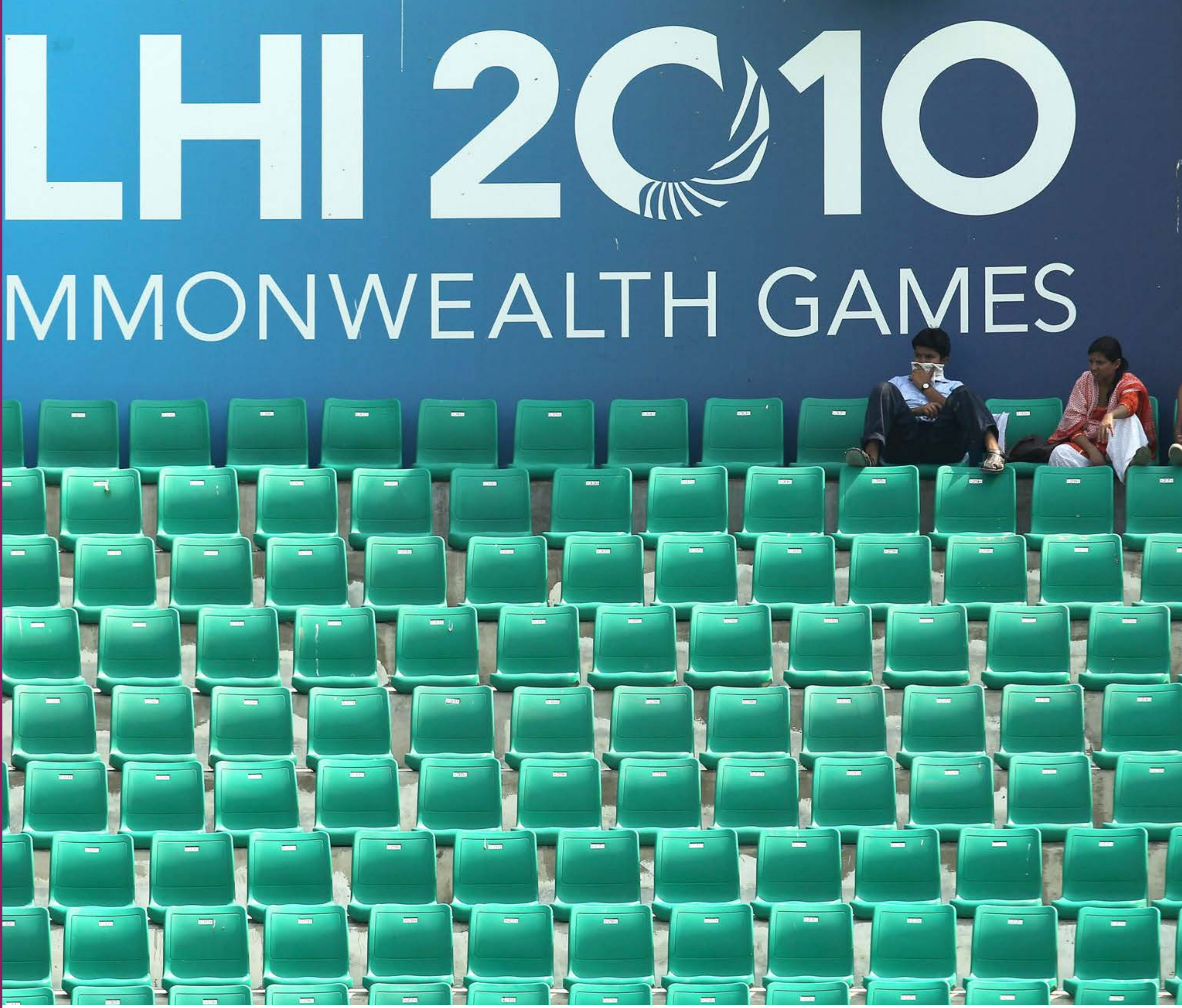

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Empty seats were just one of the disappointments of the 2010 Commonwealth Games.

UNLEARNING CHINA'S LESSONS

India's leaders have instinctively looked to China for the secrets to national success. The impulse often serves them poorly.

BY XUEFEI REN

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IN 2003, BOMBAY FIRST, A BUSINESS-backed civic group, commissioned McKinsey & Company to devise a plan to make Mumbai a more competitive "global" city. The high-profile consulting firm responded with "Vision Mumbai," offering eight recommendations in key areas such as housing and infrastructure that it said could transform Mumbai in only 10 years.

Curiously, the study cited Cleveland and Shanghai as examples of such reinvented cities. Needless to say, Cleveland did not make much of an impression on the Mumbai elite. But Shanghai, China's glittering jewel, resonated far beyond the city limits. Prime Minister Manmohan Singh and other Indian politicians frequently expressed admiration for Shanghai, especially its state-of-the-art infrastructure—bridges, tunnels, sleek new subway lines, and a thriving international airport designed by French architect Paul Andreu and served by a futuristic maglev (magnetic levitation) train. In 2006, Singh declared Mumbai could "learn from Shanghai's experience in reinventing itself, in rebuilding itself, and in rediscovering itself." But it is not just Shanghai that India has looked to and not just in Mumbai that it has tried to apply what it has learned. Now, it must unlearn many of its Chinese lessons.

China's head start has made it a natural reference point as India's political elites debate their own policies.

It is no surprise that India has often turned to its neighbor for ideas to boost the Indian economy. Market reform in China started in 1978, more than a decade before it did in India. That head start has made China a natural reference point, implicitly and explicitly, as India's political elites debate their own policies—how to tap into the wealth of overseas Indians, how much to deregulate the economy, and which sectors to open to foreign investment. That habit does not always serve them well. As its massive blackouts in July dramatically showed, India needs more power plants, along with better water and sewage systems. But the kind of gaudy infrastructure trophies that Shanghai and other Chinese cities have built come at a cost, in human as well as financial terms, that is only now being reckoned. For the most part, the ideas Indians have borrowed from China have unfolded in very different forms when put into practice in their own country. As China's economy took off in the 1990s, Indian officials paid frequent visits to its booming cities. A tour of Shenzhen, which grew from a fishing village of 30,000 people in 1978 into a metropolis of 10 million after it became a Special Economic Zone (SEZ), convinced powerful bureaucrats that India ought to pursue a similar strategy of carving out areas governed by special rules designed to speed development. After several years of wrangling, the Indian parliament passed the requisite law in 2005. Today there are 158 Indian SEZs in operation, with hundreds more approved.

Yet India's SEZs are very different from China's. Because land in China is owned by the state and there are few restraints on government's ability to relocate residents, it is relatively easy to create such zones. The government acquires large amounts of land and then leases it to private investors, offering tax incentives and other inducements to sweeten the deal. China has a single-party political system, but because power is highly decentralized, city governments can forge policies suited to local needs. (First-generation SEZs, however, were given more authority than later ones.) The formula has worked well, attracting a staggering amount of foreign investment and boosting China's manufacturing and export sectors.

India's city governments have little say in the policies governing local Special Economic Zones.

In India, however, land is in private hands and individual landholdings are often very small, making it extremely difficult to assemble large tracts. Private investors rather than governments are responsible for proposing SEZs, and the zones themselves are much smaller than in China. Perhaps most important, city governments have little say in the policies governing local SEZs. In the Indian system, power is concentrated in New Delhi and the 28 state governments, and the states largely run urban affairs. But state politicians look largely to powerful rural constituencies for support. Even mighty Mumbai, India's largest city, with 18 million residents in its metropolitan area, accounts for only 16 percent of the population of its home state of Maharashtra.

Because of the different institutional contexts, SEZs, which looked like an economic bonanza to many Indian leaders, have instead been a source of conflict and, occasionally, political firestorms. India's vigorous democracy invites resistance and protest by those opposed to government policies; it came in a downpour. In Nandigram, in the impoverished eastern state of West Bengal, 14 people were killed when police clashed with demonstrators—many of whom stood to lose their homes—over the acquisition of 27,000 acres of land for a new chemical plant. (The plant ultimately was moved to another location.) Such conflicts can be disastrous for those in power. In the town of Singur, also in West Bengal, a nearly complete Tata Motors factory sits abandoned four years after protesters, bolstered by the populist politician Mamata Banerjee, forced the company to pull out. Banerjee rode the campaign to West Bengal's top ministerial position, unseating an incumbent from the state's longtime ruling party, which had backed the project.

In China, meanwhile, the SEZ model has increasingly revealed its limitations. It pits local governments against one another in destructive bidding wars, offering tax cuts, cheap land, and cheap labor in order to attract capital. The SEZs have spawned megafactories operating at a scale never seen before in history. In Shenzhen, the Longhua factory, run by the Taiwanese electronics firm Foxconn, employs hundreds of thousands of workers; they are housed in company buildings on or near the fenced factory compound so that managers can better control their lives. Labor rights abuses are widespread, and many workers endure monotonous work, long hours, and harsh treatment. Foxconn made global headlines in 2010 when 14 of its young employees in factories in different cities committed suicide.

BECAUSE CHINA IS THE ONLY COUNTRY where the scale of urbanization can match its own, India has closely watched how the Chinese plan and manage the growth of their cities. Nearly a third of India's population now lives in cities, 45 of which have more than a million inhabitants—places whose names outsiders rarely hear, such as Kanpur, Visakhapatnam, and Vadodara. China is farther along this path, with half its people living in urban areas, and more than twice the number of cities boasting more than a million inhabitants.

Together, Chinese and Indian cities accommodate one-seventh of the world's population.

Yet while both countries are on the fast track of urbanization, their cities could not be more different. India's cities are diverse in culture, ethnicity, languages, and landscape, with slums crowding close to middle-class neighborhoods and business districts. People live in shacks, apartment buildings, and gated communities—or sleep on the sidewalk. Chinese cities are dominated by one ethnic group (the Han) and language (Mandarin). Most city dwellers—whether young or old, rich or poor—live in some kind of gated housing complex. And China's cities have all developed in similar patterns, with a central business district surrounded by satellite new towns, migrant villages, and manufacturing zones on the periphery. Despite these differences, Indian leaders seem enamored of China's model of urban development.

In the 2000s, Shanghai leveled more than a thousand acres of homes and businesses to make way for redevelopment projects. Most of those who were forced out were compensated in cash at far below market prices; consequently, they had to move to lower-rent districts far from the city center. Many of them have ended up in massive new satellite towns on the urban periphery. Shanghai's city center, especially the former French and International Concessions, has become a shiny, homogenized colony for transnational elites, complete with boutique hotels, upscale restaurants, Louis Vuitton shops, and Ferrari showrooms. Not a trace of the poor people who once inhabited these streets remains.

In Mumbai and a few other large Indian cities, one can now see the beginnings of such sterilized zones, areas scrubbed of the poor and filled with generic architecture and middle-class–friendly shopping malls. As part of its effort to remake itself in the image of Shanghai, Mumbai mounted a large-scale demolition campaign beginning in 2004, displacing more than 300,000 slum dwellers. But as in Shanghai, demolition has not eliminated poverty, inequality, or even slums. Those who have lost their homes have simply moved elsewhere. It is an approach to urban development that India surely needs to unlearn.

It also ought to unlearn the Chinese lesson about the value of hosting costly high-profile international events. Beijing spent $40 billion to prepare for the 2008 Olympics, lavishly investing in new subway lines, roads, landscaping, and other amenities. Now the Bird's Nest—the spectacular and controversial 90,000-seat stadium built at a cost of nearly $500 million—stands empty in Beijing's Olympic Park. Few events can fill the massive facility. Not far away, the Water Cube, site of the Olympic aquatic events, is only partly occupied by a new water theme park. Empty sports venues have become fixtures of the Chinese landscape. Shanghai hosted the World Expo in 2010, Guangzhou had the Asian Games the same year, and Shenzhen had the Universiade in 2011. In India, New Delhi had its moment in the media sun during the 2010 Commonwealth Games—the facilities were finished just in time—but it's far from clear what the $6 billion investment brought to the city and its people.

The taste for such "megaevents" is part of a larger Chinese commitment to massive infrastructure projects, and in India, the argument by economists and development specialists that poor infrastructure is the number one bottleneck slowing urban development has fallen on receptive ears. But good infrastructure is often a result rather than the cause of sustained economic development. There is a difference between basic amenities needed to keep the economy running and the population healthy—water, sewerage, and electricity—and "world-class" infrastructure intended to transform places into global cities.

A nation lacking China's seemingly boundless investment capital will soon find that piling up showcase projects diverts precious resources from basic infrastructure and other essentials. The Chinese themselves are learning the hazards of infrastructure excess. Many local governments with dreams of glory have borrowed heavily from state banks and now find themselves deeply in debt. Yunnan, a poor, mountainous province in southwestern China, has built the third-largest network of highways in the country in hopes of attracting outside investment. But the roads are lightly traveled and the income from toll charges has been disappointing. Yunnan Highway Ltd., the state-owned firm that built the roads, has defaulted on its $15 billion in loans. Today, as China's vaunted economy stumbles, the solvency of local governments has become a major concern of investors around the world.

India largely relies on the private sector to build infrastructure, and that introduces hazards of its own. When the right to use new roads, subways, and bridges depends on the ability to pay, the majority of the poor are often locked out and their interests ignored.

RAJANISH KAKADE / AP IMAGES

Bridge to nowhere: Mumbai's $335 million Sea Link bridge does not do a lot for the affluent few it serves, much less the city's many poor inhabitants.

Mumbai proudly christened its gorgeous new $335 million Sea Link bridge in 2009, but the toll-financed span does nothing for Mumbai's millions, merely shaving some time off the commute of affluent suburbanites bound for the city's business district. The bridge, furthermore, dumps drivers into clogged city streets still in desperate need of improvement. In decrying the Sea Link's huge construction delays and cost overruns, the editors of India's *Economic Times* wrote, "The first step towards holistic town planning may be legislative change that gives cities strong mayors with substantial budgetary resources, who can carry through major initiatives."

Given the structure of India's system of governance, that kind of change will not occur quickly. A good starting point would be to build human capital at the municipal level. In India, the talented shun jobs in city government, while in China graduates of the top universities avidly compete for such positions. Even large cities such as Mumbai and New Delhi have only a handful of professional planners and architects. State governments have few incentives to devolve power to the cities, but they are unlikely to change as long as there is a vacuum of human capital at the local level.

In the years since "Vision Mumbai" appeared, the city's economy has grown only slowly and living conditions for the middle class and the poor have deteriorated. There is a better way than the pursuit of Chinese-style cities on steroids. If it can empower local governments and attract ambitious and talented young people to make them work better, India will be well launched on its urban age, with the promise of more interesting, diverse, and livable cities—cities that someday will make China jealous. ■

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