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*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*

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



*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 (*Su hou 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).

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 kaifaqu*) (Lin, 1993; Special Zones Office of the State Council, 1991;



medium-sized cities as the 'link' (*niudai*), and small rural towns as the 'cell' (*ibao*) (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

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



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

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



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

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).

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.

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.

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.

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 pro-



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 larx0dlthe x0dll stabst

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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