

# CITIES, TOWNS AND RURAL INDUSTRIALISATION: REVISITING THE CHINESE DEVELOPMENT DEBATE

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## Abstract

*As part of the effort to theorise regional change in China it is essential that some attempt be undertaken to review the perceptions and insights of relevant indigenous Chinese scholarship. This paper will review and synthesise certain elements from an array of Chinese language literature which moves us toward a theoretical framework for understanding spatial economic transformation in China's lower Yangzi delta. These elements will be traced through a review of the large-city versus small-town debate, studies of the relationship between agriculture and industrial growth, research on rural industrialisation, and more general theories and concepts of urban and regional development. Analysis of these debates is framed with reference to particular processes and patterns in the lower Yangzi delta and the failure of conventional models to adequately explain such phenomena. The paper highlights components of a middle ground which balances local circumstances with the broad theories of development, industrial location and the production of industrial space, the local and the global, and the transition or otherwise to conventional urban forms. The paper concludes by proposing an alternative conceptual framework for understanding the patterns and underlying processes and mechanisms of regional development in the lower Yangzi delta.*

Key words: China, development, urbanisation, rural change

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## Author biography

Dr. Andrew Marton is a specialist in Chinese studies. His research has revolved around the study of patterns and processes of spatial economic transformation in China's extended metropolitan regions, with a particular focus on the lower Yangzi delta. His other research interests in China include studies of administrative restructuring and urban and regional development, curricular reforms and geographical education, and the emergence of new urban spaces for the visual arts and other creative industries in Shanghai and Ningbo. Prior to his appointment at the University of Victoria, Dr. Marton was the founding director of the University of Nottingham Institute for Contemporary Chinese Studies, where he led the strategic development of a highly successful Chinese studies teaching and research programme and founded the School of Contemporary Chinese Studies. From 2007 to 2012, he was Dean of the Faculty of Arts and Humanities, and Vice-Provost Teaching and Learning at the University of Nottingham, Ningbo, China. Dr. Marton is a Professor in the Department of Pacific and Asian Studies at the University of Victoria, Canada where he also served most recently as Associate Vice-President International. Dr. Marton is currently Director of the Centre for Asia Pacific Initiatives at the University of Victoria.

## Introduction

Conventional geographical analyses of urban and regional restructuring and the concomitant patterns of settlement transition soon confront two characteristics of the lower Yangzi delta: the fact that highly productive agricultural areas also contain significant non-agricultural production activities; and “rural hinterlands” that are equally important as providers of goods and services to central places, as well as markets for the goods and services from those central places. Theoretical and policy endeavours which place a high priority on urban dispersal, decentralisation, or de-concentration, usually investigated and implemented from urban centres, either overlook or under-emphasise articulation with local elements of territorially based development. The objective here is to provide an analytical and theoretical middle-ground which legitimises locale.

As part of the effort to theorise regional change in China it is essential that some attempt be made to review the perceptions and insights of indigenous scholarship. However, this article will not endeavour to provide a detailed description of the historical patterns of urban and regional development in China. Nor will it attempt to summarise the ideological and policy priorities that have influenced patterns and processes in the Chinese space economy. Excellent reviews of these issues, and of the evolution of the associated scholarship, both inside and outside China, have already been published (Chan, 1994a; Geographical Society of China, 1990; Kirkby, 1985; Pannell, 1980, 1990; Wei, 1999; Yan, 1995; Yeh and Wu 1999; Yeung and Zhou, 1991; Zhang and Zhao, 1998). Rather, the objective here is to highlight certain elements from the Chinese literature over that past 25 years that move us towards a theoretical framework for understanding spatial economic transformation in the lower Yangzi delta. These elements will be traced through a review of the large-city versus small-town debate, studies of the relationship between agriculture and industrial growth, research on rural industrialisation, and more general theories of urban and regional development. While discussion of these issues is readily accessible in widely circulated national and regional geographical journals and books, much important scholarship is available only as special reports, or papers prepared for meetings or government bureaux, with limited often internal (neibu) or restricted circulation.

## Cities, Towns, and Rural Transformation: The Chinese Development Debate

It is important to note at the outset that post- 1949 Chinese urbanisation and regional development theories and practice, at least until the late 1970s, were fundamentally linked to the shifting politics and ideologies communist revolution and of the planned economy. That is not to say there was no debate, but it could only occur within a clearly delineated set of parameters most often characterised by the apparent theme of a pro-rural anti-urbanism and geo-strategic imperatives. Economic geographers concentrated on producing detailed regional resource inventories and politically safe territorial planning and management schemes serving centrally determined economic planning priorities. By the early 1980s, there was a significant theoretical revival underway as geographers faced the planning and policy challenges of newly introduced economic reforms. Several writers identified the need for a revitalised regional geography as the foundation for conceptualising the spatial economic restructuring that had been unleashed in the late 1970s and was in full swing by the mid 1980s (Wu, 1990). However, this scholarship did not really take on any theoretical significance until the emergence of the large-city versus small-towns in regional development debate which, for the first time, focused attention on the underlying dynamics of geographical processes of development.

Reduced to its simplest form the debate examined whether growth strategies should promote development of rural townships and small cities or allow the growth and development of large cities and metropolitan areas. On one side of the issue were proponents of small cities, towns, and even villages which they believe had been under-supported, thus failing to develop rationally into a larger hierarchy of settlements (Fei, 1984; 1986). As with many such issues in China the essence of the approach was captured in a new slogan: “Strictly control the development of large cities, rationally develop medium-sized cities, and vigorously promote the development of small cities and towns” (yange kongzhi dachengshi, heli fazhan zhongdeng chengshi, jiji jianshe xiaochengzhen) (Shen and Cui, 1990: 210). In practice, it was believed, small towns could be developed much less expensively serving as nodes of regional industrial development. By the mid 1980s this notion of a Chinese road to regional development, distinguished by its small town bias, was being increasingly challenged by outspoken supporters of large city and metropolitan growth strategies (Feng, 1983; Li, B. R. 1983; Ma, 1983). While being careful not to dismiss the continuing ideological suspicion of large urban areas this new perspective chose to highlight the inevitability and advantages of metropolitan growth. Cities would be allowed to grow based on investments that proponents believed would improve economies of scale and increase industrial efficiency. Implicit in this strategy was the increased mobility of labour and migration of rural people into large and medium sized cities.

Coinciding with this perspective was the renewal of satellite-city policies to relieve population pressure and industrial concentration in core urban districts, and the notion of “key-point cities” (zhongdian chengshi) which aimed to systematise preferential access to resources and to increase autonomy in urban decision making (Bai, 1981).

Many geographers reacted to the official emphasis on small towns by invoking a crude stages theory of regional economic development (Feng, 1983). The key economic characteristics of the majority of small towns in China in the early 1980s were seen as unambiguously agricultural, placing them at the lowest stage of development. The underlying weakness of the economic base would, therefore, preclude any efforts to promote local industrial development. The line of argument continued by claiming that urbanisation and national economic development were inextricably linked (Feng, 1983). The regional development envisaged would first see a greater concentration of population and industrial activity in large urban centres. New forms of “dispersed urbanisation” proposed by the small town lobby, often linked by critics to the duplication of the policies of advanced capitalist countries, would mean skipping a necessary stage of development and were not regarded as financially viable. Moreover, investment in urban-style infrastructure in the myriad of smaller settlements would constrain the capital accumulation necessary for improving productivity in large and medium sized cities. While this work was highly critical of the official emphasis on smaller communities it fell short of openly advocating expansion of urban populations, and failed to provide alternatives to the increasingly visible problems of surplus rural labour linked to reforms in agriculture production in the early 1980s.

Evidence from regional economic restructuring and the conceptual hostility of the pro-urban advocates did, however, stimulate deepening theoretical interest in the processes of urbanisation and regional industrial development moving beyond the slogans and platitudes extolling the virtues of small towns. By the late 1980s Chinese academics and bureaucrats were openly re-appraising the impact of post-1949 policies towards urbanisation and economic development. Investment in urban infrastructure had generally been considered as unproductive and came to lag seriously behind industrial development. The advantages of scale economies were quickly counteracted by severe structural inefficiencies which emerged as a result of premature diseconomies of scale (Hu, 1991). Some have also highlighted how decades of artificially separating rural and urban, administratively, socially, and economically led to a disjunction between processes of regional development and urban based industrial structures. This (en)forced dualism defied the “organic connection” between city and countryside and contributed to an industrialisation “divorced” from urbanisation characterised in particular by a large number of rural townships that were able to compete effectively with large cities in terms of infrastructure (Hu, 1991).

In a similar view, urban geographers in particular have demonstrated how the concentration on production without seriously considering issues of consumption has led to an underdeveloped tertiary sector (Hu, 1991). Since links between industrial production and markets were largely determined artificially under the planned economy, the emergence of an urban based tertiary sector, still in its infancy and unable to adequately cope with the demands of recent reforms, left room for small cities and towns to develop their own organisations and structures. In the context of an underdeveloped hierarchy of settlements this fact is expressed, especially in more developed regions, by the proliferation of community based industrial organisations and local economic development zones that constitute part of locally developed production complexes. Weaknesses in the regional industrial structure were also identified that pointed to the artificial separation between industry and primary activities in agriculture and the production of raw materials, and the limited capacity to utilise labour efficiently. Urbanisation was said to lag behind growth of industry as the rate of transfer of agricultural labour and population into non-agricultural employment and urban settlements was lower than the rate of growth of non-agricultural output value (Hu, 1991). While the big-city versus small-town debate elicited much rhetoric and extreme positions it did point up a further set of theoretical considerations worth highlighting. A great deal of literature examined the relationship between agriculture and industry and there was a new emphasis on the study of industrial location and the geography of enterprise.

Much has been written by Chinese scholars that considers the underlying connections between the agricultural sector and industrial development. Some have focused on the declining proportion of gross domestic product from agriculture as a means of tracing empirically the nation’s overall economic development. This work is often linked to the perceived idiosyncrasies of urban industrial development. Others have instead examined the evolving relationship between accumulation in agriculture and regional industrial investment (Cai, Zhao, and Jiang, 1991; Xu and Wu, 1990). This relationship was most often articulated as a set of five phases along a continuum: 1. “Agriculture supports industry” (yinong bu gong); 2. “Agriculture and industry nourish each other” (nonggong hubu); 3. “A shift to industry nourishing agriculture” (gongyi fanbu); 4. “Industry supports agriculture” (yigong bu nong); 5. “Industry builds agriculture” (yigong jian nong). Once again a complex set of

interactions is captured in rhyming slogans. While still based on a set of empirically determined indices this work improves on what went before by attempting to conceptualise the role of capital accumulation and structural shifts in the sectoral distribution of labour. It also makes frequent reference to how such issues are related to specific local circumstances of ownership and management of enterprises and the economic development imperatives of community governments.

In a parallel body of literature, geographers have examined how agricultural restructuring has affected patterns and processes in the regional space economy focusing particularly on the dramatic expansion of township and village industries. The relationship between agriculture and this sort of rural industrialisation has been theorised in the context of at least four interrelated elements. First, gains in productivity brought about by diversification and commercialisation of the agricultural economy have raised rural incomes and savings that have been exploited for local industrial investment (He, 1991). Second, this coincided with the release of surplus agricultural labourers who, motivated by reforms to increase productivity to maximise personal gain, were available for off-farm employment. Third, these elements in turn stimulated pent-up demand in the countryside for more manufactured goods, not only to supply the increasingly productive agricultural sector, but also increased local demand for consumer products. Fourth, and perhaps most important, was the way in which agricultural restructuring was conceptualised as revitalising the marketing and commercial functions of small towns (He, 1991; Lin, Wang and Tang, 1992; Huang, 1993). Discussions of these elements is relevant for this review because of the way in which agriculture was in the early to mid-1990s seen to be fundamentally linked to industrial expansion and the development of villages and small towns. Historically too, the prosperity of agriculture in some regions, and the relatively high population densities it supported, was seen to foster the creation of numerous agricultural sidelines and off-farm activities which absorbed surplus labour and capital. This propensity for engaging in such activities led to a new social division of labour which underlay the emerging prosperity of small towns involving processes of rural industrialisation in particular regions of China.

In important ways the Chinese scholarship on these issues tended to exhibit considerable sensitivity to the dynamics of local geographical circumstances when theorising spatial economic transformation. Literature on the relationship between agricultural restructuring and industrial development stimulated a reorientation towards more comprehensive studies of the regional space economy including new interest in networks of transactional relations, the way in which these were formally and informally institutionalised and embedded in territorially based administrative and other organisations, and deep concerns about the deleterious environmental impact on the rural landscape (Shi, 1992; Shuai, 1993; Yang, C. Y., 1992). This reorientation was a response to the conventional separation of concepts of industrial location and the geography of production from the broader regional development and planning literature.

#### Industrialisation and Enterprise Location

Industrial location scholarship in China has mirrored trends seen in Western theories, but continued to retain a largely quantitative focus (Li, 1990; Lu, 1990). In addition, several lengthy studies have appeared recently that catalogue in some detail development and reforms of China's industry (Gong, 1992; Lu, 1992; Zhou and Chen, 1992). Others such as Yang, Y. W. (1992) utilised a modified theory of location to link issues of regional development and spatial economic change, moving beyond the classical factors of location approach of earlier studies. Transformations and variations in regional industrial structure were being examined within a theoretical framework that formally considered space and place as they determined patterns in the spatial divisions of labour and the emergence of socio-economic organisations. This latter focus on what might be referred to as institutional parameters, was particularly relevant since it became an increasingly important element in theories of industrial location and models of regional economic development in China (Lu, 1991; Peng, 1993; Shi and Wu, 1992; Yang, 1993).

The territorial structure of industrial regions has attracted much attention in the Chinese literature. Emphasis is most often placed upon understanding how industrial allocation combines with the building of regional urban systems to provide a rational scale, structure, and spatial pattern of development (Li, 1990: 199; Liang, 1992; Zhou and Yang, 1995). Similarly, much work has been done on special industrial parks, industrial zones, new areas, and what the Chinese call "special economic and technological development zones" (*jingji jishu kaifu*) (Lin, 1993; Special Zones Office of the State Council, 1991; Wei, 1991). In most cases, quantitative models of industrial systems were constructed using variables of locational grouping, optimum size, and indices of inter-firm cooperation (Li, 1986; Liang, 1989; Shen, 1987). This work highlights a growing recognition of how more detailed studies of the geography of enterprise can reveal important facets of spatial economic restructuring. Fei, in two important papers (1993a; 1993b), shows how little attention has been given to the way in which economic and administrative reforms have fundamentally changed enterprise behaviour, their "spatial evolution", and

implications for industrial location and regional economic development. Ultimately, he suggests how understanding “micro-mechanisms” and processes that determine enterprise location and growth provide insights into the evolution of “macro-regional economic systems”. Even old-school geographers, while still clinging to conventional notions of agglomeration and external economies, recognised that China’s evolving industrial complexes are emerging “organically” as the product of a multiplicity of small-scale local circumstances (Liang, 1992: 343). In terms of development praxis others identify the need to carefully consider local “typicality” (leixingxing) -- all the characteristics that determine internal mechanisms of change (Shen 1988: 99-100).

### Rural Industrialisation

This perspective is evident in discussions of the processes and mechanisms that underlie rural industrial development and the numerous models that have been constructed, based on particular local circumstances, to explain variations in rural change (Sun and Lin, 1988). The official policy pronouncements which arose from such work were embodied in catchy slogans: “leave the land, but not the countryside” (litu bulixiang); and “enter the factory, but not the city” (jinchang bujincheng). Fortunately, conceptual work on the rural transformation is more sophisticated. Most studies refer to certain ideological and historical preconditions for rural industrial development. While there have been many traumatic vacillations in policies affecting the countryside the importance of rural non-agricultural activities, fostering demand for local production, and reducing rural-urban differences has remained relatively unchanged. This is consistent with historical circumstances, especially in the more advanced agricultural regions, that underlie the emergence of rural industrial enterprises. Along with increased administrative autonomy are issues of ownership and the broadening mandate of community level governments to provide local social infrastructure and opportunities for employment. With the release of what Xu and Wu (1990: 18) describe as a “great inner force” then, rural industrial development was neither unusual nor unexpected in the Chinese context.

Theoretical work on rural industrialisation has also provided an alternative perspective on the role of urban areas on regional development. This work is significant since global forces are most often conceptualised as articulating via large centres. Extended periods of highly productive agriculture, and the intensity of the local transactional environment, have been at least as important in influencing the rural transformation as big cities. Thus, despite the forced separation of rural and urban in China’s planned economy, the intensity of development in the lower Yangzi delta has remained relatively high. Rural industry here is said to have extended the spatial division of labour within the countryside while at the same time linking rural areas to the wider division of labour (Huang, 1993: 107). The most important insight, however, is the way in which the development of rural industry has served as a catalyst for changes in the structure of local economic organisations and management. Yet this theoretical perspective, which is useful in emphasising the importance of local circumstances, is contradicted by numerous studies which directly linked the rural transformation to the proximity of big cities. Such research usually referred to evidence of urban-rural industrial linkages in the context of elegant regression analyses which established the direction and importance of the influence of large urban areas (He, 1991; Ho, 1994; Ning and Yan, 1993; Pang, 1992).

Other work by Gu, Chen, Ding, and Yu (1993) who refer to the evolution of the “urban fringe” in the context of the “Chinese megalopolis” or from Zhou (1991) with his “metropolitan interlocking regions”, also links issues of regional development to processes of urbanisation. Thus, spatial economic patterns, and the mechanisms and evolution of regional development are conceptualised in terms of urban expansion or decentralisation, converged urban systems, urban fringes and corridors, or the extended metropolis (also see Gu and Chen, 1994; Shen and Cui, 1990). While some commentators such as Kirkby (1985: 252) have linked this urban theoretical bias to a retreat from the universal platitudes of egalitarian spatial planning in a partially reformed command economy context, I am more inclined to relate it to a kind of pragmatic orthodoxy deeply rooted in pre-reform methods for determining policy and planning priorities. This is consistent with the view of some Chinese scholars who tend to emphasise macroeconomic regulation of regional economic growth with all the implications for control and management of large cities (Hu, 1994; Zhao and Xu, 1992).

### Rural and Urban in China’s Regional Development: Seeking a Middle Ground

The general pro-urban/pro-rural conceptual divide in Chinese theories of development has been challenged by scholars and bureaucrats who are seeking a middle-level framework that aims for better economic integration in the settlement hierarchy (Wei, 1993; Yang, K. Z., 1992). When such ideas were first broached in the mid 1980s big cities were taken as the “nucleus” (hexin), medium sized cities as the “link” (niudai), and rural small towns as the “cell” (xibao) (Li, M. B., 1983). As Kirkby (1985: 243) pointed out, however, “the actual mechanisms and divisions of economic and political responsibility necessary to the workings of such a system are left unstated”.

Conceptually speaking though, there have been some excellent studies over the last few years that have fleshed out notions of a theoretical middle ground and which hint at a path through the apparent impasse. These are introduced and developed in the next section.

The need for a new theoretical middle ground is underscored by the inability of current policy and planning strategies to respond effectively to a rapidly evolving space economy. Lin, Wang, and Tang (1992) refer to the dramatic impact of development in highly productive agricultural regions, while Miao (1994) highlights the problems of co-ordinating urban and rural industries. Others have focused on the “fusion” between town and country and issues of urbanisation in economic development that illustrated how conventional theoretical frameworks cannot account for certain elements of regional change (Sui, 1992). The mechanisms and processes which underlie this change have been viewed in terms of “rural urbanisation” (xiangcun chengshihua or sometimes nongcun chengzhenhua) that attempts to accommodate characteristics not commonly identified in the conventional models. Chief among these are the ownership and management structures of rural enterprises, and the community level motivation and means for establishing such enterprises (Chen and Hu, 1991). These features are also linked to the geographical and historical circumstances of local development.

Moreover, rather than emphasising the role of big cities, this work tends to examine the importance of linkages between the countryside and cities and towns from a rural perspective. Some have even speculated that it is the intensity of the rural transformation that has in fact stimulated many of the urban state-run industrial reforms. At the core of this perspective is recognition of a regional countryside and town system exhibiting a “unified”, “integrated”, or “organic” spatial economic development (Chen and Hu, 1991: 102; Liu and Ma, 1991). Evidence from the lower Yangzi delta discussed below suggests it is neither clearly rural nor urban in character and it is certainly not urban initiated and driven. Several Chinese scholars and bureaucrats have conceptualised the processes of this spatial economic restructuring in the term chengxiang yitihua -- literally translated as “city-countryside integration” (Duan, 1993: 19; Zhang, 1989). However, the deeper meaning implies an organic whole -- a kind of ecosystem approach (or rural-urban symbiosis) in which there is a transformation of the countryside through the opening up and linking of smaller cities and towns to the surrounding regions.

Although chengxiang yitihua is sometimes associated with the specificities of rural-urban economic and commercial linkages, I invoke its underlying meaning as a platform for building a theoretical middle ground. Interestingly, few Chinese studies have attempted to merge the processes conceptualised with the array of empirical findings that have identified key socio-spatial features of China’s rural transformation. One notable exception was an internally published report from the Department of Geography at Nanjing Normal University (Human Geography Research Office, 1990). The authors proposed a framework to capture the relationships between several key features in the development of rural urbanisation in the lower Yangzi delta (See Figure 1). However, the framework overlooked certain now commonly accepted elements such as the reproduction of capital and institutional parameters and it also failed to elaborate upon the geographical processes which underlie the key features of local spatial economic change. Indeed, while the urban-rural distinction is once again emphasised the conceptual and morphological character of rural urbanisation remained unclear. The framework does, however, give some sense of how the features shown relate to each other and provides a useful preliminary framework for understanding regional development in the lower Yangzi delta. (FIGURE 1 NEAR HERE)

While many of the dimensions of this development are set in regional or national urban centres or even abroad, many local phenomena have an impact at these larger scales. Furthermore, understanding the complexity of the interactions between the local and extra-local is crucial to realistic analysis. Only by examining the structure of this transactional environment and its institutional framework from a local perspective can we begin to challenge the inexorability of the transition to conventional urban forms and the (imminent) demise of rural organisation in the face of the intense pressures of world market integration.

The middle ground proposed in this paper consists of several overlapping elements. The first begins by rejecting the conceptual baggage associated with conventional notions of urban and rural. Mounting evidence of the existence of socio-economic patterns and processes, conceptually and spatially between the two, forces reconsideration of such notions. The second refers to the need for a middle level geography of production that balances broader theories of location and the production of industrial space with local experiences and circumstances. This can be achieved by considering the activities of industrial enterprises in their institutional and transactive contexts. The third requires closer examination of local level forces in relation to, but not ancillary to, global and national exogenous (usually urban centred) influences. This paper privileges the local in this part of the analysis to counter the prevailing focus on large scale issues and theoretical frameworks which have usurped much of the intellectual inquiry. The fourth element aims for a middle ground between theory and

praxis which can provide a framework for meaningful analysis and a basis for planning and policy strategies for the management of rapidly transforming regions in China.

#### Rural Agglomeration in the Lower Yangzi Delta: Enterprise Location and the Reconstitution of Local Space

Three main assertions arise from the preceding theoretical analysis. First, the patterns and underlying processes and mechanisms of regional development in the lower Yangzi delta are fundamentally linked to intensely localised characteristics and circumstances within the wider Chinese space economy. Second, industrialisation and the morphology of spatial economic restructuring in the delta are best understood and explained in terms of the complex interactions and interrelationships which constitute the transactional environment. Third, external economies, the dynamics of agglomeration, and the role of large cities and other exogenous forces, while important, are apparently less significant in determining the precise character of local and regional transformation in the delta than are endogenous forces.

Understanding spatial economic transformation in the delta requires transcending the conventional wisdom of urban and regional development and the *de jure* organisational frameworks which institutionalise such concepts. While cities are commonly viewed as the nexus of growth and linkages to the outside world, regional development in the lower Yangzi delta appears to be more complex than merely in terms of its purported dependence upon urban centred external forces. The critical parameters and the vitality of regional development in the delta were in fact centred within the multitude of localities, making large cities relatively less important. Moreover, while the primacy of agricultural activities (especially in terms of basic food production) has not diminished, new roles in industrial production and other non-agricultural activities have emerged that create new locally specific opportunities for accumulation making rural areas the foci for socio-economic and institutional transformation. Elements of this rural transformation are illustrated in Figure 2 which incorporates the three main assertions described above into an alternative conceptual framework.

The spatial patterns of regional transformation in the lower Yangzi delta, and their underlying processes and mechanisms, I have characterised in Figure 2 as rural agglomeration. The term comes from my translation of the Chinese words *nongcun juluo*. The term was first used in a particular Chinese study which sought to conceptualise rural industrial development and rural urbanisation in southern Jiangsu (Nanjing Normal University, Department of Geography, 1990). I have appropriated the term in translation – rural agglomeration – to refer here to the particular characteristics of spatial economic restructuring in the lower Yangzi delta. The objective here is to synthesise elements from the Chinese urban and regional development literature to reconceptualise the complex interactions and interrelationships between economic development and the form, nature, and organisation of production in the lower Yangzi delta. (FIGURE 2 NEAR HERE)

The framework is situated on a meso-scale level of abstraction between concrete local factors affecting the location of enterprises and the production of industrial space, including locality and the transactional environment, and macro-scale economic reforms, external economies and the dynamics of agglomeration. Clearly, however, I have chosen to emphasise small-scale micro-factors and their administrative and institutional parameters, which largely determine the character of the rural transformation. While the diagram is divided into five main components for discussion and explanation it is important to consider this conceptual framework in its entirety. At its core, embedded within the transactional environment, are the fundamental elements which link locality and the geography of enterprise. Thus, the key features of diversification and commercialisation of highly productive agriculture and the location of industrial enterprises are linked by locally determined administrative and institutional parameters, and via revitalised local marketing and commercial functions and various transactional networks. These are mediated through towns and villages and the transactional activities of enterprises. This set of central processes (organised vertically in the centre of the model) link the historical and socio-cultural circumstances of locality to the production activities of contemporary industrial enterprises.

In the top part of the diagram the transformation of agriculture, stimulated by the economic reforms introduced in the late 1970s, has led to the emergence of other local factors in the context of the place in which change occurs. These are manifest in and influenced by space, especially through issues of ownership (as part of the transactional environment) and the control of land, which are fundamentally linked to the location and production of industrial space. This brings us to the lower part of the diagram. While production activities are partly responsible for the reproduction of capital, community level governments who own and manage enterprises largely through township and village collectives, are also able to influence the monetary practices of local banks, economic entities, and individuals for the benefit of local production activities, and local transport, information, and social infrastructure. Procurement and marketing, access to technology, expertise and capital, and production activities, while also linked to external economies partly as a result of “open door” policies and

economic reforms, are profoundly mediated by locally determined administrative and institutional parameters. The same is also true of externally inspired regional infrastructural development. The potential impact of local production activities upon the wider space economy and the emergence of industrial organisations, such as the large number of designated industrial areas and special economic and technological development zones are also taken into account.

The transactional environment is mediated through a number of formal and informal administrative and institutional parameters. These are linked to bifurcation of the role of local governments both as community administrators and as owners and managers of non-agricultural enterprises. Although this bifurcation has deep historical and contemporary roots, it is primarily the disengagement of the central government from local administration that occurred with economic reforms, that has sharply enhanced the dual role of local governments. Within the transactional environment, processes of representation embedded in various administrative and institutional structures allow for the local mobilisation of indigenous and external means of production. These locally determined representations manipulate the transactional network, sometimes creating new ones, in order to maximise community-based production opportunities. In the absence of a meaningful legal and regulatory framework localities are free to exploit all means at their disposal to achieve this objective. Local actors, often with apparently conflicting roles, exercise their influence through these intensely localised economic and bureaucratic structures. This helps to explain the intensity and diffuse nature of local transactional networks, within structures and across space, and accounts for the lesser importance of linkages with external economies and the dynamics of agglomeration.

Ultimately, however, this paper is less concerned with the simple unfolding of the social relations of production across space than with the means whereby local actors, through their transactional networks, construct industrial space by utilising certain administrative and institutional structures. These transactional networks and institutional structures must be carefully analysed in order to understand and explain enterprise location and the reconstitution of local space in the lower Yangzi delta. The conceptual framework proposed here, provides a preliminary checklist of the main elements which underlie spatial economic restructuring in the lower Yangzi delta. It also serves to uncover, and then suggests methodologies to evaluate, the critical linkages between the underlying processes and mechanisms and the specific consequences of regional economic transformation in the lower Yangzi delta.

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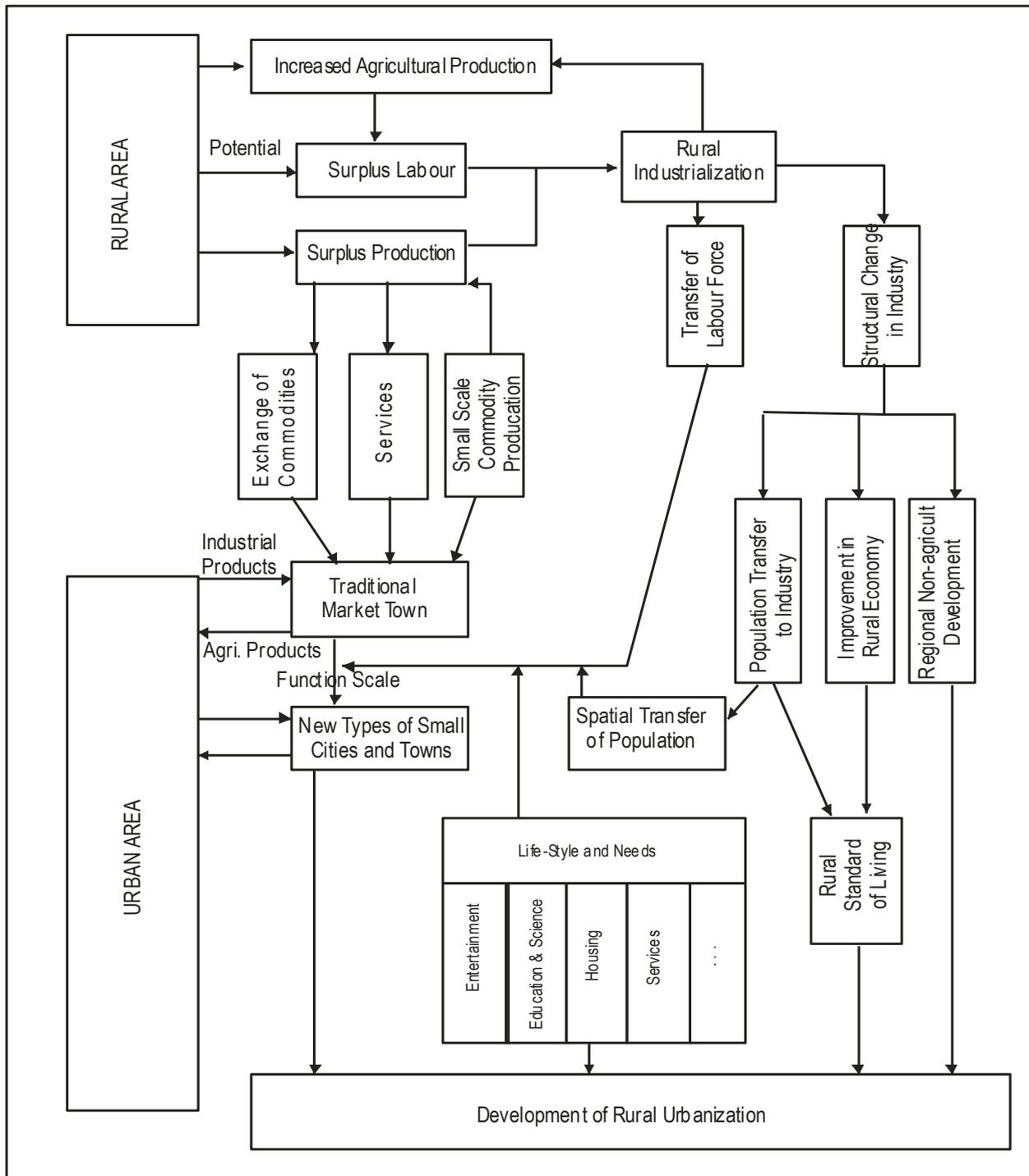
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FIGURE 1

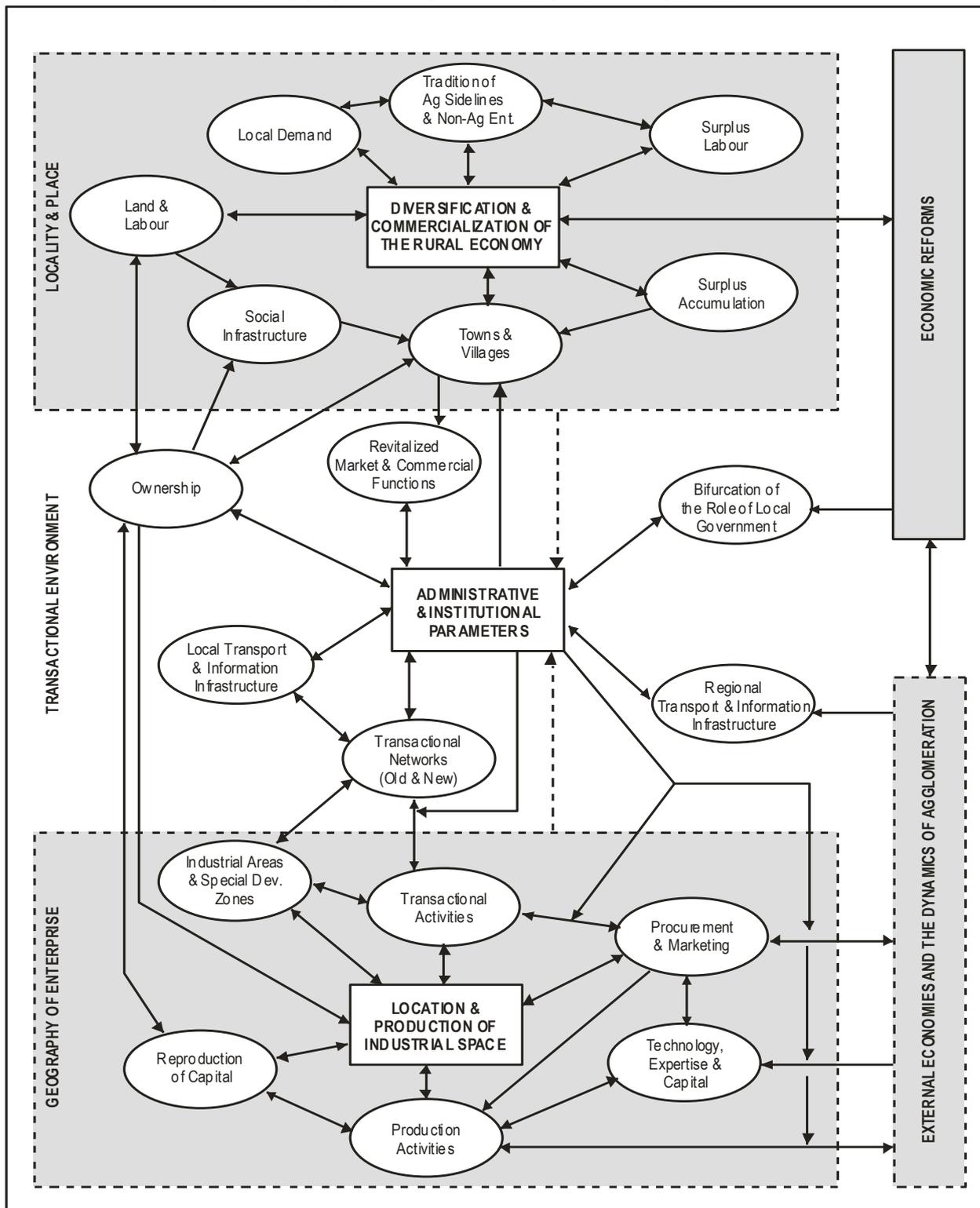
RURAL INDUSTRIALISATION AND THE DEVELOPMENT OF RURAL URBANISATION



Adapted from Marton (2000), p. 43

FIGURE 2

RURAL AGGLOMERATION IN THE LOWER YANGZI DELTA



Adapted from Marton (2000), p. 188