

# Urban state venturism or urbanization of state capital? Views from the global East

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## Abstract

While appreciating the novelty of conceptualizing urban state venturism, this commentary proposes that the state's role as capital can be clearly evidenced by the urbanization of state capital, which involves the active deployment of state-owned corporations in the global East amid the region's pursuit of condensed and developmental urbanization and industrialization.

## Keywords

Global east, state capitalism, state developmentalism, urban state venturism, urbanization of state capital

## Introduction

Asia's economic rise in the twentieth century brought scholarly attention to the role of the state. Such ascendancy accompanied condensed urbanization and industrialization (Shin et al., 2020), driven largely by interventionist states that mobilized resources for investment in immobile assets and supported production on the one hand and, on the other, disciplined labor and social reproduction (Park et al., 2012). These states actively facilitated the growth of weak, small-scale capital and attracted transnational investment or foreign loans. For instance, Singapore relied on foreign direct investment that sought to relocate production facilities from post-industrializing global North to Asian destinations, while South Korea preferred foreign loans to have greater control over its usage (Park, 1998). The Cold War's geopolitical economy also created conditions conducive to capital accumulation under the developmentalist yet authoritarian states (Glassman and Choi, 2014).<sup>1</sup>

Such narratives, as above, while insightful, can be seen to be focusing more on the state as external to capital and retaining a degree of autonomy. However, the history of urban and economic development in Asia – or what I refer to as the global East<sup>2</sup> – suggests that the state has been more than nurturing the growth of the market – rather, it has also been an active market agent, as can be seen in earlier discussions about state entrepreneurialism in mainland China (Duckett, 1998) or in recent arguments about state capitalism in Singapore (Chua, 2017).

In this regard, Su and Lim's (this issue) invitation to think critically about the state's role not as a facilitator or an enabler but *as* capital is welcoming.

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For them, the primary concern is the emergence of state-led venture capital investment in the urban process of capital accumulation, hence their conceptualization of ‘urban state venturism’. In this brief commentary, I hope to engage with their work constructively, arguing that it might be more intellectually beneficial to engage with the *urbanization of state capital*, a subset of which may include urban venture capital, especially in the context of the global East.

### Distinguishing state venture capital from state capital?

Su and Lim (this issue) suggest urban governments have agency in establishing venture capital to make firm-oriented investments. These investments were thought to contribute to ‘the production and *combination* of uneven urban development to drive global economic development as new public-private coalitions are formed to facilitate technological innovation’ (Su and Lim, this issue: 35; original emphasis). They further ‘distinguish urban state venturism from conventional East Asian state developmentalism’ (34) because the former is ‘much more firm-focused’ and because ‘the state is transposed into a capitalist through its VC [venture capital] investments (hence the state *as capital*), which differs from developmental states that largely stand autonomous from non-state firms’ (34; original emphasis).

With these points in mind, I hope to provide a constructive critique. Firstly, the scale of venture capital under urban state venturism in promoting urban accumulation is unclear. One of the cited examples is Singapore’s Infocomm Investments Private Limited (I IPL), which supports start-ups and tech companies in areas like energy and media. I IPL reportedly managed over US\$200 million in 2016 (about S\$280 million using the mid-market exchange rate on 26 February).<sup>3</sup> In contrast, Temasek Holdings, a state-owned holding company, had a portfolio worth S\$382 billion by March 2023, 17% of which has been invested in telecommunications, media, and technology (about S\$65 billion), while 23% went into transportation and industrials (including energy and resources) (about S

\$88 billion).<sup>4</sup> Given this display, I IPL’s portfolio seems minor compared to Temasek’s, raising the question of whether Temasek better represents the state’s role *as capital*.

Secondly, Temasek’s humongous investment portfolio across infrastructure, real estate, telecommunications, media, technology, life sciences, energy, and resources testify to Singapore’s state developmentalism and state capitalism. Formed in 1974 by consolidating 36 state-owned enterprises, Temasek expanded its scope to become a global equity investor and significant stakeholder in key state enterprises like Singtel, SMRT, Singapore Airlines, and CapitaLand (see Chua, 2017: 114–118). The history of Temasek demonstrates Singapore’s long-standing practice of the state acting *as capital*. Focusing solely on state venture capital overlooks the long history of Singapore’s (and, for that matter, Asia’s) state capitalism, which positions the Singaporean state as a market player as well as its regulator and facilitator.

### Urbanization of state capital

Su and Lim (this issue) ask, ‘What happens when the state – and particularly governments in urban regions – becomes capital?’ (4). They emphasize the need to understand ‘how the state directly drives the urban process of capital accumulation as an investor’, arguing that ‘there is no presupposition that states need to exist apart from capital’ (4). These questions are important, as conventional discussions often separate the state from the capital. Su and Lim aim ‘to illustrate how the multifaceted relationship between the urbanization of capital and state capitalism could engender uneven and combined urban development’ and distinguish ‘urban state venturism from conventional East Asian state developmentalism’ because ‘the state is transposed into a capitalist through its VC [venture capital] investments (hence the state *as capital*), which differs from developmental states that largely stand autonomous from non-state firms’. However, I believe the concept of the *urbanization of state capital*, following Harvey’s (1985) ‘urbanization of capital’, better explains the state’s internalization of market activities through direct participation via state-owned or

state-invested corporations, focusing on immobile capital accumulation to attract mobile capital (see Haila, 2000). This includes establishing financial institutions by developmental states, such as the Housing Provident Fund in China, the Central Provident Fund in Singapore, or the National Housing Subscription System in South Korea.

The rise of Asian economies like Singapore, South Korea, and China marked the emergence of state capitalism, where ‘the state functions as the leading economic actor and uses markets primarily for political gain’ (Bremmer, 2010: 5, cited in Shatkin, 2014: 117). Central to state capitalism is ‘the combination of state ownership and corporatization’ (McGregor and Coe, 2023: 716). In Singapore, where the government pursued state capitalism (Chua, 2017), state-owned enterprises or companies with majority state investment, such as Singtel, SMRT, and Singapore Airlines, exemplify this model, growing from servicing domestic needs to becoming ‘very successful global enterprises, which are bundled together under a state-owned holding company’ (Chua, 2017: 7). Profits from this holding company fund a sovereign wealth fund that invests in global and domestic private enterprises, indicating that ‘[t]he Singapore state is a significant entrepreneur in global capitalism’ (Chua, 2017: 7) while retaining its developmental orientation. The operations of Jurong Town Corporation, a state-owned enterprise specializing in industrial parks and infrastructure development, and CapitaLand, a global property company with majority state ownership, illustrate the urbanization of state capital in Singapore.

In South Korea, public development corporations, as state-owned enterprises, were ‘engines for development’ during developmental urbanization (Kim, 2021). They provided and operated urban infrastructure (e.g., national grid, water treatment, ports, motorways, and railways) and were instrumental in developing land and housing markets. These corporations’ total assets often surpassed those of private companies. For example, in 2015, Korea Land and Housing Corporation had total assets of KRW170 trillion, comparable to Samsung Electronics’ total assets (KRW169 trillion). The Korea Electric Power Corporation had

total assets of KRW106 trillion, while the Hyundai Motor Company had KRW67 trillion (Kim, 2021: 220). Formed by merging Korea Land Development Corporation and Korea National Housing Corporation in 2009,<sup>5</sup> Korea Land and Housing Corporation has been a major land and housing developer, significantly influencing South Korea’s construction sector and real estate markets. Their roles in assembling and preparing land for private developers and building new towns across the country were crucial to South Korea’s ‘fast urbanism’ (Shin et al., 2020).

In China, influential real estate developers such as Poly Development Holding Group (a subsidiary of the state-owned China Poly Group Corporation) and CITIC Construction (a subsidiary of the state-owned China CITIC Group Corporation) have been giants in urban construction and land development. Many state-owned enterprises supervised by the state of various scales have engaged with urbanization as a state project and accumulation strategies, with land-based accumulation being one of the decisive factors behind China’s condensed urbanization and industrialization (Wu, 2018).

## Coda

In the context of Asian economies, we need to consider what Asian histories reveal about state–capital and state–society relations that have shaped states. The states of the global East, with its strong developmental orientation for political legitimacy, effectively used power and resources – accumulated through labor exploitation, dispossession, foreign loans, and foreign direct investment – to nurture the growth of capital during early industrialization. This proactive and interventionist role positioned the state as both facilitator and market player. State capitalism, characterized by the active deployment of state-owned corporations, was crucial to the condensed and developmental urbanization and industrialization in the global East.

This perspective aligns with Su and Lim’s proposition: ‘States facilitate capital accumulation in urban regions through spatial strategies that cater to the demands of capitalists, yet they also generate these demands simultaneously by existing as capitalists’ (7). State-owned enterprises in Singapore, South Korea, and China were active in the

secondary circuit of capital accumulation (Harvey, 1985), leading to the accumulation of fixed assets through expanded urbanization and industrialization. This produced urbanism as a state project (Shin and Zhao, 2018) and urban (or urbanized) state capitalism. The urbanization of state capital demonstrates the state's historical role in the global East acting *as capital*.

McGregor and Coe (2023: 717) observe that Singapore's state capitalism involves formal and informal cooperative relationships between the state and firms. Extending these relationships to the urban process necessitates the construction of financial institutions as a precondition for investment in the built environment (Harvey, 1985). Thus, state-led venture capital could be a subset of state capitalism in the urban domain, contributing to urban development if it actively pursues the production of the built environment (e.g., infrastructure and real estate) and if it performs accumulative functions beyond merely investing in firms located in urban areas. The rise of state venture capital should not be simply seen as the state becoming capital but as an extension of its influence into non-state firms warranting further scrutiny.


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### Notes

1. Some political economists used the concept of the developmental state to analyze how statecraft facilitated economic development (e.g., Woo-Cumings, 1999). This perspective is criticized for its methodological statism and nationalism, prioritizing the state, especially the nation-state, as the primary unit of analysis, failing to view the state as a relation (see Doucette and Park, 2019).

2. The global East is a geographical conceptualization that I have engaged with in recent years as a way of disrupting the global North-South binaries in critical urban scholarship. See Shin (2021) and Oh and Shin (2023) for more discussions.
3. See the report from the Infocomm Media Development Authority, 'Infocomm investments celebrates on year of building amazing startups (here) in Singapore' (25 February 2016), available at: <https://www.imda.gov.sg/resources/press-releases-factsheets-and-speeches/archived/ida/press-releases/2016/infocomm-investments-celebrates-one-year-of-building-amazing-startups-here-in-singapore> (last accessed 9 July 2024).
4. Temasek's portfolio, available at: <https://www.temasek.com.sg/en/our-investments/our-portfolio#sector> (last accessed 9 July 2024).
5. The Korea Land Development Corporation was originally established in 1979 and the Korea National Housing Corporation, in 1962.

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