THE SHANGHAI MODEL: A NEW HANSEATIC LEAGUE

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ABSTRACT: Is it possible to establish an organised network of global cities that would have more in common with each other than their hinterlands? Saskia Sassen has already given us a global ranking system for cities, could we, by building on this, actually establish a system based on independently assessable factors, and governed by an independent international body? Shanghai's history may well give us a clue as to how this could work at the city level. Between 1842 and 1943 Shanghai was a self-governing Treaty Port, free to act as it saw fit with the result that it became one of the world's largest and richest cities. The downside of this was of course the poverty and depravity that existed alongside the city's wealth and glamour, this paper's proposal aims at eradicating such inequality, but by basing the new network of global cities on the idea of the Hanseatic League, then 'The Shanghai Model' could well be applied to the global scale.

KEYWORDS: Global city. Network. Economic crisis. Shanghai. Hanseatic League.

New urban questions require new urban answers. This paper contains a radical new proposal for 21st-century urban development. Addressing the phenomena of the new super-agglomeration in different parts of the world, this conference intends to discuss attempts at establishing planning on a regional level – in fact this paper goes one step further and asks why not plan at the international level? Why not establish a network of global cities that would have more in common with each other than their hinterlands? (From which they would be freed politically and financially – while still obliged to benefit them.)

For the first time in history more than fifty percent of the world's population lives in urban areas. However, the view that the world can be simply divided into urban and rural is somewhat naïve. The urban environment embraces a huge range of varying types, from the rural village to the glittering global metropolis. Even the urban fabric itself contains a bewildering array of types, everything from the sleepy suburb to the twenty-four-hour dynamo that spins at a city's centre.

Some urban environments are certainly more dynamic than others, some are more important, larger, or simply more urbane. And while there are any number of factors that determine a city's importance, be it economic or infrastructural, it can also be something less tangible, such as culture or history, or even freedom of expression or quality of life. Cities are graded according to a wide variety of factors, Saskia Sassen has highlighted one of them in the Globalization and World Cities (GaWC) Research Group's ranking system in *Global Networks, Linked Cities*[1]. In this system the world's major metropolises are divided into alpha, beta, or gamma, with London and New York as alpha cities, Hong Kong and Singapore as beta, and Kuala Lumpur and Jakarta as gamma. This global grading system takes into account a number of important factors and yet all it is doing is reflecting the sophisticated and highly ordered system of self-organisation that operates between these cities. In many ways this is much the same as the way in which cities organise themselves internally, by a sort of autopoesis.

One thing nearly every city has in common in the 21st century is that they will be interacting ever more closely in an increasingly globalised economy. What makes this interaction particularly vital is the fact that this global economic system has become more and more homogenised simply because it has no real alternatives: China's embrace of capitalism in the 1970s followed by the collapse of Soviet-style economics in the 1990s means that the world can be said to operate one economic system, i.e. that of global capitalism.

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[1] Saskia Sassen, *Global Networks, Linked Cities*, p. 101.

And yet globalisation is not quite as new as some may think. Saskia Sassen has estimated that the international financial markets of the late-19th and early-20th centuries were as massive as today's – this is certainly true when volumes are measured against the national economies of the time2. The world at the end of the 19th century was a surprisingly globalised one, the difference with today is that this globalisation took place within different imperial systems: the British, French, Russian, Japanese, etc. The cities of these empires were also organised according to strict hierarchies, each with its metropolitan centre, such as London or Paris, serviced by colonial enclaves, like Hong Kong or Hanoi. Of course, then as now, some parts of the world fell outside the influence of the international markets, either because they were too inaccessible, or too poor, or because they chose to isolate themselves for political or religious reasons.

THE GLOBAL CITY

Saskia Sassen sees global cities operating as a unified system rather than simply competing with one another, and what competition there is is tempered by strategic collaboration, with a division of labour that enables these cities to fit into the global hierarchy. Mobility of capital has led to new forms in the mobility of labour with the result that there is a degree of centralisation in some cities. This is hardly surprising, people go to where the jobs are; what is surprising, however, is that no one saw it coming. The new technologies that have enabled long-distance management and services seem to have actually increased the importance of certain cities. Why is this? If we are able to interact with colleagues anywhere in the world at the touch of a button then why have certain cities became even more important as nodes in the global network? Why not simply stay home and communicate at long distance? The answer is simple: people require face-to-face contact in order to do business; people need to meet one another in order to establish relations of trust.

This is what Manuel Castells refers to in his trilogy *The Information Age* as 'informationalism'[3]. He sees the new economy as producing information, as opposed to the old economy, or 'industrialism', which preceded it (where the main sources of productivity were labour, capital, and natural resources). Castells sees informationalism as inseparable from the new social structures that have given rise to what he calls the Network Society. Information technology has turned producer services into tradable goods, and cities that provide these new and increasingly mobile services have become not simply nodal points in the co-ordination of these global processes, they have become sites of production in their own right.

In order to produce and disseminate information, complex physical infrastructure is required. Certain cities have a strategic advantage because this infrastructure is extremely immobile. The management of the complex interaction between massive concentrations of material resources that information technologies allow have reconfigured the interaction between capital fixity and hypermobility, with the result that cities that were already major global players find themselves with a new competitive advantage. These are the cities where the global players congregate, so this is where you will have to go if you want to do business with them. Or, as David Harvey puts it in *The New Imperialism*, fluid movement *over* space can only be achieved by fixing certain physical infrastructures *in* space (physical infrastructure can mean roads, railways, airports, and port facilities, cable networks and fibre-optic systems, as well as electricity grids and sewerage systems, etc.)[4]. These require a lot of capital to set up and maintain, and the recovery of these investments depends upon their use *in situ*.

Harvey also sees an identifiable territorial logic of power arising from this infrastructural centralisation, which he terms 'regionality'[5]. He see this as the necessary and unavoidable result of the molecular processes of capital accumulation in space and time, with the result that inter-regional competition and the specialisation in and among regional economies becomes one of the fundamental features of capitalism. One of the side effects of this is that the global city becomes increasingly isolated from its

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[2] Saskia Sassen, *The Global City*, p. 76.
[3] Defined as the '…mode of development in which the main source of productivity is the qualitative capacity to optimize the combination and use of factors of production on the basis of knowledge and information'. Manuel Castells, *End of Millennium*: *The Information Age, Volume III*, p. 8. This topic is also discussed by Castells in Chapter 1 of *The Rise of the Network Society: The Information Age, Volume I*.
[4] David Harvey, *The New Imperialism*, p. 99 (italics in original).
[5] *Ibid*., p. 103.

hinterland. K. Anthony Appiah puts this even more forcefully in his Foreword to Saskia Sassen's *Globalization and its Discontents*: these global cities can become not only increasingly isolated from, but actually actively antagonistic to their regional cultures and economies[6]. David Harvey gives us some examples of this: the Pearl River Delta in China (Hong Kong, Guangzhou, and Shenzhen) as well as the Lower Yangtze region (Shanghai), he sees these as areas that encapsulate dynamic power centres that are economically (though not necessarily politically) dominating the rest of the country[7].

COLONIAL TO GLOBAL

Modern telecommunications have not created networks out of nothing. The nodal points in the global city network have formed themselves in places where networks already existed, cities such as Hong Kong, Singapore, and Shanghai.

Figure 1 East Asia

Shanghai is an interesting case in point, whereas Hong Kong and Singapore made the almost flawless segue from colonial entrepot to global city, Shanghai was cut off from the rest of the world after 1949. The city found itself forced to operate as the engine for Chinese development under the Communists. Ironically it was only after the Open Door economic reforms of 1978 that Shanghai began to have its position undermined, when it began to fall behind new national rivals like Shenzhen. The staggered series of economic reforms introduced to the city from 1984, culminating in the development of the Pudong Special Economic Zone in 1990, eventually allowed Shanghai to pick up the threads – the city is once again being taken seriously as a global player. Perhaps it will never regain its once pre-eminent position in the region –

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[6] K. Anthony Appiah, 'Foreword' in *Globalization and its Discontents*, Saskia Sassen, ed., p. XII.

[7] David Harvey, *The New Imperialism*, p. 105.

even the Chinese leadership no longer refers to it as the coming New York of Asia[8] – but as we have seen from Saskia Sassen's analysis, global networks depend for their success on the strength of interaction *between* cities, not the pre-eminence of any one of them. (That's not to say there isn't specialisation – Singapore's foreign exchange markets spring to mind – but there are no benefits to the network by one city's utter dominance.)

So what has enabled some of these key cities to become so important? Manuel Castells sees geopolitics as providing the grounds by which the politics of postcolonial survival became successful developmental policies, paving the way for some of the tiger economies that so startled the world at the end of the 20th century. This can be taken as a sign that there is an important link between colonial networks and global cities. Ackbar Abbas has also investigated this phenomenon, taking the specific cultural spaces of Hong Kong as his point of departure[9]. His work has highlighted the important link between Hong Kong, the colonial enclave, and Hong Kong, the global city. In fact, he is convinced that colonial networks make useful foundations for global ones.

One other important point, and one which ties back into Saskia Sassen's analysis of global cities, is the fact that the construction or improvement of information and communication-technology networks cannot substitute for social networks. What facilitates these social networks in the case of a city like Hong Kong – the stability of the business environment, the investment in infrastructure, and the adherence to international standards of business law – is the fact that they were all founded by the British to service their colonial city and went on to act as the foundation for the territory's global pre-eminence today.

One important element in this continuity of development is identified by Manuel Castells as being Hong Kong's civil service, the administrative class of elite scholars recruited by the colonial service in Britain, usually from the better colleges of Oxford and Cambridge[10]. These people had strong social and ideological cohesion, as well as shared professional interests and cultural values. They ran Hong Kong for most of its history, and their power was exercised primarily in the service of Hong Kong's business community, a group which enjoyed far greater freedom in its operations than most others in the international capitalist system during the second half of the twentieth century, something which has helped Hong Kong become the global leader it is today.

Ackbar Abbas has also pointed out that colonialism has pioneered the methods required to incorporate what were pre-capitalist, pre-industrial, non-European societies into the world economy; establishing ways of dealing with ethnically, racially, and culturally different societies[11]. In *Hong Kong: Culture and the Politics of Disappearance* he states that colonial cities can be viewed as the forerunners of the contemporary global city, suggesting that is was colonialism that allowed imperialism make the leap into globalism[12]. This is true, think how much more cosmopolitan a place like Hong Kong or Shanghai was in the 19th century, compared to the likes of London or Paris at the same time. As global capitalism rose from the ashes of empire, some cities of these erstwhile empires found themselves perfectly placed to become global players.

SHANGHAI

If Hong Kong managed to turn itself from a colonial entrepot into the very model of the global metropolis in the second half of the 20th century, perhaps we can look to Shanghai for the way forward in the 21st. Shanghai in the colonial era was a unique urban entity, consisting of three separate jurisdictions: a self-governing International Settlement, a French Concession, and a Chinese city. This odd arrangement resulted in some administrative anomalies, such as the fact that policing in each jurisdiction was separate, so that a criminal could evade capture simply by crossing from one part of the city to another. Apart from idiosyncrasies such as these, the city seems to have operated as a seamless whole.

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[8] Gregory Bracken, *Thinking Shanghai*, pp. 17-22.
[9] Abbas does this in his book *Hong Kong: Culture and the Politics of Disappearance*.
[10] Manuel Castells, *End of Millennium*: *The Information Age, Volume III*, p. 288.
[11] Ackbar Abbas, *Hong Kong: Culture and the Politics of Disappearance*, p. 3.
[12] *Ibid.*, p. 3.

Shanghai was in an ideal position to become East Asia's most important commercial hub. Its geographical position, halfway up China's coast and at the mouth of the Yangtze River, enabled it to operate as China's gateway. It was Shanghai's success as a commercial centre that drew the attention of Western powers in the 19th century, particularly Britain's. Western powers wanted a share in the lucrative trade in tea, porcelain, silk, and cotton, but this trade began to be a drain on Western resources, particularly Britain's (which took to tea more than most). The British decided they'd better redress this imbalance, notoriously deciding to import Bengali opium to balance their books. When the Governor of Canton destroyed Britain's stocks of the drug in 1839 it sparked off the First Opium War, resulting in a humiliating defeat for China three years later. The Treaty of Nanking, which ended the war, opened five Chinese cities to international trade; known as the Treaty Ports, the two most important of these were Hong Kong and Shanghai.

The first British arrived in Shanghai in 1843, their settlement consisted of 140 acres along the Huangpu River, north of the old Chinese city. The Americans established an unofficial settlement further north, on the other side of Suzhou Creek. Along the western bank of the Huangpu ran a muddy towpath, the British, using the Hindi term for a waterfront, promptly renamed it the Bund. At first there was a no-man's-land between the British settlement and the old Chinese city, but the French arrived in 1849 and squeezed themselves into this leftover space. The Second Opium War (1856-60) was a joint British and French effort and ended in another humiliating defeat for China. The subsequent Treaty of Tientsin opened up the Yangtze to Western trade and also forced the Chinese government to allow tariffs on opium imports – effectively legalising the drug trade. Stocks of opium were then stored on a pair of sailing hulks moored off the Bund, while opium dens, known as 'divans', proliferated – a habit which had long been tolerated as an upper-class vice spread rapidly to all levels of society, with devastating social consequences.
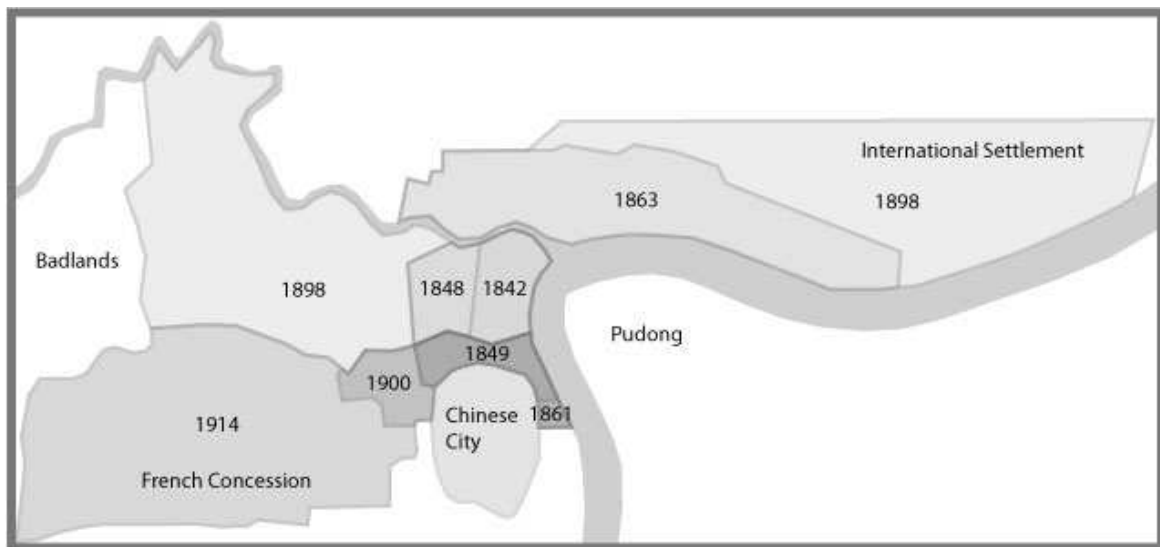

Figure 2 Colonial development

Shanghai's growth continued to be prodigious throughout the 19th century, with its population doubling between 1895 and 1910, and again nearly tripling by 1930. This growth put the different parts of the city under enormous pressure. The Chinese, under the modernising influence of the Nationalists, planned a new Civic Centre to the north of the city in 1931. It was intended to draw attention away from the foreign concessions, facilitating business, as it was closer to the mouth of the Huangpu. Designed by an American-educated Chinese architect called Dong Dayou, it incorporated Chinese and art deco elements attractively in the few (now sadly neglected) buildings that were built. As a plan it failed, mainly due to the fact that the Japanese invaded the city in 1932. The Japanese were rebuffed but tried again in 1937 and this time were successful. They took over everything except the foreign concessions, which became known as the Lonely Island. This lonely island eventually fell when Japan declared war on America in December 1941.

After the Allied victory in 1945 Shanghai was once again open for business, but civil war between the Nationalists and Communists meant that the smart money had already begun to move out. The Communists won the war in 1949 – the Nationalists fleeing to Taiwan – and Shanghai promptly disappeared behind the Bamboo Curtain. The city became the engine of development for the rest of the country, following Marxist economic lines, but two years after Mao's death in 1976 China instigated its Open Door policy which saw the beginnings of Western-style economic reform. Shanghai was gradually opened up to foreign investment in the 1980s and it was the decision to develop Pudong in 1990 that finally enabled the city to reassert itself globally.

A NEW HANSEATIC LEAGUE?

Colonial networks set up in the 19th century still link cities like Hong Kong, Singapore, and Shanghai to each other and the rest of the world. These cities used to trade in the goods of empire, now they increasingly trade in information. 19th-century infrastructure, such as rail and telephone, are being used alongside and sometimes as the basis for 21st-century technology, like fibre optics. Some cities, like Hong Kong and Singapore, have other advantages, including the use of the English language, as well as the civil service probity and rule of law we saw highlighted earlier. Perhaps it is time for these cities to organise themselves properly, instead of cooperating willy nilly as they currently do. Perhaps they could be organised along the lines already seen in the Globalization and World Cities (GaWC) Research Group's ranking system. This would make places like London, New York, and Tokyo A-grade cities, while Hong Kong and Singapore would have a B-grade listing, and so on. If this grading system were to be organised according to independently assessable factors, and administrated by an international body under the governance of something like the United Nations, then these global cities could be grouped together more advantageously, meaning that the network as a whole would operate more efficiently and for the cities' better mutual benefit. A city could apply to be listed, much like a company lists on a stock exchange, and once it met certain criteria it would be accorded its status, A, B, or C (with different requirements and privileges according to these groupings). If it subsequently failed to live up to these requirements it could then be de-listed until it had corrected its shortcomings.

This would not be unlike the Hanseatic League, a union of 200 or so cities in Northern Europe at the end of the Middle Ages. The Hanse, even without a strong institutional structure, managed to act as a powerful force for economic growth, providing mutual support for cities in a hitherto poor and unconnected part of the globe. The result was an upsurge of trade and economic activity, bringing them back to levels not seen since the fall of the Roman empire.

In an increasingly globalised world, any attempt to recover the discipline of urbanism under conditions of urban transformation and economic crisis is going to require bold and imaginative new thinking. Think how much faster cities in such a closely linked global network would be able to react under conditions of global crisis? Freed from having to move at the slower pace of their geographical hinterlands (from which they could be separated politically and economically – while still obliged to aid and service them) these nodes in the global network could well be able to react fast enough to staunch or even head off the downward spiral before it degenerated into the sort of crisis we saw in 2008. Shanghai's foreign concessions operated such a system, divorced from yet benefitting, and in turn, servicing their hinterlands. Faster reaction time will not guarantee the prevention of future crises, but this system could well diminish their magnitude and misery.

The downside of choosing Shanghai as a model, as anyone familiar with the city's history will tell you, is of course the poverty and depravity that existed alongside its wealth and glamour. This proposal is being made as part of ongoing research into the feasibility of establishing such a regulatory system for global cities, one of the aims of which would be the eradication of the sort of inequality seen in 19th-century Shanghai, as well as the eradication of the sorts of problems that have resulted from the unfettered competition of global capitalism. How this could work would perhaps be for other, better qualified people to decide, I am merely pointing out that it could well work.

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