

**The Politics of Urban Regeneration in Shenzhen, China: A Case Study of Shangbu Industrial District**

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***Abstract***

This paper is about the story of Shangbu, an industrial district that has been regenerated into a retailing and commercial center in the socialist market economy of Shenzhen, China. The Shangbu Industrial District (SID) was first set up in the early 1980s at the western edge of the core of the Shenzhen Special Economic Zone (SSEZ) to attract foreign direct investment after China adoption of the Open Door Policy in 1978. As foreign investors were cautious about investing in the reforming socialist economy, SID was developed by domestic rather than foreign investment. Subsequently, the built factories had attracted joint ventures from overseas. However, by the late 1980s, the SID faced two interrelated challenges. The introduction of the land market and the consequent economic restructuring process in SSEZ have “pushed” residential and commercial land uses out of the city core into the vicinity of the SID. Increasing production costs in SSEZ together with the deepening Open Door Policy have led mobile foreign capital to greenfields in other parts of China. SID faced the hollowing out of industrial activities. The expanding population and the encroachment of the SID by commercial activities have helped to “gentrify” the deindustrializing SID. SID’s “success” can be attributed first to the failure of a socialist market economy to anticipate consumption and retailing needs of a growing population as the old socialist ideology had always been building the production rather than consumption cities. Another reason accounting for the successful regeneration of the SID is because of weak enforcement of regulations on the emerging land market at the Municipal level. While the primary land users have gained a lot in land transactions and land use changes, the Municipal Government has failed to enforce stipulated regulations such as payment of land premiums or tax. To avoid paying land premiums, primary land users lease out instead of selling their land use rights. As a response, the Municipal Government has planned to redevelop the SID into a residential area with school facilities. Nevertheless, district-level Government benefits from the annual land use fees and the tax businesses paid at the

district level. The regeneration process also generated interesting dynamics between the primary land users, shop tenants and consumers. This case illustrates that while globalization, economic and spatial restructuring seem to be the universal forces in regenerating cities, the outcome is more of a function of the interplay of various socio-economic and political factors in a specific context.