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## City Level Development New Key to Successful Development

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City Level Development New Key to Successful Development

by

Gina Herron

A thesis submitted in partial fulfillment  
of the requirements for the degree of  
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### ABSTRACT

Development is one of the most debated issues in political science today. There has never been a clear consensus reached on what is one successful path to developmental success for nations to follow. Organizations such as the World Bank and the International Monetary Fund and already developed nations have long touted a policy based on rapid privatization, which has been often referred to as shock therapy. During this current period of globalization it has never been more important for underdeveloped nations to successfully move towards development, in order for those nations to not be left behind in an ever increasing interconnected world economy. Shock therapy has not worked for many of these underdeveloped nations and there is a need for a new model of development. The recent enormous success of economic liberalization policies in China may serve as the new key to developmental success. A great deal of the new economic policies first implemented under Deng Xiaoping have been mostly aimed at coastal Chinese cities, which has allowed China to gain a foothold in the global economy without shock therapy.

Since the late 1970s the Chinese government has attempted to move from a completely state planned economy to a more liberalized market system at a controlled pace. The Chinese government has been able to successfully accomplish this through the concentration of policies to coastal and large, strategic cities such as Tianjin, Shanghai, Beijing among a number of other cities. This has allowed China to become an active,

important player in the world economy without the hard to control rapid privatization that usually comes with development.

The main argument of this work is that city level development could serve as the new key to successful development. China has established a model that other nations may be able to follow more easily than shock therapy. I will use the cities of Shanghai and Tianjin to illustrate how the new economic policies have in certain cities has allowed China to gain a foot hold in the world economy.

## Chapter One Introduction

The topic of development has been an area of study that is open to a great deal of debate. No consensus has ever been reached on which approach to development works best for underdeveloped nations. A significant number of nations have attempted to implement neoliberal reforms, which have been touted by western developed nations and organizations such as the International Monetary Fund and the World Bank. In many cases in order for nations to receive aid from these groups they are required to use a neoliberal model of development, and must show that they are implementing neoliberal reforms, such as rapid privatization of nationally owned and operated industries. Often times these neoliberal policies and practices have failed and a number of nations have not made any significant steps towards development. Development of nations throughout the world has never been more important than during this period of extensive globalization. As the world becomes increasingly interconnected many nations are being left behind, therefore it has never been more important to find an effective form of development. The central question being examined here is; how has urbanization been effected by extensive city level development with the implementation of industrial clusters in Shanghai and Tianjin?

China is currently at a crossroads in its long and storied history. In the late 1970s Deng Xiaoping began to implement extensive economic reforms in order to move China from a planned economy that was shut off from the rest of the world to a more open and

liberal economy that would be able to compete in the world economy. At the same time that China was looking to reform their socialist economic system, the current wave of globalization was taking off, which would allow China to become an actor in the ever increasingly interconnected world economy more easily. China is a unique case because it is the first nation to experience significant success while undergoing economic liberalization, industrialization and globalization simultaneously. The case of China may prove to hold the key to successful development in the new era of globalization.

There are a number of different types of globalization, however, I will be narrowing my focus to looking exclusively at economic globalization and the effects that it has on city development, industrial clusters and in turn, urbanization. Globalization is spread through different means; economic globalization is spread through the movement of multinational corporations and foreign direct investment. Multinationals and foreign direct investment act as agents of globalization by spreading ideas, business practices, technology and much more across borders. Often times multinationals will go into an underdeveloped nation in order to take advantage of the cheap labor, in these cases the multinationals are acting as agents of globalization by spreading their ideas, technologies and business practices. During the long period of time when China was ruled by dynasties, especially the after the First Opium War, China had a relatively open economy, thanks to the treaty of Nanking. Other countries opened extensive trade routes with China and some even established colonial like settlements in various hubs of trade. This openness continued while the KMT was in power; however circumstances drastically changed when the Chinese Communist Party took power following the Chinese Civil War. The CCP pushed the foreigners out and closed China's borders. However, in 1978

after Deng Xiaoping took power, he put into motion sweeping economic reforms. The goal was to make China's economy relevant once again. By no means am I arguing that this process started by Deng Xiaoping has been completed, it is clear that China is still in the process of liberalizing its economy, especially significant changes still need to be made in the areas of banking and finance. I am also not arguing that it has been an easy process to implement these reforms. Rules still remain different for different areas of the country, for example the coastal cities experience a great deal of freedom when conducting business compared to inland cities which are still bound by a number of state policies. I am attempting to convey in my research that beginning in the late 1970s the Chinese government has taken significant steps towards becoming a liberal capitalist economy, which is able to participate in the growing global economy. Each year China becomes more and more integrated into the global economy; this is especially true since it has grown to be one of the world's largest economies. However, in order to maintain their growth and standing in the world, China must continue to push forward with liberal reforms which encourage business.

Urbanization is closely linked to the three processes of globalization, liberalization and industrialization in China. When the liberalization of the Chinese economy occurred, there was a push by the government to further establish working industrial centers in a number of urban areas in China, especially in those cities which are located in coastal China. With the concentration of policy focused on certain cities, this allowed industrial clusters to form in a prescribed area. With the excessive globalization that has occurred since the 1970s the world markets have become much more integrated and multinational corporations have experienced a greater mobility to move into other



countries in order to gain access to cheaper labor and even more national resources among other benefits. This is the one of the major reasons for industrial cluster formation. Globalization has also contributed a great deal to the growth of industrial clusters in China, corporations generally are moving to the areas of the country where there are similar manufacturers or business entities. This is often attributed to the spill over effect which allows these companies to benefit from each other, in forms of technology, trade and an educated workforce. In turn, this has rapidly increased the urbanization of certain Chinese cities, where economic reforms have been made and business has been encouraged to grow. Globalization, city level development and industrial clusters have effectively widened, deepened and intensified urbanization of cities such as Tianjin and Shanghai. As corporations move to other areas of the world, especially those which are considered less developed such as China, the areas will become urbanized at a much quicker pace under the current wave of globalization. The Chinese government has also played a major role in the development and success of industrial clusters in China. Multinational corporations must enter into a joint venture with a Chinese company, which is usually owned by the state, in order to conduct business within China. One of the best examples of this is the Shanghai automotive cluster. The cluster really took off when Volkswagen and various state owned agencies such as the Bank of China and the Shanghai Automotive Industrial Corporation formed Shanghai Volkswagen. Thanks to the proactive actions on behalf of Volkswagen and the national and local governments, this cluster has grown into one of the most successful ventures in China and continues to help drive the Shanghai and Chinese economies.

China has found a way to gradually develop into a liberal economy without employing the shock therapy that has been required by the World Bank and the International Monetary Fund. The shock therapy approach has failed to work time and time again, and China's approach could prove to be a more plausible approach to development. Cities are emerging as the key element in developmental success, and China is leading the way on this new front. It is a more focused approach to development rather than the shock therapy approach advocated by developed nations. It concentrates on large urban areas in order to jump start the national economy, and move into the world's liberalized markets. China has developed a new approach to development that other nations may be able to use as a successful development model.

The development of China's cities has mainly been concentrated in the coastal areas with some exceptions, such as Shanghai. Shanghai was considered one of the most cosmopolitan cities prior to the CCP taking power. Shanghai which was initially left out of the first few rounds of economic reforms by Deng Xiaoping has recently been restored to its past economic glory and is one of the major hubs of international business in China. One of the major reasons for its success is its location, as the city serves as a gateway to inland China. Another impressive example of China's city level development is the city of Tianjin. Tianjin, unlike Shanghai, was not used as a communist symbol of pride and was not considered a cosmopolitan city prior to the Mao era. Tianjin did have limited interaction with the outside world pre CCP, but it was never truly considered cosmopolitan. The city however, was greatly rewarded in the economic liberalization policies. This was primarily due to the city's prime location on the Chinese coast. The city now serves as a deep water harbor and essentially keeps the flow of goods in and out

of China stable. Tianjin is an example of the coastal concentration of the liberalization reforms which remain today. There are a great deal of similarities and some differences in the way that urbanization has affected these two major Chinese cities, both cities have extensive business interests and extensive networks of industrial clusters.

Thanks in large part to the formation of economically successful industrial and business clusters, Shanghai has become the most successful and one of the most important cities to ensure the continued economic success of China. Heavy investment in the city's infrastructure and strong leadership with a pro Shanghai view has assisted in the massive economic boom in the area. The emphasis of the municipal government on the six pillar industries as well as changes to agriculture and commercialization has allowed the Shanghai economy to become more efficient. The development and success of industrial clusters such as the Shanghai automotive cluster have greatly contributed to the success of Shanghai and the Chinese economy, and have made Shanghai the strongest model for success in China.

## Chapter Two Literature Review

China has been an interesting case for observers, politicians and scholars to watch since the economic liberalization package was put in place by Deng Xiaoping especially in regards to China's seemingly rapid developmental success. China did not take the approach that has long been pushed by organizations such as the World Bank and the International Monetary Fund which advocates rapid privatization of government owned enterprises, China, instead opted for a slower, more controlled move toward economic liberalization. This was in hopes of maintaining a stable government while the Chinese markets drastically changed. A great deal of the economic reforms were also only implemented in specific areas at first, many of the cities in which reforms took place are located in the coastal regions of China. With this new more limited and controlled form of privatization China may have created a model of development that could have success in other regions of the world, which is not as drastic as the shock therapy advocated by third parties like the WTO and the IMF.

There are a number of accounts of the economic liberalization steps that the Chinese government led by Deng Xiaoping implemented beginning in 1979, however, no scholar can deny the rapid success that China has had in moving toward a market driven economy. Prior to the economic reforms, the Chinese economy was under complete control of the state, additionally, the state owned the majority of the industrial companies in various sectors within the country. The central Chinese government has attempted to

control the economic reforms which has allowed for significant economic growth as well as a stable government. “Its emergence as an economic juggernaut has been the result of methodical and careful government policies that have gradually created a market economy in a stable fashion.” (Guthrie, 2006, p. 8). While Deng Xiaoping’s aim of the economic reforms was to remove the government from enterprise, within the Chinese Communist Party, the economy was still regarded mainly as planned until 1992 when the planned economy and the market economy were finally placed on the same footing. The planned and controlled path to a liberal economy has essentially flown in the face of the widely touted rapid privatization policy pushed by groups such as the World Bank and the International Monetary Fund. The groups believe and push for a development strategy of wide spread, quick privatization; they also believe that the process of development through economic liberalization is widely apolitical. The Chinese clearly have illustrated that this is not true; the economic system is embedded in politics, the state and culture of a country. In the Chinese case they did not first implement private property laws or a rapid sell off of state owned industries, it needed to be a gradual transition. Obviously the Chinese government did not establish democratic institutions prior to the economic reforms and the subsequent economic boom. Even though Deng Xiaoping believed that there needed to political reform in order to maintain economic change that still has not happened, there has been significant political decentralization, but not much actual political reform. In 1980, the central government enacted policies which opened up special economic zones in several municipalities along China’s coast. The main goal of these special economic zones has been to create a great deal of autonomy along the coast in order for these areas to more easily pursue an export led

development plan. This has drawn in enormous amounts of multinational corporations who wish to take advantage of one of the world's largest populations that now has one of the world's largest economies. The export led development has been in full swing since 1988 and the amount of exports has grown at an astonishing rate. This coastal export development strategy has been a major factor in the success of the Chinese economy, the strategy has produced exorbitant amounts of cash that had been, and continue to be poured into the economy. China has become one of the United States largest trading partners. Additionally, a number of United States based businesses have sent their operations overseas, many to China, which has given an enormous boost to China's export numbers. From implementation of the export driven development strategy, the exports were dominated by low technology, labor intensive products. However, that has begun to change and China is now producing more technologically advanced products. "Increasingly, however, the complexity, value, and sophistication of these products has increased, as China attracts more investment from abroad to take advantage of the country's low-cost and relatively productive labor by setting up manufacturing plants." (Veeck, Pannell, Smith & Huang, 2007, p. 180). The special economic zones would not be as successful without a great deal of government decentralization. The zones offer special incentives in order to attract business from overseas as well as businesses within China. The local governments are given a vast amount of power in order to run these programs, power that the local governments never possessed pre-reform era. The special economic zones at the beginning were concentrated mainly on the coast due to their proximity to the global economy. This was a dramatic change from the Mao Zedong era which focused development on inland rural areas which were heavily dominated by the

agricultural industries. However, since the first reforms in the early 1980s there have been more special economic zones established including inland regions such as Xinjiang.

Many scholars argue now that there is a capitalist system in China, democratic institutions will follow. However, it is often times difficult to tell if this is actually occurring because the Chinese government has been extremely deliberate about the implementation of any reforms. This contributes to the stability of the central Chinese government. “The state has gradually receded from control over the economy, taking the time to experiment with new institutions and to implement them slowly and incrementally within the context of existing institutional arrangements.” (Guthrie, 2006, p. 39). Guthrie along with other scholars argues that the economic reforms have been extremely successful and the central government maintains control due to two major reasons. The first reason is because the Chinese state did not quickly privatize government owned industries. By not moving too quickly, the central government served as a stabilizing force. The government encouraged these state owned companies to sell more than they were mandated by the government which eventually allowed many of the state owned enterprises to move from the state plan to a more market industry. This has been known as the dual track system. The dual track system worked by the central government allowing companies to produce more goods than were required by the plan and allowing those extra goods to be sold in the growing market economy. Over time, the market side of the operation would become greater than the state mandated side, and this is what has facilitated a stable move from the state planned economy to a market economy. There was no shock therapy or rapid privatization but a gradual controlled change from state run to market driven. The second major reason the central Chinese

government's gradual economic reforms have been successful while maintaining staying power, is that the central government has allowed local governments to have more power. Essentially, the central government did not need to privatize many industries because they allowed the local governments to become more accountable and have a greater interest in industrial success. The autonomy that was given to the local officials allowed them to pursue different development strategies which would work best for their locality. Additionally, the increased autonomy also created a level of competition for economic opportunities among various local officials. Political decentralization has been a major factor in the implementation and success of the economic reforms. In addition to greater local government autonomy, general managers at firms were given a great deal of autonomy. In many cases these managers who are now in charge of their own companies have implemented firm level reforms based on experiments and creativity. In other words, there is no manual for these managers on how to deal with the new market system.

The export led development plan which has caused a major focus on the development of cities along the Chinese coast could be the key to a successful development plan. Instead of focusing on rapid privatization of the economy throughout the entire economy, in China, state owned enterprises were able to gradually change into a privately run enterprise. In order to allow an enterprise gradually into the market, that company would produce their government quota first, then manufacture or produce more goods which could be sold in a more market oriented economy. This dual system allowed companies still owned by the government to gradually change over their operations to produce goods based on the market. These companies have been able to participate in the global economy for the first time since the establishment of communism



in China. There is not much, if any, scholarly literature examining the idea that city level development may be the key to successful economic liberalization, and therefore successful development. Most literature during this period of globalization focuses on subjects such as, the importance of foreign direct investment and multinational corporations, as well as the influence of the government in the process. These are all valid subjects to address when discussing development strategies, but in addition the location and concentration of economic reforms may play a major role in successful development. China concentrated economic reforms on its coastal regions as part of the more controlled reforms they were attempting, and it has proved to be extremely successful. The export led development plan which began in the early 1980s in the coastal regions has gradually spread to inland cities as well.

The only literature that is really close to advocating city development is the recent field of global cities research. Cities have become essential actors in the global economy and one of the authors on the forefront of this developing field is Saskia Sassen.

“Today’s global cities are (1) command points in the organization of the world economy; (2) key locations and marketplaces for the leading industries of the current period- finance and specialized services for firms; (3) major sites of production, including the production of innovations, for these industries.” (Sassen, 2006, p. 7). There has even been the establishment of the Globalization and World Cities Study Group which conducts research regarding cities and their interactions on a global level. Based on Sassen’s research J.V. Beaverstock, P.J. Taylor and R.G. Smith devised an approach to rank world cities in order to compare them. They believe that a city’s worldliness is determined by the amount of the business service industries major firms in accounting,

advertising, law and banking a city has. These four areas of business are considered to be key to the formation of a world city. The authors do not take into account local branches of these businesses, in order to receive a point value a city must have principle offices.

“Cities are evaluated as global service centers in each of these sectors and aggregation of these results provides a measure of a city’s global capacity or world cityness.”

(Beaverstock, Taylor and Smith, 1999, p. 446). Once they compiled the data for the various global cities they assigned a number one for minor centers, a number two to major centers and a number three for prime centers. Once this task was completed for all of the major business areas all the numbers were added for each city and the cities were then grouped according to their score.

Beaverstock, Taylor and Smith’s study has not been updated since it was published in 1999 and it is sure to have changed since then. This is especially true with regards to Chinese cities, more and more major multinational corporations continue to move and/or establish operations into the country. China also continues to make more liberal reforms, which is a requirement of China’s World Trade Organization membership. Using the world cities research as a measurement of development it would appear that the more developed a nation, is the higher its major city or cities rank. For example, in the current research, all of the top tier alpha world cities are in developed nations, the only exception to this rule is Singapore which has a score of 10 and which is a tier two alpha world city. Obviously the global cities research was not necessarily aimed at measuring development, but it does prove somewhat helpful since it usually measures the influence that a given city has on the world economy. It also often measures the proliferation of large multinational corporations in a given urban area. If

developing and underdeveloped countries begin to concentrate their focus on building up a major city gradually and with control, this could lead to economic success.

A comparison of two of China's most important cities will examine the different paths to economic success that Shanghai and Tianjin have experienced. There is a great deal of literature dealing with Shanghai since it has historically been one of China's most important cities. Shanghai was once one of the most important trading cities prior to the closing of the Chinese borders, once China was closed off from the world it served as the communist city to look up to. However, Deng Xiaoping did not originally include Shanghai in economic reforms and it remained a run down relic of the strict communist rule. Once economic reform came to Shanghai the city took off and has been an economic success, investing heavily in infrastructure and attracting many of the world's top multinational corporations. On Tianjin, there is not nearly as much literature as Shanghai, which is surprising considering its enormous economic boom. Tianjin located in coastal China and home to one of the nation's only deep water harbors became one of the main focuses of the export led development plan. Prior to the beginning of economic reforms Tianjin was hardly an urban metropolis but it has become one of China's most important mega-urban areas in recent years.

Economic development has never been as important as it is today in the new global reality that we are living in. Globalization is an increasingly important area of study and encompasses countless fields. One of the most influential groups of scholars in the field of globalization theory is David Held, Anthony McGrew, David Goldblatt and Jonathan Perraton. Since there is no vast overarching theory of globalization, the term can basically refer to just about any aspect of life. These scholars have tried to nail down

a single definition in an attempt to unify some of the numerous different types of globalization. For example, globalization means something different to economic scholars than it does to scholars in the field of cultural studies and so forth. However, just because various fields have different theories of globalization it does not mean that they are all at odds with each other or not intertwined. Globalization is complex and encompasses almost every aspect of everyday life. The group concentrates on a number of different topics in the book *Global Transformations* (1999) such as the movement of people across international borders and what globalization means for the concept of the state. The major area of work is the new framework and conceptualization of globalization and how the new framework applies to major areas of globalization such as economics.

In the area of economic globalization multinational corporations and foreign direct investment play a major role, especially in the development of cities. It can be said that MNCs and FDI are agents of globalization by spreading money, ideas and technologies throughout the world because of their increasing mobility. Multinationals cannot just up and move anywhere in the world; they are constrained by infrastructure as well as a workforce that has the ability to carry out their work. For example, if it is a high tech firm, there must be a relatively educated work force in the area that can carry out the daily operations; there must also be access to transportation in order for goods to be shipped easily. This is one of the reasons that the export led coastal development plan in China has worked so well, the access to ports for easy shipping throughout the world allowed many companies especially manufacturing firms to operate easily. Other cities

such as Shanghai continue to heavily invest in infrastructure improvements in order to be more attractive to MNCs.

Foreign direct investment is “the acquisition and management of overseas productive assets.” (Held, McGrew, Goldblatt & Perraton, 1999, p. 203). FDI is often times used as a tool to measure the activity level of MNCs in countries around the world. FDI around the world initially took off post World War II and has, for the most part continued on that upward path. Many scholars have placed a major emphasis on how much FDI China has received since the country opened its borders to business. It seems as though China opened its borders at a great moment in regards to the movement of MNCs and FDI, thanks to economic globalization. Throughout the current wave of globalization FDI has originated mainly from wealthy developed nations such as the United States, the United Kingdom, Japan, and Germany among other well established European nations. The Chinese economy has been heavily dependent on their export led development strategy. The export sector has been one of the major beneficiaries of the foreign direct investment in China. Numerous firms in the export business as well as other businesses in other sectors have invested heavily in China in order to take advantage of the large population and the low labor costs. Additionally, a great deal of the FDI that flows into mainland China comes from ethnic Chinese investors. Globalization has made the process of investing abroad a great deal easier, and much quicker. China and its localities have used a great deal of the FDI by investing in infrastructure to continue attracting more MNCs.

While China continues to open in borders, it becomes easier for business and capital to flow in and out of the country. This is especially true in regards to the special

economic zones which have been set up by the Chinese government in order to promote business and activity in the global market place. Other countries can follow the route that China has taken in regards to economic development. Most underdeveloped and developing nations have attempted to implement top-down economic reforms which have been known to fail; the rapid privatization may be too much for a weak national economy to handle. However, if that nation begins economic reforms by focusing on a specific urban area and gradually changes the business culture in that area to meet the demands of the global economy, there will be a better chance for success. This has never been more important, globalization has caused much of the world to be connected for better or for worse through various ties, and one of the most important is the global economy. However, underdeveloped and even some already developing nations are being left behind. China's model of city level development may prove to be a valuable resource for these nations.

### Chapter Three Effects of Industrial Clusters on Urbanization

The economic liberalization policies initially pursued by the Deng Xiaoping government came at a very interesting point in world history. The late 1970s and the early 1980s was a point when the current wave of globalization was really coming to fruition, and the world was becoming more interconnected every day. Deng pushed for reforms and saw that China could join the growing world capitalist economy, and it has been proven since that China has had a great deal to offer the world economy. At this point in time, China had also witnessed unsuccessful economic reforms in other states such as Russia. China needed to establish a new development model which would allow the government to maintain political control while moving the economy from a state run economy to a more market oriented system. The government chose to do this by enacting slow, controlled reforms including restricting areas in which reforms could take place and the dual track system for industries.

The dual track system was a system developed by the Chinese government in order for state run agencies to move away from established quotas. Instead of a rapid sell off of government owned entities, state run industries were allowed to produce goods in excess of their quota and sell them in an open market setting. This allowed companies to gradually move into a market system, instead of shock therapy, where often companies fail and even whole industries. This approach is one that could be followed by a number of industries which are still state controlled in many parts of the world, and allows

gradual introduction into a market economy. The dual track system allows for a safety net of sorts on the road to privatization.

It has never been more important for underdeveloped nations to take steps toward successful modernization. Extensive globalization has caused the world to be interconnected as never before. Globalization is such a broad field that it encompasses many different aspects of life such as culture, economic and politics. Held, McGrew, Goldblatt and Perraton (1999) have devised a more comprehensive definition of globalization which is “a process (or a set of processes which embodies a transformation in the spatial organization of social relations and transactions- assessed in terms of their extensity, intensity, velocity and impact- generating transcontinental or interregional flows of networks of activity, interaction, and the exercise of power.” (p. 16). The true extent of this can currently be felt by the global economic crisis which has gripped much of the world.

China has become one of the most important players in the global economy. Even though the central Chinese government opened only certain metro areas to the world economy, it allowed economic reforms strictly in coastal areas. The coastal area of China is where a great deal of the development has been concentrated due to the export led development approach. This has allowed China to make an impression on the global economy especially in trade. Multinational corporations and foreign direct investment also act as agents of globalization by having the ability to move freely across much of the world and at a rapid pace. A number of MNCs and investors quickly became interested in moving into China to take advantage of its large population, numerous resources as well as its work force. In addition to MNCs moving into China, Chinese owned



companies are also making a splash in the world economy. Currently, according to *Fortune* the worlds 100 largest companies actually include three corporations based in China which are Sinopec, State Grid and China National Petroleum. Of the top 100 economies in 1999, 51 were actual corporations. The top five corporations General Motors (23), Wal-Mart (25), Exxon Mobil (26), Ford Motor (27) and Daimler Chrysler (28) came out ahead of entire nations such as Poland, Greece, Saudi Arabia, Israel, Venezuela and Iran among others. Unfortunately this list has not been updated and it has surely changed since General Motors is no longer the largest company in the world that distinction goes to General Electric. Additionally, the countries on the list which have the largest GDPs have also changed, and China has jumped in the rankings to third behind the European Union and the United States. As one can see, major corporations play an increasingly important role in the global economy, and control an enormous amount of foreign assets worldwide.

The controlled form of development that the Chinese government has begun to implement has a number of steps in which under developed nations can attempt to follow. China, however, has a number of resources and is an enormous market which other underdeveloped nations can not lay claim to. However, achieving the level of success that China has under this slow controlled model should not be expected. Clearly the rapid privatization plan that the World Bank and the IMF push does not work. The Chinese model has been very successful, and has provided the world with new ideas on how to approach development. For example, it would be very easy for other countries to follow the dual track system which would allow industries to become acclimated gradually to the global economic system. It would also be very easy for nations to focus

on smaller metro areas that already have some level of infrastructure in the beginnings of reform, and if successful, move forward in a more controlled manner instead of attempting to move the entire country in the same direction at the same time.

Industrial clusters have become a reality in many nations around the world, and this is especially true in China. Industrial clusters can also be very helpful in the process of development by doing a great deal of business in a given area. Similar companies tend to flock together. Additionally, companies which provide an industry with their necessities also tend to occupy the same area. Similar companies tend to stick together due mainly to the spill over effect and economies of scale which tend to occur. It is clear that countless MNCs have moved operations and plants around the world, mainly into cities due to the already existing economies of scale. Plants and companies benefit from other plants and businesses located in the area. Economies of scale create a spill over effect in many areas, one of the most important being that of technology. “Advances in communications technology and the infrastructural conditions which have facilitated the evolution of global financial markets and global trade have also contributed to an internationalization of production among small and medium-sized enterprises (SMEs), at least within the most advanced economies in the world.” (Held, McGrew, Goldblatt, & Perraton, 1999, p. 236). In other words, large corporations are not just benefiting from the spill over effect but in addition SMEs are also benefiting from the spill over of technology. This might be difficult to see because the effects of globalization are more visible regarding the large MNCs due to much more attention being paid to them simply because they are a great deal larger when compared to the SMEs. Additionally, I would assume that in cities such as Shanghai that are investing in their infrastructure to attract

major corporations, the SMEs are one of the major beneficiaries of the improvements. One common argument among many scholars is that in urbanization economies, which encompass the entire metropolitan area, spill over benefits, are different in specific sectors. For example, service centered industries benefit more than standardized production. One of these industries that benefit from the spill over effect in an urban economy is the business and financial sector, which is at the center of the global/world cities literature. So it would follow that if underdeveloped nations could invest enough in infrastructure to attract MNCs, other MNCs would follow in order to take advantage of the spill over effect created in the area creating industrial clusters. This approach has clearly contributed in the rapid development of China. They have been able to successfully attract a number of industries, which have grown into industrial clusters in a number of major cities.

The case of industrial clusters in China is very interesting and unique because the industrial clusters have developed naturally rather than the central government having had a hand in their formation. It is clear that industrial clusters have been instrumental in the economic growth in China since the implementation of economic reforms. Industries such as garment production, toys, electronics, software, among others, traditionally benefit from the close proximity, economies of scale and the technological spill over. “The clustering of many different producers can significantly enhance the formation of beneficial business alliances and organizations that help to augment local competitive advantage.” (Fan & Scott, 2003, p. 297). The formation of alliances is especially beneficial in industries that produce complex goods when their supplier is in the same area. This relationship greatly cuts down on the need to import parts as well as a

reduction in the transportation costs of parts. China has illustrated that that industrial clustering can be successfully used as a model of development. In the case of China, both local Chinese businesses as well as foreign companies have contributed to the growth of various industrial clusters.

The locations of many of the industrial clusters throughout the world are located near or in major metropolitan areas. Multinational corporations look to move to these areas because of their large potential workforce, established infrastructure, as well as local suppliers and educational facilities. In many areas of the world, innovation comes out of universities which are often located in these large cities. In the case of China, research institutions were run directly by the government for the benefit of government owned enterprises. The reform era has changed this substantially; however, the higher education system in China still needs advancement in order to catch up with the majority of world class research institutions. Increases in state funding to major Chinese universities have encouraged research as well as extensive direct cooperation with industry. This can be witnessed in Shanghai at Fudan University and Shanghai Jiao tong University. These institutions have received significant support from the Ministry of Education as well as the city of Shanghai to improve their research and development capabilities. In order to encourage innovation, the central government needed to make significant changes to laws such as patent protection, which did not really exist prior to economic reforms, as well as cultivate a more cohesive relationship between research conducted at universities, and market demands. The city of Shanghai has attempted to remain one of China's most innovative cities by encouraging the development of private technology enterprises and offering them patent protection as well as financial incentives

such as tax breaks. This has been mainly focused on the communications, biotech, IT, software and electronics sectors. Additionally, multinational corporations have established their own research institutions in order to support their local operations. Many multinational corporations which were among the first companies to move into China found that the local workforce needed extensive training to become productive members of their business. This education of citizens was not limited to on the job training, it also dealt with business practices as well as training on new technology. While it is true that Chinese universities are still not worldwide leaders in R & D, enrollment has certainly gone up in these higher learning institutions. Enrollment has jumped from 19,000 to 30,000 from the years 1991 to 2000. Institutions such as Fudan University and Shanghai Jiao tong University, as well as private forms of research and development have allowed Shanghai to remain one of the most important cutting edge cities in China.

China has taken significant steps towards becoming a market driven economy with a great deal of success, although, the central governments, as well as municipal governments still play a major role in the economy. The economic reforms were initially concentrated on the coastal areas of China in order to allow significant development through export led policies. This forced the artificial formation of industrial clusters as these developing cities along the coast were the only cities that had significant exposure to foreign business. This is far from the only interaction the government has had with multinational corporations. In many cases, in order for a multinational corporation to move into China, they must enter into a joint venture with a similar Chinese company, which are often times owned by the state. One of the most well known examples of this

is within the automotive industry and the joint venture between Volkswagen and the Bank of China, China National Automotive Industrial Corporation as well as the Shanghai Automotive Industrial Corporation to form Shanghai Volkswagen. The establishment of this joint venture in 1985 was prior to economic liberalization policies taking hold in Shanghai. The central government wanted to court Volkswagen in order to help improve their auto industry. Volkswagen wanted to tap into the large Chinese market as well as serve as an outpost for various East Asian business operations. Due to strong governmental support as well as the insistence by Volkswagen to use top tier suppliers, an automotive cluster emerged around the Shanghai area, which is one of the most important and advanced in China. As China continued to open their markets, the emerging wave of globalization allowed automotive industry suppliers greater mobility and flexibility to develop operations in China and specifically in the Shanghai area. The majority of these suppliers were German companies who entered into joint ventures with the Shanghai Automotive Industrial Corporation. The relationship between Volkswagen and the government has not always been smooth. Until the late 1980s and early into the 1990s Volkswagen was importing much of their sub-assemblies until the government threatened production limitations unless Shanghai Volkswagen used local suppliers. The local Shanghai government at one point implemented a policy that all Taxis in Shanghai had to be the VW Santana.

The cluster formation of the automotive industry in Shanghai developed rather quickly because of both market conditions and government interference. The Shanghai Automotive Industrial Corporation is at the very center of this industrial cluster. The SAIC has not only been engaged in joint ventures with Volkswagen and their suppliers

but also other companies in the industry including which domestic suppliers, car companies and more recently General Motors. These companies are all located in or around Shanghai and experience a great deal of technological spill over. This spill over in the automotive industry is especially important because a company enjoys knowing what its competitors are doing. The close proximity of Volkswagen and General Motors allows each to take advantage of the buzz the other creates. An example of this is that in order to stay competitive, development of new products by one corporation can be apparent to another, therefore, allowing development of similar products for competition. Because these companies are located in the same metropolitan area, they are naturally exposed to information about their competitors through the news, and suppliers and even rumors or gossip. The close proximity of these firms allows for the reduced shipping cost for parts, if Volkswagen or General Motors use the local suppliers. In order to assure quality that is required by Volkswagen, the company will regularly check up on their Chinese suppliers by conducting surprise inspections. Until 1997 Volkswagen was the only major foreign car manufacturer in the Shanghai area. At this point General Motors and the Shanghai Automotive Industrial Corporation formed Shanghai General Motors. Due to the fact that Shanghai Volkswagen was the only manufacturer in Shanghai, they were able to develop extremely close bonds with their suppliers and were able to limit technology spill over. When General Motors began operations, they used existing suppliers which allowed for greater competition as well as technological transfer. Both Volkswagen and General Motors have been able to inspire each other in the Chinese market to improve their products. Until Shanghai General Motors came into the picture Shanghai Volkswagen only offered the Santana model, after Shanghai General Motors

entered the market Shanghai Volkswagen was forced to offer new models such as the Passat and the Polo, in order to stay competitive. This has also allowed Shanghai Volkswagen to better serve the Chinese consumers.

Shanghai has truly become the most important and one of the largest automotive clusters dealing principally with cars. There are other automotive clusters such as the rather large one that encompasses companies in the Beijing and Tianjin areas which mainly deal with products such as the manufacturing of trucks. In general, since economic reforms were enacted in China there has been a major shift in automotive manufacturing from interior cities to those along the coastal region. Vehicle manufacturing along the coastal regions of China do not form one major cluster, rather there are smaller clusters around various cities. Tianjin has been a major location for local cooperation with Toyota. Shanghai, however, has become the most important automotive production centers in China, since the entrance of General Motors in 1997. One of the major factors contributing to Shanghai's status is that there has been an increased demand for cars and a decreased demand for trucks. The automotive industry has been very important to the development of China, allowing for the massive intake of foreign direct investment in a number of coastal cities. This is apparent in Shanghai where they have used those funds and cooperation with multinational corporations Volkswagen and General Motors to become the leader in automotive manufacturing.

As stated previously, China focused economic reforms mainly on coastal regions which also created industrial clusters. Since China attempted development by using an export led development strategy, it only allowed MNCs and foreign business into coastal cities which were considered open. This obviously created industrial as well as business



clusters because companies were forced to inhabit the same area of the country. This has produced significant levels of development in the coastal regions and more recently in the metropolitan area of Shanghai, which was not included in the original economic reforms. By focusing on smaller sections of the country in the beginning, it almost forced development of these areas. For example, China basically told the world that business could only operate in a few cities, which obviously forces MNCs and FDI focused on those areas, which then created industrial clusters which lead to the development of the area, and the urbanization of the area.

Since the beginning of the current wave of globalization began, multinational corporations have had an extreme amount of flexibility to move across borders. This concentration of economic reforms has caused a dramatic increase in the urbanization in targeted Chinese cities. Urbanization of Chinese cities is not a new phenomena, it has been occurring at a somewhat steady pace since the 1800s. Under Mao Zedong, the central Chinese government tightly restricted migration to the cities and focused their attention on the rural areas and agriculture. Not many other countries, if any, have experienced the extensive changes and the large amount of success that China has since the implementation of liberal economic reforms.

There are a number of reasons that citizens choose to move to another area, however, usually a citizen is in search of some sort of opportunity that can better their life. Migration in China has not always been accepted or even allowed. Under the rule of Mao citizens basically had to stay where they were located and even in some cases urban residents were forced to move into rural areas in order to fill positions in the agricultural industry. The household registration system or hukou was enacted in June

1955, is still around today and continues to govern migration patterns between the rural and urban areas. Households would receive registrations either individually if one was an urban dweller, or, if one was a rural dweller, the community or cooperative that one lived in received the registration. In other words, each rural community was seen in the eyes of the Chinese government as one household. For all intensive purposes it was impossible to change one's registration status. Additionally, between 1961 and 1963 members of the rural communities who had previously moved into the urban areas were sent back to their respective rural communities. Even when dealing with a marriage between a rural and an urban resident, the rural resident had to stay behind while their spouse could live in either place. If the couple had children, they were to be considered rural residents and could not live in the urban areas either. "To be rural was to be condemned to a life of hard work and poverty. To be urban was to have entitlements that included subsidized grains and fuel, housing education, health care, and cultural opportunities- all of which were denied to the country's farmers." (Friedmann, 2005, p. 60). The system was justified by the government as the city and state owned industries could not handle a massive influx of migrants from the rural regions and did not have the money or infrastructure to support them. In addition, the government was attempting to lead China in an industrialization project. This project could not be funded unless they had a surplus of grain from the rural areas to finance the industrialization process. As one can imagine this system created a severe level of discrimination based on where someone lived.

When the first economic reforms took hold, the Chinese government realized that changes needed to be made to the hukou system. The government however was not willing to abolish the system and it still remains to this day. The household registration system

continues to cause a major issue when attempting to quantify the amount of people coming and going from urban areas, because a great deal of it is done illegally.

Significant reform began in 1984 when the government allowed some rural dwellers to move into small towns, and allowed for some temporary migration for those who could supply their own grain rations. “This resulted in a remarkable movement, largely from rural to urban areas, but it involved other shifts as well, and these introduced a new pattern of migration in socialist China.” (Veeck, Pannell, Smith & Huang, 2007, p. 122).

1989 the government established a quota system in an attempt to control the number of urban registrations that were given out, this however has done little to slow down the migration of rural residents to urban areas. In order to legally migrate, a citizen would need to jump through a seemingly endless number of hoops, and would need a significant amount of money in order to be approved by the government and finance the move and all the documents that are required. In another attempt in 2001 by the government to reform the semi-closed migration system, they began to allow rural migration into small cities which were under the 200,000 population mark.

While it is clear that the household registration system is not nearly as effective as it was under strict communist rule, the system is still in place and has had lasting impacts on the relations between dwellers in the urban and rural areas. Those residents who were considered to be urban or non-agricultural received a great deal of assistance from the government such as housing, food, and health benefits to name a few. While this has clearly changed and China has moved into a different era, due in large part to economic reforms, the bias that was created between urban and rural residents still exists. It is clearly more valuable today to be classified as an urban resident, even though migration

is no longer at a stand still and even encouraged in order to fill jobs within the cities.

Although, the central government has not completely done away with the system and a great deal of the migrants from the rural to urban areas are considered temporary, it is still nearly impossible for these residents to change their registration from rural to urban status. The system has even affected marriages to the point of sacrificing morale just to marry a person who holds an urban registration card.

Illegal migrants or the floating Chinese population do not have access to the same rights as urban dwellers. In other words if a rural citizen moves into an urban area illegally they are not only seen as a second class citizen but legally they are treated like one. "Beyond the prohibition against freedom of assembly, association, and critical political speech that affects all residents of the People's Republic of China, these sojourners are denied the right to permanent jobs in state owned enterprises and factories, to attend city schools under normal terms, to decent state-allocated housing, to free medical care, and though less important recently, to rationed goods, especially grain." (Solinger, 1995, 129). Migrants can however attempt to gain employment through a temporary citizenship change which allows a citizen to move into an urban area to fill a certain position. The process is driven by the government and is often times based on personal relationships. In other words, the government uses this as a form of patronage; often times urban governments have friend cities which they recruit temporary workers from. This has allowed the government to maintain some degree of control over unemployment numbers by shifting migrant workers to different areas which need the help. Another major issue is the lack of quality housing. Even within the urban population the real estate is not good it is unevenly distributed and generally the

extremely rich or politically connected have decent privately owned housing. This means that illegal migrant workers are frequently left homeless due to of the lack of housing. The migrants are often not even allowed to seek shelter in government run housing even though they are citizen of the country. There is also work unit housing, however one must have a job with a specific company in order to qualify, and migrants are not eligible to receive permanent employment. There are obvious problems that arise with the continued employment of the hokou system; however it can also be seen as another attempt by the Chinese government at a slow controlled transition into the market economy. The government is not allowing the urban areas to be over run by rural migrants which could be catastrophic to China's progress. Other developing or under developed nations may consider attempting to control migration in some fashion in order to not overwhelm the system, if it chooses to follow the Chinese example.

The type of work that most migrants perform is usually that of unskilled labor. According to Friedmann known as the three D's: dangerous, dirty and difficult. Many male migrants work in the construction industry, similar to that of many illegal immigrants into the United States, or in SMEs or in factories. Migrants generally do not receive the credit they deserve for actually building much of today's Shanghai. "Young women typically find work in garment industries and electronic assembly plants, but also as nursemaids in newly rich, middle-class households." (Friedmann, 2005, p. 66). Migrants often work jobs that urban residents don't want. This is especially true since economic reforms were implemented; growing numbers of urban residents have taken jobs in the white collar sectors which leaves a great deal of jobs in areas such as construction and manufacturing. This is in stark contrast to the rapid growth in the city

of Shenzhen which is mainly composed of migrants. Prior to economic experimentation, Shenzhen was a rural area outside of Hong Kong, now the city's economy is booming and it has served as the first model of controlled economic development success in China. The migrants have been essential to the operations and success of the companies that comprise the Shanghai automotive cluster. Although as of late the type of work that migrants are doing is beginning to change as the economy moves from one based heavily on manufacturing of low tech goods to one that produces goods that are more technologically involved. As the economy moves in different directions, the types of jobs that migrants hold move in the same direction. It remains to be seen what affect this move to a more technologically advanced economy has on unemployment rates due to the nature of the new jobs that are coming into China. In other words, will the migrants be able to keep up with the changing economy? According to the article *Globalization and Industrial Relations in East Asia: A Three-Country Comparison* by Stephen J. Frenkel and David Peetz, wages in manufacturing jobs are actually higher compared to the state run agencies by 25-50%. This is not necessarily coincidental. The government requires a higher minimum wage for those jobs in MNCs than it requires for itself. Unemployment is one of the most serious problems that China is attempting to deal with, however massive migration regardless of government controls is creating a surplus in labor. The surplus of labor could contribute to the growing rate of unemployment due to the massive layoffs by the state run agencies.

The economic liberalization policies and the development of China and its economy have been heavily concentrated on the Chinese coast causing industrial clusters. The establishment of the special economic zones through the decentralization of

government have allowed coastal cities numerous opportunities that inland cities have not had. The coastal Chinese cities and SEZs such as Shenzhen and Pudong have experienced significant and rapid economic and population growth. The coastal regions have also been the major beneficiary of globalization and the economic growth it has brought to the region. This is mainly due to the fact that there was a great deal of infrastructure already in place when economic reforms were implemented and since the cities are on the coast, it is simple for MNCs to ship goods in and out of the country. Globalization is the driving force behind the rapid economic development of the coastal region of China and in turn they have created countless jobs in which migrants are moving into the cities. Small and medium size cities in the coastal regions have also benefited from globalization mainly due to the spill over effect which is a benefit of industrial clusters in the area. Many migrants have moved into the small cities and have contributed to their growth by investing in infrastructure. Many of these towns have become major cities through this form of “bottom up” urbanization where migrants come into a small town that has some experience with spill over from the larger cities nearby. The bottom up urbanization has also taken some of the pressure off the major cities in the region as the population has become somewhat more spread out over a number of large cities. There has been, however a loss of farmland in the region due to the growth of numerous cities on the Chinese coast, as well as a major pollution problem in the area.

The global cities research which is a relatively new field does illustrate some of the effects globalization and industrial clustering have on the urbanization of cities. The major study conducted by J.V. Beaverstock, P.J. Taylor and R.G. Smith concentrates on major business entities in the fields of banking, law, accounting and advertising. While

these are not members of the manufacturing industries in which much of the industrial clustering literature discusses, they are still industries that benefit from spill over and markets. The more firms that a city has in each of these areas, the worldlier and more important it is to the global economy. One of the major problems with this inventory of world cities is that it has not been updated since it was published in 1999. I am aware that some of the large business firms that Beaverstock, Taylor and Smith employed in their analysis no longer exist, such as the accounting firm of Arthur Anderson. I would also venture to say that cities such as Shanghai and Beijing could have possibly moved up on the world cities roster since 1999 because of their continued economic growth. The authors have been very clear on the methods they employed in their study and the data they used are readily available on the globalization and world cities study group website, so it would not be extremely difficult to replicate and even update the study.

Asian cities have become very important to the world cities research and many occupy prominent spots in the rankings. In the last published study the alpha world cities scored between a ten and twelve. The cities that scored the highest were London, Paris, Tokyo and New York (all with twelve). The other alpha cities include Chicago, Frankfurt, Hong Kong, Los Angeles, Milan and Singapore. China wishes to have a city that is comparable to the major alpha cities like New York and Tokyo. The beta world cities scored between a nine and seven and include; San Francisco, Sydney, Toronto, Zurich, Brussels, Madrid, Mexico City, Sao Paulo, Moscow and Seoul. The gamma world cities scored between six and four and there are numerous cities in this category including U.S. cities, Boston, Dallas, Houston, Atlanta, Miami and Minneapolis. Also included in the gamma world cities are the Chinese cities of Beijing and Shanghai. The



authors note that the Chinese city of Guangzhou along with the U.S. cities of Philadelphia, Cleveland, Detroit, Seattle and Richmond all show some evidence of world city formation. It is clear that the research has yet to be updated and the roster would most likely change. China and its major cities continue to liberalize their economy and more and more multinational corporations and foreign direct investment roll in almost daily. Another major development since this the roster of world cities was updated was China's entrance into the World Trade Organization and because of this, China has been forced to continue pushing reforms in the important business sectors such as banking and other business services which are essential to the world cities analysis. It is clear that industrial clusters are helping propel China's economic success, and are having an immense impact on the urbanization of the cities which are open to the outside world. Other developing and under developed countries should take note of how China has successfully focused development in a controlled manner and did not let the global economy come crashing down on them. Instead they entered the global economy at a controlled pace.

## Chapter Four A Comparison Between Shanghai and Tianjin

Two of China's most important cities today are Shanghai and Tianjin. The two cities have contrasting histories while experiencing similar situations, while both have had significant economic success. Both cities have been considered gateway cities because of their prime locations, Tianjin is located on the Chinese coast and very close to the long time capital of Beijing, and Shanghai located further south along China's coast and on the banks of the Yangtze River. Along with extensive economic reforms in each city, each has also seen rapid urbanization due to industrial clusters.

Both Shanghai and Tianjin have long and storied histories, both cities being essential to the past and future economic success of China. Shanghai's history is better known and well documented in western literature as compared to Tianjin. Shanghai has always been a strategic city along the coast which has been of great economic importance to the various dynasties which ruled over China for a major part of Chinese history. Shanghai was a prime location on the coast which has served as an entry port for trade coming into and out of China. After the First Opium War the British chose Shanghai to become one of the Treaty Ports where trade and international influence could flow into the city. The city of Shanghai was of great strategic importance for trade. "Its well-sheltered harbor and strategic location at the mouth of the mighty Yangtze River made it a key waterway into the Chinese interior." (Yatsko, 2001, p. 12). Due to the interaction with other countries, portions of Shanghai were turned into colonial like establishments where residents, primarily British residents, could live under the laws of their home nation.

While in Shanghai residents from other countries around the world set up banks, schools, clubs and much more which replicated their life in their home country. Shanghai became a cosmopolitan city thanks in large part to these settlers. Shanghai was the city with many firsts for China, the first stock market for example, and it was very much the center for fashion, culture, banking, technological development as well as the negatives as prostitution and gang violence. The city was considered the most cosmopolitan in China and was known to many as the Paris of Asia.

Tianjin has a great deal in common with Shanghai even though the outcomes are very different. Tianjin, considered by many to be Beijing's link to the outside world is located on the northern coast of China. The location of Tianjin has been both a benefit and a distraction to the city. Tianjin became the northern most on the Grand Canal which made the city part of the national water transportation system. Another major use for the city of Tianjin was as a military post, again, because of its close location to Beijing. Similar to Shanghai, the city was often a location of foreign entry for other countries wishing to seek relations with the government in Beijing. Much like Shanghai, the city became a Treaty Port and foreign colony as establishments were set up in the city. However, while the city of Tianjin was opened to the influence of other nations, they did not seem to revel in the spotlight or welcome the foreigners as Shanghai did. This once again could be because of Tianjin's closeness to Beijing. The city was home to horrific events such as the Tianjin Massacre which significantly set back relations between the Chinese and the Western powers. Many believe that this specific event which took place on June 21, 1870 basically destroyed any cooperation between China and the West. However, even with the city attempting to stave off the influence of foreigners, Tianjin

was considered to be greatly modernized. Shanghai and Tianjin have both benefited from the ideas brought into China through relations with other countries. Shanghai and Tianjin reacted with drastic difference to the openness, Shanghai enjoyed and welcomed foreigners and became the cosmopolitan city in China. Tianjin did not welcome the title of treaty port and did not become cosmopolitan as Shanghai; instead it experienced some levels of modernization but seemed resolved to maintain a more restricted relationship with other nations.

Once the Chinese Communist Party took power, it sought to cut off all connections with the outside world. Foreigners and businesses fled the area. The Communist Chinese Party looked to Shanghai to become one of the best examples of socialism. The governing party heads in Beijing appointed non-Shanghainese to govern the area in order to demolish any forms of capitalism that were left in place and install a socialist, planned economic system in the area. There were many positives in making Shanghai a shining example of communism. Its location on the Yangtze River allowed for easy transportation of goods, the city also had an extensive infrastructure and strong business and manufacturing bases. The CCP promoted strong manufacturing in the area in the hopes of producing a surplus of funds for the country. Shanghai was also a center for education and the CCP took advantage, the highly educated citizens conducted military research as well as participated in military development projects. The city however, required an enormous amount of resources in order to operate. In order to supplement the cost of the city, the central government began to fix prices of goods, which allowed the government to obtain resources more easily. Shanghai went from

being one of the most cosmopolitan cities in China, to being a symbol of the communist state.

The city of Tianjin, however, had a different experience under the rule of the CCP. The Japanese had experienced a great deal of control in the area of Tianjin prior to the Chinese Communist Party takeover. Culturally, most of the members of the operas and various troupes would not work for the Japanese, therefore, they refused to work or left the city altogether. The CCP took control of Tianjin in December of 1948, and it was the first Treaty Port to be captured. Prior to the communist takeover, Beijing and Tianjin had a strong relationship, this was especially important because Tianjin was the gateway to the rest of the world for Beijing. Once the CCP took over, the relationship between the two cities weakened but the vast majority of urban investment by the central government was located in Beijing. Tianjin, however, still produced more goods as compared to Beijing. There is a stark contrast between Shanghai and Tianjin under the strict rule of Mao Zedong. Shanghai was turned into an example of how great communism could be. One of the possible reasons for this action is because Shanghai was considered to be cosmopolitan, and the central government wanted the city to become the heart of communism. Another reason could be its' location in the south which was a great distance from the capital of Beijing. Location could also serve as the chief reason that the CCP did not favor Tianjin. It is too close to the capital, citizens could look up to Beijing instead, and they did not need another example city in the area.

Once Deng Xiaoping took power and economic reforms were on the horizon, cities braced themselves for what was to come. Many observers and Chinese citizens alike believed that with the announcement of economic liberalization, Shanghai would

once again occupy the international spotlight. This however, was not to be, Shanghai was not, at first, included in the economic reforms. Finally in 1986 Shanghai was allowed to establish a few small economic zones to foster development. Initially the reforms did not see a great deal of impact and there seemed to be more work that needed to be done before real development strides could be taken. The infrastructure of the city which initially attracted the CCP had become badly dilapidated and was in need of major repairs. The city had lost its charm and was crumbling to the ground. Shanghai saw a sharp turn in their long neglected fortunes, taking root in the 1990s. Changes began to take shape in the mid to late 1980s when Beijing sent well educated party officials to Shanghai in order to get the city back on track. Deng Xiaoping realized that it was important to reestablish Shanghai as an economic hub because of its strategic location to the inland provinces. In order to do this, the central government enacted policies that would greatly benefit the development of Shanghai such as establishing a free trade zone in the area. The party began to promote officials nationally who had extensive ties to Shanghai and had the city's interests in mind. Since 1990, the central government has kept the city relatively well off by funding significant amounts of large scale projects that would have been extremely costly to the local government. Shanghai has become one of the loyal cities to the central Chinese government, and the government rewards this loyalty with favorable policies. This could explain a great deal why the central Chinese government is pushing Shanghai very hard to become a global city. Shanghai once served as a beacon of socialist success and now it is becoming a beacon for liberal economic policies while maintaining certain socialist values.

Tianjin on the other hand was included in the first round of economic reforms implemented by Deng Xiaoping. In addition to the opening up of some Chinese cities, the central government was also giving significantly more power to local governments. Along with the more decentralized decision making process, local governments, especially in the case to Tianjin, became enormous. However, because of Tianjin's close location to the capital, Beijing, the central government has maintained a great deal of influence in the area, more so than in other areas of the country. Tianjin has sought a balance between its own economic interests as well as the interests of the central government. For example, while it is true that the local, provincial government has more power in Tianjin's development, the central party still appoints the local party's officials. Shanghai and Tianjin as well as the other open regions of China have benefited greatly from the economic reforms implemented by Deng Xiaoping. Shanghai, which was not originally included in the reforms, has recently rejoined the global economy as one of its up and coming cities. The city sits on a prime location on the Southern Chinese coast and was once an active member on the international economic scene. Tianjin on the other hand was originally included in the first round of economic reforms, and while the city has greatly benefited from them, it does not appear that they have had the same level of success compared to Shanghai. Tianjin is strategically important because of its proximity to Beijing, but the location can also be a negative because the central government still maintains a great deal of control over the area.

The economic development plan that was implemented by the Chinese government was focused on coastal cities. The initial experiment in special economic zones was in Shenzhen, part of the Pearl River Delta, located in the Guangdong Province.

The central government believed that this area which was mainly agricultural was a prime spot to experiment with economic reforms due to its close proximity to Hong Kong. “It was an agricultural area distant from major cities, strategically selected to keep what was then a radical experiment with market economic activity away from centres of real economic and political power.” (Cartier, 2002, p.1519). Shenzhen experienced rapid economic growth during the period of 1980 to present. The success served as a model for other Chinese cities such as Shanghai and Tianjin. The central government opted for an export led development plan in which Shenzhen and Shanghai have blossomed. This plan was in fact wonderful for cities such as Shanghai and Tianjin because they were on the coast, as well as had extensive ties to inland China, and were basically already in a position to lead the nation in exports. The limited development strategy also led to the development of industrial clusters. This is consistent as outside businesses and industries were only allowed to operate in these specific cities. In addition, the current wave of globalization has also contributed to the growth of industrial or business clusters in these Chinese cities. One of the main tenets of industrial clustering is that businesses move close to one another in order to take advantage of the educated population, the resources as well as the technological spill over and economies of scale. The global cities research illustrates some of this with regards to Shanghai, it has also been openly expressed by the Chinese government that it wishes Shanghai to become a top tier global city.

A city’s worldliness is measured through the evaluation of the presence of major world firms in the accounting, finance, legal, advertising, and banking sectors. When the roster of world cities was completed and published in 1999, Shanghai was considered to be a gamma level world city. This means that Shanghai scored between a four and six



and within the city limits there are service centers for two of the major sectors and one of these must be classified as a major center for one of the sectors. The study has not been updated since 1999, but is likely to have changed as the global markets have changed over this relatively short amount of time. Specifically when discussing China, the nation's assent to the World Trade Organization in 2001 has required China to continue opening their economy. This could have a significant impact of Shanghai's standing in the global cities roster. A specific example of this is as of 2001, twenty-one of the thirty-seven main branches of foreign owned banks were located in Shanghai. Some scholars still have argued that Shanghai is nowhere near becoming a top tier global city and if it ever does happen it will take a significant amount of time. One of the major problems for China in general, is the lack of openness that is necessary for businesses in today's global economy. Even though some liberal reforms have been made, there is still a long way to go. "Relative to other countries, China remains a closed society where central and sub-national governments regulate and limit contacts with foreigners, control movement into and out of the country, regulate internet traffic and take a minimalist view of individual rights vis-à-vis the state." (Yusuf and Wu, 2002, p. 1221). Another major issue for many corporations is that in order to open operations in China, the Chinese government must own at least part of the operations. Often times this forces multinational corporations to enter into partnerships with state owned companies, so they will then be allowed to conduct business in China. This situation has not prevented certain multinational corporations from entering into these joint ventures such as Volkswagen and General Motors which have both benefited from the joint venture and have prospered in the Chinese market. Finally, there is a lack of legal mechanism in China, many of the

multinational corporations are western, and are used to conducting business with the backing of laws and contracts which do not exist to the same extent in China. Along with this issue, many Chinese businesses operate on a network level and at times could be difficult to break into on a business level. However, I believe that Shanghai has done a good job at mitigating some of these major problems and is well on its way to becoming a top tier global city. For example, in order to attract businesses that are highly technical, the central government and municipal governments have attempted to create and change laws in order to provide patent protection. One of the major advantages that Shanghai has over many other cities in China is that it was once a hub of international trade, so in other words, the city has been there before and can rise again. On all levels of government there has been a massive investment in the infrastructure of the city which is attractive to multinational corporations looking to move into the Chinese market. The Chinese government has continued on its liberalization path and has become one of the largest and most powerful economies in the world. It may not take Shanghai as long as some expect to become a powerful global city; in fact Shanghai could already have moved up from its gamma city ranking.

There is no mention of Tianjin in the article “A Roster of World Cities.” There could be a number of major reasons for this. The first major reason is that Tianjin has always been a manufacturing and export center, and does not have as much experience in the business areas such as banking and advertising. Another major reason could be that these international firms are not opening their doors in Tianjin because they have already chosen to do business in Beijing which is considered to be a gamma world city. Tianjin’s close proximity to Beijing has limited its opportunities in the past and seems to be doing

the same thing in this case. Like Tianjin, Shenzhen was not studied in the original Beaverstock, Taylor and Smith work. However, the local government of Shenzhen has recently been pushing for a move from an industrial center to a more service oriented city. Just as Shanghai, Shenzhen is seeking to become a world city without a previous history as a cosmopolitan center. It would be interesting to hypothesize if this study were updated, where on this list these two cities would fall. Shanghai would most likely rise, and Tianjin might even show evidence of world city formation.

Frequently economic development leads to massive urbanization. China and its open cities are an interesting example of this, much of which has to do with massive floating population and illegal migration problems caused by the household registration system. The United Nations every few years publishes their World Agglomerations, the most recent was 2007. Agglomeration is simply the urban city and the area which is considered urbanized around it. For example, New York includes the city as well as the Newark area. One pattern that has emerged is that many highly ranked urban populations are considered to be global cities; however, this is projected to change as a number of cities in India as well as Latin America continue to grow their urban populations. Shanghai which is considered a gamma world city is also the nation's largest agglomeration. The population of Shanghai was 7.3 million in 1975, during the strict communist rule. After Shanghai was opened to the rest of the world and it became an active partner in the world economy, its population has jumped to 15 million, which does not include the massive illegal migrants who are in the area. The population of Shanghai is expected to grow again to the size of 19.4 million by the year 2025. In the past, Shanghai has been considered one of the largest cities throughout the world, and this

is still the case today. In 1975 Shanghai ranked thirteenth in population size, the city then moved up to seventh position in 2007, in the post economic reform era. Shanghai is expected to drop in the rankings by 2025, but this does not mean that the population will decrease; rather the growth rate of other cities will out pace Shanghai. Between 2020-2050 the growth rate is actually supposed to decrease from 1.7% from 2005-2010 to 1%.

The story of urban growth is much the same for Tianjin, however on a smaller scale. The city's population has grown a great deal since it has rejoined the global economy. In 1975 the population was 4.9 million; however in 2007 that number had grown to 7.2 million. The population is expected to keep growing and hit 9.2 million by 2025. While the sheer numbers indicate a smaller increase of the Shanghai population, it is clear that the city of Tianjin is also growing at a rapid and steady pace. The growth rate of Tianjin between 2005 and 2010 is 1.2% and is also projected to decrease slightly between 2020 and 2025 where it will be around 1.1%. The city of Tianjin has actually fallen in the agglomeration ranking, which again does not mean that the city is actually shrinking but other cities are growing at a more significant rate. In 1975 the city was ranked twentieth, however it dropped to thirty-fourth in 2007 and is expected to drop one place to thirty-fifth in 2025.

It is abundantly clear that the urban populations of Shanghai and Tianjin are growing and becoming some of the largest cities throughout the world. The vast majority of the Chinese population as a whole is still considered rural, but that number is expected to shrink by 1% between 2005 and 2010. By the year 2050 it is projected that 72.9% of the Chinese population will be considered urban. There has already been significant strain on Shanghai and Tianjin regarding population growth, and that trend will continue

into the future. Urbanization is a very real issue for these cities and others around the world, until this point, Shanghai has handled urbanization relatively well. Shanghai, because of its openness and its place as a power city on the world economic scene, has a great deal of foreign direct investment flowing into the city. The city is then able to invest those funds in infrastructure improvements as well as other projects that will attract local businesses. Another advantage that Shanghai has had is a significant level of help from the central Chinese government beginning in the 1990s. Deng Xiaoping knew that Shanghai would need to rise again, and he supported pro-Shanghai development projects, which not all cities have experienced. Shanghai has also been attempting to gain more international exposure to become a global city.

Enormous transportation projects sprang up quickly, such as the vast road that formed a circle around the city as well as the metro lines that seem to have sprung up in no time at all. The city of Shanghai has also invested in improvements with regards to communications which would attract businesses to a more modern city. However, one of the major problems brought on by massive migration is the lack of quality housing, which has become a major problem in many, if not all of the open cities in China. As discussed earlier, there is not much of a real estate market, and many migrants are not eligible to receive housing and therefore are left to live on the streets. There have been some strides to fix the cost and availability of housing; however these efforts have not been enough. The overall urbanization picture of Shanghai looks bright; the government is actively involved in improving and maintaining the complex infrastructure of the city in order to sustain economic progress.

In Tianjin there is a narrower picture; once again there is not nearly the amount of information or study completed on Tianjin. Even though both Shanghai and Tianjin have previously been considered Treaty Ports with extensive relations with the outside world, the two cities handled it very differently. Shanghai was welcoming and has blossomed into a cosmopolitan metropolis. Tianjin on the other hand was seen as a gateway to Beijing and has never really received much attention under communism. Economic reforms have obviously caused the growth of Tianjin but again it has not been as successful as cities like Shanghai because of their proximity to Beijing. Again, because of its location, the stability of the government in Tianjin is essential to the central party, so the central government has attempted to keep a great deal of control in the area. Like Shanghai, and a number of other Chinese cities, there is a lack of adequate housing in the area. There is also rising inequality in many cities and this is exemplified in Tianjin, where a great deal of the population seeks government assistance. This is in stark contrast to cities on the Southern Chinese Coast which are more independent, and even though there is a rising equality gap, the attitude is very different. One of the major problems that Tianjin is facing due to the rapid pace of urbanization that Shanghai is not, is the lack of available water. Beijing has also experienced this to some degree however; Tianjin purchases a good amount of its drinking water from Beijing, which means there is not an ample amount left for the growing population in the area. The central government has attempted to remedy the situation by investing in desalination projects that would provide water for Tianjin. One of the positive investments in the area has been the building or expansion of railway systems that link Tianjin to other important cities in China as well as Europe, and this has also allowed a link between the port of Tianjin and

Europe. This has also allowed to the city to attract manufacturing to the area. There has also been a movement to build new roads and expand already existing ones in order to accommodate the growth in automobile traffic. The city has limited how many times a week a citizen can drive their car into the city. While the picture of urbanization in Tianjin is not as nice as in Shanghai, both cities have become very important to the Chinese and even the world economy.

The city of Shanghai has always been very important for the Chinese government. It was once the cosmopolitan city within China, then a beacon of light for the strict communist rule and now the main center for successful economic development in China. Both the national and local leaders needed a vision to bring Shanghai back to its splendor of days past. The central government first decided to open up the Pudong area near Shanghai without implementing economic reforms in Shanghai. The central government looked to provide Shanghai with some financial support with the opening of Pudong, this included the rerouting a foreign direct investment, as well as additional funds to improve technology and various loans to the Shanghai municipal government. Shanghai was allowed to open up its border in 1992 and the municipal government knew it needed a new vision. The first major area of economic restructuring was in the agricultural industry in the area surrounding Shanghai. The agricultural industry was changed in order to provide more goods to support the city of Shanghai. The industry moved away from producing grain and cotton which took up a great deal of land and moved to crops such as fruits, vegetables and meat products such as chicken and beef. The municipal government also turned this sector of the economy into an enterprise instead of a village activity; farms were to be more family oriented and not consume as much land as they

once did. The secondary changes that the municipal government focused on were advancing industries such as manufacturing in the Shanghai area. There was a massive movement to rid the city of obsolete industries which were no longer efficient, could be combined with others or just not needed. The city looked to add plants and businesses that were efficient, technologically advanced and even pollution free. Within each sector, government agencies dictated which products companies should focus production on. Through this process, a pillar system was put in place of the major industries located in Shanghai; these were the iron and steel production, petrochemical and fine chemicals, household electronics, automotive, telecommunications and power generating equipment. Each of these six pillar industries have allowed and experienced significant growth which has been the major cause of the economic boom in Shanghai. The final major area that the municipal government attempted to improve is the commercial and financial sectors of the economy. The Shanghai government had a vision for the city to return it to its metropolitan splendor with the expansion and building of a number of shopping centers. These shopping centers and markets were established in order to serve a wide variety of people such as locals as well as tourists, and even different income levels. This was a major push by the government to improve commercialization which has been a major boost to the Shanghai economy. This approach worked extremely well for the city of Shanghai because it focused on various aspects of the economy and made those sectors more efficient.

During the 1990s there were also major infrastructure projects in the works which were aimed at better serving citizens and businesses. The city of Shanghai also adjusted spatially, the focus of growth was to be on the city center with development rings around



it and a number of other cities and development corridors. Altogether the Shanghai metropolitan area consists of eight cities. A number of big ticket infrastructure projects were implemented in order to connect these areas as well as attract business to the area and improve the flow of goods. Projects included improvements and expansion to the subway, improvements and expansion to the airports in the area, and a massive improvement to the communication network in Pudong. Projects like these were supported by the central government. The city of Shanghai did have a great number of allies in Beijing throughout the 1990s and even to this day, pushing for the economic success of the city. Some of the most powerful men in government during this period of economic prosperity and development were once mayors of Shanghai. Jiang Zemin who served under Deng Xiaoping and after his death, Zemin became the head of the country. Premier Zhu Rongji also from Shanghai and also a one time mayor of the city was handed a great deal of responsibility by Zemin to continue to grow the Chinese economy. The group in charge, many of which came from Shanghai, became known as the Shanghai Gang or Shanghai Clique. Some in Beijing, and the party, were worried about keeping the city of Shanghai in line with the rest of the communist ideals. Having these men in the power in the party which supported Shanghai's success was very important to the economic growth of the city. The central government spent a great deal of money on the infrastructure improvements in the area, which, might not have been so extensive if other men were in power. Tianjin, while it is close to Beijing and experiences both positives and negatives because of this, did not have the same amazing economic development that Shanghai did. One reason for this is due to Tianjin not having such influential government officials occupying the top offices. A great deal of the success of

Shanghai has to be given to the local government as well, and their proactive approach to economic growth. They did not sit back and wait for multinational corporations to come to them, rather, they invested heavily in attracted business through tax incentives and infrastructure improvement. The local government was also instrumental in increased patent protection so that companies are able to stay on the cutting edge of innovation. Shanghai has become the most important city in the Chinese economy, its extensive networks of banks, financial institutions and companies that encompass a great many sectors of the economy have all contributed to the city's extensive growth. If Shanghai were to fail, the results for China would be extremely detrimental to the Chinese economy as a whole, the city not only serves as a major business center and import and export center, but it is home to one of the most successful industrial clusters in China. The automotive cluster in the area which began with the establishment of SVW, a joint venture and various local and national government entities and later the agreement between General Motors and the Shanghai Automotive Industrial Corporation to form SGM, has become the largest producer of cars in China.

## Chapter Five Conclusion

The topic of development has always been and will continue to be up for considerable amount of discussion. World organizations such as the International Monetary Fund, the World Bank and a number of Western States have pushed for development through rapid privatization, which has not worked for many. China on the other hand chose a different path; they chose to gradually open certain coastal cities in an export driven development plan. The export driven plan allowed China to turn an early profit in the process instead of massive debt by importing goods. The government was able to maintain significant control throughout the process because only certain cities and industries were open to interaction with the outside world. This extremely focused plan has led to extensive economic development in a number of cities, and the rise of industrial clusters in areas such as Shanghai and Tianjin. Additionally, globalization also has had an effect on industrial clusters in China, since companies often relocate to areas where there is some kind of spill over effect that will benefit them. Shanghai and Tianjin have experienced development through industrial clustering, which has led to large scale rapid urbanization. Both cities are extremely important to China's continued economic success; therefore, how they deal with the problems that come along with urbanization is very important.

Shanghai and Tianjin are two of China's largest agglomerations and each is projected to grow significantly over the next fifteen years. It is essential for the continued success of China's economy and even the global economy that these two cities

are able to deal with urbanization and can sustain development. Shanghai is China's largest city and even though it has done a good job so far, the city's government must continue projects to keep improving the city, specifically addressing the lack of housing that has plagued many urban areas throughout China. This is especially the case if Shanghai wishes to become a global city. In the 1999 study "A Roster of World Cities" Shanghai was listed as a gamma world city, and consisted of large business clusters in the fields of accounting, banking, law and advertising. I would venture to say if the study were updated it would have moved up to beta city at the least. Even though Shanghai was not included in the original set of economic reforms since the 1990s, Shanghai has become one of the Chinese cities on the forefront of development and globalization. Tianjin on the other hand, was not included in the global cities roster, but that could also be changed if the study were updated. Tianjin is an important Chinese city is due to the close location to the capital of Beijing, but the proximity can also be seen as a negative. Many companies especially those in banking, accounting and so forth are already located in Beijing and do not see the need to expand their businesses to the Tianjin area. The central government has also maintained significant control in the Tianjin area because of the proximity to the capital. Still, Tianjin remains an important export center and stop on railways that link China with the outside world, and manufacturing has taken hold in the area. One of the major urbanization difficulties that Tianjin is currently dealing with is the lack of water. The central government has attempted to rectify the situation by beginning a large scale desalination projects which could be used in other coastal cities. Today it appears that Shanghai and Tianjin have returned to similar situations that they occupied prior to the strict CCP control. Shanghai was a cosmopolitan city which

welcomed business with foreigners, and Tianjin, while experiencing economic success, attempted to limit the influence of the outside world.

It is clear that the economy of Shanghai is the most important urban economy to China for continued growth. Shanghai has been able to develop and maintain economic growth through the extensive application of industrial clusters. One of the most prominent industrial clusters in the area is the Shanghai automotive clusters. The cluster consists of multinational corporations as well as suppliers and funding agencies such as the Bank of China. Another major advantage that Shanghai has experienced since economic liberalization is politically powerful citizens such as Jiang Zemin and Zhu Rongji. The economic success of Shanghai has cemented the city as an economic leader not only in China but in the global economy as well.

The Chinese government has attempted and succeeded at maintaining control while moving their economy from a state run to a market based system. Shanghai and Tianjin have learned from the example set in Shenzhen, the original economic experiment. They have done this by utilizing the dual track system, where state run companies were gradually allowed to produce and sell goods outside of their government quota. This allowed companies to gradually work towards becoming an active member of the global economy. Another interesting step that they Chinese took was to only allow a certain number of their cities to become open to the outside world. These cities were located mainly on the coastal regions due to the plan's emphasis on export driven development. The concentration of economic reforms to a given area creates industrial clusters, since there are a limited number of places for a company to open up shop. One of the most prolific examples of this forced form of industrial clustering is the creation of

the Shanghai automotive industrial cluster. In order for Volkswagen to move into China they had to form a joint venture with Chinese companies, which were run by the state. The Shanghai automotive cluster has grown into one of the most economically sound clusters in China and even includes another manufacturer, General Motors. A major contributor to the success of automotive manufacturing has been the massive migration of citizens from the rural areas. Industrial clustering is not only limited to heavy industry, rather, it can also be seen in research such as the global cities research which focuses on businesses such as law, banking, accounting and advertising.

There has never been a more important time in history for countries to take significant steps towards modernization because of globalization. Globalization has had an extensive impact on the world, and the underdeveloped regions and countries are falling behind. Globalization has also been a factor in the rise of industrial clusters. Globalization has given companies the option to move about the world with relative ease. However, businesses tend to open up shop near similar businesses because of economies of scale and the spill over effect which then creates an industrial cluster. Companies benefit from each other and their technology. Another interesting area is the workforce, a company may choose to move to an area with a similar business due to the educated workforce, so they do not have to spend as much time or money on training the new employees. All of the industrial clustering in Chinese cities is leading to high rates of urbanization. There is a massive movement of people into the urban areas. China is an interesting case when dealing with migration due to the household registration system which restricts the movement of rural citizens. This has led to a massive illegal migration problem and these migrants are being stripped of their rights. They are not

eligible for school, work or government owned housing. Another major problem is that the government controls the temporary work relocations and this has led to corruption in the system. Government officials will recruit friends and family for jobs in the cities and not necessarily the best candidates. The hukou system has undergone reforms, however, those reforms have not stopped the large scale problem of illegal migration, and this is a matter that must be dealt with by the Chinese government in order to sustain development as well as allow citizens more freedom in the new market economy.

The Chinese development plan is very different than the rapid sell off plan implemented in a number of countries around the world, China needed to do something different. Other nations can use China's development model as a guide as how to develop at a more controlled pace. Essential to the model is the focus of economic reforms on a given area or areas, China started reforms in a small number of urban areas which allowed for the gradual spread of reform. Another interesting approach China took is the dual track system; this allowed companies to gradually join the global economy without the massive shock. The dual track system goes hand in hand with the export oriented development plan which has allowed China to gain some profit in the beginning of the process instead of taking on additional large debt. Cooperation between the central government and the markets has been essential to the success of the Chinese economy in the early stages of economic development. This is in contrast to the government handing off development pushed by the International Monetary Fund, the World Bank and many Western nations. Obviously, there would need to be more extensive research conducted on specific cases to see if this development plan could work for specific underdevelopment nations because each case is different. Another area of research that

should be expanded is the study of industrial clustering; this field could have a large impact on the future of many business as well as national economies. Additionally, the study of urbanization in Chinese cities needs to continue to be updated as the situation is always changing.

The Chinese model of controlled economic development can be very useful for underdeveloped nations looking for an alternative development method. The model focused on coastal development by mobilizing large amounts of resources may not be appropriate for every nation. China is still a totalitarian government and is able to control the movement of capital and resources without significant repercussions. In a democratic society it would be very difficult to direct a significant amount of resources to one specific area. The Chinese also have a large overseas population which invests heavily in the homeland and many other underdeveloped nations do not have this luxury. The model can be changed and molded to accommodate another situation.



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