likely to benefit from redevelopment projects and obtain home ownership. Therefore, they are generally more positive about the ongoing redevelopment and the compensation method. However, the low-income groups are more sceptical about the redevelopment and compensation method, since they are more vulnerable to redevelopment, and thus feel less confident after redevelopment. The property-led redevelopment has significantly affected low-income residents' lives in many ways. As the most vulnerable groups in the society, their social networks have been destroyed and their employment status have also been threatened within the redevelopment process. Therefore, both the physical needs, e.g. the improvement of housing quality, and the social needs, e.g. protection of social networks, are essential to affected residents, especially those low-income groups, and should be emphasised in urban redevelopment.

7.1.4 Answers to the research questions

Regarding the research questions put forward at the beginning of this thesis, my research findings are summarised into three arguments. Here, the hypotheses developed earlier are revised to answer the three questions.

Question 1: How did political-economic and institutional transformation affect urban redevelopment in Shanghai?

Answer 1: Neo-liberal policies have been adopted by the government to encourage marketised practices and a growth-first strategy in urban redevelopment. However, the neo-liberalising process in China is taking place in a very complex and nuanced way.

Under globalisation and marketisation, the political-economic and institutional transformation related to urban redevelopment in China is experiencing a great transformation. A growth-first strategy has been employed by the state to foster a property-led urban redevelopment approach. Meanwhile, in order to maintain the socialistic public ownership of urban asset, only selective neo-liberal policies have been adopted by the government to encourage more marketised practices. Rather than being dominated by the overwhelming market logic, the neo-liberal shifts in Shanghai's urban redevelopment are accompanied with state interventions to balance the dual needs for growth promotion and social stability. Within moments of partial destruction and creation of extant institutional arrangements, a partial and conditional neo-liberalisation occurs in urban China. Meanwhile, as a result of fiscal and administrative decentralisation, the local government has more responsibilities and interests in local development than the central government. Correspondingly, neo-liberalisation operates in a more vibrant way at local level (district

government and municipal government) than at central level (national government).

Question 2: How are pro-growth coalitions formed and how do they work to facilitate property-led redevelopment in the context of Shanghai?

Answer 2: Based on the common interests in property development, local government and the private sector constitute pro-growth coalition to promote extensive property-led redevelopment as an effective urban development strategy. However, the pro-growth coalition has been developed in a form quite different from the US prototype.

Serving its multiple needs, the local government unites the profit-seeking private enterprises to form growth coalitions to promote extensive property-led redevelopment. During the formation process of growth coalition, the state opens the opportunities for rapid urban and economy growth, while the private sector follows this. Playing the dual role of urban land owner and policy maker, the state is the leader of the pro-growth coalition rather than the private sector. Besides controlling the land provision and redevelopment pace, the local government also manages to retain its influence on urban redevelopment by increasing the participation of state-owned or semi-state-owned enterprises. Differing from the US-based growth machine, the local elites do not play a dominant role in the pro-growth coalition. Instead, they have to play 'structural speculation' (Molotch 1999) and maintain a good relationship with the local government in order to get more profits from redevelopment. Within the pro-growth coalition, the real needs of local neighbourhoods have been increasingly neglected. The booming property-led redevelopment in China is actually operated by the state-led pro-growth coalition.

Question 3: What are the socio-economic outcomes of property-led urban redevelopment in terms of neighbourhood change and impact on affected residents?

Answer 3: Urban neighbourhoods are experiencing significant changes in both built environment and socioeconomic profiles, and urban redevelopment has brought uneven impact on different groups of residents. The underlying political economic implications for these changes are very important and meaningful.

Since the state legitimises and encourages property-led redevelopment, which exploits exchange value at the cost of use value, urban neighbourhoods are experiencing tremendous residential displacement and functional transformation. The external institutional forces, i.e. the demand of 'growth promotion' by the government and developers, play a predominant role in shaping the trajectories of neighbourhood change. The neo-liberal policy and the marketised operation of urban redevelopment have brought uneven impact on affected residents with different socioeconomic status. Residents' socioeconomic status, e.g. income, occupation and education, are closely connected to their housing tenure and housing quality after redevelopment. As more marketised policies are adopted in the redevelopment process, affected residents no longer enjoy the privileges of allocated resettlement housing, and thus are exposed to the open market. Therefore, different groups of residents are subjected to different impact of urban redevelopment according to their various capabilities of adapting to the market transition. Redevelopment projects generally have a more positive impact on residents with higher socioeconomic status, who can obtain home ownership after redevelopment, while they have less beneficial impact on residents with lower socioeconomic status, who are defenceless to the property-led redevelopment and might suffer from displacement a lot.

7.2 Policy implications

Based on the findings of my research, several imperfections of urban policies, which are responsible for the undesirable practices of urban redevelopment in China, are identified here. Accordingly, concerning the three key players of urban redevelopment, i.e. the market, state and neighbourhoods, this section puts forward policy implications from three perspectives in order to improve China's urban redevelopment practices.

7.2.1 Regulating the real estate market

The dual-track system of land development has resulted in inefficient land use, the emerging black markets of land, corruption in land transactions etc. (Yeh 2005; Yeh and Wu 1996; Valletta 2005). The unfledged housing market is also harassed by ineffective management and irrational bureaucratic behaviour (Song *et al.* 2005; Zhang 2005). These have resulted in a distorted real estate market, upon which extensive urban redevelopment is implemented. Various unregulated practices occur in the urban redevelopment process, e.g. negotiated land leasing and extremely high density development, consequently foster the speculative practices of developers. This study has identified various undesirable results of the skewed market operation. For example, the overheated and irrational real estate development has resulted in rocketing property prices; middle- to low-income people are suffering from the lack of affordable houses; the local real estate market is monopolised by large developers within the unfair competitions; large volumes of urban land are accumulated and lead to inefficient land use and the loss of public assets. All of these will consequently hinder the progress of urban redevelopment and result in severe social inequality.

Therefore, it is high time to regulate the immature real estate development and develop a rational and mature real estate market to tackle these problems and facilitate socially sustainable urban redevelopment. To realise this goal, standardised

market operation should be advocated. Policies aiming to decrease the interference of a few non-market factors, e.g. negotiated land leasing, local government' improper intervention in real estate market, should be made. Laws and ordinances to restrict corruptions and illegal transactions in real estate development are also needed. To avoid the over-heated real estate development pursuing short-term return at the cost of long-term socioeconomic benefits, the government should develop affordable housing for middle- to low-income residents. Nevertheless, the imperfections of the real estate market, i.e. the multiple markets, unpredictable policy intervention, inefficient management and governance, can be related to a range of institutional and economic factors, and thus can not be diminished in a short time. Fostering the healthy development of real estate market will be a long term goal for China. Establishing complete legislation and a management system, developing a fair and transparent competitive environment will the most important and effective means.

7.2.2 Increasing the efficiency and transparency of urban governance

As the research findings show, the local government has employed highly flexible urban policies and management regulations in the urban redevelopment process, aiming to attract private investment into the high-cost redevelopment projects in the inner city. State policies concerning land and housing development in China have also been blamed for its volatility (Zhu 2004). As mentioned before, the ambiguous and opaque governance has facilitated speculation within urban redevelopment. Furthermore, since urban redevelopment involves the interests of different levels of government and even individual government officers, various types of irrational and inequitable self-interest of different groups occur. For example, in order to regulate the unreasonable practices in real estate development the central state has published several ordinances to stop negotiated land leasing and illegal land transactions. However, the local government still manages to bypass these policies to protect the interests of pro-growth coalitions formed between themselves and the private enterprises. Volatile policies, fuzzy and murky government involvement, and the

competing interests of different levels of governments together largely account for the unsuccessful governance and undesirable results of urban redevelopment in China.

Therefore, increasing the efficiency and transparency of governance on urban redevelopment is among one of the most important tasks for the Chinese government. The government is expected to endeavour to publish consistent urban policy and ordinances; enhance the openness and justness of governance and management; prevent malversation and harmonise the interests between different levels of governments. To guarantee the effective implementation of policies published by the central government, publishing laws and ordinances to regulate the local government, especially the district government's behaviour within urban redevelopment are necessary. To increase the transparency of governance within redevelopment, policies guaranteeing residents being properly informed of redevelopment schemes and compensation standards etc. are also very important. Meanwhile, reducing the direct involvement of administrative units in redevelopment process, developing an effective supervision system to guarantee the implementation of laws and regulations would also help to develop a highly efficient government.

7.2.3 Emphasising the interests of low-income neighbourhoods

The findings of this study show that affected residents have been unequally burdened with the social cost of urban redevelopment. The interests of local neighbourhoods, which used to be taken care of by the local government and work units, now have become secondary to the imperative of growth. In attempting to transfer urban redevelopment process into market operation, the government pushed the affected residents into open market without developing a complementary social welfare system. As a result, those low-income groups who fail to adjust to the market transition have suffered a lot from urban redevelopment and have been forced to move from the inner city. Meanwhile, driven by the profit-seeking forces, a large volume of investment has fluxed into the most profitable area of the city. Those old

but still thriving neighbourhoods are displaced by high-value-added properties, whilst the most dilapidated urban areas where the needs for redevelopment are most urgent are left behind. Furthermore, the social needs of local neighbourhoods have been ignored and snubbed within property-led urban redevelopment.

Before a complete social welfare system is developed, the interests of those vulnerable low-income groups should be protected by the government through constantly and effectively implementing a series of policies, e.g. *lianzufang* (cheap rental housing) policy, *anju* (affordable and comfortable housing) project. To realise integrated urban and social redevelopment, the social needs of urban neighbourhoods, e.g. protection of social networks and attachment to original neighbourhoods, should also be emphasised in the redevelopment policy. Introducing public participation and paying attention to the opinions of the 'grass-roots' will be meaningful in the decision-making process of urban redevelopment. Besides the dominant property-led redevelopment, other redevelopment approaches centred around the interest of local neighbourhoods should be advocated. Community-based redevelopment, with emphasis on the multiple needs of local residents, will help to avoid neighbourhood inequality and damages to thriving urban neighbourhoods. This practice will also empower the local residents to play an influential role in shaping the trajectory of neighbourhood change.

7.3 Limitations and future work

7.3.1 Limitations

This study combines policy study, interpretative analysis and quantitative data analysis, though the latter occupies a smaller proportion. In terms of research methodology, qualitative analysis is adopted as a major research method, with the addition of limited application of quantitative methodologies. To examine neo-liberalism and the urban growth machine in the context of Shanghai, relevant

policies and secondary data on the study case have been collected and analysed. However, firsthand data relating to individual redevelopment projects at the neighbourhood level has not been fully utilised. More in-depth analysis on the socioeconomic outcomes of redevelopment could have been distilled from the fieldwork data. Insufficient longitudinal data has prevented this study from analysing the historical change of Shanghai's urban redevelopment in quantitative terms. The limited number of case studies also hinders this study from covering different types of redevelopment projects, e.g. brownfield redevelopment, preservation-focused redevelopment, and neighbourhood-based self-help redevelopment.

This study has adopted a political economy approach to investigate the changing urban redevelopment in Shanghai. Indeed, currently in China the external forces from political economic transformation and powerful institutional actors, i.e. the growth-assisted government and profit-seeking private sector, have played a dominant role in determining the approach of urban redevelopment and shaping the trajectory of neighbourhood change. With Chinese cities transforming from places of production to places of consumption, the consumption side actors are also becoming more and more influential in real estate development and the urban redevelopment process. Furthermore, in response to the neo-liberal shifts of urban redevelopment, local communities and organisations have adopted various formal collective action and informal social behaviour to resist the 'growth first' strategy. Their increasingly important role in urban redevelopment practices should be paid more attention. The political economy perspective would have benefited from the addition of consumption and cultural perspectives.

7.3.2 Future work

This PhD research is just a pilot study on urban redevelopment in market transitional China. Given the dynamism of China's new urbanism, there are a number of interesting issues worthy of further investigation, e.g. the burgeoning gentrification

in Chinese cities, residents' changing housing tenure within urban redevelopment, local community's alternative political and economic strategies to neo-liberal globalisation.

Although Chinese cities have not experience large-scale suburbanisation and substantial inner city decline (Zhou and Ma 2000), central urban areas have been undergoing a circling process of thriving — decline — rehabilitation/redevelopment. The inner cities therefore present a mosaic of mixed low-income, low-quality neighbourhoods, newly developed luxury condominiums, office buildings, and prosperous commercial facilities. Parallel to gentrification in Western cities, residential redevelopment in Chinese cities involves the displacement of large number of low-income residents and the influx of high-income residents. Within the rapid urban redevelopment process, shrinking old and dilapidated inner city neighbourhoods have been surrounded by a sea of newly redeveloped buildings. An increasing number of middle-class residents have started to move into inner city neighbourhoods. To understand this interesting phenomenon, several questions deserve in-depth investigation. Can this phenomenon accompanying rapid urban redevelopment be termed as gentrification? If yes, what are the underlying driving forces of the burgeoning gentrification, and what induces the division between gentrifiers and displacees? A study of gentrification in urban China, focusing on the above questions, would be a potential research topic in the future.

Inducing a large volume of housing demolition and residential relocation, urban redevelopment has profoundly influenced residents' housing conditions (Wu 2004). Urban redevelopment used to be an important means of improving housing conditions and obtaining housing ownership, but now also results in changing housing tenure of affected residents. For example, some residents who used to live in public-owned housing obtained homeownership through accepting redevelopment compensation. More recently, a series of new polices aiming to facilitate urban redevelopment and solve the problem of affordable housing deficiency have been

introduced by the government to regulate the overheated real estate market. For example, low-income residents, who used to live in inherited private housing and can not afford commodity housing, are entitled to rent government-owned housing by paying cheap rent in the inner city. These new policies encourage market operation and propose various innovative housing compensation methods. New policies and new practices of redevelopment have made the change of housing tenure become more and more complicated. Through analysing the longitudinal data of residents' changing housing tenure within urban redevelopment, the impact of urban redevelopment on different groups of residents, in terms of changing property rights will be better understood.

With the conflicts between social needs of local neighbourhoods and the growth needs of the local government and business groups becoming more and more acute, the voices of local residents and organisations no longer remain negligible. Deploying the weapons of law and appeal, affected residents start to protect their own interests and influence the redevelopment policy (Zhang 2005). A few organisations representing the interests of local people, e.g. homeowners associations, have also emerged to negotiate with external institutional actors and participate in the decision-making process of local development. Although public participation in urban redevelopment is still in an early stage in China, local community and other organisations have become a noticeable force in shaping local (re)development. Examining the interplay between these newly emerging groups and the external political-economic forces of the partial and conditional neo-liberalism will be an intriguing research topic for the future.

Appendix I

Details of interviews

Interviewee	Code	Gender	Age	Date	Location
Urban experts					
Professor of Sociology	I1	Male	50+	13/2/2004	Office
Professor of Urban Planning	I2	Male	40+	16/2/2004	Office
Senior Urban Planner	I3	Female	40+	9/3/2004	Office
Government officers					
Officer of Urban Development Policy Department	I4	Male	40+	17/2/2004	Office
Officer of District Planning Bureau	I5	Male	35+	17/2/2004	Office
Officer of District Construction Committee	I6	Male	40+	3/3/2004	Office
Officer of District Planning Bureau	I7	Male	30+	31/3/2004	Office
Officer of District Planning Bureau	I8	Female	35+	6/4/2004	Office
Developers					
Marketing Communication Officer, a Hong Kong-based real estate company	I9	Female	25+	17/2/2004	XTD Starbuck
Manager of a real estate company affiliated to district government	I10	Male	40+	20/2/2004	Office
Deputy Manager of Research and Development Department, a Hong Kong-based real estate company	I11	Male	35+	23/2/2004	Office
Assistant to manager, Planning and Design Department, a Hong Kong-based real estate company	I12	Male	25+	24/2/2004	Office
Chief consultant, a Hong Kong-based consultant firm	I13	Female	40+	9/3/2004	Office
Urban planner of a real estate company affiliated to municipal government	I14	Female	30+	29/3/2004	Coffee shop

Residents in pre-redevelopment neighbourhoods					
Resident in Hongqiao District	I15	Male	40+	14/2/2004	Respondent's home
Resident in Jinganli	I16	Male	60+	20/2/2004	Residents' committee
Resident in Shenjiazhai	I17	Male	45+	28/2/2004	Residents' committee
Resident in Jinganli	I18	Female	45+	28/2/2004	Outside respondent's home
Resident at a demolition site adjacent to Xintiandi	I19	Female	45+	4/3/2004	Outside respondent's home
Resident at a demolition site adjacent to Xintiandi	I20	Female	50+	4/3/2004	Respondent's home
Resident refused to remove, a demolition site in Taipingqiao	I21	Female	70+	4/3/2004	Respondent's home
Resident refused to remove, a demolition site in Taipingqiao	I22	Female	55+	7/4/2004	Outside respondent's home
Residents in post-redevelopment neighbourhoods					
Resident in Liangwancheng	I23	Female	50+	14/2/2004	Riverside green space
Resident in Liangwancheng	I24	Male	50+	7/3/2004	Riverside green space
Resident in Liangwancheng	I25	young couple	20+	7/3/2004	Riverside green space
Resident in Liangwancheng	I26	young couple	25+	7/3/2004	Riverside green space
Residents relocated to suburb					
Resident in Minghang	I27	Male	40+	29/3/2004	Residents' committee
Resident in Sanlincheng, Pudong	I28	Male	45+	2/4/2004	Residents' committee
Resident in Sanlincheng, Pudong	I29	Female	35+	2/4/2004	Residents' committee
Resident in Sanlincheng, Pudong	I30	Male	60+	2/4/2004	Residents' committee

Appendix II

Questionnaire on urban redevelopment in Shanghai (A)

Serial number: _____

Investigator: _____

Date: _____

Location: _____

February 2004

Dear Sir/Madam,

We are undertaking a survey aiming to learn the impact of urban redevelopment on urban neighbourhoods in Shanghai, which is a PhD research project supported by the school of geography, University of Southampton. We would greatly appreciate it if the householder or the spouse of householder could spare 15 minutes to help us complete the following questionnaire. If you have any queries about this questionnaire please let us know. Your opinions would be valuable to this research. Any information provided in this questionnaire will be treated with complete confidentiality and will not be used for any purpose other than this research project.

Thank you very much for your participation in this study!

Yours faithfully

Investigators from Shanghai Academy of Social Sciences
& East China Normal University

Please enter your answers into the bracket【 】, or fill in the underlined blank area_____, there is only one answer for each question unless specified, please don't leave any question unanswered, Thank you for your cooperation!

Section 1: Basic Information

1. 【 】How old are you? ①Under 18; ②18-40; ③41-64; ④Above 65.
2. How many family members live together at current address? _____
   How many of them have regular income? _____
   How many of them are under 18_____; 18-40_____; 41-64_____; above65_____.
3. 【 】Your gender: ①Male; ②Female.
4. 【 】Your educational level: ①Primary school and under; ②Junior secondary school; ③High school or technology school; ④College or university; ⑤Master and beyond.
5. The educational level of your family member: how many of them belong to Primary school and under_____; Junior secondary school_____; High school or technology school_____; college or university_____; Master and beyond_____.
6. 【 】Your *hukou* (household registration status) belongs to ①Local sub-district; ②Other sub-districts in Shanghai; ③Other cities in mainland China; ④Other rural areas in mainland China; ⑤Hong Kong, Macao, or Taiwan; ⑥Overseas.
7. 【 】Your current employment status belongs to: ①Long term contract; ②Short term contract; ③Laid-off; ④Unemployed; ⑤Retired; ⑥Self-employed.
8. 【 】What is your current occupation? ①Government officer/ Managerial officer; ②Technician; ③Clerk/Secretary; ④Worker; ⑤Teacher; ⑥Doctor/ Nurse; ⑦Serving; ⑧Others_____(please specify).
9. 【 】The work unit or company you work for belongs to: ①Governmental or CCP organization; ②Educational, medical or scientific research organizations; ③State-owned enterprise; ④Collective enterprise; ⑤Foreign company or joint-venture; ⑥Private enterprise; ⑦Self-employed; ⑧Others_____ (please specify).
10. 【 】Your family annual income is ①Under 20,000 RMB; ②20,000—50,000 RMB; ③50,000—100,000 RMB; ④100,000—200,000

RMB; ⑤200,000— 400,000 RMB; ⑥Above 400,000 RMB.

11. 【 】 Is there any significant change in you family income within last ten years? ①Yes; ②No.

If answer yes, 【 】 the change in family income is ①Increasing significantly; ②Decreasing significantly.

When did this change happen? _____

Section 2: Opinion on Redevelopment

(version 1: pre-redevelopment)

1. 【 】 Have you or your family member ever experienced redevelopment? ①Yes; ②No.

If answer yes, when was the latest redevelopment? _____, where was it? _____, your previous housing area was_____square metres.

【 】 Relocation method was ①On-site relocation; ②Off-site relocation, address of relocated housing _____, housing area was_____square metres; ③Monetary compensation, compensation amount was_____yuan.

2. 【 】 Do you approve urban redevelopment in this neighbourhood? ①Yes; ②No.

3. **If answer yes,** 【 】 the reasons are (you can choose more than one answer): ①Urgent need for housing improvement; ②Considerable relocation compensation; ③Need for improving the appearance of this area; ④Other reasons_____ (please specify).

4. **If answer no,** 【 】 the reasons are (you can choose more than one answer): ①Preference for convenient access to local amenities; ②Insufficient compensation for relocation; ③Attachment to their neighbourhood; ④Potential damage on traditional lilong structure and buildings; ⑤Other reasons _____ (please specify).

5. 【 】 What is your preferred potential usage of the redevelopment site: ①*Lilong* style residential area; ②Multi-storey apartments; ③Sport and recreational facilities; ④Commercial and recreational facilities; ⑤Hospital or school; ⑥Public space, e.g. green space, square; ⑦Others_____ (please specify).

6. 【 】 If possible, would you like to return to this neighbourhood after

redevelopmen? ①Yes; ②Don't care; ③No.

7. 【 】What impact do you estimate that urban redevelopment will bring to your life (you can choose more than one answer): ①Employment status (e.g. unemployed due to increased commuting cost); ②Inconvenient access to public facilities, such as hospitals, schools, cultural and recreational facilities; ③Fragmentised social networks with relative, friends and neighbours; ④Inconvenient access to city centre; ⑤Others_____(please specify).
8. 【 】How do you assess monetary compensation? ①Reasonable and efficient compensation approach; ②Neutral; ③Inefficient and unfair compensation approach.
9. 【 】How do you assess the ongoing property-led redevelopment approach? (you can choose more than one answer): ①Effectively beautify the urban appearance; ②Promote economic development; ③Result in rocketing housing prices; ④Damage historical culture heritage; ⑤Disinterested relocated residents; ⑥Others_____(please specify).

(version 2: post-redevelopment)

1. 【 】Have you or your family member ever experienced redevelopment? ①Yes; ②No.

   If answer yes, when was the latest redevelopment? _____, where was it? _____, your previous housing area was_____square metres.

   【 】Relocation method was ①On-site relocation; ②Off-site relocation, address of relocated housing _____, housing area was_____square metres; ③Monetary compensation, compensation amount was_____yuan.
2. 【 】What is the most impressive improvement on this area after redevelopment (you can choose more than one answer): ①The image/reputation of this area; ②Housing quality and price; ③Infrastructure and local amenities; ④Living environment, e.g. green space, public space; ⑤Others (please specify)_____.
3. 【 】The success of this redevelopment project was attributed to (you can choose more than one answer ①Change the image/reputation of the whole area; ②Improve the quality of the built environment; ③Commercial operation; ④The support from government; ⑤Others (please specify)_____.

4. 【 】What is the direct impact of urban redevelopment on your family: ①More housing choice; ②Result in rocketing housing prices; ③No direct impact yet; ④Others (please specify)_____.
5. 【 】How do you assess monetary compensation? ①Reasonable and efficient compensation approach; ②Neutral; ③Inefficient and unfair compensation approach.
6. 【 】How do you assess the ongoing property-led redevelopment approach? (you can choose more than one answer): ①Effectively beautify the urban appearance; ②Promote economic development; ③Result in rocketing housing prices; ④Damage historical culture heritage; ⑤Impair affected residents' interests; ⑥Others_____(please specify).

Section 3: Housing Status

1. Your housing area is_____square metres.
2. 【 】Besides this house, do you own other property(-ies)? ①Yes; ②No.
3. When did you move to current address? _____
4. 【 】Have you ever moved home in last ten years? ①Yes; ②No.

   If yes, how many times did you move? _____
6. 【 】Your current house is ①Villa with garden; ②Multi-storey apartment; ③New fashion lilong housing; ④Old-fashioned lilong housing; ⑤Low-rise housing; ⑥Self-built crude house/shanty.
7. 【 】Your housing quality is ①Very good; ②Fair; ③Normal; ④Bad; ⑤Very bad.
8. Please fill in the number of each facility in your house (if shared with other people, please specify): ①Living room_____; ②Bedroom_____; ③Kitchen_____; ④Toilet_____; ⑤Bathroom_____; ⑥Air-conditioning_____; ⑦Gas; _____; ⑧Broadband_____;.
9. 【 】How would you describe the change of your housing condition in last ten year: ①Significantly improved; ②Slightly improved; ③No change; ④Slightly deteriorated; ⑤Seriously deteriorated.
10. 【 】Your house belongs to ①Public housing allocated by government; ②Public housing allocated by work unit; ③Inherited private housing, estimated value:_____yuan; ④Purchased housing with discount or subsidy, date of purchase: _____ price: _____; ⑤Commodity housing date of purchase:

_____ price: _____; ⑥Private rental, the rent is _____; ⑦Others_____ (please specify).

11. Please fill in your assessment to your neighbourhood from different aspects ①Very satisfied; ②Satisfied; ③Neutral; ④Unsatisfied; ⑤Extremely unsatisfied. 【 】 I Housing area;【 】 II Housing quality;【 】 III Infrastructure (e.g. electricity, heating, water, drainage); 【 】 IV Living environment (e.g. green space, sanitary); 【 】 V Transport; 【 】 VI Local amenities (e.g. market, school, hospital); 【 】 VII Security; 【 】 VIII Neighbourhood relationship.

12. 【 】 Would you like to stay in this area for long term: ①Yes; ②Don't care; ③No.

Appendix III

Questionnaire on urban redevelopment in Shanghai (B)

(Xintiandi consumer investigation questionnaire)

Serial number: _____

Investigator: _____

Date: _____

Location: _____

March 2004

Dear Sir/Madam,

We are undertaking a survey aiming to understand the characteristics of consumers at Xintiandi, and to investigate the operation mode of Xintiandi. This is a PhD research project supported by the school of geography, University of Southampton. We would greatly appreciate it if you could spare 10 minutes to help us complete the following questionnaire. If you have any queries about this questionnaire please let us know. Your opinions would be valuable to this research. Any information provided in this questionnaire will be treated with complete confidentiality and will not be used for any purpose other than this research project.

Thank you very much for your participation in this study!

Yours faithfully

Investigators from Shanghai Maritime University

Please enter your answers into the bracket【 】, or fill in the underlined blank area_____, there might be more than one answer for some questions, please don't leave any question unanswered, Thank you for your cooperation!

Section 1: Basic Information

1. 【 】How old are you? ①Under 18; ②18-40; ③41-64; ④Above 65.
2. 【 】Your gender: ①Male; ②Female.
3. 【 】Your educational level: ①Primary school and under; ②Junior secondary school; ③High school or technology school; ④College or university; ⑤Master and beyond.
4. 【 】Where are you from? ①Local sub-district; ②Other sub-districts in Shanghai; ③Other cities in mainland China; ④Other rural areas in mainland China; ⑤Hong Kong, Macao, or Taiwan; ⑥Overseas.
5. Your address in Shanghai (please specify which district): _____
6. 【 】What is your current occupation? ①Government officer/ Managerial officer; ②Technician; ③Clerk/Secretary; ④Worker; ⑤Teacher; ⑥Doctor/ Nurse; ⑦Serving ; ⑧Others_____(please specify).
7. 【 】The work unit or company you work for belongs to: ①Governmental or CCP organization; ②Educational, medical or scientific research organizations; ③State-owned enterprise; ④Collective enterprise; ⑤Foreign company or joint-venture; ⑥Private enterprise; ⑦Self-employed; ⑧Others_____ (please specify).
8. 【 】Your annual income (in US$): _____

Section 2 About Xintiandi

1. 【 】Where did you hear about Xintiandi at the first time? ①From media (e.g. newspaper, TV); ②From friends; ③From internet; ④Others sources (please specify) _____.
2. 【 】What is your major objective(s) for visiting Xintiandi? ①Sightseeing; ②Shopping; ③Leisure and recreation; ④Dining; ⑤Meeting friends or clients; ⑥Others (please specify) _____.
3. 【 】The most impressive thing in Xintiandi is: ① The traditional Shanghai style 'Shikumen' houses and allays; ②The First CCP Congress Museum; ③The particular atmosphere combined Chinese and western, old

fashion and modern features; ④The high-end and fashionable mixed-use district; ⑤Others(please specify) _____.

4. 【 】How often do you visit Xintiandi? ①This is my first time; ②Occasionally; ③Once or twice a month; ④Once a week; ⑤More than once a week.

5. 【 】Compared with other similar leisure, recreation and commercial mixed-use district, do you prefer to come to Xintiandi? ①Yes; ②No sure; ③No.

   If answer yes, 【 】the reason is ①I like the atmosphere here; ②I enjoy the high-level services here; ③Accessibility (close to my home or company); ④It is very popular; ⑤Others (please specify) _____.

   If answer no, 【 】the reason is ①I don't like the atmosphere here; ②It is quite expensive here; ③Too far way from my home or company; ④It is not as good as advertised; ⑤Others (please specify) _____.

6. 【 】Do you think Xintiandi has become one of the 'landmarks' of Shanghai? ①Yes; ②No.

7. 【 】How would you assess Xintiandi: ①Successfully combined commercial development and historical culture preservation; ②Good place for high-end and fashionable shopping and recreation; ③Fair, but not as good as advertised; ④Historical context was destroyed, lack of the particular charm of old Shanghai; ⑤Commercial vaunting, much worse than advertised; ⑥Others(please specify) _____.

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