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Shenhong: The anatomy of an urban investment and development company in the context of China's state corporatist urbanism

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1. Introduction

Hongqiao is one of Shanghai's – indeed, one of China's -- biggest urban projects, rivalling some of the new CBDs in Guangzhou and Beijing in terms of service sector development. It consists of two hubs, one for transport, the other for business. The transport hub was completed in 2010 and consists of a new terminal for the high-speed railway network alongside an upgraded airport and served by extensions to two metro lines. The other is a mammoth business district designed both to boost the economy of the west of the city and to form a center for advanced services for the whole of the Yangtze River Delta, acting thereby as regional ballast to the internationally focused Pudong.

A common feature of this type of mega urban project is the establishment by government of what are commonly called urban investment and development companies (UIDC; 城市投资与发展公司) to manage the construction of the projects on behalf of government. A glance at the number of entries for city-specific urban investment companies (城市投资公司 chengshi touzi gongsi) in the Baidu search engine provides sufficient evidence of their omnipresence. The English-language literature, however, is largely silent on the development-related activity of these state interventions in the urban terrain, with discussion largely limited to their financing activities. The Chinese-language literature too has little to say about the UIDCs. Our paper responds to this lacuna in the literature by presenting a close-up analysis of one of these state-owned companies, Shanghai Shenhong Investment and Development Co., Ltd (上海申虹投资发展有限公司; referred to here simply as Shenhong), the organization that undertook the development of Hongqiao. The paper has three aims. The first is simply to present a detailed account of the makeup of an UIDC and its relationship with its partner organizations. The second is to provide an insight into the struggle that one UIDC has faced in finding the funding to undertake the projects it was entrusted with in the face of stop-go policies on credit from central government. The third and preeminent aim is to set the UIDC within a wider theoretical framework, arguing that Shenhong and the many other similar companies that are orchestrating the high-rise urbanization of China should be seen as a manifestation of state corporatist urbanism, a latter-day version of the local-state corporatism that Jean Oi identified in the 1990s.¹ At the same time, it provides a note of refinement to the broad concept of state capitalism.

¹ Oi discussed her ideas in several publications. See, for example, Jean C. Oi, 'The role of the local state in China's transitional economy', *China Quarterly* 144, (1995), pp. 1132–1149; and Oi, *Rural China Takes Off: Institutional Foundations of Economic Reform* (Berkeley, CA: University of California Press, 1999), especially Chapter 4.

Shenhong was the arm of the Shanghai Municipal Government in the construction of the Hongqiao project. It was financed by state banks; it sub-contracted its 'dirty work' of demolition to other state entities and of compensation and relocation to local government; it handed over management to an administrative authority of the state; this organization in turn called on the help of state-owned firms to make the initial real estate and development investments. But the sought-after outcome was the enticement of private companies to invest and establish regional headquarters here, and even this was pursued through flagship investments by the municipal state. None of this is particularly unusual in the Chinese context, although the scale of operation in Shanghai probably served to reinforce state involvement. In referring to this as state corporatist urbanism, we are adapting the conventional definition of corporatism. That is, rather than seeing corporatism as the co-optation by the state of non-state organizations for its own ends, we are describing a sort of inside-out corporatism in which the state adopts some of the trappings of the corporate sector in order to engineer urban growth. This is a corporatism which, in line with Oi's reading, uses state formations to undertake on behalf of the city government the entrepreneurial activities that would otherwise be largely entrusted to the private sector.

The material for this paper is derived primarily from a series of interviews conducted during two rounds of field work in Shanghai in 2011 and 2012, with later follow-up interviews in 2015 and 2016. These consisted of in-depth interviews with senior officials of Hongqiao Business District, Shenhong Company and public and private property companies involved in construction of the Hongqiao Business District. These officials were for the main part planners deeply involved in the Hongqiao project at different stages. We also held a series of background discussions and meetings with experts and academics who have been involved in the project. Repeat interviews were held to clarify points that were unclear in what is at times a rather opaque process. Because of the sensitive nature of much of the information provided by government officials, their names and positions in government have been withheld. Although not specifically cited in this paper, the views of academics and other experts enabled the authors to place the comments of officials and planners in a broader context. We have also drawn on online and paper documentation drafted by Shanghai Municipal Government and other relevant agencies.

The paper proceeds as follows. It starts with a review of some of the main contributions to the literature on state corporatism as it has been applied in the Chinese context, supporting this with a brief reference to work on the Chinese local state as entrepreneurial. This is followed by a section that picks up on discussion about the broader role played by UIDCs, highlighting the limited and even somewhat skewed nature of this research. The paper's main focus is on the development of the Hongqiao urban project in the west of Shanghai, and this is introduced in the following section, before examining in more detail at the central role played by Shenhong, the UIDC that has masterminded the project. The various tasks undertaken by Shenhong are analyzed in the fifth section, including a detailed account of the funding difficulties that the organization has faced. The paper concludes by arguing that UIDCs, of which Shenhong is an outstanding example, as state-owned corporate entities are central to the urbanization process in China.

2. State corporatist urbanism and the entrepreneurial city

In the paragraphs that follow we set out the conceptual framework for our analysis of Shenhong Company, briefly reviewing first the broad context within which this paper is set before going on to make a case for an understanding of the kind of intervention we introduce here as urban state corporatism.

There is much uncertainty and debate over how to define and characterize China's growth trajectory. References to China as a state capitalist political economy are open to the criticism that they fail to denote sufficiently the distinctive nature of the Chinese model, but seeing China as state capitalist has a double advantage. First, it enables comparisons to be drawn with elements of the capitalist formation of countries like Brazil, Vietnam, and Italy where the state has a corporate presence in the economy. Secondly, and more germane to our considerations here, state capitalism can be seen, as Liebman and Milhaupt write, as "a species of corporate capitalism".²

There is no doubt that China's model of development, if indeed model is the word, includes a number of features that are highly distinctive. Among these are the Chinese leadership's 'stepping stone' approach to change and reform, which is at the same time incremental, experimental, and experiential, and the unusual degree of freedom of maneuver, whether sanctioned from the center or not, that is available to local government. However, the defining element in China's state capitalism probably lies in the central role played by the corporate entities known as state-owned enterprises, of which UIDCs are a variant. China's SOEs are noteworthy not just for their centrality in the economy (not unlike in other countries such as Brazil) but also for their strategic proximity to arms of the party-state built on career paths that see officials moving easily between government and corporations. At the same time, they can be hard to pin down because of a growing tendency towards mixed ownership and complex holding structures that can involve an array of state corporations.³

Many of these patterns are replicated at local levels in ways far less frequently found elsewhere in the world. The additional element here is presented by the UIDCs, which are a particular feature of the local state and which will be introduced in more detail in the following section. But if UIDCs are a highly distinctive feature of China's state capitalism, then so too is the commodification of land as a means of leveraging and engineering economic growth. China has, it would seem, taken to an extreme Henri Lefebvre's sense of an 'urbanism', to use his own term, in which capital accumulation was no longer driven by industry but by the production of urban space.⁴ It is as if the

² Benjamin L. Liebman and Curtis J. Milhaupt, 'Introduction: the institutional implications of China's economic development', in Liebman and Milhaupt (eds.), *Regulating the Visible Hand?: The Institutional Implications of Chinese State Capitalism* (Oxford: Oxford University Press, 2015), p. xvii.

³ Curtis J. Milhaupt and Wentong Zheng, 'Reforming China's state-owned enterprises: institutions, not ownership', in Liebman and Milhaupt (eds.), *Regulating the Visible Hand?: The Institutional Implications of Chinese State Capitalism*, p. 178. Yang Ge, 'A-List Private Companies Line Up for Mixed-Ownership Reform Party', *Caixin* (28 August 2017), available at: <http://www.caixinglobal.com/2017-08-28/101136887.html> (accessed 29 August 2017).

⁴ See for example: Henri Lefebvre, *The Production of Space*, (translated by Donald Nicholson-Smith) (Oxford: Blackwell, 1991); Mark Gottdiener, 'A Marx for our time: Henri Lefebvre and the production of

Chinese local state has become addicted to the credit predicated on rising land values in order to feed its habit of urban and infrastructural expansion to generate economic growth. We shall see here writ large some of the dangers inherent in this state corporatist urbanism in later sections that discuss the case of Hongqiao in Shanghai.

When we turn to the local scale, we find that there are a number of ways in which Chinese state activity has been conceptualized, each emphasizing a different relationship between state and local economy.⁵ The Chinese local state as developmentalist draws attention to the ways in which the local state creates a favorable environment for economic growth, while entrepreneurial and corporatist state approaches both in different ways refer to the involvement of state officials and organizations in pursuing urban growth projects in a fashion that draws on and reflects business practices.⁶ These are complemented by a further range of explanatory concepts, including rent-seeking, predatory, clientelist and guanxi-related behavior, all of them predicated on state officials' control over resources and their hands on the levers of power.⁷

This paper engages primarily with state corporatism, which like state entrepreneurialism has been seen as one manifestation of the developmental state, all three "shar[ing] a common, defining trait: a predevelopment or progrowth tendency".⁸ In discussing state corporatism, we deviate from 'conventional' definitions of the concept. These locate corporatism in the space between state and society and talk to the changing relationship between the two. In the original form in which it was formulated corporatism refers to the state's creation and/or recognition of single-purpose, single-sector organizations which it could exploit to exercise maximum control. Corporatism, Unger and Chan note, is "usually depicted as counterpoised to democratic pluralism and free market forces".⁹ Applications of the concept of corporatism have grown predominantly in European soil. They were used in the context both of wage-bargaining institutional structures in Scandinavian countries but also to

space', *Sociological Theory* 11, (1993), pp. 129–134. For an endorsement of Lefebvre's urbanism in the context of China and an extended discussion of China's urban land economy, see: Hsing You-Tien, *The Great Urban Transformation: Politics of Land and Property in China* (Oxford: Oxford University Press, 2010), especially p. 10.

⁵ These are summarized in Wang Enru and Song Jinping, 'The political economy or retail change in China', *Environment and Planning C: Politics and Space* 26, (2008), pp. 1197–1226.

⁶ The first proponents of these positions are respectively Jane Duckett, and Marc Blecher and Vivienne Shue. See: Jane Duckett, *The Entrepreneurial State in China: Real Estate and Commerce Departments in Reform Era Tianjin* (London: Routledge, 1998); and Marc Blecher and Vivienne Shue, *Tethered Deer: Government and Economy in a Chinese County* (Stanford, CA: Stanford University Press, 1996).

⁷ For discussions of clientelist and predatory behaviour by government officials, see among others: Wang Yingyao, 'The rise of the "shareholding state": financialization of economic management in China 13, (2015), *Socio-Economic Review*, pp. 603–625; and Wang Chunyu, Ye Jingzhong and Jennifer C. Franco, 'Local state corporatism or neo-guanxism? Observations from the county level of government in China', *Journal of Contemporary China* 23, (2014), pp. 498–515.

⁸ Wang and Song, 'The political economy or retail change in China', p. 1021.

⁹ Jonathan Unger and Anita Chan, 'China, corporatism, and the East Asian model', *The Australian Journal of Chinese Affairs* 33, (1995), p. 31.

describe institutions and procedures of societal control in authoritarian states of southern Europe and Latin America.¹⁰

There is, however, a different and distinct way in which corporatism has been applied in the Chinese context. This is associated with the work of Jean Oi in the 1990s focusing primarily on Township and Village Enterprises and their embeddedness in the local state. Oi coined the term local state corporatism to refer to the activities of local officials in founding and managing collectively owned business enterprises to the point where “local governments in China [are] fully fledged economic actors, not just administrative service providers as they are in other countries”.¹¹ “By local state corporatism I refer to the workings of local government that coordinates economic enterprises in its territory as if it were a diversified business corporation”.¹² She later extended her use of the term to encompass what we have called here the ‘conventional’ definition, arguing that as private industry became an ever more prominent presence in the 1990s, so the local state sought with some degree of success to bring private business under its wing in a way suggestive of state corporatism.¹³

The concept of corporatism has continued in discussion of the nature of the Chinese state. In a recent contribution published in this journal, Hsu and Hasmath argued that corporatism has much to offer in terms of understanding and conceptualizing the relations between state and society in contemporary China even as they caution that it can over-emphasize the role of the state and needs to be applied flexibly.¹⁴ “In present day China”, they argue, “both central and local states are more adept at managing interests that may potentially be detrimental to the state. Hence, from this behavior, corporatist measures are taking form”.¹⁵ They see the state as being involved in a task of ‘tacit sanctioning’; this involves the selection of certain non-state organizations to promote and protect state interests. “In other words, the groups and organizations within the corporatist relationship are considered as a substitute control mechanism for the state”.¹⁶ This applies at the local state level, where they see the local state as playing a controlling role through its co-opting of the NGO sector, but it can also have purchase at the national level.¹⁷ Huang Xian sees the central state as using national labour organizations to orchestrate wage bargaining, while Yang

¹⁰ Jennifer Y.J. Hsu and Reza Hasmath, ‘The changing faces of state corporatism’, in Hsu and Hasmath (eds.), *The Chinese Corporatist State: Adaptation, Survival and Resistance* (Abingdon: Routledge, 2013), p. 2.

¹¹ Oi, ‘The role of the local state in China's transitional economy’, p. 1137. Emphasis in the original.

¹² Oi, ‘Fiscal reform and the economic foundations of local state corporatism in China’, *World Politics* 45, (1992), p. 100. Emphasis in the original.

¹³ Oi, *Rural China Takes Off: Institutional Foundations of Economic Reform*, p. 13. This is an argument reinforced by the research of Maria Edin, ‘Local state corporatism and private business’, *The Journal of Peasant Studies* 30, (2003), pp. 278–295.

¹⁴ Hsu and Hasmath, ‘The local corporatist state and NGO relations in China’, *Journal of Contemporary China*, 23 (2014), p. 521.

¹⁵ *Ibid.*, p. 522.

¹⁶ *Ibid.*, p. 522.

¹⁷ Hsu and Hasmath, ‘The rise and impact of the local state on the NGO sector’, in Hsu and Hasmath (eds.), *The Chinese Corporatist State: Adaptation, Survival and Resistance*, pp. 120–135.

Keming in the same publication refers to the role of Chinese Communist Party officials in keeping a tab on business associations through the placement of party members.¹⁸

Not everyone, however, is convinced of the utility of the concept of corporatism in understanding state-society relationship in China. Some have suggested that it is of only partial use because, as Bruce Gilley puts it, it “lacks explanatory breadth”.¹⁹ For others, it has lost its relevance. Zhan Shaohua sees the role of the state as having changed significantly with the rapid decline of the TVEs around the turn of the century and the equally rapid rise of private businesses.²⁰ As it became reliant on revenue from land deals, so local state concentrated its energies on the conversion of land for urban development and the construction of infrastructure for industry. In other words, local city government actions had become entrepreneurial.²¹

Our approach here comes as a response to the failure in the literature to account fully for the role of state corporations in urban development projects. Thus, while some have investigated the issues resulting from local government debt, little has been said about the other activities undertaken by state urban investment and development corporations. While we accept that these spring from the entrepreneurial positions taken by the local state, we believe that in their range of activities and scale as well as their sheer number, they represent a distinctive type of urbanism that can best be characterized as state corporatist.

3. Urban project managers and state corporatist urban space

It is important to remind ourselves at this point that the state is deeply involved in the business sphere in a number of different ways. Between the two poles of wholly state-owned enterprise on the one hand and totally private company on the other lie a range of partially state-owned companies, many of which are listed as limited liability companies, while others are so-called red chip companies, state-owned establishments which are also listed on the Hong Kong stock market.²² Within this framework of widespread if frequently obscured state activity in the market, we would argue that the state is a much more pervasive presence in urban projects than is generally acknowledged. The state, we maintain, dresses itself up in different guises,

¹⁸ Huang Xian, ‘Collective wage bargaining and state-corporatism in contemporary China’, in Hsu and Hasmath (eds.), *The Chinese Corporatist State: Adaptation, Survival and Resistance*, pp. 50–65; Yang Keming, ‘Keep business for business: associations of private enterprises in China’, in Hsu and Hasmath (eds.), *The Chinese Corporatist State: Adaptation, Survival and Resistance*, pp. 66–82.

¹⁹ Bruce Gilley, ‘Paradigms of Chinese politics: kicking society back out’, *Journal of Contemporary China* 20, (2011), p. 525. See also: William Hurst, ‘The city as the focus: the analysis of contemporary Chinese urban politics’, *China Information* 20, (2006), p. 467.

²⁰ Zhan Shaohua, ‘From local state corporatism to land revenue regime: urbanization and the recent transition of rural industry in China. *Journal of Agrarian Change* 15, (2015), pp. 413–432.

²¹ Hsing writes about the corporatization of villages (especially in the Pearl River Delta) attempting to reap the benefits of land commodification, but she sees this as a bottom-up movement and hence to be distinguished from Oi’s concept of local-state corporatism. Hsing, *The Great Urban Transformation: Politics of Land and Property in China*, p. 142.

²² Derek Scissors, ‘China’s SOE sector is bigger than some would have us think’, *East Asia Forum* (17 May 2016), available at: <http://www.eastasiaforum.org/2016/05/17/chinas-soe-sector-is-bigger-than-some-would-have-us-think/> (accessed 10 January 2017).

collectively referred to as UIDCs or variants on this term, in order to execute urban projects effectively.

UIDCs are part of a wider story of state involvement in urban construction projects. The deep involvement of the state manifests itself in many ways: as the providers of funding in the form of (frequently local) state banks;²³ through the twin functions of the UIDCs as both project funders and project managers preparing infrastructure as first phase (or primary) developers;²⁴ as contractors for work such as compensation and relocation of residents;²⁵ as real estate, or second-phase, developers;²⁶ and as urban, and especially urban conservation, managers.²⁷ Our focus in this paper is on UIDCs and their role as investment and development agencies, but it is worth noting that local state corporations are also active in urban conservation management roles, as we see, for example, in the case of the Emei Tourism Development Company for Mt Emei in Sichuan and the Lijiang Old Town Management, Co. Ltd., which administers the tourism business on behalf Lijiang local government.²⁸ In a big city like Shanghai, as we shall see below, banks and other organizations participating in urban development projects are likely to be municipally owned; this is even the case in smaller cities such as the fourth-tier city of Qujing in Yunnan Province, where, according to Thierry Theurillat, some of the most active real estate agencies are affiliates of municipally owned state corporations.

Not only are UIDCs diverse in their roles and portfolios but they are so numerous that no count has been made of their overall number. It was, in addition, not until 2010 that they first had to operate under any form of regulation.²⁹ Despite their diversity, UIDCs share a number of principal features. They are owned and controlled by the state at any of the variety of administrative scales that exist in China, but they are economically and legally independent entities. Staff are normally seconded from local government departments; their leading officers cannot be serving members of government.³⁰ The projects for which they have funding and development responsibility are ultimately

²³ Tsui Kai Yuen, 'China's infrastructure investment boom and local debt crisis', *Eurasian Geography and Economics* 52, (2011), pp. 686–711.

²⁴ Wu Yifei, Li Xun, and George C.S. Lin, 'Reproducing the city of the spectacle: mega-events, local debts, and infrastructure-led urbanization in China', *Cities* 53, (2016), p. 58. Hsing, *The Great Urban Transformation: Politics of Land and Property in China*, p. 44.

²⁵ Ho Cheuk Yuet, 'Bargaining demolition in China: a practice of distrust', *Critique of Anthropology* 33, (2013), p. 416.

²⁶ Theurillat, Thierry, 'The role of money in China's urban production: the local property industry in Qujing, a fourth-tier city', *Urban Geography*, (2016), DOI: 10.1080/02723638.2016.1184859.

²⁷ Su Xiaobo, 'Urban entrepreneurialism and the commodification of heritage in China', *Urban Studies* 52, (2105), pp. 2874–2889.

²⁸ Zhu Yujie and Li Na, 'Groping for stones to cross the river: governing heritage in Emei', in Tami Blumenfield and Helaine Silverman (eds.), *Cultural Heritage Politics in China* (New York: Springer, 2013), p. 64. Su, 'Urban entrepreneurialism and the commodification of heritage in China', p. 2879.

²⁹ These points are taken from Liao Fan's exemplary chapter, 'Quenching thirst with poison? Local Government Finance Vehicles – past, present, future', in Liebman and Milhaupt (eds.), *Regulating the Visible Hand?: The Institutional Implications of Chinese State Capitalism*, pp. 69–84. Fan, however, is writing exclusively about UIDCs in their guise as financing vehicles.

³⁰ This was the case for the enterprises examined in the 1990s by Duckett, *The Entrepreneurial State in China: Real Estate and Commerce Departments in Reform Era Tianjin*. See also: Wu Qiyuan and Paul Waley, 'Configuring growth coalitions among the projects of urban aggrandizement in Kunming, southwest China', *Urban Geography*, (forthcoming, 2017).

guaranteed by the (local) state, and it is on that basis that loans are extended. UIDCs, therefore, are very much part of the panoply of the state.

Involvement by the state in urban projects is the consequence of well documented institutional arrangements. Local government officials are locked into a system in which economic growth attained through urban construction and expansion is a condition for promotion, while at the same time local government is more or less excluded from raising funds through the issue of foreign bonds and is not allowed to run a deficit.³¹ Officials find themselves both resorting to the creation of financing vehicles to borrow on the market and relying on earnings from their land development dealings in order to boost the growth without which there is no promotion. The local state needs therefore to make a space for itself beyond its immediate reach, a space within which it can act with greater freedom. This is what we might see as state-corporatist urban space.

Alongside loose regulation, there is much uncertainty surrounding the naming of these state-owned entities. Where the primary role of UIDCs is to raise funds for urban infrastructure and construction projects, they tend to be called Local Government Financing Platforms (LGFP; 地方政府融资平台 *difang zhengfu rongzi pingtai*), or sometimes Vehicles instead of Platforms. In the relatively small if growing literature that discusses local government debt, the term used is LGFP (and LGFV) and the reference is exclusively to UIDCs as organizations that raise funds to undertake construction projects.³² Among the few works to discuss the development portfolio of UIDCs is a paper on Guangzhou by Wu Yifei and colleagues; they analyze the way that companies formed by the municipal government to fund large-scale projects in preparation for the 2010 Asian Games included in their brief specific infrastructure activities such as the construction of metro lines, waste water treatment plants and new urban districts.³³ In a study of Chongqing, Philip Huang argues that the 'eight big investment firms' serve to reinforce the distinctive nature of the (by now erstwhile) urban development model that thrived under Bo Xilai's leadership.³⁴ UIDCs figure as 'primary developers' in Hsing You-Tien's account of China's great urban transformation; she relates briefly that they are tasked both with financing and executing the

³¹ Pan Fenghua, Zhang Fengmei, Zhu Shengjun, and Dariusz Wójcik, 'Developing by borrowing? Inter-jurisdictional competition, land finance and local debt accumulation in China', *Urban Studies* 54, (2017), pp. 897–916. Fan, 'Quenching thirst with poison? Local Government Finance Vehicles – past, present, future', p. 70. Linda Chelan Li and Yang Zhenjie, 'What causes the local fiscal crisis in China: the role of intermediaries', *Journal of Contemporary China*, 24, (2015), pp. 573–593.

³² Work that discusses LGFPs specifically includes: Fan, 'Quenching thirst with poison? Local Government Finance Vehicles – past, present, future'; Wu Weiping, 'Urban infrastructure financing and economic performance in China', *Urban Geography* 31 (2010), pp. 648–667; Tsui, 'China's infrastructure investment boom and local debt crisis'; Yuanyan Sophia Zhang and Steven Barnett, 'Fiscal vulnerabilities and risks from local government finance in China'. IMF Working Paper WP/14/4 (2014), available at: <http://www.imf.org/external/pubs/ft/wp/2014/wp1404.pdf> (accessed, 14 January 2017); Li and Yang, 'What causes the local fiscal crisis in China: the role of intermediaries'; Pan et al., 'Developing by borrowing? Inter-jurisdictional competition, land finance and local debt accumulation in China'.

³³ Wu et al., 'Reproducing the city of the spectacle: mega-events, local debts, and infrastructure-led urbanization in China', p. 58.

³⁴ Philip C.C. Huang, 'Chongqing: equitable development driven by a "third hand"?' *Modern China* 37, (2011), p. 579.

conversion of 'raw' land into land that is ready for development.³⁵ Elsewhere, UIDCs occur occasionally as 'quasi-government companies' in work on urban growth mechanisms.³⁶ Otherwise, there appear to be only passing references to the development and construction component of the activities of these state-owned corporations.³⁷

Our concern here is primarily with the local state. However, the role of the central state is inevitably an important contributory factor. It is an ultimate arbiter whose opposition to development plans can cause their demise.³⁸ It sets the rules, even if local states often break them.³⁹ Above all, it decides national policy on credit availability, grappling with its dilemma of maintaining social stability through forms of support that entail looser credit while reforming the economy through measures that involve at least in part tighter monetary policy.⁴⁰ These measures have had a significant effect on the progress of the Hongqiao project, as we shall observe later in this paper.

Although this paper concentrates on state corporate urbanism, this is not an 'exclusive ticket'. Firstly, it does not exclude private sector involvement in financing or indeed executing urban projects, although this is more likely to be found in east coast cities.⁴¹ Secondly, it does not contradict or preclude other interpretations of state involvement in city building, which can be seen both as developmental and entrepreneurial; nor does it imply that clientelist or predatory relationships will not materialize.⁴² What it does do is draw attention to the multifarious and sometimes obscured role of local state organizations in pursuing their vision of growth based on rapid urban restructuring and

³⁵ Hsing, *The Great Urban Transformation: Politics of Land and Property in China*, p. 35.

³⁶ Zhang, 'Urban development and a socialist pro-growth coalition in Shanghai', p. 495; Qian Zhu, 'Institutions and local growth coalitions in China's urban land reform: the case of Hangzhou High-Technology Zone', *Asia Pacific Viewpoint* 48, (2007), p. 227.

³⁷ These can be found, for example, in: Philipp Zielke and Michael Waibel, 'The urban governance of brownfield restructuring in China: the case of Guangzhou's T.I.T Creative Industry Zone', *Asia Pacific Viewpoint* 57, (2016), p. 99; Carolyn Cartier, 'Territorial urbanization and the party-state in China', *Territory, Politics, Governance* 3, (2105), p. 313; Wu Fulong, 'Commodification and housing market cycles in Chinese cities', *International Journal of Housing Policy* 15 (2015), p. 23; Tsui, 'China's infrastructure investment boom and local debt crisis', p. 700.

³⁸ Shen Jie and Wu Fulong, 'Restless urban landscapes in China: a case study of three projects in Shanghai', *Journal of Urban Affairs* 34, (2012), pp. 255–277.

³⁹ Wang and Song, 'The political economy or retail change in China'.

⁴⁰ 国务院 [State Council] “关于加强地方政府性债务管理的意见” [Management guidelines for the strengthening of local government debt], 中国证券网 [China Securities News] 2 October 2014, available at: <http://news.cnstock.com/news.zxk-201410-3197847.htm> (accessed, 19 February 2017); Reuters, 'Beijing approves "reasonable" debt financing for local governments', *South China Morning Post*, (4 November 2016), available at: <http://www.scmp.com/news/china/article/2043135/beijing-approves-reasonable-debt-financing-local-governments> (accessed, 17 January 2017); Cary Huang, 'The dangerous cost of China's debt-fuelled growth: delays to much-needed structural reforms', *South China Morning Post* (27 April 2016), available at: <http://www.scmp.com/comment/insight-opinion/article/1939057/dangerous-cost-chinas-debt-fuelled-growth-delays-much-needed> (accessed, 17 January 2017).

⁴¹ Wu, 'Urban infrastructure financing and economic performance in China', p. 654.

⁴² Lee Chin-Chuan, Zhou He, and Yu Huang, 'Party-market corporatism, clientelism, and media in Shanghai', *The International Journal of Press/Politics* 12, (2007), pp. 21–42; Wang and Song, 'The political economy or retail change in China'; Zielke and Waibel, 'The urban governance of brownfield restructuring in China: the case of Guangzhou's T.I.T Creative Industry Zone'.

urbanization. All these elements are clearly present in the case of the Hongqiao project in Shanghai, and it is to a consideration of Hongqiao that we now turn.

4. Hongqiao, the context

4.1 Hongqiao Business District

Driven by the intertwined factors of globalization, decentralization, and urbanization, Shanghai has been significantly transformed by a series of special projects promoted by central government and undertaken by municipal government. These are, primarily, the mega urban projects of Pudong New District, Songjiang University Town, the One City Nine Towns project, and the two projects on which the focus has rested in recent years, Hongqiao Business District in the west and Nanhui Xinchengzhen to the east, on the seafront south of Pudong airport.⁴³ UIDCs have played a prominent part in these urban projects; for example, four large UIDCs accomplished the first-phase development of Pudong.⁴⁴

In the core area of 4.7 square kilometers of Hongqiao Business District, within a total project area of 26 square kilometers of expropriated land, 175 office towers out of 350 planned buildings are either under construction or finished; by April 2016, 5.5 million square meters of floor space had been completed. Between 2011 and the writing of this paper in 2016, a total of 600 businesses had settled in Hongqiao business district. Most of them are in the finance, commerce, exhibition, education, retail, catering and hospitality sectors, very much as one would anticipate for a project of this nature.

At the time of writing, the core area of Hongqiao business district had attracted 45 property development companies, as well as 224 large enterprises and 7 regional headquarters of large private or state-owned groups.⁴⁵ Despite the sluggish property market, approximately 3.5 million square meters of office space had emerged by August 2016, causing significant oversupply.⁴⁶ The situation was exacerbated by the concurrent construction of CBDs, including Nanhui Xinchengzhen, by district governments in Pudong, Xuhui and Jingan district. When asked in September 2016, Shenhong Company officials told us they had no details on the extent of empty office space or even of empty buildings in Hongqiao, but visual evidence, figures from other mega projects in China and the general slowdown in the Chinese economy, especially property development, indicate that this is likely to be substantial, and this overall picture was confirmed by company officials.⁴⁷

4.2 Shenhong Company

⁴³ Shen and Wu, 'Restless urban landscapes in China: a case study of three projects in Shanghai'.

⁴⁴ For an analysis of this process, see: 龙夫 [Long Fu], 开发公司模式的浦东实践 [The Pudong experience with the development company model], 上海国资 [Shanghai state investments] 20 July 2010, available at: <http://xinguozi.cn/article/show/78/0/2> (accessed 20 February 2017).

⁴⁵ Interview with officials from Hongqiao Business District Management Committee responsible for second-phase developers, 20 August 2016.

⁴⁶ Interview with Shenhong Company official responsible for second-phase developers, 22 August 2016.

⁴⁷ Interview with Shenhong Company officials responsible for second-phase developers, 24 September 2016.

In addition to a number of second-phase developers (二次招商 *erceng zhaoshang*), there are two central actors in the development of Hongqiao. They will be introduced here along with the second-phase developers, before embarking on a more extensive examination of the role of Shenhong Company.

Shenhong is the organization that has been responsible for land expropriation and land transformation as well as coordination with other stakeholders to facilitate infrastructure projects. It has played a crucial coordinating role in the construction of the Hongqiao transport hub as well as Hongqiao Business District, although decreasingly so in the latter case as it has handed over some important duties to Hongqiao Business District Management Committee (HBDMC; 虹桥商务区管理委员会 *Hongqiao shangwuqu guanli weiyuanhui*). Since the establishment of HBDMC in 2009, the division of tasks of management and coordination has gradually been refined and adjusted between Shenhong and the management committee. The former has gradually focused on three principal business activities: early-stage land development and management, construction of public service facilities and operation of Hongqiao transport hub.

Founded in July 2006, Shenhong Company was capitalized by three companies owned by Shanghai Municipal Government -- Shanghai Jiushi (Group) Co., Ltd. (上海久事 [集团]有限公司), Shanghai Airport Authority (上海机场[集团]有限公司) and Shanghai Municipal Land Reserve Centre (上海市土地储备中心), who remain the only shareholders. During the construction of the Hongqiao transport hub, Shenhong was the only authorized representative of the municipal government. For both the transport hub and the business district, its main responsibility has been to provide financing for and supervise construction and support public service projects such as the provision of green space, but alongside this it has had a number of other functions, which are discussed below in Section 5.⁴⁸ Shenhong is but one of a significant number of UIDCs operating in Shanghai. One of the oldest is Shanghai Urban Construction Investment and Development Company (上海市城市建设投资开发总公司), founded in 1992 and Shanghai's principal constructor of infrastructure with numerous subsidiaries; it was involved in the building of elevated expressways and underground metro lines linking Hongqiao to the city center. On a smaller scale, Shanghai Hongqiao Business District Real Estate Investment Co., Ltd. (上海虹桥商务区投资置业有限公司) is a joint venture founded by Shenhong to undertake a number of specific property investment projects in Hongqiao.

Like other UIDCs, Shenhong adopted the approach known as rolling development to finance its operations, using expropriated land as collateral in the initial stage of the project and then using income from land leasing. In particular, early-stage land development has been of crucial importance for Shenhong because development of the Hongqiao business district depends largely on revenue from land leasing in the district and only to a very small degree on tax revenue.⁴⁹ It has so far completed a total of about 70 billion yuan of investment financed through bank loans and revenue from

⁴⁸ Interview with official from Shenhong Company responsible for planning, 26 July 2012.

⁴⁹ Tax revenue in 2015 stood at a relatively small total of 150 million yuan (interview with Shanghai Municipal Government official, 18 August 2016).

land, enabling it to convert this stretch of once semi-urban land into terrain with infrastructure ready for the construction of the new CBD.⁵⁰

4.3 Hongqiao Business District Management Committee

With the impending completion of Hongqiao transport hub, HBDMC was established by Shanghai municipal government in 2009. It has taken over from Shenhong responsibility for planning and policy support for the projects being undertaken by developers on the ‘cooked’ (or mature) land, that is to say, land for which the infrastructure has been provided. Unlike Shenhong, which is a state-owned company, the management committee is an arm of territorial government, equivalent to other district governments of Shanghai, but very much *primus inter pares* in having as its chair a deputy Shanghai mayor. HBDMC’s administrative territory covers the 26 square kilometers of the Hongqiao project – most of it taken over from Minhang District Government -- and thus currently includes only a relatively small number of residents, primarily those who were relocated to make room for the project.

The development of Hongqiao Business District has involved important work in planning, policy and investment attraction, all tasks which, unlike the project financing and execution, are generally undertaken by local government rather than state-owned corporations. In particular, investors need guarantees from local government of policy support for their project in terms of tax, infrastructure, and planning, all of which is beyond the role of a state-owned company. Alongside this, promoting the business district and attracting investors, especially the headquarters of service companies, has been the primary preoccupation of the management committee. In its task of promoting Hongqiao, the committee was greatly aided by the fact that the municipal government had made Hongqiao its priority project, supporting it both through financial means and through various enabling measures. Shanghai’s government provided special funding to newly settled companies in the form of subsidies for housing and rents and a reduction in tax rates. HBDMC and Minhang District Government jointly inaugurated a business service center on 9 July 2014 to attract companies to locate in Hongqiao. The center provides advice to companies considering investing in Hongqiao. The management committee also undertook a series of promotional events not only in Shanghai but in Hong Kong and Japan too.⁵¹

The issue for the management committee, however, is that most investors have built luxury properties, office towers, shopping malls and hotels. There has been a much poorer response from the sorts of companies for whom Hongqiao was originally designed, that is to say the advanced producer service companies who, it was hoped, would anchor Shanghai’s economy more firmly into that of the Yangtze River Delta.

4.4 The second-phase developers

⁵⁰ Interview with official from Shenhong Company responsible for land development, 24 September 2016.

⁵¹ Interview with official from HBDMC responsible for project promotion, 2 September 2015.

The second-phase developers are state-owned and private companies involved in buying leases on land and building and selling property on that land. With the ground prepared by Shenhong, HBDMC interacts with the so-called second-phase developers. These are the companies, both private and state-owned, who successfully bid for 50-year leases for land plots that have been demarcated by HBDMC. The role of these second-phase developers is not insignificant. While Shenhong has invested 12.7 billion yuan in public gardens, roads and public facilities, the second-phase developers have invested 97.5 billion yuan in the process of construction of Hongqiao business district.⁵²

The slowdown in Chinese economic growth since 2012 has created considerable difficulties for second-phase developers in trying to attract tenants, which in turn has led to loan repayment problems.⁵³ With the projects in the second phase of the Hongqiao business district project about to come on stream, land leasing and construction are lagging behind plan. Property companies are less willing to bid for land plots now, jeopardizing the sustainability of the rolling development process.

While the principal second-phase developers come from the private sector -- companies like Shui On and Vanke -- the project required significant support from the state, not only in terms of the tax breaks and similar incentives mentioned above but also through up-front leading-role investments. The HBDMC building and the National Exhibition Centre were both projects led by Shanghai Municipal Government and HBDMC with the aim of creating landmark buildings and a new city center in the core area of the business district. HBDMC was given the best location in the Hongqiao Business District next to the transport hub in an attempt to enhance private investors.⁵⁴ The construction of the National Exhibition Centre was planned and funded by the central government's State Council and the Shanghai Municipal Government, an embodiment of central government support for the project and a clear sign of confidence to investors.

Many of the early and largest investors in Hongqiao have been wholly or partially state-owned companies, reinforcing the state corporatist nature of the project. Thus, Shanghai New Changning (Group) Co., Ltd. (上海新长宁[集团]有限公司), which invested in a luxury property project in Hongqiao, is a company owned by the neighbouring Changning District Government, while Shanghai Hongqiao Business District New Energy Investment and Development Co., Ltd. (上海虹桥商务区新能源投资发展有限公司), responsible for supporting projects involving energy development and construction in Hongqiao business district, is jointly funded by Shenhong Company and other state-owned companies.⁵⁵

Given the difficulties that the Hongqiao project faced in 2010, it is no surprise to find that property companies were reluctant to invest and that the first project, Hongqiao Green Valley, was bid for and built by Shanghai Hongqiao Business District Investment

⁵² Interview with officials from HBDMC responsible for investment, 25 September 2016.

⁵³ Interview with Shenhong Company official responsible for second-phase developers, 25 September 2016.

⁵⁴ Interview official from Shenhong Company responsible for investment, 21 August 2012.

⁵⁵ Interview with official from Shenhong Company in charge of project construction, 5 September 2015.

Property Co., Ltd. (上海虹桥商务区投资置业有限公司), another organization in the network of companies affiliated to Shenhong.⁵⁶ The lease was bought at a high price, which helped boost the confidence of property developers in the project.

Private developers have followed suit, and not only ‘friends of Shanghai’ such as Shui On, known for its landmark development of Xintiandi in the center of the city. Several other Shanghai-based and national property developers have invested in Hongqiao, while a growing number of end users have located their offices there, including one of China’s largest pharmaceutical firms, a Taiwanese technology group, and an e-commerce company. More slowly than anticipated, the core area of Hongqiao is filling up with the offices and retail outlets of private companies, even if these companies are not all in the advanced service sectors as originally intended.

5. Shenhong Company

5.1 Shenhong Company and the transport hub

The construction of Hongqiao integrated transport hub involved eight closely related projects, with as many as 46 sub-projects, involving 12 major investors and more than 20 construction companies active in design, consulting and construction. Shenhong was responsible for all of these projects except for certain specific aspects of airport expansion work and the Hongqiao high-speed rail terminal, which were undertaken respectively by the Shanghai Airport Authority and Beijing Shanghai High Speed Rail Corporation (京沪高速铁路股份有限公司).

The specific corporate structure under which Shenhong initially operated involved an umbrella organization known as the Construction Headquarters for Hongqiao Integrated Transport Hub (虹桥综合交通枢纽建设指挥部) established by Shanghai Municipal Government in 2007. Shenhong assumed the functions of an office within these headquarters. The umbrella organization was primarily a device designed to enable the Shanghai Municipal Government to retain overall control and supervision by placing a deputy mayor at its helm -- Shenhong as a ‘company’ (公司 gongsi) is not authorized to have a public official as its head.⁵⁷ At the same time, it coordinated and negotiated among the main stakeholders, Shanghai Airport Authority, the Shanghai Railway Bureau of the Ministry of Railways, Shenhong Company itself as well as the surrounding administrative districts of Minhang and Changning.⁵⁸

⁵⁶ Shanghai Hongqiao Business District Investment Property Company was established in 2010 with registered capital of 1.8 billion yuan. The company's main responsibility is to provide public services supporting construction, for instance, public green space and internal roads and squares in Hongqiao business district. It is a joint venture between a private company, Shanghai Zhonghe Real Estate Development Co., Ltd. (上海中和置业有限公司) and two state-owned companies, Shanghai Land (Group) Co., Ltd. (上海地产[集团]有限公司) and the prominent state-owned urban design and construction company Shanghai Xian Dai Architectural Design (Group) Co., Ltd. (上海现代建筑设计[集团]有限公司). Its function is to build the Hongqiao Green Valley project and supporting infrastructure.

⁵⁷ Interview with official from Shenhong Company responsible for planning, 13 November 2011.

⁵⁸ Interview with official from Shenhong Company responsible for coordination, 5 September 2015.

During the period when it was primarily involved with the construction of the transport hub, Shenhong operated through a coordination mechanism that had two elements. One was a 'headquarters' (指挥部 zhihuibu) for contractors involved in construction of the hub. The other comprised three supervisory 'platforms' (平台 pingtai), one each for progress monitoring, design management coordination, and construction coordination. The principal tasks involved during the construction of the hub from 2006 to 2010, once land expropriation had been completed, were construction of the transport facilities for airport expansion, of the high speed railway station, of metro lines and stations connecting to the city center, and of a highway link to the city center, as well as basic infrastructure and the transformation of rural land to urban registration. During all these processes, Shenhong was the only authorized representative of the municipal government.⁵⁹ Under Shenhong's supervision and further reflecting the state corporatist nature of the project, many state-owned companies were involved in constructing the transport hub and its surrounding infrastructure. In addition to the airport terminal and high-speed railway station building, the construction of many other infrastructure facilities such as energy pipelines and road systems was coordinated by other state-owned municipal companies including Shanghai City Urban Construction Investment and Development General Company (mentioned above) and Shanghai Electric Power Co. , Ltd. (上海电力股份有限公司).

5.2 Shenhong's role in the planning and construction of the business district

Shenhong Company played a different role in the construction of Hongqiao Business District than it did for the transport hub. While for the transport hub, Shenhong's main task was land requisition and coordination of construction of the transport buildings and infrastructure facilities, for the business district, its role gradually shifted to financing the project, supervising the preparation of the land for development, and providing infrastructure facilities. Here, we detail the role of Shenhong Company in the construction of the business district.

Four subsidiary companies were either transferred to or established by Shenhong to carry out the development and construction of the district (Figure 1). They handled the task of construction of public infrastructure facilities, including green spaces, connection corridors between buildings, and the road network. More specifically, Shenhong along with its subsidiaries was involved in the following activities: land acquisition for the business district; detailed internal planning of the business district; maintaining land reserves within the planning area of the business district; and land conversion and construction of public infrastructure. We review each of these activities below before examining its primary function, that of raising the finance to make the project possible.

-- Figure 1 about here --

First, Shenhong was in charge of land requisition. It 'bought' land from Minhang District Government at a price of 1.4 million yuan per mu (15 mu are equal to 1 hectare), and these funds were used to compensate relocated residents. Shenhong also oversaw

⁵⁹ Interview with official from Shenhong Company responsible for management, 13 November 2011.

the related tasks of preparing the land by demolishing buildings and relocating residents whose homes were located within the project area; this task was then delegated back to Minhang District Government.

Second, Shenhong led the detailed internal planning of the Hongqiao area. All the expropriated land in Hongqiao was staked out and planned. Detailed planning work was undertaken on the 4.7 square kilometers of the core area; in the first phase of the project, 32 land plots were planned and leased out through the primary land market. Lessons were learnt from experiences in Pudong, where plans had been frequently contravened, and an attempt was made to ensure that service-related companies were the ultimate occupants

Third, Shenhong managed the newly converted land and provided public infrastructure and facilities. This is the so-called process of 'seven linkages and one levelling' (七通一平 qitong yiping), a planning term used to describe road construction, water supply, drainage works, electricity supply, gas supply, the laying of cables, communication networks and land levelling. Bank loans financed the provision of infrastructure and utilities, and the consequent transformation of the land from immature to mature (or raw to cooked, to use expressions current in China). With the land conversion process complete, the mature land was ready to be placed on the primary market. The mature land was used as collateral by Shenhong to get bank loans of 20 billion yuan from four banks including the Industrial and Commercial Bank of China and the Shanghai Pudong Development Bank.⁶⁰

Fourth, Shenhong was responsible for land reserves and rolling development. Due to increasingly limited funds, it has so far proved impossible to fund all the projects within the 26 square kilometer planning area. The first phase of the core area was designated as a priority area; the land revenue generated from the conversion and preparation of these plots was then used to develop the next set of plots and related infrastructure. The expectation is that eventually the success of the core area will lead to a rise in land value, allowing Shenhong to start developing some of the reserve land, and Shenhong's ownership of much of the reserve land enables it to negotiate and bargain with banks for loans for investment in basic infrastructure facilities.

5.3 Shenhong as local financing platform

Here, we look in more detail at Shenhong's primary function as a UIDC, that of raising the finance for the Hongqiao project (Figure 2). First we provide some background on the company's role in the funding of the project before analyzing in more detail the problems that it faces.

Shenhong's main cost has been land compensation and relocation of villagers, for which purpose it transferred the funds to Minhang District Government for disbursement. By the end of 2008, Shenhong's total assets had increased to 22.4 billion yuan. Of this total, cash funds had reached 1.06 billion yuan, while the value of inventories (mainly land reserves) had risen to 17.26 billion yuan. Shenhong was seen

⁶⁰ Interview official from Shenhong Company responsible for planning, 21 June 2012.

as the 'big landlord' of Hongqiao Business District as it was in charge of land auctions.⁶¹ In the early days of the project, as one bank executive told us, the lender banks had viewed the future of Hongqiao Business District with optimism.⁶²

-- Figure 2 about here --

Shanghai Municipal Government provided Shenhong with start-up capital of 2 billion yuan in 2006; this was followed by a 3 billion yuan investment from Shenhong's three shareholders.⁶³ Finally, Shenhong Company with 5 billion yuan in hand, was able to initiate the whole project; by 2015 total investment had reached 150 billion yuan. The size and the expense of the project necessitated the formation of a finance coalition formed by Shenhong's main stakeholders -- its three shareholders and the following banks, three of them state-owned and one partially so, China Construction Bank, Shanghai Pudong Development Bank, the Industrial and Commercial Bank of China, and Minsheng Bank, all under the supervision and coordination of Shanghai Municipal Government.

As a result of pressure from Shanghai municipal government as coordinating authority, banks actively provided financial support for the Hongqiao project without security in the form of any physical assets except for land. Indeed, much of the capital came specifically from Shanghai-based banks, primarily Shanghai Pudong Development Bank and the Bank of Communications. The capital came in the form of liquidity loans for fixed assets.⁶⁴

At this stage, up to 2010, Shenhong could only obtain short term liquidity loans as the transport hub was still in the process of construction and so there was no collateral except for infrastructure and government buildings, which could not by law be auctioned by banks if Shenhong failed to re-pay its loans.⁶⁵ Shenhong's performance suffered as a result of its inability to take on long-term loans, which itself was the result of regulations imposed by the China Banking Regulatory Commission. Shenhong's situation became even more parlous in 2010, when the commission issued interim measures designed to prohibit short-term liquidity loans for fixed assets, equity and other investments. The Hongqiao project, funded by banks through short term liquidity loans, became as a result non-compliant, and eventually in 2011 Shenhong defaulted on some of its debts.⁶⁶ The interim measures included regulatory orders prohibiting UICs from borrowing new money and renewing old loans to raise new funds⁶⁷.

However, with completion of an asset in the form of Hongqiao Railway Station, Shenhong Company was able to use this as collateral to apply for a fixed asset loan,

⁶¹ Interview with official from Shenhong Company responsible for investment, 18 September 2015.

⁶² Interview with bank executive responsible for lending activity, 24 September 2012 and 22 August 2015.

⁶³ Interview with official from Shenhong Company responsible for management, 29 November 2011.

⁶⁴ Interview with bank executive responsible for bank loans, 24 September 2016.

⁶⁵ Interview with Shenhong Company officials responsible for investment, 20 September 2015.

⁶⁶ Interview with Shenhong Company officials responsible for planning, 22 September 2015.

⁶⁷ 国务院 [State Council] “国务院办公厅关于进一步做好房地产市场调控工作有关问题的通知” [State Council notice concerning steps towards improving regulation of the property market], 27 January 2011, available at: http://www.gov.cn/zwqk/2011-01/27/content_1793578.htm (accessed 23 February 2017).

referred to in Chinese as a mortgage (抵押 *diyā*). Shenhong sought therefore to convert its short term liquidity loans into fixed asset-backed loans.⁶⁸ The Shanghai bureau of the China Banking Regulatory Commission held a special meeting on 28 June 2011 and opened the door to the setting up of syndicated loans to replace liquidity loans for Hongqiao infrastructure projects. Shanghai's main banks set up two syndicated loans for infrastructure projects being piloted by Shenhong, one of which reached 8.5 billion yuan for an initial 10-year period and another which exceeded that figure.⁶⁹

In response to the temporary freeze on lending to Shenhong in 2010 and 2011 as well as a broader slowing in revenue from land leasing, which in good years brings in about 180 billion yuan to Shanghai's budget, the municipal government introduced in 2011 a series of incentivizing measures such as promoting bank loans to property developers and allowing urban households to buy second properties. These measures helped to relieve some of the financial pressure on Shenhong. More specifically, in relation to Hongqiao, Shanghai Municipal Government negotiated on behalf of Shenhong with local banks to provide loans for Shenhong using the buildings and facilities of the transport hub as collateral. In addition, municipal state-owned companies were encouraged to bid for land plots and invest in Hongqiao business district in order to enhance confidence among private investors.

During these years, the State Council was, for the main part, attempting to control the market and restrain speculative activity in an attempt to bring local governments to heel.⁷⁰ It was not, however, until 2016 that Shanghai fell fully into line, with measures designed to reverse its previous expansionist policy and, among other things, prohibit Shanghai residents from buying additional properties.⁷¹

From 2011 onwards, progress on the project proceeded at a much slower pace, with Shenhong struggling to repay its debts and slow land auctions exacerbating the situation. The company was forced into a strategy of setting a relatively low price of approximately 11,000 yuan per square meter for land leases in Hongqiao at auctions held in 2011, 2012 and 2013. This was significantly lower than prices elsewhere in Shanghai at the time.

By 2015, after five years of intensive construction in Hongqiao business district, 32 land plots had been leased out in the core area to state-owned and private development and property companies bringing in revenues of 43 billion yuan for Shenhong. Since then, however, in an environment of declining economic growth, Shenhong has been finding it harder to auction off converted land, particularly in the process of construction of the second phase of Hongqiao business district. Shanghai

⁶⁸ Interview with bank executive responsible for bank loan, 24 September 2016.

⁶⁹ Interview with bank executive responsible for bank loan, 24 September 2016.

⁷⁰ 国务院 [State Council] “国务院办公厅关于继续做好房地产市场调控工作的通知” [State Council notice concerning continuing work to improve regulation of the real estate market], 中央政府门户网站 [China Central Government News], 1 March 2013, available at: http://www.gov.cn/zwqk/2013-03/01/content_2342885.htm (accessed, 22 February 2017).

⁷¹ Daniel Ren, 'Shanghai tightens rules on buying second homes to cap soaring property prices', South China Morning Post, 3 March 2016, available at: <http://www.scmp.com/news/china/policies-politics/article/1930551/shanghai-tightens-rules-buying-second-homes-cap-soaring> (accessed, 23 February 2017).

Municipal Government has become more directly involved. On 21 June 2016, it announced that the district would become a developmental priority for the municipal government in its 13th Five-Year Plan (2016-2020), meaning that Hongqiao would get more policy and financial support from the municipal government.⁷² The specific aim was to help combat the difficulties faced by Shenhong in terms of lack of funding.

6. Concluding reflections on Shenhong, Hongqiao and state corporatist urbanism

Shanghai's status in China is paradigmatic, even iconic, but as we have shown in this paper, with projects the size of Hongqiao it relies not only on experience but also on support from the national government. That does not however mean that its leadership always sees eye to eye with Beijing. The centrally orchestrated slowdown in the national economy that began around 2012 was resisted for some years in Shanghai, not least because of the problems it caused for Hongqiao. The relationship between national government and leading city is therefore a multi-faceted and even sometimes an antagonistic one. For the Hongqiao project itself the problems resulting from the economic slowdown were aggravated by competition from other new CBDs in the city. In this context, Hongqiao has welcomed any and all investors regardless of whether they fit into the plans made for it as a center for the advanced service sector. There is too much at stake for Hongqiao to be allowed to fail, even if a few compromises have to be made or delays tolerated along the way.

While the Hongqiao project itself is one of China's largest, it nevertheless exhibits many representative features of urban development schemes, the first of which is the role of Shenhong as an example of what have come to be known as urban investment and development companies. To recapitulate some of the principal features that it shares with other UIDCs, Shenhong is one of a considerable number of UIDCs within its urban territory; it is owned and controlled by an umbrella grouping of other state corporate entities under the leadership of a deputy mayor; and it has itself spawned various subsidiary companies involved in carrying out development work. Shenhong, in the range of roles it has played, reflects the activities of many other UIDCs across China, although on a larger scale. In drawing attention to Shenhong's activities, we wish to bring to the forefront of scholarly discussion the significance of UIDCs in China's massive urban expansion.

UIDCs are companies ultimately owned by local governments with two primary roles. Their first role is to do what the local state itself is not permitted to, that is, to raise funds by borrowing money from banks and operate in the red. This they do against the promise of future profits from land leasing. In this guise, urban investment and development companies are also known as local government financing platforms. They finance urban expansion projects through bank loans backed by guarantees from local government based on expropriated land as collateral. This enables local governments to hide behind the UIDC shield and protect themselves from budget

⁷²上海市人民政府 [Shanghai Municipal Government], 上海虹桥商务区发展“十三五”规划 [Shanghai Hongqiao Business District Development "13th Five-Year Plan"], 30 August 2016, available at: <http://www.shanghai.gov.cn/shanghai/download/gongkai/hff1670.pdf> (accessed, 20 February 2017).

crises.⁷³ In their second guise, urban investment and development corporations undertake urban construction projects by coordinating the work of specialized companies, many of them owned or part-owned by the principal UIDC. Around China UIDCs are a common yet infrequently discussed feature of urban projects, involved in the provision of infrastructure of all types and the whole range of work that constitutes the first phase of urban development projects.

We have discussed UIDCs within the conceptual orbit of a local state corporatism that feeds off urban expansion. They show, we believe, the extent of the state's involvement in urban development and city-building activities in general, often through state-owned companies, sometimes in alliance with mixed shareholding or private companies. More specifically, we see how Shenhong, as an organ of the state, uses the nomenclature and the shareholding structure of a private company. The state is adopting some of the outward features of private companies in order to sidestep restrictions and controls, to avoid otherwise irksome tasks such as dispossessing and relocating residents, and to remove itself from the direct firing line in case a project fails, while always retaining ultimate control. It is in this way creating a corporate urban space in which it can operate safely by adopting a guise that conceals its nature as a state entity.

This is not the same state corporatism that Oi and others called on to give conceptual light to TVEs in the Yangtze River Delta, nor is it the more conventional state corporatism that denotes state attempts to co-opt NGOs or control wage bargaining. State corporatist urbanism refers to the proliferation of corporate entities created by the local state in order to fund and build the infrastructure and prepare the land for the urban development projects that have changed the landscape of China. Operating in an entrepreneurial environment and fitting into the ambiguous world of Chinese enterprise, these organizations bear the trappings of the business corporation yet operate as vehicles of urbanization for the state. They are therefore central to the state's vision of a modern urban society and represent what we have called here a state corporatist urbanism. Finally, they are but one manifestation of a complex corporate architecture in China, in which a range of ownership and shareholding patterns exist and in which companies operate at variable distances from the state, state corporatism as much as state capitalism.

⁷³ Reuters, 'Beijing approves "reasonable" debt financing for local governments'.