From the ‘Workshop of the World’ to an emerging global city-region: Restructuring of the Pearl River Delta in the advanced services economy

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Chapter 2

Globalization and the Megaregion: Investigating the

Evolution of the Pearl River Delta in a Historical Perspective*

This chapter investigates the evolution of the Pearl River Delta (PRD) megaregion in the context of changing globalization and state policies in a historical perspective. The central question is how the PRD has been continuously (re)shaped in terms of global linkages, national status and regional urban system by the national and global political economic changes during different historical periods. The chapter argues that the contemporary geography of a megaregion can only be adequately understood by referring to its long-term developmental trajectory within broader political economic processes. Moreover, such a historical and context-sensitive perspective is especially important in understanding regions outside the western world, where quite different regional and national histories and contexts may exist.

2.1 Introduction

Since the 1990s, global city-regions, mega-city regions and megaregions have attracted extensive attention in both academic and policy circles (Florida et al., 2008; Hall and Pain, 2006; Hoyler and Kloosterman et al., 2008; Ross, 2009; Scott, 1998, 2001). Contrary to the views that predicted the ‘death of distance’ (Cairncross, 1997) or the ‘end of geography’ (O’Brien, 1992), many scholars believe that globalization does not lead to a simple dispersal of economic activities. On the contrary, globalization has reasserted the agglomerative tendency in many parts of the world, making large cities and urban regions even more important. On the one hand, while advances in technologies of transportation and communication enable some highly routinized economic activities to be transferred over ever-greater distances, the leading sectors of contemporary post-Fordist economy (namely high-tech production, neo-artisanal manufacturing, advanced professional

services, cultural industries, see Scott, 2008), characterized by high levels of uncertainty, instability and complexity, actually raise the necessity of instant mutual interaction and the need for spatial proximity. Large city-regions, benefiting from the concentration of flexibly networked production systems and close integration with the world market, are primary choices for most modern economic activities (Scott, 2001, 2008; Scott and Storper, 2003). On the other hand, with increasing cross-border economic activities and intensified uncertainty gradually eroding (perhaps more accurately, restructuring) the capability (and willingness) of the nation state to protect all regional and sectoral interests within their jurisdictions, regions are directly confronted with increasing global competition and forced to take greater responsibility for their own prosperity. This fosters a widespread transfer of power and resources towards the sub-national tier followed by a resurgence of region-based forms of economic and political organizations, that is, the rise of new regionalism (Brenner, 2004; Rodríguez-Pose, 2008; Scott, 2001, 2008). Both trends, the concentration of post-Fordist economy and the restructuring of spatial governance and institution-building in favour of the regional scale, are commonly used to explain the growing importance of megaregions within a new world system (Harrison and Hoyler, 2015).

Starting from this assumption, most research on megaregions tends to be framed by the conditions of the current specific form of globalization and worldwide capitalist restructuring that began to unfold in the 1970s. It also explains why economic phenomena and governance practices prefixed by ‘post’ or ‘neo’ always become the focus of analysis (cf. Hesse, 2015). However, this conceptualization of megaregions as the spatial product of a combination of recent technological progress and (neo-liberal) capitalist development is contested.

One line of argument emphasizes the historical continuity in the developmental processes of regions (Kloosterman and Lambregts, 2007; Lambregts, 2006). Accordingly urban systems with high sunk costs (in physical, social and politico-institutional terms) tend to display strong path-dependent characteristics. The current developmental trajectories and fates of regions in the modern world are, as a consequence, still significantly affected by their particular local histories as well as by their insertion centuries ago in national and international economies (Schafran, 2015; Wachsmuth, 2015).
Another critique denounces the (implicit) ‘EuroAmerican hegemony’ in theorizations of megaregions. As Roy (2009) points out, much of the dominant theoretical work on city-regions is firmly located in the urban experience of North America and Western Europe. This ‘normalized narrative of global city-regions’ has devalued the fast-growing regions of the global South and has concealed ‘the heterogeneity and multiplicity of metropolitan modernities’ (Roy, 2009, p. 821).

These two perspectives in fact reflect a more essential question about the geography of megaregions: whether the rise of megaregions predicts a convergence, even homogenization, of urban forms in the 21st century. In this chapter I will contribute to this discussion on the basis of an empirical study of such a megaregion in China. Without denying the uniqueness of contemporary global capitalist economy and the new qualities of modern city-regions as its spatial expression, I want to argue that the pattern of a megaregion can only be adequately understood through referring to its long-term developmental trajectory within broader political economic processes. Although the current wave of globalization shows unprecedented power to include ever more parts of the world into a seemingly single capitalist economic system, the way that a region is integrated in this system is still deeply influenced by its unique developmental path and contingent local context. Moreover, such a historical and context-sensitive perspective is especially important in understanding regions outside the western world, where quite different regional and national histories and contexts may exist and, therefore, the applicability of mainstream theories should be questioned and tested.

To achieve this purpose, this chapter takes the Pearl River Delta (PRD), a megaregion with a history going back at least two millennia and with dramatic changes in the last three decades, as the case to investigate its formation and evolution in the context of changing globalization and state policies in a historical perspective. The central question is how the PRD has been continuously (re)shaped in terms of global linkages, national status and regional urban system by the national and global political economic changes during different historical periods. In the next section, I will give a brief introduction to both the Pearl River Delta region and the analytical framework. After that, empirical data will be presented to
substantiate the claim that ‘history matters’ in a more concrete way. In the conclusion, I will discuss the implications of this study and make an evaluation of two available frameworks, ‘accumulation and concentration of capital’ (Kloosterman and Lambregts, 2007) and ‘state-city relationship’ (Taylor, 1995, 2004), for analysing the long-term evolution of cities and regions in the global economy.

2.2 The Pearl River Delta: a brief history

Located on the southern coast of China (Figure 2.1), the PRD is known as the country’s ‘Southern Gate’ with a history of more than 2000 years. In 214 BC this region was unified into the Qin Empire (China’s first centralized empire) with the administration centre at Panyu (now Guangzhou). Since then the PRD started increasing communications with Central China, accelerated remarkably after a new route to the North was created (in 716) in the Tang Dynasty (Xu et al., 1994, p. 28). More and more immigrants from the North arrived, especially during eras when Central China was suffering from war. Meanwhile, due to its strong foreign maritime trade, this region began to develop in a way rather different from most other parts of the country. Guangdong province was set up in 1370 under the regime of Ming with Guangzhou as its capital. The ‘Canton System’ (Van Dyke, 2005) in early Qing brought this region rapid prosperity within a short time. However, after the Opium Wars (1840-1842, 1856-1860) it experienced nearly one century of turbulence together with the whole country. The founding of the communist regime in 1949 and the establishment of a centrally planned economic system thereafter turned out to be the start of a period of slow development for this region. After 1978, Guangdong regained a special status in China’s reform and opening up practice and entered a period of dramatic economic growth. In merely three decades it was transformed into the famous ‘workshop of the world’ and turned into a major ‘regional powerhouse’ in China (Enright et al., 2005). Since the late 1990s, we can observe a new development, namely a process of industrial upgrading and economic transition in the region.
Combining a rich history with global connections and periods of radical changes, the PRD provides a valuable case to explore the evolution of the megaregion from a long-term perspective. In addition, China’s political context, represented by a strong (but constantly changing) central state, and historical patterns of urbanization make it a topical case to examine the impacts of national policies on regional development across different stages of globalization. To undertake this type of historical megaregional analysis, an analytical framework was developed, linking the transformations of the PRD’s global connections, its economic status within China and its internal urban system to the changes in the global and national political economic contexts within different historical periods. This framework is used to structure this chapter (Figure 2.2).
Figure 2.2: Historical framing of megaregion development in the Pearl River Delta

Source: Author.
Since the concept of the PRD economic zone is relatively new, the following analysis is not limited to nine municipalities in this special zone, but also includes other parts of Guangdong province and even Hong Kong and Macao. This area is more similar to the so-called Greater PRD. The information for mapping the developments before 1949 comes mainly from local histories and relevant studies. Such data are relatively sketchy and mostly descriptive. More recent data are collected from various national and regional official statistics. Municipality is the main unit of analysis because data are more easily available and consistent at this level.

2.3 Rises and falls: tracing the long-term evolution of the Pearl River Delta

2.3.1 Towards the sea: booming of Guangdong in ancient times (214 BC-1840)

The analysis begins with the period from 214 BC, when the region was first unified into China’s national system, to the onset of the First Sino-British Opium War (1840). This is commonly regarded as the ancient period of China’s history, ruled (although with interruptions) by powerful empires with a centralized bureaucratic system. The process of globalization during this period can be roughly divided into two stages: a pre-modern, merchant-led trading system based on overlapping regional city networks before the 16th century (Abu-Lughod, 1991; Taylor, 2012) and European expansion and colonization after that. China was at the heart of the East-Asian power system and trading network in the first stage and still maintained a high degree of autonomy until 1840.

As an agriculture-based economic entity with a huge territory, China did not have a strong need to involve itself in foreign trade in ancient times. However, since foreign trade provided an important way to acquire rare luxury goods and to increase national revenue, most royal courts adopted positive foreign policies and sometimes even actively participated in the tribute-type trade before the Ming Dynasty (Xu et al., 1994). Benefiting from its geographical location at the estuary of the Pearl River system and the starting point of maritime business routes to southern and eastern Asia and the Arabian world (China’s major trading partners before the 16th century), Guangdong gained importance in the country’s trading system (ibid.). China’s first ancient foreign trade department (Shibo Si) was
established in Guangzhou in the Tang Dynasty (661). The Ming (1368-1644) and Qing (1644-1911) authorities treated foreign trade with suspicion due to the concern of coastal safety and difficulties of managing foreigners. Foreign trade was restricted, sometimes even completely banned, by several emperors. However, the regulation in Guangdong was relatively relaxed. As the farthest port from the ‘heart’ of the empire, Guangzhou even became the only place designated by the Qing government for foreign trade under the highly regulated Cohong trading system between 1757 and 1842, monopolizing China’s foreign trade for more than 80 years (Huang, 1988).¹

Against this background, Guangdong gradually became China’s major centre of foreign trade and connected with many ancient civilizations through the pre-modern trading networks. Major imports were rare luxury goods at first. Later, after Europeans became the main trading partner, raw cotton, woolen products and opium also became important. Exports were largely handicraft products and tea (Xu, et al., 1994). Following the Southern Dynasty (420-589), Guangzhou became the largest port city in China and one of the world’s most famous ports. Except for being shortly surpassed by Quanzhou (in Fujian) during the Yuan Dynasty (1271-1368), Guangdong maintained its dominant status in China’s foreign trade for about 1400 years (Xu et al., 1994).

Foreign trade, in turn, promoted Guangdong’s social and economic development. Since far away from China’s traditional political-economic centre, for a long time this region developed very slowly and lagged behind the central area. Guangdong’s economic potential only started to emerge after transportation was improved and maritime trade started to thrive. During the Ming Dynasty, Guangdong caught up with Central China in terms of its overall economic level (Ye, 2007). The monopoly on foreign trade during the early Qing Dynasty brought the region prosperity based on commercial economy within a short time span. Its commercial networks spread to most major cities across the country (CCLCG, 2004). By 1839, Guangdong became the most populous province in China with nearly 23 million residents (Zhu, 1988).

There were three major changes in the regional spatial structure over this time. Firstly, the regional demographic and economic centre gradually shifted from the
north of Guangdong, where immigrants first arrived, to the southern coastal part, where commercial economy and trade were more prosperous (Zhu, 1988). Secondly, a distinct, hierarchical, regional system was formed. At the top of the hierarchy was the political and economic centre Guangzhou. With approximately 900,000 residents Guangzhou was the second largest city (after Beijing) in China and the third largest city in the world by 1825 (Chandler, 1987). Below Guangzhou were several smaller commercial and handicraft towns or ports, including Foshan, Jiangmen, Chaozhou and Dongguan (CCLCG, 2004; Xu et al., 1994). The remainder of the region was mainly rural. The third remarkable change was the rise of Macao after being occupied by the Portuguese in 1573. Benefiting from Portuguese maritime power and Ming/Qing’s dependence on Guangdong for foreign trade, Macao quickly grew from a small fishing village (with only 400 residents in 1555) to become an international trans-shipment centre on several important shipping routes: Guangzhou-Macao-Goa-Lisbon, Guangzhou-Macao-Manila-Mexico and Guangzhou-Macao-Nagasaki. At its peak, the population of Macao rose to 40,000 in 1640 (Huang, 1999).

2.3.2 Decline from eminence: turbulent eras during the late Qing and the Republic of China (1840-1949)

The industrial revolution started in England at the end of the 18th century and other major European countries followed in her wake. This economic development underpinned an acceleration of European colonial expansion in Asia. The balance of power between China and the Western world was gradually altered and the Qing Empire was defeated by the British in the Opium Wars. This defeat turned out to be a major break in China’s history. After the war the Qing authority was compelled to open five ports for foreign trade according to the Treaty of Nanking (Nanjing), and more ports (including inland ones) were added over time. China also lost much of its sovereignty in affairs concerning foreign trade, tariffs and judiciary. Of more consequence, after the Opium Wars China experienced nearly one century of significant sociopolitical and socioeconomic turbulence: the collapse of the Qing Dynasty and the establishment of the Republic of China, the Warlord Era, the Sino-Japanese War and the Civil War. These subsequent political-economic changes had great impacts on the PRD.
With the penetration of European power into China, Guangdong was drawn further into the fast emerging international capitalist system. However, such intensified international connections were characterized by colonial features. Foreign capital became an important power in the region, not only controlling its foreign trade, but also heavily investing in manufacturing, shipping, railway and financial sectors. Guangdong became a main supplier of raw materials and handicraft products as well as a market for exporting industrial products for European countries, which means its specific position in the international division of labour was not very advantageous. From the beginning of the Republic of China (1912) to the end of the Sino-Japanese War (1945), Guangdong had a trade surplus in only three years (CCLCG, 2004). In addition, local domestic industries were severely restrained in the face of foreign competitors.

Political economic changes also shaped the region’s global connections in another way: large-scale overseas emigration. Migrating to nearby countries had been a long history in Guangdong, but due to the unstable political economic environment, emigration entered a new stage after the Opium Wars. According to records, in 1941 there were about 5.42 million Chinese from Guangdong living overseas, mainly in Southeast Asia (79 per cent), Hong Kong (14 per cent), Macao (2.5 per cent) and North America (2.6 per cent) (CCGY, 1941). This large diaspora expanded Guangdong’s overseas connections and contributed to its development through remittances and investment in local industry. Their active role in the region, as we will see later, was further displayed after China implemented its Open Door policy in 1978.

At the national scale, Guangdong lost the predominant status in foreign trade due to the fierce competition from other opened regions, especially the Yangtze River Delta (YRD). Benefiting from its geographical location at the central point of China’s coast and the estuary of the Yangtze River network, as well as a broad economically developed hinterland (including China’s main producing areas of silk and cotton products), Shanghai replaced Guangzhou as the prime gateway for foreign products entering China. Between 1844 and 1867, Shanghai’s share in China’s imports and exports increased from 9 per cent to 67 per cent. At the same time, Guangzhou’s share declined from 90 per cent to only 15 per cent. Guangzhou’s foreign trade volume further dropped to 7 per cent of that of
Shanghai in 1947 (Yan, 1955). The loss of advantage in relation to foreign trade and the unstable political economy (especially due to the damage caused by war) severely constrained Guangdong’s development. Indeed, from 1840 to 1947, Guangdong’s population only increased from 25.3 million to 28.6 million (Zhu, 1988).

The most impressive change in the regional system during this period was the rise of Hong Kong under British rule. For a long time Hong Kong was only a small harbour (Tuen Mun) in Guangdong. After the Opium Wars, the British acquired it from the Qing government and made it part of their colonial empire. Excellent port conditions, its strategic geopolitical location, the free port status and its sociopolitical stability provided by the colonial government made Hong Kong a very attractive port for international trade, especially for trade with China. Hong Kong quickly replaced Macao as China’s most important entrepôt centre. Between 1865 and 1900, 41 per cent of China’s imports and 27 per cent of its exports were with Hong Kong (Keller et al., 2011). Trade-related activities, such as shipping and financial services, also grew very fast. Gradually, Hong Kong became a major provider of business services to Guangdong. Although located in two very different political systems, the fortunes of these two places were closely intertwined with each other. This unique geopolitical relationship has had very profound consequences, which are highly relevant even today.

2.3.3 Suppressed development during the centrally planned economy period (1949-1978)

The establishment of the communist regime in 1949 led to fundamental political, economic and ideological reorientations in China. The communist leaders abolished the market-based private economy and replaced it with a centralized economic system characterized by public ownership and a high degree of state control and planning. They also gradually retreated from the outside world and turned to self-reliance, partly for ideological reasons and partly because of the volatile international situations (the Cold War, the Korean War, Western embargo on China, worsening Sino-Soviet relations, the Vietnam War). Therefore, regional development in China was tightly bound up with national policies during the planned economy period.
Similar to the USSR, the Chinese central government placed a great emphasis on industrialization with exceptional prominence given to heavy industries. Meanwhile, the priority of investment turned to inland areas, which were considered to be closer to natural resources and energy, less vulnerable to foreign military power and beneficial for the ‘balance’ of national economy. As a traditional region focusing on trade, commerce and consumption, and lacking a robust industrial base and natural resources, Guangdong was not well-positioned in this national developmental strategy. The region’s location at the coastal ‘front line’ also made it a very low priority for receiving state interior-oriented investment. From 1949 to 1978, Guangdong only received 2.5 per cent of national investment in state-owned enterprises (Zhang, 1992).

Under such circumstances, the role of Guangdong (and the PRD in particular) as a commercial and trade centre was deeply suppressed. Its connection with the global economy was limited to a small-scale, volatile foreign trade, which was seldom over 10 per cent of the national volume (Table 2.1). Foreign capital was excluded. Overemphasizing industrialization and self-reliance prevented Guangdong from exploiting traditional advantages in commerce and trade. Even worse, it disturbed the balance among different economic sectors. Therefore, fast industrialization did not lead to corresponding economic development in the region. During the centrally planned period, Guangdong’s importance in the national economic system was not prominent.
## Table 2.1 Economic Indicators of Guangdong (1952-2010)

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports (USD billion)</th>
<th>Exports (USD billion)</th>
<th>FDI (USD billion)</th>
<th>GDP (RMB billion)</th>
<th>Population (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952</td>
<td>30.1</td>
<td>35.9</td>
<td>37</td>
<td>26.3</td>
<td>0.5</td>
</tr>
<tr>
<td>1955</td>
<td>101</td>
<td>119.6</td>
<td>210</td>
<td>5.1</td>
<td></td>
</tr>
<tr>
<td>1960</td>
<td>227</td>
<td>326</td>
<td>5.2</td>
<td>27.1</td>
<td></td>
</tr>
<tr>
<td>1965</td>
<td>258</td>
<td>370</td>
<td>227</td>
<td>5.1</td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>326</td>
<td>370</td>
<td>227</td>
<td>5.1</td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td>370</td>
<td>370</td>
<td>227</td>
<td>5.1</td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td>1,026</td>
<td>1,026</td>
<td>1,026</td>
<td>6.4</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>2,484</td>
<td>2,484</td>
<td>2,484</td>
<td>8.4</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>8,129</td>
<td>8,129</td>
<td>8,129</td>
<td>10.8</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>12,736</td>
<td>12,736</td>
<td>12,736</td>
<td>10.8</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>24,647</td>
<td>24,647</td>
<td>24,647</td>
<td>12.2</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>4,4736</td>
<td>4,4736</td>
<td>4,4736</td>
<td>10.8</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>4,4736</td>
<td>4,4736</td>
<td>4,4736</td>
<td>10.8</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
- Due to changes in the statistical method, the absolute value of FDI since 2004 cannot be compared with that before it.

**Sources:**
Following the national policy, Guangdong’s most important investments were targeted at the interior municipalities, such as Shaoguan and Qingyuan. Consequently, regional growth hotspots shifted from the PRD, where most industrial assets and outputs concentrated before 1949, to the northern mountainous and the western resource-rich areas (Figure 2.3). As the ‘planning centre’ of the region, the capital city Guangzhou maintained (even strengthened) its dominant status in the state-led growth. But development among the other municipalities showed a dispersed spatial pattern. By the end of this period, the spatial structure of Guangdong was featured by a strong core plus several administrative centres relatively evenly distributed over space (Figure 2.4).

**Figure 2.3** Average annual growth rate of industrial output in Guangdong (1952-1978)

Notes:
1. Calculated by the author based on data in two years (current price).
2. No data for Shenzhen, Zhuhai.

Sources: DSB, 2004; GSB, 1999; SSB, 2011.
Figure 2.4 GDP ranking of cities in Guangdong (1979, 2000, 2010)

Notes:
2. *: Cities in the PRD.
While mainland China gradually fell behind international competitors, Hong Kong entered a period of fast industrialization in the 1950s. This colonial city lost its role as the entrepôt centre after western countries imposed a blockade against China after the outbreak of the Korean War (Vogel, 1989). However, refugees from the mainland during the civil war (1945-1949) brought entrepreneurs (mainly from Shanghai), capital, technology and a large, cheap supply of labour to this land, which promoted the first wave of industrial growth based on textile industry. Later, industrialization diversified into clothing, plastics, toys and other labour-intensive export-oriented manufacturing in the late 1950s and early 1960s, and further moved to low-grade electronics in the late 1960s after Japan started to transfer some low end production activities to Asian neighbours (Schenk, 2008; Vogel, 1989). Hong Kong’s average annual growth rate of real GDP reached 9.9 per cent between 1961 and 1981, and even in terms of GDP per capita the growth rate was 7.4 per cent (Chen, 1987). Hong Kong’s population had more than doubled from 2.25 million to 4.61 million between 1952 and 1978 (UN, 1953, 1979), with many immigrants arriving from mainland China (mostly from Guangdong). Hong Kong transformed from a pure entrepôt into a successful industrial city. Notwithstanding the spatial proximity, its interaction with the Guangdong region was limited until the end of the 1970s.

2.3.4 One step ahead: re-engaging the world after 1978

The economic transition that started from 1978 turned out to be another important break in China’s history. To improve productivity and raise the basic living standard of the nation, the Chinese central government incrementally launched a series of reforms and opening up measures in the economic domain, including introducing market mechanisms, reducing state planning and intervention, actively attracting foreign investment and promoting exports to the global market. The state also abolished the ‘balance’ ideology and introduced an efficiency-oriented developmental strategy which gave more priority to coastal areas (Yang, 1990). Almost at the same time, a new ‘global shift’ of manufacturing activities from Asian Newly Industrialized Economies (Hong Kong, Taiwan, South Korea, Singapore) to their less developed neighbours started (Dicken, 2011). These two parallel processes triggered rapid industrialization and economic growth in China, with profound regional implications.
Guangdong was chosen by the central government as the first place to practice flexible economic policies. The region was close to Hong Kong and had extensive social network connections with overseas Chinese entrepreneurs. It was far away from Beijing and only contributed modestly to China’s treasury therefore its change would have a lower risk of causing unrest in the central government. Local officials in Guangdong were also more open-minded and receptive to new programs and technologies (Vogel, 1989). As a result, three of the four earliest Special Economic Zones (SEZs), Shenzhen, Zhuhai and Shantou, were established in Guangdong in 1980, Guangzhou and Zhanjiang became the first group of ‘Open Coastal Cities’ in 1984, and one year later, the entire PRD was designated an ‘Open Economic Zone’. Instead of investing heavily in Guangdong through top-down, state-led projects, the central government gave it preferential policies and greater autonomy to make economic decisions. Local governments, private entrepreneurs and foreign capital became major actors in regional development after 1978.

Guangdong regained its role as the ‘Southern Gate’ of China and started to re-connect with the global economic system. Foreign investment-driven, export-oriented, labour-intensive manufacturing was the most important linkage between the region and the outside world in the 1980s and early 1990s (Sit and Yang, 1997). Hong Kong played a crucial role in this process. This city recovered its status as mainland China’s entrepôt centre. Meanwhile, as its economy started to transform from manufacturing to services-based, Hong Kong firms began to transfer their low-end, labour-intensive production to Guangdong (mainly the PRD) to take advantage of its cheaper labour, land resources, flexible policies, as well as the similar cultural and linguistic environment. By the end of 1997, the cumulative value of FDI from Hong Kong in Guangdong was estimated at 48 billion USD, accounting for nearly 80 per cent of the total FDI there. Hong Kong companies and joint ventures employed about 5 million workers in Guangdong, most of whom were working in labour-intensive assembly for export (Schenk, 2008). A ‘front shop, back factory’ style cross-border spatial division of labour between Hong Kong and Guangdong was formed (Sit and Yang, 1997). Following Hong Kong, investment from Western countries, as well as Japan, Taiwan and Singapore also grew rapidly. Guangdong became the largest recipient of FDI among all provinces in mainland China, attracting over 40 per cent of total FDI and contributing to a similar scale of export/import in the peak years (Table 2.1). The PRD was quickly
transformed into the famous ‘workshop of the world’ and home to many world-leading manufacturing clusters (Enright et al., 2005).

The intensive inflow of foreign investment induced rapid industrialization in Guangdong after 1978 (Sit and Yang, 1997), which was further boosted by more diversified forces in the mid 1990s (Lu and Wei, 2007). The average annual growth rate of industrial output reached 21.6 per cent during the period 1979-2008, that is, 10.5 percentage points higher than the three decades before 1979. Guangdong entered a new period of economic prosperity and acquired a rising status in the national system. By the end of the 1990s, Guangdong contributed to more than 10 per cent of mainland China’s economy, with a much higher GDP per capita than the national average (Table 2.1).

This particular type of industrialization also caused a strong reconfiguration of the regional urban system. In contrast to the balanced developmental pattern during the planned economy period, a new process of concentration towards the PRD happened (Figure 2.5). Benefiting from advantages in policy, human capital, transportation condition and proximity to Hong Kong (the de-facto regional growth pole), the PRD was more attractive to foreign (especially Hong Kong) investors in the early years of opening up. Therefore, cities in this region grew faster than inland areas. However, within the delta, since small-scale, processing-type industrial investments were biased towards smaller cities and counties, where they could find cheaper labour, large undeveloped land and flexible, active local governors, these small urban places and rural areas experienced the fastest growth (Sit and Yang, 1997). In contrast, the capital city Guangzhou, constrained by its rigid administrative system and industrial burdens inherited from the centrally planned era, grew relatively slowly and lost many regional growth pole functions. Shenzhen experienced the most dramatic changes. Within just three decades, Shenzhen grew from a small town into an international metropolis with millions of residents. Many other cities in the PRD (Zhuhai, Dongguan, Foshan and Zhongshan) also grew faster than Guangzhou. In short, a trend of more even development occurred within the PRD while there was a spatial concentration towards the PRD at the provincial scale. As a result, the regional system evolved from a hierarchical structure dominated by Guangzhou into more of a horizontal urban system with two principal centres.
2.4 The unfinished story: towards a new transition?

In the 21st century, the PRD has encountered enormous challenges with its export-oriented economic growth model. The region suffers from a shortage of labour and, hence, rising labour costs in conjunction with price rises of raw materials, and an appreciation of RMB (Yang, 2012). This situation is further exacerbated by changes at the global scale as the PRD has to face shrinking demand in the industrialized world and intensified global competition from other lower-wage developing countries (Asia Business Council, 2011). Alongside this, to narrow the gap between the coastal and the inland areas, the Chinese central government has adjusted its regional policies from ‘coast-preferred’ to ‘equitable growth’, which pushes forward reform and opens up more regions and sectors, and
promotes the development of inland provinces (ibid.). It has also given more emphasis to indigenous innovation, sustainable growth, internal demand and the domestic market. The advantageous position of Guangdong, based on export-oriented, labour-intensive industries, has thus been eroded.

Against this background, a new trend of industrial upgrading and transition promoted by the local government is emerging in the region. Both provincial and municipal governments have initiated relevant policies, such as *teng long huan niao* (‘replacing the bird but keeping the cage’; in other words, removing the outdated, low value-added sectors to make room for innovative, high value-added activities) and ‘withdrawing secondary (industries) and promoting tertiary (industries)’ in their plans to promote the development of high value-added manufacturing and knowledge-based service sectors (Asia Business Council, 2011, p. 2). To realise these goals, local governors have also put great effort into constructing a modern transport and communication infrastructure together with launching hundreds of mega-projects through government-led investment, attracting companies in high-tech, capital-intensive industries, and enhancing cooperation with actors based in Hong Kong and Macao after they became part of China again.

At the moment, it is only possible to give a preliminary evaluation of the impacts of these changes. First of all, the region is showing some signs of upgrading in the global value chain. For example, between 2000 and 2010 the share of heavy industry in Guangdong’s gross industrial output increased from 47.1 per cent to 61.7 per cent. Export of high- and new-tech products grew from 17 billion USD to 175 billion USD, which means from 18.5 per cent to 38.7 per cent of total exports (GSB, 2011). In service sectors, 75 per cent of realized FDI among all services (27 per cent among all sectors) went into producer services during 2006-2010. Employment in producer services almost doubled from 2.41 million to 4.65 million between 2003 and 2010 (GSB, 1984-2011). However, the region’s ambition to transform from the ‘workshop of the world’ into a leading global city-region in the 21st century is not without pitfalls (see Liao and Chan, 2011; Yang, 2012).

At the national scale, although Guangdong still maintains a high-speed growth
economy, its leading position in the country has declined in relative terms due to the faster development of other provinces and the fierce competition from China’s other two major powerhouses: the YRD and the Bohai Economic Rim. This is reflected, firstly, in the fall of Guangdong’s share in FDI and imports/exports. Since 2005, Guangdong’s contribution to the national GDP, although remaining the largest among all provinces, has also started to drop (Table 2.1).

The regional urban system has not been significantly affected by these new changes (Figure 2.4). However, it is worth noting that advanced economic activities are more inclined to concentrate in the two core cities (Table 2.2). As the historical political, cultural and transportation centre, Guangzhou has a leading position in scientific research, technical services, logistics, cultural and recreational industries. Shenzhen, benefiting from its financial centre status, is more attractive to business services, real estate and financial sectors. Their different comparative advantages are obviously related to distinct developmental paths. In the long run, economic transition and the new trend of concentration may shift the fortunes of different cities in the PRD and cause another restructuring of the regional system. However, when, how and to what extent this will happen is still undetermined.

Table 2.2 Guangzhou and Shenzhen’s share of employment in Guangdong in selected economic sectors (2010)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Guangzhou (%)</th>
<th>Shenzhen (%)</th>
<th>Combined (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scientific Research, Technical Services</td>
<td>50</td>
<td>29</td>
<td>79</td>
</tr>
<tr>
<td>and Geological Prospecting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leasing and Business Services</td>
<td>26</td>
<td>41</td>
<td>67</td>
</tr>
<tr>
<td>Real Estate</td>
<td>24</td>
<td>37</td>
<td>62</td>
</tr>
<tr>
<td>Information Transmission, Computer Services</td>
<td>27</td>
<td>30</td>
<td>57</td>
</tr>
<tr>
<td>and Software</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>19</td>
<td>27</td>
<td>46</td>
</tr>
<tr>
<td>Transport, Storage and Postal Services</td>
<td>25</td>
<td>17</td>
<td>42</td>
</tr>
<tr>
<td>Culture, Sports and Recreation</td>
<td>24</td>
<td>13</td>
<td>37</td>
</tr>
<tr>
<td>Manufacture</td>
<td>14</td>
<td>17</td>
<td>31</td>
</tr>
<tr>
<td>All Sectors</td>
<td>14</td>
<td>12</td>
<td>26</td>
</tr>
</tbody>
</table>

Sources: GSB, 2011; SBG, 2011; SBS, 2011.
2.5 Conclusion

This chapter has reviewed the evolution of the PRD through unpacking its global linkages, national status and regional system in the context of changing globalization and state policies from the pre-modern to the current era. Undoubtedly, for a region with a history of more than two millennia, the above analysis is necessarily brief and reductionist. I chose to organize the analysis based on five major stages in the region’s history and focus on important structural forces driving regional changes in different periods. This leaves little space for variations within each stage and the internal dynamics. That said, the analysis still generates some clues towards a better understanding of the development of the megaregion.

Firstly, the formation of a megaregion is a long-term process. Although globalization and worldwide capitalist restructuring in the past three or four decades have profoundly altered the fortunes of many regions and cities, history still matters in terms of indicating possible directions for change. In the case of the PRD, the external-oriented features of its economy have already been formed centuries ago. Its revitalization in the current stage of globalization should be treated as the continuation of this long-term trajectory, albeit adding some new elements. Historical legacies from former periods, such as colonial heritage (Hong Kong), diaspora (overseas investment), institutional arrangement (Shenzhen) and cultural legacy (Guangzhou), still have significant impacts on the patterns currently observed in the PRD megaregion. Based on the particular combination of these elements, cities within the same region (for example, Guangzhou and Shenzhen) may find different opportunities in the contemporary global economy.

Secondly, this process is constantly shaped and reshaped by political economic changes at supraregional scales, which (through re-organizing a region’s natural, economic, social and geopolitical conditions) may provide possibilities for fundamental path breaks for the region. Several such breaks can be identified in the PRD’s evolutionary trajectory: some brought it rapid prosperity within a short time, such as the Canton System in the early Qing Dynasty and the Reform and Opening Up after 1978, while others seriously constrained its development, including the invasion of foreign colonial forces and political turbulence between 1840 and 1949 and the excessive intervention of the central state during the communist centrally
planned period. The transition from one stage to another is the result of interaction between the continuing global capitalist restructuring (pre-modern world system, industrialization and global capitalist expansion, global shifts) and the transformation of the state (centralized empires, semi-colonial sovereignty, communist regime, reforming state).

Therefore, it is proper to conclude that the formation and evolution of megaregions may not follow the same pattern, but reflect the local specific combination of historical legacies and contingent political economic contexts. There are two available frameworks for analysing the long-term evolution of cities and regions in the world economy, but both of them have limited applicability in the case of this chapter. Kloosterman and Lambregts (2007) have set up a framework for comparing long-term trajectories of regional urban systems through examining the accumulation (the quantity of capital that is accumulated in the regional economy) and concentration (the extent to which a region’s capital stock is concentrated in the major cities) of capital according to different stages (which they divide into pre-industrial, industrial and post-industrial) of capitalism (cf. Phelps and Ozawa, 2003). However, China’s unique history makes the three-phase division seem over-simplified. For example, the PRD has experienced at least three identifiable stages of industrialization. The first stage happened in the late 19th and early 20th centuries, in which colonial investment and demand played a major role. The second stage took place during the communist centrally planned period, which was characterized by over-industrialization with great emphasis on heavy industries. Both processes were to a large extent the outcomes of interventions from outside and, due to either the control of colonial power, or the ignorance of basic regional conditions, none of them was able to bring sustainable accumulation of capital in the region. It was only in the third stage that a significant accumulation and redistribution of capital took place in the PRD. This time, it was the foreign investment-induced fast industrialization after 1978, which was also initiated by forces at higher levels, but ‘strategically coupled’ with local interests and motivations (Yang, 2009). Therefore, the process of industrialization in the PRD is not a simple linear path, but accompanied with several ruptures and even retrogresses. In addition, considering its unique legacies of industries, capital and labour, there seems to be little reason to believe that the region will follow a similar route of de-industrialization or post-industrialization as most western megaregions.
in the near future.

The second framework, as developed by Peter Taylor (1995, 2004), tries to understand the rises and falls of cities and regions in the world system through the lens of their relationship with nation states. Taylor distinguishes three phases in the evolution of the historical world system: First, a mercantilism-based, city-centred, pre-modern transcontinental ‘world system’ up to the end of the European medieval age. Second, the rise of territorial nation states and the nationalization of cities from the 17th to the mid 20th century, which surrendered cities to a state-centred modern world system. Third, the undermining of states and the rise of a worldwide network of cities and regions as the major spatial organization of the world economy since the 1970s. Opting for such a prominent role to opposing city-state relationships is deeply rooted in what is arguably the rather idiosyncratic history of European political-territorial fragmentation and mercantilist tradition; thereby it tends to treat the fortunes of cities and states as opposite to each other. In my view, this approach has underestimated the power and influence states have had in cities and regions, at least in the Chinese context. As the PRD shows, the central state has always played a key role in regional development, not only influencing a region’s internal structure (spatial developmental pattern), but also shaping its connections (flows of goods, capital, knowledge and people) with the outer economic systems. Only in very rare and short periods (like the end of the Qing Dynasty) can we observe a weakening or absence of state power in a limited number of cities and regions. In most times, the destinies of the state and its cities and regions are closely intertwined with each other. Instead of the ‘state versus cities’ metaphor, state regulation, policy, strategy, even direct intervention, set up one of the most important preconditions for regional development in China.

The experience of the PRD may be a unique case. Even in China, we can find regions with quite different developmental trajectories and diverse ways to integrate with the national and global systems. However, the story of the PRD shows that a full consideration of local history and context can enrich our understanding of the megaregion as ‘globalization’s new urban form’. Moreover, in a world with increasing similarities and growing inter-regional competition, concepts like ‘global city’, ‘global city-region’ or ‘megaregion’ are quite easily overused by local policy makers and managers as an ideal model to guide city and
regional development, as well as a marketing strategy to highlight regions on the map of the global economy. This urges both the academic and the policy world to rethink the applicability of these ‘fashionable’ concepts in different local contexts, and to look for the specific mode of development which fits the unique path, conditions and identity of a place. In this sense, our search has just begun.

Notes

1 A similar policy was also adopted by the Ming government during the period 1523-1566 (CCLCG, 2004).

2 Between 1864 and 1948 remittance flows into Guangdong reached 2.87 billion USD, accounting for 82 per cent of the national total volume. It is estimated that 40 per cent of domestic industries in Guangdong was invested by overseas Chinese capital in 1949 (CCLCG, 2004).

3 Calculated based on Yao (1962).

4 For example, the share of the secondary sector (manufacturing and construction) in regional GDP increased from 13 per cent to 47 per cent between 1949 and 1978 (NBS, 2010).

