THE ROLE OF CULTURAL HERITAGE IN ECONOMIC REGENERATION: THE CASES OF SHANGHAI AND HANGZHOU

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Abstract: In the last four decades, cultural-led regeneration has become an important phenomenon on a global scale. Chinese cities started to embrace the fashion in early 1990s. This paper explores the role of heritage conservation in economic regeneration in China. The analysis focuses on both positive and negative impacts of two heritage-led projects in China: the Tianzifang Creative Industrial Park in Shanghai, and the Gongchen Bridge Area in Hangzhou. It leads to the conclusion that the revival of deindustrialised urban areas is a complex endeavor and requires a long-term management plan. Also projects have to respond to social and economic realities so to reconfigure their physical space and transform their functions.

Key Words: economic regeneration; heritage conservation; deindustrialized urban areas; commercialization; gentrification

Introduction:
In response to the economic decline of many urban districts in the 1970s, cultural heritage was first employed as a useful tool to promote an urban renaissance in western countries. Since the 1990s, culture-led urban regeneration has been used by major cities in Western Europe and North America, to drive the economic renewal of many post-industrial cities and former port areas which had struggled to compete in the changing global economy.

The practice of culture-led regeneration through heritage rehabilitation is growing rapidly in many Chinese cities. The earliest example is Beijing 798, an artistic production base set in a semi-abandoned factory complex, which was gradually developed by a spontaneous agglomeration of artists. It was followed by a series of culture-led regeneration projects in Shanghai. This new way of urban development has been widely adopted in run-down urban sites in China. Generally, these heritage-led development projects were practiced in two forms: with the potential for harnessing tourism or developing artistic and creative industries.

The last 40 years have witnessed heated discussions among scholars on this trend of heritage-led regeneration in a post-industrial age. Arguments in favour of these kinds of heritage-based renovation projects suggest that cultural, social and economic welfare can be achieved through regeneration projects initiated by the conservation of cultural heritage (English Heritage, 2005). Kearns and Philo highlight the successful examples of cultural heritage’s critical role in fostering economic competitiveness (1993). Hospers (2002) explores the close link between tourism and economic regeneration in the case of Manchester in the UK and Baltimore in the USA. Some researchers advocate the essential role of cultural-driven projects in the inter-city competition for investment, a skilled
workforce and tourists (Vanolo, 2008). However, some researchers express their concern that heritage tends to be abused and stereotyped through marketing and branding (Evans, 2003). There are also tendencies that these post-industrial areas can be commercialised and gentrified within the bounds of cultural-led regeneration projects (Debray 1999).

Academic discussions in China, in general, take an optimistic attitude towards heritage-related regeneration projects. Numerous articles (Shi, 2010; Zeng, 2010; Song, 2011) have been written about aspects such as identification of the historic or economic values of regenerated districts, the possible roles of historic quarters in the urban landscape, and the heritage-based strategies of urban planning. Less time has been devoted to the assessment of the actual impacts of these projects on economic development. A small group of researchers, however, have started to consider the economic effects of heritage conservation projects on the local communities. Apart from some reviews of Western theories and practices in this field (Zhang, 2013), a few papers go beyond the gains and lessons of heritage-led projects (Ling & Lang, 2013; Wang & Li, 2009; Hiu et al., 2014). Nevertheless, it cannot be denied that these studies lack a critical view and tend to overstate the positive effects of these projects.

This paper attempts to analyse the role of heritage conservation in economic regeneration through empirical studies in a more critical way. Despite the above mentioned cases of successful practice in Western societies, the degree to which this approach is productive in the context of China is yet to be examined. In this study, the analysis will be focused on the impacts of two heritage-led projects in China: the Tianzifang Creative Industrial Park in Shanghai and the Gongchen Bridge Area in Hangzhou. These cases are chosen as representative of different forms and stages of urban regeneration.

**Tianzifang Creative Industry Park:**
Tianzifang is unique in terms of its location. Unlike the traditional industrial zones, located in an expansive area of large factories, it is a neighborhood bounded by the Taikang Road in Shanghai, with both factory lanes developed in the 1950s and Shikumen houses (traditional residential houses in Shanghai) which were built in the 1930’s. As a result of de-industrialisation, factories and workshops in the area lost their real estate value and became vacant in the early 1990s. The renovation of this area was initiated in around 1998, when renowned artists Chen Yifei and Er Dongqiang set up their studios in an abandoned workshop (Luwan District Government, 2008). Their example was followed by many artists in favour of its low rental prices and its location close to the downtown area.
Soon, the scale of the development was beyond the limited spatial capacity of the factories and the renovations extended to residential houses in the surrounding area in 2004 (Ng, 2006). The local residents started to play a dominant role in the revival. Gradually the expansion of the area included more residential houses, which were also used as commercial units such as bars, restaurants and retail shops (Figure 1 & 2).

This development gained its momentum in 2011, there were over 40 arts studios and art shops and about 20 designers’ firms and workshops, set up by both Chinese and foreign artists. Over 70 companies from 18 countries and regions were housed in these renovated houses and factories, still with the authentic features of the traditional architectural structure in the typical lanes of Shanghai (Zhu, 2009).

It has become a unique place with a combination of modern art, a new development in industrial culture and traditional residential houses. This has made the area attractive to thousands of local visitors and foreign tourists each day. The Tianzifang Management Committee was established in 2008 by the local government, to oversee day-to-day management of the site. The official status of the area was further authorized by the Shanghai Municipal Government as the Shanghai Creative Industry Park in 2009 (Zhu, 2009).

The Rebirth of the Gongchen Bridge Area
The case study of Hangzhou is located in a pre-industrial area around the Gongchen Bridge on the west bank of the Grand Canal. Historically, this area was developed with a close relationship to the Grand Canal. It served as an important harbour and later, gradually developed into a large industrial base for textiles in the 20th century. Nevertheless, with the decline of the textile industry in 1990s, the district lost its economic function, with warehouses and factories falling into decay (Figure 3).
The Grand Canal’s bid for UNESCO World Heritage status in 2005 created an opportunity for the regeneration of this area. The new identity of the district was designed to become an area with cultural tourism potential. This regenerated the commercial, social and cultural vitality of the whole area and hence increased the real estate values of the district. Regeneration of the Gongchen Bridge area involved “both the renewal of the physical fabric and the active economic utilization of buildings and spaces” (Tiesdell et al., 1996: 20). Transformative projects were carried out through three stages. The first stage focused on the preservation of the authentic historical features of the district, including the Gongchen Bridge, quays and warehouses along the Grand Canal. The second stage targeted the West Bridge Historic Quarter and Xiaohe Street Historic Quarter. The third stage saw old industrial buildings converted into functional spaces, such as lofts and museums (Figure 4). Meanwhile, the municipal government also invested in the projects to improve infrastructure, housing and public transportation. The government’s investment in these heritage-led projects stimulated other investments from large companies. On the east bank of the Grand Canal, a Central Business District (CBD) and numerous expensive residential buildings were set up, together with associated businesses, such as restaurants, wine bars, retail shops and entertainment centres.

Unlike the Tianzifang project, which was a grass root effort, the revival in the Gongchen Bridge Area was the result of government intervention. Observations from the previous case studies have revealed that historical features have been cautiously preserved and then packaged into cultural products to meet the growing demands of cultural tourism. The heritage-led tourism project in the Gongchen Bridge area showcases a sustainable way to balance historic preservation and urban development.

**Positive impacts on the local areas**

**Direct Economic Impacts**

Direct economic impacts refer to the financial benefits from the projects on the local areas. These include the rise of employment and increases in property value and revenues. The increase in job opportunities is evident in both case studies. The increase in new commercial activities in the historic district of Tianzifang has created more jobs, particularly for the residents (Hiu et al., 2014). The restoration works on the Gongchen Bridge Area has contributed to a boom in real estate and tourism industries in the district, which in turn has led to increased employment opportunities. The improved job market is deemed as a way
to improve the quality of life (Omann & Spagenberg, 2002).

As well as increased employment opportunities, the property values have also risen due to the higher aesthetic value of these districts. For example, the property values of Gongchen Bridge District increased rapidly after the area has been regenerated (Ye, 2008). Recently, the property value of this area has seen a vast increase and this district has become a fashionable residential area in the city. Over 20 real estate companies have been attracted to invest in this area (Zhang & Zhang, 2009). Within two years, the average property value rocketed from 768 RMB/m² in 2007 to 1300RMB/m² in 2009 (Zhang & Zhang, 2009).

The impact on the economy can also be represented through the increase in revenue collected from sales of art products, rental income of the landlords and the spending habits of tourists and visitors. Tianzifang serves as a typical example of revenue increases generated by a heritage-led project. Initiated by the £2,100,000 governmental investment in the improvement of infrastructure in the district in 2008, the revenue of the district soared to over £1,000,000 in the next year. The annual increase rate of profits was over 20% in the following years (Luwan District Government, 2008).

**Indirect Economic Impacts:**
Some indirect economic effects should also be taken into consideration as they are intrinsic to the sustainable development of the regional economy. In the process of regeneration, local cultural heritage becomes an important facet of local identities of this region. This can encourage the local residents to engage with innovative projects and strengthen their entrepreneurial skills. Projects utilizing cultural heritage attract residents who are likely to see the business potential of the cultural environment. This kind of regeneration can play an essential role in the localization of businesses. However, these effects are likely to develop in the long term and are therefore difficult to estimate with precision.

**Potentially Negative Effects:**
**Commercialization and Devaluation of Cultural Heritage:**
Although culture-led preservation and renovation can spur the economic regeneration of these case study areas, commercialization can potentially impoverish the historic and artistic value of these districts. As some scholars have noted, a number of heritage-led regeneration projects tend to “merely begin with poetry and end with real estate” (Evans, 2005: 959).

The Tianzifang project has gradually become commercialised. The increased number of tourists has led to the simplification of local cultural heritage. When some visitors recalled their experience of visiting this site, they felt disappointed, saying that “two years later it has fallen prey to its own success. It has become full of shops selling tourist ware and restaurants catering to tourists. There are still some shops selling unique gift items, but they are becoming few” (ThanksSocialSecurity, 2012).

As a result of the inner commercialisation process that has happened in the Tianzifang Zone, the rental price of a studio space has become extremely high. The artistic community (the original cultural generator) has been forced to seek studios space elsewhere. According to a report by the *Global Times*, the famous Chinese photographer Er Dongqiang, one of the earliest artists to settle in the area, had to close his studio at Tianzifang due to the pressure of ever-increasing rents (Zhou, 2012). Er told the *Global Times* that “it has become a common phenomenon that the rents at cultural and creative industrial parks have surged over the past few years as these places have become more commercialized” (Zhou, 2012).

As Smith (2006) outlines, the sustainability of city development will not be attained unless local culture is treated as an indispensable element in the revitalization strategies. The trend
of commercialization will compromise the true value of these areas and will hinder their sustainable development in the future.

**Gentrification and Social Separation:**
Apart from the surge of rent in the Tianzifang Zone, the wave of gentrification and social separation is also affecting the resident artistic communities. Some artists were able to create businesses that gave them the income to enable them to stay in the area. However, other artists have not been so successful and under the pressure of the rising rent, have left the area. As a result of the divide among artists, quite a number of studios and workshops were gradually replaced by design companies, restaurants, and bars.

As some local artists such as Zhu Jun and Zhang Zhaohui have criticized, the district became “more about a show rather than serious art” (Lou, 2006). As early as 2004, some artists started to move their studios to other locations. By 2009, the number of pioneer artists dropped below thirty (Wang & Li, 2009).

Different from the case of Tianzifang, the gentrification in the Gongchen Bridge is a result of an influx of new middle-class residents in the area. The culture-led urban planning policy and the large investment from the municipal government attracted further investment from real estate developers. As a result, this area has become attractive to wealthier residents due to its distinctive cultural environment, improved infrastructure and reasonably priced housing. In contrast, with the rise in property value, the poorer residents are choosing to move away, as a result of being displaced by wealthier newcomers with a higher income and stronger consumptive power. The input of both governmental and private capitals and an increased number of wealthier residents in surrounding areas has gradually formed a besieging situation towards the historical quarters in the area.

The new high-income residents can spur the development of local commerce, broaden the tax base for the government, and potentially deter crime in the area. On the other hand, the departure of local residents will also threaten the cultural distinction of the place, and thus compromise the future investments.

**Conclusion:**
Heritage-led regeneration attempts to marry “conservation” and “development” during times of rapid urbanisation. Cities growing in number have started to view cultural heritage as an asset to support a new economy and as a tool to address the decline of urban districts. Meanwhile, due to the different characters and resources of each city, various forms of regeneration have been applied. Judging the strengths and weaknesses of top-down and bottom-up projects, there are no clear indicators as to which are more advantageous. Nevertheless, local community involvement and better cooperation between political administrators and local residents will be likely to create a balanced and sustainable local economy.

Despite the positive impacts on the economic revival of these projects, the sustainability and duration of such impacts are still under question. In order to address the negative impacts such as gentrification and commercialisation, several measures should be taken. Firstly, the effective participation of the local community should be encouraged throughout the whole process of regeneration projects. Secondly, suitable housing should be made available for local people, so as to guarantee the cultural diversity and to prevent gentrification. To ensure the sustainability of the regeneration projects, marketing and evaluation of these historic urban areas should still be carried out, even in the post stages of the projects. In summary, the revival of deindustrialised urban areas is a complex endeavour and requires a long-term management plan. Also projects have to respond to social and economic realities so to reconfigure their physical space and transform their functions.
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