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Shanghai breaks into ranks of great cities

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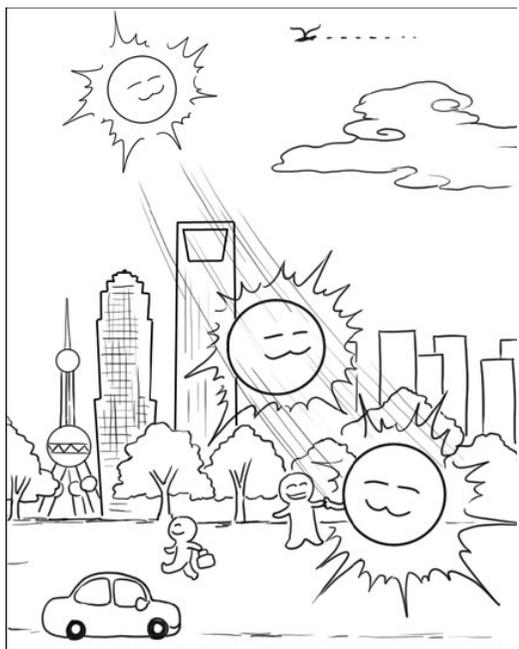


Illustration by Zhou Tao

SHANGHAI'S ambition? World city! Can Shanghai break into the big leagues of New York and London?

Is there a looming "China threat"? Or an emerging "China model"?

For more than a millennium, China's economy was the largest on earth, and China's science was centuries ahead of Europe's.

But then came 150 years of foreign oppression and domestic strife, with all manner of devastation and misery. Now, as China ascends back up to great power, Shanghai, China's largest and most advanced city, seeks to become a world city.

I'm in Shanghai for Expo 2010 Shanghai, watching all nations ratify China's emergence and assessing Shanghai's increasing prominence.

Expo is a remarkable gathering of all the world's nations to make the cities of the world more sustainable and more livable.

Here's my hunch: To see Shanghai today is to visualize China tomorrow.

Shanghai's epic story is a unique amalgam of East and West, a historic combination of cultures and traditions - just like Expo.

Ironically, it was through distasteful historical circumstances that Shanghai came to engage and embrace the West.

Beginning with the Opium Wars in the 1830s, foreign armies, particularly the British, attacked a self-isolated, self-weakened China, bringing the once-proud Chinese empire to its knees.

The invaders forced degrading "Concessions," sections of cities sliced off and ceded to foreigners. Shanghai was carved into French, British, and American Concessions (the latter two combined into the International Concession). The Chinese became second-class citizens in their own country. It was humiliation.

However, the foreigners built schools, hospitals, electrical plants, and waterworks. There were sewage facilities and paved roads, concrete and iron bridges, trams, buses, and automobiles. Shanghai became the most modern city in China.

In the 1920s and 30s, Shanghai was the "Pearl of the Orient" or the "Paris of the Orient." Ballroom dancing in elegant hotels epitomized the era.

The famous Bund, with its European-style architecture along with Huangpu River, was the center of city life for foreigners and upper-class Chinese. All the while, the poorest classes, living in shantytowns on the margins of the city, barely able to feed their children, became the mass base for the Communist revolution in the 1940s.

But with modernity came decadence and debauchery. Shanghai became a center for smuggling opium. Mafia-like gangs controlled the rackets: prostitution and gambling as well as opium.

In 1937, as part of Japan's vicious determination to conquer China, the Japanese army invaded and captured Shanghai.

Although not suffering the brutal, systematic rape and killings that people in other cities did (notably in Nanjing, not far away), Shanghai people endured terribly bitter times.

After Japan was defeated, the Communists won the debilitating civil war, taking the mainland in 1949. The Chinese people "stood up" in the world and were filled with hope.

But then, less than a decade later, ideological extremism visited misery on millions, first with mass political campaigns (denunciations), then mass famine ("Great Leap Forward"), and finally, China's decade-long descent into chaotic madness ("cultural revolution" 1966-1976).

Today, Shanghai's GDP is eight times that of 20 years ago. Across the Huangpu River from old Shanghai, Pudong is a developmental miracle.

Catalyzed by reform, which was initiated in 1978 by Deng Xiaoping (two years after the death of Mao Zedong), Pudong has become a world center of finance and trade, a massive economic bridge linking China with all nations.

Pudong is China's new kind of revolution, where some of the most modern skyscrapers in the world, headquarters of major financial institutions, look down on the historic Bund, dwarfing the older, smaller buildings.

Less congested

As one leader tells me, "When constructing Pudong, we learned from the world's developed cities, but rather than mere copying, we adopted their strong points and improved their weak points. Pudong looks like Manhattan, but it is superior in layout - less congested and sunshine reaches city streets."

Just as Expo's thematic goal of "Better City, Better Life" is breathtaking and grand, Shanghai's goal is equally expansive and visionary: China's largest metropolis will become a leading center in four vital areas of international importance: finance, trade, shipping, and general economics.

One morning I visited one of Shanghai's massive container ports.

Containers, containers - they fill the horizons. Containers, containers - the blood cells of the arteries of global trade, transporting the products that feed the economic body of humanity - the raw power of Shanghai's growing might.

Shanghai is already the world's second-largest port (after Singapore) - by some measures the largest - and it is growing still.

China knows that logistical efficiency, in trade and shipping, generates commercial strength. I follow Shanghai's ambition.

Key is finance, and I know the fellow in charge.

Shanghai Vice Mayor Tu Guangshao runs finance. His task is to make Shanghai a world leader. He says that for Shanghai to become an international center of finance, trade, shipping and general economics requires coordination, each element reinforcing the others.

He states that the global financial crisis gives Shanghai a chance to "step up" because the world's financial system needs to be restructured.

He stresses, however, that Shanghai will have to "listen to the market."

Innovative developments in the market, he says, are key for Shanghai's future as a financial center.

Shanghai Party Secretary Yu Zhengsheng tells me: "A modern service sector requires a rational legal environment, tax revenue environment, and supervision environment. This is not a problem that can be solved simply by attracting foreign investment. It requires systematic innovation... Expo should help people reach a consensus on China's future development, on our way of thinking, and on how Shanghai should develop."

(The author is an international investment banker and corporate strategist. He is the author of the book "How China's Leaders Think: The Inside Story of Reform and What This Means for the Future". This is the first of his two-part story contributed to Xinhua news agency.)