



## **Rural industrialization in China's lower Yangzi delta: Institutionalizing transactional networks**

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### **Abstract**

Understanding the nature of spatial economic change in China's most rapidly developing regions requires a conceptual framework that examines the role of enterprises. An examination of the relevant institutional and

Yangzi delta region, and the position of Jiangsu Province and Shanghai in East China. It is the southern Jiangsu region of the lower Yangzi delta (often referred to as Sunan) wherein the spatial economic transformation was most dramatically demonstrated. The clearest indication of this transformation arose when passing through the delta's countryside. Infused into the agricultural landscape, among the dense clusters of rural settlements and crop production, were tens of thousands of industrial enterprises. 'Rural' is defined here initially as areas that were administratively classified below the county level including towns (*zhen*), townships (*xiang*), and villages (*cun*). County level administrative seats, usually large towns (*xianshu zhen*) or small cities (*xian cheng*) were excluded. Thus, rural industry will refer to industrial enterprises owned and operated at or below the level of towns, townships, and villages.

Table 1 positions the 54,645 square kilometres of the delta in a national context as the most important economic region in China (Chreod Ltd., 1996; Zhou, 1991). More than 51 million people – 4.22% of the national total – live here, on only 0.57% of China's territory, making the delta one of the most densely populated contiguous concentrations of people in Asia. It generated 10.77% of China's gross domestic product in 1996, and 5.06% of total agricultural output. However, the delta's most significant contributions to the national economy were in terms of industrial production. Nearly 15% of China's industrial output was concentrated here in 1996. The relative importance to China of industrial output in the lower Yangzi delta was almost 4 times its population and 29 times its area. Even more noteworthy was that 52.4% of industrial output in the delta was generated by rural enterprises, accounting for well over one-fifth of the nation's total rural industrial output. The 1980–1996 average annual growth rates in agricultural output (7.6%), industrial output (21.0%), and rural industrial output (30.2%) shown at the bottom of Table 1 were also substantial. These latter figures refer to all of Jiangsu Province excluding Shanghai, and should be considered the minimum average values for the region of the lower Yangzi delta within southern Jiangsu. The average annual growth rates in Shanghai over the period 1979–1996 were 3.7% for agriculture and 10.4% for industry, while for China the growth rates (1981–1996) in agriculture and industry were 6.9% and 15.8%, respectively (SHTJNJ, 1997, p. 5; ZGTJNJ, 1997, p. 27).

The institutional dimensions of this restructuring will be explored in a detailed case study of Kunshan, a county level city (*xianji shi*) located in southern Jiangsu Province adjacent to the Shanghai Municipal region (see Figure 1). The centre of Kunshan is located 55 km from downtown Shang-

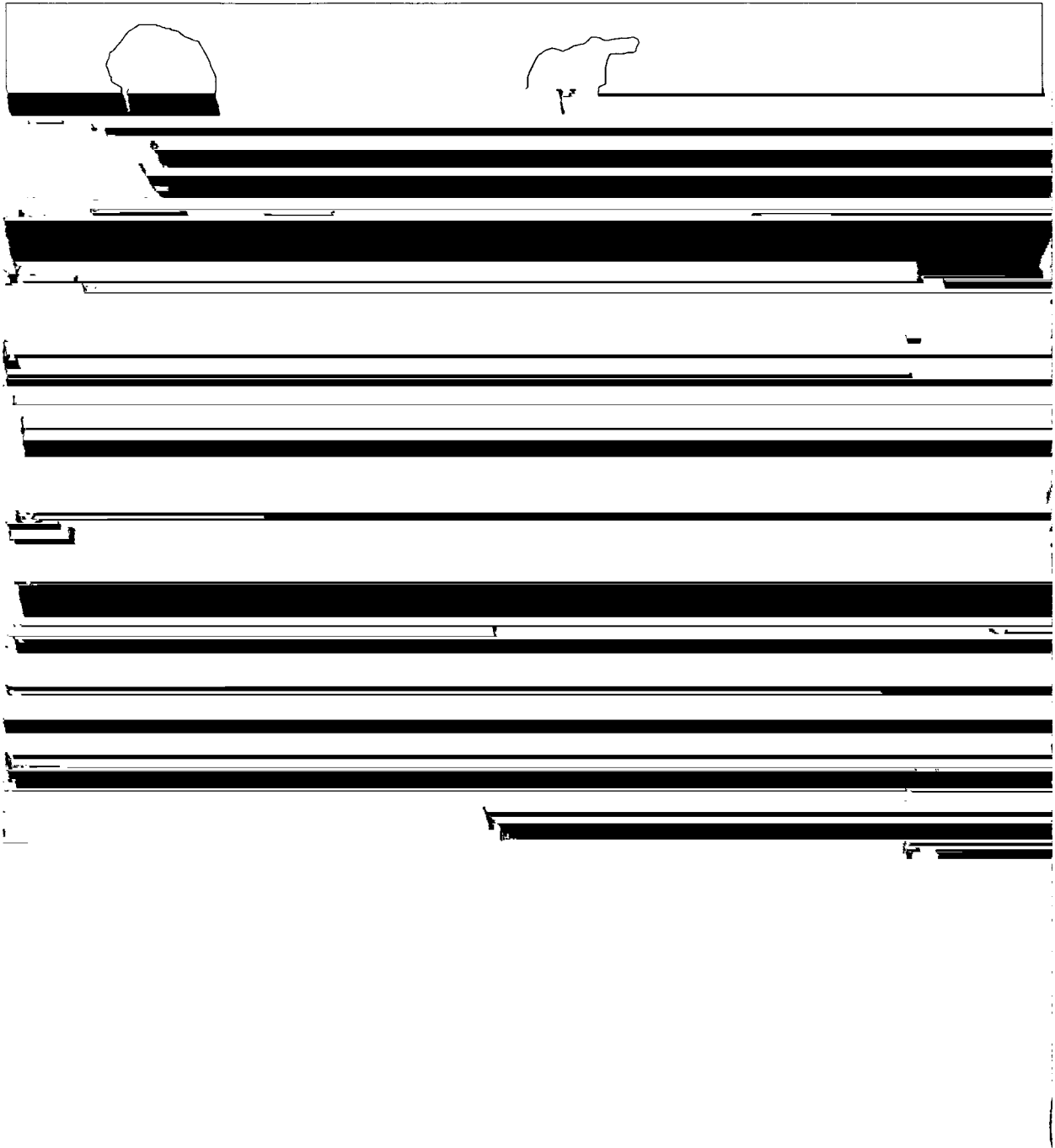


Figure 1. East China and the lower Yangzi Delta, 1996.

has been little or no mobility of local labour and population. In fact, significant proportions of the officially designated peasant population either resided in or commuted on a daily basis to work in or near the town centres resulting in an in-situ shift of rural labour into nonagricultural activities. According to the official statistical classification, 20.2% of the population in Kunshan in 1992 was considered non-agricultural (*fei nongye renkou*) (HDDTNJ, 1993, p. 330). This administrative designation conceals the numbers actually residing in the built-up township centres, but it does

provide a useful baseline. Combined with data provided by informants, it is possible to estimate an adjusted level of urbanization in Kunshan of approximately 25 to 30%. While there have been many attempts to generate longitudinal estimates of urbanization for all of China the same is much more difficult for small jurisdictions such as Kunshan (Zhang and Zhao, 1998). Data in the most recent gazetteer does suggest, however, that Kunshan was probably about 12 to 15% urbanized on the eve of reforms in the late 1970s (KSXZ, 1990, pp. 131–141). While the level of urbanization in Kun-

Table 2. Gross domestic product and sectoral distribution: Kunshan and China, 1988–1998 (selected years)

Billions RMB (current values for the year shown)

Year	Total	Agriculture	Industry	Other <sup>a</sup>
(%)	(%)	(%)	(%)	(%)
Part A: Kunshan				
1988	1.63	0.42	0.47	0.47
	(100)	(25.7)	(45.4)	(28.9)
1991	2.44	0.46	1.36	0.62
	(100)	(18.9)	(55.7)	(25.4)
1993	6.04	0.58	3.13	2.33
	(100)	(9.6)	(51.8)	(38.6)
1996	11.43	1.15	6.10	4.18
	(100)	(10.0)	(53.4)	(36.6)
1998	15.05	1.16	7.98	5.91
	(100)	(7.7)	(53.0)	(39.3)
Part B: China				
1988	1492.83	383.10	577.72	532.01
	(100)	(25.7)	(38.7)	(35.6)
1991	2161.78	528.86	808.71	824.21
	(100)	(24.5)	(37.4)	(38.1)
1993	3463.44	688.21	1414.38	1360.85
	(100)	(19.9)	(40.8)	(39.3)
1996	6788.46	1384.42	2908.26	2495.78
	(100)	(20.4)	(42.8)	(36.8)
1998	7955.30	1429.90	3354.10	3171.30
	(100)	(18.0)	(42.2)	(39.8)

<sup>a</sup>Includes construction, transportation, and commerce.

Sources: Calculated from: *KSTJNJ*, 1989

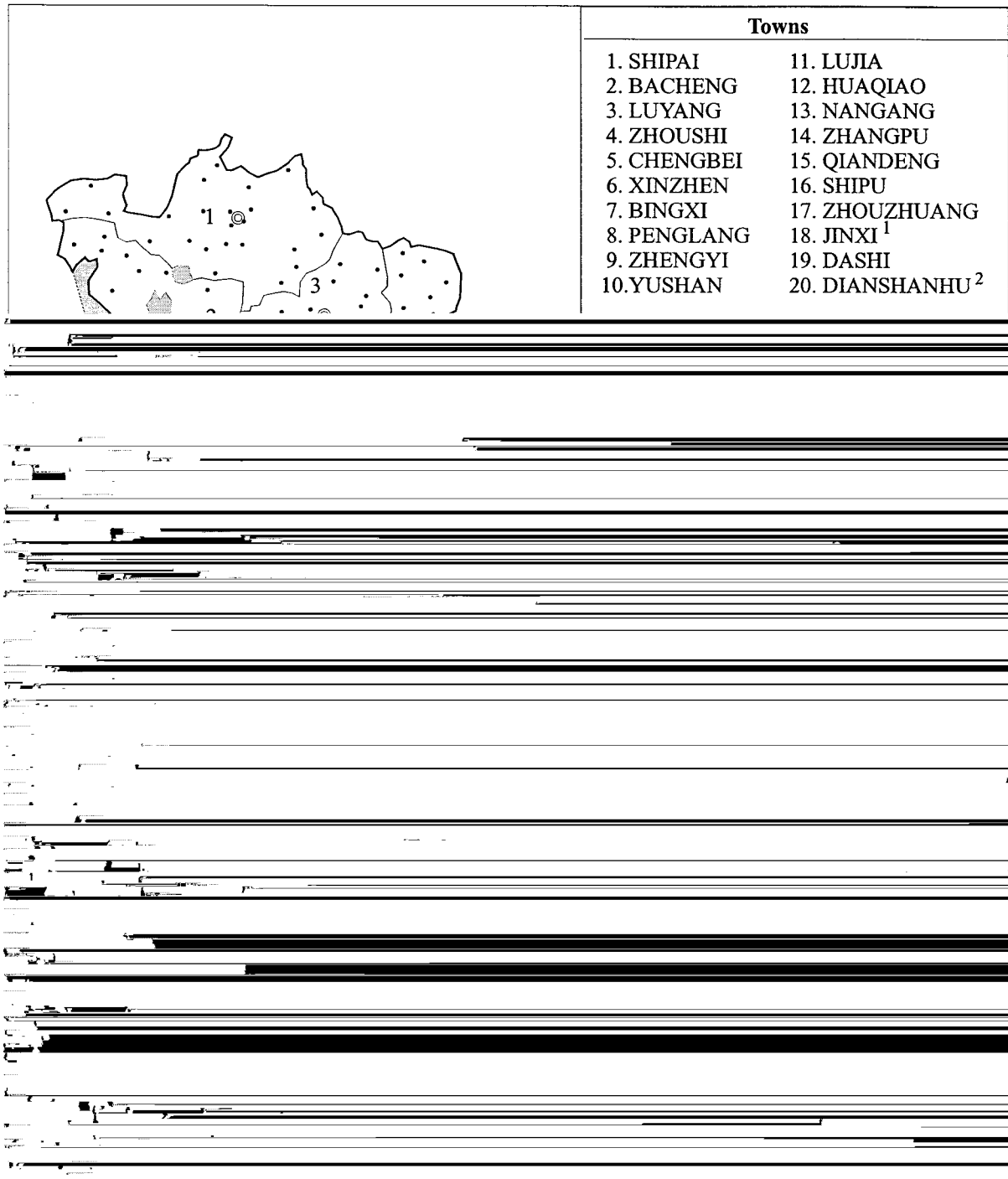


Figure 2. Kunshan: Administrative divisions, 1997.

land uses. Inherent within this spatial economic transformation were a number of tensions and conflicts associated with the proliferation of nonagricultural activities. The means by which these issues were negotiated and resolved, and the institutional structures that emerged to control and manage the networks of transactions which drive the local economy are the conceptual and analytical focus of the remainder of this paper.

### Embeddedness and the geography of institutions

One set of arguments in the regional development debate revolves around how processes of urbanization or rural change liberate, constrain, or otherwise influence each other. What has unfolded along another path is a set of arguments that 'transcend' rural-urban relations – most notably class and politics (Koppel, 1991). Here I must echo criticisms from Corbridge (1982) who points out that construction of a simple political economy with a reductionist concept of politics that concentrates on issues of class (urban, rural, or

otherwise), cannot readily explicate complex individual or institutional political and organizational allegiances. Instead,

The increasingly dense peasant population was so well-linked to higher level markets that the standard periodic market towns, which supplied a range of daily necessities and around which socio-economic life in most of rural China was organized, did not exist in the lower Yangzi delta (Skinner, 1985). By the end of the nineteenth century a complex system of markets, commercial services, and production had emerged that enabled peasants to engage in non-agricultural production without having to leave the farm.

The rise of new industries with the penetration of international capitalism through the late nineteenth century and the Republican period, added a further dimension to change in the lower Yangzi delta. New sets of interrelationships emerged which relied upon commercial services, especially the trade and investment activities of merchants and their organizational and transactional networks. Profiting mainly from the circulation of capital in the exchange of

tions, their financing and implementation at the county level





'assured' or 'contracted' markets for town and village enterprises. Taken together, the emergence of particular local administrative and institutional parameters were a central element of regional spatial economic transformation in the lower Yangzi delta. These institutional structures embodied a complex web of interactions and interrelationships tied to

