

Mega-Urban Growth, Informality and the Issue of Governability: Towards Theorising Specific Informal Dynamics in a Wider Context

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Abstract

Within this essay, the author questions one of the main paradigms of international mega-city research: That is that mega-urban growth goes hand in hand with an increase of informality and a subsequent loss of social, economic, and political “governability”. The author argues that at least in successful transitional countries under authoritarian rule, such as China and Vietnam this is not necessarily the case. The author tries to prove that an increase in informality can also be interpreted as a temporary phenomenon typical of transition and/or a result of (deliberate) state tolerance in order to be attractive to global capital. In both cases, a certain reduction of informality can be observed in the course of transition. By means of a self-developed model, the author links the specific transitional phenomena of so-called “institutional gaps” and general take-off phenomena, such as internal restructuring policies aimed at advancement along the economic value chain, with the notion of informality and its subsequent influences on governability, first at the local and finally also on the mega-urban level. Further, it is claimed that spatially differentiated governance is either explicitly or implicitly used to ensure local governability and this may be chronologically determined due to another transitional phenomenon labelled “dilemma of simultaneity”. The author concludes that it is still an open question how mega-urban governability will develop in the end but indicates that local state capacity-building may finally compensate for a lack of higher-level capacities.

Essay

One of the main paradigms of international mega-city research is that mega-urban growth goes hand in hand with an increase of informality and a subsequent loss of social, economic, and political “governability”. The author argues in this highly speculative paper that at least in successful transitional countries, this is not necessarily the case. The author takes the example of China¹ and Vietnam.² These are countries governed by authoritarian rule that are currently experiencing an economic boom due to the introduction of market-led reforms. As an initial result of the transitional process, an increase of informality could be observed there as well. However, the author argues that this could also be interpreted as a temporary phenomenon typical of transition and/or a result of (deliberate) state tolerance in order to be attractive to global capital. In both cases, a certain reduction of informality can be observed in the course of transition.

By means of a self-developed model (see below), the author tries to link the specific transitional phenomena of so-called “institutional gaps” and general take-off phenomena, such as internal restructuring policies aimed at advancement along the economic value chain, with the notion of informality and its subsequent influences on governability, first at the local and finally also on the mega-urban level.

A typical feature of transitional countries is the emergence of so-called “institutional gaps” (red line) at the beginning of the reform process. These gaps are due to time-lags as state institutions move beyond the centrally organized economy and slowly adapt to a more pluralistic market economy. The institutional internal restructuring of state agencies such as urban planning departments usually is a time-enduring process especially in transitional countries in which market-led reforms are only introduced gradually. At first, these gaps may be very large, and a far-reaching loss of state control as well as a strong increase of informality (purple line) can be observed.

In Vietnam, for example, a consequence of this was a phase of massive spontaneous and unregulated urban development, initiated by the local inhabitants themselves. This was an

¹ The case study area in China is the Chinese Greater Pearl River Delta Region, which is an extraordinary example of mega-city growth. Not only does the region include several metropolises like Hong Kong, Shenzhen, or Guangzhou, which each individually fulfil the population criteria for mega cities, but the whole region is also growing together and will eventually become a poly-centric mega-urban region.

² The case study area in Vietnam is the Greater region of Ho Chi Minh City, which still is a mono-centric mega-urban region. This hub is the most prosperous economic area of Vietnam, and its growth has already transgressed the administrative borders to the neighbouring provinces of Dong Nai and Binh Duong.

immediate reaction by the urban population to the excessive housing shortage during the time of state economy, the emergence of a private real estate market, and the growing availability of construction materials. Regulations on construction and land use, if they existed at all, were largely ignored at that time. In terms of housing development, this phase lasted for about 15 years from the start of the reform period in the mid-1980s until the start of the new millennium. Also, a massive increase of informal pavement economy activities took place. This can be seen as a flexible reaction to the shortage of commercial spaces and a widespread need to generate additional incomes. In the Chinese Pearl River Delta, so-called “urbanized villages” developed into areas where informal economic and residential activities became heavily concentrated due to their special administrative status as rural entities within an overall urban environment. For example, many migrant workers from the countryside settled there because their legal status only entitled them to rural residency.

However, this was usually followed by a re-establishment or consolidation of political institutions and a reassertion of spatial development control. Institutional gaps were increasingly closed and informal developments subsequently reduced. This did not happen within all policy fields and across all urban spaces at the same time, due to a further typical transitional phenomenon that may be labelled the “dilemma of simultaneity”. The latter is understood as the challenge for governments to promote the reform process equally on all policy and sectoral fields. Due to budget constraints however, the governments usually have to prioritize their fields of action.

As both countries had adopted a policy of export-led industrialisation, the priority of development was on the provision of key infrastructure and the creation of favourable economic conditions for foreign investors. Therefore, these were the first policy fields where gaps began to be closed. Market economy conditions were usually tried out under “laboratory conditions” within demarcated areas, such as special economic zones or export processing zones. Within these zones, the control over development was very high, and the available infrastructure was of extraordinary quality in comparison to other spatial entities. The control over these zones was usually handed over to special-purpose organisations, usually state-run organisations, which were strongly committed to entrepreneurial behaviour. If successful, spatial economic development was easily extended to larger spatial entities. Institutional innovations promoted by these special-purpose associations were analogously transferred to overall urban management practices. The case of the Guangzhou development district is a perfect example for this.

Due to limitations of state funds, and against the background of the “dilemma of simultaneity”, the provision of housing for the millions of migrant workers could not be tackled with the same degree of intensity as the provision of economic spaces for international investors. In Vietnam as well as in China, the discriminatory household registration system, a holdover from the times of centrally-planned economy, was basically maintained. It turned out to be a very useful instrument for the state authorities, as it saved state budget resources. As a consequence of the household registration system, the migrants from the countryside were not regarded as legal urban residents, and therefore had no legal access to social services and state-subsidized housing. Therefore, the migrants usually had to retreat to informal housing markets. These consisted of the above-mentioned urban villages in the Pearl River Delta or the so-called boarding house agglomerations in Greater Ho Chi Minh City. Within the latter, the migrants often suffered from precarious living conditions, as the occupancy of these shared tenant living units was very high and the state of sanitation and overall public infrastructure very bad. Apparently, the local state administration tolerated the highly informal living situation of the migrant workers because it did not have sufficient budget resources to provide housing or access to social and technical infrastructure itself. Thus, the salaries for the workers within the zones could be kept at relatively low levels. It is safe to assume that this constituted an important location factor in the global competition for foreign direct investments. This was especially important in the first phase of transition, during which low production costs were an important incentive to attract labour-intensive industry.

The initial transitional phase in Vietnam and China was very successful. In the 1990s, both countries experienced among the highest growth rates worldwide. China already entered the WTO in 2001, and Vietnam followed in 2007. This step can be seen as an important milestone in the economic transitional process and the integration of these countries into the global economy. The early WTO entry of China also indicates that the transitional development of China is significantly further advanced than that of Vietnam.

Economic progress also led to the rapid emergence of urban middle classes. This new stratum demanded new forms of (Western-style) housing within a secure environment. Therefore, international developers – in the case of the Pearl River Delta, mainly from Hong Kong and to lesser extent from Taiwan, in the case of Vietnam, mostly private-public joint venture companies – started to erect large comprehensively planned new urban areas. Large plots of urban land, mostly in the periphery, were put under control of the property development companies. In one way, this can be interpreted as a privatisation of urban development. Also, key infrastructure facilities such as national highways, airports and bridges have been erected through public-private partnership models. In the case of Vietnam, the money for this was very often raised through loans from the Japan Bank for International Cooperation. The implementation was done by joint-venture companies between Japanese enterprises and Vietnamese partners. The informal construction activities mostly ended, not least because the state planning authorities increased their implementation capacities due to the closing of institutional gaps. Thus, after the creation of economic entities, governability over another type of urban land use, namely residential entities for well-off classes, was added in the course of transition. It remains to be investigated in this context whether the higher distribution of so-called gated communities in China in comparison to Vietnam can be attributed to the more advanced state of economic transition or to the historical tradition in China of gated living.

Certainly, the cities in the Pearl River Delta and Greater Ho Chi Minh City are currently experiencing a take-off phase. The starting point has been the accumulation of capital through the attraction of labour-intensive industry. To achieve further progress, the restructuring of the development strategy from low-cost production to higher-valued industrial production and services seems to be mandatory for the policymakers. However, this ascent on the value chain (orange line) is only possible if a certain degree of spatial attractiveness or governability is reached. For example, high-tech companies usually seem to be quite reluctant to set up research and development centres in the immediate vicinity of marginal settlements like boarding house agglomerations, or to invest in areas where the environment is highly polluted. Highly-skilled staff and international managers demand provision of appropriate amenities. As a consequence of this restructuring process, development control had to be established over further types of urban spaces. In the prosperous coastal regions of China, this happened around the turn of the millennium: Many leisure spaces, green areas, and parks were created, and visions of “Green” or “Ecological Cities” were proposed. In Vietnam, this restructuring process is just at the beginning.

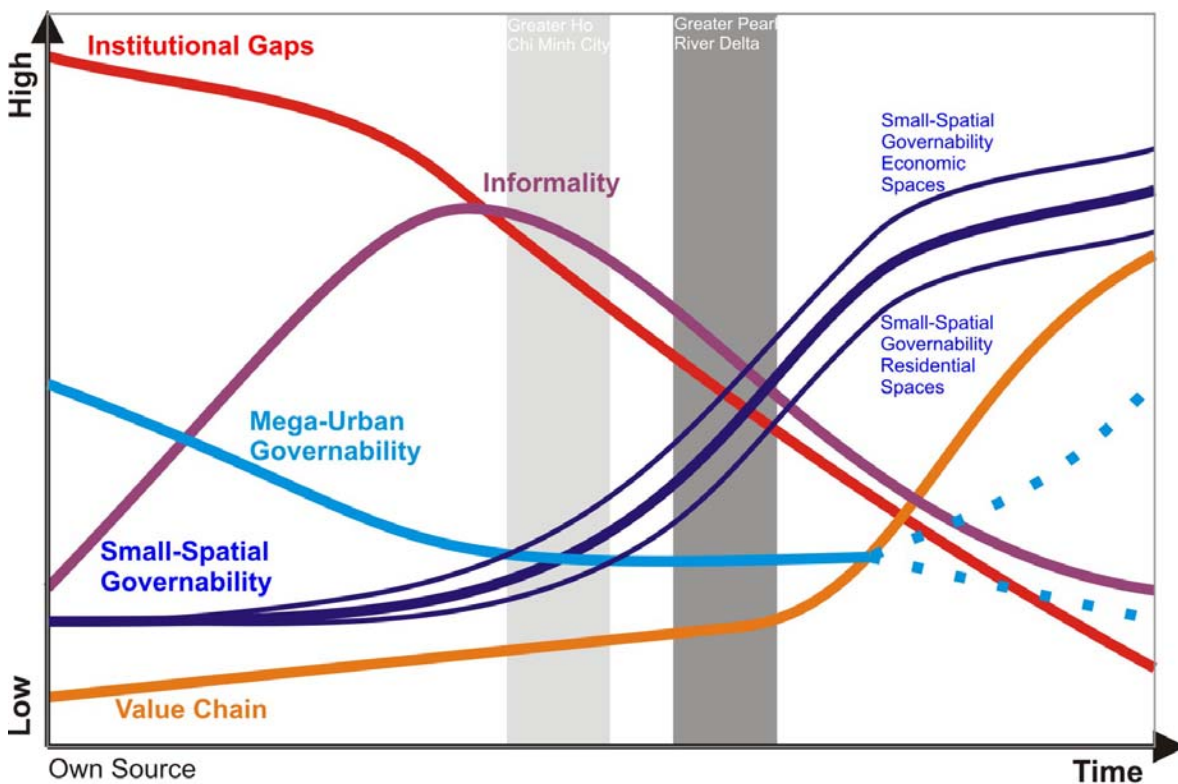
To advance along the value chain, the provision of a well-educated local labour force seems necessary, too. Large amounts of state funds have been channelled into the educational sector, and many new educational facilities, including both state-run and increasingly also private ones, have been opened in the recent years. In this context, it doesn't make much sense anymore for the state to exclude large parts of the population, such as the migrants and their children, from access to formal education and to formal housing through the discriminatory household registration system. The recent modifications of the respective laws in Vietnam (e.g., the new residency law of 2007) as well as in China have led to a higher acknowledgment of the migrants and thus to a formalisation of their status. These measures can also be interpreted as a deliberate reduction of informality in terms of migration induced by the economic restructuring process.

From this point of view, the evolution of a relatively high degree of informal development can be seen as only a temporary consequence that is part of mega-urban growth in these countries. It may be considered as an unintended or temporarily inevitable effect of institutional changes or of urban development accompanying the failure of a weak institutional framework in transition. Whether a “re-integration” of informal processes into the formal state is possible or whether informality becomes a permanent phenomenon depends on the course of transition and on the successful closing of the institutional gaps. It has been shown that it might be even useful for the state to tolerate a certain degree of informality in the course of transition, to save scarce financial resources and/or to keep wages and production costs low in anticipation of foreign direct investments from trans-national companies. The author further claims that spatially differentiated governance (economic development, residential development, green spaces, etc.) is either explicitly or implicitly used to ensure local governability (dark blue line and its variations), and this phenomenon may be chronologically determined due to the dilemma of simultaneity: In the course of transition, more and more “sectoral spaces” seem to be brought under development control. In this connection,

special-purpose associations, public-private partnership structures, and even private companies are placed in charge of formerly government controlled urban spaces. This can be seen as a governance-oriented approach of urban government. It seems paradoxical at first sight: Government uses governance approaches to increase governability over urban development.

A similar development has been witnessed in Western industrialized countries since the late 1970s, too. In the latter case, the background was mainly shaped by financial crises after a long period of Keynesianism, a better understanding of institutional limitations, the political objective to provide more efficient services through privatisation and the rise of the civil society. The results have been termed neo-liberal by their critics, yet what interests here is a comparative note: Whereas transitional countries seem to be able to regain governability after closing institutional gaps, Western capitalist democracies seem to have lost much of their regulative power to the private sector. They are different from the transitional countries analysed here in that their lower economic growth rates and their need to restructure the economy shaped a lot of social problems not witnessed before forcing them to downgrade their statist systems built up in a period of mass prosperity and long-term economic growth in the middle of the 20th century.

In the case of China and Vietnam, local governability is increased for the first time in the course of transition. So far, there is strong competition among the jurisdictional units of the Greater Pearl River Delta as well as of Greater Ho Chi Minh City. This competition between the local municipalities may obstruct the overall governability of mega-urban regions (bright blue line). It is still an open question how mega-urban governability will develop in the end. As every municipality wants to climb up the value chain and constantly tries to improve its local governability, it seems plausible that this driving force contributes to the assumption that local state capacity-building finally compensates for a lack of higher-level capacities. Should this be the case, the governability of the mega-urban region as a whole can be expected to increase in the future.



Typical Development Patterns of Factors Influencing Local and Mega-Urban Governability in Successful Transitional Countries under Authoritarian Rule