How Can China Achieve Economic Transition with Featured Town Concept?
A Case Study of Hangzhou in an Evolutionary Perspective

Jiajia Gong[1,2] Luuk Boelens[2] Chen Hua[1]

1. Department of Regional and Urban Planning,   Zhejiang University,   Hangzhou, China

2. Centre for Mobility and Spatial Planning, Ghent University, Ghent, Belgium

3. Zhejiang University City College, Hangzhou, China

Abstract

The Chinese government wants to promote economic transition towards innovative and high technology-added economy. For that purpose and amongst others, the government has launched the Featured Town concept. Although this concept already received many responses in practice, it is hardly clear what is exactly meant by it. Moreover, it is mostly conceived as a regular top-down policy measure. However, in this paper we will argue that the concept would only get its meaning when it would be enhanced by participation of the business and civic society. We will use the ideas of relational and (co)evolutionary economic geography to identify the role of the Featured Town in economic transition. Particularly we will explain how a leading firm, Alibaba, co-evolves with the province of Zhejiang and the city Hangzhou to induce the Featured Town concept in an efficient and innovative way. We will conclude that instead of a concept, Featured Town is in fact a complex adaptive system (CAS), where firms, agents and institutes co-evolve with each other, revitalizing the urban geography, as that it is remoulded by the geography itself.

keywords

China, economic transition, Featured Town, evolutionary economic geography, innovation

Introduction

China is confronted with numerous economic conundrums recently, such as industrial overcapacity, disequilibrium of domestic supply-demand structure, globalization of labour force, global trade wars, augment of fiscal deficit and debt risks. It has even been identified as *'the new normal'* by president Xi Jinping in his speech on APEC summit in 2014. Therefore, and according to the central government, economic restructuring is urgent and the preferred drive of economy needs to become innovation, instead of focussing on a pure input or investment (Xinhua, 2014). In this respect numerous new policies and initiatives from the national, provincial and local government have been announced and sometimes even already implemented to develop cities, towns and villages in different concentrations. Among them is the provincial Zhejiang Featured Town idea, an inspiring concept followed with a series of accordant provincial policies to provoke a construction boom of Featured Towns all over the province.

After one year, the Featured Town concept became a national strategy, which means 1000 Featured Towns will be induced across the country (Zou and Zhao, 2018). Although the concept has been so popular and so many local governments proposed to be one, it neglects the fact that economic innovation becomes not so much induced by urban policy measures as such, but the involved enterprises themselves, and especially the networks between enterprises shape this innovative progress in a somewhat relational way. Regional and local governments could, if necessary, facilitate innovation processes in the economy by specific physical, economic and cultural features, and other smart and creative inducements in designated areas, but not more. Thus, a question arises—what are the traits that make Featured Towns?

To this extent, this paper will show how specific cases have involved or could evolve into successful and innovative Featured Towns, rather than summing up the criteria of featured towns policies as such. We will especially focus on Dream town and Yunqi town in Hangzhou. They have been denominated by the government as fully fletched Feature Towns in 2018, which means that they successfully met the administrative requests. Moreover, both located in the periphery of Hangzhou, they are similar in many

aspects. We will show that although they have been backed up by the national, and in accordance the provincial and local governments, their success has not so much depended on governmental policy measures, but on internal innovations within leading industries in the information sector. They both have encouraged new spinoffs; and probably most interesting they both are the result of an evolutionary relational process of a TransNationalCompany (TNC), in this case the Alibaba group. Yet how Alibaba affects the formation of the two Featured Towns (and in fact the urban fabric of the greater metropolitan area of Hangzhou in general) is very much different. We will discuss this in more detail further on.

Therefore, in this paper we will predominantly relate the birth and denomination of these Featured Towns with the evolutionary process of the Alibaba group itself. For that purpose, we will first go shortly into the ideas of relational geography, and in accordance the Evolutionary Economic Geography (EEG). Since relational geography understands space as an always interactive becoming of various agents, EEG in accordance tries to understand economic transition as an interrelated condition between physical, economic, institutional and socio-cultural inducements, wherein economy flourishes, dies out or transforms from one innovation to another (Menzel and Fornahl, 2009).We will discuss the core concepts of these ideas and develop our main operational basis from that perspective. From this backdrop, we will then delve into the history of Alibaba in co-evolution with the development of Hangzhou, towards the incentive of Dream town and Yunqi town. Subsequently, we will come up with a further elaboration of the Featured Town concept for planners and policymakers, and will formulate some more pronounced operational recommendations in that respect.

Theoretical framework: relational geography and beyond

The idea of post-structural or relational geography has emerged over the last 20-30 years or so (Harvey and Braun, 1996; Thrift, 1996, 1998, Doel, 1999, 2000; Amin and Thrift, 2002; Massey, 2005). It is based on notions that space is not so much a neutral platform for action, but that the performance of space and the performance of socio-economic practices go hand in hand and influences each other interactively through time (Murdoch 2005). Space is not there, but 'becomes' in social practices. The

synthetic core of (economic) geography therefore shouldn't focus on the study of the one (space) or the other (social practices), but mainly and predominantly on the ongoing interactions and relations between both (Peet, 1998). In this respect the focus of geographical study changed from the exclusive attention to objects or subjects toward the relations or networks between them. Space is here no longer regarded to have structure in itself, rather this structure is seen as an effect of expanding relations between dominant social agents, even reaching across several spatial scales. Herewith one indicates that also geographical scale is the outcome of relational processes and actions. Moreover as such, every spatial 'entity' is inevitably surrounded by a complex set of relations, and any spatial 'solidity' is therewith regarded as an agreed upon accomplishment or relational permanence of (opposing or collaborating) forces; such for the time being, in the face of the present flux and instability (Harvey and Braun, 1996). Every spatial entity therefore has relational history, as that it sets the outline for possible futures. Relational geography therefore needs to trace the trajectory of change and the line of force between these relations (Murdoch, 2005, 22)

More or less parallel and in reference to this, also the idea of (co)Evolutionary Economic Geography (EEG) came up (Porter, 1990; Markusen, 1996; Florida, 2005). Instead of neoclassical approaches focussing on rational operating firms maximising their profits, or institutional economics focussing on the bounded rationality of firms by the institutional or political contexts, EEG focuses on both towards satisficing embedded economic actors through relational patterns, path dependencies and economic innovations (Boschma and Frenken, 2007, 2011). It reasons from firm demography through its phases of emergence, growth, sustainment and decline; and the need to adapt, renew or transform itself in changing political or economic conditions in order to survive (Menzel and Fornahl, 2009). It reasons from the recombination and selective transmission of knowledge and productive routines among firms, in order to understand the uneven spatial distribution of economy activity in clusters and/or economic networks (Visser and Atzema, 2007). It takes its major theoretical frameworks from notions and concepts of (1) generalized Darwinism and (2) complexity- or transition theories.

From generalized Darwinism for instance EEG takes the evolutionary concepts of inheritance, survival of the fittest, selection, and variety, to be translated into economic

stages as routines, competence, clusters and innovation respectively (Essletzbichler and Rigby, 2010; Martin and Sunley, 2015). Therewith and instead of an exclusive focus on macro-meso-micro processes, whereby one perceives the economy as being vertically constituted by functional-regulatory phenomena, the focused changed to the horizontal agency of the firms itself, their networks and competitiveness based on their competence to adapt or innovate in time, in interaction with the specific local settings (Thissen, Graaff and Oort, 2016).

From complexity and transition theories EEG takes its ideas with regard to emergent self-organizing behaviour, driven by co-evolutionary interactions, and an adaptive capacity to rearrange their internal structure spontaneously (Martin and Sunley, 2007). This notion of 'self-organization' is employed to analyse the process of emergent new structures, patterns or organizations within a better or more innovative economic system or a network (Boschma and Martin, 2010; de Roo, 2016). Here networking or clustering between firms are more or less regarded as a complex adaptive system (CAS), whereby the internal networks of interactions are so volatile, that the behaviour of the ensemble becomes highly adaptive in individual and collective behaviour to survive in changing situations (Martin and Sunley, 2007).

Translated to our case: urban and economic geography would therefore become highly intertwined. Regional economic innovation would not so much be determined by specific urban or spatial improvements (such as the establishment of new industrial zones or valleys), neither by clear-cut institutional improvements or political strategies. Rather regional economic innovation would primarily become the relational result of innovation in the interactive behaviour of firms, in co-evolution with related sectors, technologies and territorial institutions and their convergence/divergence in political-spatial systems (Boschma and Frenken, 2011). In this sense the focus of (co-)evolutionary economists shifts from structural measures towards influencing inducements for the rise, interaction and fitness of economic clusters in specific institutional and spatial conditions. These conditions give rise to economic clusters and networks, and vice versa, thereby contributing to economic innovation or a better economic fit. Therefore (co-)evolutionary economists refocus on how firms and sectors evolve in close cooperation with other firms, and how innovation is not only dependent on specific economic, technological and/or R&D features, but also on simultaneous

transformations in institutional and 'spatialized' arrangements. Subsequently, (co-)evolutionary economists have refocused on specific geographical circumstances, such as co-location, the presence of social capital and network opportunities dependent on cognitive, organizational, social, cultural or geographic 'proximity' (Schamp, 2010; Boschma and Frenken, 2011).[1] Proximity is therewith used as a concept to analyse the opportunities (and not the real effect) of innovation. For that purpose, the interaction between specific and tacit knowledge, economic clusters and operational networks is pivotal (Polanyi, 1966); and therewith the creativity and fitness within a specific local milieu (Florida, 2005; Glaeser, 2011). These notions of *a local buzz in global pipelines* (Markusen, 1996; Bathelt, Malmberg and Maskell, 2004) become operational by careful selection (while not everything is co-evolving with everything else), a precise analysis of the conditions under which co-location occurs, and how business clusters could translate into innovative business networks (Visser and Atzema, 2008). It is not induced by a static top down political strategy, while it is highly dynamic and complex adaptive in time and space. It is the result of co-evolving forces between the economic networks of leading firms, facilitated by the precise features of the urban geographies and policy measures.

Operational method

Against this backdrop we have performed our analyses of the Featured cases: e.g. Yunqi Town and Dream Town. Here we have specifically traced the co-evolution of Alibaba and its spin offs, against the institutional and urban setting of Hangzhou and Zhejiang Province, and the impact on and the facilitation within specific urban policies. Instead of a static data analysis, we have performed an in-depth and dynamic research of the rise and fall of these interactions in time and space. We have started with the emergence of the Featured Town concept as such and our specific case in particular, to trace how and why the leading firm Alibaba has performed and still performs an important role in

---

[1] Here (1) cognitive proximity indicates the extent to which two organizations share the same knowledge base; (2) organizational proximity, the extent to which two organizations have a common firm structure; (3) social proximity, the extent to which members of two organizations have friendly relationships; (4) institutional proximity, the extent to which two organizations operate under the same institutions; and (5) geographical proximity refers to the physical distance or travel time separating two organizations.

these policies. We have analysed the political incentives with regard to the two Featured Towns, the spatial planning of these areas and the annual reports of Alibaba in this regard after its initial public offering (IPO). We have compared and linked the history of the two Featured Towns and Alibaba group by literature and news reports. Moreover, we have analysed the interviews with the initiators and spin offs of the Featured Town concept conducted by ourselves and from the media (for instance the 10-episode interviews by Zhejiang radio& TV group). From here we have identified 93 companies founded by Alibaba former employees in the information economic sectors. Subsequently we analysed the co-evolution among Alibaba and its descendants, the featured towns and the government with the five proximity hypothesis mentioned before. Following this, we have moved our scope from Alibaba and the firms to the notions and planning of the respective featured towns as such, in order to demonstrate the spatial characteristics of the co-evolutionary process within the urban fabric. Finally, through research by design we have analysed the diffusion, agglomeration and network processes through space and time; therewith demonstrating the intertwines of the economic and urban innovation in Hangzhou.

The origin of Zhejiang Featured Town and the case Featured Towns

But let us first start with the original birth of the Featured Town concept within the Zhejiang Province administration. For several decades, Zhejiang Province was known for its unique economic development model, relying extraordinarily on private firms instead of the state-owned enterprises, which dues to its ancient entrepreneurship tradition and decentralized governance practice (Wei and Ye, 2004). The initially small-in-scale, labour-intensive and low-technology based industries grew into industrial clusters and created many specialized industrial districts (Wang, 2006). However, it also showed the weakness of Zhejiang economy, the initial private firms hardly possessed the capacity to accelerate Zhejiang's economic growth any more. Overcapacity of low-end manufacturing, scarcity of labours, capital and other resources, lack of internal innovation, increasing intervention from government and pressure from global financial crisis, etc. marked the transition of the "Zhejiang miracle" into a "Zhejiang dilemma" (Zhao, 2011). To overcome this dilemma, the regional government initiated the idea of Zhejiang Featured Town to accelerate innovative economy, upgrade industrial value

chain and promote sustainable and integrated rural and urban development, through the focused *knowledge intensive* drives based on the historical foundations (Li, 2016). For that purpose, it proposed to develop 100 Featured Towns (or better: Featured Zones) throughout the province.

To become a fully-fledged Featured Town, local governments should apply to the provincial government in order to get the permission to generate one. Moreover, after three years, provincial government will decide if the experiment could be denominated as a real Featured Town according to the official assessment. However, each of these Featured Towns often gets different ideas of what it actually is. Sometimes it is regarded as a township near big cities, in other cases it is assumed to be a zone in a city; sometimes it is viewed as a spatial mechanism to foster start-ups and generate innovations, while others can be the subject to conduct industrial upgrades. Therefore lots of studies go into detail what Featured Towns are or actually could be (e.g. Chen and Huang, 2015; Li, 2016; Song, Tang and Ying, 2016). In general, these studies assume that the Zhejiang Featured Town is

1) a goal-oriented transition toward more value-added industries based on local traditions;

2) a zone that holds one leading industry and related industries together in order to induce the transition towards economic innovation;

3) an encouraging entrepreneurship in these innovative industries, and

4) an operation by public-private partnership, to a great extent influenced by leading firms in the area.

After three rounds of application, government has released all the featured towns, of which 23 have been induced in the urban region of Hangzhou, amongst nine within the information economy. This also partly caters to the growth of the information and high-tech industries in Hangzhou; due to the interplay of these policies and the independent entrepreneurial rise of electronic commerce (e-commerce) sectors (Li *et al.*, 2016). At this moment also leading firms of the IT-sector came in. The most famous and prosperous firms in this sector were the subsidiaries of Alibaba Group Holding Limited (Alibaba). From there on, in cooperation with the provincial/local governments and the subsidiaries of Alibaba, the first ideas and operational concepts of Dream town and Yunqi town were developed.

Dream Town became located in the so-called *Future Sci-Tech City (FSTC),* which is the

innovation and venture area identified by Hangzhou and Zhejiang government in order to profoundly implement the national talents strategy, improve scientific and technological innovation ability, and accelerate the economic transformation. In return Alibaba moved its headquarter to FSTC in 2013, whereby Alibaba stimulated that many of its former employees started their own business in Dream Town, in order to enhance new innovations also for its own sake.

Yinqi Town was named after the Yunqi alliance, which was initiated by Alibaba with about 30 other firms when it started to establish a new spin-off: the cloud computing company called Alibaba Cloud. Moreover, Alibaba became also responsible for the Yunqi conference around these cloud computing businesses, permanently convoked in Yunqi Town, attracting over ten thousand attendees in the last year.

Although the local government invoked the planning of these zones and applied the permission to build featured towns – therewith responsible for the so-called urban hardware of the agenda – Alibaba and its subsidiaries and spin offs became responsible for the urban software and orgware of these initiatives. Even more to some extent, Alibaba induced the knowledge spill-over of Dream Town and accelerated the agglomeration process of cloud computing industry in Yunqi Town. Although the two Featured Towns seem to be very much government-led, it was not possible without the intensive interrelation with the internal deliberations, and therewith adaptation, transition and spin offs of Alibaba itself.

Path creation—the evolutionary process of Alibaba

In this respect we delved into the economic history of the firm itself. At first it was established as Alibaba.com in 1999 in Jack Ma[2]'s apartment in Hangzhou. At the moment when internet was regarded as the future of Chinese businesses, and as a serial entrepreneur, Jack Ma studied the economic path of the dot-com-companies in USA (amongst others Silicon Valley). Together with the lessons he took from his previous (failed) company, he outlined the business structure for this new company. Alibaba was intended to be an online wholesale marketplace aimed at small businesses in China, to enhance online retail and product services. After trial and errors Alibaba succeeded to

---

[2] Ma is one of the 18 founders of Alibaba.com and now become one of the richest men in Asia.

extend these business towards unforeseen heights in China. However only since the establishment of Alibaba Cloud the Alibaba evolved to a more transnational and real IT group. At that moment the company also started to branch out in other industries than exclusively e-commerce. Accordingly and through massive R&D investments in each of these branches, numerous innovations came into being. With mergers, acquisition, spin-offs and joint ventures, the knowledge base of Alibaba broadened massively. Till now, Alibaba owns approximate 500 domestic subsidiaries and consolidated entities in China and some 420 subsidiaries and consolidated entities outside China (Alibaba Group, 2018). Besides, it has become one of the most valuable technology brands worldwide in 2017 (Dhiraj, 2017).

Thus apparently Alibaba has succeeded in its transition from an e-commerce company towards a more innovative and diversified economic entity in itself. It is not only influential with its e-business, but also reaches out to external innovation beyond its traditional core-focus. Moreover, within its short history, it keeps to discover new business opportunities to complement its distribution in an overall IT infrastructure. That's to say, although its knowledge base was always grounded on e-commerce, innovation became its mere soul. Through its so-called 'Alibaba alumni', consisting of former employees of Alibaba group, Jack Ma remained involved in many new companies and start-ups, therewith replicating the routines of Alibaba and spreading its influence within the ongoing labour mobility. Moreover, Alibaba has contributed to the popularities of innovative activities from grassroots to elites, from scratch to implementation. Additionally, with the frequent innovative activities in Hangzhou, the city gradually gained the opportunity to evolve towards an innovative city as such. That is in fact what became the final breeding ground of the Featured Town concept in itself.

Innovation through transferable knowledge and dynamics of proximity

Nelson and Winter (1982) claimed that the transformation of routines leads to innovation. In this respect the knowledge outreach of Alibaba itself through its alumni became the origin of the innovative activities within the Featured Town concept. As a part of the city, Alibaba, its spin-offs, and start-ups by its former employees received interactions with all the actors within and even outside the city. Through the dynamics

of proximities, clusters popped up to exist somewhere in the city, but people tended to gather together in certain places. Thus a dynamic network of the city came up, which also influenced the morphology of the city. It induced the final formation process of Dream Town and Yunqi Town. Here we identified 93 start-ups related to the information economy sector. We classified these start-ups into 11 sub-sectors, among which the E-commerce and enterprise service sector are the most popular, together occupying 57.5% of all the start-ups (see *Figure 1*). Starting from Alibaba and Alibaba alumni, we have analysed how certain spaces transformed into featured town (i.e. Dream Town and Yunqi Town here) in respect to the proximities below.

Geographical proximity

In *Figure 2*, we mapped the identified firms, illustrating that the start-ups tended to aggregate in certain areas, for instance in a) Dream Town beside Alibaba Xixi campus, b) the office buildings in Gudang area (where Ant Financial Service - a subsidiary of Alibaba - is located) and c) the corridor between Xixi campus and Gudang area, along Wenyi West Road. In general, the west part of Hangzhou became the most favourable destination for these start-ups. In our research, we also observed that certain sectors are dominant in specific locations. For example, enterprise services tended to concentrate near Alibaba Xixi campus, with a proportion of 44% of all services, while the Gudang area attracted predominantly the financial sector, with a proportion of 60%. Thus we can conclude that Alibaba and the new starts ups from the former Alibaba employees and other entrepreneurs in the information sector, perform the characteristics of geographical proximity regarding to their specific knowledge bases. New innovations based on internet, and specifically on e-commerce tended to aggregate near the headquarter of Alibaba, while the cloud computing industry concentrated predominantly near Alibaba Cloud Computing.

Cognitive proximity and organizational proximity

Secondly, we discovered that the knowledge base of Alibaba group broadened immensely during its development process. Its core business of e-commerce is connected with innovation in other sub-sectors by mergers, acquisitions and cooperation (i.e. Balland, Boschma and Frenken, 2015). This contributes to the diversification of the Alibaba group, making it a kind of hub in broader regional

knowledge networks. This network underlined its organizational routines, meaning that Alibaba's present and former employees gained the opportunity to transfer their knowledge from within the firm to the outer world and the other way around, due to the remaining links with the mother company. Six out of 45 incubators in Dream Town remained closely related to Alibaba. They were either founded by Alibaba trainees or from former employees of Alibaba to start up their own business. Besides, there were two incubators mainly for e-commerce start-ups, and for innovation of new retail cooperated with scale enterprises. The latter is exactly the business where Alibaba is trying to expand at the moment. While in Yunqi Town, Alibaba contributed to expansion of the cloud computing industry ecology by sharing its knowledge base; the group cooperated with firms (e.g. Xinhua News Agency) and government (e.g. Hangzhou Development and Reform Commission) to create new companies and projects.

Social proximity

Meanwhile, the social connection among and between the former employees and the mother venture contributes to the tacit spill-overs and transfers. The contacts between the alumni and the Alibaba group remained strong. There are several alliances and organizations initiated by Alibaba to serve the alumni. Alibaba organised several conferences and meetings for the start-ups and made it possible for each firm to present their own ideas and inventions to others, in order to attract venture capital, and what's more evoking opportunities for cooperation research. They also invited current employees to help the new entrepreneurs with their start-ups. For instance, one of the partners of Alibaba, Fang Jiang, was invited to give a speech in a conference of Alibaba alumni entrepreneurs, and ChuCheng Capital organized several venture saloons and meetings in Dream Town. As such, a strong network between several production, research and financial facilities evolved internally and externally. Alibaba and its branches became major nodes in an expanding network. Besides some of these meetings and conferences were also opened up for public, therewith stimulating the formal and informal communication among Alibaba alumni, recent colleagues and even rivals. A famous example is the Yunqi conference, which not only strengthens the social proximity, but also increases geographical proximity in return.

Institutional proximity

At the same time co-evolutionary interactions evolved between the institutions of Hangzhou and Alibaba group too. Referring to institutionalization as an integration progress of rules of actors in decision making processes (Balland, Boschma and Frenken, 2015), Alibaba has demonstrated its major role in the regulative organization of the information economy in Hangzhou, particularly e-commerce. In 2016, Jack Ma was appointed as the vice chairman of the E-commerce Standardization Administration of China and the Alibaba group itself became responsible for drawing up the Specification for auditing qualification of merchants on E-commerce platform (GB/T 35409-2017). Moreover, although the municipality of Hangzhou remains to play a pivotal role in planning the city in general, including the development of ICT related centres, it is also mentioned in formal documents that the urban planners and public servants should cooperate with Alibaba in developing the city, based on the needs and innovations of the firm itself (e.g. Hangzhou Municipality, 2014). Therewith it is confirmed that Alibaba is of vital importance for the development of the city. For instance when the local government formulated its policy to transform a historical industry cluster into a high-tech industry park in 2008, shortly after Alibaba Cloud was preparing its launch over there. Moreover, this launch directly affected the decision of the municipal officials to erect a cloud computing Industry Park in 2011. Due to the complement policies to promote cloud-computing industry, the Yunqi alliance was initiated and governor Qiang Li was inspired by this event, proclaimed the Featured Town concept for the first time. These examples are all indicators for the cooperative work between the Alibaba group and the municipality/province to enhance the innovative profile of Hangzhou as such.

From firm to Featured Assemblages – the distribution amongst Hangzhou

Thus and although Alibaba has become a major player in Hangzhou, through time there are more innovative companies, research institutes and talents that came up. Nevertheless, time and again both Alibaba and the government tried to include more players in its expanding network, in order to strengthen their agglomeration effect. So whereas Alibaba was in the first place a cradle for its alumni, it also became the central node for emerging actors beyond them. In the meantime, its role in creating new network relations stands out. For example, the 'Yunqi alliance' represented these ideas.

By perceiving the co-evolution with the two Featured Towns in this way, Alibaba has even affected the spatial distribution of information economy in Hangzhou in general.

This co-evolution between Alibaba and the urban fabric ran roughly through four major stages: (re)location, agglomeration, diffusion and networking. In the pre-mature period, the firm chose a location where it would be geographically, socially or cognitively best proximate to a related firm. In its evolution, this (hot)spot became a major node or platform for its subsidiaries and other related firms, therewith stimulating the agglomeration. But after a specific period and due to the establishment of subsidiaries and their expansions, the initial space was often no longer sufficient to house ongoing developments; thus relocation and diffusion occurred. Relocation meant to move from one spot to another, while diffusion fortified new locations for new sectors, subsidiaries and spin-offs. Diffusion also occurred when knowledge and labour force exchange came up. New cores emerged, which in turn served the foundation for new rounds of agglomeration and node creation. Within this process the networks of these nodes were sometimes highly intensified, while others dissolved or disappeared. Hence, the regional networking evolved towards a dynamic process of an interactive urban and economic geography (see *Figure 3*).

Of course these stages are highly situational and do not necessarily exist everywhere. But it has structured Hangzhou's economic-geographic development during the last two decades massively. In our case the introduction and enrolment of the two Featured Towns have evolved highly synchronic with the growth of Alibaba itself. Moreover, a series of policies concerning the priority of land use, workforce, financial support and so on have backed-up this process. Thus the concept of Featured Town has merely facilitated the ongoing co-evolution between Alibaba and a group of new spin offs and start-ups, which were already going on in Hangzhou.

Nevertheless, the Featured Town concept does indeed have influenced the economic and urban transition of Hangzhou as well. It has been a driving force to enhance information economy of Hangzhou, considering its growing contribution to GDP (from 23% in 2015, towards 25.6% in 2017 according to the Hangzhou economy and society developed statistical bulletin 2015, 2016, 2017). Yunqi Town has evolved into a major

hub of cloud computing industry, and has become one of the major cloud computing agglomerations of China. At the same time Dream Town has become a major core of general innovation in Hangzhou. Together with Qingshanhu Technology City and Zhejiang University Technology Park, Dream Town has become a vital element with a so-called "West Hangzhou Innovation and Technology Industry Corridor" (Xiang, 2016).

Conclusions and Discussion

This research of the Yunqi Town and the Dream Town indicates that economic policies can't start from scratch. They have to be backed up by economic incentives and innovations in the real urban economy itself. Both cases have already merged into their own innovative characteristics starting from specific clusters towards a dense innovation network; this was already ongoing before they were denominated as Featured Towns. From here, we deem that Featured Towns could have distinct characters and amenities, but this has to be built upon existent, or at least nascent cognitive, social, organizational and institutional networks among numerous firms and agents. Spatial planners and policy makers should delve into these networks before they introduce new measures or concepts. Furthermore, Featured Towns are not regionally isolated as well. Such innovation poles are connected to external knowledge environments, including other Featured Towns. The network within a Featured Town is only a distinct part of a wider regional network of innovation. Moreover, Featured Towns are not so much created, but gradually processed predominantly by themselves, sometimes with help of the government, but in general by other agents and institutional processes.

With this in mind we can return to our initial questions and can come with some general conclusions with regard to the Featured Town concept:

a) A leading firm is of vital importance for its success. But it should have to acquire the capability to elaborate on its influence as leading firm beyond its original core business.

b) The leading firm does not necessarily have to be located in these featured towns, but should become a wider connectable and connected node in a network of a region

or a city, in the sense of social, cognitive, organizational and institutional proximity becoming, rather than simply geographical accessibility.

c) In this respect, a better approach to the concept is to accelerate a co-evolutionary process between incentives of the leading firms and regional policies in order to promote certain economic areas.

d) Moreover, we should notice that these networking processes are ongoing and will constantly transform from one to another. Therefore, the leading firms and regional policies should constantly keep adapting to such transformations, in order to stay at the top level of innovation.

Furthermore, although the Featured Town concept can be regarded as the stimulating factor to sustain capital accumulation (Shen and Wu, 2017), this time the focus should move from the mere capital gains toward knowledge gains. Economic progress does matter, but the way to move forward is not only by the traditional growth incentives or property development, but also by the creation of a co-evolutionary knowledge network. That could also induce a major transition in Chinese urbanization focus. Featured Town concept at least has proposed an alternative for China's new-type urbanization, in so called land urbanization and economic urbanization (Chen, Liu and Lu, 2016). This refocus is even more important, as the National New Type Urbanization Plan is too generic in this respect and merely deals with unanswered questions (Wang *et al.*, 2015). China needs more practical and focused ideas on how to develop its urban, suburban, and rural areas at the moment. As such the Featured Town concept, situational operationalized in co-evolution with real-life economic innovations, could contain a serial of policies to facilitate and induce new movements in the urban and economic fabric. If China wants to achieve economic transition towards an innovative and value-added economy with Featured Town concept, it should regard this concept not as a cause but as an effect of ongoing evolutions and transitions. From this point of view, mere topographical clustering is not enough. Local and regional governments should acknowledge the significance of topological features of existing economic and urban entities, and mould them into new urban interactions. Since innovation is generated by the knowledge flows in and among firms by means of for instance incubator hubs, conferences, common labs etc., this networking should be created with the dynamics of proximities (geographically, cognitively, organizationally, socially and institutionally)

as presented in our case. Instead of counting on the power of government itself, specific complementary policies should be released through time and space, to ensure the sustainable development of Featured Towns in environmental as well as in economic and social terms. Urban planners and policy makers should notice that the development of featured towns should remain accordant to their own endowments, in reference to adaptation, renewal or innovative measures due to changes of the external environment. As space itself, Featured Towns are therewith in a process of undefined becoming (Boelens and de Roo, 2016).

AlibabaGroup (2018) *Annual Report, Alibaba Group Holding Limited*. Available at: http://www.alibabagroup.com/en/ir/pdf/form20F_160525.pdf (Accessed: 22 May 2017).

Amin, A. and Thrift, N. (2002) *Cities: reimagining the urban.* Cambridge: Polity Press.

Balland, P.-A., Boschma, R. and Frenken, K. (2015) 'Proximity and Innovation: From Statics to Dynamics', *Regional Studies*. Taylor & Francis, 49(6), pp. 907–920. doi: 10.1080/00343404.2014.883598.

Bathelt, H., Malmberg, A. and Maskell, P. (2004) 'Clusters and knowledge: local buzz, global pipelines and the process of knowledge creation', *Progress in Human Geography*, 28(1), pp. 31–56. doi: 10.1191/0309132504ph469oa.

Boelens, L. and de Roo, G. (2016) 'Planning of undefined becoming; From poststructuralism towards actor-relational opportunities', *Planning Theory*, (12), pp. 46–63.

Boschma, R. and Frenken, K. (2007) 'Introduction: Applications of Evolutionary Economic Geography', in Frenken, K. (ed.) *Applied Evolutionary Economics and Economic Geography*. Cheltenham: Edward Elgar Publishing Limited, pp. 4–30.

Boschma, R. and Frenken, K. (2011) 'The emerging empirics of evolutionary economic geography', *Journal of Economic Geography*, 11(2), pp. 295–307. doi: 10.1093/jeg/lbq053.

Boschma, R. and Martin, R. (2010) 'The aims and scope of evolutionary economic geography', in Boschma, R. and Martin, R. (eds) *The handbook of evolutionary economic geography*. Cheltenham: Edward Elgar Publishing Limited, pp. 3–39.

Chen, M., Liu, W. and Lu, D. (2016) 'Land Use Policy Challenges and the way forward in China ' s new-type urbanization', *Land Use Policy*. Elsevier Ltd, 55, pp. 334–339. doi: 10.1016/j.landusepol.2015.07.025.

Chen, Y. and Huang, G. (2015) 'Yǐ tèsè xiǎo zhèn bùjú gōngjǐ cè jiégòu xìng gǎigé de zhèjiāng shíjiàn', *Journal of Zhejiang Party School of CPC*, 32(05), pp. 28–32. doi: 10.15944/j.cnki.33-1010/d.2016.05.004.

Dhiraj, A. B. (2017) *The top 18 most valuable technology brands in 2017, CEOWORLD Magazine*. Available at: http://ceoworld.biz/2017/02/24/top-18-valuable-technology-brands-2017/ (Accessed: 26 May 2017).

Doel, M. A. (1999) *Poststructuralist geographies: the diabolical art of spatial science*. Lanham: Rowman & Littlefield.

Doel, M. A. (2000) 'Spatial science after Dr Seuss and Gilles Deleuze', in Thrift, M. C. N. (ed.) *Thinking space*. Routledge, pp. 117–135.

Essletzbichler, J. and Rigby, D. L. (2010) 'Generalized Darwinism and evolutionary economic geography', in Boschma, R. and Martin, R. (eds) *The handbook of evolutionary economic geography*. Cheltenham: Edward Elgar Publishing Limited, pp. 43–61.

Florida, R. (2005) *Cities and Creative Class*. 1st edn. New York: Routledge.

Glaeser, E. (2011) *Triumph of the City*. Pan.

Hangzhou Municipality (2014) 'Zhōnggòng hángzhōu shìwěi, hángzhōu shì rénmín zhèngfǔ guānyú jiākuài fāzhǎn xìnxī jīngjì de ruògān yìjiàn (jiéxuǎn)', *Hángzhōu kējì*,

(4), pp. 17–21.

Harvey, D. and Braun, B. (1996) *Justice, nature and the geography of difference*. Blackwell Oxford.

Li, J. *et al.* (2016) 'Potential Analysis of Urban Innovation Space and Its Application —A Case Study of Hangzhou', *Economic Geography*, 36(12), pp. 224–232. doi: 10.15957/j.cnki.jjdl.2016.12.032.

Li, Q. (2016) 'Tèsè xiǎo zhèn shì zhèjiāng chuàngxīn fāzhǎn de zhànlüè xuǎnzé', *Development of Small Cities & Towns*, (03), pp. 9–14.

Markusen, A. (1996) 'Sticky Places in Slippery Space: A Typology of Industrial Districts', *Economic Geography*, 72(3), pp. 293–313.

Martin, R. and Sunley, P. (2007) 'Complexity thinking and evolutionary economic geography', *Journal of Economic Geography*, 7(5), pp. 573–601. doi: 10.1093/jeg/lbm019.

Martin, R. and Sunley, P. (2015) 'Towards a Developmental Turn in Evolutionary Economic Geography?', *Regional Studies*, 49(5), pp. 712–732. doi: 10.1080/00343404.2014.899431.

Massey, D. (2005) *For Space*. London: Sage.

Menzel, M. P. and Fornahl, D. (2009) 'Cluster life cycles-dimensions and rationales of cluster evolution', *Industrial and Corporate Change*, 19(1), pp. 205–238. doi: 10.1093/icc/dtp036.

Murdoch, J. (2005) *Post-structuralist geography: a guide to relational space*. Sage.

Nelson, R. and Winter, S. (1982) *An evolutionary theory of economic growth*, *Belknap-Harvard, Cambridge, MA*.

Peet, R. (1998) *Modern geographic thought*. Blackwell.

Polanyi, M. (1966) *The Tacit Dimension*. London: Routledge & Kegan Paul.

Porter, M. E. (1990) *The competitive advantage of nations: with a new introduction*. 2nd edn. New York: Free Press.

de Roo, G. (2016) 'Self-organization and Spatial Planning', in de Roo, G. and Boelens, L. (eds) *Spatial Planning in a Complex Unpredictable World of Change*. Groningen: Coöperatie In Planning UA, pp. 54–96.

Schamp, E. W. (2010) 'On the notion of co-evolution in economic geography', in Boschma, R. and Martin, R. (eds) *The handbook of evolutionary economic geography*. Cheltenham: Edward Elgar Publishing Limited, pp. 432–449.

Shen, J. and Wu, F. (2017) 'The Suburb as a Space of Capital Accumulation : The Development of New Towns in Shanghai , China', *Antipode*, 49(3), pp. 761–780. doi: 10.1111/anti.12302.

Song, W., Tang, H. and Ying, C. (2016) 'Zhèjiāng tèsè xiǎo zhèn guīhuà de biānzhì sīlù yǔ fāngfǎ chūtàn', *Development of Small Cities & Towns*, (03), pp. 34–37.

Thissen, M., Graaff, T. and Oort, F. (2016) 'Competitive network positions in trade and structural economic growth: A geographically weighted regression analysis for European regions', *Papers in Regional Science*, 95(1), pp. 159–180. doi: 10.1111/pirs.12224.

Thrift, N. (1996) *Spatial formations*. London: Sage.

Thrift, N. (1998) 'Virtual capitalism: the globalisation of reflexive business

knowledge', *Virtualism: a new political economy*. Berg Oxford, pp. 161–186.

Visser, E.-J. and Atzema, O. (2007) *Beyond clusters: Fostering innovation through a differentiated and combined network approach*, *Papers in Evoloutionary Economic Geography*. Utrecht. Available at: http://econ.geo.uu.nl/peeg/peeg0705.pdf.

Visser, E.-J. and Atzema, O. (2008) 'With or without clusters: Facilitating innovation through a differentiated and combined network approach', *European Planning Studies*. Taylor & Francis, 16(9), pp. 1169–1188.

Wang, X. *et al.* (2015) 'The new urbanization policy in China : Which way forward ?', *Habitat International*. Elsevier Ltd, 47, pp. 279–284. doi: 10.1016/j.habitatint.2015.02.001.

Wang, Z. (2006) 'The Growth of China's Private Sector: A Case Study of Zhejiang Province', *China & World Economy*, 14(3), pp. 109–120. doi: 10.1111/j.1749-124X.2006.00026.x.

Wei, Y. D. and Ye, X. (2004) 'Regional inequality in China: A case study of Zhejiang province', *Tijdschrift voor economische en sociale geografie*, 95(1), pp. 44–60. Available at: http://onlinelibrary.wiley.com/doi/10.1111/j.0040-747X.2004.00292.x/abstract.

Xiang, K. (2016) *Hángzhōu shì xìnxī fúwù yè yǐngxiǎng yīnsù fēnxī jí qí chǎnyè yǎnhuà yánjiū*. Zhejiang University.

Xinhua (2014) *Xi's 'new normal' theory*, *english.people.cn*. Available at: http://en.people.cn/n/2014/1110/c90883-8807112.html (Accessed: 27 June 2017).

Zhao, W. (2011) 'Gōngyèhuà—chǎnyè jíjù yǔ zhìdù yǎnhuà: Zhèjiāng móshì zài sīkǎo', *Social Science Front*, (1), pp. 46–53.

Zou, Y. and Zhao, W. (2018) 'Searching for a new dynamic of industrialization and urbanization : anatomy of China ' s characteristic town program', *Urban Geography*. Routledge, 39(7), pp. 1060–1069. doi: 10.1080/02723638.2018.1433926.

Figure 1. sector distribution of start-ups related to Alibaba

sector
- e-commerce
- enterprise service
- local life
- car-related service
- finance
- culture and sport
- entertainment
- education
- real estate-related service
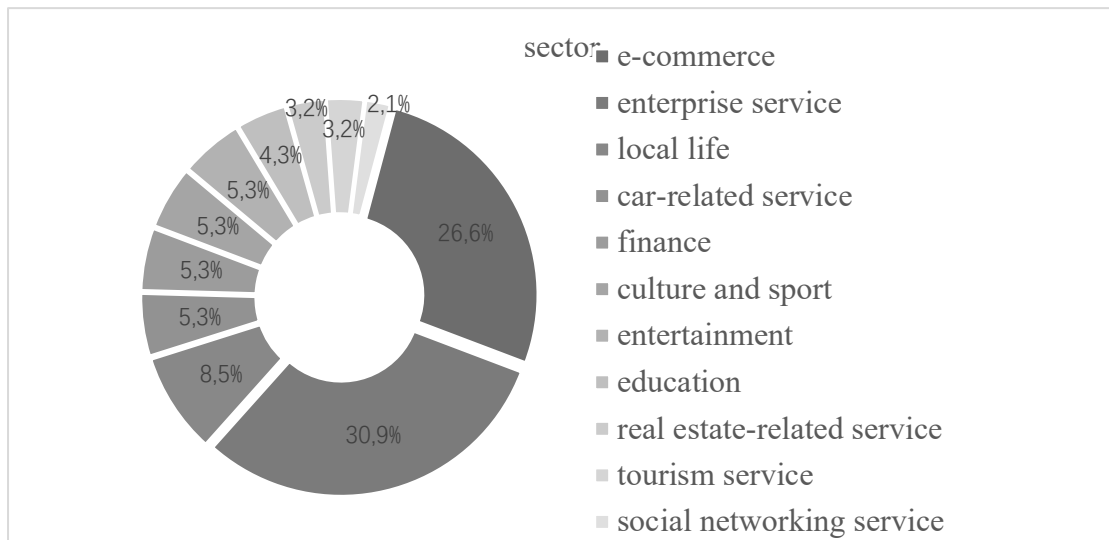- tourism service
- social networking service
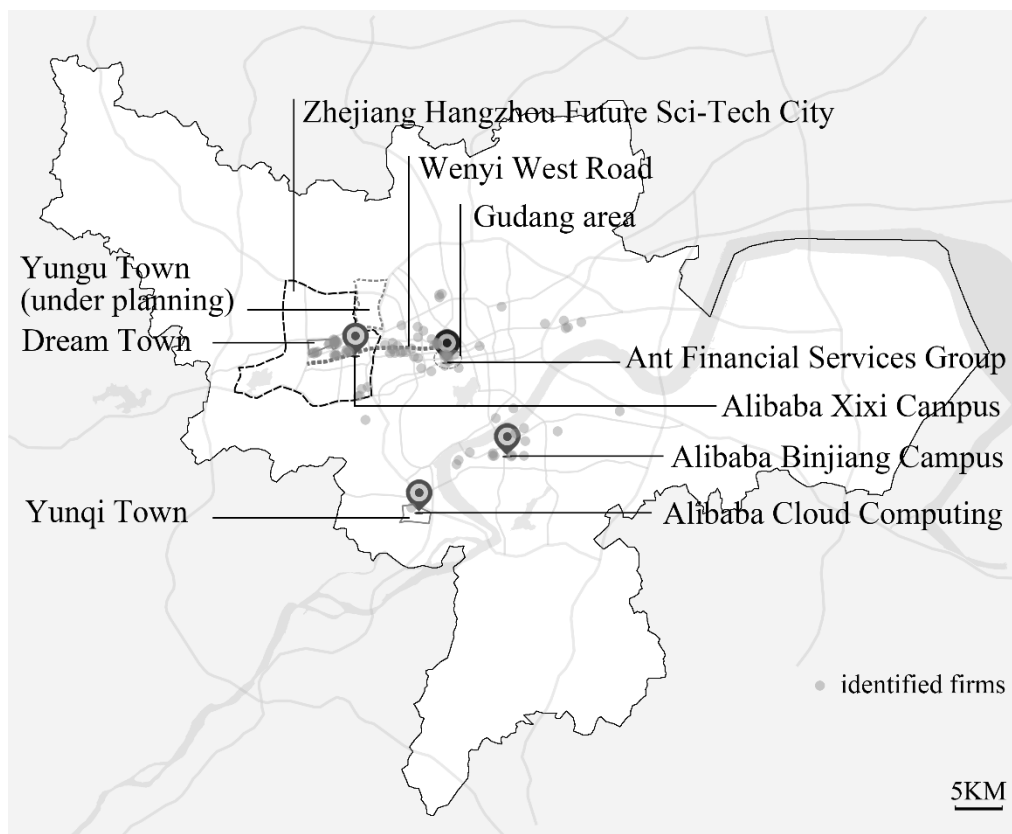
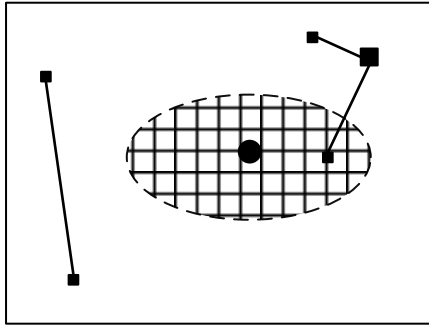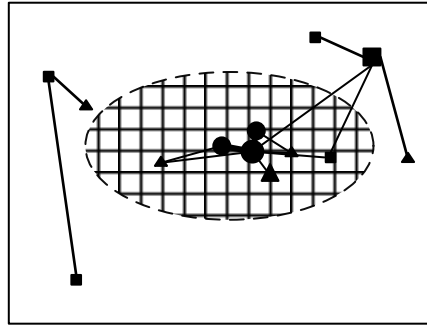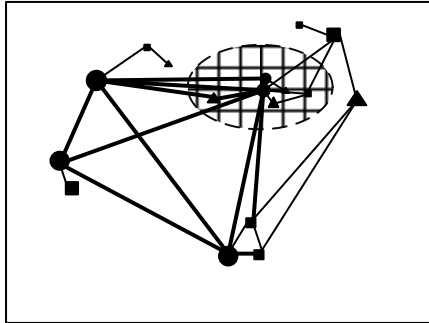Figure 2. sites of Alibaba and its related firms and ZFTs in Hangzhou

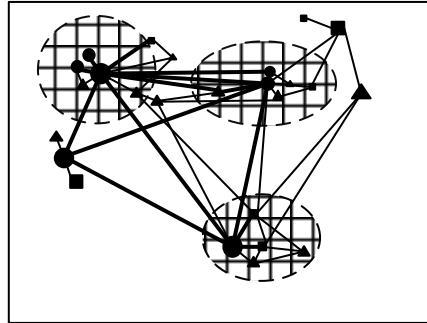Figure 3. networking process in space, elaboration by author

1. location 2.agglomeration

3.diffusion & relocation 4.agglomeration&networking

■ existing firm ▲ new firm ⊕ cluster ● case firm —— connection