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## **Shifting land-based coalitions in Shanghai's second hub**

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## **Shifting land-based coalitions in Shanghai's second hub**

### **Introduction: after Pudong in the east of Shanghai, Hongqiao in the west**

New towns, new districts and new CBDs have been sprouting up throughout China since the late 1990s, a trend that has been fuelled by a large influx of domestic and foreign investment since 2000. The Hongqiao project is one outstanding example in the new wave of urban projects, outstanding because of its scale and location. Hongqiao lies in the less developed western part of Shanghai, about 18 kilometres from the city centre. In 1984, a Hongqiao Economic Development Zone was created near Hongqiao airport, but since then this part of the western suburbs had been almost entirely ignored in round after round of industrialization and urbanization. Hongqiao was, therefore, semi-rural and semi-urban before the Hongqiao project was initiated in 2007. Land-use characteristics were mixed, with a scattered distribution of industrial parks, rural villages and gated communities, one next to the other in a state of disorder.

Since 1978, the Shanghai Municipal Government had been focusing on urban regeneration in the city centre and the development of Pudong district, which was a national development strategy in the 1990s. Less attention was paid to urban development in the suburbs, with the consequence that Shanghai could not compete with its neighbouring cities, and in particular with Suzhou, whose GDP and FDI growth rates were far stronger (Li and Wu, 2012). It was under these conditions of regional urban competition and under pressure from central government that a series of active steps were taken by the Shanghai Municipal Government; these involved a number of eye-catching projects, including a new university town and a series of new urban centres built in various European styles (Shen, 2011; Shen and Wu, 2012). Hongqiao, however, was designed as a mega urban project superseding all these other projects.

The Hongqiao project has two components. The first is a transport hub, including a new terminus for high-speed trains linked to the existing airport, which itself has been expanded. The second is a business zone. The whole project covers some 26 square kilometres, of which about four-fifths was expropriated from local interests, including villagers. The Hongqiao project is expected to promote economic growth and urbanization in the west of Shanghai through the construction of a new commercial and trade centre, with a small but significant residential component. The hub, an important part of the project, has become the biggest transport junction in China since the inauguration of a high-speed railway station there in 2010. The Hongqiao business district is still in the construction process, with work due to be completed on 18 auctioned plots in the project's core area by the end of 2015. Much of the 26 square kilometres are being held in reserve for later development (interview with planning official, 29 November 2011).

The Hongqiao project was launched with a series of principal aims, which can be defined as promoting economic development, improving urban spatial planning and transforming the city's industrial structure. Under the heading of promoting economic development, the Hongqiao project is an attempt to kick-start the development of the west of the city by providing a new economic growth pole through the provision of convenient transport infrastructure and the development of a business zone to form a strong service sector nucleus (SMG, 2007). In terms of improving spatial planning, the aim is to turn Shanghai into a poly-centred city with a west core to rival Pudong in the east. The transport hub is designed to reinforce Shanghai's centrality in the region, providing speedy links to Hangzhou, Nanjing and the other major cities of the Yangtze River Delta (Figure 1).

This is a project to produce new space in the metropolitan region (Shen, 2011). Under the heading of transforming the city's industrial structure, the Hongqiao project is being undertaken in order to promote the development of the service sector as a leading component in Shanghai's industrial structure. In the process of transforming the city's industrial structure, a series of strategies were launched by the Shanghai Municipal Government starting in 2005 to de-emphasize and relocate the manufacturing sector and develop service industry (HBDMC, 2010). The Hongqiao project is seen by the city's government as the leading platform for Shanghai's transformation into a centre for international trade (SMG, 2010).

-- Figure 1 about here --

In detailing the way the construction of the Hongqiao project has been organized, this paper sheds light on urban change in China and in particular on the shape and nature of the urban coalitions without which change on the levels that we have seen over the last three decades would have been impossible. With this in mind the paper has a number of objectives. The first and principal objective is to demonstrate how one of the largest ever urban projects in China has been undertaken, which organizations are involved, and how their involvement changes according to the tasks at hand. The second objective is first to relate this process of urban restructuring to the literature on urban growth machines, regimes and coalitions in the context of US and European cities and then to contextualize it within the growing corpus of literature on pro-growth coalitions in China. Given that the success of the project remains dependent on continued rapid growth, growth in the economy that fuels growth in the property market, a third objective is to reflect briefly on how the immediate fate of the project is dependent on macro-economic decisions taken in Beijing by central government. More broadly, therefore, we explain here the mechanisms by which a mega project is undertaken, shed light on the coalition of forces that drives it forward and set these into a wider conceptual framework.

We define the coalition of organizations driving the Hongqiao project as a land-based urban growth coalition. Seeing this as common to most large-scale urban projects in China, we relate it to longstanding debates about how to conceptualize the forces driving urban development in North America and Europe, and also in China. We engage with the concept of urban growth coalitions in the Chinese context in two ways. First, we reiterate and reinforce those interpretations that highlight the accumulation of land and its conversion into a leasable commodity as the principal engine driving urban growth projects (Hsing, 2010; He and Wu, 2007). Accumulation of land entails the dislocation and dispossession of existing residents and businesses, but it meets multiple governmental goals, including the acquiring of revenue through exploitation of the gap between purchase price and leasing price, the enhancement of competitive position vis-à-vis neighbouring authorities and the 'modernization' of the built environment. Secondly, we extend the concept of urban growth coalition that punctuates much of the literature by arguing that such coalitions should be understood not so much as static groupings of organizations but more as dynamic forms made up of sub-coalitions; the 'membership' of these sub-coalitions shifts and changes according to the phase of the project and the nature of the work to be effected, operating under an umbrella coalition that is always led by the state and in which the state is the primary player. However, the state in China is multi-scalar and multi-actor, often reappearing in different guises, for example, as a property development company -- a process of multiplication of state agencies occurs (Hsing, 2010). It is indeed the coming together and parting of different state (and some non-state) actors that characterizes the coalitions that drive mega urban projects like Hongqiao forward.

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, and again in 2015. These involved in-depth interviews with officials of Hongqiao Business District and Minhang 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 heavily involved in the project. The principal interviewees were senior officials working in Hongqiao Business District and Minhang District government offices and deeply involved in the execution of 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 planners implicated in the project 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. After a brief review of the concepts of urban growth regimes and coalitions in US and European contexts, the paper examines the growing tendency in the literature to interpret urban development and restructuring in China as the product of pro-growth coalitions and assesses the ways in which different writers see the balance of forces within those coalitions. The paper's principal empirical focus is on the Hongqiao project and the various permanent and ad hoc organizations that have driven it forward. It re-interprets these groups in terms not of one monolithic coalition but of a coalition whose membership in a series of sub-coalitions shifts in ways alluded to above. This model of urban growth is predicated on debt financing through land acquisition and leasing, and the consequences on Hongqiao of central government attempts to rein in debt are discussed in the following section. The paper concludes by reaffirming the composite and flexible nature of the coalition of largely state-owned corporate entities that undertook the project and the nature of land as a lever for urban development through the extraction of profit from the sale of land leases.

### **Urban growth coalitions on Chinese soil**

Economic growth through the exploitation and development of land lies at the heart of the Chinese economic model and of the concerns of this paper. It is not surprising, therefore, that scholars writing on China have turned to growth machine theory and urban regime theory in order to make sense of what has been happening in Chinese cities and to relate this to trends elsewhere. This is an important strategy in order to avoid what Choon-Piew Pow (2012) refers to as "China exceptionalism." Pow reminds us that, "As a theoretical rejoinder to dominant 'Western' urban theories and discourses, scholars working in the context of the global south have often underscored the local uniqueness and particularities of their respective cities as a way to 'speak back' to Western theorization" (2012, p. 47). It is in other words important to avoid isolating China and Chinese cities from debates about urban change and to ensure thereby that China becomes more than a series of fascinating stories (Lin, 2009, p. 43). At the same time, it is important that China not be seen simply as a variant of North American norms. In the paragraphs that follow, we examine the difficulties that are faced in transporting theoretical constructs out of their original U.S. context and explore in more detail the work of urban scholars who have transposed them into a Chinese setting.

Growth machine theory builds its basic premise from the coming together of local political, economic, landholding and other elites around the creation of profit through local expansionary development and construction projects. It reflects a specifically US array of forces, including locally based banks and media, as well as a strong local business elite. For Harvey Molotch (1976), originator of growth machine theory, place had become a market commodity. Coalitions of local business elites marketed place to expand their city and make profits thereby (from increased tax revenue, in the case of local government). Molotch saw growth as the inevitable imperative of localities. Local government's role was to promote place for the benefit of business. Many commentators, however, have argued that the theory has only limited purchase in Europe (Harding, 1994; Wood, 2004). They point to the greater degree of leadership shown by local government, to the more pronounced role of central government and to the wider array of institutional players, including civil society organizations. The preference in the European context has been for interpretations that emphasize the entrepreneurial nature of urban governance (Harvey, 1989) and the centrality of public-private partnerships as tools for the advancement of projects. Furthermore, growth machine theory has been criticized for a tendency to become too localist, failing to take into account the interplay between different scales of government (Wood, 2005), and too voluntarist, affording too much theoretical weight to individual actors (Jessop et al., 1999). Growth machine theory fails to take into account, Jessop et al. (1999) argue, the constraints stemming from the discursive space within which city elites move and act.

In general, urban regime theory tends to be seen as more relevant to wider contexts, and a number of writers have expanded its compass through extended definition (Dowding et al., 1999). Nevertheless, in order to qualify as regimes rather than mere coalitions, urban regimes need to meet certain criteria. They need to have "(1) a distinctive policy agenda, which is (2) relatively long-lived, and (3) sustained by coalitions of interest or personnel [and] (4) [cross] sectoral and institutional boundaries." They should also "survive personnel and leadership changes" and would normally involve electoral politics and more than one party (Dowding, 2001, p. 14). These conditions circumscribe the interpretative meaning of urban regime theory, but without them, the concept loses all explanatory force.

It is easy to see why both these theories have appeal to scholars writing on China. Equally, it soon becomes clear why there are limits to their applicability. Growth machine theory hinges on the use of land for profit and the expansion of local government's tax revenues as a lubricant in the wheels of economic development. Both these premises are met fully in China (Shen and Wu, 2012). Local governments throughout China have used projects involving the conversion of land, either through urban restructuring or through urbanization of land on the urban periphery, to make money out of the leasing of land use rights, which are de facto treated as land sales. Under the terms of the tax-sharing system introduced in 1994, proceeds from land sales are not subject to division with central government and are thus a precious resource for local government. Furthermore, the Chinese state, particularly at local level, is nothing if not competition- and growth-oriented (Zhu, 1999), with central government regularly feeling it has to restrain it. Urban regime theory also appears to offer much in trying to interpret and make sense of urban change in China. It is clear that urban projects are generally undertaken by coalitions of actors who include business and private interests, some from Hong Kong or beyond (Yang and Chang, 2007). Zhu (1999, p. 546) has argued that "informal local urban regimes" characterize the development of Chinese cities along the country's more prosperous east coast.

However, on several counts, it would be hard to see pro-growth coalitions in Chinese cities qualifying to meet the criteria that Dowding (2001, p. 14) has laid out for urban regimes. There is generally no “distinctive policy agenda”; multi-party representative government is lacking; and projects are undertaken on a case-by-case basis and tend to be driven by specific individual government office holders such as local party leaders and city mayors who are keen to promote their own political careers (Zhang, 2002; Wang, 2011; Chien, 2013). Where writers do use the term *regime*, they tend to do so without specific reference to the details of an American type of urban regime. Such is the case, for example, in Li et al.’s reference to the “current urban land development regime in Chinese cities” (2014, p. 424) in their discussion of the events surrounding the construction of Guangzhou University Town (see also Cartier, 2001, among others for references to China’s “land use regime”). While there is at best occasional reference to regimes, the preference tends to be to employ the term *coalition* to refer to the interest groupings who promote and undertake urban restructuring projects as explained below.

The coalitions that drive forward urban restructuring in China have a number of points in common. First, they tend to be ad hoc and project-based. Zhang and Wu (2008) write that, unlike long-term coalitions in the US, the coalition of forces that oversaw construction of sporting facilities in Nanjing was short term. Ren (2011, p. 174) refers to “not a stable growth of private investors and government coalition ...[but] an informal and project-based relationship that constantly changes according to unpredictable domestic politics.” Secondly, they need to have a common cause, which is this: the search for profit deriving from land development that can be reinvested in infrastructure. Broadly speaking, there is explicit agreement among commentators that urban coalitions are pro growth (see, for example, Zhu, 1999; Zhang, 2002; Qian 2013), but Zhang (2014) reminds us that political coalitions are sometimes built around socialist ideology. Thirdly, while their emphasis varies, writers agree that pro-growth coalitions employ a common methodology. Projects are funded through debt financing, borrowing mainly but not exclusively from banks and relying on a booming property market to make profits out of the difference between compensation paid to relocated residents and the revenue gained from leasing land and property. Yang and Chang (2007) cast this in terms of a “rent-seeking” exercise by local government. Tsui (2011, p. 705) lays out some of the dangers inherent in this “rapid accumulation of debt.” Fourthly, coalition members often have divergent interests; they might share a cause, but they are also pursuing their own advantage. It is likely therefore that not all coalition members will benefit equally, and indeed coalitions may even become prey to fissiparous tendencies. Such can be the case when personal interests are involved, as noted by (Qian, 2007), or when the market falters and cools, prompting developers to lose interest (Zhang and Wu, 2008). Finally, there might also be government agencies such as large state-owned enterprises or central government affiliated organisations, that fail to join the coalition or even oppose it (Qian, 2013).

The way coalitions are constituted can, however, differ somewhat. That local government plays a leadership role is not in dispute (Qian, 2007; Zhang and Wu, 2008; Liu et al., 2012; Qian, 2013). Several writers on Shanghai emphasize specifically the leadership role played by district governments (Yang and Chang, 2007; Zhang 2002; 2005), but to be successful coalitions need to have a vertical as well as horizontal element (Zhang, 2014). Thus in Shanghai, the role of municipal government is seen as crucial (He and Wu, 2007). Nevertheless, large-scale projects will not prosper without support from central government, as was clear when the rug was pulled from under the Shanghai government’s plan for the construction of the Dongtan eco-city on the island of Chunming (Shen and Wu, 2012). The private sector is increasingly involved too, but the extent of its involvement is generally seen to depend on the location of the project. Thus the main cities of

the south are the arena for greatest private-sector involvement (Zhang 2002; Zhang 2014). Prestige projects in Shanghai such as Xintiandi also have a higher degree of involvement from private property developers (He and Wu, 2005).

A whole array of forces, which might otherwise be considered to have a valid role to play, are excluded from Chinese pro-growth coalitions. Local community interests are excluded, whether in inner city neighbourhoods (He and Wu, 2005; Zhang and Wu, 2008) or in peri-urban areas, where it is very difficult to form anti-growth coalitions (Qian, 2007). This is not to say that anti-growth coalitions cannot develop among villagers; on the contrary, popular resistance especially to land grabs by local governments have proliferated (Cai, 2008), but formidable obstacles exist, not least because of the ambivalent role by village committees, whose leaders are often working in collusion with government officials (Wu et al., 2013; Ong, 2014; Li et al., 2014). When protests do occur, they almost invariably do no more than delay projects. Other civil society organisations -- unions and federations, the media, cultural organisations -- are highly unlikely to play a part in pro-growth coalitions.

Coalitions, however, are complex entities in terms of their composition, and this complexity is not always well reflected in the literature. For large urban projects, the state creates arms-length organizations to undertake planning and preparation, to 'do the dirty work' of displacing and relocating residents, and to raise funds and attract investors; these organizations recruit staff from local government departments, have more freedom to raise funds and act in the marketplace, and protect local government from criticism and protests. Alongside these a range of state-owned companies join and depart from the coalition at various junctures. These include primarily relocation companies, banks and property developers. While some property developers may, as in the case of Xintiandi, be private companies, in north and central China, they are more likely to be state-owned. With their shares held by a cross-section of state organizations, it is as if these companies act as proxy for private-sector organizations (Hsing, 2010, p. 44). Zhang (2002, p. 495) and Qian (2007, p. 227) both refer to them as "quasi-government companies."

The complex patchwork of organisations forming the coalition undertaking the Hongqiao project is built around land and growth. It shares many features of its organising framework with other large-scale projects, such as Zhengdong New District in Henan Province and Guangzhou University Town (Xue et al., 2013; Li et al. 2014). Like all such urban projects in China, it is land-based to engineer economic growth with the aim of maximizing profits from land deals, the organizing principle around which the coalition is built (Hsing, 2010). Since the local state alongside governmental work units is automatically the landlord, land -- and the property built on the land -- is the passport to economic growth. The conversion of use value over land to exchange value is at the heart of urbanization in China.

In the section that follows, we will apply the concept of an overarching land-based urban growth coalition to the case of Hongqiao and identify the organizations whose presence at various stages has animated the project.

### **Running the Hongqiao project: governments, committees and companies**

The coalition undertaking the Hongqiao project, property-led and dependent on increases in land values, has at its core a number of tailor-made government organizations. While the project was

managed by the organizations making up this coalition, it was conceived and steered by Shanghai Municipal Government and more specifically by specific senior municipal leaders.

It was Shanghai Municipal Government that set up the ad hoc organizations responsible for the project. The first of these oversaw the construction of the transport hub. The Transport Hub Construction Headquarters, acting under an umbrella organization chaired by Shen Jun, the then deputy mayor of Shanghai, took charge of the construction of the Hongqiao transport hub at the start of the project in 2006. The headquarters supervised the activities of Minhang and neighbouring Changning district governments, the state-owned Shanghai Airport Group, two state-owned construction companies (Shanghai Construction Management Co., Ltd. and Shanghai New Changning Group) and state-owned Shenhong Company. Shenhong Company was established specifically for the construction first of Hongqiao transport hub and then of the business district, and therefore played a crucial role in the project. The offices of the transport hub construction headquarters were located in the Shenhong Company building with the result that Shenhong Company undertook a coordinating role on behalf of its parent organization (interview with senior Shenhong official, 8 January 2012).

Construction of the business district has been a far more intricate and complicated project than that of the transport hub because of the need to relocate villagers whose homes stood in the way (Jiang, 2014). Hongqiao Business District itself had been set up in 2009 along with its management committee, which gradually took over the role that Shenhong Company had previously played (interview with Hongqiao Business District Management Committee official, 20 December 2011). The business district covers an area of 19 square kilometres, to which Minhang District contributed about 18 square kilometres. Hongqiao Business District Management Committee (*Hongqiao Shangwuqu guanweihui*) was initially also chaired by Shen Jun and after that by another deputy Shanghai mayor, Jiang Ping. As the only special Hongqiao body still operating, it continues to negotiate and coordinate with Minhang District and other neighbouring districts to fix a unified policy on attracting investment (interview with Hongqiao Business District Management Committee official, 12 April 2015). It is made up of about 75 staff seconded from Shanghai Municipal Government, from Minhang District Government and, in a few cases, from other district governments (interview with senior Minhang official, 12 July 2012). The business district sits alongside other district governments, but at the same time, given its close connection to the municipal government, it ranks above them -- truly, *primus inter pares*.

Such is the broad hierarchy of organizations leading the Hongqiao project. We now move on to look in more detail at the role of the state and the bodies that it set up to create this mega urban project.

Over the decades of economic reform, central government has gradually reduced its role in specific urban development projects (Zhang, 2002), and local government (that is, in most cases, municipal government) has equally gradually replaced it. Shanghai Municipal Government has played a crucial role in orchestrating the Hongqiao project and, in particular, in supervising land quotas and giving direction to the project. What is more, Shanghai government has promoted important ad hoc administrative reforms and arrangements (such as the creation of Hongqiao Business District and Shenhong Company). These newly established organizations have played a crucial role in progressing the project; our interviews with officials confirm that they are at the heart of this land-based urban growth coalition. The organizational architecture of the project bears some similarities with the procedures put in place for the development of Pudong, where an

administrative commission was set up and a new district government created under the aegis of Shanghai Municipal Government (Marton and Wu, 2006). At the same time, there are some significant differences; Pudong was given the green light by central government, while Hongqiao was initiated by Shanghai Municipal Government. In Pudong, at least in the early stages of the project, most land was allocated or transferred not leased through auctions as in Hongqiao.

Shenhong Company was in charge of project planning and land reserves in the early stage of the project and was responsible in particular for the preparation of land for the project. It relied on start-up capital to implement the acquisition of land from Minhang District Government. The land, appropriated and converted by state fiat from rural to urban designation, was used as collateral to obtain bank loans from Shanghai Pudong Development Bank and China Agricultural Bank under local government guarantee (interview with Hongqiao Business District Management Committee official, 11 July 2012). With the support of bank loans, the land was transformed from 'immature' into 'mature' urban land through land levelling and the supply of water, gas, telephone lines and other infrastructure.

As the project progressed, Hongqiao Business District Management Committee became the main player in the urban growth coalition. It has organized and implemented the project relying on the leverage exercised by Shenhong Company, which auctioned off of the 'mature' urban land under the direction of Hongqiao Business District Management Committee. Land revenues were used to finish infrastructure facilities and develop post-project land as well as to repay bank loans. This was done based on the conventional strategy of rolling development, where income from one project funds the next one.

Coalition members can have divergent interests, but they need each to have expectations that they will benefit if the coalition is to hold together. However, the balance of benefit and loss is not always spread evenly. In Hongqiao, as elsewhere on large-scale projects, there is a mix of property development activity involving actors from the public and the private sector. As we have seen, public sector companies -- here in the early stages primarily Shenhong Company -- convert land from 'immature' to 'mature' status alongside investors from the public sector. Private investors are active participants in the urban growth coalition as purchasers of auctioned leases and owners either of whole buildings or of properties within them. They obtain profits from rising prices for property and from office rentals. The two principal private investors in property in Hongqiao are China's largest property company, Vanke, and Shui On Land, the Hong Kong-linked developers responsible for, among others, the Xintiandi development (interview with Hongqiao Business District Management Committee official, 29 July 2012). But, as we will suggest later, the slowdown in the project, has threatened their participation.

As a rule, district government benefits from a project of the scale of Hongqiao, through an improved image and in particular through lucrative land leases. However, we also see that some local authorities benefit more than others. Minhang District, for example, at the behest of Shanghai Municipal Government has had to supply a lot of land to the project and carry out difficult tasks of coordination in the process of relocating villagers without any recompense in terms of revenue from land leases. Because of difficulties in negotiations with villagers and resulting complications, the position of some local government officials has been put in question. District officials repeatedly told us they fear that their administration has been penalized both through having had to shoulder many of the costs (in expropriation and relocation expenses) and through losing part of their territory to the newly created business district; at the same time they see other entities benefiting

as profits are rolled back into further developments. It is clear, therefore, that not all coalition members are equal in the delivery and results of the project. It should be added here -- although this is beyond the scope of the present paper -- that the losers from the project are the 3,874 households and 1,381 businesses and shops who are displaced, in effect making their own contribution in providing land for the Hongqiao project. The displacement and relocation of these residents and workers forms an important chapter in the story of the new Hongqiao, one that the authors will present elsewhere (for a discussion of some of the issues involved in a variety of contexts, see Shao, 2013; Shih, 2010; and Shin, 2016).

The first element to bear in mind from this discussion of the Hongqiao land-based urban growth coalition is that land has given the coalition a sharp focus, and converting this fixed asset into the maximum rent has become the common cause and chief aim of the project with other aims dependent on this. A second important feature is the uneven nature of the coalition, where interests diverge and not all actors benefit equally. It can be seen from Figure 2 that a number of the main participants in the urban growth coalition -- the Shanghai Municipal Government, Shenhong Company and Hongqiao Business District Management Committee -- are closely associated with land development and the conversion of rural land to urban land. Land development and profit-making in the west of Shanghai is the motivation for governments at various levels to form this coalition, and they are the ones set to gain the most; banks and investors that participated in the coalition at various stages have benefited from the project through land development. However, for Minhang District Government and Xinhong Township Government, a newly established administrative body within Minhang District, the project is a mixed blessing; Minhang District Government has given up much land, which has then been turned over to the jurisdiction of Hongqiao Business District, while Xinhong Township Government shouldered the responsibility for taking care of landless villagers. Nevertheless, like neighbouring districts, Minhang will have benefited from rising land values, government investment in transportation and investment opportunity brought on by the project.

In this section we have identified some of the main members of the Hongqiao land-based urban growth coalition. As with other such groupings, this coalition arose based on the principle that participants can benefit from rising land values through land development projects, but participants benefited unevenly from land development, with the most powerful organizations benefiting the most while other authorities lower down the hierarchy such as Minhang District experienced some costs.

-- Figure 2 about here --

### **The shifting coalitions of land-based urban growth coalitions**

The discussion above suggests that a project of this size involves a large array of organizations, not all of which are equally active at each stage of the project. In the section that follows we elaborate on the role of coalitions in Chinese urban growth strategies by sketching out a number of sub-coalitions that act within the overall land-based urban growth coalition and animate different stages of the project. The membership of these sub-coalitions varies at different times, but their aims remain more or less constant: to extract maximum profit from land development projects. These sub-coalitions can be identified as follows: a policy and planning sub-coalition, a land assembly sub-coalition, a displacement and relocation sub-coalition, a funding sub-coalition and an

investment attraction and promotion sub-coalition (Table 1). It should be stressed that these groupings are entirely interpretive constructs and in no way formal bodies; we can nonetheless detect different shapes within a fluid and malleable coalition, and we can identify each of them in Hongqiao. Shanghai Municipal Government stands at the top of the coordinating hierarchy, while the newly created local government entity, Hongqiao Business District Management Committee, has played a vital role as a key part of the sub-coalitions mentioned above.

-- Table 1 about here --

In the initial stage of the Hongqiao project, starting in 2005, a policy and planning sub-coalition was formed by different stakeholders; Shanghai Municipal Government, Shanghai Railway Bureau, the planning bureau of the municipal government and Shanghai Airport Group have built the Hongqiao project from a high-speed railway station into a mega urban project. In the policy and planning sub-coalition, the municipal government was in charge of the coalition, with planners becoming progressively more powerful. Meanwhile, local district government stood outside the policy and planning sub-coalition, whose decisions were in the hands of higher levels of government. District government could do little more than persuade municipal government to ensure that new plans cover their territory as this would bring them more preferential policies and public investment.

Funding is crucial for any mega urban project, particularly so for the Hongqiao project because of its sheer scale. Hongqiao Business District Management Committee has shouldered the role of chief fund raiser for the project. The funding sub-coalition for the Hongqiao project was formed in 2006 by the Hongqiao Business District Management Committee, Shenhong Company, four national banks (China Construction Bank, Minsheng Bank, Shanghai Pudong Development Bank and China Industrial and Commercial Bank) and about 10 private-sector property developers (of which the largest two were Vanke and Shui On Land), with the Management Committee at its centre. The mechanism in place to raise funds involved district government and Shenhong Company using urban land as collateral for bank loans guaranteed by the municipal and district governments. The bank loans were released to Shenhong Company to promote land development and infrastructure investment.

The displacement and relocation sub-coalition came together in 2006 to prepare the land, a precondition for the successful launching of the Hongqiao project. In the early stages of the project, Shanghai Municipal Government, as project coordinator, supervised the formation of this coalition, which consisted of Minhang District Government, Shenhong Company, Shanghai Municipal Government, the Hongqiao Relocation Headquarters (an organization established by Minhang District Government to take in charge of land expropriation and relocation of villagers), two district-level state-owned relocation companies and village committee leaders. Under the direction of Shanghai Municipal Government, Minhang District Government was in charge of land expropriation and transferred the land to Shenhong Company at a price of RMB 1.4 million per mu (1 mu = 0.067 hectares). Minhang District Government was in charge of relocation and compensation.

Attracting inward investment has become the top priority for local government, in Hongqiao as elsewhere in the country. Transforming Hongqiao Business District from rural land to a modern built-up area on such a scale has needed huge investment. Against this background, something that we can call an investment attraction and promotion sub-coalition was formed in or around 2010, led by Hongqiao Business District Management Committee. Its main members include Shanghai Municipal Government, central government, Shenhong Company and property

developers from the public and private sectors. Central and Shanghai municipal governments are involved in this sub-coalition through the provision of preferential policy support; district government is the most active stakeholder in terms of doing the work to attract investment. The core task of this sub-coalition, whose activities are ongoing as of summer 2015 and likely to continue well into the future, is to organize the land auctions and the sale of new property, as well as renting out and selling of space in new office blocks and other buildings. Local district government and property developers share the same interest in getting returns on their investments. For district government leaders, the task is one of place marketing to draw in investors.

All but this last sub-coalition are no longer active. Their tasks have been transferred to related departments of Hongqiao Business District Management Committee. For instance, the work once undertaken by the policy and planning sub-coalition is now in the hands of the Management Committee's planning department. In effect Hongqiao Business District Management Committee has become the only participant alongside the investment attraction and promotion sub-coalition.

This examination of the constituent parts of the land-based urban growth coalition shows that the coalition can be characterized as being led by municipal local government, managed by specially established government organizations and undertaken in large part by district government. Land is the key element in this as in other urban growth coalitions as the stakeholders benefit from increasing land values. Problems occur, however, when the expectation of profits from rising land values is tempered by changing policy, as we will see in the following section.

### **The role of debt financing in land-based urban growth coalitions**

Central government has not always been aligned to the logic driving land-based urban growth coalitions even though it was central government that created the regulatory and administrative framework which incentivized local government to become entrepreneurial. In the early stages of the Hongqiao project, central government alongside municipal government played a key role supporting the project with preferential policies. However, fearing a property bubble crisis, Beijing has become more cautious especially since 2012. Its recent, more restrictive credit policies have put the land-based urban growth coalition at serious risk, affecting thereby the economic environment. District governments have faced huge pressure as a result of government debt, and the availability of finance for land-based urban growth coalitions has become a serious problem in the Hongqiao project and beyond, forcing Hongqiao to rely exclusively on funds from rolling development. Local and central government have been pulling in opposing directions. On the one hand, local government has gone helter-skelter in promoting urban and economic growth to raise revenue (Tsui, 2011). On the other hand, central government has been desperate in the last few years to curb excessive urban growth because of its inflationary impact, especially on house prices, and because of the potentially severe consequences of excessive speculative urban growth.

The role of debt and finance is an important issue for these land-based urban growth coalitions. According to a local government debt report released by central government, many city governments are on the brink of bankruptcy (National Audit, 2014). Even Shanghai Municipal Government has a debt of RMB 500 billion (equivalent to US\$81 billion), 44 percent of which is supposed to be covered by revenue from the sale of land leases, according to a senior Minhang official (interview, 12 April 2015). The situation of many other smaller cities is proportionally much

worse. Local government debt has, therefore, become a serious problem as a result of the success of earlier rounds of speculative land development organized by land-based urban growth coalitions to extract profit.

With the price of real estate and land having soared dramatically in Shanghai and elsewhere in China, central government decided to take measures in 2010, and again in 2012, to slow down the growth in property prices. Beijing launched a series of steps to limit the money supply and impose restrictions on lending to developers, crucially affecting land-based urban growth coalitions in Shanghai and elsewhere. An important aim of these measures has been to curb exorbitant house prices, which restrict the purchasing power of citizens, impacting inevitably on urban restructuring projects. Measures were introduced in September 2014 and March 2015 to revive the property market, but as of May 2015, it was too early to gauge whether they would have a significant impact in Hongqiao (Li and Lin, 2015).

The Hongqiao project has faced huge pressures of debt. The revenue from the auction of land leases had already reached RMB 24.3 billion by 2013 (interview with Hongqiao Business District Management Committee official, 10 April 2015). This reinforced the confidence of local leaders that they could rely on land auction revenues for the continued development of the Hongqiao business district. However, the number and scope of land auctions was seriously affected by decreasing demand for residential property as a result of central government's tighter loan policies. Meanwhile, according to a senior project official interviewed on 12 April 2015, the Hongqiao project has cost about RMB 300 billion. This has been spent on conversion from immature to mature land, construction of roads and buildings and land expropriation. The slow speed of land auctions since 2011 has affected the repayment of bank loans and led to an extension on repayment schedules. The resultant accumulation of debt can only be repaid through revenue derived from the sale of land leases in a booming property market, and the same applies for ongoing development work. The slowdown has affected the confidence of potential property investors and buyers, and housing market transactions in 2015 were still in a state of near stagnation in Shanghai. Progress in the construction of Hongqiao Business District has been held back considerably, much to the annoyance of local government, which has found itself hamstrung as a consequence.

It is ironic but perhaps inevitable that a project dreamt up and overseen by Shanghai Municipal Government should find itself so deeply affected by central government's macro-economic policies affecting the cost of borrowing. Having initially unleashed a renewed outburst of construction-based urban growth projects in 2009 to counter the effects of the global crisis, central government has since been rowing back in order to curb excessive supply of office space, bring house prices back under control and slow economic growth to more sustainable levels.

### **Concluding reflections on land-based urban growth coalitions**

This paper has dissected the coalition of forces that have been carrying out the huge Hongqiao project in the west of Shanghai. The coalition, built on urban growth through land conversion and development, is led by local government. Local government, however, is not monolithic; it is protean and polymorphous, inventing itself in different guises -- as project manager, property developer, relocation company -- in order to bring the project to completion. And while the project is led on the ground by a number of specially formed government bodies, it operates under the overall supervision of municipal government, with key positions held by vice mayors of Shanghai.

The coalition is embedded in the vertical and hierarchical framework of government in Shanghai. At the same time, it is affected by the policies of central government. While central government creates a fiscal framework which all but compels local authorities to become entrepreneurial to raise sufficient revenue, it also intervenes to cool down urban speculation and property bubbles. When this happens, projects like that in Hongqiao feel the cold.

It was argued here that Chinese-style coalitions are formed based on the organizing principle that participants can benefit from rising land values through land development. While many stakeholders are involved in such coalitions, what is critical for government is, having removed residents and accumulated the land, to achieve an appreciation in land value following conversion from rural land to urban land; profit-making through the conversion of land and its development, from use value to exchange value, is the common cause that holds the coalition together. In the context of Hongqiao, all the participants prioritised land on every step of the way, entailing inevitably a strong degree of speculation -- speculation, in other words, that the value that can be derived from land would continue increasing, but also requiring debt financing to cover the gap between payment of compensation to relocatees and other major costs such as land levelling on the one hand and payback through the sale of leases on the other. However, the costs were unevenly borne. Faced with carrying the burden of compensation costs and reduced territorial borders, Minhang District Government officials believed their administration was losing out, and while the authority could not pull out of the overall coalition, it saw its position as under threat, fearing a loss of land and thus of revenue.

The paper has analysed in some detail how such a very large urban development project is executed. It has sought above all to add clarity to the nature of the local state, identifying the various newly minted administrative organizations and state-owned corporate entities such as relocation and property development companies that combine in a shifting set of arrangements to bring the project to fruition. In this way, it has argued that there needs to be a more refined understanding in the literature of the complex make-up of pro-growth constitutions, and in particular of the role of these project-related, arms-length organizations owned by the state but labelled as companies.

It is hoped that the discussion above has made it clear how a more nuanced examination of the organizations that undertake urban projects brings a greater level of understanding and makes the underlying concepts more relevant to the Chinese urban terrain. Coalitions are part of the language of urban growth machine and urban regime theory. The use of the term coalition in urban theory was originally designed to acknowledge the role of the private sector as a leading force driving urban growth. It is, nonetheless, no less valid in the Chinese context, where local governments lead coalitions of ad hoc organizations to prosecute large projects alongside state-owned as well as private companies.

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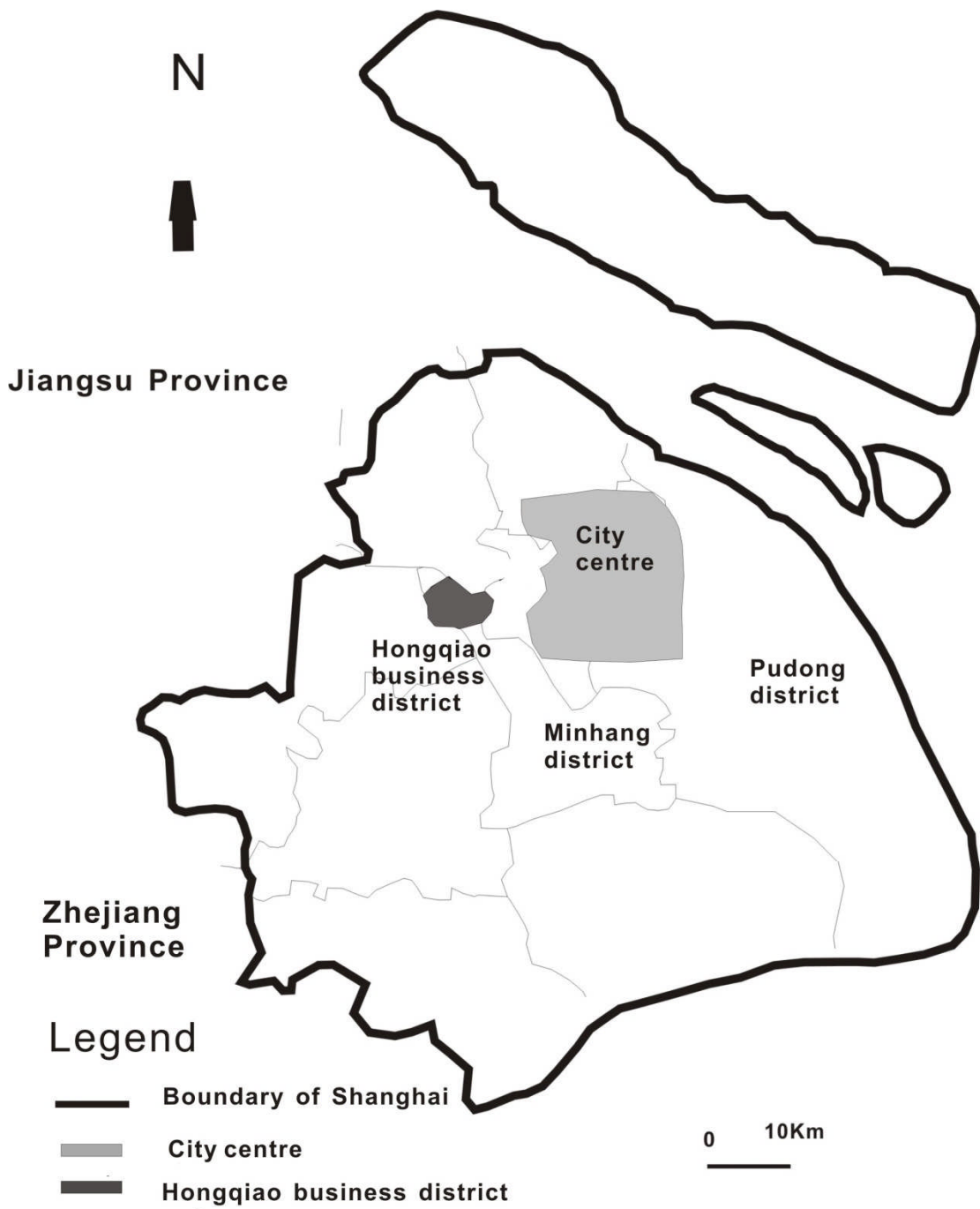


Figure. 1. The location of Hongqiao project within Shanghai.

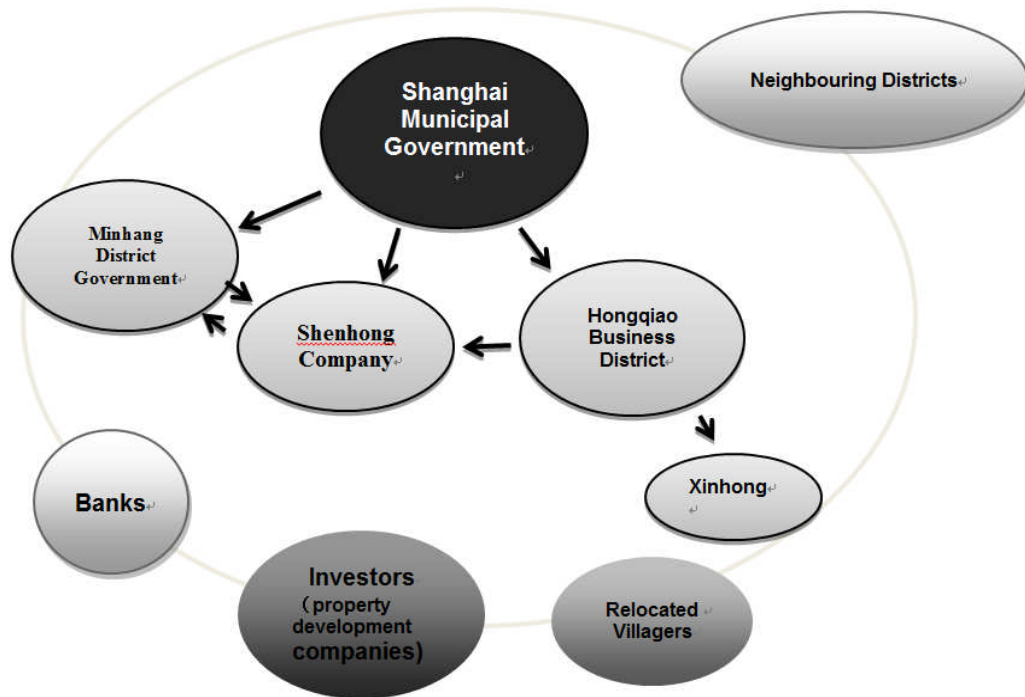


Figure. 2. The main participants involved in the land-based urban growth coalition in the Hongqiao project.

Table.1. Sub-coalitions within the land-based urban growth coalition leading the Hongqiao project.

<i>sub-coalitions</i>	<i>membership of the sub-coalitions</i>	<i>details concerning the members</i>
policy and planning sub-coalition	Shanghai Municipal Government SMG Planning Bureau Shanghai Railway Bureau Shanghai Airport Group	The deputy Shanghai mayor played the leading role in the policy and planning stage of the project. Involved in site selection, finding the best site for the transport hub in the context of competition between township governments in Minhang District, a site with links to the Yangtse River Delta and Shanghai city centre. Drafted policy on industrial upgrading in the business district.
land assembly sub-coalition	Minhang District Government Shanghai Municipal Government Shenhong Company	Led by Minhang District Government, which played lead role in the stage of land expropriation. Land expropriation undertaken by Minhang District Government and Shenhong Company. Focused on agreement between Shenhong Company and Minhang District Government on compensation for expropriated land under the overall supervision of the Shanghai Municipal Government.
displacement and relocation sub-coalition	Minhang District Government Shanghai Municipal Government Shenhong Company Relocation Headquarters relocation companies village leaders	The head of Minhang District Government played the leading role in the crucial stage of relocation and compensation. Focused on negotiations between relocated villagers and the local sub-district government. Shanghai Municipal Government was involved as overall project coordinator and supervisor. Oversaw the construction of housing for relocatees. Oversaw the process of relocation of villagers.
funding sub-coalition	Hongqiao Business District Management Committee Shenhong Company Shanghai Pudong Development Bank, China Agricultural Bank and other banks property developers	The head of the Hongqiao Business District Management Committee played the lead role in fund-raising. Hongqiao Business District Management Committee and Shenhong Company led negotiations with banks and other lending agencies.
investment attraction and promotion sub-coalition	Hongqiao Business District Management Committee Shanghai Municipal Government central government Shenhong Company property developers from	Hongqiao Business District Management Committee is playing the leading role in the final stage of the project. Involved in identifying further funding possibilities.

	the public and private sectors	
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