

URBAN DEVELOPMENT IN A QUASI - ‘NEOLIBERALISM’ MARKET ECONOMY – MOGANSHAN DISTRICT, SHANGHAI, CHINA

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ABSTRACT: The concept of ‘Neoliberalism’ originates from economic politics which believes in the ethics of market in maximizing wealth and efficiency. Under the banner of ‘Reform and Open Policy’, a shift from planned economy to market economy can be identified in China during the 1990s. Shanghai saw the establishment of a land market with former state-owned land permitted to lease via legal procedures. The goal is to optimize land value and to facilitate urban development. With the study of the urban redevelopment project in Moganshan district, Shanghai, I will argue because local government still assumes strong underlying political power with indirect interventions, the land market failed to meet its goals.

KEYWORDS: Shanghai, Moganshan, governance, Neoliberalism, urban studies

1 INTRODUCTION: FREE ECONOMY IN CHINA, LAND MARKET IN SHANGHAI

Neo liberalism economy is to the contrary of planned economy, in which the government controls means of production and distribution, market economy is characterized by privatization, in which distribution, pricing, and production are determined by individuals free from government intervention.

China initiated economic reform in 1978 under the agenda of “Socialism with Chinese characteristic”. It consisted of building up a market economy and encouraging foreign trade. The role of central government shifted from predominant control (as in planned economy) into a macro-economic control with a decentralization of economy, such as the separation between central and local taxes and the removal of equalitarian revenue policy¹. Devolution of power also can be identified in the political system. While Central Communist Party still controls the positioning of regional leadership, it pushes for local flexibility in the implementation of national policies.

Shanghai located on the central eastern coast of China, at the mouth of the Yangtze River. With a total land area of 6340.5 square km. It has been dominated by heavy industries for more than 30 years from 1949 to 1978 during the planned economy period. It was not until 1990s that Shanghai was allowed to initiate economic reform and shifted from heavy industry to tertiary industry. New goals were set up to build Shanghai into an “International economic, financial and trade center”. A more liberal economic system was setup with heavy industries phased out to the suburban areas, opening of the first stock exchange market was opened, and the establishment of a land market.

During the period of plan economy, the title of the land was Central Government along with Local Government. The use right of the land was freely allocated to *danwei* (government departments). There was no land market with land use right separated from land ownership. In 1988, Chinese Central Government revised the Constitution law with the commodification of land. Indicated by the law, local government could (1) acquire the use right of land from former government department with a certain amount of payment, (2) lease the use right of former state-owned land to private sectors via legal procedures (auctions, tender or

¹ Fulong Wu, Jiang Xu, and Anthony Gar-On Yeh, *Urban Development in Post-Reform China : State, Market, and Space* (Abingdon, Oxon ; New York: Routledge, 2007). P.15

unanimous agreements)². Land is allowed to operate as commodities, in which private owners can buy, sell or rent as the market permitted. The establishment of a land market was claimed by the state to help optimize land value and expedite urban developments.

2 REDEVELOPMENT OF MOGANSHAN DISTRICT

Moganshan district is around 12 hectares located along Suzhou Creek, near the central area of Shanghai. Suzhou Creek used to be the major waterway connecting Shanghai with its hinterlands. Located by the river, Moganshan district was one of the earliest industrial districts occupied by Chinese factories. One of the most famous factories is Fufeng Flour factory which was established in 1900. This district was of great importance in the industrial history of Shanghai. Before the initiation of economic reform, the land was owned by the factory operators.



Figure 1 Shanghai Satellite picture (left); Municipal boundary, Yangtze River, Suzhou Creek and the location of Moganshan District (right)

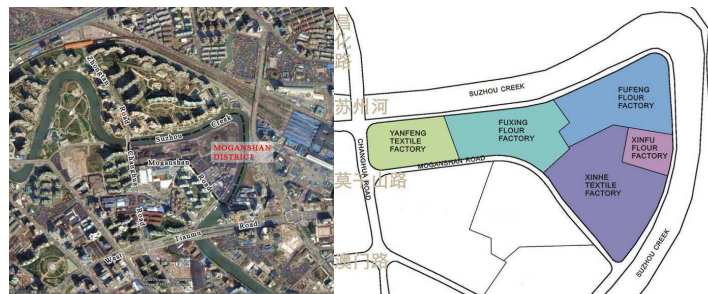


Figure 2 The location and boundaries of Moganshan District (left)
The land ownership in 1930s (right)

However, with the economic restructure started in the 1990s, the heavy industries were phased out with buildings and warehouses abandoned in Moganshan district. In the 1990s, only few light industry factories were still running in the District. Meanwhile, the Suzhou Creek cleaning scheme was initiated for the pollutive factories removed from its banks. In 1985, Shanghai Environmental Protection Bureau proposed to improve the environment of Suzhou Creek and Wangpoo River. With the construction of a new sewage conduit system completed in 1993, Suzhou Creek was cleaned from the industrial pollutions.

With abandoned land and a clean river, Shanghai Municipal Government started to draw the redevelopment plan for the former industrial areas along Suzhou Creek. In 2002, Shanghai Planning department released the plans for the adjoining districts along Suzhou Creek, covering 13.3 square kilometers from Wongpoo River to West Zhongshan Road. The land use of Moganshan District was planned as commercial, recreational and parks.

² 丛屹 Cong Yi, *中国土地使用制度的改革与创新 Innovation and Reform of the Chinese Land System* (Beijing: Qinghua University Publisher, 2007).



Figure 3 Land use planning for adjoining district along Suzhou Creek in 2002 (left); plan model for Moganshan District and its surrounding areas in 2002 (right)

To initiate the redevelopment, the district government – Pu'tuo government - leased the right to develop Moganshan district to Tian'an Investment Co., Ltd for around 30 million RMB in 2000³. As in an ideal free market scenario, with use right of the land abided by the tender agreement, Tian'an Investment Co., Ltd should be able to initiate urban development. However, the district remained undeveloped for more than five years (2002 – 2007). Conversely to the free market scenario, only the government sector profited from the transaction. Two reasons can possibly explain the undevelopment of Mo'ganshan district.

The first one is the release of the Historical Building Conservation Law in 2002 (by Shanghai Municipal Government). Stated in the 9th clause, the industrial buildings which were built thirty years ago and representative of the industrial history of Shanghai should be conserved and enlisted as heritage buildings. As a result, 5 buildings in Moganshan District (2 buildings in Fufeng Flour factory and 3 buildings in No. 8 Fuxin Flour factory in no.120 Moganshan road.) were listed as heritage buildings. Therefore, the development cost was heavily increased.

Another reason is that one of the remaining factories - Chun'ming Textile factory refused to relocate. In 1999, Chunming Textile factory halted production and began to sub-lease its vacant buildings and warehouses to private sectors. During the period of Shanghai biannual exhibition (2000), self-organized exhibitions by famous Chinese contemporary artists were taking place in Chunming Textile factory, such as 'un-cooperation' by Ai, Weiwei. These exhibitions drew more artists to rent the space hence Chun'ming textile factory started to collect revenue from space-leasing since the 2000s.

To settle the relocation in 2002, Tian'an Investment negotiated with Chun'ming Textile factory and agreed to pay five million RMB consecutively for five years. As in the agreement, Chun'ming factory would relocate by the end of 2007⁴. No government intervention was reported in the negotiation process. However, Chun'ming Textile factory remained intact in 2008. One reason is the policy released by Shanghai Municipal government in the 2000s to support redevelopment of former industrial sites which is in contrast with the interest of the real estate developer.

In order to facilitate tertiary economy and to phase out second industry, the policy encourages reusing former industrial buildings for "creative industry"⁵. This policy was carried in Shanghai by the Shanghai Economic and Trade Committee. As for No.50 Moganshan District, with more and more spaces occupied by famous international galleries, it grew into famous "Art Hub" attracting international tourists every year. With support of the government policy, the owner of Chun'ming textile factory initiated a construction overhaul and the factory was official named as 'M50 creative industry district' by the Shanghai Municipal Government in 2005. The first phase of the regeneration project was completed in 2008 with many commercial entities, and galleries poured in.

³ "Balance between Art and Commerce in Shanghai Soho Probably Widespread," The Bund 2006 June 18.

⁴ Ibid.

⁵ "谨防“退二进三”中的国有资产流失

Be Cautious for the Real Estate Lost in the Process Of "Phase out Second Industry, Facilitate Tertiary Industry"," *Liberation Daily* 2009 Aug 24.



Figure 4 (left and middle) the renovation of No.50 Moganshan District in 2005; (right) the renovation plan of No.50 Moganshan District in 2005 (source: Demoyingzao, and Chen'xudong. *Second Hand Modern*. Beijing: China Electrical Publisher, 2008-9.)

3 DISCUSSION AND CONCLUSION: FAILURE OF MARKET OR FAILURE OF POLICY?

Abandoned from 2002 to 2007 with the legal land lease permitting development, Moganshan district is obviously undervalued. There are two things could be concluded from the case study: (1) only the government sector benefited from the establishment of this quasi-neo liberalism land market. On one hand, the developer invested on land paying for leasing and relocation upfront fee without gaining any profit from real on site construction. On the other hand, government sectors managed to increase the local revenue within this newly established land market. (2) The government sector exert more power on urban development decisions than private sectors for the policy to support "Art Factory" development obviously overrule the private developer's intention for new developments.

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