GLOBALISATION, REGIONALISATION AND CHINESE CITIES

A Case Study of Shanghai's Integration into Global and Regional Urban-Economic Systems

Felicity C. Rose

Ph.D. Candidate, Department of Land Economy, University of Cambridge
Ph.D. Fellow, Institute of Advanced Studies, United Nations University
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Abstract
In 1978, China began an extensive Reform programme which has subsequently had significant impacts on both rural and urban development in the country. A key facet of Reform was the re-opening of an economy that had been essentially closed for several decades. Coincidentally, the 1980s and 1990s have witnessed the enhanced integration of economies, and to a lesser extent states, world-wide, and within particular geographic sub-regions (e.g. East Asia, Europe). This integration has been economic, political and socio-cultural, and has been spawned from, inter alia, advances in transportation and telecommunications systems, the behaviour of multinational corporations, the development of cross-national regional political fora, cross-cultural exchange programmes, and, important in the case of China, relationships within the Overseas Chinese diaspora. As transportation, telecommunications, business, political and socio-cultural linkages have expanded regionally and globally, so flows of capital, goods, information and people cross-nationally have served to reinforce the integrative processes, and produced impacts on both recipient and sender countries. As the foci of economic activity, cities have acquired key roles in this integration; certain cities perform control and hub functions not only within their own nation-states but also within the region ("regional cities") or even globally ("global cities"). This paper analyses the place and role of Chinese cities in the emerging regional and global urban-economic systems. National and local policy rhetoric promotes Shanghai as China's leading international city. The degree to which Shanghai has integrated with global and regional systems is therefore discussed as a specific case study. The paper asks whether Shanghai has achieved, or has the potential to achieve, the status of a regional or global city. A brief comparison with Tokyo, commonly accepted as a global city, and Hong Kong, a regional city, is made to illustrate the degree to which Shanghai performs regional and global functions. The final section analyses the interaction of local political economy and urban decision-making with these external forces in determining the pace and pattern of development in the Chinese city.
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1. **Introduction**

China has undergone significant economic and urban transformation since the implementation of Reform at the end of the 1970s. A key aspect of Reform was the opening of the economy following several decades of isolation, which allowed China to rejoin regional and global markets just as a new wave of international integration was taking hold. The globalisation of production, capital markets and property markets has provided China, and especially Chinese cities and urban regions, with new sources of investment capital, new economic activities and new actors in urban development. Coincidentally, China has undertaken substantial policy reform in the rural and urban sectors, designed to stimulate economic growth and tackle severe underlying development problems, as well as to encourage inward investment and further global and regional integration. The coastal region and especially the mega-cities and extended metropolitan areas have been the first and fastest to develop. The development process may be described as capital-driven, but also policy-controlled and policy-supported; the government, especially at the local level, continues to play a crucial role in guiding and directing development. In this development and policy environment, the attraction of foreign investment and the enhancement of global and regional linkages have become dominant elements of political rhetoric.

The aim of this paper is to identify the extent and nature of Chinese integration into the global and regional economies, and to explore urban development processes in this environment. A case study of Shanghai is used as an illustration of this growing integration. Shanghai is China's largest city and the economic core of the Yangtse Delta and Valley regions. Policy promotes it as China's leading metropolis and local and national focus rests on its internationalisation. Since 1990, Shanghai's economic and urban development has been rapid, with growth surpassing both regional and national averages. Foreign-oriented and foreign-backed economic activity and inflows of foreign direct investment (FDI) have proved the catalyst for the city's modernisation, while local policy has guided development spatially and continues to promote international connections. Not all cities in China are growing as fast as Shanghai, or share the same functions in the national and international arena, but the path of integration followed by Shanghai is also affecting other cities nationwide, and especially those in the coastal region. Thus development in and of Shanghai is somewhat outstanding within China, but the difference is in terms of *degree* of integration, rather than in the fundamental nature of the development process.
The next section considers briefly the theoretical debate surrounding global and regional integration, and explains the concept of the global-local nexus, the development of urban networks and the definitions of 'global' and 'regional' cities. Section 3 analyses the specific place and role of Chinese cities as nodes in the regional and global urban-economic systems. The transportation, telecommunication, business, political and socio-cultural linkages connecting Chinese cities internationally and the dynamic flows of capital, goods, people and information that are producing spatial and socio-spatial changes at the city level are analysed. Section 4 provides a case study of Shanghai in the regional and global systems, and asks whether Shanghai has achieved, or has the potential to achieve, the status of a regional or global city. A comparison with Tokyo, commonly accepted as a global city, and Hong Kong, a regional city, is made to illustrate the degree to which Shanghai performs regional and global functions. The final section looks briefly at the role of the state in manipulating global and regional forces and their impacts, and concludes that, while integration - and especially FDI - is undoubtedly driving the pace of spatial urban change, the local state continues to play a significant role in urban and regional development by acting as a 'gatekeeper' with regard to inward investment.

2. Urban development in the global-local nexus

The processes, and impacts, of globalisation have received much attention in recent literature in geography, economics and urban studies. While differing in focus, perspective, and interpretation, this literature generally portrays globalisation as a continual process of increasing interdependence and influence between the economies and, to a lesser extent, the states of the world, within a market economy framework. As a process, globalisation is articulated through the actions and behaviour of various agents, notably transnational corporations, nation-states, and supra-national political groupings (e.g. EEC, OECD, ASEAN), which have been brought together in a world-wide network (Moulaert and Shachar, 1995; Stopford and Strange, 1991); the power structures within which these agents operate have been redefined by global integrative processes.

More recent literature on globalisation has recognised the diversity of the process and the influence of "local agency and context" on the impact and functioning of global processes (Parnwell and Wongsuphasawat, 1997). The interaction of global processes, regional dynamics, national political economy and local context, and the actors working at each level, has been discussed by a number of authors (Berner and Korff, 1995; Dicken, 1994; Fainstein and Campbell, 1996; Hirst and Thompson, 1992; Lipietz, 1993; Mittelman, 1995).
The 'global-local nexus' is defined by Parnwell and Wongsuphasawat as "the interface of global and local processes which highlights the bi- or multi-directionality of global processes" (1997: 120). To Mittelman, the global-local nexus is placed within "an emerging structure [comprising] an articulation of the GDL [global division of labour], distinctive regional divisions of labour, and the texture of local conditions" (1995: 291). Forces other than economics, operating especially at the local level, are increasingly emphasised; of note here is the importance of agency and socio-political development. Urban phenomena, situated by definition in local space, are produced as a part of structural changes in the global economic system, but it is local agents, processes and contexts which give them shape (Parnwell and Wongsuphasawat, 1997), determine the precise nature of urban features and structure in any one locality, and differentiate localities from one another. Cities around the world have seen changes to their spatial and socio-spatial structures due to the forces released by globalisation at different times, but each has responded differently in a manner appropriate to local circumstances and geographical locations.

Concerns with the global-local nexus are inherently about relations between transnational corporations and nation-states. To Dicken, the global-local nexus is far more than simply the geographic scale at which economic activity takes place, but is rather "a question of where the power lies" (1994: 102). With firms and states locked into competition, employing strategies based on their power relations (Dicken, 1994), or collaborating through partnerships of various forms, a complex picture of interaction is drawn. Urban and regional development outcomes will in large part depend on the nature of these relationships and which party holds the dominant power.

In the new context of the globalising economy, the relationships between firms and states have been fundamentally changed. City governments in particular are facing increasing pressures and competition from other cities to capture new capital and preserve their existing economic bases (Savitch and Kantor, 1995). As cities search for suitable ways to deal with business and enhance their relative positions, it is commonplace for them to adopt policies specifically designed to attract investment. This has an impact on spatial outcomes: "Concrete spatial outcomes ... reflect complex competitive and bargaining relationships between and within firms, between and within states, and between firms and states" (Dicken, 1994: 101). Berry too has suggested that "in an increasingly tightly knit global economy, multi-national corporations play their locational games interactively with nation-states" (1989:1). Stopford and Strange (1991) express the agency relationships in terms of a 'triangular nexus' of firm-firm, firm-state and state-state interactions. The strength and nature of the nation-state in the face of transnational economic activity and in relation to urban and regional development and industrial
location will therefore influence spatial outcomes. Here the personal motives of individual government officers may be as important as collective motives in attracting inward investment, especially at the local level.

All states perform a key role in the ways in which their economies operate, although they will differ in the measures they employ, and hence the state has a strong impact on urban and regional development through its interactions with the economic agents facilitating that development. The state can set barriers to transnational activity and inward investment, exercising power over the firm. Ultimately, the state will be the most powerful actor as it holds the key to prevent transnational activity altogether - as China did in the pre-1978 period through the closure of the economy. However, in practice most developing countries and cities need and desire inward investment (Fainstein and Campbell, 1996) : this represents a shift of power, especially in locational decision-making, from the state to the transnational business sector. In most countries there will be a power-share situation between the state and firms, with the state controlling and directing investment locationally through various urban and regional policy measures; the extent to which the state is successful in manipulating company location will depend on the flexibility of the power structures concerned, and in particular the strength of the perceived advantages of inward investment.

2.1 Urban networks

Under conditions of regional and global economic integration, cities become the nodes of urban networks. The relationship between the growth potential of cities as central places and city size, and hence the traditional hierarchical relationship between cities (Rimmer, 1996b) have been replaced by a complex relationship among urban function, linkage infrastructure, and the role of the city in regional and global networks. A 'network' is formed from a series of nodes, spatial linkages, supra-spatial linkages, and flows. Linkage change cannot, of itself, produce the restructuring of nodes. Rather, flows, which are by definition dynamic, are the key to the transformation of urban space, economy, and socio-political relations, providing both the force and the means for change. At the same time, infrastructure and other developments and socio-political factors at the node will influence the potential direction and impact of flows. Within an urban network, the key cities are those which perform functions for the whole network; increasingly these functions are in finance and business services, requiring appropriate infrastructure and the agglomeration of firms in these sectors.

Global and regional integration in the urban sphere is therefore principally concerned with this networking of urban spaces, and the dynamic evolution of networks in response to economic and/or socio-political change. Different cities/countries/regions may join or leave networks at any time, according to changes in linkage structures and patterns of flows, changes which follow changes in the
internal dynamics of each node (fluctuations in the local economy, exogenous infrastructure provision, etc.), as well as changes in intra-regional relations (e.g. the signing of political agreements).

2.2 Regional and global cities

Population size and level of internal economic activity can therefore no longer define the growth potential of urban centres as cities of world or regional significance (Rimmer, 1996b). Rather, it is the role of cities as nodes in urban networks at the national, regional or global level, as the start- and end-points of spatial and non-spatial linkages, and as hubs to, from and through which capital, goods, people and information flow, which are the keys to understanding the dynamics of urban transformation (spatial and non-spatial) under regional and global integration. This emphasis on both urban function over urban size, and on integration has been embodied in the concept of the 'functional city system' in Pacific Asia (Yeung and Lo, 1996; Lo and Marcotullio, 1997). 'Global cities' have been variously defined, as, for example, centres of finance and for global servicing and management (Sassen, 1991), and as a 'junction of flows' of goods, information and people (Harris, 1994; Rimmer, 1996b). 'Regional cities' perform similar functions to global cities, but for a smaller spatial area. In essence, a regional or global city is the location for functions which are of significance on a regional or global scale, are the 'control centres' of regional or global activities (through the location there of large numbers of multinational corporations' headquarters or regional branch headquarters), and are the 'hubs' of international transport and telecommunications infrastructure, and of political and socio-cultural links, and the flows which pass through them. Only certain cities will serve these key functions for each region, and even fewer globally. In an open market economy, other cities, while not regional centres, may serve some regional functions, and will in any case join regional networks as second- or third-level centres, as through-ports or termini, as bridgeheads between national and international activities and markets, etc., rather than as hubs.

3. Chinese cities in the global and regional economies

China has some of the world's largest cities, and one of the largest shares of global urban population. Since reform, China's coastal provinces, and especially the coastal mega-cities and mega-urban regions, have taken an increasing share of international trade and investment, facilitated by expanding spatial and supra-spatial linkages. However, to what extent is interaction truly global? Can China's megacities be classified as 'global cities'? Is the greater degree of interaction not at the regional level, producing regional blocs spanning Northeast Asia, East Asia, and the Asia-Pacific?
This section first considers the place of Chinese cities within the global and regional urban hierarchies. While it is recognised that cross-national comparison is made difficult by differences in measurement methods and definitions of urban areas (Goldstein, 1994), and that comparison provides few insights into the internal dynamics of urban development in any one country, such analysis places the development of Chinese cities in context, and highlights anomalies. Are China's largest cities really large by global and regional standards? Is the share of urban population in total population different in China, as compared with other countries of a similar size or stage of development? Is the polarisation of output and investment in China's mega-cities unusual in the context of global and regional development trends?

It is important to view cities within their international context, in order to appreciate the scale and significance of urban change. However, given the integrative nature of the global economy as it has emerged since the Second World War, and especially over the past two decades, it is more significant to analyse the way in which cities are linked with each other to form urban networks, and to consider the meaning of such linkages for both the internal development of individual cities, and for the development of the global and regional economies in which cities and urban regions play a key part. The static analysis of the distribution of large cities and urban populations fails to capture the dynamic nature of economic and urban restructuring and interaction as they have occurred over recent decades (Lo and Yeung, 1996). The second half of the section therefore looks in detail at the role of China's cities, and especially the coastal mega-cities, as nodes in global and regional urban networks. Key linkages - transport, telecommunications, business links, political links and socio-cultural links - and flows - of capital, goods, people and information - among China's cities and external nodes, primarily regional, are identified. It is these linkages and flows that are connecting nations within the global economy, via the activities of their major cities.

3.1 Chinese cities in global perspective

Since 1950, at least one Chinese city has consistently been among the ten largest urban agglomerations worldwide (United Nations, 1991). In 1970, Beijing and Shanghai were two of only five cities in developing countries, and ten cities worldwide, to have populations in excess of 8 million. Despite domestic rhetoric to control the growth of China's largest cities during the Maoist period, Shanghai's world ranking moved from fifth in 1950, to fourth in 1960, to third in 1970, while Beijing entered the top-10 in 1960 at ninth, and retained that position through 1980. The fall in the ranking of Shanghai and Beijing since 1970 is reflective of the phenomenal growth in the populations of Mexico City and Sao Paolo, as well as a slowing down of their own growth at the end of the Maoist period. Three Chinese cities, Beijing, Shanghai and Tianjin, have populations in excess of 8 million. Tianjin was
ranked fifteenth in 1990 (United Nations, 1991; Habitat, 1996). Of the top-100 cities worldwide with populations in excess of 2 million, 29 are in Pacific Asia, 14 of which are in China. Many of these large Chinese cities, especially those in the inland, have a limited role in the regional and global economies, confirming the unreliability of using population alone as an indicator of regional or global status (see Rimmer, 1996). Cities in China display population growth rates below the averages for developing countries, although urban population growth in the coastal region, including immigration, is rapid.

Urbanisation in developing countries rose from 29.3% in 1980 to 33.9% in 1990, and is predicted to reach 40% in 2000 and 50% in 2010 (ibid). China's average urbanisation levels of 19.4% in 1980, 26.4% in 1990 and 29.4% in 1996 (SSB, 1997) reflect this overall upward trend, although average urbanisation has been lower for China than for all developing countries taken together. Underlying the danger of averages, however, China's urbanisation level has been shown to vary considerably across the country. China has seen a fall in the proportion of urban population resident in million-plus cities, from 41% to 35%, while the proportion of total population resident in these cities has risen from 8% to 11%. These changes reflect the growth of small and medium-sized cities, but a faster overall rate of urban population growth than rural population growth.

China has seen a rapid increase in the number of small cities since 1980, although the coastal megacities also continue to dominate the urban hierarchy. Twin processes are being observed in many developing countries, which are reflected in China: mega-city development is observed, and, at the same time, the urbanisation of the countryside is producing the rapid growth of many small towns and cities, and region- rather than city-based urban development.

3.2 Chinese cities in regional perspective

Economies in East Asia have been among the fastest-growing worldwide since the Second World War. Given the link between level of urbanisation and per capita GDP (Habitat, 1996), these economies have

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1 This latter process is presenting problems for demographers and geographers attempting to measure the growth of large cities on a comparative basis, as different countries and organisations adopt different city boundaries in their compilation of statistics, and subsequent analyses.

2 By 'region' we are referring to the spatial sphere external to the nation but subordinate to the world as a whole; see below for interpretation in the case of China.

3 China in fact lies in three overlapping regions:
   i. Northeast Asia: the smallest of the three, Northeast Asia covers China, the Democratic People's Republic of Korea (hereafter North Korea), the Republic of Korea (South Korea), Japan, Taiwan, Hong Kong and Macau.
   ii. East Asia: this region covers Northeast Asia plus Thailand, Myanmar, the Lao People's Democratic Republic (Laos), Cambodia, Vietnam, the Philippines, Malaysia, Brunei Dar Es Salaam (Brunei), Singapore and Indonesia.
also witnessed rapid urban growth. Economic and urban development has not been even across the region and over time, given differential starting-levels of development, resource bases, and socio-political factors, including civil and international war in some countries. Economic take-off came earliest in Japan, and Tokyo is commonly classified as a 'global city' (see Sassen, 1991, 1994). Hong Kong, Singapore, Taiwan and South Korea also saw relatively early and rapid economic and urban transformation, benefiting from international trade and their status as relatively-low-cost locations within the new international divisions of labour and production. These economies have undergone significant restructuring since the early 1980s, and have entered the post-industrial phase of development, while their previous manufacturing functions have been transferred to the second and third waves of emerging industrial nations in the region (Malaysia, Thailand, Indonesia, China, the Philippines, and Vietnam).

Urban development in East Asia is reflective of the speed and pattern of economic development, as well as domestic policies and other factors. China is outstanding within the region in terms of its number of cities with populations in excess of 750,000 persons; there are 49 such cities in China, compared with 9 in Indonesia, 8 in Japan, 6 in South Korea, 2 in Vietnam, and 2 in the Philippines. When the population of these cities is compared with total national population, however, the position of China slides by regional comparison; 10.8% of China's population reside in 750,000-plus cities, compared with 51.6% in South Korea, 38.7% in Japan, 15.2% in the Philippines, 13.2% in Indonesia, and 11.2% in Thailand.

China's urban population growth (estimated at 3.8%, 1994-2000) and urbanisation level parallel those of the lesser developed countries in the region; urban population growth rates in the higher income countries are lower for the period 1994-2000 than for 1960-1994, but their urbanisation levels are already comparatively high, while the lower income countries have higher urban population growth rates for 1994-2000 than for 1960-1994, but lower initial urbanisation levels (UNDP, 1997). Taking China as a whole is, however, misleading; China's eastern coastal region and north-eastern industrial belt already have an urbanisation level approaching that of regional averages.

In summary, while average figures show China diverging from other East Asian nations in terms of urbanisation level, urban primacy, the number of large cities, etc., developments in the coastal belt appear to be adjusting to regional trends in economic and urban growth, and in urban form based on

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iii. Asia-Pacific: the largest of the three, the Asia-Pacific region covers East Asia, plus the other countries of the Pacific Rim, including the significant economies and urban regions of Australia, New Zealand and the Pacific seaboards of the United States of America and Canada. These economies are grouped quasi-politically under the auspices of APEC.
regional rather than city-centred urbanisation. However, it is urban function rather than urbanisation per se which determines the role of cities in the new context of global and regional integration. An analysis of the place of Chinese cities in urban networks, and their external connections is therefore necessary. This is addressed in the next section.

3.3 China in the regional and global urban-economic systems

Since 1978, China's economy has opened rapidly, especially to regional markets. The coastal cities have been key recipients of inflows of regional investment, are the location for many multinationals in China (including their Chinese headquarters), act either as markets themselves, or as gateways to the wider China market, and are through-ports in China-regional trade. While not being the hubs of regional activity, transactions and flows, these cities nevertheless have a significant regional role, and regional integration is influencing the pace and pattern of their urban development.

How then are China's cities placed within the global and regional urban systems? It is China's coastal mega-cities and the national capital, Beijing, which are most clearly locked into external urban networks. Smaller cities, aside from those which form part of the coastal EMRs, perform local and sub-national functions, as the economic and/or political centres of provinces or local economic regions. They are linked only very loosely and indirectly into supra-national urban networks. The coastal mega-cities are, however, forging strong links with other cities in East Asia. Direct global relationships are weaker, although trade and investment links with North America in particular are growing. Exports from China to North America accounted for 16.6% total exports in 1995; similarly, FDI from North America to China rose to 8.2% in 1995. Certain cross-network city-city links are also emerging, especially between coastal cities in Shanghai, Jiangsu, Zhejiang, Guangdong and Fujian, and cities in North America, especially Vancouver and Toronto and the US west coast, which have burgeoning mainland Chinese communities. Expansion of air, rail and sea transportation routes, modern telecommunications and MNCs business patterns are aiding integration.

China's coastal mega-cities and mega-urban regions therefore interface most strongly with the regional urban networks of which they form an intrinsic part, as well as, to a limited extent, with other regions and hence with the global economy. No city in China can be classified as a 'global city' as none performs the essential control and hub functions, nor does any city have the necessary concentration of multiple and advanced economic activities. The dense urban networks emerging in East Asia are considered in detail in the next sections, alongside the question of whether any Chinese city can be classified as a 'regional city.'
While China's cities are among the largest in East Asia, they are also linked, via trade, investment, and socio-cultural and political ties, to many other cities in the region: i.e. they are nodes in a regional urban network. The coastal cities especially function as transhipment centres (entrepots), and as the locus of regional-owned manufacturing and other economic activity, and as recipients of regional investment. The principal first-level nodes are the coastal cities of Guangzhou, Shenzhen, Xiamen, Fuzhou, Shanghai, Qingdao, Tianjin, and Dalian, and the north-eastern inland cities of Shenyang, Changchun, and Harbin, which have a strong existing and potential relationship with cities in Korea and Russia, as well as with certain global MNCs (e.g. Volkswagen has a major car plant in Changchun).

Smaller, lower-order cities within the Chinese urban hierarchy are also forging links, direct and indirect, with the external regional economy, again primarily via investment and trade. Some of these cities are developing into nodes of growing regional importance, especially as recipients of FDI in manufacturing; Suzhou, Wuxi (Jiangsu), Zhongshan, Foshan (Guangdong), Yantai, Qingdao and Weihai (Shandong) are important examples here. This interaction is both aiding, and aided by the emergent strength of EMRs in coastal China. These cities compete with more established urban centres, such as Shanghai and Guangzhou, for FDI; for example, Suzhou is in receipt of Singaporean investment for a commercial district adjacent to the urban core, investment that was originally offered to Shanghai. Political and fiscal decentralisation within China is aiding the direct participation of non-key cities at the national level as important nodes in regional urban networks. Nonetheless, higher order functions, especially in the service sector, are limited to the largest urban centres with the strongest infrastructure, especially in the fields of transport and telecommunications. Thus Shanghai and Guangzhou remain as dominant urban centres within their respective sub-national regions.

Chinese cities however engage in only limited control and hub functions. They are essentially the economic colonies of external regional powers. Very few MNCs have their regional headquarters in China; rather Hong Kong, Singapore, and Tokyo are favoured locations for the regional headquarters of non-East Asian MNCs, and, this being their home region, East Asian MNCs maintain regional headquarters in their home countries. However, due to the physical and potential market size of China, it is considered as a separate sub-region by many multinationals, who place their 'China headquarters' in cities such as Shanghai and Beijing, if not in Hong Kong. The role of Chinese cities as control centres within the regional urban network is likely to grow as (a.) MNC operations in China increase, (b.) the infrastructure for management and service functions in Chinese cities improves, and (c.) the whole of China as opposed to the coastal-China market opens up. To date, manufacturing MNCs
(regional and non-regional) have often managed their China affairs from Hong Kong; the development of Shanghai is likely to offer an alternative control node, which may operate in competition with Hong Kong, or in parallel to Hong Kong for parallel markets.

3.3.1 Regional and global interaction: the linkages

Transportation networks - road, rail, sea and air links - provide the primary spatial linkages between cities in the regional and global economies. Four other key forms of linkage can also be identified: telecommunications linkages, business links, political ties, and socio-cultural relationships. Telecommunications linkages are semi-spatial: they may comprise cables running under land or sea, or are formed from satellite connections, anchored on earth at the start and end points of communications only. Business, political and socio-cultural linkages are supra-spatial: they have their roots in specific countries or cities, yet the links per se are person-to-person, firm-to-firm, government-to-government, or, increasingly, firm-to-government. Together these five linkages provide the infrastructure along which the vital flows of capital, goods, people and information pass.

3.3.1.1 Transport links

Transport linkages can be of four types, and form the underlying infrastructure for all forms a interaction across space. Roads, railways, shipping routes and airlines are used to transport goods, people and information between cities and regions. An analysis of these links reveals strong connectivity between China's large coastal cities and the East Asian region, as well as inland cross-border links which are a function of spatial proximity. However, while the coastal cities are linked by sea, air and surface with various parts of East Asia, they do not perform transportation hub functions, and hence cannot be classified as 'regional cities.' Rather, the regional transportation centres, especially for air transport, are Tokyo, Hong Kong, Singapore and Bangkok.

Links by road

In many ways, road links are limited by the topography of China's border region, but also reflect political relations and trading patterns. There are four key linkage points:

(i.) North-western link: road links exist between Urumqi and other cities in Xinjiang Province, and cities in Pakistan, Kazakhstan and other Central Asian countries. Ethnic ties, especially between Xinjiang and Kazakhstan, are assisting in the development of cross-border trade in this region.

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4 For the purposes of this research, Hong Kong is considered separately from China, despite the resumption of Chinese sovereignty over the territory from 1 July 1997.
(ii.) **South-western link**: Nanning and Kunming are linked by road to Hanoi and northern Vietnam, as part of the growing economic sub-region spanning southern China, Myanmar, northern Thailand, Laos and Vietnam.

(iii.) **North-eastern link**: since the late 1980s there has been a growing cross-border trade between Heilongjiang province and the Russian far-east. This trade is supported by road links from Harbin and provincial cities to Khabarovsk and Blagoveschensk.

(iv.) **Pearl River Delta links**: Hong Kong is linked to Guangdong province by two road crossings, and Macau by one. The links between Hong Kong and Shenzhen are particularly important for freight transportation of goods for export via Hong Kong and for sale in Hong Kong, and of components for use in Guangdong's industry. Tourist and business groups also increasingly use the road link. The Delta cities, especially Shenzhen, Guangzhou and Zhuhai, are connected with the border crossings via a high-speed, private-Hong Kong-invested toll road opened in 1996. This is especially important for the development of Zhuhai SEZ and Macau, which have no rail connection.

These links are illustrated on Figure 1.

Of these, the link with Hong Kong is the most significant for the integration of China into the East Asian region, although the primary significance of the link is for the development of cities and industry in the Delta itself.

**Links by rail**

China's regional rail links replicate, in location and motivation, the country's road links, with two additions: links to North Korea (Pyongyang) and links to Moscow and Europe (Figure 2). Railways, due to their enhanced speed, are also able to link non-border cities - notably Beijing and Shanghai - with external destinations. China has a vast internal rail network, which allows most cities to take advantage of connecting services, and link into cross-border networks for the transportation of both freight and passengers.

**Links by air**

Improvements in Chinese air transportation infrastructure, including the construction of new airports in most major cities, or the upgrading of existing ones, and the purchase of new fleets, has enhanced the complexity of transportation linkages between Chinese cities and external centres. The total number of international routes flown from each city has increased, as has the diversity of destinations. The
majority of these links are, however, intra-regional; for example, of twelve routes flown from Guangzhou in 1995, eleven were to other cities in the Asia-Pacific; of fifteen from Shanghai, seven were to the region. Links to Europe, North America, South Asia and the Middle East are in the main from Beijing, as would be expected of the national capital, and Shanghai, China's largest city and gateway to the Yangtse Delta. Hong Kong is the most commonly linked city.

Clear directionality can be seen in the links from major Chinese cities (Figure 3), reflecting their location, their trade patterns, historical city-city, city-country relationships, growing investment links, and socio-cultural links, especially the residence of overseas Chinese from particular regions of China. These factors can explain the following:

(i.) **Guangzhou** is linked with eleven cities in the Asia-Pacific, including the core South-east Asian cities of Manila, Bangkok, Singapore, Hong Kong, Kuala Lumpur and Jakarta, provincial cities in Thailand and Indonesia, and Melbourne in Australia. With the exception of one link with Osaka in Japan, all Guangzhou's regional links are to the south.

(ii.) **Shenzhen**, with a new airport that potentially allows goods and passengers to by-pass Hong Kong, is also linked in a southerly direction, with Bangkok, Jakarta and Singapore.

(iii.) **Xiamen**, on the south coast, is linked with the South-east Asian cities of Hong Kong, Jakarta, Kuala Lumpur, Manila, Penang and Singapore. The direct links between Fujian and Taiwan, which would be expected due to close ethnic ties, are prevented by political factors, increasing the traffic between Xiamen and Hong Kong, which is the transfer point for both goods and passengers from Taiwan to China.

(iv.) **Shanghai**'s links are primarily to the east, especially to Japan and South Korea, as well as across the Pacific Rim to the west coast of North America (San Francisco, Anchorage (cargo only), and Vancouver).

(v.) Similarly, **Qingdao** links eastwards with Osaka and Seoul.

(vi.) **Dalian**, China's leading north-eastern city is linked with four cities in Japan, across the Bohai-Yellow-Japan Sea sub-region.

(vii.) **Dalian, Shenyang** and **Harbin**, in north-eastern China, are all linked with cities in the Russian far-east.

(viii.) **Urumqi**, in north-western China, is linked with Almaty (Kazakhstan) and Novosibirsk (Russia).

(ix.) **Nanning** and **Kunming** are linked with cities in Thailand, Vietnam, Myanmar and Laos within the south-western-China - Indochina sub-region.
As China's reform has progressed, cities have developed, airport and airline capacity has been built up, business relations have increased, and political tensions have eased, links by air have expanded rapidly. Table 1 illustrates the growth in the number of international air routes between 1985 and 1995, according to ICAO data. The international spread of link cities has increased as a result, although intra-regional links still outweigh cross-regional links; 58% of links were intra-regional in 1995, compared with 66% in 1985.

<table>
<thead>
<tr>
<th>Year</th>
<th>1985</th>
<th>1990</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of international routes (total)</td>
<td>32</td>
<td>37</td>
<td>113</td>
</tr>
<tr>
<td>Number of Chinese cities linked</td>
<td>6</td>
<td>7</td>
<td>21</td>
</tr>
<tr>
<td>Linked cities (China)</td>
<td>Beijing, Guangzhou, Kunming, Shanghai, Tianjin, Xiamen</td>
<td>As for 1985, plus: Dalian</td>
<td>As for 1990, plus: Beihai, Changsha, Guilin, Harbin, Nanning, Qingdao, Shenyang, Shenzhen, Urumqi, Wuhan, Wuyishan, Xi’an, Zhanjiang, Zhengzhou.</td>
</tr>
</tbody>
</table>


**Links by sea**

The opportunity for links by sea, especially for freight transportation, has been important in the faster pace of development in China's coastal mega-cities. As with links by air, most shipping routes are intra-regional, linking Dalian, Shanghai, Fuzhou, Xiamen, Shantou, Guangzhou and Zhanjiang with cities in East Asia. Location appears a prime factor in the direction of shipping routes; Dalian and Shanghai are
linked with Pyongyang (North Korea), and Shanghai links with four Japanese port cities (Kitakyushu, Nagasaki, Kobe, Yokohama) by both passenger and freight routes, while the cities on the southern coast link primarily with ports in Taiwan (Chilung (Taipei), Kaoshiung) and South-east Asia (Haiphong, Singapore, Jakarta). Shanghai, Shantou, Guangzhou and Zhuhai are linked with Hong Kong. Shanghai and Guangzhou are China's principal international ports; Shanghai is linked with 440 ports in 160 countries.

3.3.1.2 Telecommunications links
It has been argued that telecommunications developments have been the key means by which the global urban system has been realised, by bringing down barriers of space and time in international interaction (Rimmer, 1996b). Increasingly, business decisions are being made supra-spatially, by means of tele- and video-conferencing, and the Internet. Telecommunications have enhanced the control functions of MNCs' headquarters, so that decisions can be made and directions given without requiring the physical presence of managers in branch locations world-wide. Capital can now be moved instantaneously between locations. As information becomes a prime commodity in itself, improvements in telecommunications technology have reduced the costs and increased the speed of information exchange. These changes have enhanced the role of certain cities as the hubs of global and/or regional telecommunications infrastructure and exchange, and helped to define the role of cities within the global urban system. Cities such as Tokyo and Hong Kong, with advanced telecommunications infrastructure perform functions on a global and regional scale; this has led to a persistent concentration of new infrastructure and activity in this sector in those cities, perpetuating their position in the international communities. However, telecommunications improvements have also reduced the effective distance between all city-pairs globally and regionally, and hence contributed to their integration within the global urban system.

China has seen a rapid increase in its telecommunications infrastructure over the past decade. Between 1984 and 1994, China saw an tenfold increase in the number of telephones, to 244,560,000 units; fastest growth has occurred since 1990 (New ITU Association of Japan, 1997). China's compound annual increase in telephone density for 1984-1994 was 21.1%, the highest in East Asia. Access to telephones by urban residents has increased rapidly. In the coastal cities, access was 24.59 per 100 persons in 1995, while in the special economic zones it reached 52.29. Data on international calls by city is not available, but it is to be expected that this will reflect the infrastructure distribution; large coastal cities, where, in particular, a large number of firms are engaged in international transactions, will account for the largest share of international calls. The number of international direct dial
subscribers nationwide has increased rapidly from 267,143 in 1989 to 24,329,690 in 1995; this equates with approximately 50% of all urban telephone subscribers (SSB, 1997).

Submarine cables, especially optical cables, have become a key infrastructure in international telecommunications, and networks are expanding rapidly (New ITU Association of Japan, 1997). Shanghai has an important role in China's regional telecommunications linkages as the node of two submarine cables: the co-axial cable across the East China Sea to Japan, and the China-Japan optical fiber cable. China has three entry and exit points for international telematics links - Beijing, Shanghai and Guangzhou - enhancing the role of these cities as the foci of international connections, and as business centres. The routing of cable and satellite links promotes Shanghai as eastern China's communications centre. At the same time, expansion of telecommunications networks, as well as transport infrastructure, will offer non-core cities the opportunities to link directly into global systems\(^5\), with implications for the pace and pattern of economic and urban development on the periphery.

### 3.3.1.3 Business links

Linkages within the global and regional economies are being forged by the presence of multinational corporations in diverse cities worldwide. While the linkage is essentially one between the headquarters of an MNC and its branch centres - i.e. an intra-firm linkage - the behaviour of MNCs in the global marketplace has served to also link cities through their role as business centres.

The number of MNCs and TNCs operating in China has increased rapidly in the post-reform period. 240,447 foreign-funded enterprises nationwide were recorded in 1996, of which 9,800 were in Beijing, 9,200 in Tianjin, 15,927 (6.6%) in Shanghai, 60,597 (25%) in Guangdong, and 180,062, or 75%, in the eastern coastal region (SSB, 1997). Overseas enterprises, especially the large MNCs, have tended to control their Chinese operations from Hong Kong or another far-eastern centre, rather than from within China. However, discussions with, and surveys of, several firms have revealed a growing trend for firms (a.) to view China as a separate market from East Asia, and hence one which warrants a separate headquarters to manage operations in the country, including market penetration activities, and (b.) to locate their central Chinese operations in Shanghai or another economic centre, rather than in Beijing. Internal political decentralisation within China, as well as the growing trend for cities to lock directly into the global economy, rather than via an intermediate or regional city, have contributed to the growth of direct links between cities in China and cities in the international economy; for example, as growing numbers of MNCs and TNCs locate in secondary centres, such as Suzhou and Wuxi in the

\(^5\) See Batten, 1995 for discussion of the linkage between core and specialist cities, and of the growth of polycentric urban structures.
Yangtse Delta, these cities become tied directly with the cities where these firms have other operations, and in particular with the headquarters city.

3.3.1.4 Political links
Political relations tend to be established and operationalised at the country rather than the city level. However, certain cities may establish direct links with other cities, for example through twinning arrangements, while the political linkages established at the national level, especially in the field of trade, will have their principal impact on key economic centres. China is attempting to build up its membership of international organisations, especially regionally, through APEC and ASEAN. Negotiation of trade agreements is important for both the national economy and the principal manufacturing and trading cities; China currently enjoys MFN status with the United States and is attempting to join the World Trade Organisation so as to benefit from permanent, multi-lateral trade advantages. In addition, some cities have established regular international trade fairs, most notable of which is the annual Guangzhou Trade Fair, which, although organised by local government, are aimed principally to build economic relations among firms, or between firms and the city. Local governments also act as entrepreneurs in their negotiation with certain foreign enterprises for infrastructure investment and other urban projects; although by definition in the political sphere, local governments essentially act as economic agents in such relationships.

3.3.1.5 Socio-cultural links
Hsing (1996), in her analysis of Taiwanese manufacturing investment in southern China, has highlighted the crucial importance of cross-national interpersonal relations, occurring in a context of political decentralisation within China, in explaining urban and economic development patterns at the local level. The dominance of Hong Kong, Taiwan and other south-east Asian countries with large overseas Chinese populations in both FDI and tourist flows provides further suggestion of the tightness of linkages within the international Chinese community, although such flows could also be explained by proximity factors and the regional restructuring of manufacturing activity. Less easily explained by these non-cultural factors are, however, the linkages between Chinese cities and emigrant Chinese communities, especially on the west coast of North America. Remittances from overseas Chinese to their families has also contributed to economic growth and real estate development in many parts of China, but especially along the coast. Due to the spread of personal connections, such linkages, and the capital associated with them, have assisted in the development not only of the large cities, but also of small towns and rural villages, and could be one explanation for the growth of the extended metropolitan region in China, especially in the Pearl River Delta.
Even where direct inter-personal relations do not exist, broader socio-cultural links are contributing to overseas Chinese investment in Chinese cities. Cultural affinity has been shown to be a significant factor in influencing investors' decisions to move into China (Chiu and Chung, 1992; Hsing, 1996). These investment decisions are facilitated by linguistic and cultural affinities which ease negotiation and assist in building trust. The decentralisation of government and the entrepreneurial behaviour of the local state in the post-reform period has been an essential factor in allowing such socio-cultural links to develop and be exploited.

3.3.2 Regional and global interaction: the flows

The linkages discussed above provide the infrastructure for the flow of capital, goods, people and information within the regional and global urban system, and hence to and from Chinese cities. It is these flows, rather than the linkages themselves, which act as a dynamic force for urban transformation, and economic restructuring or growth. In particular, changes in the origin of foreign capital, its quantity, and sectoral and spatial distribution, and in the pattern of trade can be expected to have impacts on the nature of urban development.

Given the evidence provided on the directionality and density of linkages, it is to be expected that intra-regional flows are greater that global flows. However, it should be recognised that flow patterns have changed significantly since 1978, and that, as dynamic elements determined by activity in the global economy as a whole, are also subject to future change. This is pertinent given the financial and economic crises in East Asia at the end of 1997 and in early 1998, which could potentially produce a shift in the balance of investment and trade in favour of non-regional economies.

3.3.2.1 Flows of capital

FDI flows are frequently tied up with transfers of technology (UNDP, 1997), and encompass movements of people, the acquisition or development of property, and trade in goods, raw materials or parts, as well as simply the transfer of capital from one location to another; as such FDI can be expected to have an impact on the process and pattern of urban development in the recipient country. In 1996, over US$54.80 billion of foreign capital was utilised in China, 76% of which (US$41.73 billion) was in the form of FDI (SSB, 1997). Hong Kong, Japan and the USA have consistently been the dominant source countries for foreign investment. Sectorally, 74.44% of foreign-invested projects are in industry, with 7.99% in real estate and related business services; by value the shares are 68.90% and 17.54% respectively, reflecting the relative scale of real estate projects (SSB, 1997). The regional

6 86.5% of foreign tourist arrivals in 1996 were from Hong Kong, Macau or Taiwan; a further 0.3% were...
distribution of FDI has been highly uneven, reflecting historical discrepancies in overall development levels across China, and government policy. The coastal areas are better positioned physically to benefit from overseas capital investment, and the growing competition between regions for materials and markets has helped to drive coastal cities into the external resource and goods markets (Chen, 1991). Within the coastal areas, it is the mega-cities and mega-urban regions which are the largest recipients of FDI.

At the sub-provincial level, interesting patterns are also emerging in the distribution of FDI. The central government has not opened all cities and counties equally to the external economy, and the process of inward investment has been heavily controlled\(^7\). Investment incentives have varied across the country, and have been most extensive in the SEZs, the Open Coastal Cities and Pudong. Since the late 1980s, there has been a gradual spread in the areas allowed to accept foreign capital, and local-level incentives have been developed. The overall impact of this policy approach to FDI, plus differences in local investment and market environments, has been a concentration of foreign economic activity in certain sub-regions, where investment incentives have been the greatest. Guangdong, and especially the Pearl River Delta, have been particular beneficiaries, while less proactive policies in the early Reform period kept Shanghai's foreign investment and development in check until 1990. Over time, and as costs in core areas have risen, some firms have begun to decentralise at least their manufacturing functions to suburban or county locations, usually with good communications to the urban core. This has benefited, for example, the development of smaller cities and towns in central Guangdong, and cities along the Shanghai-Nanjing corridor in southern Jiangsu. Infrastructure, labour skills and local bureaucracy however remain major obstacles to the redistribution of FDI. Nationally, 90% of FDI to cities is concentrated in urban cores, with only 10% passing to the surrounding districts or counties under urban administration; for Open Coastal Cities, however, this percentage is reduced (79% in 1995) (SSB, 1996b), indicating a spatial spread of policies and foreign economic activity.

East Asia dominates FDI contributions (79.13%), supporting previous arguments for the existence of stronger regional rather than global integration. Of regional FDI, 62.54% is from Hong Kong, with Japan and Taiwan also as strong contributors. North America is also an important, and growing source of FDI to China. The USA accounted for 8.17% of FDI in 1996, a marginal increase on 8.15% in 1995, and the fourth largest source of FDI. Together Hong Kong, Japan, Taiwan and the USA accounted for three-quarters of global FDI to China.

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\(^7\) A complex approval process is involved for all foreign investment. For small scale investment, approvals may be handled by city-level authorities, but large scale investment requires central consent. The approvals process, especially in the early years of Reform and in less-experienced areas, can be long and complex, and has been heavily criticised by overseas investors, even to the point of withdrawal or relocation of capital.
3.3.2.2 Flows of goods
China is the world's tenth largest trading nation (World Bank, 1997b), with exports accounting for 3.0% of world exports in 1995 (SSB, 1996). This represents a rise from 0.9% in 1980, and in ranking from 26th to 11th (SSB, 1996). Exports as a share of GDP, commonly used as a measure of the openness of an economy, rose rapidly from 6.0% in 1980, to 9.0% in 1985, 16.1% in 1990 and 21.6% in 1995. Foreign-invested enterprises accounted for 40.7% of total export value in 1996 (SSB, 1997). 56.58% of exports were to East Asia in 1996, and regional exports were dominated by flows to Hong Kong and Japan. China's third largest export partner is the USA, reflecting the pattern of inward investment, and illustrating the strength of pan-Pacific integration over Asia-European integration.

3.3.3.3 Flows of people
Tourist arrivals
Flows of tourists to Chinese cities represent an inflow of overseas capital, which can be an important source of income for some cities. China received 51 million international tourists in 1996, of whom 86.51% were from Hong Kong, Macau or Taiwan (SSB, 1997); many of the latter group would be visiting relatives in southern China or making unofficial business trips. Again there is a dominance of East Asian nationals, especially Japanese, in visitor numbers, even after Hong Kong, etc. visitors are accounted for.

Migrant labour
China is a low-wage country with a large population, including a large surplus rural labour supply. Manual and service-sector positions in the large cities are therefore largely filled by domestic migration, principally from rural areas and inland regions. Tight immigration controls also limit international immigration. As a result, Chinese cities do not have large international migrant labour forces, unlike Hong Kong (especially from the Philippines), Singapore (from Malaysia, Indonesia, Thailand, India, etc.), Japan (China, the Philippines, etc.) and Thailand (Indochina and Myanmar). However, the expatriate managerial workforce in China's largest cities is growing, although it still represents only a marginal share of total resident population in these cities. Expatriates bring with them effective demand for high quality housing, retail and sports facilities, etc., which can alter urban development patterns, especially at a localised scale.

3.3.3.4 Flows of information
Data on information flows within China and internationally are extremely limited. It is known that 7.8 billion letters were circulated within China in 1996, up from 5.7 billion in 1992 (SSB, 1997). However, the number of international letters sent and received is unrecorded. 1.27 billion long-distance calls were made in 1996, but again figures for the international component are unavailable at the national level.
However, 39.9 million international calls were made from Shanghai in 1997 (SMSB, 1997), of which approximately half were to Hong Kong, Taiwan or Macau. 4600 tons of international mail were loaded and unloaded in 1993, exceeding Beijing by 900 tons (ICAO, 1995c).

4. Shanghai in the global and regional economies

Shanghai has since the nineteenth century been China's largest and most economically advanced city. It was the most important of the Treaty Ports, and arguably the Chinese city most influenced by international interests. Shanghai was re-opened in the early 1980s, being designated as an Open Coastal City in 1984. Shanghai received a further boost to its external role and economic development with the creation of the Yangtse River Economic Development Zone, with its centre in Shanghai, in 1985, and, especially, with the designation of Pudong in 1990 as a new development area.

This section analyses the specific integration of Shanghai into the regional and global economies, using the same framework of nodes, linkages and flows as used above. It asks briefly whether Shanghai is, or has the potential to become, a regional or global city, making a comparison with Tokyo and Hong Kong.

4.1 Shanghai as a regional or global node

Shanghai is one of the largest cities in East Asia, and also forms the core of the Yangtse River Delta EMR. Foreign trade and investment are expanding rapidly, but, in line with infrastructural linkages, are concentrated on regional exchanges. Shanghai's GDP in 1996 surpassed that of Singapore. In global comparison, Shanghai is also one of the world's largest metropolises, ranked consistently in the top 10 by population size since the 1950s. However, although strengthening, ties via infrastructure, business, capital, trade, etc. to other regions remain limited when compared with East Asian integration.

As one of China's most important economic centres, Shanghai acts as the cross-roads in linking China to the global and regional economies. In north-east Asia in particular, Shanghai is an important node in the regional system, and has strong connections with Japan and Korea. Shanghai is a dual-function city, with an important manufacturing base and a growing tertiary sector, which should give it the strength to develop as both a locus for inward industrial investment and as a 'control centre' for the activities of service sector corporations, and firms with manufacturing operations elsewhere in eastern China.

Note that the percentage share of calls to Hong Kong, Macau and Taiwan may be overestimated due to sampling procedures which analyse calls outside European and North American daylight/working hours.
However, while there is much discussion of growing competition between Hong Kong and Shanghai, this has not been realised to date. Hong Kong's infrastructure, advanced, post-industrial economy and concentrations of MNC regional headquarters make it considerably stronger than Shanghai in serving both the regional and Chinese economies. Shanghai's urban and economic development, although rapid, and the environment for investment still lag a long way behind those of Hong Kong. Location is also a key factor and may allow the long run development of Shanghai and Hong Kong in parallel, with each serving separate sub-national and international economies. Shanghai, in east China, is a node in the Yangtse Delta and Valley, and eastern coastal China, and in North-east Asia (Figure 4), while Hong Kong, in the south, forms the core of the Pearl River Delta and southern coastal China, and links strongly with economies in South-east Asia.

4.2 Regional and global linkages

4.2.1 Transport linkages

Due to its location, Shanghai's international transport linkages are primarily by air or sea, and principally with cities and countries in North-east Asia, especially South Korea and Japan. However, Shanghai is also linked directly with Hong Kong via a high-speed train service, and, as the rail hub in East China, is connected indirectly with the Russian rail links via Beijing and Urumqi. Long-term Chinese plans to develop a cross-national highway system to replicate the former Silk Road also have the potential to link Shanghai with Central and South Asia, and even Europe, via China's north-western border crossing.

Shanghai's international air-links have expanded rapidly since the mid-1980s, from seven routes in 1985, to twelve in 1990 and fifteen in 1995 (ICAO, 1985, 1990, 1995b). Although cross-regional air links are expanding, the Asia-Pacific region accounts for the largest share. There are three air routes between Shanghai and Japan, flown by nine airlines, and there are also strong links across the Pacific Rim, to Los Angeles, San Francisco and Vancouver, all cities with large Chinese immigrant populations and gateways to North America. In terms of international passengers disembarked, Shanghai was China's second largest airport in 1995, receiving 1.7 million passengers, 53% of Beijing's passenger volume, but 463% of Guangzhou's (ICAO, 1995c). In terms of international airfreight, Shanghai was China's largest airport in 1993, loading and unloading 118,900 tons, compared with 117,500 tons in Beijing (ICAO, 1995a). Shanghai, however, does not act as a regional air hub, but rather as a branch linking the regional centres of Tokyo (especially) and Hong Kong with eastern China. The functions of Beijing, Guangzhou and Shanghai as gateways to northern, southern and eastern China respectively are reinforced by the air routings. As a national rail and air transport hub,
Shanghai allows international passengers access to, and distributes freight to and from, the Yangtse River Delta and cities in Shandong, Jiangsu, Zhejiang and Anhui provinces, especially.

In terms of shipping routes, Shanghai’s principal links are across the East China sea to Japan (four cities) and North Korea (Pyongyang). Shanghai is also linked directly with Hong Kong, Taipei, and Vladivostok. 165.7 million tons of import-export cargo were handled at Shanghai’s seaports in 1995, and 96% of all freight containers handled in Shanghai were international (SMSB, 1996). Situated at the mouth of the Yangtse River, Shanghai is an important transhipment point for international cargo to be transported inland to Nanjing, Wuhan and Chongqing. Scheduled passenger services also travel between Shanghai and Hong Kong and Japan.

### 4.2.2 Telecommunications linkages

3.03 million telephones had been installed in the urban area of Shanghai by the end of 1996 (SMSB, 1997), an increase of 30 times on 1978, and 36% on 1995. Shanghai links into international submarine cable networks, and is linked by fiber optic and co-axial submarine cable with Japan. With the development of new telecommunications infrastructure and modern commercial buildings with provision for fiber optical links, Shanghai is taking the lead as the telecommunications centre of eastern, if not the whole of, China. These advanced functions are being planned under the Infoport strategy, and involve the development of fiber optic cable and ISDN line networks across Shanghai, with nodes in each district and with concentrations of the best facilities in the office clusters of Hongqiao, Liu Jia Zui and Huai Hai Road. Hong Kong nevertheless continues to have more extensive and advanced connections.

### 4.2.3 Business linkages

At the end of 1995, 14,800 overseas invested enterprises were registered in Shanghai, with a further 4147 representative offices of foreign invested ventures. Forty-six of the world's top one hundred industrial corporations had operations in Shanghai at the end of 1996. In 1995, the approximate breakdown of investors by nationality was: Hong Kong: 46%, Taiwan 15%, USA 12%, Japan 11% and others 13%. 47.7% of representative offices were those of Hong Kong or Macanese companies, with a further 19.6% from Japan (Shanghai Star). This breakdown shows the dominance of investors from East Asia, and the limited extent of global interaction.

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9 As part of a strategy to create three urban ports - seaport, airport and information port - in Shanghai (especially Pudong), the Shanghai Municipal Post and Telecommunications Bureau is developing and regulating the city's telematics infrastructure under the concept of the Infoport. Several high-profile office complexes, plus two model housing estates, are being built or refitted as 'intelligent buildings,' with each office or apartment linked into computer and telecommunications networks via fiber optic cables and ISDN lines.
4.2.4 Political linkages

Direct city-city 'twinning' contributes to socio-cultural and economic exchange. Shanghai had established such connections with 39 cities worldwide by the end of 1996 (SMSB, 1997). The earliest arrangement was concluded with Yokohama, Japan in 1973, but the majority of links have been established since 1985 (with 29 cities). Sixteen twin cities are in Europe, and eight in East Asia. Shanghai's East Asian links are primarily with north-east Asian cities; the city is linked with three cities in Japan, two in South Korea, and one in North Korea; in South-east Asia, Shanghai is linked only with Ho Chi Minh City and Manila.

Shanghai is also one of China's main cities for foreign consular services, in addition to Guangzhou, and aside from the ambassadorial centre in Beijing. At the end of 1996, thirty countries had consular representation in Shanghai. These consulates generally have responsibility for their own citizens resident in, and for forging commercial relations with local authorities and firms in Shanghai, Zhejiang, Jiangsu and Anhui provinces: i.e. for the Yangtse River Delta region and neighbouring areas.

4.3 Regional and global flows into Shanghai

4.3.1 Capital flows

FDI availability in Shanghai has been growing continuously since 1978, and especially since 1990. Foreign capital utilised in Shanghai rose from US$108.8 million in 1985 to US$4715 million in 1996; the cumulative total to the end of 1996 was US$16.0 billion (SMSB, 1997). During the Eighth Five Year Plan period (1991-95), FDI comprised 31% of Shanghai's total investment, a figure expected to rise to a third or a half by 2000. FDI to Shanghai is dominated by regional flows: seven East Asian countries (Hong Kong, Macau, Taiwan, Japan, South Korea, Singapore and Thailand) supply 73.3% of FDI to Shanghai; within this group, Hong Kong and Japan are the chief investors, providing 47.3% and 13.3% of total FDI respectively. The second-largest investor to Shanghai in 1996 was the USA, with 14.6%. Investment linkages are therefore both intra- and cross-regional.

There has been an uneven distribution of FDI within Shanghai municipality. Pudong accounted for 23.37% of utilised FDI in 1996, and Minhang 16.60%. 28.83% of FDI went to the districts of Huangpu, Nanshi, Luwan, Xuhui, Jing-an and Changning, in central Puxi; the largest concentrations of FDI in this area, in Luwan, Xuhui and Jing'an, equate with key areas of foreign, especially Hong Kong, backed real estate development, which requires high levels of investment commitment. The districts to the north of Suzhou Creek (Putuo, Zhabei, Hongkou and Yangpu) appear to be marginalised in attracting FDI, as are those suburban counties without express development policies and zones. In large
part this pattern reflects (a.) the dominance of industry in investment, which concentrates FDI in the industrial zones of Pudong, Minhang and Jiading, and (b.) location policies adopted by local government, including tax breaks and other incentives. As real estate activities increase, especially in Liu Jia Zui and central Puxi, it can be expected that shares of FDI in these districts will rise.

4.3.2 Trade flows

Shanghai's foreign trade has risen rapidly since 1978, and the total value of foreign trade in 1996 was US$52.87 billion (SMSB, 1997). Exports from Shanghai represented 8.69% of national exports in 1996, and the city accounted for 9.62% of total trade (SSB, 1997). Import values are high, matching high domestic demand for consumer goods; export values are rising, but not as fast as imports, although the overall trade balance is positive. As with FDI, Shanghai's trade base is dominated by East Asia, especially in exports. However, while Hong Kong was Shanghai's largest investor in 1996, Shanghai's principal trading partner is Japan; 26.80% of exports were to Japan in 1996, compared with 8.48% to Hong Kong, while the figures for imports were 26.84% and 3.94% respectively. While Hong Kong plays a key entrepot function in southern China, Shanghai's foreign trade is direct. Although Shanghai remains a stronger regional rather than global competitor, the pattern of export trade is shifting. In 1993, 57% of exports went to Asia, compared with 21% to north and south America and 15% to Europe; by 1996, this distribution had altered to 55%, 22% and 18% respectively.

4.3.3 Flows of people

Shanghai received 1.4 million international tourists in 1996 (SMSB, 1997), 81% of whom were from countries other than Hong Kong, Macau or Taiwan, including 39% from Japan, and 7% from the USA. Tourist numbers have risen six-fold since 1978. Weaker socio-cultural links between Shanghai and Hong Kong and Taiwan, proximity to Japan, and the availability of trans-Pacific flights has contributed to this tourist pattern. In addition, thirteen cultural delegations from the governments of ten countries made official visits to Shanghai in 1996 and several art troupes were received (SMSB, 1997). While these cultural visits do not contribute directly to the economic integration of Shanghai with the global and regional systems, they assist in building friendly relations, especially between governments, which can indirectly boost economic links between countries, and represent a general opening of Shanghai to the outside world.

4.3.4 Information flows

With improvements in telecommunications and computer networks in particular, and the growth of international trade and business activity in Shanghai, it is to be expected that flows of information into and out of the city would have increased. Accurate figures are limited, but it is known that 472,000 pieces of express international mail were exchanged in Shanghai in 1996 (SMSB, 1997), and that 4600
tons of international mail were loaded and unloaded at Shanghai airport in 1993 (ICAO, 1995c). 39.9 million international calls were made from Shanghai in 1996, compared with 4.4 billion domestic long-distance calls. Both figures have increased rapidly in recent years, from 4.7 million and 31.3 million respectively in 1990, and only 29,700 and 6.3 million in 1978. Figures for Internet usage, faxes and other means of information exchange are, unfortunately, unavailable.

4.4 Shanghai: regional or global city?

Policy rhetoric at the national and local level argues for Shanghai to become China's 'global' city. However, as shown above, (a.) Shanghai's extra-regional connections are outweighed by intra-regional connections, (b.) Shanghai does not form the hub of international transport or telecommunications networks, but rather acts as a gateway to China and a national-level hub, and (c.) the majority of MNCs control their operations in Shanghai from regional centres in Hong Kong, Tokyo, etc. and very few have international headquarters in Shanghai (although the role of Shanghai as a centre for firms' China headquarters is growing as the importance of proximity to the central government in Beijing is declining with the relaxation of business conditions and the decentralisation of government decision-making). Shanghai cannot therefore be classified as a 'global city.'

Although Shanghai's interaction with the East Asian economy is far stronger than with the global economy, Shanghai also cannot be classified as a 'regional city.' Shanghai has one of the most diversified economies within China, and the service sector, especially finance, is growing. However, these functions are localised and serve the needs of regional investors in China, rather than the regional marketplace as a whole. Shanghai acts as a transportation, telecommunications and business gateway between eastern China and the region, locking the country and its cities into regional systems. The potential role of Shanghai as a regional centre, or regional-national linkage point, is however reduced by domestic political and fiscal decentralisation, which has allowed all cities the opportunity to interact directly within the regional urban network. Shanghai is an important regional manufacturing and commercial centre in static terms, and serves some functions in the development of the regional economy by linking eastern China with East Asia, but is not a regional hub, nor a control centre of regional activity, and therefore cannot be viewed as a 'regional city.'

Comparison with Tokyo, a 'global city,' and Hong Kong, a 'regional city,' reveals the gap between Shanghai's current functions and those of a regional or global city. Indicators of development status, linkages, flows and control functions for each of the three cities are given in Table 2. This illustrates a substantial gap between the functions and international role of Hong Kong and Tokyo, and those of Shanghai. Shanghai's functions as a manufacturing centre, as well as a gateway, are indicated by the
high volume of seafreight loaded and unloaded at her port; this exceeds both Hong Kong and Tokyo's figures, suggestive of the latter two cities primary roles as service and financial centres. Hong Kong's role as an entrepot is indicated by the volume of re-exports and by patterns of tourist arrivals and departures, especially by sea to Chinese ports and Macau. Due to its intimate relations with southern China, Hong Kong appears a stronger regional player than Tokyo; the true international position of Hong Kong may however be distorted by the volume of transport linkages and re-exporting activities within the Pearl River Delta. Tokyo plays a more central role in the global economy, particularly in relation to financial and business control. The gap is also between that of a city in a developing country, and two cities with already-advanced economies. However, given the pace of growth in the metropolis, Shanghai could be expected to close many of the developmental gaps during the short- and medium-terms.

5. Implications of global and regional interaction for urban development - the mediating force of the local state

Early globalisation literature supported the theses of functionalist economists - that is, that economics is an all-powerful force which impacts local urban and regional space in a manner beyond the influence of the local and national state. Thus globalisation and regionalisation are portrayed as forces which produce the end of the state, and hence an international political economy governed by economic actors, particularly MNCs (see Ohmae, 1990, 1995). Urban development therefore occurs according to the dictates of external economic forces, primarily the global investor. However, as discussed above, more recent literature re-explores the role of locality in urban development and change, and therefore re-invokes the study of local government policy and behaviour.

The latter approach is pertinent in the study of changes in the Chinese city under conditions of increasing regional, and, to a lesser extent, global integration. The peculiar nature of the Chinese political economy and the conditions of economic transition are important to an understanding of urban reactions to external forces. In particular, decentralisation, struggling public finances and an immature urban planning system are creating intense inter-urban competition and allowing multinational corporations enhanced power over urban decisions, especially those regarding the control of real estate development. Local governments, especially at the district level, are relaxing planning controls, although a full analysis of Hong Kong's regional role is beyond the scope of this paper, these initial indicators of trade and transportation would seem to show Hong Kong's role as a regional centre for southern China, especially Guangdong and the Pearl River Delta.
attempting to boost urban image through prestige projects, and offering incentives to potential investors, developers, and residents (e.g. tax breaks in special zones; the 'Blue Card' system in Shanghai).

At the same time, however, development of the Chinese city is highly regulated, and the state - principally municipal and district governments - conduct 'gatekeeper' functions with regard to inward investment and development practice. Thus, while FDI and other interactions have been important in boosting the pace of urban (re)development activity, the local state has dominated locational decisions, and hence the spatial pattern of development. An example here is the issuance of business licences in Shanghai only to those firms with an address in Pudong. It is the interaction of global and local forces which is determining the shape of the Chinese city at the end of the 20th century - i.e. the combination of: (i.) the globalisation of production, property and finance, (ii.) the activities of the international Chinese business community, (iii.) decentralisation of governmental decision-making within China, (iv.) the limitations on public finance which are encouraging public-private partnerships and efforts to attract FDI, (v.) inter-urban and inter-district competition, and (vi.) a weak institutional framework for urban development, including the weakness of the urban planning system.

Looking specifically at Shanghai, at both the local and the city-wide level, Shanghai's urban structure and development pattern reflect the transitionary nature of its political economy. Spatial and activity patterns have changed dramatically over the past decade, most noticeably in terms of the increased differentiation of land use and the clarity of commercial centres, the growth of industrial suburbs and the development of pockets of overseas-invested economic activity, either in downtown office areas or in the special development zones. The development process has been based around the attraction of foreign economic activity, especially into the high-tech, trade and financial sectors. This goal has influenced the operations of land administration, urban planning and industrial location policy, with major spatial impacts. Public sector decision-makers in all departments are being influenced by the strong market, with the interests of State and business, and especially the owners of overseas capital, converging. In both physical and socio-spatial terms, the city now reflects international interests, as well as local entrepreneurial and industrial progress, producing a major turnaround from the Maoist city and its structure.

Shanghai has been successful in attracting foreign capital and multinational activity in both the industrial and tertiary sectors. This, coupled with domestic urban-industrial reform has caused the economy to grow rapidly. This economic transformation and the participation of overseas interests has in turn led to dramatic spatial change. To identify such urban change solely with market forces and the internationalisation of the economy would be false; State policies at national and local level have played
a major part in Shanghai’s transformation. Notable here have been the designation of Pudong as a national development centre, economic reform policies in general, the introduction of a land market and the actions of urban planners in creating a positive environment for investment and development. The policy backdrop, including favourable land administration and lenient development control has facilitated inward investment, and incentives policies locally and nationally have influenced the distribution of FDI in favour of Shanghai and certain of its districts. The State has thus been successful in making Shanghai an attractive investment environment conducive to long-term economic growth. Shanghai has had the additional advantage of a well-developed industrial base which has both boosted its status as an investment focus and allowed it to develop on a domestic basis in parallel to international processes.

The result of this interaction of the State and the market has been a city created by and for dominant interests, primarily the business community and especially multinational industrialists and financial institutions. Urban decision-making in Shanghai in relation to land, urban planning and industrial development has been driven by the desire to attract inward investment and boost economic growth. As economic growth will only to a limited extent benefit the public over the business interest, this growth path becomes divorced from the local space in favour of international mobile capital.

Over the past 2-3 years, however, there has been a growing recognition in Shanghai that the rapid pace of growth and change may be having unwanted effects on the city. Recent revisions of the Comprehensive Urban Plan for Shanghai and of district plans express a need to build up local urban resources, particularly low-cost housing and health, recreational and transport infrastructure, and, especially, improve the urban environment. The scope for implementing these new planning ideas, especially at the district level and in the suburban counties (and outside Shanghai), may be restricted however by the lack of professionalism and a continuing reliance on the attraction of FDI as a means for economic and urban development.

6. Conclusions

Urban and economic development patterns in China since 1978 have been a function of the changing political relationship between the nation-state, international capital and the public interest. A combination of domestic reform in the urban-industrial sector and the external-orientation of the economy has facilitated economic development and produced spatial restructuring at the urban and regional levels. The development process has been dominated by a political goal to attract foreign
investment to assist urban-industrial restructuring and urban development in general, a goal supported by favourable sectoral and spatial policies and incentives. This has led to a re-orientation of the development process in favour of the interests of capital, especially overseas capital, and hence a restructuring of urban space and land use according to the needs and characteristics of that capital.

Shanghai provides a clear illustration of these processes, as the city with the highest rate of FDI per head of population and a strong environment for foreign investment. Since opening to the regional and global economies, Shanghai has witnessed phenomenal economic growth and extensive urban restructuring. Several multinationals have established offices in Shanghai from which to control factories and other operations in southern Jiangsu, but much growth in this region has been attributed to localised urban-industrial reform rather than economic and spatial linkages with Shanghai. In the absence of regional planning, the locational proximity and economic linkages in this area are not being fully exploited, and competitive rather than co-ordinated development is observed. This is leading to a duplication of resource expenditure, and may affect the region's long-term ability to compete internationally for investment. In essence, Shanghai's role within the Yangtse River Delta is as a provider of central tertiary functions and a bridge to overseas markets.

Shanghai stands at the interface of the world economy and the Chinese nation state. This influences its economic and political imperatives, and its spatial and social structure. Shanghai has since Economic Reform and opening been increasingly influenced by her participation in the international market-place; at the macro level, this is in terms of increasing levels of foreign trade and FDI receipts, at the meso level, the locational choices of multinational companies and by the activities of overseas real estate developers, and at the micro level in the internationalisation of the socio-cultural sphere, including the visual image of the city, symbolism, consumer opportunities, and architecture. In any city or urban region exposed to global economic forces, the extent and impacts of international interactions will depend on State (political and administrative) forces at the receptor level. Shanghai is open to global interests which are seen as a source of essential capital investment, but at the intra-urban level the city is now making limited attempts to manipulate their spatial impacts through planning, land and economic incentives policies. The goal is to create a healthy and efficient living environment for the city's vast population, as well as a business city of international standing. In contrast with the struggling interior regions of China where urban planning has a much wider regeneration remit, the challenge in Shanghai, as in much of the rapidly-growing coastal belt, is to manage change in the face of demands from multiple economic and community interests.
References


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