

Chapter 1: Introduction

A Globalizing City on the Rise: Shanghai's Transformation in Comparative Perspective¹

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The Rise of Shanghai in the Global Age

Shanghai is recognized as the most rapidly globalizing city in the world. As the first city from the modern developing world, it appears well on its way to host the World Expo in 2010. Shanghai's rise has caught the worldwide attention of urban scholars and casual observers. Shanghai has experienced the fastest economic growth of any megacity since the early 1990s, averaging nearly 15 percent annually. Shanghai has attracted over US\$120 billion in foreign direct investment (FDI) since 1992, including US\$14.6 billion in 2006, or 23 percent of China's total FDI (Balfour, 2007). Shanghai has been undergoing "the greatest transformation of a piece of earth in history. It's mind-boggling," according to a Baltimore-based architect who has done planning work in the city (Balfour, 2007, 53).

In the early 1980s, the row of European-style buildings along the Bund by the Huangpu River--the visible architectural legacy of past Western influence (see Photo 1.1)--looked distinctively tall against the sea of traditional houses nested along and into narrow alleys. Today they are overshadowed by approximately 4,000 modern high-rises that have sprung up over the last decade, doubling the total number of buildings in New

York City. Rumor had it that half of the world's cranes were working in the Pudong New Area (east of the Huangpu River) of Shanghai at some point in the mid-1990s. An agricultural district of rice paddies and farm houses largely cut off from the rest of Shanghai through the early 1980s, Pudong boasts the world's fastest train and is dotted with modern factories including semi-conductors plants in the booming Zhangjiang High-Tech Park and commercial skyscrapers, including the world's tallest hotel (a Grand Hyatt reaching to the 88th floor). Japanese real estate tycoon Minoru Mori is spending US\$1 billion on finishing China's tallest building and Asia's second tallest (slightly lower than Taipei 101); the Shanghai World Financial Center in Pudong's Lujiazui financial district is completed in 2008 (see Map 1.1 and Photo 1.2).

[Map 1.1, Photos 1.1 and 1.2 about here](#)

Some may see Shanghai's rise in the late 20th and early 21st centuries as a "renaissance" from its cosmopolitan and glorious days in the 1920s-1930s when it became known as "the Paris of the East" in a largely impoverished China. Just as Shanghai was poised to rise again after the Chinese Revolution of 1949, its growth stagnated through the late 1970s due to the central government's policy of redistributing its economic and technical resources to financing the development of poor interior cities. Shanghai turned over 350 billion yuan (US\$40 billion) in revenue to the central government during 1949-1985 but got back only 3.5 billion yuan (US\$44 million) for building municipal infrastructure.² Shanghai languished again behind the booming cities in South China such as Shenzhen and Guangzhou, which were favored by the central government during the 1980s (Chen, 2005). The onset of the 1990s, when former Shanghai mayors Jiang Zemin and Zhu Rongji rose to power, marked the dawn of a

“golden decade” for Shanghai, which has since been groomed and guided by both the national and municipal government along an upward trajectory to becoming China’s pre-eminent global city. “The Paris of the East” of the past appears to be jumping forward to becoming “the New York of China” in the future.

The rise and renaissance of Shanghai have had a measurable impact on major Asian cities that generally see or position themselves as competitors. According to recent reports by the *South China Morning Post*,³ Taiwanese corporate CEOs lamented that Taipei may be losing to Shanghai in multinational companies’ competition for human talent, especially IT professionals such as software engineers. Hong Kong accounting professionals, especially those at the managerial level, either moved or traveled to working in Shanghai due to a high local demand and competitive salaries, despite increasing competition in competency from their mainland counterparts. In both reality and perception, Shanghai emerged as an attractive new business hub for Asia at some expense of both Hong Kong and Singapore. Fifty-five multinational companies set up regional headquarters in Shanghai after 2003, leading to increased membership for its American Chamber of Commerce (Amcham), while Amcham memberships in Hong Kong and Singapore had declined (Lawrence, 2002; Overholt, 2004). More specifically, three business groups under General Electric (GE) recently moved their Asia-Pacific regional headquarters from Hong Kong and other Asian cities to Shanghai. Chipmaker Advanced Micro Devices (AMD) moved its South Asia-Pacific headquarters (which is responsible for sales and marketing in Australia, Greater China, India, and Southeast Asia) from Hong Kong to Shanghai in 2002. IBM also moved its Asia-Pacific headquarters from Tokyo to Shanghai, and so did auto-parts maker Visteon Corp in 2003.

In addition, GM's R&D center in Shanghai has grown from about 100 employees in 1996 to over 1,000 by 2007. In spite of its rapid rise only during the last decade or so, that Shanghai drew a growing number of regional headquarters of multinational corporations from the established Asian headquarters cities of Singapore and Hong Kong (Ho, 2000) is highly significant. (Chapters 5 and 6 of this book will address Singapore and Hong Kong in comparison to Shanghai.)

Ranked outside the world's top 10 ports just five years earlier and 25th back in 1994 (Lambert, 1996), Shanghai passed the Korean port city of Pusan (and the fourth-ranked Taiwanese port of Kaohsiung) in both volume and number of 20-foot equivalent units (TEU) containers to become the world's third-busiest port behind only Hong Kong and Singapore in 2003 (Dunn, 2005). And with the opening of the new Yangshan deepwater port to the city's south in December 2005, Shanghai passed Hong Kong in the number of containers in the first quarter of 2007 and is poised to take over the title of the world's largest port by 2010. As Shanghai's economic functions strengthen vis-à-vis major Asian cities, it developed a cultural draw and influence on the latter. Hong Kong and Taiwan's film industries began to shift their operations there. TV series about the history, culture, and romance of the old Shanghai became popular in Taipei. Shanghai-themed restaurants and nightclubs in Taipei such as "Shanghai Shanghai" and the "Shanghai Parliament Club" are doing brisk business, connecting with people's combined nostalgia and admiration for traditional Shanghainese food, deco, and atmosphere. Yet the staying power of Shanghai in the consciousness of Taiwanese is not so much the city's colorful history as its return to glory as the international gateway for China (Huang, 2002).

The growing presence and impact of Shanghai in the Asia-Pacific region and globally, coupled with its dramatic local transformations, have turned Shanghai into possibly the most heavily studied mega-city in recent years. While this is a book about Shanghai, it is more than that. It looks at Shanghai through theoretical and comparative lenses and at multiple analytical scales to make Shanghai a timely urban laboratory for understanding how local transformations occur in global or globalizing cities as a combined function of global impact and state power.

Refocusing on “the Local” in Global Cities: Is Shanghai a Special Case?

If Shanghai is rapidly becoming a global city, as the above account suggests, the process tends to focus our analytical attention on the external functions and rising ranks of Shanghai in the global/world city hierarchy. Besides the clear evidence on the speed at which Shanghai has soared in the hierarchies of the world’s top ports and the Asia-Pacific region’s top headquarters centers, Ren (2005) showed that on four measures of power and centrality, Shanghai (and Beijing)—the only two Chinese cities--came out of nowhere to rank among the top 10 most important cities in 2003 as locations for global architectural firms and their major and even iconic projects in the world-city network. While still trailing far behind Hong Kong and Singapore, Shanghai (and Beijing), among major East Asian cities, gained momentum in the number and frequency of international flights and international airfreight movements in recent years (Yusuf and Wu, 2002). The above analyses of relational or network measures provide a striking picture of Shanghai’s rapid climb in the world-city hierarchy. This relational approach to treating or comparing Shanghai (with other similar cities) as a holistic unit of observation is consistent with the

body of studies on the structure of the world-city network and the mobility of cities within it (see Smith and Timberlake, 1995; Shin and Timberlake, 2000; Taylor, 2004).

As we know more about the rise or fall of major cities in the world-city hierarchy, we are more intrigued by what brings about the upward or downward shifts of these individual cities. Here the network approach takes us only so far by focusing on such explanatory variables as the concentration of corporate headquarters or branch offices and the connectivity of international flights. While this approach may be sufficient for providing a systemic account of blocks of cities in a world hierarchy, it falls short in accounting for what drove Shanghai to rise so rapidly and simultaneously along several ladders of the world-city hierarchy and the local socioeconomic consequences. In other words, we face a dual analytical challenge. On the one hand, we need to push the causal chain further back and deeper down to uncover the internal and local factors in Shanghai's global rise. On the other hand, we need to better understand the multifaceted local socioeconomic transformations of Shanghai as it is striving to be a global city. This calls for differentiating the ways in which these local transformations are induced by penetrating global forces as opposed by macro-societal and local institutional changes that may or may not be linked to globalization (Marcuse and van Kempen, 2000a). These institutional changes crystallize around the shifting and growing role of the state.

The state remains a powerful actor in mediating global forces and local responses in any given global or globalizing city even as globalization denationalizes or relocates certain parts of the national economy, politics, and society into the global system (see Sassen, 2006). While globalizing and localizing tendencies or processes are coexisting, interdependent, and mutually-penetrating rather than contradictory and divergent

(Rosenau, 1997), localizing tendencies tend to reinforce certain indigenous historical and traditional conditions, which significantly modify the impact of global forces (Judd, 2003). An even stronger counter to the global city perspective is the embedded or nested argument that national and sub-national political-economic contexts such as state-centric bureaucratic and rational-planning practices, rather than global capitalism, are decisive in shaping the spatial and socioeconomic configurations of a global city like Tokyo (see Jacobs, 2006). The logic behind this rethinking about global cities calls for an analytical “(re)turn to the local.” What does this mean and how to carry it out in the context of Shanghai, which has been globalizing at such a torrential pace behind the purposeful and powerful push by the Party-state? If this makes Shanghai a special or Chinese version of a globalizing city, it behooves this book to focus on how the state operates as a driver and also mediator vs. globalization in bringing about local socioeconomic transformations. This distinctive focus aims at revealing the global and local features of Shanghai as a globalizing city that are both similar to and different from other global or globalizing cities. In the two sections below, I discuss a few comparative thematic threads that run from the first through the second part of the book.

From the West to Shanghai: Global Cities, High-Tech, and Logistics

In the wake of John Friedmann’s world city hypothesis and research agenda in the early to mid-1980s, Saskia Sassen, with the release of *The Global City* (first edition) in 1991, opened up a new stream of scholarship on what she sees as a new kind of city—the global city. Unlike the world city of the past and present, the global city of the late 20th and the early 21st centuries possesses a host of new and salient functional and relational attributes that reflect the local reconfiguration of the global economy in a few strategic

cities with dominant command and control functions. In Chapter 2, Sassen reintroduces the global city perspective by fleshing out seven hypotheses and discerning a number of major trends bearing on all global or globalizing cities. Sassen's chapter sets up the theoretical backdrop against which the other chapters on the Asian cities and Shanghai dialogue in one way or another. A key argument of her chapter is that global economic activities are deeply embedded in place and take on concrete localized forms of a political, social, or cultural nature. It resonates with many discussions and analyses in the other chapters of the book. As an added bonus, Sassen offers several empirical observations on Shanghai through her theoretical lens.

The literature on global cities launched by Sassen's seminal work is concerned with two important questions that have generated unsettled debates. While the more basic question of "what is a global city?" has been addressed by network analysis and in-depth case studies (see chapters in Marcuse and van Kempen, 2002b), the more involved question of "how and why different global cities differ?" has created more uncertainty regarding whether and how such East Asian cities as Tokyo, Seoul, and Taipei are fundamentally different global cities than New York due to the developmental state of Japan, Korea, and Taiwan in the East Asian context (see Hill and Kim, 2000; Sassen, 2001b; Wang, 2003). Instead of engaging that debate here, I want to consider whether there are certain local transformations that occur during the process by which cities become global cities. This question in the context of Shanghai as a globalizing city calls for understanding the full range of local transformations that can stem from global impact and state power.

To find some comparative reference for understanding local transformations in Shanghai, Markusen and Yu (Chapter 3) turn to the restructured and transformed U.S. metropolitan economy under globalization by providing a broader conceptualization and measure of high-tech industry across U.S. metropolitan economies based on science-and-technology occupations. As Markusen and Yu argue, this human capital-based measure reflects a growing interest in skilled labor, rather than resources or physical capital, as a driver of economic development. Shanghai's rapid growth, however, has been driven by massive fixed assets investment in physical infrastructure and more high-tech factories in Pudong. In the meantime, the city has shed labor-intensive and "sunset" manufacturing industries such as textiles, which propelled the growth of pre-1949 Shanghai as an industrial city and sustained the state-dominated manufacturing after 1949. State-owned industries declined rapidly during the 1990s through consolidation, mergers, relocations, early retirement, and layoffs. This major transformation of the manufacturing sector was strongly motivated and facilitated by an official policy of turning Shanghai into the kind of global city characterized by strong services and high-tech industries. Is the Shanghai government thinking and acting too narrowly in going "high-tech" and discarding "low-tech?" Is the use of the state-directed large-scale redistribution of resources across sectors the most effective way to achieve this goal? Markusen and Yu called for an occupationally oriented economic development strategy (also see Markusen, 2004), an emphasis on high-tech services, and an effort to diversify the portfolio of industries and activities present in the Shanghai economy. Their advocacy makes timely policy sense in light of the growing concentration of foreign R&D facilities in Shanghai and hence the

rising demand for professional talents at a time when the latter are projected to be in shortage (see later).

If integrating diverse and occupationally based high-tech manufacturing and services represents will help Shanghai become a global city, will it lead to a global city of more balanced or specialized producer services. Focusing on airport-driven development as a new urban form and air logistics as a crucial specialized service function, John Kasarda (Chapter 4) presents an extended discussion on the crucial role of Aerotropolis—the new urban form of clustered aviation-oriented businesses along the transportation corridors to and from a gateway airport—in enhancing the competitiveness of logistic hubs in the global economy. Drawing from the comparative evidence on the major U.S., European, and Asian airport cities including Hong Kong and Singapore (two cases later in the book), Kasarda shows why and how they function as “integrators” of inter-modal transport links (among rail, road, and seaports), timely shipping of light-weight high-tech products, air logistics and e-commerce, tourism flows, and adjacent development of office campuses and entertainment facilities. Having himself been involved in the development of Pudong International Airport in the 1990s, Kasarda offers a series of practical lessons for Shanghai with regard to the improvement of logistics practices and Customs clearance process at Pudong International Airport in light of the city’s ambitious goal to become China’s and the Asia-Pacific region’s leading logistics, sourcing, transportation, and distribution center. The key to realizing this goal is to sharpen and solidify Shanghai’s position as China’s primary gateway city for connecting the global economy to its national space via an integrated transport network (see Figure 4.5 in Kasarda’s chapter).

The three chapters by U.S.-based authors provide theoretical, economic, and policy perspectives on the diverse pathways for Western or Asian cities to develop highly competitive global city functions, even though they may or may not become true global cities. In different ways, these contributors have also offered valuable implications and lessons for Shanghai.

From the East to Shanghai: Competition, the State, and Back to Global Cities

In both thematic and sequential terms, the relationship between major cities competing with one another for global city positions and functions and the resulting local political, social, and cultural consequences ties together the five chapters in Part I of this book. While the first three chapters look at Shanghai from a Western (U.S.) angle, the chapters on Singapore and Hong Kong (by well-established urban scholars living in and writing about this pair of Asian global cities) provide an analytical bridge or transition from the East to the Shanghai-focused chapters in Part II.

In a new round of inter-city competition, those in newly industrialized and transitional economies in Asia and beyond assert themselves vis-à-vis established global cities of advanced industrial countries as new world centers of economic and cultural prominence and power. Competition among the most powerful Asian world cities such as Singapore and Hong Kong, fueled by and in response to Shanghai's rise, has become increasingly fierce. With a strong state willing to offer financial incentives, Singapore tried to outdo Hong Kong in a race to become a world-class biotechnology center in Asia in recent years. Most recently, Singapore offered tax breaks, simpler registration, and even mandates to manage some of its own massive pool of pension savings as enticements for foreign hedge-fund managers to locate there. Singapore is counting on

its clean environment and efficient urban planning to shame Hong Kong's deteriorating air quality and weak government, in order to lure managers and investors from Hong Kong to Singapore. Critics, however, compared Singapore's bid to its past efforts to attract targeted industries like the Internet or biotech. It usually ends up paying top dollar, and then it turns out that its efforts lag behind those of other countries. Therefore, the analogy may still hold that Singapore is the Zurich to Hong Kong's London, or the Greenwich, Connecticut to Hong Kong's Manhattan.⁴

Singapore, however, adopted policies and institutions and effective ways of combining them to bring about more favorable competitive outcomes for its economic development and global functions. K.C. Ho (Chapter 5) uses Singapore's Economic Development Board (EDB) and other institutions as illustrative examples to provide a convincing analysis of the crucial and flexible role of effective domestic institutions in initiating and sustaining competitive economic policies for Singapore's rise to an Asian global city and its painful economic restructuring after the Asian financial crisis. The EDB has been instrumental at home and abroad in facilitating the global and regional outreach of Singaporean companies and drawing foreign investment to Singapore through its network of overseas offices. Ho also shows through the Singaporean case that the implied flexibility and reinventions needed by the cities in the global economy can induce severe strains on domestic arrangements such as the sacrifice of social policies and benefits in order to maintain economic competitiveness. For example, the Singaporean government, with the support from labor unions, has tried to cope with its economic slowdown via such belt-tightening measures as wage cuts. Relating this issue to Shanghai, Ho stresses the lesson of balancing the delicate state-society relations,

especially with regard to convincing the majority of the population to accept serious collective and personal consequences and costs from necessary economic policies and measures to make a city globally competitive.

The local consequences of global competition are complicated further by a given national context in which competing cities are embedded. The concept of the national context, however, often disappears or fades from studies of global cities in terms of the global vs. the local. Using the case of Hong Kong, Lui and Chiu (Chapter 6) rediscover the “national” as the “crucial middle” by showing that the dual economic and political restructuring of Hong Kong as an Asian global city over the past two decades is best understood in light of its integration into its neighbouring region and, more importantly, the national orbit of China. Lui and Chiu argue that Hong Kong evolved from an entrepôt and light manufacturing center to a powerful global and regional financial services center, while also weathering the economic downturn after the Asian financial crisis and other challenges. It did so, they maintain, by functioning as an intermediary for China’s trade and investment, by acting as a channel of information to and from China, and by providing a source of finance for China's modernization. Lui and Chiu conclude that competition from Shanghai has become an impetus for Hong Kong to enhance its connectivity with the Pearl River Delta. They also highlight the paradox that the more the Hong Kong SAR Government and the business community worry about challenges from Shanghai, the more they turn to the Mainland as a source of untapped resources and new economic stimuli.

Singapore and Hong Kong may form a triangle with Shanghai in two different but related senses of the term. In the first sense, both compete with Shanghai to different degrees in attracting or retaining the headquarters of multinational corporations, especially

those operating in China (see Chen, 2007). While both lost a few such headquarters to Shanghai (see earlier), Hong Kong had an overall gain of all headquarters in recent years. In head-to-head competition, Hong Kong maintains an edge over Shanghai in financial services, investment banking, logistics, and supply-chain management, especially in rapidly changing product areas like toys, gifts, and fashion. Shanghai, on the other hand, has advantages in engineering, R&D, and design due its concentrated human talent and top-notch universities, with another advantage in the economies of scale from the critical mass of heavy industries like petrochemicals, steel, automobiles, machines tools, and information technology. Overholt (2004) concluded that most Fortune 500 companies which are focused on China's domestic market belong in Shanghai, while most exporters and many sophisticated service industries belong in Hong Kong.

In the second sense, Singapore and Hong Kong each offers different but perhaps converging reference cases for Shanghai. With strong state guidance in formulating competitive strategies through the EDB (Ho, this book), Singapore confirms what Shanghai is capable of the same state-directed competition but demonstrated an effective approach to doing it. Although its government has largely stayed out of its market-dominated economy, Hong Kong has been drawn more closely into the orbit of China's state-driven and globally linked market economy (Lui and Chiu, this book).

In tandem, the chapters on Singapore and Hong Kong provide a logical transition to Part II of the book. They present a variety of processes and phenomena that are comparable to the experiences of Shanghai. This not only makes the two cities appropriate comparisons to Shanghai but it also offers lessons and implications for the latter. The cases treated in Chapters 3-6 have been treated in such rich and nuanced

details to appeal to the reader with interests beyond Shanghai. In complementary ways, the five chapters in Part I highlight the relative role of globalization and the state policy in reshaping economic restructuring, competitiveness, and other functions of U.S. metropolitan centers and two Asian world cities. This paves the way for the book's thematic focus on local transformations in Shanghai.

From Global Through National to Local: Shanghai's Multiple Transformations

To help set the analytical backdrop for the chapters on Shanghai regarding the crucial role of the state, Fulong Wu (Chapter 7) argues that globalizing Shanghai is a strategy-based state project. He presents varied evidence on the strong and sustained involvement of the state in restructuring the local economy through policy guidance and redirection of investment across sectors, as well as unleashing and leveraging full market forces such as foreign investment and land lease. The state's push behind Shanghai's shift from the socialist productionist regime based on industrial surplus to a regime of flexible accumulation based on the service sector (Wu, this book) dovetails with the accepted conventional vision that global cities must have a strong service-oriented economy. The Shanghai government has promoted the tertiary industry through downsizing the declining manufacturing industries, primarily textiles and creating new jobs in various services, with a focus on promoting such producer services as finance, banking, and real estate. These strategies have been instrumental in reorganizing the sectoral composition of the local economy (see Table 1.1).

Table 1.1 about here

As Table 1.1 shows, Shanghai shifted from a primarily industrial city to a growing service center when services as a share of both output and employment exceeded

that of manufacturing for the first time in 2001. Despite the slight reversal of manufacturing and service shares in 2003, the service sector maintained its strong growth momentum as indicated by employment figures. Another aspect of the growth-based economic restructuring driven by the state is whether Shanghai is developing certain new capabilities in high-value added services associated with a global city. Shanghai's finance, insurance, and real estate (FIRE) subsector grew rapidly, accounting for about one-third of the total service sector's output in 2003 (see Table 1.1). As the output share of finance and insurance fluctuated and those of other services stabilized, real estate output surged through 2003, reflecting an overheated property market that forced the national and Shanghai government to intervene in 2005 and 2006. This intervention led to a moderation of the real estate sector in 2006 (Table 1.1). Along the way, the share of FIRE employment in total service employment rose from 2 percent in 1997 to about 10 percent in 2003 (Shanghai Statistical Bureau, 2004), beginning to narrow the gap with the typical percentages of such global financial centers as New York, London, or Hong Kong (see Sassen, 2001a; Lui and Chiu, this book).

This rapid growth of the service sector aside, Shanghai projects a need for two million skilled professionals in financial services, trade, supply and distribution, real estate, international aviation, car manufacturing, biopharmaceuticals, new materials and so forth by 2015. The shortage of wide-ranging professional talent indicates that not only is Shanghai some ways off from becoming a world-class service center with control and command capabilities, but it may not be capable of supporting a broad-based growth of high-tech manufacturing (see Markusen and Yu, this book). This longer-term challenge calls for a different kind of state strategy that will focus more on human resource

investment rather than just pouring massive financial resources into sprawling physical infrastructure.

Regardless of how the state is going to achieve a balance between “hardware” and “software” development, Wu drives home the point that the Shanghai ‘miracle’ reflects a “dialectic tension between the waning of state capacity and the state reinventing itself in a new regulatory space. Although the launch of economic reform was initially more a response to its internal logic of removing entrenched and inefficient planning of economic activities, remaking Shanghai as a global city is instrumental for the state to justify its legitimacy in the face of globalization” (quoted in Wu, this book). Wu also reminds us of the symbiotic relations between the Chinese state and its financial capital. In Farrell’s (2002, 55) words, “... the Shanghai of the late 1990s and early 21st century is connected at the hip to the leadership in Beijing.” Shanghai’s tradition of being a launching pad for politicians in Beijing since 1949 continued (Yatsko, 2001). The Shanghai-central government relationship took a drastic turn in late 2006 when Beijing removed Shanghai’s Party Secretary and senior municipal government officials for being involved in a large-scale embezzlement (about US\$400 million) of municipal pension fund. The rumored story about factional struggle aside, this episode exemplifies the reasserted will and prowess of the central state to rein in the powerful and autonomous Shanghai leadership, which had been pushing through ambitious mega-projects and initially refused to cool down the “hot” property market. In fact, the lucrative local real estate markets in Shanghai and other Yangtze River Delta cities had lubricated the galloping municipal bureaucratic wheels, but eventually resulted in the exposure of several corrupted mayoral- and bureau-level officials.⁶

While the autonomous and aggressive local state has accumulated large economic resources and used them to drive and sustain economic growth, its role varies across different economic sectors. Focusing on the information and telecommunications sector, Zhenhua Zhou and I (Chapter 8) examine the rapid, albeit uneven, growth of PC usage, fixed line and mobile telephone subscribers, Internet users, e-commerce, and data networks in Shanghai and the varied but very stronger role of the central and local state in this growth. As the data in our chapter show, while Shanghai made huge strides in expanding the coverage or saturation rates of PCs and fixed-line and mobile phone subscribers, as well as household access to the Internet, it lags behind in developing important elements of the business information infrastructure such as company websites and e-commerce capability. Other lags in Shanghai's informatics include the institutional barriers of state-owned companies dominating the telecommunications sector and government control over access to service provision by foreign and domestic private companies (Harwit, 2005). To ameliorate these lags, we point to successful strategies used by other Asian cities that helped put them on the global cutting edge of urban informatics and external connectivity.

Moving from a sectoral view to a spatial analysis of local transformations in Shanghai, Tingwei Zhang (Chapter 9) provides a systematic and fine-grained comparison of the process, determinants, and outcomes of spatial and economic restructuring in three urban districts of Shanghai. In the light of administrative devolution of decision-making from the municipal level to the district level in Shanghai, Zhang's view from the ground up sheds new light on how and why the very local actors (districts in this case) became engaged directly with global forces in Shanghai. Zhang reveals the increasingly striking

differences among the three districts on key indicators of land use, residential development, and economic activity. More importantly, we learn from this chapter that beyond general municipal development policies for globalizing Shanghai, history, location, economic base, and political leadership at the sub-city scale intersected in complex ways to produce very uneven spatial and socioeconomic transformations of these urban districts. The most important lesson from Zhang's district-level study is that globalizing Shanghai may be a lofty goal and even successful in terms of the city's image and position in the world, but this process is inevitably accompanied by local winners (like Huangpu and Luwan districts) and losers such as Yangpu district.

While the chapter by Zhang elevates the local in understanding Shanghai's global rise, Hanlong Lu, Yuan Ren, and I (Chapter 10) provide an even stronger and sharper focus on the local by moving further down the scale hierarchy to examine community re(building) in Shanghai in response to global influence. This chapter echoes the growing research effort to understand local community change in relation to the impact of globalization by moving farther away from the classical (and dated) idea of a community as a well-bounded local system and replacing it with a new emphasis on how urban life is (re)ordered across time and space within and beyond local and national boundaries (Marcuse and van Kempen, 2000a). To show that the state acted simultaneously and independently of global impact at the local level, we delineated the reform model introduced in Shanghai in 1996 as "two levels of government and three levels of management", which made the street office the most important and local level of managing and coordinating all community affairs below the two levels of municipal and district government. One street office, for example, set up four separate but

complementary working committees (public administration, community development, community safety and governance, and finance and economics), which worked well together to improve the collective welfare of the broad community.

Besides community reform practices, the commodification and privatization of housing and global investment in the real estate market added a one-two punch to changing not only community governance but also identity and satisfaction with community. A survey in 1998 involving the first author of Chapter 10 showed that residents in privately owned housing had a more positive evaluation of the quality of community life (see Table 10.1). This suggests that housing ownership, which represents people's major financial investment and stake, translated into a stronger identification with their community and a greater interest in local community development. According to a more recent survey (in 2001 in Pudong) involving the second and third authors of Chapter 10, people with more personal global connections had a higher level of satisfaction with different aspects of community life including community facilities and services (see Table 10.2). Since people with stronger global connectivity are more likely to live in luxury apartments and villas located in gated compounds and with foreigners as next-door neighbors (Chen and Sun, 2007; Sun and Chen, 2005; Wu and Webber, 2004), they became elite members of a new and privileged local community. However, this sort of community in Shanghai, with its exclusive, enclave-like feature and strong global connectivity, is already partially delocalized, or represents a localized form of the global (Sassen, this book).

The emergence of globalized local communities in Shanghai heralds the arrival of globally oriented local consumers or consumers who pursue a global lifestyle beyond

luxury housing within gated communities. In Chapter 11, Jiaming Sun and I operate from the bottom of the analytical scales in Part II of the book by examining how the individual consumer in Shanghai has responded to the penetration of global economic and cultural forces using data from a 2001 survey. Our most significant findings on the consumption of American fast foods (McDonald's and KFC) and brand-name clothes include: 1) 100 percent of the people living in luxury apartments and villas had fast foods; 2) young people, especially teenagers (ages 12-18) are most likely to eat American fast foods and buy foreign brand-name clothes controlling for income (see Figures 11.4 and 11.5); and 3) consumers with stronger global connections are more likely to consume global products everything else being equal as shown by logistic regression analysis (Table 11.1). The transformation of consumer behavior reflects a process in which the global and local met and reinforced each other. While globalization facilitated the rapid growth and broad availability of fast foods and foreign brand-name clothes in Shanghai, more differentiated personal resources, values, and lifestyle preferences along demographic and socioeconomic lines during transition to a market economy created varied consumer responses to global brand products.

This introduction, in sum, has served two joint purposes. It began by presenting a striking picture of Shanghai's rise as a globalizing city in a brief historical perspective. Against its first glorious and cosmopolitan times as "the Paris of China" in the 1920s, the rise of Shanghai over the 1990s and the beginning of the 21st century looks "golden" and bears the most visible marks of globalization anywhere in China and probably beyond. The coupling of speed and scale of Shanghai's rise boggles the mind even more if it is viewed against the post-1949 era during which Shanghai was suppressed by China's

central government. Instead of seeing Shanghai's rise as a simple numerical outcome of the previous pent-up demand and low starting level, this book looks deeper and wider at a set of institutional, spatial, socioeconomic, and lifestyle transformations under and above the dramatically altered physical landscape of Shanghai. Moreover, avoiding the analytical trap of dialing up Shanghai's uniqueness, this introduction has fleshed out the book's broader theme of how global impact and state power influence local transformations in globalizing Shanghai by grafting the focused analysis of Shanghai in Part II onto a wider comparative canvass. We hope it will serve the reader well as a rough roadmap for the reader to follow in exploring the remainder of the book.

Notes

1. In revising this introduction, I benefited from the support of a Faculty Scholar Award from the Great Cities Institute at the University of Illinois at Chicago in Fall 2005. I thank Dennis Judd, Laurence Ma, Ann Markusen, Anthony Orum, and three anonymous reviewers for comments on earlier versions. Lan Wang and Hui Zhu helped locate and update the statistics in Table 1.1.
2. Shi Lei, Qi Ge, and Yuan Min, *Shanghai Ren Da Zhihui (The Smart Shanghainese)*, World Knowledge Press, 2004, p. 6.
3. Reports gleaned from the *South China Morning Post's* online coverage of Asia's economy, business, and technology at www.scmp.com, July-September, 2002.
4. Hugo Restall, "Financial Center Pipedreams," *Far Eastern Economic Review* online, October, 2006; accessed on Asian Development Bank Institute (ADBI)'s Web site at <http://www.adbi.org/e-newsline/index.html>, November 1, 2006.
5. In March 2005 the Shanghai government imposed a 5.5 percent capital-gains tax on apartments sold more than once in a year and instructing banks to require down payments of as much as 50 percent on some mortgages (Aredy, 2005).
6. The corruption of the former Shanghai Party Secretary in late 2006 also involved the Director of Shanghai's Labor and Social Security Bureau and a deputy Party secretary of Baoshan District Government. In recent years, the former deputy mayor of Suzhou in charge of construction, a former deputy mayor of Changzhou, and a deputy secretarial general of Nanjing were caught accepting huge bribes from real estate developers for running the latter's projects through the official approval process. Reported by *World Journal*, December 28, 2006, p. C3.

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Map 1.1
The Shanghai Municipality and a Few Neighboring Secondary Cities in the Yangtze River Delta Region

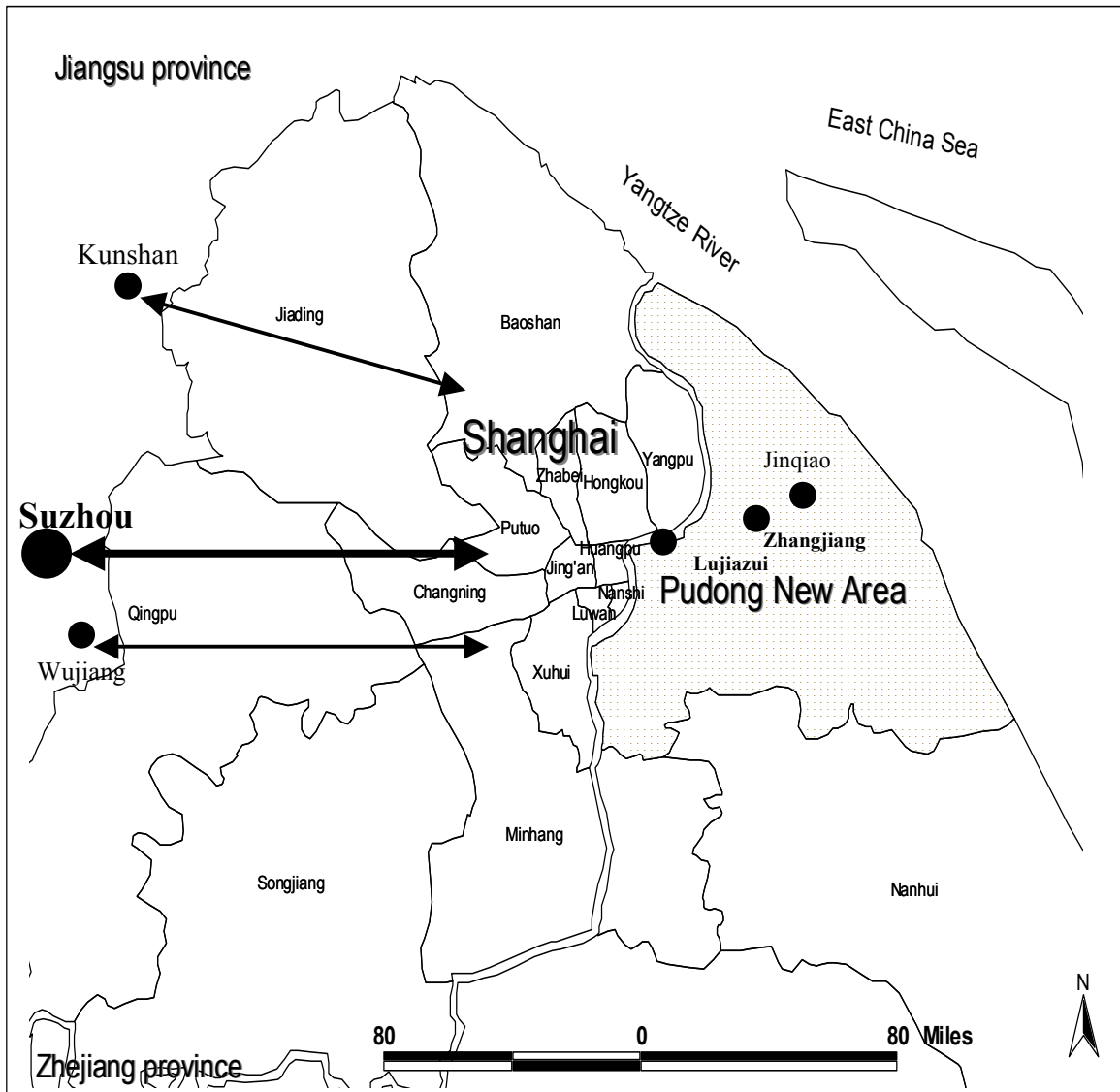


Table 1.1
Changes in Shanghai's Economic Structure, 1978-2006 (Selected Years)

Indicator	1978	1990	1995	1997	1999	2001	2003	2006
Agriculture's Share of GDP (Output)	4.0	4.3	2.5	2.1	2.0	1.7	1.5	0.9
Industry's Share of GDP (Output)	77.4	63.8	57.3	50.1	48.4	47.6	50.1	48.5
Services' Share of GDP (Output)	18.6	31.9	40.2	47.8	49.5	50.7	48.4	50.6
Agriculture's Share of GDP (Employment)	34.3	11.1	11.9	12.7	11.4	11.6	9.1	6.2
Industry's Share of GDP (Employment)	44.0	59.3	54.6	49.1	46.5	41.2	39.0	37.0
Services' Share of GDP (Employment)	21.6	29.6	33.5	38.2	42.1	47.2	51.9	56.8
GDP per Capita (US\$ and current exchange rate)	312	739	2,368	3,219	3,841	--	4,658	7,116
Service Sector GDP by Subsectors' Shares*								
Wholesale, Retail, and Catering	45.6	24.5	27.2	24.9	22.3	21.9	21.4	18.0
Transportation, Storage, and Communications	23.7	25.9	17.1	14.9	13.6	13.7	13.9	12.8
Finance and Insurance#	13.8	29.5	24.8	30.0	28.9	24.7	20.6	15.7
Real Estate	0.5	1.6	9.2	9.6	10.5	12.6	15.3	13.1
Social Services	5.7	6.1	8.4	7.8	9.6	10.8	11.4	12.2

Notes: *The percentages do not add up to 100 due to the exclusion of the health and education subsectors. #For 2006, the figure pertains only to finance.

Sources: Shanghai Statistical Bureau (1998, 2002, 2004, 2007); Jizuo Yin, ed. (2001) *Institutional Reform and Social Transition, A Report of Economic Development in Shanghai 2000* (in Chinese). Shanghai: Shanghai Academy of Social Sciences Press.

Photo 1.1
The Bund in Pre-1949 Shanghai



Photo 1.2
The Building up of Pudong, Shanghai

