

Living Globally: exploring the need for foreign enclaves in Shanghai

A Thesis Presented to the Faculty of Architecture and Planning
COLUMBIA UNIVERSITY

In Partial Fulfillment of the
Requirements for the Degree
Master of Science in Urban Planning

By

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May 2014

Abstract

More often than not, the principles of ethnic integration trump segregation in today's post-modern, cosmopolitan cities. However, in different urban contexts segregation may actually induce economic benefits. Foreign urban enclaves in emerging economies can function as residences for highly skilled foreign workers who collectively contribute toward a municipality's economic output. This study examines the need for foreign transnational enclave communities in Shanghai. The hypothesis is that the planning of foreign enclaves is necessary because such environments provide a socially and culturally familiar space for expatriates allowing them to establish a lifestyle in an otherwise unfamiliar urban setting. The findings suggest that although this was a strategy that Shanghai implemented in the past to retain the skills of foreign workers, the circumstances have now changed. Western expatriates are more integrated than they are segregated, and their locational decisions are based on factors other than maintaining a sense of cultural and social familiarity. The study argues that in the context of Shanghai, planned foreign enclaves are not necessary due to the city's historical trajectory, current economic state, and a gradual economic independence through improving domestic capabilities.

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INTRODUCTION

Global network flows are creating new patterns of migration for highly skilled professionals and the managerial labor force (Findlay and Gould 1989; Salt 1992). The scattered locations of transnational corporate regional headquarters and the growth of a new international financial system (Beaverstock 1994) have incentivized firms to transfer highly skilled and managerial human capital assets to select cities around the globe. Sassen (2001a, 188) refers to these transnational elites as ‘new international professionals’ who ‘are members of a cross-border culture embedded in a global network of international financial centres’. The decisions to relocate do not come from corporate entities alone. Higher wages and offerings of cultural facilities in addition to other amenities heighten the attractiveness of living and working in a global city (Beaverstock 1994).

The impacts from the globalization of labor and capital on the social, economic, and spatial form of cities have been well documented. Friedmann (1986) identified as one of his theses in world city formation the presence of spatial and class polarization – one major contradiction of industrial capitalism. Sassen (1998a) also acknowledges that discrepancies in occupational earnings have expressed themselves in a growing income polarization between the elite and working class. For instance, when advanced service corporations locate in global cities, they seek to employ highly skilled professionals who often possess high wages. At the same time, these advanced service firms also require low-skilled, low-wage workers thus creating large income disparities. Furthermore, spatial impacts are apparent with gentrification raising the cost of housing, and producing a different social and cultural mix through the introduction of high net worth individuals and affluent young professionals (Atkinson and Easthope 2007).

These global processes are shaping the way urban development occurs in emerging economies, and particularly in the cities of China. The collapse of state socialism and its replacement with a mixed-market system have resulted in ideological and systemic transformations for the state in terms of land and housing policies. The socialist principle of housing, primarily as an outcome of social distribution, has been partially supplanted with neo-liberal ideals of home ownership creating a new rich class that share similarities with Western zones of affluence (Ruoppila and Kahrik 2003; Li and Wu 2008). In Western cities, polarization has often been manifested in socio-spatial segregation between the rich and poor through ‘gated communities’, ‘ghettos’, or ‘enclaves’ (Marcus 1997; Webster 2001). Concepts like the ‘dual city’ or ‘divided city’ and so on have raised concerns about the increasingly fragmented socio-spatial structure of cities (Li and Wu 2008).

However, traditionally held views of segregation in Western cities may not necessarily transpose easily onto Chinese cities. Although the concern should not be dismissed entirely, there are processes originating from the state that are in play that purposefully segregate population groups. For example, foreign housing has been developed in a unique way under forces of globalization and local institutional changes in Beijing with the intention of creating environments conducive to foreign professional workers (Wu and Webber 2004). With expertise and networks associated with foreign professionals, there exists potential for the tremendous growth of foreign direct investment and the establishment of multinational company branches. Indeed, this has been the trend in China’s economy over the past decade. In order to ‘pull’ in these population groups, communities have to be planned to provide a familiar and desirable built environment that would incentivize foreign professionals to stay in an otherwise unfamiliar and

culturally homogenous country. Not only is this the case in Chinese cities, but they are also present in other emerging economies.

More often than not, the principles of ethnic integration trump segregation in today's post-modern, cosmopolitan cities. However, in different urban contexts segregation may actually induce economic benefits. Foreign urban enclaves in emerging economies can function as residences for highly skilled foreign workers who collectively contribute toward a municipality's economic output. This study examines the need for foreign transnational enclave communities in Shanghai. The hypothesis is that the planning of foreign enclaves is necessary because such environments provide a socially and culturally familiar space for expatriates allowing them to establish a lifestyle in an otherwise unfamiliar urban setting. The findings suggest that although this was a strategy that Shanghai implemented in the past to retain the skills of foreign workers, the circumstances have now changed. Western expatriates are more integrated than they are segregated, and their locational decisions are based on factors other than maintaining a sense of cultural and social familiarity. The study argues that in the context of Shanghai, planned foreign enclaves are not necessary due to the city's historical trajectory, current economic state, and a gradual economic independence through improving domestic capabilities.

The study begins in the first section with a literature review covering the diverse discussions around global cities and the implications of modern globalization. The second section provides some background on the city of Shanghai and outlines the city's historical, social, and economic trajectories. The third section describes the data and methodology used to conduct this study. The fourth section presents the results and the findings. The fifth section discusses the planning implications of the results. Finally, the study concludes with some thoughts on ways to enhance further research opportunities.

LITERATURE REVIEW

Fruitful discourses have emerged around the global cities literature over the past few decades (see Friedmann's 1986; Castells 2000; Sassen 1998b; Smith 1998; White 1998) and have compelled scholars to move past conjuring up a proper theoretical hierarchy among cities and consider the relations that exist between them. For example, Robinson (2002, p. 554) calls for urban studies to contribute toward a creative imagining of possible city futures around the world by breaking free of the categorizing imperative, 'and to reconsider approaches which are at best irrelevant and at worst harmful to poor cities around the world'. More recently, Campbell (2012) shows how cities in a modern world-network exchange knowledge and learn from each other regardless of economic stature. Sometimes these inter-city relationships can foster innovative urban policies applicable by others in the network. However, there is the empirical difficulty of measuring and analyzing the networks among cities. One way around this is by looking at the business of firms within world cities (see Taylor 2001; Taylor *et al.* 2002; Alderson and Beckfield 2007). Moreover, business would not be possible if it were not for the employees driving firms' productivity.

Transnational Migration

Sassen (1991) has emphasized that globalization induces the command functions of corporate-service firms to be concentrated in a select few global cities, namely New York, London, and Tokyo. Expanding on this theory, geographers (Beaverstock *et al.* 2000) have shown that multinational firms based in these cities set up regional offices across the globe establishing an intercity global network through intra-firm activities. Cohen (1981, p. 300), like Friedman and Wolff (1982) also stressed the important role of global cities in the new international division of labor:

“Changes in the organisation and structure of advanced corporate services have led to the emergence of a series of global cities which serve as international centres for business decision making and corporate strategy formation... these places have emerged as cities for the co-ordination and control of the new international division of labor.”

Thus, a defining development of the global cities literature has been the territorial dispersal of economic activities (Sassen 1994). Abu-Lughod (1999) has identified some hallmarks presumed to facilitate this dispersal: the expansion of the market through the internationalization of commerce, technological revolutions in transport and communications, and the *extensive transnational movement of labor*.

However, not all sectors are as mobile as some may suggest. Makhoul (2012), like Abu-Lughod believes that the geographic spread of modern education and technology, strengthened by advances in communication and transportation, has led to the consistent growth in the tradable sector – defined as 'activities in the supply chain that can be undertaken at various locations, regardless of the location of demand (2012, p. 32). The non-tradable sector, on the other hand, has been more restricted in terms of its 'footlessness'. Still, employment in the non-tradable sector are prevalent in mostly all localities. Among those are restaurants, hotels, health care, and government services. Nevertheless, for a number of reasons firms have been compelled to relocate parts of their operations, and have sent out employees from the headquarters' locations to facilitate this transition.

Because the location strategies of multinational firms in global cities require a movement of workers, there has been much discussion regarding the motivating factors underlying such migration patterns.

Beaverstock (1994) recognizes four processes in the internationalization of capital that has produced new patterns highly skilled professional and managerial labor migration: major trends with foreign direct investment (FDI), locational preferences of transnational corporate (TNC) offices, the internationalization of producer services, and a new international financial system. Findlay *et al.* (1996) find related motivating factors for skilled migrants in Hong Kong. By examining highly skilled engineers in specific industries, they found that firms in Hong Kong employed expatriates because of their technical expertise, experience in international work, and due to a lack in local skills. Although their study did not infer any changes to the urban environment, they did suggest that a pool of skilled foreign labor is an 'essential element' (Findlay *et al.* 1996, p. 60) in a global city as Hong Kong because it enhances the global control capability of international companies with offices located in global cities.

Others suggest that these traditional theories are incomplete and modern approaches have shown additional factors motivating transnational placement. Khoo *et al.* (2007) conducted a study in a sample of 135 employers that had sponsored skilled temporary migrants to Australia, after the state instituted a new temporary business-entry visa policy. Their analysis reported different motivating factors based on the migrants' country of origin and consisted of a mix of economic and non-economic reasons. For instance, social networks were important for some migrants (see also Saxenian 2006) but so were lifestyle factors.

Lifestyle factors differ according to income levels. A common assumption is that the global labor market today as described by the business environment above are more favorable to one group than they are to others. Hence, markets are more welcoming to highly skilled professionals, experienced managers, and job-creating entrepreneurs than they are to the unskilled and less educated. The latter group can most often be found in the host country, whereas the former are often characterized as a small globally oriented class of highly educated, ready-to-travel technocrats (Makhlouf 2012). This then suggests that partiality in job classification prompts large wage differentials between workers within countries.

However, the theories behind factor mobility on global income dynamics are mixed. Lindert and Williamson (2001) hold the view that inequality between country average incomes and inequality within countries must be treated separately. Bruggmann (2009) reveals how globalization has been critical in incubating new industries and urban innovations in cities allowing workers in the peripheries of cities like Mumbai and Helsinki to tap into income streams from around the world. Nevertheless, there will always be gainers and losers in almost every instance, which may be why polarization associated with global flows has stirred up much debate.

Transnational Spaces

One key aspect of these studies has been the examination of how firms send out employees to facilitate operations in foreign countries as a way to measure inter-city relations. The focus on cross-national employees as migrants is different from traditional understandings of the origins and motivations underpinning immigrant behavior. In contrast to the common themes of assimilation and remittances often associated with immigrants, 'transnationals' are understood to possess back-and-forth, cross-border relationships between their places of origin and their receiving societies producing complex social fields that straddle national borders (Portes *et al.* 2002).

Transnationalism used in a globalization context has been linked to the restructuring of capital and to the diminished significance of national boundaries in the production and distribution of goods, ideas, and people (Schiller *et al.* 1995). As such, transnational migrants are critical links connecting world cities that serve as key nodes of flexible capital accumulation, command, and control (Friedmann and Wolff 1982; Castells 2000; Sassen 1991). In anthropology, transnationalism has brought a renewed interest in the global flows of culture and population reviving past interests in cultural diffusion (Schiller *et al.* 1995). Indeed an assumption of globalization is the waning of a strongly homogenized city. The modern global and post-modern city celebrates diversity and embraces cosmopolitanism. Thus Appadurai has stated that in the shadow of transnationalism, there is now the task of determining “the nature of locality, as experienced in a globalized, de-territorialized world” (1991, 196) where “groups are no longer tightly territorialized, spatially bounded, historically unself-conscious, or culturally homogenous” (p. 191).

The movement and settlement of transnationals implies the creation of transnational spaces (Kearney 1995). These transnational spaces create social enclaves of foreign origin embedded within a local context. They also imply an ontological divide between the global and local. At its simplest, the global is a space of sameness, characterized by the familiar processes of capitalism, consumerism, and neo-liberal assumptions, while the local is regarded a place of difference, sometimes in direct conflict with the global (Ley 2004). When they are in conflict, transnational residents, with a high level of global reach, may hardly know their neighbors. In other words, transnationals may have closer ties with those residing in other transnational spaces across the globe rather than with those residing in local spaces within spatial proximity (Florida 2005). However, Ley (2004) argues toward muddying the distinction between the global and the local by presenting extended examples of transnational businesspersons and cosmopolitan professionals. He believes that a discourse of partisanship should supplant a discourse of detachment.

Transnational spaces are places that manifest transnational living. Guarnizo (2003, 670) explains transnational living is ‘shaped by the historically determined social, economic, political, and cultural micro and macro structures of the societies in which the lives of migrants are embedded’. It is constantly evolving by relationships of the migrants’ resources and sociocultural positioning as well as the historical contexts of the specific localities where they are located. These spaces then become enclaves in and of themselves constituted by transnational migrants who are distinct from the local population.

Within the literature, conventional wisdom has seen enclaves to be comprised of a single ethnic group (Luk and Phan 2005). Ethnic enclaves in Western cities with a large immigrant base have been widely studied in the social sciences and traditionally defined as a spatially confined area where there is a concentration of an ethnic minority group. Abrahamson (1995) broadens this perspective to include urban enclaves in which individuals engage in relationships through fellowship in a common ideal. The connections between residents are less about primary relationships, such as ethnicity, and are more contingent on common values like investment, function, property values or living quality. These elements relate closely to the enclaves that form from transnational migrants since they share a ‘commonality based on wealth, lifestyle, or a combination of these attributes’ (Abrahamson 1995, 2).

Enclaves can have both positive and negative aspects. They can be positive in that immigrants or other groups congregate into a space as means of enhancing their economic, social, political, and/or cultural development. They can be negative if applied to mean enclosure similar to that of imperial enclaves

within a foreign country representing dominance, defense, power, and fear (Marcuse 1997). The type of enclave will differ depending on the context since no enclaves are alike.

World Cities and Urban Form

The social polarization thesis is strongly associated with global cities. This recognizes dynamic changes in the physical, spatial, social, and economic forms with major concentrations of wealth and poverty and sharp divisions between the rich and poor. Friedman and Wolff (1982, 320) outlined this thesis when they noted the existence of social polarization from the evolving economic forces emanating from world cities:

“A primary fact about world cities is the impact which incipient shifts in the structure of their employment will have on the economy and on the social composition of their population. The dynamism of the world city economy results chiefly from the growth of a primary cluster of high-level business services, which employs a large number of professionals – the transnational elite – and ancillary staffs of clerical personnel.”

Thus, they conclude, “the primary social fact about world city formation is the polarization of its social class division” (Friedman and Wolff 1982, p. 322).

Sassen (1984, 1991) who believes that changes in the social structure in cities result from the changes in the economic base has further developed this view. The rapid growth of advanced financial and business services and the decline in the manufacturing industry have led to shifts in the organizational structure of work. People have sought high-paying, high-level service jobs, while those unable to obtain such positions have had to settle with jobs at the other end of the spectrum creating a polarization in the income and occupational distribution of workers. Her point below:

“New conditions of growth have contributed to elements of a new class alignment in global cities. The occupational structure of major growth industries characterized by the locational concentration of major growth sectors in global cities in combination with the polarized occupational structure of these sectors has created and contributed to growth of a high-income stratum and a low-income stratum of workers” (Sassen 1991, p. 13).

There are those that have questioned the theoretical and empirical validity of the social polarization thesis. Drawing upon Marcuse’s (1989) definition that polarization is a process whereby the distribution of the rich and poor is increasingly becoming more bi-modal, Hamnett (1994) questions Sassen’s arguments based on changes in occupational structure and claims that her conception and definition of polarization is ambiguous. For example, when looking at employment figures for London, Hamnett (2004) argues that there exists an asymmetric polarization – one that does not support Sassen’s argument - with far greater earnings and incomes for well-paid white collar jobs, although it hard to tell the difference between the polarization he claims and the one argued by Sassen. He defends his position with another case in the Netherlands that suggests the Randstad economy is developing a specialized employment structure where growth occurs in well-qualified and high-wage jobs and where it does not have a segmented labor market (Hamnett 1994).

Nevertheless, many scholars have observed the social polarization thesis on numerous accounts. For example, Sklair (2005) has shown how the transnational capitalist class affects architecture in global cities. Although he does not examine expatriates per se, his investigation of the transnational capitalist class gives a broader picture on how private capital drives architecture via corporate interests and consumerism. In his conclusion, he notes that the transnational capitalist class has motivated cities to look

to iconic architecture as a 'prime strategy of urban intervention, often in the context of rehabilitation of depressed areas' (Sklair 2005, p. 500). The socio-economic impacts are missing but the transnational social spaces that capitalist globalization has brought and the extent to which globally recognized architecture boosts the image of the city to attract investment and cater to the lifestyle demands of the transnational capital class are clear.

The impacts of the transnational capitalist class are not only visible as towering skyscrapers within the central business district but also manifest in neighborhoods in and around the city. Adham (2005) shows how globalization, neoliberalism, and capitalism have played a central role in the creation of new cities and the transformation of older ones. More specifically, he documents how the Egyptian government privatized many of Cairo's public assets, which has contributed to the polarization of society into groups of haves and have-nots. The privatization and commodification of land have created new elite spaces of capital characterized as walled-off, protected, gated communities, private beach resorts, and leisure islands of peace, monitored by private security and advanced technology to protect against the outside. Certain global cultural icons are identified with a particular way of life, now known as the American way.

In this regard, some have argued that the consumer culture and its architectural representations have been imported to Egypt from the West..." (Adham 2005, p. 29). The same processes manifest in post-socialist Prague where Cook (2010) explored the influence of transnational professionals and financial capital on residential spaces and real estate markets. The author concludes that property privatization developed a property market marked by polarization in terms of pricing but also of nationality. The reality of real estate pricing served to price out all but the most affluent consumers, and the luxury real estate sector generally only targeted foreign clients.

In a similar vein, Karnchanaporn and Kasemsook (2008) report on the spatial fragmentation resulting from the dichotomy of the global rich and local poor manifested in the gated communities of Bangkok. The urban form of the city is seen as demarcated into pockets of differing socio-economic classes, a process that has been heightened by the mobility of transnational elite migrants (see also Fahmi 2008). Kozak (2008) presents this in a more theoretical framework. He explores the integration-fragmentation phenomenon whereby an increased connection with the global network is paradoxically juxtaposed with an increased disconnect with local dynamics. Only certain parts of the city are part of the global network; spatial fragmentation also means economic and social fragmentation. The author illustrates this with the case of Abasto in Buenos Aires. In his words (2008, 256):

"Urban fragmentation implies an organisation of space - understood as both a process and a resulting spatial state - in which impermeable boundaries and enclosure have a central role. It is a state of disjointing and separation, which is often coupled with socio-economic and/or ethnic divisions. A fragmented city is one in which the ability to use and traverse space is dominated by the principle of exclusivity and there is a reduction in the number of places of universal encounter."

Implications for this study

Since China opened its economy to the world, there has been an increasing number of transnational migrants entering the country under multinational and joint ventures (Wu and Webber 2004). The city of Shanghai, among others, has seen unprecedented growth in its gross domestic product (GDP). The sum of foreign direct investment (FDI) following the first group of special economic zones (SEZs) has exposed

the city to global capital and labor flows (Yusuf and Wu 1997). The Shanghai municipal government expects more because, whether they are aware of it or not, Friedmann's (1986) hierarchy of global cities has become embedded within their urban policies. The term 'global city' appears in documents and publications by Chinese city governments and local chief officials (Wang and Lau 2008). Shanghai's identification as a global city is evidence of achievement and a demonstration of high performance.

Much research has shown the implications of China's transition from a socialist to a post-socialist economy. Wu and Webber (2004) have documented the rise of foreign-gated communities in Beijing under the auspices of globalization and local institutions. They show in their research that gated foreign housing cluster around certain parts of the city and are highly segregated. However, the socio-spatial segregation associated with foreign gated communities is differentiated from the traditional perception of gated communities which often attributes the raising of 'gates' for security, socio-economic, and racial delineation. The gated communities of Beijing are attributed more to the 'institutional barriers and consequent residential segregation than to the fear of crime' (Wu and Webber 2004, 204). Wang and Lau (2008) more explicitly state that the development of foreign enclaves in Shanghai is central to the local government's pursuit of global competitiveness. Foreign communities are master-planned by the state to develop estates that cater to the lifestyle needs and consumption patterns of expatriates. They are strategies to retain foreign talent and skill by placing these foreign enclaves in strategic locations with certain advantages, designing residences for the foreign and affluent population groups.

Under an economic framework within a certain context, socio-spatial segregation may be necessary for economic growth if it means access to and utilization of knowledge and talent that would otherwise be unattainable at the local level. This, however, does not mean that there are no costs. The opening up of the China economy has brought about other changes that have been affecting the local population in forms reminiscent of capitalist tendencies in the West. In Shanghai, institutional changes around housing policy from social provision to housing commodification have resulted in residential segregation and a widening gap between the rich and the poor (Li and Wu 2008). Wu (2002) notes that the privatization of the real estate market in Shanghai has benefited locals who live in better areas through the realization of capital associated with the quality of the environment. On the other hand, others living in poor environments associated with the city's pre-socialist history have experienced depreciation in their properties.

In contribution to the vast literature surrounding global cities, transnationalism, and socio-spatial segregation, this study identifies the residential spatial patterns of expatriates in Shanghai. Examining spatial patterns of foreign migrants in developing cities can inform planning in encouraging integration if the negative effects of segregation begin to spread. Marcuse (2006) raises interesting questions as to whether the spatial patterns in global cities today are in fact significantly linked to existing globalization and, more specifically, to the transnational elite migrants who are ever present in global cities.

BACKGROUND

Nicknamed the ‘Paris of the Orient’ in the 1920s, Shanghai garnered a large amount of Western influence well before modern processes of economic globalization (Lu 1999). It had established its reputation as an open city with a visible Western landscape, and as a place where entrepreneurs could settle to yield vast returns. As a port city, it was, and still is, an essential gateway to central China. During the era of its planned economy, Shanghai was regarded as the industrial base of China and so its identity as a place of capital soon changed to becoming a center for state-owned enterprises (SOEs) (Li and Wu 2008). This lasted until the late 1980s when China began to undergo economic restructuring. Today, Shanghai exerts its own influence on the national economy through innovation and tertiary industries, and establishes itself as China’s prominent global city.

Historical Socio-Political Context

In pre-1949 China, the state government assumed the central role of planning cities and the neighborhoods within. Pockets of communities based on work-units that provided housing, workplace, and residences characterized urban space (Wu 2002). Government provision of housing largely treated individuals first as producers, and second as consumers (Li and Siu 2001). Thus, in socialist China, the urban morphology was essentially a linked, cellular structure consisting of semi-independent work-units. These living spaces focused on productivity for the sake of national economic growth. Housing was among other things subject to collective consumption, which aimed to control the rate and cost of urbanization (Li and Wu 2008). As such, work-units rather than individuals shaped the character of urban neighborhoods by assuming the role as organizers of housing consumption.

After 1978, the provision of housing gradually shifted away from the socialist work-unit based system (Li and Wu 2008). One of the ways the government facilitated this progress was by promoting home-ownership among citizens. The old assumption of individuals as secondary consumers was beginning to change. Simultaneously, new directions in urban development provided the opportunity to redevelop old areas. For example, market-oriented reforms led to the formal adoption of the land-leasing system in 1988. Land use rights can be transacted in the market, but the state officially maintains ownership on urban land (Li and Siu 2001). Subsequently, the government has had the incentive to reclaim much agricultural land on the urban fringe for real estate development.

Among the many reasons that attempt to explain the changes in the political economic structure, the implications of globalization are major contributors (Wang and Lau 2008). In Chinese official documents and publications, the term ‘global city’ is an indicator that determines success in climbing up the ranks of the world-city hierarchy. Therefore, in order to gain the status of a global city, economic restructuring is a necessary step for augmenting foreign direct investment. In addition, foreign labor in the form of highly skilled migrants is part of the equation in promoting inter-city competitiveness.

The idea of maintaining competitiveness in the global arena has incentivized changes in the older welfare system of housing and land provision through privatization techniques. Central economic planning weakened in a sense that has brought about the emergence of the private sector. For example, new housing types such as commodity housing and affordable housing were added to categories of tenure (Li and Wu 2008). This is a great distinction between the socialist system of housing mentioned above and

land control based on the *hukou* system. Under *hukou* an individual is identified based on his/her household's registration classification and registration location. Therefore, *hukou* is dependent on family lineage, but it can also be obtained through monetary exchange. To a certain degree, it appears that a move toward privatization is happening because 'everyone else is doing it'. That is, competition at the global scale is compelling Chinese cities to conform to the rules of globalization. To not do so would result in missed investment opportunities from foreign investors.

The Need for Expat Communities

In the early 1980s, Shanghai experienced a secular need for professional and managerial labor in the service industries (Wang and Lau 2008). However, the rapid urbanization process and the concurrent economic changes made it difficult for local labor to quickly adjust to the changing labor needs (Cai and Shen 2002). Therefore, foreign labor filled in the appropriate positions within the labor economy. When the first wave of foreign laborers began to arrive in the 1980s, there was a shortage of housing options due to the social-welfare housing system at that time. They had no choice but to settle in hotels or service apartments for the duration of their contract due to the lack of accommodation (Wu and Webber 2004; Wang and Lau 2008).

In its initial efforts to alleviate the housing shortage of foreign workers, the Municipal Government of Shanghai approved the proposal of a 'foreigner-friendly' master-planned community in 1984. This community would eventually become Gubei New District with a distinct character that would cater to the lifestyle and consumption preferences of foreign workers. In a joint effort, several municipal levels of government and private developers worked together to develop the project ultimately creating the Gubei United Development Company (Wang and Lau 2008). The site was formerly a twenty-block area of agricultural land that housed several workers' villages and work-unit compounds, which were eventually eliminated to make room for a higher-quality living environment conducive to foreign professionals. The development of high-end residential estates was unprecedented with local institutions at that time of socialist reform because any activity related to consumption was subject to the 'bourgeois poison'. After economic restructuring, however, there has been a shift in these views as efforts targeting foreign consumers in order to attract their skills and expertise for the betterment of the city's economy become apparent.

The development of the Gubei neighborhood involved several variables to consider, one of which was location. The site is located in the Changning District, on the path linking the Hongqiao International Airport to the city core (Wang and Lau 2008). This was a strategic decision on part of the Shanghai Municipal Government to exert a positive influence on the desirability of Gubei: high accessibility to both the airport and city center for an internationally floating population. Subsequently, neighboring areas become popular residential locations for Chinese bureaucrats and entrepreneurs. The housing allocation in the socialist era in the past did not privilege spaces adjacent to desirable locations. After the reallocation of housing, spaces next to places like Gubei have turned into communities of different social character.

Today, locals recognize Gubei New District as a residential neighborhood with a strong Japanese and Korean expat population. According to InterNations.org, an international online community for people who live and work abroad, Hong Qiao, also part of the Changning District, is a suburban community that has a strong presence of expatriate living and family life. Other popular residential areas within the city

center include the Jing'an District in central Shanghai and Xujiahui in the district of Xuhui. Outside of the central city, expats commonly reside in the suburban neighborhoods of Pudong and Minhang.

As the presence of foreign professionals in the city has increased, so have the housing options for these temporary residents. Expatriates seeking to locate in Shanghai can find information on homes through expat-focused real estate brokers and online expat-community groups. Some examples of these websites are www.entershanghai.info, www.shanghaifinder.com, and www.townscapehousing.com. The various neighborhoods and districts exhibit distinct characteristics and amenities allowing expats to choose their preferred residence. If expats are looking for family-oriented suburban communities, they can seek residences in Hongqiao or Pudong; if expats are looking for an urban experience, they can seek places in Jing'an, LuWan, or XuHui. With a wide range of real estate service and information organizations, there is now greater availability of housing options for foreign professionals compared to what foreign professionals experienced in the 1980s.

Population/Demographics

Table 1: Shanghai: Population by District & County (Qu & Xian)

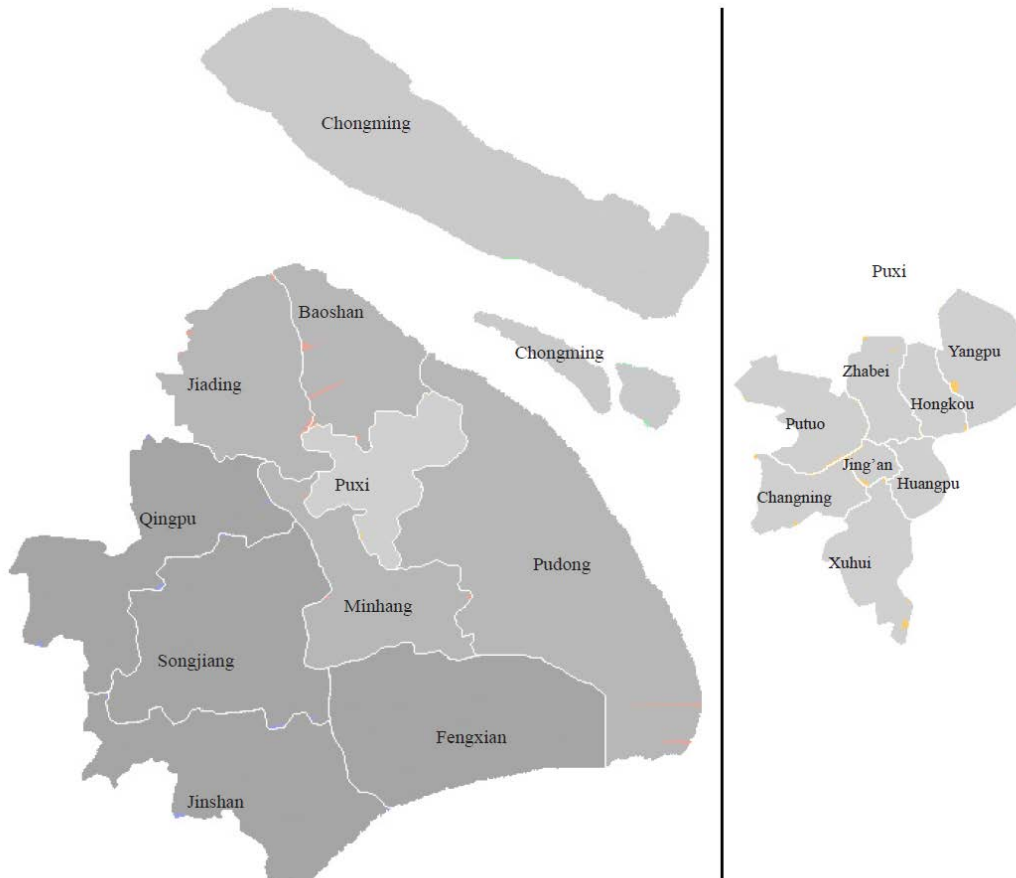
Sector	Square Kilometers	Population 2000	Population 2010	Population Change 2000-2010	% Change	% of Growth
<i>INNER CORE</i>	<i>20.1</i>	<i>1,209,000</i>	<i>926,000</i>	<i>(283,000)</i>	<i>-23.40%</i>	<i>-4.30%</i>
Huangpu Qu	4.5	575,000	430,000	(145,000)	-25.20%	-2.20%
Jing'an Qu	7.6	305,000	247,000	(58,000)	-19.00%	-0.90%
Luwan Qu	8	329,000	249,000	(80,000)	-24.30%	-1.20%
<i>OUTER CORE</i>	<i>261.4</i>	<i>5,723,000</i>	<i>6,060,000</i>	<i>337,000</i>	<i>5.90%</i>	<i>5.10%</i>
Changning Qu	38.3	702,000	691,000	(11,000)	-1.60%	-0.20%
Hongkou Qu	23.5	861,000	852,000	(9,000)	-1.00%	-0.10%
Putuo Qu	54.8	1,052,000	1,289,000	237,000	22.50%	3.60%
Xuhui Qu	54.8	1,065,000	1,085,000	20,000	1.90%	0.30%
Yangpu Qu	60.7	1,244,000	1,313,000	69,000	5.50%	1.00%
Zhabei Qu	29.3	799,000	830,000	31,000	3.90%	0.50%
<i>CORE DISTRICTS</i>	<i>281.5</i>	<i>6,932,000</i>	<i>6,986,000</i>	<i>54,000</i>	<i>0.80%</i>	<i>0.80%</i>
<i>SUBURBAN</i>	<i>6,051.10</i>	<i>9,476,000</i>	<i>16,031,000</i>	<i>6,555,000</i>	<i>69.20%</i>	<i>99.20%</i>
Baoshan Qu	415.3	1,228,000	1,905,000	677,000	55.10%	10.20%
Chongming Xian	1,041.20	650,000	704,000	54,000	8.30%	0.80%
Fengxian Qu	687.4	624,000	1,083,000	459,000	73.60%	6.90%
Jiading Qu	458.8	753,000	1,471,000	718,000	95.40%	10.90%
Jinshan Qu	586.1	580,000	732,000	152,000	26.20%	2.30%
Minhang Qu	371.7	1,217,000	2,429,000	1,212,000	99.60%	18.30%
Pudong Xin Qu	1,210.40	3,187,000	5,044,000	1,857,000	58.30%	28.10%
Qingpu Qu	675.5	596,000	1,081,000	485,000	81.40%	7.30%
Songjiang Qu	604.7	641,000	1,582,000	941,000	146.80%	14.20%
<i>TOTAL</i>	<i>6,332.60</i>	<i>16,408,000</i>	<i>23,019,000</i>	<i>6,611,000</i>	<i>40.30%</i>	<i>100%</i>

Source: Demographia, newgeography.com

Shanghai is divided into seventeen districts and one county (see map). Nine districts collectively form Puxi, the older urban center commonly referred to as downtown Shanghai while the suburban areas are composed of eight districts and one (Chongming) county. According to the 2010 census, Shanghai's

population reached 23 million, which was 40% greater than the population in 2000. However, the vast majority of this growth is in the suburban areas. In fact, the core districts in Puxi remained relatively unchanged. Pudong New Area accounted for 28% of the population growth. Pudong is the largest district in terms of size (land area) and population in Shanghai and is often identified as the poster child for Shanghai's modern skyline.

Map of Shanghai's Seventeen Districts



Shanghai's growth is manifested in the amount of its physical development along with its growth in population. The total floor space of construction increased by 74% from 2000 to 2010. Of the total floor space of construction, residential housing accounted for 55% in 2000 and 48% in 2010 (Shanghai Statistical Yearbook 2011). The amount of investment in residential housing also increased between these years from 44,390 million yuan to 123,296 million yuan, a growth of 178% (Shanghai Statistical Yearbook 2011). The most dramatic changes, however, are in the number of commodity housing sold and leased between 2000 and 2010. Sales volumes of commodity housing measured in hundred million yuan have experienced percentage growth well above 300%. For example, the total value of villas and apartments sold in 2000 was 32.65 hundred million yuan. In 2010, it grew to 852.62 hundred million yuan (Shanghai Statistical Yearbook 2011). Although the data do not identify the buyers in the real estate transactions, it begs the question as to whether the ballooning growth has been a result of multiplying demand.

Table 2: Commodity Housing Sold and Leased in 2000 and 2010

	2000	2010	% Growth
Sold Area of Commodity Housing (10 000 sq.m)	1557.87	2055.53	32%
Residence	1445.87	1685.35	17%
Villas and Apartment	53.44	341.71	539%
Sales Volume of Commodity Housing (100 million yuan)	555.45	2959.94	433%
Residence	480.97	2395.35	398%
Villas and Apartment	32.65	852.62	2511%
Commodity Housing Leased (10 000 Sq.m)	358.38	1262.47	252%
Residence	59.29	85.72	45%
Villas and Apartment	37.43	76.18	104%

Source: Shanghai Statistical Yearbook 2011

As of 2010, Pudong New Area has the largest amount of buildings per 10,000 square meters according to the 2011 Shanghai Statistical Yearbook. More than 20% of the residential buildings in Shanghai are located in the district. It also leads the other districts and counties for buildings that include schools, offices, stores, hospitals, hotels, and entertainment venues. However, buildings for industrial use like warehouses, factories, and plants are uncommon in the area. Instead, Pudong attracts firms in the financial services and high-tech industries. The employment opportunities, housing options, proximity to Pudong International Airport and other amenities in the district make the area seem desirable for expats.

Table 3: Resident Foreigners Country of Origin in Shanghai in Main Years

	Number	2005		2010		2012	
		% of Total	2010	% of Total	2012	% of Total	
Total	100011	-	162481	-	174192	-	-
By Country and Region							
Japan	27812	27.8%	35075	21.6%	39091	22.4%	
Republic of Korea	14047	14.0%	21073	13.0%	20456	11.7%	
Singapore	5547	5.5%	7545	4.6%	6935	4.0%	
Germany	4591	4.6%	8023	4.9%	8680	5.0%	
United Kingdom	2904	2.9%	5591	3.4%	6196	3.6%	
Canada	4279	4.3%	7306	4.5%	7669	4.4%	
United States	14329	14.3%	24358	15.0%	26000	14.9%	
Australia	3729	3.7%	6165	3.8%	6545	3.8%	
France	4181	4.2%	8238	5.1%	9472	5.4%	
By Types							
Employees at Foreign Ventures	60137	60.1%	95623	58.9%	95303	54.7%	
Foreign Experts and Relatives	4586	4.6%	6638	4.1%	7528	4.3%	

Source: Shanghai Statistical Yearbook 2011, Exit-Entry Administration Shanghai Municipal Public Security Bureau

Due to data limitations, it is difficult to state the number of expats per district in Shanghai. Nevertheless, data regarding the number of resident foreigners at the city-level are available. In 2010, the total number of resident foreigners in Shanghai was 162,481. The data show that the number of resident foreigners in

Shanghai has experienced growth since 2000. Of these resident foreigners, those identified as employees and foreign experts have constituted nearly 70% of this population group. The majority of documented foreign residents are from Asian countries. In 2005, 47% of foreign residents came from Japan, South Korea, and Singapore (Shanghai Statistical Yearbook 2011). This percentage decreased to 39% in 2010. The number of foreign residents from the United States increased by close to 10,000 persons in the five-year period. Population figures from other countries are in Table 3.

Economic Growth

Shanghai, like many other global cities, is establishing economic productivity as a priority in elevating its status as a global city (Olds 1997). More recently, the city has adopted environmental sustainability as a platform to highlight its innovative designs and practices for ‘sustainable, livable, and harmonious cities’ for the 2010 World Expo (World Exposition Executive Committee 2011). Municipal decisions to enhance economic and environmental performance are, nevertheless, a means to an end. For many government officials, identification as a global city is an affirmation of success at the international scale. It is this competitive spirit - which is not only limited to Shanghai - that pushes cities to attract as much capital, labor, and innovation to climb the ranks of the global city order. Although the growth in Shanghai’s economy dates back to the 1970s, we are most interested in the periods where the number of foreign professionals has been significant. Thus, the economic context is most appropriate from 1990 to the current date.

By observing the total value of foreign trade imports and exports, it is clear that Shanghai has been growing in its involvement with foreign economic activity. From 1990 to 2010, Shanghai’s total value of foreign trade increased from USD 7.4 billion to USD 368.8 billion respectively (Shanghai Statistical Yearbook 2011). The total value of foreign trade is the sum of the value of foreign trade imports and exports. Since 2000, there has been consistent growth in this category (with a minor dip between 2008 and 2009, which may be due in large part to the global financial crisis). Although the balance between imports and exports fluctuates, the extent of Shanghai’s involvement in the global economy has undeniably been increasing over the past few decades.

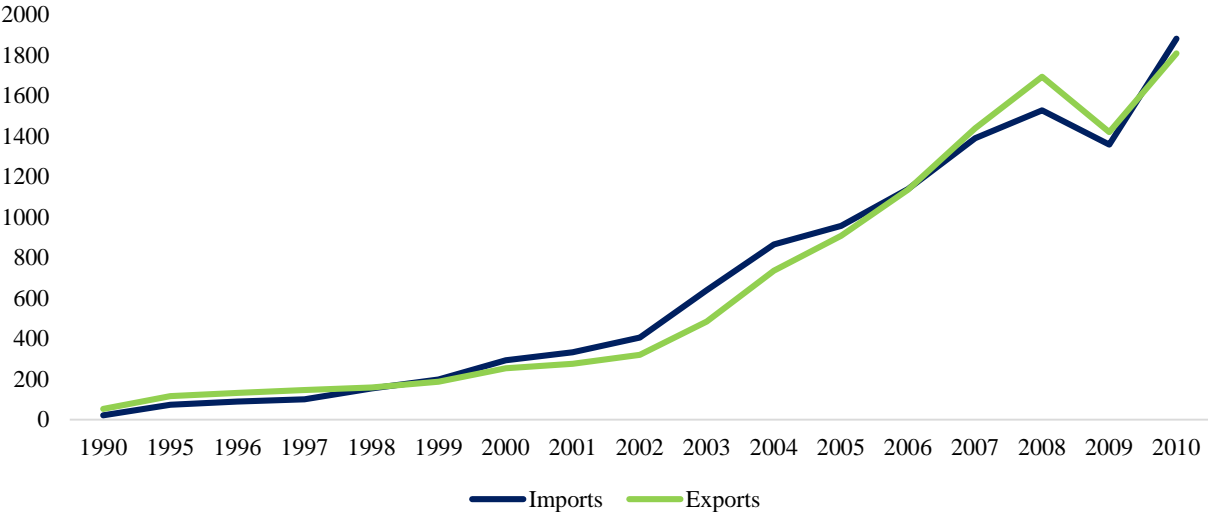
Moreover, the Shanghai Foreign Investment Development Board (Invest Shanghai) reports that the city has been successful in attracting foreign capital. In 1990, the amounts of contracted capital and paid-in capital were only 2.14 billion and 1.77 billion, respectively. These figures grew to 153.07 billion and 111.21 billion in 2010 (contracted capital is defined as foreign capital obtained through corporate contracts while paid-in capital is defined as capital obtained through purchase of stock from the corporation). Since 2002, there has largely been consistent growth in both categories. Invest Shanghai also reports that paid-in foreign capital exceeded USD 10 billion for the third year in 2010, breaking the historical record and accounting for 10.15% of China’s total inflow of USD (Invest Shanghai 2012). Additionally, by the end of 2010 investors from 144 countries and regions had invested a total of USD 106.4 billion in Shanghai and 59,497 projects were registered accounting for USD 175.1 billion in contracted foreign capital.

The extent of Shanghai’s involvement in the global economy is further exemplified in the city’s outward economic relations. Economic cooperation with foreign countries has grown tremendously over the past ten years. For example, the number of overseas contracted projects increased from 143 in 2000 to 3,397 in

2010 (Shanghai Statistical Yearbook 2011). In the same years, the values of those contracts increased from USD 760 million to USD 10.1 billion. Economic cooperation is further reflected in the exchange of human capital: the number of persons abroad under overseas contracted projects in 2000 was 1,327 persons but this figure increased over seven-fold to 9,430 persons in 2010. By the end of 2010, the number of enterprises abroad was 1,508 with a total investment value of USD 7.6 billion (Shanghai Statistical Yearbook 2011).

Similarly, foreign enterprises in Shanghai have had a major role in the urban construction of the city greatly contributing to Shanghai’s crucial position as a global center of exchange. In 1990, the export volume of foreign enterprises made up a mere 5.62% of the city’s total export volume but in 2000, foreign enterprises accounted for 56.27% of Shanghai’s total (Xue 2003). In other words, foreign enterprises became larger exporters in Shanghai compared to state-owned and private enterprises. Hi-tech exports, of which 90% are produced by foreign enterprises, have become a major driver of Shanghai’s international competitiveness (Xie and Wang n.d.). Although data that is more recent are lacking, foreign enterprises have been playing a major role in the city’s economy.

Figure 1: Total Value of Foreign Trade Imports and Exports by Year
(in 100 million USD)



Source: Shanghai Statistical Yearbook 2011

Shanghai’s 12th Five-Year Plan

Shanghai’s 12th Five-Year Plan (FYP) reveals the municipality’s global mindset. The plan was approved in late 2010 and serves as a guide for economic development until 2015. The internationalization of the city is a major goal in the plan. Economic reforms drive the city’s commitment to expand participation in global competition and cooperation (Cahill 2011). Four initiatives support this global mindset that focus on cultivating the city’s ability to become a global financial, trade, shipping, and economic center. Liu Jian, deputy director of the Shanghai Municipal Commission of Economy and Information Technology, declared during a press conference on May 7, 2012 that facing international competition and managing the external environment in the face of protectionism and market demand is the primary challenge

(Information Office of Shanghai Municipality 2012). Innovation and structural adjustment to the economy are also important components to the plan since they maintain the city’s global competitiveness.

Figure 2: Shanghai’s Six 12th Five-Year Plan Targets

1.	Deepen Reform and “opening up”
2.	Accelerate strategic readjustment of the city’s industrial mix
3.	Focus on “people-oriented” social development and management
4.	Promote greater integration between urban and rural development
5.	Strengthen resource conservation and environmental protection
6.	Enforce the national policy of “rule of law” in a comprehensive, effective way

Backed by Shanghai’s 12th FYP, the city strives to foster a favorable business environment for foreign enterprises. Huang Feng, vice chair of the Shanghai Commission of Commerce, identified areas of opportunity for businesses in the high-tech medical, education, energy, and pharmaceutical industries at a 2011 business council conference (Cahill 2012). The innovation economy is already strong due to a myriad of foreign-invested research and development centers, innovation centers, and high-technology parks throughout the city. This coupled with the FYP’s goals to become a more livable city building on the city’s 2010 World Expo motto “Better City, Better Life” creates great potential to attract foreign businesses and, subsequently, foreign workers.

DATA AND METHODOLOGY

This study builds upon extant academic and policy interests regarding competition among cities in terms of their competitive industries, trade composition, economic development, and skilled labor. Numerous indices currently exist that measure and rank the statistical performance of cities based on the aforementioned attributes¹. There are implications of a rank-based competition embedded in these indices of global cities. Although scholars have questioned the methodologies and the policy outcomes of competitive indices, this study nevertheless presumes that cities benchmark their performance by measuring themselves on these indices in some form or another.

A key component of inter-city competitiveness is the existence of skilled labor. A productive region requires the presence of human infrastructure who can apply their intelligence in production (Florida 1995). The ILO (1999) maintains that knowledgeable and well-trained labor are key to both innovative and productive enterprises in a region. It has already been mentioned (see above) that Shanghai seeks its status as a global city and a way to achieve this is by retaining skilled labor. Successful economic catch-up for developing regions is dependent upon the immigration of skilled personnel to foster the dissemination of technological knowledge (UNIDO 2005). Thus, a fundamental assumption of this paper is that skilled labor is manifest in foreign-resident workers, or expatriates, because they possess the international experience local labor do not. That is not to say that all local labor are unskilled. Rather, foreign labor can offer something beyond what local labor can and given that the city, as well as the country, has been open to economic restructuring it is assumed that foreign labor facilitates this process. In other words, specialized knowledge is embedded within these professionals (Sutz 2012).

If foreign labor is desirable as it contributes to the economic productivity of the city, it then follows that these foreign residents not only require favorable working conditions but desirable living environments as well. Based on the historical developments regarding foreign workers and the city of Shanghai, this study seeks to understand where foreign workers tend to live, and how integrated/segregated they are from the local population. Are expats mostly in foreign enclaves like the one at Gubei New District? If so, should Shanghai pursue development strategies aimed at producing similar expat enclaves to retain foreign talent?

Data Sources

Several data sets were consulted to identify trends in economic performance and new housing development in the city of Shanghai. It was the author's intention to gather data starting from at least as far as the 1990s but due to data availability limitations, more accurate data were only available for the past decade. The Shanghai Statistical Yearbook (SSY), managed by the Shanghai Municipal Statistics Bureau, was most frequently used as the quantitative data source. It is publically accessible through the Internet and contains a robust collection of Shanghai's municipal statistics. Yearly statistical datasets from 2000 to 2013 are available on their website (<http://www.stats-sh.gov.cn/data/toTjnj.xhtml?y=2001>).

¹ Some recent publications of competitive indices between cities include A.T. Kearney's "2012 Global Cities Index and Emerging Cities Outlook"; Economist Intelligence Unit's "Hot Spots Benchmarking global city competitiveness"; McKinsey Global Institute's "Urban World: Mapping the economic power of cities"; Mercer's "2012 Quality of Living Worldwide City Rankings – Mercer Survey"

Qualitative data were gathered through surveys and interviews. Initial research was conducted on the Internet through social media platforms specifically geared toward expats living in, or seeking to live in, Shanghai. These resources were used primarily to become familiar with the various neighborhoods in Shanghai and as a means of contacting expats for data collection. Finally, the author noted observations during field research while in the city.

Methodology

Qualitative data were gathered using original online surveys (see appendix). The author utilized online expatriate social media platforms to reach survey participants. Two online social media portals, www.shanghaiepat.com and www.internations.org/shanghai-expats, have a ‘forums’ section where members can post community discussion topics and respond correspondingly. The author created a unique forum post with a brief description of the study and a link to the online survey. The popular social media website, www.facebook.com, was also used to upload the survey link. Similar to the two other websites mentioned above, www.facebook.com has an option for users to join ‘groups’. Once in a ‘group’, group members can post on the site’s homepage that becomes visible to the rest of the community. The author joined the group ‘Shanghai Expats’ after the group creator’s approval and likewise posted the study description and link to the survey. Lastly, www.craigslist.org was used as a means of connecting with expatriates in Shanghai. Craigslist Inc. is a local classified advertisements website that has a geographical focus on cities around the world. Shanghai has its own ‘craigslist’ section available at <http://geo.craigslist.org/iso/cn>. Using this portal, the author posted a link to the survey in the ‘community’ section encouraging expats in the city to participate.

These surveys were the primary means of data collection. However, for those willing to discuss their answers in greater depth, the author conducted personal interviews with survey participants. At the end of the survey, there is an option for the participant to leave his or her contact information including a comment box where participants can indicate whether they would be interested in speaking more about their responses through an interview. Eight participants responded who were willing to be contacted for further discussion. The in-person interviews* were conducted during the week of January 5 to January 11, 2014 in Shanghai.

*Note: In compliance with Columbia University’s Human Research Protection Office Institutional Review Board, interviewees were assigned numerical values to uphold anonymity. The identities of the individuals are contained in an encrypted file. Any questions should be directed to the author at pc2593@columbia.edu.

RESULTS AND ANALYSIS

Survey Responses and Overall Trends

Forty-six Shanghai expatriates participated in the survey. Participants were asked to identify their age group. The age groups were categorized accordingly: 18-29, 30-39, 40-49, 50 and over. The majority of survey respondents (35%) was from the 30-39 age group with a combined younger population (18 to 39 years of age) constituting 65% of the sample. This was expected, as younger population groups tend to utilize Internet social media platforms more frequently than older population groups. However, this is a limitation that should be acknowledged as living preferences and lifestyles will be skewed toward younger generational tastes. Nevertheless, the sample may still be representative if expats in Shanghai are generally younger. However, due to the lack of publically available information regarding age and locations of expats, this is merely speculation.

The majority of those who responded to the survey identified themselves as US citizens (50%). The second most frequent nationality was Canadian (11%) followed by Austrian (8%) and finally British and Australian (5% each). This is no surprise since the forum message and survey itself were written in English. Additionally, the social media websites used to reach out to survey participants have URLs based in the United States (in other words the web addresses end in “.com” rather than “.co.jp” for Japan as an example). Still, given that Japanese and Korean foreigners constitute the majority of resident foreigners accordingly to the 2011 Shanghai Statistical Yearbook, it is surprising to see no responses from either country.

Proximity to work is especially important for 77% of survey respondents who replied that work was the main motive for relocating to Shanghai. Although some wanted to come to Shanghai for travel (17%) and personal (5%) purposes, the overwhelming majority come for work. The high percentage of work-related entrances into China supports the view that the state encourages foreigners to enter the country for work purposes. This is further reinforced by recent policy changes regarding the issuance of foreign work visas. Those that seek China Work Visa (Z) are required to provide statements that qualify the applicants as ‘foreign experts’ and must be accredited by the employer. The statement requires that the applicant explain why the work position cannot be filled locally. In other words, they must explain why it is necessary for a foreigner to fulfill this role². Under these specific conditions, foreign workers are deliberately sought for specific skills unavailable in the local labor pool. The most prominent ‘foreign skill’ appears to be the ability to speak and teach English because most expats who responded to the survey identified their principal industry of work to be in education.

Pudong was the most popular city district for expat residences. Given the size of the district, it is sensible that 47% of survey respondents identified Pudong as their residential district. Pudong’s land is east of the Huangpu River, and was mainly farmland before modern development. Today as Shanghai’s financial hub, it boasts many of Shanghai’s most recognizable buildings including the Oriental Pearl Tower, the Jin Mao Tower, and the World Financial Center. It is also the site for the Shanghai Tower currently under construction, which will eventually become the city’s tallest skyscraper. Pudong is also home to Zhangjiang High-Technology Park where there are many high-tech manufacturing firms with company

² Interview #5

housing for employees. Pudong’s special economic districts includes the Waigaoqiao Free Trade Zone, the largest free trade zone in mainland China. The financial and high-tech industries may be a reason as to why so many expats choose to live in the district. Jing’an district was the second most popular city district. Interviews and online research suggest that Jing’an is a popular residential choice for young, single expat households.

Social segregation between the local Shanghai population and expats is fairly pronounced. Survey respondents reported that they tend to socialize more with fellow expats than with Shanghai locals (57%). This is because of the language and cultural barriers associated with living in a foreign country, in addition to the limited opportunities for expats to interact with local citizens³. Given that only eight of those surveyed require them to know the local language for work, it is safe to assume that expats can maintain a lifestyle in Shanghai while possessing little knowledge of Mandarin. However, this indeed would create a social barrier between expats and locals. Regardless, most expats saw their neighbors as a mix of expats and locals; only four responders indicated that their neighborhoods have more expats than locals. Thus, although the language barrier exists, this does not compel expats to live in separate neighborhoods.

While residential segregation may not be necessary, expats still perceive their neighborhoods as being different from their neighborhoods in their respective home countries both in terms of the physical environment and in terms of general lifestyle. For instance, the retail and restaurants options in their neighborhoods are more ‘local’ than they are ‘global’. Schools tend to be more ‘global’ since expats seek out international schools for their children. In order to quantify a neighborhood’s surroundings, neighborhood elements (schools, retail business, restaurant options, lifestyle, and physical environment) were measured on a 5-point Likert scale with lower numerical figures representing stronger degrees of unfamiliarity. In other words, 1 was counted as being more ‘local’ while 5 was counted as being more ‘global’. Assuming the hypothesis, expats would choose to be in an environment that exhibit qualities that are more ‘global’ and thus have higher scores. When asked whether the types of retail businesses and restaurants were ‘local’ or ‘global’ around their neighborhoods, the average scores were 2.3 and 2.5 respectively.

Table A: Summary Statistics of Qualitative Responses from Survey	Mean	Median	Mode	St. Dev.
How similar is the physical environment of your Shanghai neighborhood to your neighborhood in your home country?	1.71	1.00	1.00	1.08
How similar is your lifestyle in Shanghai to your lifestyle in your home country?	2.29	2.00	2.00	1.08
How would you describe the types of retail businesses around your neighborhood?	2.32	2.00	2.00	1.09
How would you describe the types of restaurants around your neighborhood?	2.54	2.00	2.00	1.20
How would you describe the types of schools around your neighborhood?	2.68	3.00	3.00	1.28

³ Interview #1

In addition, the average score of the degree of similarity between the physical environments of the expats' respective Shanghai neighborhoods compared to their neighborhoods back in the home country was 1.7. Such a low score was unexpected under the assumption that expats would choose to live in neighborhoods with more 'global' and familiar characteristics. In sum, the responses dwell in the mid-to-lower range, which shows that expats are more integrated in Shanghai than expected. They do not necessarily feel a need to be in an environment that is familiar in a western or 'global' sense. Social and cultural comfort are not the main factors affecting residential location.

The methodology is justified by the responses. For example, the former French Concession is a neighborhood well known for its historically strong Western influence. Walking through the French Concession, one gets the feeling of being in a quaint European village surrounded by boutique stores and the London plane, a type of roadside tree introduced by the French. Another neighborhood known for its expat residents and numerous international schools is the Seasons Villas in Pudong. For expats who identified their neighborhoods as the ones mentioned here, the scores were higher averaging above 3.5. However, because the sample exhibits lower scores overall, it is reasonable to suggest that expats do not congregate to be near other expats. Proximity to work seems to have a higher influence for residential locations than does a Western surrounding.

Table B1: Responses of Expats Living in Shanghai for Less than Three Years	Mean	Median	Mode	St. Dev.
How similar is the physical environment of your Shanghai neighborhood to your neighborhood in your home country?	1.81	1.00	1.00	1.08
How similar is your lifestyle in Shanghai to your lifestyle in your home country?	2.43	2.00	2.00	1.16
How would you describe the types of retail businesses around your neighborhood?	2.47	2.00	2.00	1.08
How would you describe the types of restaurants around your neighborhood?	2.71	3.00	2.00	1.23
How would you describe the types of schools around your neighborhood?	2.90	3.00	3.00	1.30

Table B2: Responses of Expats Living in Shanghai for Three Years and Over	Mean	Median	Mode	St. Dev.
How similar is the physical environment of your Shanghai neighborhood to your neighborhood in your home country?	1.43	1.00	1.00	1.13
How similar is your lifestyle in Shanghai to your lifestyle in your home country?	1.85	2.00	2.00	0.69
How would you describe the types of retail businesses around your neighborhood?	1.85	1.00	1.00	1.69
How would you describe the types of restaurants around your neighborhood?	2.00	2.00	2.00	1.00
How would you describe the types of schools around your neighborhood?	2.00	2.00	3.00	1.00

In summary, the sample indicates that the majority of expats come to Shanghai for work. Education is the principal industry of work for most of the survey respondents. Although the younger age groups constituted the majority of the sample, there is no clear relationship between those in the education field and age group. Additionally, expats live in neighborhoods that have a good mix of expat and local residents even though their social interactions are primarily with fellow expats. Finally, the overall

perception from the sample shows that expats see their neighborhoods as being 'local' in character. This comes as a surprise since the hypothesis was that expats would choose to live in neighborhoods that exhibit more familiar 'global' qualities.

When observing the responses outlined in Table A and filtering by length of stay in Shanghai, a different pattern emerges. For those who claimed to be in Shanghai longer than three years, they displayed lower scores for the questions outlined in Table A. As expats increase their stay in Shanghai, they become more comfortable living in the city. Their experience allows them to reside in more local neighborhoods than those who have more recently moved into the city. Compared to those who have been in Shanghai for less than three years, expats who have longer residences exhibit equal or lower qualitative scores on all accounts. Types of schools, retail environments, restaurants, and other aspects of the physical environment have lower mean and standard deviation scores. The data thus suggest that long-time residents are more integrated into local culture than recent migrants are.

Responses by Age Group

As a systematic approach for analysis, age groups were used to categorize the data. By observing the data in this way, it would be possible to determine if certain values are associated with certain age groups. In addition, socio-spatial segregation could be identified as being stronger in certain age groups. However, the sample sizes for each age group are different which adds another limitation to the already small sample size. Thus, empirically results cannot be supported with statistically significant data. It is only possible to make inferences based on survey data and qualitative interviews.

It is clear that Pudong was most popular among expats, but it is unclear whether the preference for Pudong is stronger for certain age groups. Pudong's popularity is widespread among all age groups. Pudong houses 50% of those in the 18-29 age group and 44% of those aged 30-39. The majority of those in the 40-49 age group (60%) also live in Pudong. The results differ from the expectation that those in the younger age group would prefer to live in neighborhoods closer to the central business district, such as Jing'an. Nevertheless, it is surprising to see a large number of young residents in the suburban areas of Pudong. Zhangjiang is the neighborhood of choice for most expats – nearly 46% of those who reside in the large area of Pudong live in Zhangjiang. Of the five respondents in the 18-29 age group who identified their residential district as Pudong, three of them declared their sub-district or neighborhood to be Zhangjiang, which is a 40-minute subway ride from central Shanghai.

The main reason for choosing the current neighborhood differed by age group. Work provision of housing had the highest appearance in the 18-29 age group. Because of their young age and nascent work experience, income may have a much larger bearing on residential choices than it may have on older professionals who likely have more work experience and higher incomes. In fact, there was only one response that claimed 'affordability' to be the main reason for deciding on a neighborhood, and it came from the 18-29 age group. For the older age groups, who may have more flexibility in choosing a residence given higher disposable income, location was the modal response.

The younger age group also distinguishes itself from the other age groups regarding their preference for neighborhood feel. When asked whether expats prefer to live in areas that contain a more 'Western' feel as opposed to a more 'local' feel, the preferences were mixed. Thirty-eight percent sought a more

‘Western’ environment and 32% preferred a ‘local’ environment while the remainder claimed to have no preference. However, the preference for a ‘local’ environment appeared most often in the 18-29 age group, while a ‘Western’ preference was most frequent in the 30-39 age group. ‘No preference’ was the majority for those aged 40 and above. These preferences exhibit a general pattern of ‘local’ to ‘Western’ and finally to ‘no preference’ depending on the length of stay in Shanghai. In other words, for the newly arrived expats, the excitement of living in a new culture and environment may manifest itself by desiring a neighborhood that exhibits local qualities. This initial excitement may fade over time causing residents to desire an environment with a familiar Western feel. Then, as the local becomes more familiar in the long term, expats become comfortable with either environment.

Given the subjectivity of the term ‘local’, we define the term based on the experiences of expat residents⁴. Living ‘locally’ means living in a traditional ‘lane-house’ neighborhood, also known as *shikumen* in Shanghai. These neighborhoods have adjacent two- to three-story townhouses lined up side-by-side with a common public alley, or lane, in the middle as an access way to living units. Although some expats may initially be excited to live in ‘authentic’ local areas, the excitement eventually wears off due to the absence of western luxuries⁵. Most expats have been living in their current neighborhood for 1 to 3 years (42%). Others have only recently moved in (29%) less than a year ago. All those in the 18-29 age group fall into these two periods, whereas those who have been in their current neighborhood for over 7 years are in the older age groups. The data exhibit a pattern very similar to the interview findings. Although initially those who move to Shanghai may wish to live in more ‘local’ settings, after some time it is likely they will want to transfer into an environment with a ‘Western’ feel. Beyond that, having experience in both settings, preferences may eventually become indifferent.

Interview Findings

Six individual interviews were conducted during field research in Shanghai. Additionally, a group meeting with four Shanghai expats was organized where the author facilitated a semi-formal discussion. These sessions were aimed to extract expatriates’ perceptions on neighborhood changes, locational preferences for expats, and any other ad-hoc topics to provide substance to the examination for the need for expat-oriented planned communities in developing Shanghai. Common themes emerged from the analysis of the interview results. These are categorized as follows: barriers between expats and locals, the myriad housing preferences of expats, and the confirmation that the ‘Westernization’ of Shanghai’s development is *not* due to expatriate presence. Each is outlined in further detail.

Barriers between expats and locals

There exists a strong barrier between expats and locals at a variety of levels. The most obvious is the language barrier. For the expats who do not possess the ability to speak Mandarin, assimilation is extremely difficult. The language barrier prevents the ability to meet locals and limits the choice for restaurants, retail outlets, and some work positions⁶. Although the city has grown in its ability to speak and provide written documents/signage in English, the inability to speak Mandarin is still a limiting factor.

⁴ Interview #2

⁵ Interview #2

⁶ Interview #1

A cultural barrier also exacerbates assimilation into the local dimension although it has been diminishing to a certain extent. This is manifest in the housing choices of expats. When expats initially move to Shanghai,

“there is a mutual understanding among the expat community that modern apartment complexes feel generic whereas traditional Chinese lane homes are sexier. Expats feel like they want to live in China. But eventually the sexiness wears off. The lane homes usually lack the amenities that expats are normally used to having (a certain degree of cleanliness, modern technologies, quiet neighbors). Most people say they want to move out in a year as they are used to a certain way of life⁷”

Indeed this view reflects the majority of expat preferences as indicated in the survey (see above). Even the cultural differentials in modern housing are manifest by the layout, design of appliances, and amenities provided within housing developments. For instance, some apartment complexes in Jing’an have gyms and pools for its residents, which is something entirely unfamiliar with locals⁸. These amenities are associated with Western styles of living. In addition, some apartments have small rooms adjacent to the kitchen for house cleaners. Such apartments are not familiar to Western expats. Many households in Shanghai employ house cleaners for domestic chores presenting another cultural element that differentiates between Eastern and Western homes.

The cultural barrier exists in other facets of expat lifestyles, such as in the work environment. An expat doctor working in a public hospital revealed that some nurses and hospital staff treat patients with low levels of service relative to Western standards. He mentioned disturbing cases where nurses would sign off on a patient’s health status as ‘sufficient’ when in fact it was not, due to a backlog of incoming patients⁹. He acknowledged that such instance occur due to cultural differences, lack of communication, and less stringent regulation. He had also worked previously in a private hospital operated by expats where the staff maintained a much higher level of service.

Although cultural barriers exist, they seem to be diminishing to a certain extent. Expats who have been in Shanghai for longer periods have witnessed changes with the local population in terms of their manners, fashion, and consumption preferences. For example, it was common to see people spitting on the street and pushing to get onto the subways in the past, but recently people have become more ‘civilized’ in the Western context of the word¹⁰. Additionally it had been easy to identify a local based on what they were wearing in the past, but fashion has changed in a way that follows more ‘Western’ styles (albeit some may be knock-offs of original brands). This also relates to people’s consumption patterns. According to one interviewee, “it seems like traditional Shanghai is dying out – even the food”¹¹. Locals consider foreign cuisines to be luxury (there is a reoccurring facetious observation among transnational migrants that locals ‘dress-up’ to go to Pizza Hut).

There also exists economic barriers and particularly wage discrepancies. In the education sector, expatriate teachers tend to have higher wages than local teachers do¹². Although this discrepancy has

⁷ Interview #2

⁸ Interview #5

⁹ Attributed from focus group discussion

¹⁰ Interview #5

¹¹ Interview #5

¹² Interview #4

dissipated more recently, the difference was much greater ten years ago. Interestingly in the past, even expats who had no experience in teaching English accepted occupations as teachers as long as they 'looked the part'. In other words, looking 'white' was a sufficient qualification for a teaching position. This is not the case anymore given the increase in the English-speaking abilities of the local population.

Housing preferences of expats

Given the various barriers mentioned above, it would seem beneficial to organize expats into residential enclaves to minimize the externalities associated with these barriers. Data would also suggest that expats would choose certain locations based on the neighbors. However, the survey results evince a different pattern and is elaborated further from the interview discussions.

The primary reason for expats choosing their residence is its proximity to work. This is especially true for non-married expats. Shanghai's public transportation is quite efficient, but because of the extremely large population, over-crowdedness during commute times is a well-recognized issue. "Every day during rush hour the line to get into the subway car goes up onto the stairway leading to the train platform"¹³. The metro stops are also not easily within walking distance to each other, which is why expats eventually try to find housing close to their area of work.

For expats with children, schools are a major factor in deciding where to live. Expat families are frequently attracted to the suburban neighborhoods in Pudong, which offer more space at a lower price. Many upper management expats in their respective fields have incentive to move "if neighboring schools are desirable, and this is what is driving housing prices up. Basically, if families are happy, then expats are happy"¹⁴. Companies, such as the Semiconductor Manufacturing International Corporation (SMIC) located in Zhangjiang Hi-Technology Park in Pudong, provide not only housing for their employees but international schools as well. As a development strategy, the municipal government wanted to cultivate a high-tech industry in the region, which prompted SMIC and other tech companies to locate there. These companies, in order to lure employees and foreigners alike, constructed neighborhoods for their employees replete with schools, community centers, and security walls.

Shanghai's Globalization

A common development heard around Shanghai is how much the city has changed. Many interviewees admitted seeing changes in their neighborhood. Some of them due to market conditions (i.e. stores going out of business or changes in ownership), but others due to institutional forces. For instance, Jing'an recently experienced a new large-scale retail development with international retail tenants from food to clothing serving luxury goods and services¹⁵. It was *not* the case that this retail development was a result due to an increased presence of expats. Rather, the standard of living has increased for the city as a whole. Domestic income has been increasing giving more purchasing power to the people in Shanghai granting them access to luxury goods and foreign imports.

This is clearer when comparing Shanghai to China's capital, Beijing. An interviewee explained how she recalled seeing a clothing item in a shop in Beijing. When she moved to Shanghai, she came across the

¹³ Interview #2

¹⁴ Interview #4

¹⁵ Interview #2

same exact clothing item at a local Shanghai store. Having an acute taste in fashion, she was sure that they were the same item selling in different locations. She tried bargaining the price down to the price she remembered seeing in Beijing but no matter how persuasive she was the storeowner would not acquiesce to her offerings (she in fact was not intending to buy the item, but simply wanted to know what was causing the price difference). Eventually she asked why the price was so much more expensive than what she experienced in Beijing. It was not because of rent, nor due to labor. The shop owner simply said, “Because I can”¹⁶.

The earlier hypothesis implied that foreign workers possess relatively higher incomes than local workers, which would create a demand for higher living environment standards from the expat market. This, however, is not the case. As was made clear in the survey and interview results, GDP per capita of local Shanghai residents has been increasing. Moreover, there were only 162,481 resident foreigners in 2010 out of a total population of over 23 million. In other words, resident foreigners do not even account for 1% of those dwelling in Shanghai. The market for western goods and housing would not be sustainable if it exclusively targeted the expatriate population. Substantial demand exists within the local population, making the expat market inconsequential. This is not to mean that all residents in the local population can afford these goods, in fact many of them cannot. However, it does show that foreign amenities exist in Shanghai not only because there exists a substantial foreign population to sustain such a market.

The income levels of those in Shanghai are indeed high enough to retain workers. The interviewee also mentioned that many of her employees were offered positions in Korea and the Philippines. Although they were similar roles, the employees wanted to remain in Shanghai. Her reason for their staying was that “they are very comfortable here”¹⁷. In speaking with other expats, they share the same views. People are not dressing differently because they want to mimic Western fashion; they are dressing differently because they can afford to buy them¹⁸. Many Shanghai natives are wishing to enroll their children in private, international schools because they want their children to learn English. It is more expensive but they can afford the costs¹⁹.

Even more interesting is the fact that many local parents are investing in real estate not for themselves, but for their sons. Because of China’s evolving one-child policy, it is very competitive for men to find female mates. Many females do not even consider a male mate if he does not own property. Moreover, in some cases, one property is not enough. It is not uncommon to see parents buying two and even three housing units under the family name in order to secure a future spouse for their child. Some properties are bought when their child is at a young age years before they have even found a potential spouse! Rather than renting out these units, they are held under speculation. Families hope that by the time the son is ready to be wed, the real estate values have increased allowing them to either hold the property or sell for a huge margin. Such instances demonstrate the purchasing power of Shanghai’s local population and the growth implied in the city’s GDP per capita.

¹⁶ Interview #6

¹⁷ Interview #6

¹⁸ Interview #5

¹⁹ Interview #4

DISCUSSION AND PLANNING IMPLICATIONS

New-Build Gentrification

During an interview with an expat living in the affluent neighborhood of Xintiandi, we looked down from her 18th-story apartment into the streets of the neighborhood. On one side are modern, high-rise residential buildings alongside the wealthy villa properties belonging to notable actors including Jackie Chan and the developer of the high-rise area himself. Juxtaposed to these modern developments are the residents of traditional lane homes with street-level merchants who have been fighting displacement in the form of urban renewal. Although the area has been resistant to redevelopment, “it’s going to be redeveloped eventually. Even if it takes 5 or 10 or 15 years, it’s going to be redeveloped”²⁰.

The inevitability of redevelopment, so it seems, is closely associated with the views and aspirations that dominate public discussion and drive the actions of state and local officials alike. The educated middle class and the elites of the financial, technological, and cultural sectors drive the neoliberal capitalism that occupy both political and cultural thought (Wacquant 2008). With this has shriveled the ideology of increasing access to and the promotion of unskilled jobs mostly taken up by the working class. The inevitable outcome of not only redevelopment per se but also of the theoretical framework of middle-class-centric planning is the unequal distribution of wealth. Displacement becomes a by-product of the policies that aim to cultivate certain sectors of the economy and reward certain skills.

For planning, redevelopment and the subsequent possibilities of displacement that stem from new-build gentrification is a concern that planners, developers, policy-makers, and community groups in Shanghai need to confront. New-build developments are part of the gentrification process (Davidson and Lees 2010). The frequent changes in the built environment of Shanghai mostly in the form of new developments, high-rise residential towers, and clearing of the old for the new, bring about phenomenological shifts in the sense of place. Not only do residents bear the burden of physical displacement, their perceptions of ‘home’, ‘neighborhood’, or identities embedded within a place are destroyed. Even if some residents manage to remain in the same space, they may still become ideologically displaced because of a novel and unfamiliar environment.

Thus, planners should challenge the view that purports planning cities for the middle-class, which assumes that it provides benefits for all. New-build developments may be premised on the assumption that a global city is in fact global based on its impressive high-rise buildings and modern towers designed by ‘starchitects’. Moreover, such developments display infrastructural solidity that attracts global corporations, foreign investment, and the international recognition of a city that has ‘made it’ to the global, modern arena. However, the view overlooks the neighborhood dynamics that occur at the micro-scale. The new conformity to this view is a new form of gentrification that is spearheading neoliberal urbanism in cities around the world today. It is as though gentrification is a global urban strategy. It is vital that planners do not naively assume the benefits of new-build gentrification but that they address its shortcomings specifically in the way that it favors certain population groups over others.

The survey data suggest that not all expats desire to be in familiar homogenized spaces. Diversity in neighborhoods and the experience of local culture are of value for new migrants and long-time expats

²⁰ Interview #6

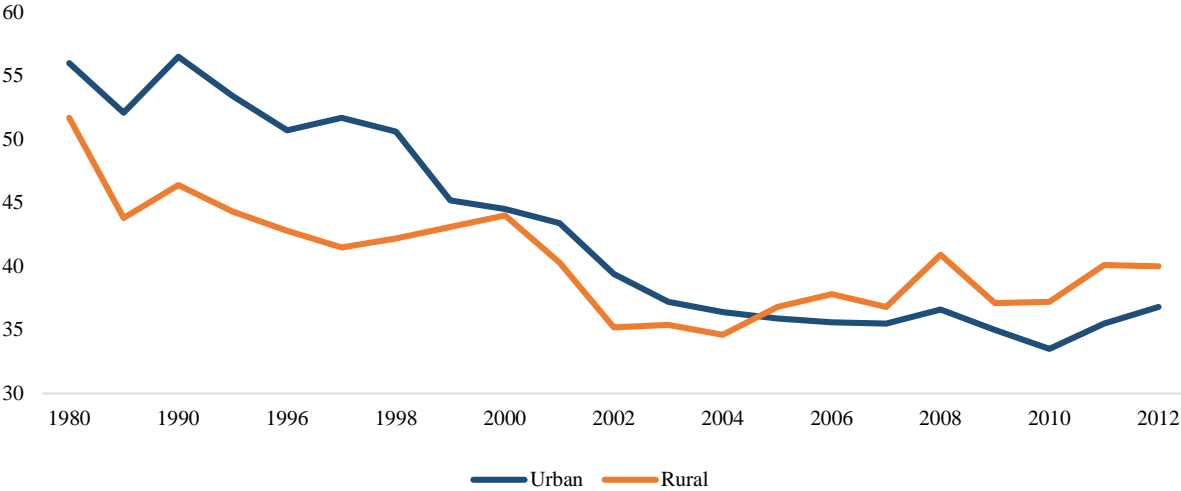
alike. This does not necessarily imply that new development is of no value. Rather, it suggests that new developments are not the only way toward building a modern, global city. It suggests that preservation and rehabilitation of older buildings are important for they not only maintain the history and past culture of a place, but also can help improve the environments of those already living in those spaces. Thus utilizing resources to improve what already exists, rather than razing the old to make way for the new, are important planning considerations for the purposes of establishing the cosmopolitanism of a global city and combatting displacement that may arise from gentrification.

Socio-Economic Implications of Expats and Locals

The survey results and the changing economic landscape of the city revealed in expats’ perceptions provide insight into the facilitation of foreign residents’ integration into a global city’s local culture. It is evident that the overall wealth of the city is growing, and that the presence of multinational retail firms, globally recognized brands, and luxury goods and services cannot be attributed to the presence of expats. Foreign residents make up an inconsequential portion of Shanghai’s total population. Global brands, multinationals, and luxury goods and services are there because of an opportune and expanding market. A brief examination of the city’s macro-economic indicators provides a clearer picture.

A common statistic used to measure increases in income is the Engel coefficient, which quantifies the percentage of income spent on food. The underlying theory is that as a household’s income increases, the percentage of income spent on food decreases while the proportion spent on other goods increases. Figure three shows that the Engel coefficients for both urban and rural households have been decreasing since 1980 to the early 2000s, which is rough indication that household incomes have increased during that time. A change occurs post-2005 with rural households’ Engel coefficient increasing relative to urban households. Although a discrepancy exists between urban and rural households within the local population, there is a general decreasing trend for both population groups indicating greater freedom in purchases other than essential food needs.

Figure 3: Engel Coefficient of Urban vs Rural Households as percentage

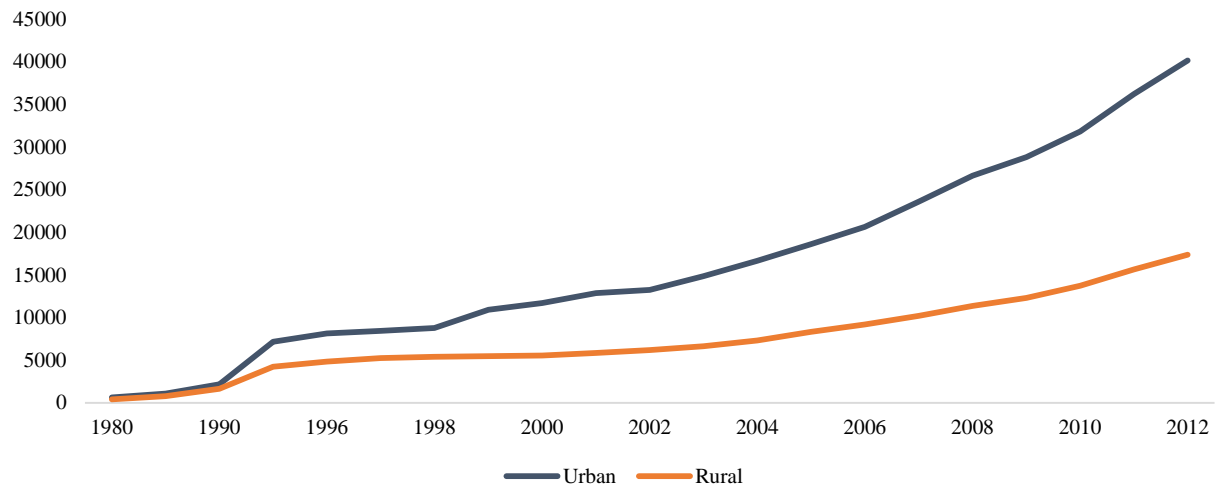


Source: Shanghai Statistical Yearbook 2013

Figure four offers further insight into average per capita disposable income for urban and rural households. The data exhibit a rise in disposable income for both population groups, although urban

households have experienced greater increases since the 1980s. Average per capita disposable income has nearly tripled within a decade at the turn of the century for urban households. The tremendous economic growth exemplify market opportunities for multinational corporations in Shanghai. The ensuing question is whether the consumer preferences of expats and urban households in Shanghai have converged. A convergence would imply a means toward integration among foreigners and locals through a socio-economic common ground.

Figure 4: Average per capita Disposable Income of Urban vs Rural Households (in Chinese yuan)



Source: Shanghai Statistical Yearbook

Relative to other global cities, the level of convergence seems to be higher in Shanghai. This is evident through the degree of separation between the global (elite) community and the local community. For example, Adham (2005) describes how in Cairo dismal, substandard housing conditions constitute a large percentage of the housing stock. At the same time, there are prestigious gated communities characterized as elite spaces to the expansion of consumer culture. In such an environment the dichotomy between foreigners (and locals) with financial capacity and local citizens without is more obvious. However, the context in Shanghai is different. GDP per capita of Shanghai was more than triple than that of Cairo in 2012, according to IMF (International Monetary Fund) world data and the CIA (Central Intelligence Agency) World Factbook. The implications are that higher GDP per capita allows for greater integration of foreigners into a municipality. The underlying logic is that social and cultural integration is possible because of the roughly equivalent socio-economic status between foreigners and locals. This commonality develops an urban landscape that supports a lifestyle conducive for both population groups.

However, it took many years for the city to grow in this capacity. As was mentioned previously, Shanghai realized its need to create separate spaces for the benefit of foreigners in the early stages of its economic development. At this time, there was clearer separation between expat and local neighborhoods, and the separation was in fact supported by the state. Now that GDP per capita has risen in Shanghai, the need for separation has declined. Locals and expats are collectively able to consume and experience the same types of goods and services, allowing them to co-mingle in shared urban space.

These observations produce planning implications for urban policy directed toward enhancing integration at the municipal level. Planners can implement traditional planning tools that promote mixed-use, mixed-income land uses to encourage integrated neighborhoods and communities. In addition to such planning tools, the findings of this study suggest that increasing GDP per capita overall may eventually lead to greater integration. Those in a similar socio-economic status co-create shared urban spaces, and a critical population threshold in turn supports the market for those spaces. This is, however, not an argument for market mechanisms to dominate the creation of urban spaces. It is rather an acknowledgement that similar socio-economic levels creates a common ground between expats and locals allowing greater integration in global, cosmopolitan cities.

Equally important is the acknowledgement that not all locals are able to share the same experiences as the more affluent groups. Although wealth has risen overall in Shanghai, there still is an income gap between the rich and the poor. One way to address this gap is by building local capacities through education and workforce development. Developing skills and increasing employment opportunities will allow people to make vital contributions through their work while transforming, and being transformed, by the city. The question remains how to develop a city's economy to allow for greater cosmopolitanism in a global city. This is the topic in the next section.

Building Local Capacities

We have already seen how the regulations surrounding Chinese work visas are comparatively stricter than they were just a few years ago. In other words, the need for planned foreign-enclave communities has declined because the need for foreign professionals has declined. At the national level, China has emerged as a powerhouse in global manufacturing (Nahm and Steinfeld 2012). Consequently Chinese businesses, whether they are state-supported or not, have developed their own technological capacity through mechanisms of learning and economies of scale. Amsden (2001) relatedly argues that manufacturing experience has historically been a crucial prerequisite for building technological capacity and innovation. This is becoming manifest in Chinese producers.

Table 4: Scientific and Technological Research Institutions Run by Local People in Main Years

Indicators	2000	2005	2010	2012
Number of Institutions (unit)	12,316	16,128	18,008	24,226
Employment (10 000 persons)	26.33	53.68	94.25	131.66
Total Assets (100 million yuan)	1,064.07	4,087.18	9,070.91	15,851.28
Revenue (100 million yuan)	811.35	4,140.42	8,462.57	12,307.78
Gross Output Value (100 million yuan)	311.22	2,961.48	5,687.91	7,536.24
Total Pre-tax Profits (100 million yuan)	47.58	193.37	601.59	878.65
Total Tax and Duties (100 million yuan)	28.64	166.37	417.57	660.04
Foreign Exchange Income (100 million USD)	2.83	95.63	647.36	319.04
Patent Certified (piece)	1,169	3,970	15,052	21,858

Source: Shanghai Statistical Yearbook 2006, 2013

Local capacities in scientific and technological research has been on the rise since 2000. Table 4 displays various indicators showing remarkable growth in such institutions operated by local Shanghai residents. The number of institutions has nearly doubled since 2000 to 2012 while total pre-tax profits has increased

18-fold. The number of certified patents is also staggering under the same period. Even though the data do not clearly indicate the sectors that are associated with such innovations, it can be assumed that many of them originate, or have indirect links to, Shanghai's manufacturing sector, which has so often been considered the backbone of China's economy.

Given their manufacturing experience, Chinese firms are learning to behave in a highly flexible and networked manner, learning and operating continually through the process (Nahm and Steinfeld 2012). This is allowing them to cultivate their technological capacities, increase GDP per capita, and maintain globally competitive industries. At the municipal level, outward foreign direct investment (OFDI) has been of increasing interest since it has quintupled in less than twenty years between 1992 and 2008 (UNCTAD 2010). Nam and Li (2012) show evidence of the Shanghai Automotive Industry Corporation's ability to increase OFDI allowing automotive firms to access human-embedded foreign skills and knowledge without having to bring skilled foreign workers into the city. Shanghai's ability to possess foreign knowledge through international joint ventures and capture innovative manufacturing domestically has decreased its dependence on skilled foreign laborers within its borders.

This upsurge of China's technological capabilities has put the country in a viable position within global production networks. Lall *et al.* (2004, 2) define global production networks to be the "international systems set up to optimize production, marketing and innovation by locating products, processes, or functions in different countries to benefit from cost, technological, marketing, logistic, and other differences." Within the global production network of the electronics industry, China took the lead in 2001 to become the largest electronics exporter in the developing world, surpassing the 'Asian Tigers' of Taiwan, South Korea, and Singapore (Lall *et al.* 2004). China's advantages in low-cost and productive labor, stock of technical skills, infrastructure, large domestic market, capable local suppliers, and favorable economic policies strengthen its location advantages.

With Shanghai as the financial and technological backbone of the growing national economy, it encourages planners to develop strategies that will cultivate learning and innovation within and among firms and institutions. It calls for policies that encourage higher education and investment in worker skills and knowledge. It calls to strengthen the linkages between universities, research and development institutions, and firms so that new products and processes can be discovered. It requires the state to build technological capacity but to ensure also that they are available to the local population. Workers should be protected under a sustainable compliance so that the regulatory environment enhances the effectiveness of workers' efforts rather than hindering competitiveness and productivity (Pires 2008). In sum, Shanghai should harness the momentum it has in developing its domestic technological capacity and expand on it in such a way that enhances not only aggregate economic performance but also the lives of its citizens.

CONCLUSION

Institutions at the local, state, and international level have increasingly used economic performance indicators as ways of measuring competitiveness. Although many have questioned the validity and applicability of such metrics, the rhetoric of national competitiveness has been particularly strong with policy makers, especially in developing countries. “Using these standards, countries have been partitioned into good and bad performers and ranked according to their performance in various new leagues of nations” (Gore 2000, 794). This paper has argued that highly skilled, foreign labor is an instrument that cities utilize to improve economic performance for specific sectors since local labor can at times be inadequately skilled to perform certain tasks. It was the aim of this study to assess whether or not the city of Shanghai required planned neighborhood catered toward highly skilled, foreign labor to maintain economic competitiveness. Whereas it was true that these spaces were required during the nascent stages of Shanghai’s economic development, evidence suggests that they are currently not required on both the supply side and demand side.

The need for planned foreign-enclave communities has declined because the need for foreign professionals has declined. At the national level, China has emerged as a powerhouse in global manufacturing and Chinese businesses have developed their own technological capacity through mechanisms of learning and economies of scale. China’s manufacturing experience has been evolving in a path dependent manner that has allowed growth in technological capacity and innovation. Shanghai’s abilities to capture and retain foreign knowledge through international joint ventures, and export domestically induced innovative manufacturing have decreased its dependence on skilled foreign laborers within its borders. Regulations surrounding Chinese work visas are much stricter than they were just a few years ago.

In terms of demand, the expatriate population constitutes only a minuscule proportion of Shanghai’s total population. The earlier hypothesis stated that the planning of foreign enclaves is necessary because such environments provide a socially and culturally familiar space for expatriates allowing them to establish a lifestyle in an otherwise unfamiliar urban setting. The results suggest that foreign enclaves are not necessary in Shanghai. As was made clear in the survey and interview results, expats are more integrated into the local urban landscape than they are segregated, and live in various neighborhoods throughout Shanghai. Additionally, GDP per capita in the city has been increasing. This creates a common ground through mutual socio-economic tastes and preferences allowing expats and locals to share urban spaces.

The study hypothesized that because of the cultural and institutional differences of living in a foreign place, expats would prefer to live in a sheltered or walled-off environment possessing a certain degree of familiarity. However, Shanghai is, and historically has been, a cosmopolitan city because on its history as a financial gateway for foreign investors. This, with the wealth that distinguishes Shanghai from other Chinese cities, allows for the location of foreign goods and services, which further contributes to the cosmopolitanism of Shanghai. Given this environment, expats are not seen to congregate into certain neighborhoods as they did in the 1980s, but their residential choices are based on other factors.

These factors are proximity to work, location, employer-provided housing, and cost. The location choices also depend on the life-stage of the household: households with children seek housing options closer to international schools and places with adequate space while individual households have more flexibility in

choosing a neighborhood. The ‘buzz’ of being in central business district is desirable but many households still chose neighborhoods in the outer districts as cost and work factors critically play into housing decisions.

The need for physical segregation is also not apparent within the expat community. Many expats find it already difficult to assimilate into the local culture. The language barrier has a substantial role in this as well. Segregation exists socially, which is why expats do not feel the need for segregated neighborhoods. In fact, the desire to be within arms-length of the local culture is present. The preferences for western-style housing are rooted in the physical amenities, cleanliness, and property manager responsiveness that western-style living quarters possess. As new residential developments are constructed, local city residents are also moving into and buying such properties.

This study provides ground for further research in different localities. The context of Shanghai differs from other locations and thus the circumstances may change for other localities. For cities in other developing nations, such as those in Latin America or Africa or even in some other cities in China, the need for planned expat communities may be greater. Other localities may have greater political instability, higher cultural barriers, and lower security. If foreign skills are necessary in those contexts as means of importing and building up technological capabilities and assimilating them into domestic institutions, planned foreign communities may a useful tool in attracting foreign workers. Over time, however, it may be that once cities establish their domestic technological capabilities, GDP per capita income may consequently improve allowing for enhanced integration among foreigners and locals. Further research is necessary in this regard.

Opportunities to enhance further studies exist by focusing in on specific neighborhoods within Shanghai. Observing the city at a macro-level has its advantages in understanding the larger picture. However, such an approach may overlook micro-level nuances that exist at the neighborhood-scale. The neighborhoods within Shanghai have distinct characters and the level of segregation may turn out to be variable amongst them. Another way to improve future studies is through firm-level analyses. It would be a contribution for other studies to investigate how firms decide on housing locations for their overseas employees since company-provided housing may also have a certain level of segregation.

Finally, given the plethora of research on catch-up capabilities for developing countries, additional contributions regarding the success of Chinese cities in building technological capacities would be a benefit for policy makers and planners at all organizational levels. Building skills and talent in the local labor pool, fostering innovation, encouraging education are all directions that can benefit any economy in any place. Planners can be at the forefront of such efforts fighting not only for an even distribution of wealth but also for an environment where individuals can harness their own capabilities to thrive.

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APPENDIX

A. Survey (Raw Text Form)

Survey Recruitment Text:

Hello Shanghai Expat Community,

If you have a few minutes to spare, I'd love your help – I'm a Columbia grad student working on my graduate thesis for urban planning, and I'm especially interested in how cities interact with each other in today's world. A big piece of this is through companies and their workers, and as expats, you have significant influence in shaping the new post-modern, international global city. Which is why I would love to hear from you: my thesis will focus on expat neighborhoods and how they impact a country's economic growth.

Click below to take a 5-10 min survey about your expat experience and current neighborhood. The survey is anonymous (unless you choose to leave your contact info), and you can email me if you have any questions or want to discuss your answers.

<https://docs.google.com/forms/d/10IH2ACEW7EnzAwU-JyxUneeFOqO1iLSGGF1cXzTCBWw/viewform>

Thank you for your time and willingness to contribute to this research. It is much appreciated!

Peter Chung
MS Urban Planning candidate '14
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The Impact of Expatriate Communities on Shanghai's Economy

First, please tell me a little about yourself. Feel free to skip any questions you'd prefer not to answer.

Before moving to Shanghai, what country were you living in?

What is your nationality?
(i.e., where is your passport from)

What is your age group?

18 - 29

30 – 39

40 – 49

50 – 59

60 and above

What was the main reason you decided to move to Shanghai?

I came for work.

I wanted to be close to friends and family.

I wanted to live in a new country.

I came for school, then decided to stay.

Which district do you live in?

Huangpu District

Xuhui District

Changning District

Jing'an District

Putuo District

Zhabei District

Hongkou District

Yangpu District

Pudong New Area
Minhang District
Baoshan District
Jiading District
Jinshan District

Songjian District
Qingpu District
Fengxian District
Chongming County

If you can identify a sub-district or neighborhood for your current residence, please enter it below.
(i.e., Xujiahui in Xuhui District, or Hong Qiao in Changning District, or Gubei New District in Changning District)

Next, please tell me about your neighborhood.

What was the main reason you decided to in your current neighborhood?

My work provided it (or helps pay for it).

Someone helped me find it.

I love the location!

The location is affordable.

My friends and family live nearby.

How long have you lived in your current neighborhood?

(Note: it doesn't matter if you've moved within the same neighborhood.)

Less than a year

1 to 3 years

3 to 5 years

5 to 7 years

More than 7 years

To what extent has your neighborhood helped you adjust to your life in Shanghai?

1, 2, 3, 4, 5

1: to no extent

5: to a great extent

How would you generally describe the residents in your neighborhood?

Mostly expats.

Mostly Shanghai locals.

It's a mix of expats and locals.

I'm not really sure.

If you had a choice, would you prefer to live in a neighborhood with a more 'Western' feel or a more local feel?

Western

Local

No preference

How similar is the physical environment of your Shanghai neighborhood to your neighborhood in your home country?

(Physical environment may include types of shops, architecture style, landscape, etc.)

1, 2, 3, 4, 5

1: It's completely different

5: It's exactly the same

How similar is your lifestyle in Shanghai to your lifestyle in your home country?
(Think about what you do on a daily basis. Your lifestyle may include your job, hobbies, social circle, etc.)

1, 2, 3, 4, 5

1: It's completely different

5: It's exactly the same

How would you describe the types of retail businesses around your neighborhood?

1, 2, 3, 4, 5

1: It's completely different

5: It's exactly the same

How would you describe the types of restaurants around your neighborhood?

1, 2, 3, 4, 5

1: It's completely different

5: It's exactly the same

How would you describe the types of schools around your neighborhood?

1, 2, 3, 4, 5

1: It's completely different

5: It's exactly the same

Which of the following best describes the principal industry of your work?

advertising & marketing

government

agriculture

healthcare & pharmaceuticals

airlines & aerospace (including defense)

insurance

automotive

manufacturing

business support & logistics

nonprofit

construction, machinery, and homes

retail & consumer durables

education

real estate

entertainment & leisure

telecommunications, technology, internet &

finance & financial services

electronics

food & beverage

utilities, energy & extraction

Does your work require you to speak Mandarin?

No

Yes

Outside of work, do you generally socialize more with expats or with Shanghai locals?

I socialize more with expats.

I socialize more with locals.

I socialize equally with both expats and locals.

Are you willing to be contacted about your answers?

Yes

No

If yes, please enter your email address:

Lastly, feel free to leave any clarifying comments below.

Thank you for your time! Your response has been recorded. If you have any questions, you can email me at pc2593@columbia.edu.

B. Survey Results

Age Groups	Count	Percentage
18-29	11	30%
30-39	13	35%
40-49	7	19%
50 and over	6	16%
Total	37	100%

Nationality	Count	Percentage
USA	18	50%
S. African	1	3%
Malaysian	1	3%
Italian	1	3%
HK	1	3%
Canadian	4	11%
British	2	6%
Austria	3	8%
Australia	2	6%
Denmark	1	3%
Germany	1	3%
Finland	1	3%
Total	36	100%

Motive	Count	Percentage
Work	27	77%
Family	2	6%
Travel	6	17%
Total	35	100%

District	Count	Percentage
Xuhui	3	8%
Putuo	1	3%
Pudong	18	47%
Minhang	4	11%
Jingan	8	21%
Huangpu	1	3%
Changning	2	5%
Qingpu	1	3%
Total	38	100%

Neighborhood	Count	Percentage
French	5	29%
Zhangjiang	6	35%
Century	4	24%
Jinqiao	2	12%
Total	17	100%

Reason	Count	Percentage
Location	24	52%
Friend/Family	3	7%
Work pays	13	28%
Help	5	11%
Affordability	1	2%
Total	46	100%

Duration	Count	Percentage
Less than 1	14	29%
1-3 years	20	42%
3-5 years	4	8%
7+ years	10	21%
Total	48	100%

Residents	Count	Percentage
Locals	10	26%
Expats	4	11%
Mix	24	63%
Total	38	100%

Preference	Count	Percentage
Western	14	38%
Local	12	32%
None	11	30%
Total	37	100%

Socialized	Count	Percentage
Locals	6	21%
Expats	16	57%
Mix	6	21%
Total	28	100%

C. Personal Interview Questions

Individual Questions

- Tell me about what you were doing before you moved to Shanghai.
- Tell me about what you do in Shanghai.
- What were your reasons for moving to Shanghai?
- Was it difficult to adjust to a new environment? What kind of mindset did you have when you first moved to Shanghai? Were you prepared for the change?
- How well do you feel like you are generally treated as an expat?
- How well did you adjust to the food here?
- Do you eat at home or do you go out? What do you do about groceries and about food in general?
- Were there any differences in your current apartment/home that you had to get used to (i.e. bathrooms, smaller kitchens, cold floors, slippers, and power outlets)
- Can you describe how you found your current home?
- What were some of the things that were most important for you in deciding on where to live?
- How long do you intend to stay in Shanghai?
- Does the political environment have any impact on your day-to-day experiences? What has been the most difficult in terms of the different political structures of Shanghai and your previous home?
- Have you ever had the opportunity to engage in some kind of neighborhood or city planning process?
- Do you feel like the city involves expats in its planning efforts?
- How do you react when you see global chain stores?
- Have there been any changes in retail environments in your neighborhood? How about in Shanghai overall? Have you seen any noticeable changes in the types of restaurants, cafes, clothing stores, etc. in Shanghai over the years?

Group Questions

- Tell us about what you were doing before you moved to Shanghai and then what you do here
- Was it difficult to adjust to a new environment? How do expats assimilate into Chinese culture?
- Do you think it is easier to do so here than in, say, a more homogenous culture like in Tokyo?
- What kinds of housing environments do you think are most conducive to expats? Would it be easier for expats to live in neighborhoods with other expats?
- Does the political environment have any impacts on day-to-day experiences? What has been the most difficult in terms of the different political structures of Shanghai and your previous home?
- Do expats have the opportunity to engage in some kind of neighborhood or city planning process? Do you feel like the city involves expats in its planning efforts?
- Have there been any changes in retail environments in your neighborhoods? How about in Shanghai overall? Have you seen any noticeable changes in the types of restaurants, cafes, clothing stores, etc. in Shanghai over the years? What do you wish to see more of?