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Cities

journal homepage: www.elsevier.com/locate/cities

The real estate turn in policy and planning: Land monetization and the political economy of peri-urbanization in Asia

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ARTICLE INFO

Article history:

Received 13 October 2014
 Received in revised form 1 June 2015
 Accepted 16 November 2015
 Available online xxxx

Keywords:

Urban politics
 Asia
 Real estate
 Land management

ABSTRACT

This paper argues that one of the fundamental forces shaping contemporary periurban political and spatial change in Asia is the rapid escalation of land values. These land price increases present state actors with acute opportunities and challenges, leading them to develop new strategies of land management that seek to exploit urbanization processes in the interest of extending state power. Specifically, governments in much of Asia have sought to monetize land—to use government powers of land management to realize substantial increases in land values, in order to extend state power either by directly extracting revenue for government from land development, or by distributing the profits of land development to powerful corporate backers of the state. Focusing attention on this comparative political economy of land monetization can therefore provide powerful explanatory insights into emergent patterns of social and spatial inequality and political contestation. The paper further compares state land monetization strategies in Jakarta, Chongqing, and Kolkata, and uses the findings to sketch out a comparative framework for understanding these strategies and their implications for spatial and political development.

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1. Introduction

In 2008, Shukaku Incorporated signed a 99-year lease with the Municipality of Phnom Penh for the rights to fill and develop Boeung Kak, a lake occupying about 90 ha near Phnom Penh's bustling core (Gorvett, 2011). Owned by Lao Meng Khin, a senator from the ruling Cambodian People's Party, Shukaku's stated intention was to develop a master planned commercial, office and residential megaproject on what was, when the filling was completed in 2011, some of Phnom Penh's most valuable land. At the time of the lease signing the lake had also been home to about 4000 households who had built homes at its fringe and on stilt houses that extended onto the lake. Many of these households made their living from the lake itself, fishing and farming morning glory, a popular local vegetable that thrived on the shallow water. The process of evicting these households met with strong protest, as residents decried what they argued were grossly inadequate compensation packages. In 2012 thirteen women were arrested for protesting the evictions. Although they were sentenced to up to two and a half years in prison, they were soon released due to strong international condemnation from local and international NGOs and press, as well as the World Bank (The Economist, 2012). The filling of the lake is also controversial because of its potential environmental impacts, and indeed the area around the lake has experienced a dramatic increase in flooding since the filling was completed (De Launey, 2011).

The case of Boeung Kak, a lake in a central city area, may seem out of place in a volume on peri-urban land development. Yet similarities between this case and cases of peri-urbanization—the displacement of an agricultural community, 'land grab' politics, ecological damage—illustrate that the issues facing peri-urban areas are not entirely distinctive to the social, economic and political geography of the urban fringe, and that we might learn a great deal about changes in peri-urban areas from a comparative analysis of larger processes of urban political change. Most comparative frameworks focus on the distinctiveness of peri-urban zones as spaces of social, cultural and ecological transformations wrought by economic change. Yet the Boeung Kak example focuses attention instead on the structural political factors that lead to the imposition of new regimes of land management and economic organization. It raises questions related to the political economy of peri-urbanization—what structural factors are driving change, who benefits from this change, and how does this change affect the politics of development processes?

Such a comparative political economy perspective is important not only to the development of a better theoretical understanding of peri-urban development, but can also potentially inform policy and planning. The epic story of Asia's peri-urbanization has been told from a variety of vantage points. It has been related by some as a hopeful story of the opening up of new spaces for economic growth, one in which judicious state action through strategic infrastructure investment and economic planning can bring significant economic benefits to peri-urban residents and migrants to these areas. In such narratives, the key issues revolve around questions of the formulation of regional governance agendas, and of economic and infrastructure development strategies that hold

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the most promise for realizing this potential. Yet others have related the story of peri-urbanization as one of violence and dispossession, in which governments act as accomplices to the destruction of communities, environments and livelihoods at the hands of capital. The reality contains elements of both narratives. A key question for urban planners and policy makers, as well as community and civil society actors, concerns what levers of power might exist for those most directly impacted by peri-urbanization to exert some agency in processes of change. Understanding the institutional, legal and political contexts that shape varying outcomes is essential to understanding potential answers to this question.

In this paper I will argue that one important process of change that is shaping the politics of peri-urban development, and that is important to a comparative understanding of contemporary urban development, is the rapid escalation of land prices. Across much of urban Asia, dramatic increases in land prices presents state actors with acute opportunities and challenges, leading them to develop new strategies aimed at tapping into real estate markets as a means to gain financial power and greater control over urban spatial change. Specifically, governments throughout Asia have sought to monetize land—to use government powers of land management to realize substantial increases in land values, in order to extend state power either by directly extracting revenue for government from land development, or by distributing the profits of land development to powerful corporate backers of the state. I will further argue that this emerging politics of land management has a profound impact both on urban politics more generally, and on spatial patterns of urban development. Focusing attention on this comparative political economy of land monetization can therefore provide powerful explanatory insights into emergent patterns of social and spatial inequality and political contestation.

The Boeung Kak case represents one example of this strategy of land monetization—the use of powers to lease land and permit the filling of a lake in order to extract value for an influential individual with direct connections to the state. And indeed, Boeung Kak is but the smallest of a number of large urban development projects around Phnom Penh, most being constructed on the urban fringe, that involve the filling of lakes and marshes for development by both foreign and domestic developers (Paling, 2012). The Boeung Kak case further illustrates the important role national state actors in land monetization—in this case embodied most visibly in a senator from the powerful inner circle of the ruling Cambodian People's Party. As urban development has become central to economic growth, many national governments have taken a growing interest in land management. As a result, national governments have proactively sought to capitalize on the economic, fiscal, and developmental opportunities presented by the escalation of land prices. The result has been what I refer to as a 'real estate turn' in both local politics and in national urban policy. National governments across much of Asia have undertaken efforts to create new legal and institutional vehicles for state land acquisition, to develop public-private partnerships in land development, and to seek new means to sell or lease state land to corporate developers, among other measures. National governments have also rolled out reform agendas—liberalization of the financial sector, reforms to urban land use planning frameworks, fiscal decentralization, and others—that are quite explicitly intended to empower local governments and prod them towards a more commercial orientation in their land management. In some instances, national government actors themselves have gotten into the game of real estate, formulating commercial developments in which national agencies are key partners.

The idea of a real estate turn in urban politics and policy as discussed here is therefore closely affiliated with Harvey's (1985) seminal theorization of the political implications of the tendencies of crises in overaccumulation of capital to result in increased investment in the 'secondary circuit' of capital, which includes investment in the built environment. It is also closely aligned with Goldman's (2011) observations about the rise of 'speculative urbanism', in which state actors

increasingly focus their efforts to develop 'world class' build environments on facilitating corporate land speculation. In discussing a real estate turn, I intend to focus attention more specifically on the political logic of state actor's efforts to directly intervene in processes of land monetization, and the implications of these interventions for urban politics and spatial change.

This paper will begin by examining the history of the expansion of both central city and peri-urban rent gaps in much of Asia beginning in the late 1980s. The impacts of this expansion on urban policy will be examined through brief review of three case studies of land monetization strategies in Jakarta, Chongqing, and Kolkata. By choosing to focus on three geographically disparate cases from Asia, the paper follows Robinson's (2011: 10) call for "a more geographically wide-ranging comparativism" by theorizing from experiences of cities that are not often taken as reference points in theory-building. Based on insights from these cases, the paper will sketch the outlines of a comparative framework for understanding why national governments choose the land monetization strategies that they do, and for interpreting their implications for urban political and social change. This framework focuses on two variables—the extent of state autonomy in land use decision, and the extent of state control of land markets—in shaping urban spatial outcomes.

2. Peri-urbanization, local economic development, and land monetization

Smith's (1996) conceptualization of the rent gap is helpful in unpacking why the politics of land development has become so important a focus of intervention by Asian governments in the face of successive waves of real estate booms and busts. The theory seeks to explain when and why land prices surge upwards, providing opportunities for speculative investment by real estate developers and investors, and how these actors in turn shape the spatial development of cities. For Smith, the rent gap is constituted by the difference between the capitalized ground rent, or the amount of rent the current landowner is extracting from a piece of property, and the potential ground rent that could be realized if the land is redeveloped to its 'highest and best use'. Smith's classic 1996 study on gentrification was written in the context of the wave of growth of financial services and other high-end service industries in certain American and European cities in the late 20th century. He argued that the physical and social deterioration of lower-income central city neighborhoods suppressed capitalized rent, even as growing demand for space in such centrally located areas from consumers and corporations caused an escalation of potential rent. The widening gap between capitalized and potential ground rent resulted in opportunities for windfall profits, motivating urban policy change and speculative activity by real estate developers and driving a processes of conflict-ridden and sometimes violent displacement of existing residents and businesses.

The specifics of Smith's analysis of gentrification in the United States and Europe are of limited relevance to much of urban Asia. Underlying market conditions, economic development dynamics, and pre-existing spatial patterns are fundamentally different. As Ghertner (2014: 1557) notes, Smith's discussion of rent gap theory is "characterized by a series of 'returns' in the flow of capital"—rehabilitation of housing stock, reinvestment, reconcentration—that are rooted in a context of disinvestment that does not hold true in most formerly colonized countries.

The underlying concept of the rent gap is nonetheless useful in framing the opportunities and threats that Asian governments face. First, it draws attention to the varying historical circumstances that have led to increases in demand for urban space and the influx of speculative financial capital in different Asian cities. Many cities in East, Southeast, and South Asia have experienced surging property values with population growth and increases in foreign investment and international trade, although the periodicity of these surges has differed, as different cities have become the focus of international trade and finance at different

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