

## Local geographies of globalisation: rural agglomeration in the Chinese countryside

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**Abstract:** *China's rural enterprises were responsible for 48 per cent of the \$US 151 billion in exports and absorbed nearly 20 per cent of total foreign direct investment in 1996. Clearly, the significant and increasing role of rural enterprises in China's integration with the world economy demands attention. The penetration of global capital into the rural enterprise sector and the desire of such enterprises to benefit from expansion into international markets have important implications at the local level. The impact of international, domestic and local forces on institutional and structural reforms is reflected in particular spatial outcomes in rapidly developing non-urban regions. Local authorities have responded to external forces in ways which do not conform to the conventional expectations. Evidence from the lower Yangtze (Yangzi) delta reveals how the supposedly universalising pressures of globalisation have been mediated and adapted at the local level, particularly in terms of enterprise location and the proliferation of special zones. Expanding on the *desakota* hypothesis, the notion of rural agglomeration is introduced to capture the paradox of spatial economic transformation as it was linked to local circumstances, and localised responses to external pressures of globalisation.*

**Keywords:** *globalisation, industrial location, rural agglomeration*

This paper will examine the shifting structures of rural industrial organisation and management in the context of the increasing integration of China's rural enterprises into the global economy. The nature of world market integration is beginning to have repercussions for continuing efforts at institutional and structural reform in China which are reflected in particular spatial outcomes at the local level. Local authorities and their economic agents have responded to these external and other market forces in ways which do not conform to the conventional expectations. Evidence from Kunshan, a county level municipality

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in the heart of China's lower Yangtze (Yangzi) delta, reveals how the supposedly universalising pressures of globalisation have been mediated and adapted at the local level, particularly in terms of enterprise location.

The now considerable literature on China's rural township and village enterprises (TVEs) has tended to focus on their rapid growth and spatial proliferation, their emergence as part of the downward dispersion of economic and administrative power away from the centre, and their relationship to local governments and highly localised development imperatives (Byrd and Lin, 1990; Croll, 1994; Ho, 1994; Lin, 1997; Naughton, 1995). Other more recent literature on China's integration with the world economy either overlooks or ignores the TVE sector altogether (World Bank, 1997a, 1997b). The penetration of global capital into the rural TVE sector and the desire of such enterprises to benefit from expansion into international markets are beginning to have important implications at the local level. Since 1998 there has been a gradual shift in the nature of TVE organisation and management, and experimentation with different forms of ownership. The precise causes and implications of this institutional transformation remain under-explored areas of analysis.

The evolving interactions and interrelationships between rural TVEs and other agents in the regional and global economy will deeply influence the prospects for future growth. As part of this evolution the details of resource allocation, labour utilisation, enterprise location, social welfare and gender equity, and local income distribution will require further elaboration. The institutional changes that embody these issues are usually perceived as the outcome of efficiency driven economic criteria in response to the ostensible universalising pressures of globalisation. While such factors are clearly important, the way in which global processes and mechanisms are mediated and adapted at the local level in China frequently disrupts the pretensions of the international marketplace. Therefore, understanding institutional changes in the TVE sector must include an analysis of the complex interactions between the varying interests and influence of local and international actors.

Understanding the complexity of the interactions between the local and the extra-local is crucial to realistic analysis. Only by examining the underlying processes and mechanisms and their institutional context from a local perspective is it possible to challenge the inexorability of the transition to conventional urban forms and the (imminent) demise of the countryside (see Koppel, 1991). This approach is inspired by the work of McGee (1991) who highlighted elements of regional transformation near or between large cities in Asia that provided an alternative to the prevailing rural-urban dichotomies. The key insight was to recognise the emergence of densely populated areas of mixed agricultural and non-agricultural activities that McGee called *desakota* regions. As will be confirmed below in the case of the lower Yangtze delta the resulting patterns of development that distinguished urban from rural are, therefore, more difficult to delineate. However, the notion of *desakota* merely serves as a starting point for the empirical analysis and development of a more sophisticated framework which seeks to explain particular patterns of spatial economic transformation in this part of China.

The next section introduces the region of this study. This is followed by a discussion that will establish a conceptual foundation for the subsequent analysis by exploring elements of the Chinese development debate. Here I seek to highlight particular insights which firstly challenge the conventional notions of spatial economic change in China, and secondly which begin to provide alternative frameworks for analysis and theorisation. I will then review some evidence from the lower Yangtze delta which provides some empirical support for the need to pursue alternative interpretations of the patterns and underlying processes and mechanisms of regional restructuring in the delta. The fifth section will elaborate upon the characteristics and influence of institutional parameters especially in terms of how local actors negotiate and manage their transactional relationships in the wider space economy. The notion of rural agglomeration is introduced in the sixth section to capture the paradox of spatial economic transformation as it was linked to local circumstances, and localised responses to the pressures of world market integration. The concluding section will tease out some of the implications of the resulting reconceptualisation of regional transformation in the countryside of the lower Yangtze delta.

## RURAL ENTERPRISES AND KUNSHAN

In 1996 rural township and village enterprises (TVEs) accounted for 28 per cent of China's total industrial output value, nearly equal to that of the mostly urban state sector, and more than one third of the nation's GDP (Purushotham, 1997; *China Statistical Yearbook*, 1997: 411). Employing over 135 million workers, just under 20 per cent of the nation's total labour force, the TVE sector was responsible for 48 per cent of China's \$US 151 billion in exports in 1996, up from 43 per cent the year before (*China Statistical Yearbook*, 1997: 587, 603; *China Rural Statistical Yearbook*, 1997: 333). The sector also absorbed nearly 20 per cent of China's total foreign direct investment in 1996. Clearly, the significance and increasing role of rural TVEs in China's integration with the world economy demands attention.

Kunshan is a county level municipality (*xianji shi*) located in southern Jiangsu adjacent to the Shanghai Municipal region (Fig. 1). The centre of Kunshan is located 55 kilometres from downtown Shanghai and 36 kilometres from the city of Suzhou. Comprising 20 towns and 466 villages, Kunshan covers an area of 865 square kilometres, 60.8 per cent of which was cultivated land in 1996, with another 22.3 per cent containing lakes, rivers and canals. At the end of 1996 the population was 583,364. The average annual growth rate of industrial output in Kunshan between 1979 and 1996 was 32.7 per cent (*Jiangsu Forty Years*, 1990: 393–394; *Kunshan Statistical Yearbook*, several years; *Suzhou Statistical Yearbook*, 1997: 12). The emergence of non-agricultural activities in the Kunshan countryside since 1979 is also reflected in the declining proportion of the total value of output attributed to farming. Agriculture accounted for more than 35 per cent of total output in Kunshan in 1979, decreasing to about 6 per cent in 1996. The contribution of the tertiary sector rose from 13 per cent to more than 17 per cent over the same period (*Jiangsu*

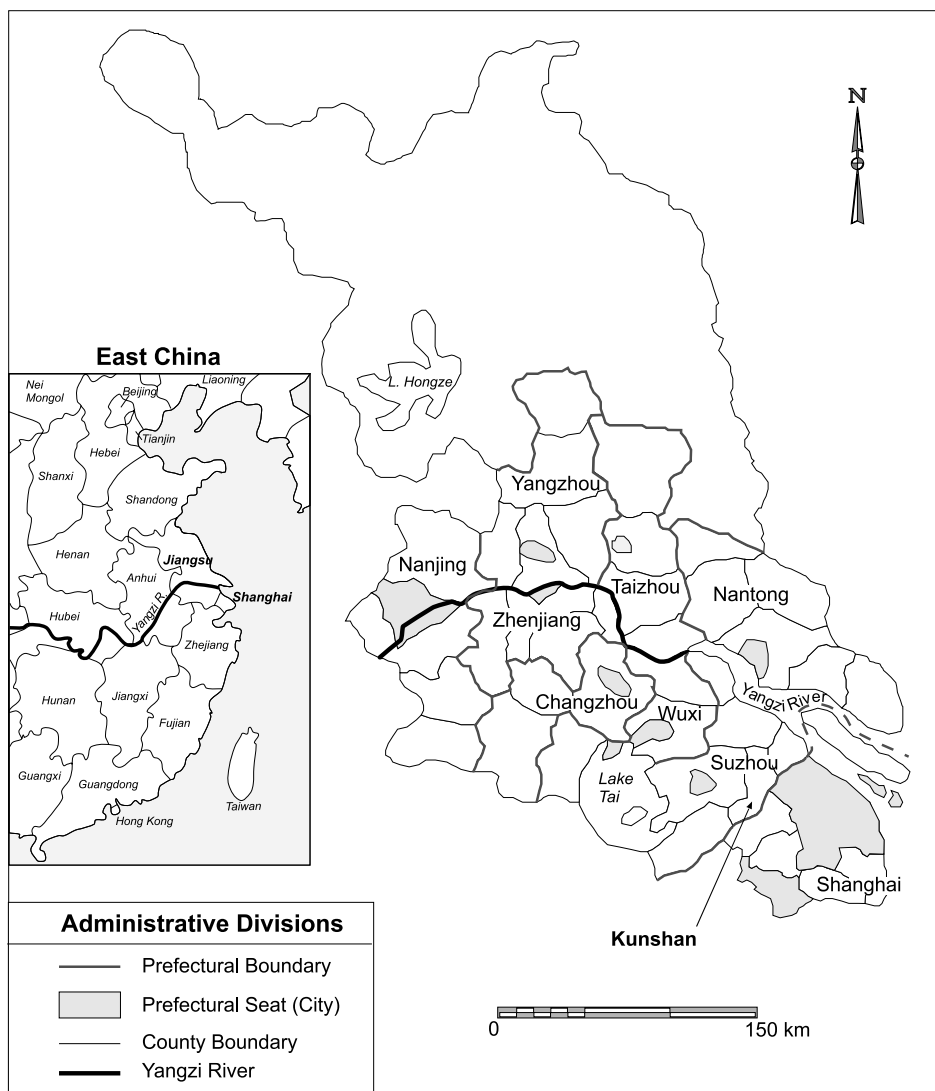


Figure 1. East China, the lower Yangzi delta, and Kunshan, 1998

*Forty Years*, 1990: 382,394,398; *Kunshan Statistical Yearbook*, 1996: 17). As a result of this structural shift in the local economy, by 1996, per-capita GDP in Kunshan had reached RMB 19,660, nearly double that for the nearby city of Suzhou (*Suzhou Statistical Yearbook*, 1997: 40, 41, 46).

In addition to the conspicuousness and rapid pace of economic change, Kunshan's location and its administrative position in the lower Yangtze delta were appropriate for an evaluation of a range of potential forces which might have influenced the patterns and processes of this change. While Kunshan was located between and adjacent to two large urban centres, it was also administratively distinct and more independent than other areas lower in the administrative

hierarchy. Kunshan was also topographically uniform and, as well as straddling major regional and national transportation corridors, had its own well-developed internal transportation network. Thus, Kunshan provides a quintessential example of the local character of regional change (Marton, 2000).

## **GLOBALISATION AND CHINA'S REGIONAL DEVELOPMENT: SEEKING A MIDDLE GROUND**

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 kaifagu*) (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).

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 Yangtze 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 *et al.* (1993) who refers 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 macro-economic regulation of regional economic growth with all the implications for control and management of large cities (Hu, 1994; Zhao and Xu, 1992).

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, 1999; Yang, 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 small rural towns as the 'cell' (*xibao*) (Li, 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.

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 coordinating urban and rural industries. Others have focused on the 'fusion' between town and country and issues of urbanisation in economic development that illustrate 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 Yangtze 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 or 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 Yangtze delta. 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 model 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 Yangtze delta.

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 and is informed by McGee's (1991) *desakota* hypothesis. Mounting evidence of the existence of socio-economic patterns and processes which are, 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.

### **THE LOWER YANGTZE DELTA AND KUNSHAN: GLOBALISATION AND URBAN TRANSITION OR REGIONAL RESILIENCE?**

This section will introduce evidence from the lower Yangtze delta and Kunshan which support the need to pursue alternative interpretations of the patterns and underlying processes and mechanisms of spatial restructuring in the delta.



**Table 1.** Industry and Gross Domestic Product by Region: Suzhou and Shanghai, 1998

Location	GVIO <sup>1</sup> (billion RMB)	Per-capita GVIO (RMB × 1,000)	Per-capita GDP (RMB × 1,000)	Per-worker GDP (RMB × 1,000)
Suzhou City	45.48	42.21	18.42	36.69
• Kunshan	30.52	51.95	25.68	44.18
• Changshu	40.78	39.14	19.70	34.21
• Zhangjiagang	47.21	55.28	27.53	58.61
• Taicang	24.04	53.45	26.81	48.96
• Wuxian	38.07	39.24	16.99	32.19
• Wujiang	35.51	45.93	28.60	40.43
Average for Non-Urban Suzhou	N/A	46.22	22.49	41.56
Shanghai <sup>2</sup>	584.78	39.94	25.19	55.05

Notes: 1 Gross value of Industrial Output. 2 Figures are for the entire municipal region including both urban districts and suburban counties.

Sources: Calculated from: *Jiangsu Statistical Yearbook*, 1999: 363–367, 369–370, 384–385, 427, 441, 446; *China Statistical Yearbook*, 1999: 63, 113, 135, 425.

Table 1 shows the 1998 gross value of industrial output and gross domestic product in the six non-urban county-level units of Suzhou prefecture compared with the cities of Suzhou and Shanghai. The figures provide an indication of the location and relative value of economic activity in one of China's most rapidly transforming regions. While absolute values of industrial output are comparable to the city of Suzhou, average per-capita industrial output in the counties is higher than the city (Fig. 1). If we assume that the figures are distorted somewhat by the dominance of relatively inefficient state owned enterprises in urban areas, we might expect per-capita and per-worker gross domestic product to show the city in a more favourable light. This is not the case. Indeed, average values of GDP per-worker and per-capita for the counties are 13 and 22 per cent higher than for the city of Suzhou. Figures for the city of Shanghai are provided as a point of comparison. The key point here is that there is apparently a lot of economic activity occurring outside the big cities and that it is relatively efficient. Moreover, this activity exists in a region where unit area yields of staple grains such as rice are among the highest in China.

Dianshanhu Town in the southwestern most corner of Kunshan exemplifies the patterns and characteristics of rural non-agricultural development across this part of the lower Yangtze delta. The town borders Shanghai to the east and south and has nearly 25 kilometres of shoreline along Dianshan Lake from which it derives its name. Living in more than 8,000 households, the population was just over 27,000 with about 4,000 residing in the town seat and the rest disbursed among the town's 29 villages (*Kunshan Statistical Yearbook*, 1997). Table 2 summarises the available data for rural industrial enterprises in Dianshanhu between 1989 and 1996. In 1989 town and village level enterprises employing 5,735 workers generated RMB 140.9 million in output. Although the number of enterprises steadily decreased to 57 by 1996 due to closings and mergers, the number of employees increased to a peak of 6,840 in

**Table 2.** Dianshanhu Town, Kunshan rural enterprises, 1989–1996

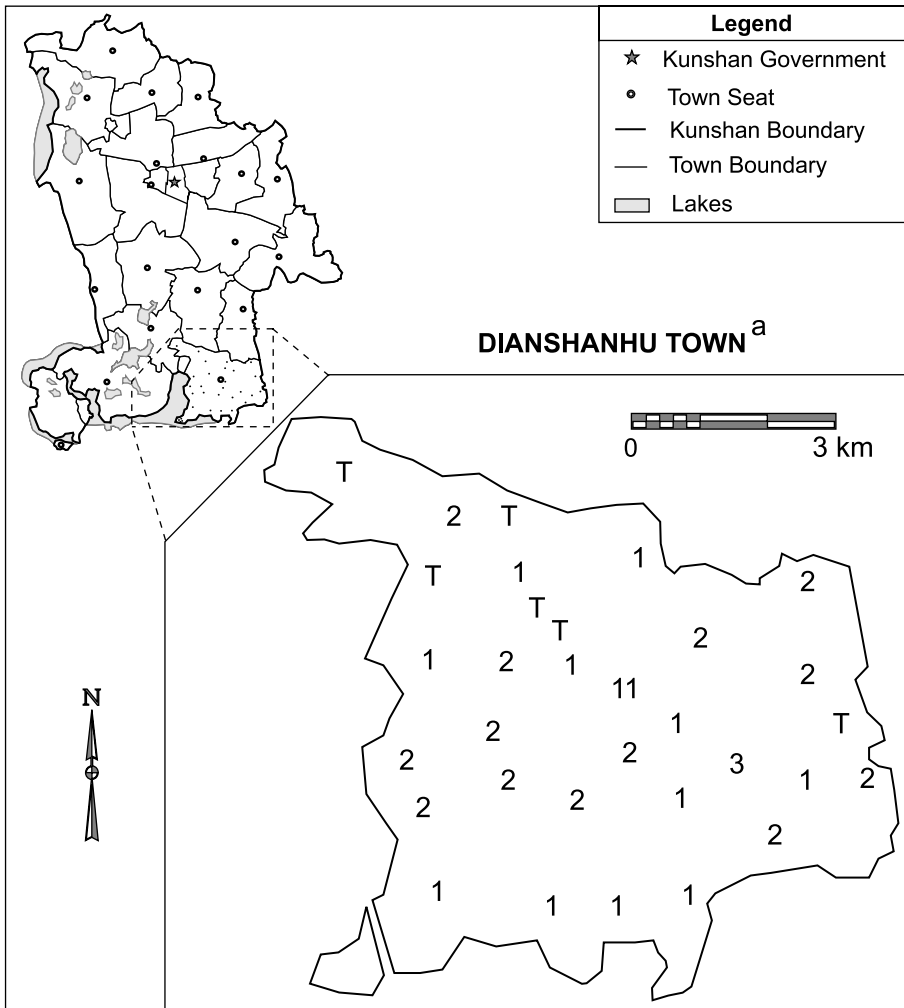
	1989	1990	1991	1992	1993	1994	1995	1996
TVEs (No)	138	127	102	83	81	79	55	57
Employees (No)	5,735	5,115	5,968	6,140	6,840	5,920	5,382	5,325
GVIO <sup>1</sup> (10 <sup>6</sup> RMB) <sup>2</sup>	140.9	168.3	232.3	551.2	903.3	965.6	817.2 <sup>3</sup> (584.1)	566.2
Exports (10 <sup>6</sup> RMB) <sup>4</sup>	17.0	41.4	73.9	164.7	318.6	437.9	563.7	379.0

Notes: 1 Gross Value of Industrial Output. 2 Figures here are in 1990 constant prices. 3 The method of calculating output changed in 1995. The amount in brackets and for the subsequent year indicates the total as calculated by the new method. 4 Figures here are in current prices for the year shown.

Source: Calculated from: *Kunshan Statistical Yearbook* (several years).

1993 before levelling off again at 5,325 in 1996. Total industrial output from these rural enterprises grew by an annual average of 33.5 per cent over the seven years to 1996. Meanwhile, the value of exports from these enterprises listed at the bottom of Table 2 also grew at an astonishing rate. This is consistent with the importance of the national level figures referred to at the beginning of this article. What if any impact has this growing internationalisation of local enterprises had upon their spatial distribution and organisation?

Figure 2 illustrates the spatial distribution of industrial enterprises across Dianshanhu Town in 1997. The proliferation of enterprises into all corners of the town is clear. This despite localised attempts to encourage the relocation of enterprises to take advantage of the perceived opportunities of agglomeration and economies of scale. Under the direction of county-level officials, Dianshanhu had by 1997 implemented other measures to ‘force’ changes in the management of local enterprises by re-negotiating their links to local governments and experimenting with new types of ownership and corporate groupings (Interview notes). Along with the re-organisation and reduction of local government departments that was in full swing at the time, policies for a ‘unified land system’ (*yi tian zhi*) were also introduced focusing on the development of specialised zones – especially among the small towns – to ‘capture economies of scale at the local level’ (Interview notes). There were two such town-level special zones in Dianshanhu located as indicated on Fig. 3. The Industrial development Zone was located about a kilometre to the west of the town seat and was being heavily promoted by local officials. One of the few resident enterprises in the zone was a very large packaging and printing concern formerly based in one of the nearby villages. The general manager extolled the virtues of the enterprise’s location within the zone and the various management and ownership changes linked to the desire to export to international markets. Interestingly, when pressed privately about enterprise expansion plans he admitted that local government ‘interference’ was still a problem and that the new factory would be built back in the ‘home’ village (Interview notes). Thus, while enterprise decision-makers were acutely aware of the pressures associated with internationalisation on the one hand, their responses



**Figure 2.** Location of rural enterprises: Dianshanhu town, Kunshan, 1997

*Note:* a. Numerals refer to the number of enterprises and their location. 'T' refers to the town level enterprises located outside the town seat.

*Sources:* Enterprise survey data; Field observations; Interview notes.

remained deeply mediated by intensely localised exigencies and opportunities on the other.

Indeed, many of the 28 special zones in Kunshan illustrated in Fig. 3 were a response to local efforts to take advantage of real or perceived benefits. However, the planned or desirable directions of developments in these zones revealed a profound lack of specialisation. Perhaps more problematic was the dramatic growth in the number of such zones and their spatial proliferation into productive agricultural lands. Virtually every town in the lower Yangtze

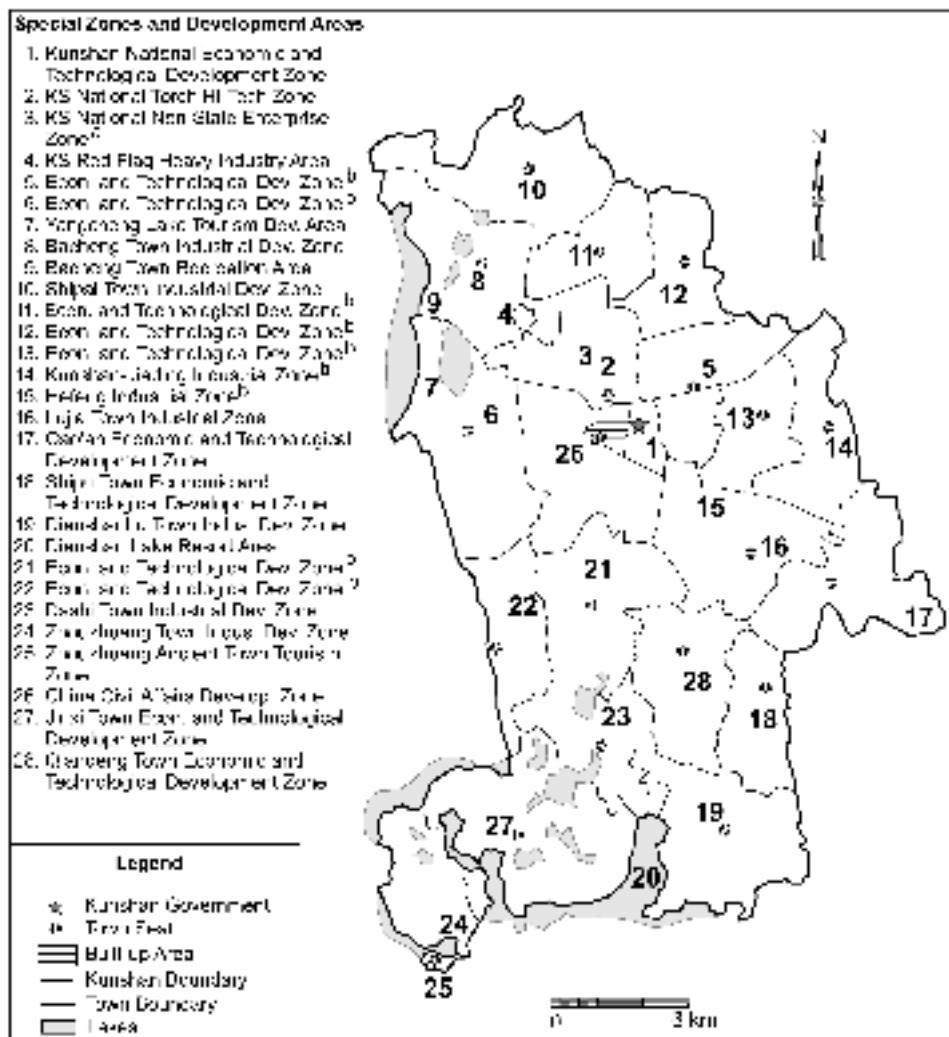


Figure 3. Special development zones: Kunshan, 1997

Notes: a. While this zone is spatially distinct, administratively it is part of the National Torch High Technology Zone. b. These zones are affiliated (*peitao*) with the Kunshan National Economic and Technological Development Zone, although they are spatially distinct and managed by the respective town level bureaucracies.

Sources: Interview notes; Field observations; Zhang, 1996.

delta had some sort of a special development zone designed to attract foreign and domestic investment. Within Kunshan itself at least half of the 466 villages also had areas considered as special development districts. Within the farming sector in Kunshan, the general response to the emergence of large numbers of non-agricultural enterprises was characterised by the dual processes of preservation and specialisation. Taken together, these outcomes suggest that there was a deliberate effort to create concentrations of particular types of land use.

However, in practice such efforts remained intensely localised as virtually every administrative jurisdiction endeavoured to construct its own recreational, commercial, and industrial space (see Fig. 3).

## **NEGOTIATING AND MANAGING THE REGIONAL TRANSFORMATION: INSTITUTIONAL PARAMETERS**

Underlying the review of the theoretical debates about regional development, industrial location, and urbanisation in the first part of this paper, was the assumption that organisational forms of production systems were linked to spatial relations which were themselves embedded in the regional geography of place. This assumption not only informs the analysis undertaken in this study, it also helps to highlight the conceptual reformulations necessary to understand and explain the patterns and processes of regional transformation in the lower Yangtze delta.

Analysis of spatial economic restructuring in Kunshan and the lower Yangtze delta revealed key interactions and interrelationships, embedded within administrative and institutional parameters which constituted fundamental elements of the region's transactional environment (Marton, 2000). These linkages became the analytical focus in response findings which suggested, among other things, that regional development here was more complex than merely in terms of its relationship to, and purported dependence upon, urban centred external (global) forces. Undertaking the analysis in this way, elaborated upon the nature of the transactional networks within the local and regional space economy, and the linkages through which local agents negotiated and managed their relationships with the wider international scale.

The resulting administrative and institutional structures, most frequently defined and embedded within locality and place, and their articulation and emergent effects, both determined the patterns and processes of local economic transformation, as well as the role of place within the wider space economy. While invoking this line of argument, I am deeply cognisant of the debates revolving around agency and structure, and in the danger of conceptualising locality itself as agent (Cox and Mair, 1992; Marsden *et al.*, 1993: 135–146). Nevertheless, this does not weaken my intention to highlight the relationships between locale and institutional structures by highlighting the transactional activities and networks of local agents which determined local and regional patterns of development.

Some might prefer to characterise this perspective in terms of the political geometry of power relations, or to emphasise the way social relations of production constructed social space and production systems (Cox and Mair, 1991; Massey, 1991, 1995: 338). Inevitably, however, these approaches tend to reduce the relevance of locale merely to that of a 'meeting place' of intersecting, usually externally determined layers of agency, interests, and social relations. This conceptualisation of place and locality as most frequently embedded in spatial structures is fundamentally contrary to the perspective proposed in this paper. The approach advocated here pays a great deal more

attention to the constellation of circumstances uncovered in the Chinese countryside which elevated locales and places there to a more fundamental role in the production of industrial space.

Patterns of industrial location in the lower Yangtze delta emerged in response to administrative and institutional structures linked to the restructuring of the rural economy and local growth machine politics. Industrial space in the countryside was constructed through processes and mechanisms of growth, rather than through the efficient allocation of enterprises across the economic landscape. Industrialisation itself largely depended upon the capacity of local actors to negotiate and manage access to the means of production and markets. Under such conditions, decisions about the precise location of enterprises were in most cases not subject to the economic logic of conventional factors. That is, industries in the delta produced economic space without being 'held hostage' to pre-existing spatial distributions of supply and demand (Storper and Walker (1989: 70). Moreover, while the efforts to create access to inputs and markets were operationalised via intensely localised administrative and institutional structures, this did not necessarily translate into the formation of dense industrial clusters, or even in the building-up or expansion of urban centres, although this was a frequently stated regional development objective.

That is not to say that these phenomena were absent in the wider space economy. However, transactional activities and their networks, while spatially dispersed, remained heavily focused on the development of 'rural' locales. Thus, industrialisation and the location of enterprises were functionally situated within their administrative and institutional parameters, which were themselves deeply embedded within their territorial milieu – that is the networks of relationships over a particular area through which actors exercised a high degree of implicit or explicit control. While this attachment to local interests and place resulted in greater flexibility and responsiveness, it also meant that the most fundamental exigencies and opportunities which stimulated and sustained industrialisation were largely immobile.

It is now important, after having elaborated in some detail upon the numerous elements of spatial economic restructuring, to step back and reassess how all these components fit into the big picture of regional development in the lower Yangtze delta. The theoretical implications of this reassessment have already been alluded to in the preceding analyses, both in terms of the critical interactions and interrelationships, and in reporting the precise spatial outcomes observed in the field.

### **RURAL AGGLOMERATION IN THE LOWER YANGTZE DELTA: ENTERPRISE LOCATION AND THE RECONSTITUTION OF LOCAL SPACE**

The three main assertions which arise from the preceding analysis are as follows. First, the patterns and underlying processes and mechanisms of regional development in the lower Yangtze 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 Yangtze 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.

The patterns and trends of this phase of regional transformation I will now characterise as rural-agglomeration. The term comes from my translation of the Chinese words *nongcun juluo*. The words first arose within a particular Chinese study which sought to conceptualise rural industrial development and phenomena associated with urban transition in southern Jiangsu (Nanjing Normal University, Department of Geography, 1990). I have appropriated the term in translation – rural-agglomeration – to refer here to the elements which characterise spatial economic restructuring in the lower Yangtze delta. The objective is to propose a conceptual framework which captures the complex interactions and interrelationships between economic development and the form, nature, and organisation of production in the lower Yangtze delta.

The framework requires a meso-scale level of abstraction between concrete local factors affecting the location of enterprises and the production of industrial space and macro-scale economic reforms, external economies and the dynamics of agglomeration. It is important to emphasise small-scale micro-factors and their administrative and institutional parameters, which largely determine the spatial character of rural transformation. Thus, the key features of diversification and commercialisation of highly productive agriculture and the location of industrial enterprises are linked to local administrative and institutional parameters which mediate the transactional activities of enterprises. This set of central processes link the historical, economic, and socio-political sub-cultures that defined locality and place to the production activities of contemporary industrial enterprises.

While enterprise activities are partly responsible for the reproduction of capital, community level actors are also able to influence the monetary practices of local banks, economic entities, and individuals for the benefit of local production

activities. 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' economic reforms, are profoundly mediated by locally determined administrative and institutional parameters. The potential impact of local production activities upon the wider space economy, including the designation of a large number of industrial areas and special zones must also be taken into account. While the creation and promotion of such zones were meant to encourage external economies and to stimulate concentrated and specialised land-use, their precise location and functions remained profoundly mediated by intensely localised administrative and institutional imperatives.

Thus, 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. 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. 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 external economies and the dynamics of agglomeration even as the rural economy becomes increasing internationalised.

## CONCLUSION

What, then, are the theoretical implications of rural agglomeration in the lower Yangtze delta? The perspective proposed here begins by situating the most important factors and outcomes of regional transformation in the Chinese countryside. It does so by linking the location and production of industrial space, through a highly transactional environment, characterised primarily by intensely localised administrative and institutional parameters, to the diversification and commercialisation of the rural economy. This approach emphasises the underlying dynamics of the interactions and interrelationships as they affected and were affected by spatial economic restructuring in the delta. The resulting framework allows the observer to grapple conceptually and methodologically with the emergence of large, densely populated areas of mixed, highly productive agriculture and rapidly proliferating non-agricultural activities. It is significant, for example, that the Kunshan economy was especially good at generating wealth through a particular combination of agricultural and industrial production (Marton, 2000).

While linkages with large cities and the international market were clearly important for places like Kunshan, it was the emergence of a spatially dispersed, but highly integrated and dense transactional environment which contributed to



the *in situ* stabilisation or resilience of local production systems. Deeply rooted in locality and place, it was this transactional environment and its largely self-generated transactions of growth which propelled spatial economic restructuring in the Kunshan countryside. Furthermore, these rapidly restructuring regions, with a previously distant presence in the hierarchy of non-agricultural production systems (at least during the more recent collectivist past), have by many measures equalled or exceeded long established industrial centres. Can the Kunshan countryside continue to be considered 'rural'? Is all or part of Kunshan 'urban'? In the context of the framework proposed here, these distinctions are less important than understanding the processes and mechanisms which have affected the emergence of such highly productive mixed agricultural and non-agricultural regions. Moreover, by rejecting this rural-urban dichotomy the conceptual framework can accommodate spatial patterns and morphologies which conform clearly to neither.

Spatial economic restructuring in the lower Yangtze delta was largely centred in regions neither clearly rural nor urban. McGee, in his *desakota* formulation, has recognised the uniqueness and significance of such zones in the context of large extended metropolitan regions. However, while *desakota* necessarily challenged conventional notions of urban transition, it remained a largely heuristic device to help explain the empirical circumstances of rapidly transforming regions in Asia. Indeed, some have criticised the *desakota* formulation for failing to move beyond merely a descriptive level (Chan, 1993). By introducing the notion of rural agglomeration this study seeks to address this concern by reconceptualising the underlying forces driving transformation in the regional space economy.

This enhanced perspective also provides the necessary opportunity to challenge the ostensibly universalising role of international forces usually perceived as articulating via large cities in regional development. While rural agglomeration in the lower Yangtze delta accommodates forces linked to the presence of large cities and other external economies, their influence on the local geography of enterprises was conceptualised as ancillary to the dominant local forces of transformation. Thus, while linkages between Kunshan, large cities, and other regions were important in terms of the magnitude of transactional activities, these external (global) relations apparently did not significantly influence the spatial patterns of local development. Such an approach also cautions against the narrow view of spatial economic restructuring in the delta as merely the penetration of urban interests and urban land uses into agricultural regions.

The notion of rural-agglomeration is also intended to capture the paradox of economic development as it was linked to the expanding power and influence of local governments to promote growth, and the rising appreciation of, and localised attempts to respond to, these external economies and the dynamics of conventional agglomeration. However, is the spatial economic restructuring observed in the lower Yangtze delta merely a transitional phase preceding the growth of large urban agglomerations? Conventional processes and patterns of urbanisation may occur as a result of the strengthening of external economies

and enhancing the dynamics of agglomeration through further economic reforms and deepening internationalisation. The nature of the product structure and the distribution of external markets become important in this context. Will endogenous factors in Kunshan continue to dominate the character of local development if there was a shift in the type of commodities it produced and to whom they were sold? Issues such as efficiency and quality, technology and capital inputs, and product cycles are already beginning to exercise greater influence over key interactions and interrelationships which determine the local geography of production. Increased access and exposure to the global economy including, among other things, a freer domestic market-place that reflected true prices, would more directly affect the transactional and production activities of enterprises, perhaps stimulating greater economies of scale and other efficiencies.

In any case, the notion of rural-agglomeration introduced here provides a conceptual framework that illustrates the complex interactions and interrelationships underlying spatial economic restructuring in the lower Yangtze delta. Moreover, it suggests methodologies to investigate how changes which affect these linkages (introduced or otherwise) might also affect the processes and mechanisms which determine specific patterns of local and regional development.

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