

Local Developmental State? State-led Entrepreneurial City? Deconstructing Shenzhen's Pathway of Local Growth Political Economy Pressed by Pearl River Delta Intercity Competition

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1 ABSTRACT

China's Open-Door Policy in the late 1970s has created new opportunities of economic development for Chinese coastal cities and become the major driving force of China's economic development and modernization. Shenzhen, as one of the earliest laboratories for Open-Door Policy, has significantly performed its growth experience over the last four decades. By means of analyzing Shenzhen's developmental pathway, the paper indicates that its path is a specific hybrid evolution combining local developmental state and entrepreneurial city. Due to the complex path-dependence from post-reform socialist transformation, Shenzhen's local growth political economy is highly embedded in the context of national intention for growth, biased planning system under growth-oriented urban governance, and political economy of fierce intercity competition. The case study of Shenzhen reflects the typical governance failure prevailing on the cities of developing countries. Shenzhen and other Chinese cities still have a long way of learning a lesson to go and wait for further institutional reform.

2 INTRODUCTION

Chinese coastal cities have experienced rapid pace of urbanization since enforcing the Open-Door Policy in 1979. The aims of the outward economic reform are attempted to articulate the international market and bring about domestic economic growth and national modernization. Under the intention of economic taking-off, attracting foreign direct investment (FDI) has become the first prioritised mission to meet the national intention. At the same time, administrative decentralization has been released to local states to cope with local economic development when the first four special economic zones (SEZs) were planned as experimental productive sites articulating world economy. The intertwined state restructuring of political and economic dimensions has not only promoted the transformation of economic system from a Soviet socialist regime to capitalist one, but also contributed to the rise of local governance.

Owing to the dramatic intensification of governance capacity in local states, cities, counties, townships, even villages have more or less enjoyed economic autonomy to recruit investment and promote enterprises. After empowered the fiscal autonomy of retaining some local taxes and the privatisation of land use market in 1980s, the pace of post-socialist urban growth towards capitalist route was reinforced because the appeal of growth could bring about huge interests for local growth and fill-in public treasuries. These tendencies contributed to the foundations of the attitude towards local state corporatism (Oi, 1992; 1995). "Growth" has become the main tenet among local bureaucracies and complicated the context of urban political economy in the post-socialist China.

In the experience of Western capitalist urban development, growth is often taken as the consensus achieved among different local elites with different interests and alternative visions. What matters for debating is how to internally distribute the big pie of growth among stakeholders. The distributive issue thus results in local competition for resources at different spatial scales – community by community, district by district, city by city, and region by region. The so-called "urban growth machine" is formed among the stakeholders with common desire for growth (Molotch, 1976; Logan and Molotch, 1987). In the process of machine formation, local private actors, especially those whose interests are concerned about land use and property development, tend to influence planning decision or form growth coalition with public agencies because each geographical entity wants to seize resources on behalf of its own development. Facing the rapid urbanization driven by economic reform and decentralization, in contrast, Chinese coastal cities have also involved in the spatial logic of growth-oriented urban political economy (see Wu, 2002; 2003). Also, the developmental pathway of urban growth has prompted fierce intercity competition among local states. While the phenomena are seemingly in accordance with Western urban experience, however, what is interesting in my paper is to question whether the explanation derived from Western urban context can fit the developmental pathway of Chinese post-socialist system?

Among the literatures of contemporary urban studies, two dominant theoretical approaches are often used to explore the local growth political economy in China. One is local developmental state, adapted from developmental studies of East Asian Newly Industrial Economies (NIEs), stressing the activeness of state intervention in economic governance (e.g. Newman and Thornley, 2005; Zhu, 2004; 2005). The other is entrepreneurial city, originating from the urban theory of explaining Western Post-Fordist cities (Harvey, 1989). In urban China, urban entrepreneurialism also focuses on the pro-growth government with innovative and entrepreneurial actions to pursue urban fortunes (Chien, 2008; Friedmann, 2005; Wu, 2003; Xu, 2008). Although there are still others combining the both to explore the pathway of Chinese cities (e.g. Shen, 2008), contemporary Chinese urban studies continuously lacks a systematic analysis to scrutinize the relationship between developmental pathway and urban theory. Hence, I argue which explanation can best fit the rapid urbanization and the emergent local governance during the post-reform China? Or, whether both stances can be subtly fused with each other owing to the specific institutional milieu of local growth? The interesting question relies upon advanced explorations to the critical characteristics related to the both explanations.

Throughout my paper, I take Shenzhen as an example to scrutinize the above argument. Shenzhen, as one of the earliest laboratories for Open-Door Policy, has significantly performed its growth performance over the last three decades. The city has been taken as the prototype of growth-oriented urban restructuring under the process of China's transitional economy and acquired abundant discussions and concerns in literature (e.g. Catier, 2002; Chen, 2005; Lin, 1997; Zhu, 1996; 1999). However, there are few further explorations about analyzing the theoretical fitness of Shenzhen's developmental pathway induced by the growth-oriented production of urban space. Based on interviews proceeded during December 2007 and July-August 2008, second-hand official statistics, and literatural dialectics, the remainder of my paper consists of three main parts: first, based on the growth-oriented urban political economy, the paper reviews two theories (local developmental state and entrepreneurial city) to explore their common characteristics compatible to analyze the post-reform Chinese local governance; second, it analyzes Shenzhen's developmental pathway pressed by intercity competition among PRD cities and the local political economy inducing growth and argues the current governance dilemma behind growth-oriented Shenzhen; and finally, it draws a brief conclusion for commenting Shenzhen's politics of growth.

3 A LOCAL DEVELOPMENTAL STATE OR AN ENTREPRENEURIAL CITY? AN OVERVIEW COMPATIBLE WITH THE POLICAL ECONOMY OF CHINESE URBAN GROWTH

3.1 Local developmental state

Developmental state is a concept widely applied to explain the state-led economic growth among East Asian NICs. In general, developmental state emphasizes that state apparatus plays an active role to intervene in, pursue, and direct national economic development which is listed as the first priority among all the national policy agendas (Kong, 2000). Under the influence of Confucianism thoughts, East Asian NIEs such as Japan and the Four Dragons (i.e. Taiwan, South Korea, Singapore, and partly Hong Kong) have exhibited their remarkable economic performance and growth trajectories different from those conditioned by the market mechanism under neoclassical economics. In spite of the divergent routes depending on different state institutional contexts, there are at least five common attributes structuring the formation of developmental state – (1) blurred boundary between public and private sectors, (2) the precedence of collective interest over individual interest, (3) development or growth as the most important and primary legitimacy, (4) concentration on plan-rationality rather than market-rationality, and (5) autonomous technocracy system to handle and implement major economic decisions (Saito, 2003: 289-290). Despite stressing the incredibility of market mechanism, the existence of strong state does not mean that state intervention inevitably collides with market mechanism. Instead, intervention is highly selective. That is, “the state is involved in creating the conditions for economic growth and industrial adaptation, yet refrains from exercising direct control...the state works with and often promotes the market” (Öniş, 1991: 124).

The great economic performance in these East Asian NIEs caused the other interesting question: why the mode of developmental state can maintain high degree of relative autonomy to major economic decisions and industrial strategies while preventing strong bureaucratic system from collusion, corruption, and rent-seeking? According to the concept of “embedded autonomy” by Evans (1995), the answer is that there is a close linkage between state and society, contributing to the strong social embeddedness of bureaucracy to

economic development meeting the requirement of the society as a whole. Therefore, it is the embedded autonomy that secures state's social accountability on the one hand and avoids the state falling to the most rapacious rent-seeker on the other.

As the economic reform has gradually driven the dramatic growth of productivity, the post-reform China has been moving towards a route of national development resembling developmentalist NIEs (Bresling, 1996). In the meanwhile, the mode of local developmental state has also been deployed in the provincial and municipal levels as the capacity of economic governance has been decentralized to these local governments. Manoeuvring various pragmatic strategies to encourage foreign investment and prompt local economic growth has become the primary mission of local states in the post-reform era, just like the developmentalist attitude of the central state (Zhu, 2004; 2005). However, some institutional dysfunctions exist in Chinese local developmental state so that the mode cannot keep strong embedded autonomy in local states. Due to the institutional legacy from the period of socialist centrally planned economy, its implement framework of economic reform, in the name of "the socialism with Chinese features", is a subtle institutional mixture of socialism and capitalism. The ideological tension between centrally planned and market economy contributes to the "asymmetric decentralization" between central and local states – local states are granted highly autonomous capacity of economic governance in terms of fiscal, industrial, and urban planning aspects while central state still strictly centralizes the power of political governance, especially the power of personnel assignment and promotion of local officials (Chien, 2007). In short, the asymmetric decentralization directly obstructs the establishment of healthy game mechanism and accountability division between central and local. It also results in the tensions and compromises between central and local to pursue and reallocate economic resources.

Therefore, local developmental state is a specific product in the context of post-reform Chinese local governance. Whereas local states, to a certain extent, enjoy fiscal, industrial, and land-use autonomy, local officials have to compromise to the central state when considering their political position and prospect. In order to gain more administrative power and chances for personnel promotion, promoting local economic growth is the best indicator assessing the competence of local officials. That's why various formal and informal local initiatives are addressed to strengthen the ability of revenue generation, the economic foundation of local growth. Compared to the original trajectory of developmental state, that of local developmental state in post-reform China lacks strong accountability for long-term, qualitative economic development based on social stability but focuses on short-term, quantitative economic growth motivated by rent-seeking and resource predation. It is significantly that "China's local state has close links to society (embedded), but it is not independent (insulated) from the political and social interest of society" (Zhu, 2004: 430). Beyond the pure economic incentives driven by economic decentralization, the complex multilevel political economy also prompts the fierce intercity and interregional competition among Chinese local states. The responsibility division of labor between the task of ruling (politicians) and the task of regining (technocracy) (see Öniş, 1991) is ambiguous. Under the pressure of local growth, profit-making becomes the ultimate goal of local governance and place-making of pro-business environment is the major means to attract mobile capital. Evidently, the behavior of local governance can be conceptualized as local "entrepreneurial" state rather than local "developmental" state (Blecher, 1991; Duckett, 1998; cf. Keeley, 2003: 5; also see Oi, 1995). It is undoubted that Chinese local developmental state, unlike orthodoxical East Asian mode, is peculiar in three aspects: "its socialist origin, fierce competition, and the tenure of its local leaders being dependent on the authorities at a higher level" (Zhu, 2005: 1375).

3.2 Entrepreneurial city

The first systematic exploration of entrepreneurial city originates in the classic literature by Harvey (1989), which instructively explores the transformation of urban governance towards "entrepreneurialism" in post-Fordist era. According to Harvey (1989), the term "entrepreneurial" implicates three important arguments. First, the central notion of entrepreneurial urban governance is "public-private partnership" (PPP) which sets up a mechanism to connect capital of private sector seeking for new investment markets to authority of local states needing new financial resources. Second, the nature of PPP is a highly speculative activity in its institutional arrangement because the cooperation between public and private is often in danger of that the public assumes the risk while the private takes the benefits. Third, the effect of PPP often focused on "investment and economic development with the speculative construction of place rather than amelioration

of conditions within a particular territory as its immediate political and economic goal¹" (ibid: 8). Accompanied by the rise of new international division of labour, curtailment of central subsidy, and the crisis of Keynesian welfare state regime, cities in advanced capitalist society have to look for a new way out of their dilemmas such as manufacturing out-moving, CBD decay, infrastructure shortage, and financial deficiency, etc. In order to occupy privileged position in the spatial division of production and consumption, acquire more transnational command and control function, and grasp limited resource redistribution from the central, cities are forced to remake themselves to be a pro-business environment and to lure mobile capital from world market (Albrecht, 1992; Harvey, 1989). Therefore, intercity competition permeates among these post-Fordist cities and the tasks of entrepreneurial urban governance has become "the provision of pro-business climate and the construction of all sorts of lures to bring capital into cities" (Albrecht, 1992: 198). Urban politics has been transformed from the politics of welfare redistribution to the politics of growth. "[City] governments...have always pursued entrepreneurial strategies and played a crucial role in local economic development...the role of city governors has always been to promote production as well as to ensure a satisfactory level of consumption for citizens" (Hall and Hubbard, 1996: 155).

Based on Harvey's (1989) interpretation, PPP has become the centerpiece of urban governance, so the major issue for further exploration is how to govern the institutional coordination between the public and the private. In contemporary Western urban studies, there are three major explanations to the formation of partnership in an entrepreneurial city. First, from the perspective of neo-Marxist urban political economy, the notion of partnership can be explained in terms of growth coalition between public and private sectors. Because the exchange value, rather than use value, of land contributes to the motivation of speculative capital accumulation and only growth can promote the exchange value of land development, stakeholders related to land development tends to get together to form an urban growth machine, in which the members of coalition influence the direction of growth their privileging the property-oriented interests (Molotch, 1976; Logan and Molotch, 1989). Second, based on pluralist discourse, the public-private coalition should be taken as the governance capacity to coordinate various interest groups by means of "urban regime" – the informal partnership between city government and the business elites. Effective urban governance relies upon the informal arrangements complementing formal organization of government. The formation of urban regime is the political-business governing coalition bringing together various interest communities in a city through an informal network of exchange and cooperation (Stone, 1989). Entrepreneurial urban governance is based on the "social production of governance" in which urban governance need not to exert total power over the interest groups to act effectively...but rather ought to grant them the power to act through forming coalitions/partnerships (Hall and Hubbard, 1996). Third, instructed by the Schumpeterian analysis of entrepreneurship, the entrepreneurial city is interpreted as a strategic actor largely adopting the notions of enterprise innovation – entrepreneurial discourses, narratives, and self-images (Jessop and Sum, 2000; Wu, 2003). The upholders of Schumpeterian entrepreneurial city argue that the advocates of the former two explanations often overstate the context of local growth strategies and political coalitions supporting them but ignore the complicated interscalar articulation among varied spatial scales and the innovation capacity a city can apply in an enterprise manner (see Jessop and Sum, 2000: 2288-2289).

Even if the concept of entrepreneurial city is rooted in the context of Western post-Fordist city, it has also been applied to the exploration to Asian NIE and post-socialist cities (e.g. Shanghai, Hong Kong, Singapore, Taipei, and Moscow) (see Jessop and Sum, 2000; Kolossov et al., 2002; Pow, 2002; Wang, 2007; Wu, 2003). The third perspective can give us advanced understanding for why the developmental pathway of latecomer cities has adopted the notion of entrepreneurial city. As global capitalism has contributed to the creation of world economy, the emerging circuit of mobile capital has exerted a set of new regime to support the operation of flexible accumulation and intensified the new geographical infrastructure of competitive cities to pursue the spatial fixity of capital flows. The spatial logic, in the name of neoliberalism, is propelling cities, regions, nations, and supranational regions to penetrate each other in a multi-scalar world (Brenner, 1999; 2004; Brenner and Theodore, 2002; Harvey, 1989). Actually, the institutional transition of local economic governance in China is a consequence of the interplay between local factors (e.g. local government activism and peasants-turned workers) and external forces (e.g. regulatory change at the national level and

¹ According to Harvey (1989:7), territory means a particular jurisdiction within which the kinds of economic projects (e.g. housing and education) that are designed to improve conditions of living or working. In contrast, place means an actual spatial scale of project impacts, either smaller or greater than the specific territory within which such projects happen to be located.

the influx of global, national, and local capital) (Ma and Cui, 2002). As a result, neoliberalism is integrating capital flows with urban and regional development across territorial boundaries at the global scale and economic reform has created a route bringing the internal spatial scales within China to the global. Even if Chinese cities and regions are in the stage of economic transition, they cannot escape from the compass of neoliberal globalization as long as the outward economic reform has articulated them to the competitive global dynamics and rescaled the geopolitics of global-national-local reconfiguration in China.

Local state corporatism can be taken as the prototype of entrepreneurial urban governance in post-reform China. Due to the enhanced fiscal autonomy² of local states, local officials get more economic motivations to generate revenues and supplement the public treasury (Oi, 1992; 1995). The institutional changes resulted in the rural industrialization and the rise of township and village enterprises (TVEs) under local official's control during the early years of economic reform. The dramatic transformation creates the pathway of China's developmental state highly decentralized to local states, which play a direct role involving in the market production. In the meanwhile, apart from the direct involvement, local cadres can also use administrative power to redistribute resources among different sectors and enterprises within the locality on the one hand and extract profits from TVEs on the other. Unlike the equalized approach of Maoist era, the principle of resource allocation under local state corporatism much focuses on selectively targeting some preferential enterprises for development.

However, local state corporatism is merely a preliminary regime of entrepreneurialism explaining the early peasant economic development of post-reform China. As economic reform has further deepened the institutional changes in China's society, the emerging marketization has increasingly speeded up the pace of urbanization and resulted in the rise of entrepreneurial cities. As Wu's (2003) comment about the post-socialist entrepreneurial city, it is the gradualist reform that contributes to the consolidation between entrepreneurialism and state-led growth. Because the fundamental principle of China's gradualist reform stresses the introduction of market capitalism through "phasing out" the administrative allocation of resources, socialist economic regime is readjusted in a partial and moderate manner. The institutional combination between marketization and decentralized state governance contingently contributes to the rise of entrepreneurial city at local levels. While economic globalization has permeated among Chinese cities and regions since the late 1990s, entrepreneurial urban governance has been evolved as the major responsive strategy for these local developmental states. In addition to the economic motivation, the aforementioned political influence of asymmetric decentralization also plays a key role to intensify the emergence of entrepreneurial city. As I have mentioned, intercity competition, an inevitable tendency with urban entrepreneurialism (Albrecht, 1992; Harvey, 1989), has been intensified in contemporary China because exhibiting the performance of local growth has been the most effective way to show central state local official's competence. The marketization of land leasehold system in 1988 has created a new channel for urban growth by means of commodification of land use rights (Hsing, 2008; Zhu, 2005), so local states can sell land use right through market mechanism and then fill their exchequers. The formation of land market has not only strengthened the pace of urbanization but also prompted entrepreneurial practice because the commodification of land use rights has easily constructed various growth coalitions between local developmental state and property-oriented stakeholders (see the review by Li, 2005). As a result, traditional land uses for productive activities such as industry are increasingly transformed into those of non-productive ones – housing and office buildings (Hsing, 2008; Newman and Thornley, 2005). Chinese Local developmental states, dramatically linking entrepreneurial governance, have actively engaged in recruiting foreign capitals and eagerly attempted to ally with investors bringing them urban fortunes. Property development/renewal has become an important measure fostering local states to catch up with each other.

3.3 The hybrid pathway as a specific institutional mixture under post-socialist transition

Evidently the overview shows that entrepreneurial city and local developmental state not only juxtapose in the local context of post-reform China but also subtly reintegrate each other into a specific institutional mixture. On the one hand, local developmental state provides decentralized governance capacity for municipalities to remake themselves as strong economic agents seeking for profits initiating innovative

² For example, local states can retain some levied taxes as long as they have meet amount standard ordered by upper level government. In addition, local states can sometimes ask for some self-initiated and informal (and even illegal) fees from enterprises and investors under the connivance of central.

projects, and determining the direction of economic development. On the other, entrepreneurial city can vibrate the innovative mechanism and strengthen the coalition network between local states and (foreign and domestic) private sectors. The institutional mixture is a contingent consequence affected by local growth political economy, decentralization of national reform policy, and penetration of global economy (figure 1). Because the new regime of accumulation under China's post-socialist transition is a gradualist process of institutional evolution, state-led economic governance with marketization is an inevitable trend originating from the path-dependence of socialism. Economic reform, under the influence of path-dependence, cannot creatively destructure the socialist regime of accumulation led by state involvement even if the power of economic governance has been largely decentralized to local states. While asymmetrical state governance has resulted in strong political motivations fostering urban growth, neoliberal globalization has extended its reach to Chinese cities and regions through attracting FDI and transplanted the ideology of neoliberal jungle law to these places for capital accumulation. Due to the multi-scalar interplay between local, domestic, and external forces, the new local developmental pathway in post-reform China fits neither typical East Asian developmental state, nor does it entirely transit to entrepreneurial urban governance driven from Western advanced capitalist cities. What we have witnessed is a specific institutional mixture under post-socialist transition – a subtle combination between local developmental state and state-led entrepreneurial city, in which the symbiotic relationship is composed of (1) state intention for growth as well as local capacity for planning and coalition and (2) political economy of intercity competition. The two dimensions are useful to analyze the developmental pathway of Shenzhen because they provide an insight connecting the multi-scalar perspective of entrepreneurial urban governance and the public-private coalitions fostering growth strategies and rent-seeking by local developmental state.

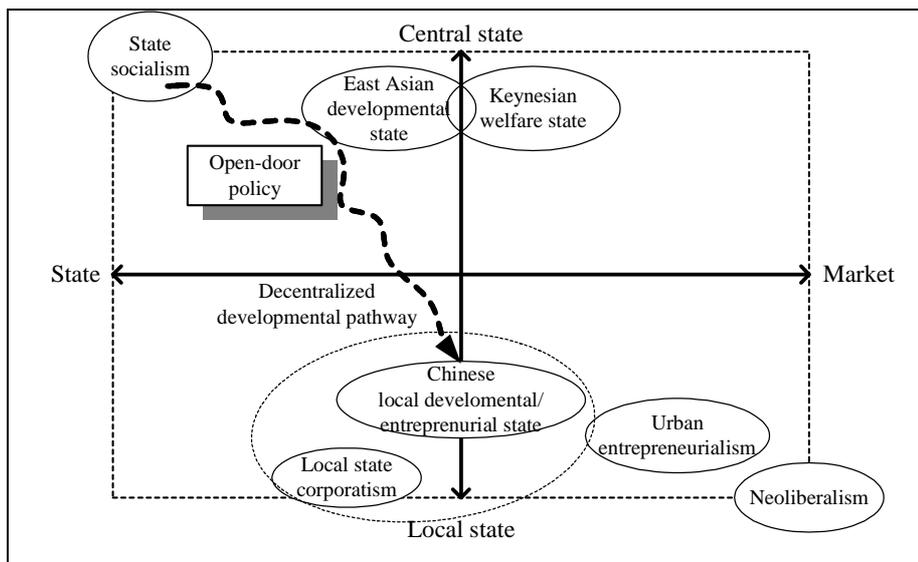


Fig. 1: The developmental pathway of decentralized local growth in the era of post-reform China

4 EXPLORING SHENZHEN'S PATHWAY UNDER INTERCITY COMPETITION

4.1 The urban economic performance of Shenzhen under economic reform

Shenzhen is an entirely man-made city in southern China. It is one of the four earliest cities³ designated as Special Economic Zones (SEZs) to foster China's Open-Door Policy. As an experimental site for attracting inward investment, Shenzhen has been greatly transformed from a small township surrounding some fishery and peasant villages into a modernizing city. Closing to Hong Kong, a gateway linking China and Asia's world city, Shenzhen enjoys the locational advantage to attract investment and learn developmental experience from Hong Kong. Also, the cheaper price level of Shenzhen attracts many Hong Kong residents to go shopping, find accommodation, and invest properties in the city. In other words, Shenzhen has become a contiguous hinterland serving Hong Kong. Due to the close economic and social ties between Hong Kong and Shenzhen, intensive cooperative and competitive relations has emerged between the two sides (Shen, 2007). With the rapid pace of urbanization driven by economic reform and immersion of transnational

³ The other three cities for SEZs are Xiamen in Fujien Province and Shantou and Zhuhai in Guangdong Province.

capital, Shenzhen has had the status of an international city in southern China and a regional node in the Pearl River Delta (PRD) intercity network (Figure 2). According to the concept plan of “Shenzhen City Comprehensive Planning: 1996-2010”⁴, the urban function of Shenzhen is positioned as (1) a nation-class comprehensive SEZ; (2) a regional transport hub; (3) a seaport city based on container transport; (4) a regional urban core functionally complementing Hong Kong; (5) a regional manufacturing base driven by hi-tech industries; (6) a modern historical cultural city with subtropical coastal features.

Shenzhen’s pathway towards internationalisation and modernization can be seen as a symbol of the end of Maoist centrally planned economy and the rise of market capitalism led by Xiaoping Deng’s insightful reform (Cartier, 2002). Through the cumulative outcome of reform over the last three decades, Shenzhen’s GDP per capita has been tremendously grown since 1979 (table 1). In addition, the marketization of land use rights in the late 1980s has further intensified a building boom which has occupied an important part of Shenzhen’s fixed asset investment and driven the increase of total floor area in the city (table 1 & 2). Worthy of attention is the significant increase of property development (commodity housing) because it expresses the extended demand of land use activities such as residence, commerce, and office.



Fig.2: The major spatial structure planning and developmental axis of Shenzhen. Source: http://www.szplan.gov.cn/main/csgh/ztgh/ztgh/image/new05/new05_little.htm (Visit date: Jan 25, 2009)

Table 1: The annual growth rate of national economic and social development indicators of main years in Shenzhen

| Year | GDP per capita (RMB) | Investment in fixed assets (10,000 RMB) | Investment in real estate development (10,000 RMB) | Local financial revenue (10,000 RMB) | Local financial expenditure (10,000 RMB) | Gross output value of industry (10,000 RMB) |
|------|----------------------|---|--|--------------------------------------|--|---|
| 1979 | 606 | 5938 | □ | 1721 | 2971 | 7128 |
| 1985 | 4809 | 333235 | □ | 62894 | 58651 | 246662 |
| 1990 | 8724 | 623380 | 112000 | 217037 | 198073 | 2202180 |
| 1995 | 19550 | 2758243 | 1030368 | 880174 | 934041 | 12922075 |
| 2000 | 32300 | 6196993 | 2609694 | 2219184 | 2250441 | 30715227 |
| 2005 | 60801 | 11811542 | 4236865 | 4123785 | 5991560 | 101745351 |
| 2006 | 69450 | 12736693 | 4620940 | 5008827 | 5714231 | 122784801 |

Source: Shenzhen Statistic Yearbook, 2007

Note: 1 USD=6.8322 RMB (investigated in Feb. 9, 2009)

⁴ See the website of “Shenzhen Comprehensive Urban Planning: 1996-2010” for detail: <http://www.szplan.gov.cn/main/csgh/ztgh/ztgh/index.htm> (Visit date: Jan 25, 2009)

Moreover, the public financial structure also indicates the fact that the rapid urban growth has occurred since 1979. Paying attention to the annual revenue versus expenditure of local finance, we can find that both indicators have experienced significant growth, which meets the tendency of decentralized fiscal autonomy during the post-reform period (table 1). Since 1995, however, it is significant that local revenue has not covered its expenditure. The fact shows that Shenzhen government has started to face heavy fiscal burden due to rapid urban growth and the satisfaction of basic socio-economic needs may not be fully in accordance with the pace of local growth. The rapid growth rate of urbanization can be reflected in the annual total floor area of commodity housing under construction during the 1990-2006 period (figure3). Among the several types of commodity housing, the floor area of residential housing occupied the largest proportion of the total. The growing amount illustrates Shenzhen has encountered serious population growth and the burden of land use and infrastructure delivery. In figure 4, we can also observe vibrant transactions in the emerging commoditized property market. Except the slight decrease in 2006, the tremendous increase of sold floor space reveals energetic potential of property market in Shenzhen, an important indicator appraising urban growth. Again, the figures in figure 4 also reflect that the transaction of residential housing occupies the largest proportion of the total. The growing demand for residential housing directly exemplifies the growth of population in Shenzhen. As a result, how to keep up with the speed of urban growth has become the major task of urban planning in Shenzhen. However, the critical question worthy of exploration is whether Shenzhen's urban planning system, in the face of growth-oriented urban political economy, can really perform its effectiveness of regulating land use activities, managing the pace and location of urban growth, providing sufficient infrastructure and utilities, and creating livable places for civic life. In other words, we have to investigate its context of urban governance intersecting with the state intention of growth prevailing among post-reform Chinese cities and analyze the impact on urban planning system.

Table 2: Floor space of buildings under construction in Shenzhen (Unit: 10,000 sq. m)

| Year | Total | Capital construction | Technical updates and transformation | Investment in commodity houses | Others |
|------|---------|----------------------|--------------------------------------|--------------------------------|--------|
| 1979 | 29.29 | 29.29 | | | |
| 1985 | 1030.94 | 1030.94 | | | |
| 1990 | 848.65 | 408.71 | 22.29 | 304.62 | 113.03 |
| 1995 | 2733.59 | 951.68 | 47.07 | 1371.06 | 363.78 |
| 2000 | 3591.22 | 790.57 | 5.75 | 2134.95 | 659.95 |
| 2005 | 4841.55 | 1624.60 | 36.93 | 3058.90 | 121.13 |
| 2006 | 4512.66 | 1204.30 | 31.46 | 3122.10 | 154.80 |

Source: Shenzhen Statistic Yearbook, 2007

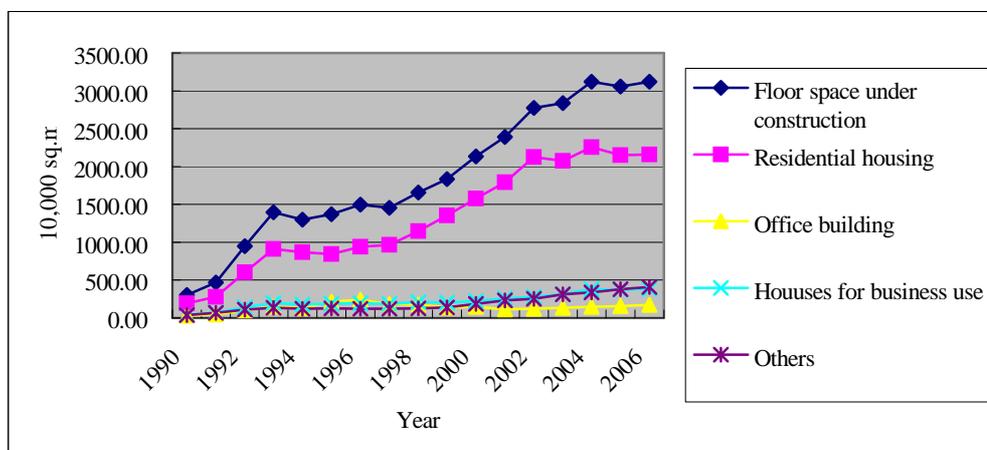


Fig. 3: Total floor space under construction of commodity housing. Source: Shenzhen Statistic Yearbook, 2007

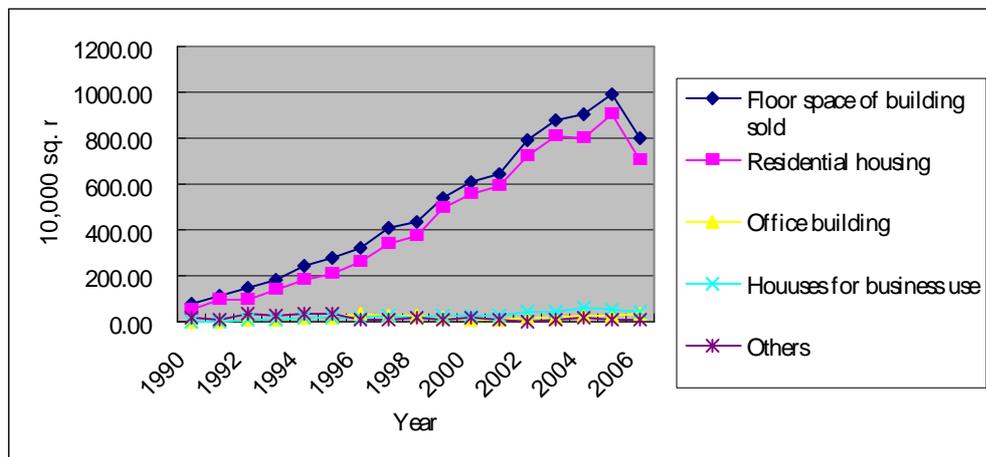


Fig. 4: Total floor space of buildings sold. Source: Shenzhen Statistic Yearbook, 2007

4.2 Growth-oriented urban governance and its impact on planning in Shenzhen

In the light of the tendency towards rapid urbanization and limited land resource, Shenzhen Government has perceived the importance of urban planning to regulate booming development. In 1993, Shenzhen City Lands and Planning Bureau set out to design a set of city comprehensive planning to cope with urbanization. In 1996, “Shenzhen City Comprehensive Planning: 1996-2010” was initiated and enforced to support the sprouting urban development and construction.

However, the effectiveness of urban planning depends on the governance capacity of a city to tackle urban development because local government can only play a partial role in the process of governance created by the overall socio-economic and political dynamics and urban planning is just one of the policy measures to practice governance (Ng and Tang, 1999). As a result, the context of urban governance is an indispensable factor to analysing the planning effectiveness of Shenzhen and its developmental pathway. It is especially important in urban China because of the deep influence of growth-oriented urban political economy after economic reform.

As I have mentioned in section 3, urban growth machine has become an important promoter driving urban development in contemporary China. However, unlike the growth machines in U.S., where private developers, business chairs, and financiers play a dominant role in the coalition formation, Chinese growth machines, combined with local developmental state, are local state-led coalitions (Hsing, 2007). In addition, land is taken as the vital resource consolidating local growth politics because it can be provide the required geographical fixity to attract inward investment into built environment. The pro-business ideology favors the combination of local developmental state and entrepreneurial urban governance while land development, a major tool to create appealing urban space for FDI, is the critical factor in the agenda of urban governance. In short, the governing focus of local growth political economy in post-reform China is highly centered on land development.

At the beginning, the Shenzhen was planned as a city destined for growth. From the perspective of central state, Shenzhen enjoys the locational advantages that it can politically keep a distance from Beijing, the power symbol of socialist China on the one hand; and economically link Hong Kong and overseas Chinese capitals on the other (Newman and Thornley, 2005). In other words, socio-spatial meaning of Shenzhen is not only exhibited in the rising local autonomy striving for economic development, but also entitled by central state to show the world China’s strong intention to articulate international market as well as its national ambition to catch up with advanced capitalist economy (Cartier, 2001; 2002). Evidently, Shenzhen is a city positioned as a national leading city as well as an emerging world city planned by national economic reform. To be a template city leading new Chinese urban system towards global economy is the ultimate goal of the city.

The background deeply induces the growth-based governance formation of Shenzhen. Although the formal marketization of land use rights was launched in 1987, the pilot trail of land reform had been enforced in Shenzhen in 1982 and later prevailed over the country because Shenzhen government perceived that the inefficient system of socialist land management, providing free use of state-owned land, was outdated and could not meet the new increasing demand induced by inward investment (Zhu, 1996). However, the

marketization of land use rights is not a fledgling market mechanism which may be easily manipulated by growth-led local officials. According to Ng and Tang (1999), urban planning and land management systems are ancillary roles in Shenzhen's growth-oriented urban governance in that Shenzhen government is the largest land owner, developer, and user on the one hand while the strongest manager and planner on the other. The dual role of "player and umpire" has created an ambiguous institutional room for Shenzhen government to seek for "the most qualified growth coalitions" from the land market. As the arguments by Yeh and Wu (1996) and Yeh (2005), the so-called "dual land market"⁵ has also occurred in Shenzhen and made the spatial pattern of urban growth chaotic. Actually, the dual role of land use and dual land market have generated explicit incentives to Shenzhen government to pursue economic profits and remade the local state as the largest rent-seeker in the city. During the period of my interviews, an interviewee commented that:

Maybe the speed of urban development in Shenzhen is much more efficient than that in Hong Kong. However, we have to keep in mind that the central belief of Shenzhen government is "make the development right", so it needs not to face various voices from civic society. The city government has strong power to determine the decisions associated with many mega-projects without facing challenges from environmentalist NGOs, community groups, and grassroots populace.

(Interview record: 0807003)

The attitude of Shenzhen government – "make the development right" – reflects the strong dominance of local state to urban growth. Although the institutional environment does create a flexible and fast land use system favoring the initiatives of entrepreneurial strategy, lack of mature land development mechanism also directly contributes to the emergence of rent-seeking. In the worst case, the behavior of land speculation has resulted in the corruption of local officials related to planning authority⁶. While profit making has become a major aim of urban governance, urban planning is often distorted and lobbied by growth coalitions and cannot effectively maintain a superior position to regulate urban development.

4.3 The pathway formation of Shenzhen pressed by PRD intercity competition

At the regional scale, intercity competition can give us a more clear profile about scrutinizing the developmental pathway of Shenzhen. In the PRD mega urban-region, various cities have encountered fierce competition with each other. Paying attention to the cases of major infrastructure and mega-projects there are five international airports (Hong Kong, Guangzhou, Macau, Zhuhai, and Shenzhen) and seven seaports (Hong Kong, Guangzhou, Shenzhen, Huizhou, Zhuhai, Dongguan, and Macau) in PRD. Besides, the project construction of convention and exhibition centers is mushrooming in Guangzhou, Shenzhen, Hong Kong and Macau when the MICE (meeting, information, convention) industries have become a popular way to promote knowledge-based economy in a city. Due to the history of the earliest region receiving economic reform, establishing hi-tech science parks or economic and technological development zones has become a necessary tool in each PRD city to generate local revenues. The competitive circumstances in PRD has contributed to duplicative investment of infrastructure, ineffective land utilization, and deficient cross-border coordination (see Xu, 2008; Zhao and Zhang, 2007), which are all typical phenomenon of zero-sum intercity competition under entrepreneurialism argued by Harvey (1989) and Hall and Hubbard (1996). There are two dimensions associated with the notion of zero-sum intercity competition and its impact on Shenzhen's developmental pathway – economic competition and political contestation.

Firstly, the perspective of economic competition is easy to make sense. While the idea of revenue generation has prevailed among local officials, Shenzhen has encountered many rivals in PRD city-region. The

⁵ According to Yeh and Wu (1996), dual land use system is a specific product under the transiting period from socialism to capitalism in China. It is composed of market-based allocation and non-market administrative allocation. In the former, land for private development (e.g. residential, commercial, and industrial developments) is allocated and transferred through negotiations, tenders, and auctions. In the latter, land for government agencies, military institutions, and other public utilities is allocated through administrative allocation mechanism. Due to the coexistence of the two systems, a black market prevails on administratively allocated urban land and peasant collective owned land (Yeh, 2005). That is, the owners of these land tracts can illegally lease their land to other users or investors (in terms of joint ventures) under local governments' connivance so as to achieve land development with a cheaper land cost and shorter time for negotiation.

⁶ For example, Chien-hui Tsai, the former head of Shenzhen City Lands and Planning Bureau and a registered urban planner, was charged with corruption on March 3, 2003 because he took bribes (including 2,000,00 RMB, 5,500,00 HKD, and a digital camera worthy of around 100,00 RMB) as the rewards for permitting some application of land development and use change between January 1999 and May 2000. The detail information can be seen in Xinhuanet News. See the following website: http://news.xinhuanet.com/newscenter/2003-03/06/content_762769.htm (Visit date: Feb. 9, 2009)

developmental pathway of Shenzhen has been enormously imitated among other cities even if Shenzhen enjoys the superior position as a SEZ that can possess relatively autonomy to economic affairs. Instead of “strong competition”, based on locally embedded, territorialized, and hardly replicated local conditions (e.g. local institution and culture) (Cox, 1995), the circumstance of intercity competition based on repetitive investment and replicative construction among local states merely reflects the mode of “weak competition”, only stressing cost advantage within a locality. Lack of sufficient embedding effect of institutional innovation in Shenzhen and other PRD cities has caused that the developmental pathway of entrepreneurial governance is not striding forward creating the institutional embeddedness of sustainable innovation based on Schumpeterian entrepreneurial city, but concentrating on pursuing short-term economic surplus led by local developmental state. This is partly the consequence of path-dependence resulting from the transiting socialist regime. It is not strange that Shenzhen only transforms into a rent-seeker and has to face many market-challengers and market-followers in a place war. According to my interview, some interviewees (including officials, urban planners, and scholars) argued for the myopic weak competition between Shenzhen and other cities:

Except for building mega-projects to enhance their internationalising city status, major PRD cities, including Shenzhen, also actively plan a series of hi-tech parks and university-town to attract advanced talents and create R&D melieux. However, these industrial and living environments cannot show any local peculiarity. They are merely designed and constructed by some cities in order to compete with other cities having these environments. In other words, the competition is only quantitative but not qualitative. They cannot reflect local advantages...in Shenzhen, we have faces the bottlenecks of university-town development because of remote campus locations, lack of industrial and living packages, and deficient registered students.

(Interview record: 0712001)

What we are facing are more and more decentralization and more and more marketization...Exactly, we do lack a set of theoretical foundation to support the establishment of effective coordinative mechanism among PRD cities. The news of repetitive investments is uncountable in PRD. I think local officials in Shenzhen and other cities have to learn a lesson about that the behavior of intercity competition by state-led rent-seeking is incorrect. We agree that intercity competition is an inevitable trend but also have to understand the optimal boundary between government and market. The responsibility of government is to provide major economic infrastructure deficient in market and to create a stable institutional environment favoring market mechanism. The remainder of local economic affairs should be placed into the operation of health private market.

(Interview record: 0808008)

I think Shenzhen is a typical local developmental state because its core agenda of urban governance is how to promote and maintain urban economic growth led by local state. Compared to Hong Kong government, Shenzhen government enjoys higher autonomy and more active measures to intervene in the direction of development...cooperation and competition relations coexist between any two cities. Due to competition can bring about consensus of growth, intercity competition, to some extents, contributes to an opportunity attaining intercity cooperation. However, collective consensus for growth may not ensure the creation of coordinative actions for growth given the individual interpretations of “what best benefits my territory” among local states.

(Interview record: 0808009)

As a result, the vicious intercity competition in PRD may not attain a qualitatively tremendous improvement in the foreseeable future and further embeds Shenzhen’s urban governance in the hybrid pathway towards a local developmental/entrepreneurial state, because the pro-growth attitude – “I don’t admit defeat if you have invested something else but I have not, so I have to invest one as well” – has prevailed among local states. For example, while Hong Kong, Macau, and Zhuhai governments have planned to construct a bridge connecting the three localities, Shenzhen government has argued for the ignorance of constructing an interchange to Shenzhen. At the same time, worrying about to be marginalized in the regional competitive dynamics, Shenzhen and Zhongshan have also planned to design a bridge to connect each other. Furthermore, Shenzhen is actively establishing its convention and exhibition center (Figure 5) in order to promote MICE industries even if Guangzhou has established its prestige of MICE sectors. While the idea of weak competition has been fixed in the agenda of urban governance, the path-dependence towards restless

pursue for urban competitiveness cannot be easily broken up in the short term. Ruled by the growth-oriented urban governance, urban planning in Shenzhen tends to be marginalized as a tool facilitating the creation of pro-business environment.



Fig. 5: Shenzhen city convention and exhibition center and other nearby projects under construction. (Photo by author on Jul. 20, 2008)

Secondly, we cannot completely understand Shenzhen's developmental pathway without exploring the context of political contestation. Due to the political consideration, especially the politics of intergovernmental relationships, Shenzhen government is encountering a serious governance dilemma caused by unhealthy multi-level governance. A Shenzhen urban planner's argument during my interview best illustrates the governance dilemma of the dysfunctional development:

I sometimes doubt whether Shenzhen and surrounding cities really need so many mega-projects? As a planner, I of course agree that constructing mega-projects is good for urban development. However, I think the project competition prevailing on PRD today is far from the field of urban planning. It is the matter of urban politics...it is especially the case in Shenzhen...you know. Governing Shenzhen is a tough task because it is always branded as a template city symbolizing the performance of economic reform...the local officials in Shenzhen have to bear more administrative pressures than other cities.

(Interview record: 0804001)

In addition, in my interview, a scholar's comment also indicated the subtle political relationship in Shenzhen's urban governance:

Shenzhen government can implement large-scale projects and land development regardless of civic opinion because its power source of governing the city is not directly from democratic election but from central assignment. Even citizens cannot challenge the power structure of city government and economic development is the major indicator for upper level government to appraise Shenzhen mayor's ability, pro-growth urban governance is an inevitable outcome...therefore, unlike Hong Kong, Shenzhen government is a local developmental state and its urban governance is based on entrepreneurial city.

(Interview record: 0808009)

Again, let's go back to the concept of "asymmetric decentralization" mentioned in section 3. Due to the tradition of National Socialism ruled by the Chinese Communist Party, the incorporated party-state regime still controls the Chinese society even if economic decentralization has been implemented for three decades. It is the unhealthy political structure that determines the path formation of Shenzhen's urban governance. Because of the pressure of showing upper level government the economic performance Shenzhen has attained, political motivation results in the strong incentive to promote economic growth. As I have mentioned earlier, Shenzhen has been imbued a strong national intention to bring China's economy to world market, so its economic performance, the symbol of mayor's ability, is especially magnified by central state for assessment.

As a superior position of SEZ, Shenzhen leader has to face the political reality that losing is not allowable. However, lack of qualified institutional innovation is still the most serious issue that Shenzhen and other PRD cities are facing. Because the institutional framework of multi-level governance is still administered in a top-down way in which central state control the ultimate power to allocate resource, assign personnel, and

permit major initiatives, Shenzhen and other PRD cities often trap into the swamp of “race to the bottom”. Even though some regional strategic planning such as “Pearl River Delta Urban Agglomeration Coordinative Planning” has been initiated to coordinate unorderly development, the consequence is intensifying resistance from these local developmental states. In other words, regional governance system in PRD is fragmented and “can appear to be little more than a cosmetic makeover that hides the intensifying competition within major city-regions in China” (Xu, 2008: 181-182). When I visited Hong Kong in July 2008, an interviewee indicated the nuanced relationships between intercity competition and vertical political influence as follows:

The regional strategic planning designed to coordinate development among cities can just make superficial efforts in PRD city-region. Actually, decision-making by central still plays an important role in regional development. For example, Shenzhen wanted to compete for the status as the dragonhead city (leading city) in PRD when it had shown significant contribution of economic growth. However, its intention encountered the resistance from Guangzhou (the capital city of Guangdong Province government) and Hong Kong. The debate was broken out in designing “Pearl River Delta Urban Agglomeration Coordinative Planning”. Finally, the debate was delimited by central’s authoritarian determination – there are only two dragonheads in PRD, Guangzhou and Hong Kong...it is the typical solution in Chinese administrative system. If some issues at stake are hard to be negotiated between local states with similar administrative levels, they tend to submit the issues to central state to resolve the conflicts.

(Interview record: 0807004)

In opposition to Guangzhou, Shenzhen has performed its prospective economic competitiveness. According to the statistics in 2006, the GDP per capita of Shenzhen is 69450, higher than that of Guangzhou, 63100. In the ranking of top100 Chinese city in 2004 and 2005, the status of Shenzhen is ranked as top3, higher than that of Guangzhou, top 4. In the “Annual Report of Chinese Urban Competitiveness” in 2008, the comprehensive competitiveness of Shenzhen is ranked as the second among the 52 investigated cities while Guangzhou’s is ranked as the sixth⁷. These statistics illustrate the fact that Shenzhen is surpassing Guangzhou in economic competitiveness. In terms of administrative hierarchy, Shenzhen is lower than Guangzhou because the latter is the site of Guangdong Province government. Unlike Hong Kong, a quasi city-state based on “One Country-Two System”, Shenzhen is merely a sub-provincial city regulated by Guangdong Province government. The only advantage of Shenzhen better than that of other general sub-provincial cities is that it can enjoy higher economic and fiscal autonomy due to its SEZ status. Given the asymmetric structure of local political governance, wholeheartedly pursuing economic growth to wait for the positive response from central is the only way to strengthen urban competitiveness of Shenzhen without critically changing existing power structure. Therefore, the top-down multi-level governance has not yet generated a mature regime to support local governance and planning system. The complex power structure empowered from central state forces Shenzhen to closely embed into the pathway of local developmental/entrepreneurial state. In order to maintain its existing status and catch up with advanced cities, the institutional embeddedness of asymmetric decentralization has contributed to the path formation of Shenzhen.

5 CONCLUSION

Since the Open-Door Policy in 1979, Shenzhen has been dramatically repackaged as the representative of new Chinese cities under economic reform. In the literatures of contemporary Chinese urban studies, most of them contend the economic transformation of urban governance based on either local developmental state or entrepreneurial city, but they seldom further explore the developmental pathway and the theoretical fitness based on the complicated local growth political economy. Through the case study of Shenzhen, we can revisit the possibility of subtle path combination in the context of Shenzhen’s growth-based urban governance. Due to the specific historical background of socialist transformation, its developmental pathway performs strong national intention to catch up with advanced capitalist countries, local autonomy to prioritize economic growth, and fierce intercity competition under asymmetric decentralization. These multi-scalar

⁷ See the website for detail:

http://big5.china.com.cn/aboutchina/zhuanti/08jingzheng/2008-10/14/content_16610148_2.htm (Visit date: Feb. 5, 2009)

factors influencing local political economy have contributed to Shenzhen's specific institutional mixture between developmental state and entrepreneurial city.

The rise of Shenzhen is the synthetic consequence of internal factor (e.g. local decentralization) and external factors (e.g. China's economic reform and globalization) while its pathway is a growth-oriented hybrid system – local developmental state manoeuvring entrepreneurial strategies. However, its pathway cannot create a set of innovative milieu with Schumpeterian strong competitiveness, nor can it prevent growth agenda from the local politics of rent-seeking or predation owing to lack of sufficient institutional capacity under the top-down political system ruled by party-state regime. With the limited governing authority, local states such as Shenzhen have to concentrate on economic growth and trap into weak competition. Land and property development projects have become an important channel for local revenue generation and forced the concession of urban planning system to economic development. The evolving pathway signifies the typical governance failure prevailing on the cities of developing countries. Shenzhen and other Chinese cities still have a long learning way to go and wait for further institutional reform.

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