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Assembling mega urban projects through state-guided governance innovation: the development of Lingang in Shanghai

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Abstract. In contrast to the perception that mega urban projects are the epitome of neoliberal governance, in China, they are initiated by the state as a state development strategy, which represents a new governance mode of ‘state entrepreneurialism’. The market is used as a new governance mechanism to mobilize the resources of multiple actors. Consequently, the delivery of mega urban projects is neither driven by market actors nor controlled by the state alone. Mega urban projects are the sites where governance innovation is experimented. Focusing on Lingang in Shanghai, this paper reveals that a horizontal networked mode of governance has emerged.

Keywords: mega urban projects; urban governance; assemblages; China; Shanghai

JEL Codes: H70, O50, R52

1 Introduction

Mega urban projects have become a prominent form of delivering urban developments in the past few decades. Different from single-focus projects in the

post-war period, these projects usually package a range of urban functions, including office and industrial parks, commercial districts, housing, and a range of amenities and facilities (Orueta and Fainstein, 2008). Despite the debate over the actual economic risks and social impacts of mega urban projects (Flyvbjerg et al., 2003; Gunton, 2003; Fainstein, 2008), many see these projects as sites of governance innovations at various scales (Swyngedouw, 2005; Gualini and Majoor, 2007; Glass et al., 2019; Schindler and Kanai, 2019). Notably, emerging evidence across diverse contexts indicates that there are different approaches to these projects. While market-oriented forms of neoliberal governance are prevalent in North America and Western Europe (Swyngedouw et al., 2002; Lehrer and Laidley, 2008), the state remains in control of urban developments in authoritarian regimes such as in Central and Eastern Europe (Müller, 2011; Grubbauer and Čamprag, 2018).

In China, the significant role of the state is well documented, and the development processes are orchestrated by the state (Wu, 2016). State control of land management allows the governments to exploit urban development for their own interests (He and Wu, 2005; Shatkin, 2017; Shen, 2020). The development of mega-projects is driven by intercity competition (Chien, 2013; Zhang and Wu, 2008; Qian, 2011; Jiang et al. 2017). Highlighting the multiple logics of governance practices of the state, Wu (2018) uses 'state entrepreneurialism' to distinguish the Chinese case from cases of neoliberal governance.

What remains unclear, however, is how these mega urban projects are actually implemented. First, despite the critical role of the state, the current literature notes the involvement of multiple actors (Shen and Wu, 2012; Jiang et al., 2016). However, since the mode of governance is usually framed with concepts such as the 'growth machine', the complexity of politics and concrete governance mechanisms are obscured. Second, the state is a set of networks rather than a unitary system (Allen and Cochrane 2007; 2010; Shin et al., 2015). Since economic reform, the Chinese state itself has undergone complex restructuring. While lower-level governments are entitled to substantial economic autonomy,

upper-level governments still retain their fiscal and political power (Chien and Gordon, 2008). Thus, tensions among state actors are no less intense than elsewhere, which has led to continual state reorganization (Xu and Yeh, 2009).

In this context, this study aims to examine the mode of governance for delivering mega urban projects and the implications for broader understandings of urban politics in China. The paper adds to and broadens a new narrative of 'state entrepreneurialism' to urban governance, where the state and the market are not in conflict with each other. While the popularity of mega-projects in China embodies a reassertion of state power in urban development, the market is indispensable for mobilizing multiple actors. Moreover, rather than using top-down, command-and-control systems, this has been achieved through new arrangements of governance. Transcalar agencies are assembled around specific urban projects. Urban politics are not merely shaped by decentralization and localization, but are also constituted through topological networks.

2. Mega urban projects as drivers of governance innovation

The recent prevalence of mega urban projects has been linked to the emergence of new forms of governance. Swyngedouw et al. (2002: 546) suggest that mega-projects are not merely the results of political and economic change choreographed elsewhere; rather, they embody concrete interventions through which new political and economic regimes at multiple scales are produced. In North America and Western Europe, mega urban projects are regarded as emblematic examples of neoliberal governance (Tarazona Vento, 2017; Lehrer and Laidley, 2008). Theories such as the urban growth machine (Logan and Molotch, 1987) and the urban regime (Stone, 1989), which are referred to as the 'New Urban Politics' (NUP), have been widely used to characterize the approach to delivering mega-projects (Cox, 1993; MacLeod and Jones, 2011). The term 'governance' is used to depict new, more networked and collaborative interactions among local governments and non-state actors.

However, drawing on Foucault's notion of governmentality, some scholars argue that the new forms of governance are created by the state as 'a form of

governmentality' (Swyngedouw, 2005; McLeod, 2011). In fact, the absence of the state in governing mega urban projects is largely a myth. In most cases, mega urban projects are initiated and financed as panaceas by the state for various purposes (Swyngedouw et al., 2002). Moreover, the state plays a pivotal role in creating new and often innovative institutional arrangements of governance. The ultimate goal is to respond to the demands of the restructuring of capitalism, that is, to produce economic dynamics while maintaining cohesion in civil society. The new institutions are set up through, to use Swyngedouw et al.'s (2002) term, 'exceptionality measures' applied by the state, which are justified based on the scale of the projects, strategic significance, efficiency, and flexibility etc. In the process, there has been a reorganization of the state, and the state can become more autocratic through enabling the forms of governance.

Recently, emerging evidence across the globe indicates that the logics and mechanisms of mega urban projects are numerous. However, the perspective on governance innovation as a form of governmentality is appealing given the crucial role of the state found in a wide range of historical and geographical contexts. It captures one fundamental process of mega-projects and can be extended to recognize the diverse dynamics of mega urban projects. While governance innovation is the common feature, the specific forms of governance are shaped by local particularities. Surveying the existing literature, it is possible to detect two processes of governance restructuring that may occur in delivering mega urban projects.

First, the reshaping of governance through mega urban projects is related to managing beyond-the-state polities. This is achieved through incorporating new social actors in the arena of governing. However, the concrete mechanisms are politically path dependent. In North America and Western Europe, the rise of neoliberal governance has gone hand in hand with an expansion of regulatory state practices. Acting as a project commissioner, the state extends its power through regulation and contracts, and this represents a process of 'state-led privatization' (Raco, 2014). In Southeast Asia and South Africa, a neoliberal framework is deployed as a 'technology of governing' for the purpose of state

empowerment (Ong, 2007). The development of large-scale new cities is in the hands of large private companies, but state actors play a strong role in land transfers and in the production of urban rent (Herbert and Murray, 2015; Shatkin, 2017) while land grabbing is part of the local political machinery. At the other extreme, state dirigisme dominates the politics of mega urban projects in Central and Eastern Europe (Müller, 2011). Because financial and administrative resources remain in the hands of the governments, particularly those at the national and regional levels (Grubbauer and Čamprag, 2018), the private sector is coerced to undertake unprofitable projects (Badyina and Golubchikov, 2005; Kinossian, 2012).

Second, the delivery of mega urban projects involves the reorganization of multilayered governmental relations. Perspectives from the NUP focus on the local state (i.e., city governments) and the global–local dichotomy, while non-local state interventions and intergovernmental relations are downplayed (MacLeod and Jones, 2011). However, in contrast to discourses of decentralization, devolution, and localism, the state power is operating at multiple scales (Brenner, 2004). Intra-state interaction is central to understanding the mechanisms of mega urban projects.

More often than not, the involvement of multiple interests leads to tensions within the state, imposing great challenges for managing mega urban projects (Sonn et al., 2017; Taşan-kok, 2010). At the same time, however, the tensions among multiple state actors can be the catalysts of governance innovation. Government authorities at a range of administrative levels are rearticulated through mega urban projects. Consequently, to some extent, mega-projects can be seen as the assemblage of state power (Allen and Cochrane, 2010). In the UK, in parallel with the decentralization of state power, the central government sets up development agencies as the ‘local delivery vehicle’ to negotiate with regional and local bodies for the delivery of national strategies. Meanwhile, local authorities compete to acquire various resources from the national state by initiating projects consistent with the target of the national state (Allen and Cochrane, 2007). In South Korea, despite a developmental state legacy, a

'multi-scalar growth regime' based on a networked statehood has emerged. The scalar divisions of labor were constantly negotiated through state reorganization during the implementation period (Shin et al., 2015).

3. Reasserting the state power through mega urban projects in China

Large-scale urban development projects are not new in China. In the socialist era, satellite towns of large cities, or 'factory towns', were constructed as national key projects to accommodate industrialization. The development method is known as 'project-specific development' (Yeh and Wu, 1996). State-owned enterprises affiliated to sectoral departments in the central government took charge of the development. They negotiated directly with farmers to acquire the land for construction. With funds from various ministries, the enterprises adopted a self-contained way of development, constructing factory buildings, residences, and infrastructures independently. City governments played a minimum role in such projects.

After the launch of economic reform in 1978, along with administrative and fiscal decentralization, city governments were empowered with greater roles in urban development. In order to coordinate different projects and improve efficiency, a new method known as 'comprehensive development' (*zonghe kaifa*) was initiated (Yeh and Wu, 1996). The municipalities set up development agencies to acquire land and construct facilities and infrastructures comprehensively. Serviced land and buildings were then sold or leased to various state-owned enterprises based on development costs. However, these projects were not market-oriented, since the land and building was not allowed to be sold to other enterprises.

The method of undertaking urban developments changed dramatically after the establishment of the land and housing market since the late 1980s. Mega urban projects were used as part of local pro-growth strategies, such as image building and place marketing, increasing land revenue, attracting foreign investment etc. However, with only a small amount of money available, local governments were keen to invite private developers to carry out large-scale urban development

projects. Partnerships between local governments and private developers, termed 'integrated development' (*jicheng kaifa*) or 'brand development' (*pinpai kaifa*), became crucial (Shen and Wu, 2012). In many cases, after acquiring large tracts of land, real estate companies first invested in flagship projects as well as infrastructures and amenities on behalf of the state, and then made profits from properties after urban rent was produced. Developers branded themselves as 'urban operators' (*chengshi yunyingshang*) when bidding for projects from city governments. At this stage, some scholars applied concepts such as 'property-led development', 'urban regime', and 'growth machine' developed in British and North American contexts to describe the new method of development (He and Wu, 2005; Yang and Chang, 2007).

Recently studies have used terms such as 'state dominance' or 'state-led development' to capture the more direct role of the state in urban development since the mid-2000s (Wu, 2016). Large-scale urban developments need to be understood as a response to the weakening of governing capacity of the state led by earlier destatization and decentralization. On the one hand, city governments increasingly realized that public-private partnerships made it difficult to direct strategic projects for goals beyond profitability, such as providing infrastructures and social services or implementing long-term economic strategies (Shen and Wu, 2019). On the other hand, since local competition states at multiple levels all tended to have their own development agendas, it became difficult for central and upper-level governments to implement policies whose benefits go beyond local interests (Jiang et al., 2016; Li, 2015; Harrison and Gu, 2019).

Consequently, mega urban projects supported by exceptional measures are increasingly used as a tool to enhance the state's governing capacity in urban development. Land management was greatly recentralized towards central and provincial governments (Xu and Yeh, 2009). The focus of urban development was broadened from local interests in real estate to economic upgrading across multiple scales (Li, 2015; Martínez, 2018). State-owned development corporations replaced property developers as the general managers of large-scale urban developments. Notably, however, the restoration of the role of

the state is not to return to the central planning system. Governance techniques, rather than command orders, are used by the state to mobilize multiple actors and social resources for various strategic goals.

While there is an extensive literature on the 'new city' in China (Hsing, 2010; Chien, 2013), new town projects represent a typical example of mega urban projects. In China, the term 'new town' is used loosely to indicate large-scale mixed-use, master-planned projects ranging from regeneration schemes at central locations, and business central districts near the built-up areas, to newly built developments on the outskirts (Governata and Sampieri, 2019). While the size and cost of these projects can vary, they are implemented as mega urban projects (Wu, 2020). New towns are developed with overall development visions, which are supported by planning concepts and regulations. In practice, state-owned development corporations are in charge of financing and implementing the projects by stages, which ensures a holistic approach to project management (Shen and Wu, 2017). Situating the analysis on new towns within the 'mega project' literature, therefore, is useful to unpack the temporality, the uncertainty, and the constant formation of these projects.

4. The case and research method

This research is based on a detailed case study of Lingang in Shanghai. The project was launched in 2002. Located about 75 km away from central Shanghai (see Appendix A), it is one of Shanghai's suburban new towns consisting of one industrial area (241 km²) and one urban area (74 km²). The total target population by 2020 was 0.8 to 1 million. In contrast to other suburban new towns that were developed by district governments, the municipality took direct charge of the project, and a range of state actors at multiple levels became involved. After nearly twenty years of development, Lingang has built its economy based on advanced manufacturing industries. Nonetheless, the project continues to face difficulties in attracting private investors and residents to the new town area. By September 2016, the total resident population in Lingang reached just above 260,000 (SPNASB, 2017).

The study draws on empirical material collected on Lingang from September 2015 to November 2016. Totally, 36 semi-structured interviews with individuals involved in the project were conducted. Interviewees included municipal, district, and township government officials; design and planning consultants; staff from government development companies; private property developers; staff from street offices and residential committees; and community groups. The research method based on elite interviewing offered a useful empirical tool to investigate complex politics and power relationships (Richards, 1996). It was particularly vital to generate data in the Chinese context because the official documents available usually present only the formal administrative procedures of policy-making instead of the political processes and causal mechanisms.

Certainly, the method presented various challenges (Cochrane, 1998). First, the government officers in China tended to be formal and defensive, so there was the potential problem of interviewees uncritically referring to - mostly positive - official statements. We therefore conducted an extensive analysis of official documents beforehand so that we could ask probing questions on specific rationales and mechanisms. Second, interviewees might exaggerate their roles, achievements, or disadvantaged positions. Therefore, we tried to include interviewees holding various positions or representing diverse organizations to obtain different perspectives. In addition, a wide range of other sources were used to triangulate the interviews, such as policy and planning documents, consultancy reports, promotional materials, media reports, academic research, official statistical yearbooks etc. Finally, we were also aware that the interviewees, as well as the power structures they represented, might themselves be transitory. There could be limitations concerning the spatial-temporal specificity of the research. But this exactly reflects the distinguishing feature of Lingang, where the development was an ongoing process, and the governance institutions were flexible regarding changes.

5. Delivering Lingang through multiple state agencies

The origin of the Lingang project is associated with China's open door policy for engaging in the world economy, which led to the strategic need for an

international shipping center. In 1995, as the 'Dragon Head' of China's economy, Shanghai was chosen as the site for the task by the central state. A deep-water port project on Yangshan Islands was launched (see Appendix A). To capture benefits from the development of port economies, a medium-sized port city based on clusters of maritime business services and logistic industries on the southeast corner of Shanghai was proposed. Meanwhile, facing increasing competition from nearby Zhejiang and Jiangsu provinces, which were able to provide cheaper land and labor, Lingang assumed the responsibility for acting as a pioneer in emerging industries, such as equipment manufacturing (Interview, Planner, Shanghai Urban Planning Bureau, 17 September 2015). Therefore, Lingang became one of Shanghai's key strategic projects to obtain a long-term competitive advantage. The rationale behind the project went beyond short-term land revenue or tax income.

In practical terms, the project was delivered by multiple state agencies. A new structure consisting of three kinds of agencies, i.e., state-owned corporations, management committees (*guanli weiyuanhui*), and township governments, emerged. State-owned corporations, which functioned as a development agency (*kaifa zhuti*), were responsible for developing the project. The Lingang Group of the municipality and the Gangcheng (harbor-city) Group of the district government were the two major development corporations in overall charge of the industrial area and new town area respectively. They were so-called 'primary developers'. With initial capital from the state, their tasks were first to assemble the land and develop the infrastructure, and then to lease the serviced land to investors. Both the Lingang Group and the Gangcheng Group belonged to state corporations of the function-type in Shanghai¹. These state-owned corporations needed to complete their tasks through market operations. However, their performance was evaluated by the state based on assessment criteria other than market profits. The Lingang Group was evaluated based on whether the corporations could help promote specific industries in Shanghai, while the Gangcheng Group focused on attracting residents to the urban area (Interview, Planner, Lingang Group, 15 September 2015). Therefore, making a profit was not their ultimate aim; the development of Lingang was largely a political task.

Management committees were established as an approval agency (*shenpi zhuti*) to manage the economic development of Lingang. At present, the whole area of Lingang² is managed by the Lingang Area Development Management Committee (LADMC). The management committees were entitled to full autonomy to examine and approve investment projects. By downsizing a variety of committees, offices, and bureaus (*wei, ban, ju*) into a few functional offices, management committees could accelerate approval procedures and provide effective and efficient administrative services for investors. In addition, management committees were responsible for making, modifying, and implementing overall development plans and coordinating specific investment projects.

The intuitional arrangements were purposely designed to separate the state's multiple functions through creating multiple agencies. While state-owned corporations were market players, the committee functioned as the regulator. As one planner from Lingang Group commented:

The management committee does not initiate any development projects. It never works proactively. It only passively gives official approval to act. State development corporations are players, and the committee is the referee. The director of the committee may propose some guiding requirements, but the committee does not make concrete plans; that is up to state development corporations. (Interview, Planner, Lingang Group, 12 June 2016)

However, there could be tensions between the state-owned corporations and the committee. For example, interviewees from state-owned corporations complained of the differences between the industrial development goals set by the committee and the corporations' own development strategies. Moreover, projects could hardly achieve optimal results because there were too many restrictions (Interview, Project Managers, Gangcheng Group and Lujiazui Group, 23 June 2016).

Finally, township governments were given the responsibility of social management and functioned as a social management agency (*shehui guanli*

zhuti). Currently, there are four townships within Lingang. Specifically, their task is first to carry out demolition and relocation for investment projects. Meanwhile, they are in charge of the provision of social services. Finally, they deal with residents' demands and dissatisfaction. Briefly, townships are responsible for all affairs that require direct contact with ordinary citizens. This task of social management was perceived by one official from the management committee as "no big deal" compared to the management of investment projects (Interview, Officer, LADMC, 25 August 2016). However, although township lies at the lowest level of the state hierarchy, it is the most authoritative representative of the state. Indeed, townships play an important role as power brokers between the state and the villagers (Hsing, 2010). Without the support from township governments, it would be much more difficult for the municipality to negotiate with and relocate villagers as fast as possible.

This arrangement reflected a specialization strategy. The aim, in the words of one government official, was to 'let them do what they are good at' (Interview, Officer, Pudong District Government, 8 November 2016). In 2012, an attempt referred to as 'committee-township combination' (*guanzhen heyi*) was made to combine the committee and Nanhui New Town Township into one institution. However, because it was difficult for the staff to deal with both economic and social development issues, this was unsuccessful, and adjustments were going to be applied (Interview, Officer, Nanhui Township Government, 16 September 2015). Governance for the project, therefore, is never a static arrangement but an ongoing pragmatic adjustment by the state.

Within this framework consisting of three kinds of state agencies, the role of private investors is regulated. Although private investors are welcomed in Lingang, state-owned corporations are highly selective in their choice of developers and projects. For government officials and the Gangcheng Group, the ultimate purpose is to increase the population rather than to create land profits. Although commodity housing was dominant in Shanghai's suburban developments (Shen and Xiao, 2019), nearly 60% of the housing estates in the main new town area were developed by state-owned corporations and were sold

to staff of specific corporations and institutions at below market price. Meanwhile, private developers that wished to speculate on land were rejected, although the interviewee from Gangcheng Group indicated that sometimes the corporation could not make decisions of its own free will (Interview, Planner, Gangcheng Group, 14 September 2015). This clearly reflects the tensions between the state and the market. Haichang Holdings, the largest marine theme park operator in China, was one of the few private investors in Lingang. It was selected because the tourism business would increase the population, which was deemed as the significant political achievement of Lingang. One representative from Haichang noted:

We absolutely wanted to undertake housing projects, as we did in many other cities. It would be too slow to recoup the investment only from ticket sales. We always had some real estate developments in other cities, but it was impossible to negotiate this in Shanghai. (Interview, Planner, Haichang Holdings, 20 August 2016)

Moreover, private developers did not have much autonomy regarding what was to be built. In the Chinese urban planning system, development control planning is applied through quasi-zoning so that developers can calculate how much they should bid for the land. Land use types, development intensity, total area of green spaces, and location of buildings are specified at the land parcel level before the land is transferred. In theory, developers could apply to adjust specific aspects of the original plan. However, such an application usually takes a very long time, and the procedure is very complicated. To indicate the importance of planning, the interviewees frequently referred to the phrase '*yizhang lantu gandaodi*' that is, 'to go the whole hog' and implement the blueprint irrespective of any difficulties. The zoning of Lingang was widely blamed for the lack of flexibility. Many investors had left because the zoning made it impossible for them to make a profit (Interview, Project Managers, Gangcheng Group and Lujiazui Group, 23 June 2016). For instance, there were no large tracts of land planned as tourism land use. Since it was very difficult to modify the plan, Haichang Holdings had to pack all the attractions and activities into a much smaller area.

6. Governance innovation in Lingang

6.1 State-owned corporations: market as a mechanism of governance

The use of the market mechanism is key to delivering the development of Lingang. This was operationalized through setting up state-owned corporations as market agencies. State-owned corporations were first and foremost instruments of raising funds for specific tasks. Taking the Lingang Group as an example, with only 3 billion Yuan from the municipality as initial capital, it had to develop the industrial area with no assistance. Its business model could be summarized as follows. It first borrowed money from banks and undertook land acquisition and infrastructure development. Afterwards, it attracted industrial investors to the industrial park by offering low cost land and other preferential terms. Then, the revenue derived from land-leasing fees at cost prices, as well as tax from the enterprises in the industrial park, was used to pay off the debt. In the words of one representative from the Lingang Group,

The government actually invested very little money in Lingang. In Shanghai, fiscal revenue was rarely used to fund such projects. The government just made full use of market resources to develop the project. That's why I always say Shanghai government has very good business acumen. (Interview, Planner, Lingang Group, 15 September 2015)

Therefore, for the government, state-owned corporations served to leverage market resources to meet the demand for massive upfront funding. Meanwhile, the market was also used as an efficient way to mobilize and allocate resources and to manage risks. The state was aware that state-owned corporations invested in infrastructure development based on market conditions and therefore reduced the waste of resources. Since they were self-reliant, they were also self-motivated to avoid risky and reckless investments.

As state-owned corporations were set up as market agencies, market logics were introduced to coordinate relationships among diverse actors. The principle of cooperation was known as 'sharing [market] benefits, sharing [market] risks' (*liyi gongxiang, fengxian gongdan*). State-owned corporations had become the agency of cooperation. First, the market mechanism was the key to the

mobilization of governments at multiple levels. The interests of governments at hierarchical levels were balanced through market. The municipal government established the Lingang Group to promote Shanghai's industrial upgrading, which was unlikely to generate immediate benefits for local revenue. As a return for taking Nanhui's vast land and in order to get its support, the potential benefits of urban development were given to the district. Similarly, in order to mobilize township governments to deal with demolition and relocation, the Lingang Group helped each township develop an urban area of their own so that they could also enjoy economic benefits from the project. These areas, known as 'branch urban areas' (*fen chengqu*), consisted of an industrial area and a residential area. They were operated by joint ventures of the Lingang Group and the townships with the same equity ratios. One official from the township government did not think townships received substantial benefits from such arrangements, except for a possible reputation enhancement and employment opportunities for local residents (Interview, Officer, Nicheng Township Government, 5 November 2016). However, statistical data shows that, in effect, the arrival of the Lingang project brought significant benefits to local townships, and the fiscal revenue of the township governments was greatly improved at an average annual growth rate of around 120%~130% from 2002 to 2016 (SPNASB, 2017).

Lingang and Gangcheng, as the primary developers of the Lingang area, also cooperated with state-owned corporations of other district governments through joint ventures. For example, in 2006, to promote the administrative rank of the industrial area as a national-level development zone, a branch of Minhang Development Zone was established in Lingang. This park was developed and operated by a joint venture of the Lingang Group and the Minlian Corporation, the state-owned corporation of Minhang District. In the same way, in 2008, to deal with the shortage of land, nearby Fengxian District was invited to contribute an extra area of 17.04 km² and Lingang Fengxian Industrial Park was established. The park is run by the Lingang Fengxian Economic Development Corporation with a joint investment from the Lingang Group, the Guangming Group (another municipal state-owned corporation), and Fengxian District.

Under such circumstances, the new governance arrangements went beyond hierarchical state forms and administrative boundaries, and brought the market into the distribution of resources. Figure 1a shows the formal administrative boundaries of the four townships in Lingang. However, Figure 1b indicates that the development of the project was actually in the hands of various state-owned corporations. The whole area was re-territorialized. In total, there were fifteen state corporations in Lingang representing eight governments at municipal, district, and township levels (see Figure 2a). A number of joint ventures facilitated cooperation between state agencies based on market benefits and returns.

[Figure 1 and Figure 2 is about here]

Second, besides land leasing, to attract brand developers, state-owned corporations also cooperated with private developers by establishing joint ventures with them. For instance, Vanke, the largest real estate company in China, was skeptical of the housing market in Lingang. The Gangcheng Group reassured the developer by co-investing in a residential project with Vanke. A project company was established to undertake the project, whose investment was shared by Vank and Gangcheng at a ratio of 51%: 49%.

Frankly speaking, it was a hard decision. The most important reason for which we were determined to come to Lingang was the establishment of the joint venture. In this way, we now rode the government's coattails. We would share the risks of the project with the government together. (Interview, Project Manager, Shanghai Vanke Real Estate Corporation, 23 August 2016)

Finally, the market was also used to mobilize local residents, that is, to allow local residents to enjoy the benefits of the project. When being relocated, residents usually got generous compensation that was beyond their earning ability as farmers in remote rural villages. This gave rise to the saying that 'farmers can change their fates only through demolition and relocation' (*nongmin fanshen kao chaiqian*). Consequently, residents raised few objections regarding the

development of Lingang. On the contrary, residents who lived in the area without development plans would petition to be relocated (Interview, Planner, Lingang Group, 15 September 2015). Because collective rural land cannot be traded in the market by law, land acquisition has become a once-in-a-lifetime opportunity for farmers to receive windfall gains from urbanization.

At the early stage of development, the compensation package included cash compensation and *hukou* transformation. Cash compensation was calculated based on the total number of family members and the market value of the land related to its location. With the cash compensation, in most cases, a family could buy two new flats developed by state-owned corporations at preferential prices. Hukou transformation referred to registering the residents as urban residents and granting them access to urban social security. The cost of relocation was borne by state-owned corporations. Joint ventures of the Lingang Group and the township governments first raised funds from banks for compensation fees and the development of relocation houses. The tax income from the industrial areas was then used to repay the debt later.

In 2014, the State Council launched Rule No.43 to regulate local government debt. Subsequently, state-owned corporations were no longer allowed to borrow on behalf of local governments. In response to this, for example, the Lingang Group changed the method of relocation, and farmers were invited to use their land as an investment share of project companies. The method was promoted as a mechanism allowing farmers to enjoy the bonus of industrialization and urbanization. In the words of the president of the Lingang Group, “Now farmers and the development zone are in the same boat. We work together to achieve common development goals” (He, 2014).

6.2 Management committees: reorganization of the state space

As a project initiated by non-local governments, the development of Lingang involved intergovernmental coordination and required a new articulation of state space. However, formal administrative adjustment was intentionally avoided or reduced to a minimum. As noted by one government officer:

The administrative merger of townships would be very difficult and would cause unnecessary problems. For example, how should we arrange so many people in the cadre system? Those township mayors would surely not be happy if they suddenly became just directors of some departments in the new government. (Interview, Officer, Pudong District Government, 8 November 2016)

Clearly, rather than being authoritative, the municipality strived for cooperation with local cadres to preclude potential resistance to the project. The Lingang area had never been a formal administrative unit, so the four original rural townships were maintained. A new subdistrict (*jiedao*), Shengang Subdistrict, was established in 2006 to administrate the new town, which was built on reclaimed ground. The only administrative adjustment was the merger of Shengang Subdistrict and Luchaogang Township as a new township, Nanhui New Town, in 2012.

Instead, a management committee was established as an administrative agency in Lingang. In essence, this represents the creation of a new scale of state power. From the beginning, the committee was a municipal-level agency, which means the development of the Lingang area was supervised directly by the municipality rather than by district and township governments. This also made Lingang a *de facto* enclave where exceptional measures could be applied. For example, a so-called 'double special' policy package, referring to special institutions and special policies, was launched by the municipality to stimulate the development of Lingang. The newest version of the package covered policies with regard to governance arrangements, industrial development, land provision, fiscal policy, and talent attraction, as well as infrastructure development and the provision of social services³. The key institution to support the implementation of these preferential policies was to give full autonomy to the management committee. The institution was known as "*Lingang shi, Lingang ban; Lingang qian, Lingang yong*", which means all affairs of Lingang could be managed in Lingang. Meanwhile, all revenues generated in Lingang could be retained and spent in Lingang.

However, the committee was not a formal level of government; it did not have administrative power over district or township governments. Instead, the committee was a platform of coordination among multiple state agencies. This was first materialized through a personnel-based approach, i.e., to give the heads of different governments and state agencies concurrent posts in the management committee. The vice-mayor of Shanghai served as the director of the committee. Then, there were various deputy posts represented by the mayor of Pudong District, the vice-mayor of Fengxian District, the mayor of Nanhui New Town Township, and the presidents of the Lingang and the Gangcheng Groups respectively (see Figure 2b)⁴. The leadership team jointly decided major decisions on Lingang. Second, the committee was also responsible for holding joint meetings and consulting the opinions of the stakeholders with regard to significant projects. Finally, the committee was responsible for formulating the overall plan and coordinating developments in Lingang to prevent vicious competition within Lingang area.

Meanwhile, with the management committee as an instrument, the adjustment of division of labor among governments at different levels became very flexible. At the beginning, the committee was assigned as a municipal-level institute and responsible directly to the municipality (*shi shu shi guan*). After the annexation of Nanhui District by Pudong, in order to give greater responsibilities to the district government, in 2010, the committee was divided into two committees, which were independently administrated by the municipality and the district government. This, however, led to a problem of coordination between industrial and residential development. In 2012, they were merged to form the Lingang Area Management Committee, which was a municipally owned but district-managed agency (*shi shu qu guan*). While Lingang continued to be considered a significant project of the municipality, Pudong District was responsible for the day-to-day management of the area.

In sum, due to earlier economic decentralization, intergovernmental governance was typically based on the vertical administrative subcontract and horizontal competition for promotion. In Lingang, however, the hierarchical and top-down

forms of organizing state space were greatly disrupted (see Figure 2). The municipality did not subcontract the project to local governments, and nor did it recentralize all the power of authorization. Instead, to promote the overall efficiency of the development, flexible arrangements of governance were introduced. The management committee functioned as a platform of coordination. Joint ventures facilitated specialization and cooperation between transcalar state agencies based on market benefits and returns. Constant institutional adjustments also reflected tensions and compromises among different state agencies and the emergence of more networked forms of governance.

Such institutional arrangements are not without problems of coordination. Lingang was actually divided into territories of state corporations of different governments (see Figure 1). Earlier economic decentralization had created entrepreneurial governments at multiple levels, which had their own economic and political calculations. Accordingly, state corporations were competing for investment, and it was rare that there was cooperation. Divergences were associated with the different stakes that the governments held in Lingang. For instance, the issue of uneven returns from industrial and urban development for the municipal and district governments had greatly hampered the development of Lingang. Pudong district government did not want to give its full support to Lingang, which would bring it scarce economic benefits in the near future. Consequently, it became difficult to integrate Lingang into a unified economic unit while political fragmentation had remained unchanged.

7. Conclusion

This paper examines the governance approach to the mega urban project of Lingang in Shanghai. In contrast to the neoliberal transition in urban governance in North America and Western Europe (Swyngedouw et al., 2002; Orueta and Fainstein, 2008), or the model of state dirigisme in Central and Eastern Europe (Müller, 2011; Grubbauer and Čamprag, 2018), in China, mega-projects are conduits for a distinctive governance form of state entrepreneurialism (Wu, 2018). The case shows that the state and the market are not mutually exclusive.

Nor are they related as one waxes the other wanes in the power spectrum. Instead, the two are closely intertwined, because both are indispensable for the implementation of the project. Lingang represented the state's long-term economic strategies for Shanghai and China, that is, to promote independent technological innovation and to take the lead in emerging and advanced manufacturing sectors. The project was also delivered as a political task rather than being driven by profit-seeking motivations. However, state-owned corporations were established to mobilize market resources and to make full use of market instruments.

While we developed our research with the reference to entrepreneurial local governance (Wu, 2018; Chien, 2013; He et al., 2018), by revealing the mechanism of actual governance, the study of Lingang broadens the concept of entrepreneurial governance and reveals some features of 'state entrepreneurialism'. What is surprising is that, under state entrepreneurialism, the state is not as strong and authoritative as one might expect. The day-to-day management of cities goes beyond a top-down model. In order to deliver Lingang efficiently and effectively, resources of multiple actors were mobilized through governance techniques rather than command orders and regulatory maneuvers. New and innovative forms of governance were being constantly created. On the one hand, state-owned corporations operated as a market player and had to complete their tasks through market operations. These corporations, on behalf of the governments they were affiliated to, also collaborated with other state and non-state actors on multiple levels based on sharing market returns and risks.

On the other hand, governments of different levels had different calculations. In order to give full play to their advantages, the new division of labor was based on specialization. Cooperation was encouraged by market-based institutions. New arrangements of intergovernmental governance (i.e., management committees) were introduced to avoid problems that might be caused by formal administrative adjustments. Consequently, the hierarchical state forms were complemented by emerging horizontal and networked forms of governance, and original administrative levels and boundaries were relatively blurred. The

politics of urban development, therefore, reached beyond the usual narratives of decentralization and localism. Instead, a range of transcalar state agencies, i.e. state-owned corporations and governments were assembled around Lingang. It is in this sense that Lingang had become an assemblage of state power.

The configuration is not without problems. When actual market demands are lacking, the outcomes of planned development could hardly be achieved. On the contrary, excessive investment may result in an inefficient allocation of resources and higher financial risks. In addition, it is not easy to overcome administrative fragmentation. New arrangements of governance are largely established as exceptionality measures. Inconsistent economic calculations and fierce competition among local officials remain significant challenges for coordination and cohesion.

NOTE

1. In Shanghai, there are three types of state-owned corporations. Public service corporations are responsible for delivering public services. Since they can hardly recoup investments, they are directly subsidized by the state. Corporations of function-type are established for carrying out specific tasks. They are evaluated based on the completion of the tasks, but they need to maintain a balanced budget themselves. Corporations of competition-type are evaluated based on economic performance.

2. This refers to the whole planning area known as Lingang in 2004 Lingang New Town Master Plan except for an area of 15 km² for China (Shanghai) Free-trade Zone.

3. See Shanghai Municipality Decree no. 49 (2016), "Opinions of Shanghai Municipal Government on Deepening and Perfecting the 'Double Special' Policy to Support the New Round of Development in Lingang Area". <http://www.shanghai.gov.cn/nw2/nw2314/nw2319/nw12344/u26aw48160.html>. Accessed 20 August 2018.

4. Source: official website of Shanghai Lingang International Talent, see <http://www.shlghr.com/info.asp?id=177>. Accessed 19 November 2018.

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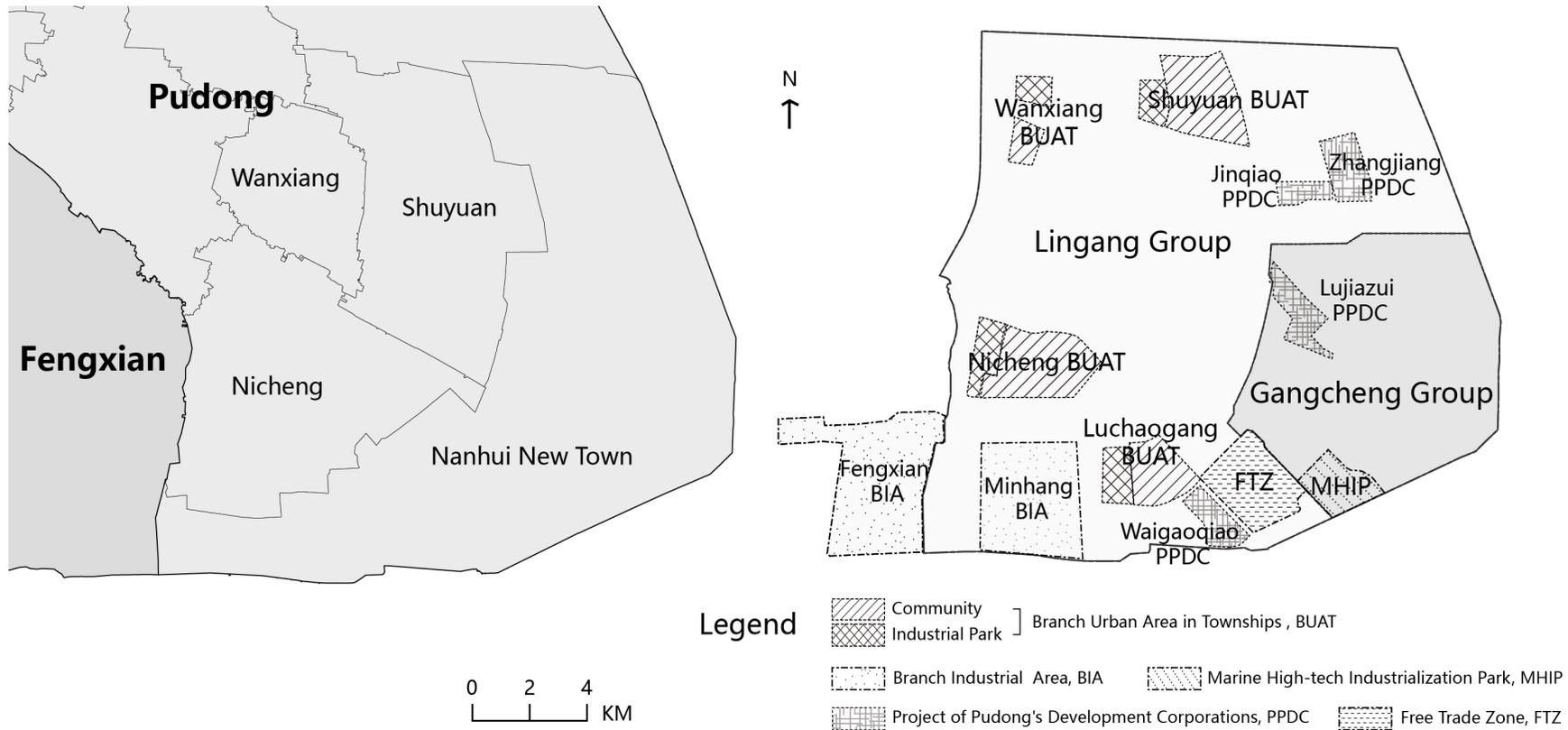


Figure 1 Re-territorialization of Lingang

Figure 1a(Left) Administrative boundaries of townships

Figure 1b(Right) Territories of state-owned development corporations

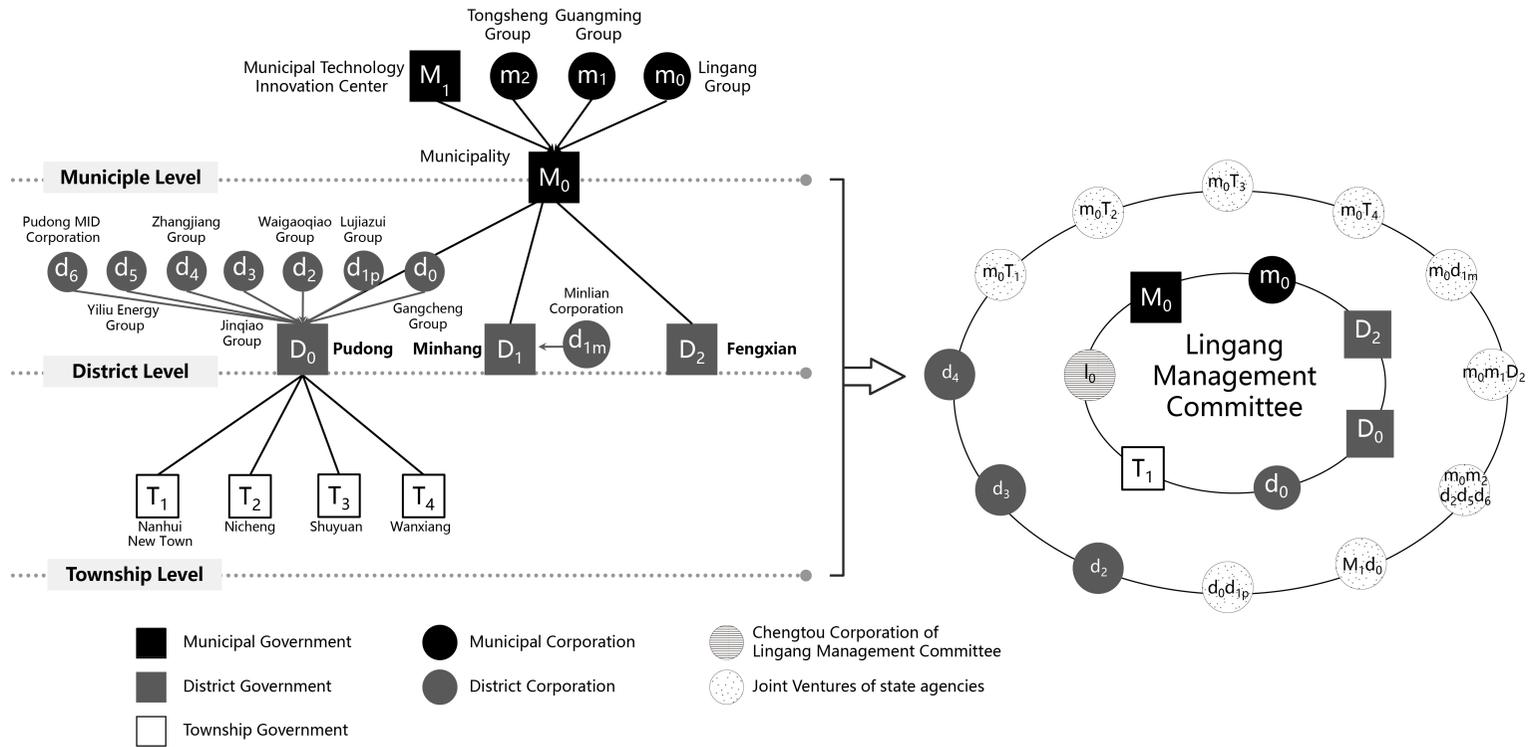


Figure 2 Assembling Transcalar State Agencies in Lingang

Figure 2a (Left) Lingang's stakeholders in the three-level administrative hierarchy

Figure 2b (Right) Governance arrangements assembling transcalar state agencies in Lingang

Note: The diagrams were drawn based on governance arrangements in Lingang in December 2016

Appendix A: The location of Lingang

