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*Space, Scale and the State*  
*Reorganizing Urban Space in China*

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**Space, Scale and the State**  
**Reorganizing Urban Space in China**

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## Space, Scale and the State Reorganizing Urban Space in China

### Introduction

Rapid economic development and urbanization in China since 1978 have brought significant changes to Chinese cities (Fan, 1999; Ma, 2002; Pannell, 2002; Gu and Shen, 2003). Urban change in China is clearly related to the decentralization of the Chinese state. Before 1978, power in China's hierarchical administrative system was highly centralized. Since the early 1980s, there has been a clear trend of decentralization in economic and financial administration and decision-making. Various scales and forms of state activity have been rearticulated through complicated processes involving the twin issues of governance and scale.

Such changes in China are parallel to the changing scalar relations in North America and Western Europe (Brenner, 1999). But the processes involved are not necessarily the same. The triple processes in western countries are denationalization, destatization and internationalization, which have resulted in the rescaling downward or upward of regulatory codes, norms and institutions (Swyngedouw, 1997; Macleod and Goodwin, 1999). The scale theory, on the other hand, has been developed to describe the scalar reorganization of capitalism.

The process of transition in China from state socialism to a market economy involves the interaction of three processes: decentralization, marketization and globalization (Lin, 1997; Lau and Shen, 2000; Y. D. Wei, 2001). It is argued that the general principle of the scale theory also applies to socialist economies in transition, where scalar configuration has been rearticulated by



liberalization and globalization. This paper will use the scale theory to conduct a political-economic analysis of the reorganization of urban space in post-reform China.

The reorganization of urban space, i.e., the urban administrative area, has become an essential measure in promoting urbanization in China (Wang, 2001). It refers to the designation of new cities and towns and to the constant adjustment of the boundaries of cities and towns. In this process, the role and function of the state have been contested and reconfigured at various spatial levels. In a scalar analysis, the global forces, the central government and the local actors in a city should be taken into consideration. In Europe, it has been found that little can happen sub-nationally without the cooperation, acquiescence or benign ignorance of the nation state (government) (Macleod and Goodwin, 1999). In this paper, the state refers to the government, the central state refers to the central government while the local state refers to the local government. While recognizing the role of the central government and global forces, this paper argues that local governments have become increasingly important in China's urban dynamics in the wake of decentralization and marketization.

Previous studies concerning the application of the "urban growth machine" and "urban regime theory," which were developed in the western context, are relevant in explaining urban transformation. But no study has examined urban transformation in post-reform China as processes of rescaling and territorialization. Adopting the scalar perspective, this paper emphasizes the interaction among different levels of government and among governments, firms and residents in cities. Thus, the paper moves beyond the constraints of the fixed scale approach used in locally focused studies conducted under the notions of the "urban growth machine" and "urban regime theory." This paper attempts to integrate different spatial scales (the central state, the local state, firms and individuals) within a single analytical framework. Through a multi-scaled analysis of urban change in China, this paper contributes towards

theorizing the reorganization of urban space as a politically constructed process, so that the strategies of the state, and the roles of local governments and local communities can be analyzed from the perspective of political economy.

### Brief Review of the Scale Theory and Processes of Scale

It is now popular to assume that the role of central government is in decline while that of the local government is rising. The key concepts in this debate on sociospatial transformation are scale, territorialization, deterritorialization and the rescaling of scalar relations. According to Smith (2000:725), "specific geographical scales can be conceived as platforms for specific kinds of social activity." Smith recognized "a loose hierarchy of geographical scales, from that of the BODY, the home and the COMMUNITY through the local, regional, national and global." The concern about scale is over the "production of scale" rather than the "scale" itself.

The production and construction of geographical scale involves four major processes. First, scaling refers to "the establishment of geographical differences according to a metric of scales — etches a certain order of empowerment and containment into the geographical landscape" (Smith, 2000:726). Second, rescaling refers to shifts in power and control over scales, such as from the national scale to the urban scale or to the global scale. Thus, the process of rescaling involves two or more scales. Rescaling the state means reterritorializing state power onto multiple spatial scales that do not converge with one another on the national scale (Brenner, 1999). Territorialization and deterritorialization are simultaneously involved in the process of rescaling. A general term for such a process may be the rescaling of territoriality. In China, the introduction of the system of "city-leading county" (*shidaixian* or *shiguanxian*) is an example of the rescaling of territoriality. Territorialization is a concept related to economic organization in discussions of globalization. According to Storper (1997:21), "an activity is fully

territorialized when its economic viability is rooted in assets (including practices and relations) that are not available in many other places and that cannot easily or rapidly be created or imitated in places that lack them." The concept of territorialization is also applicable to cities and states (Brenner, 1999). One important form of deterritorialization or reterritorialization is the shrinking or expansion of urban space.

The third process in the production of scale is the interaction of scales. For example, "jumping scales" refers to the case in which political power established at one geographical scale is expanded to another scale (Smith, 2000). "Penetrating scales" refers to the case in which actors in one particular scale attempt to exert their influence in other scales. The overlapping of scales refers to the case in which the lower scale has certain powers and properties of the upper scale. For example, a semi-provincial city (*fu shengjishi*) in China is under the administration of a province, but it also possesses certain provincial powers.

The fourth process in the production of scale is the territorialization taking place at the same scale. Sociospatial transformations within the same scale are also significant in the contemporary world. In China, the spatial reconfiguration of counties and cities has long-term implications for urban and regional development.

### **Rescaling the State: Changing Central-Local Relations**

In western countries, local governments have emerged as major actors in urban restructuring (Brenner, 1999). In American cities, local actors have formed coalitions to promote local growth. Business interests are central in the local coalitions. The entrepreneurial regime has become popular. There has been a change in urban government from the running of daily operations such as transportation (managerialism) to developing active risk-taking strategies to promote economic growth (entrepreneurialism) (Goldsmith, 1995).

Similarly, local urban governments have assumed an increasingly large role in local development in China. Various scales and forms of state activity have been rearticulated. In this paper, the four scales of concern are the national scale, the urban scale, enterprises and individuals (Figure 1). This section will focus on the rescaling of the central and local governments at the national and urban scales. The rescaling and interaction of the four scales will be analyzed in subsequent sections.

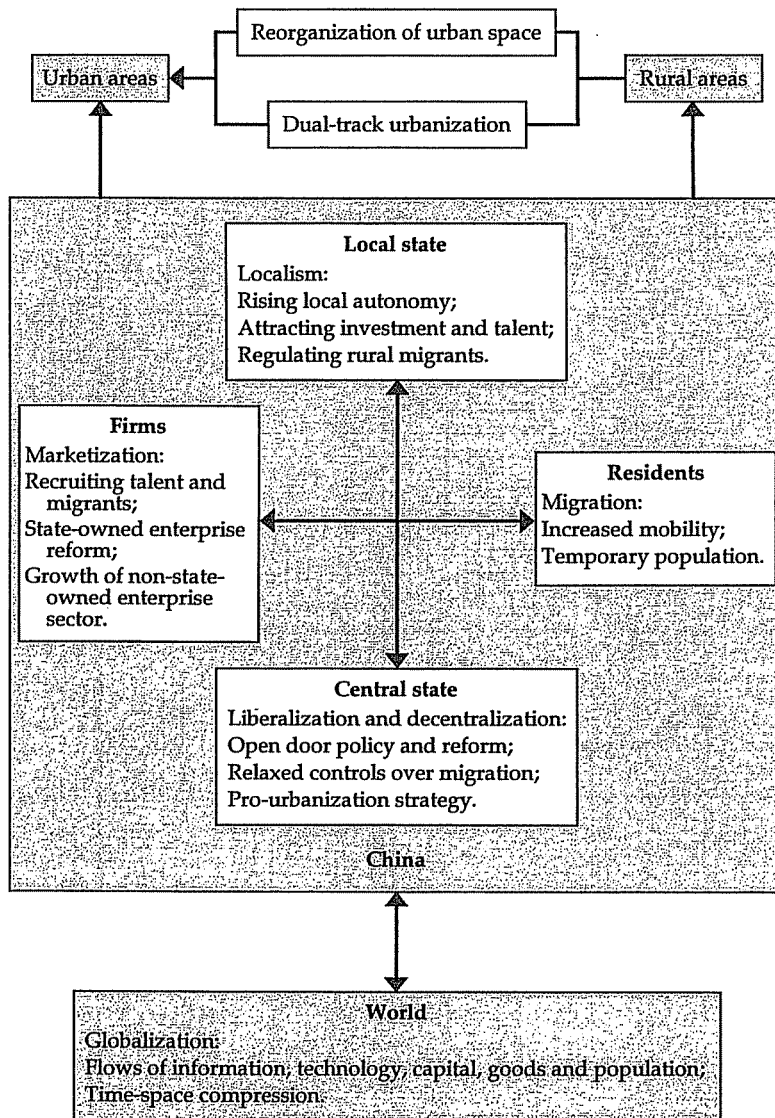
### ***Decentralization and Marketization***

The processes of decentralization and marketization are perhaps the most influential in the rescaling of China's political economy. In contrast to the tight control exercised by the central government in the pre-reform socialist command economy, since 1978 residents, firms and local governments have been given much autonomy to pursue development and prosperity (Oi, 1992; Walder, 1992; Gu et al., 2001). Y. D. Wei (2001:7) argued that "China's economic reforms have restructured the relationship between the central and local governments, between plan and market, and between domestic and international forces." China's centrally planned system has gradually been replaced by market mechanisms. By 1998, most industrial and agricultural production was based on market conditions. Only nine agricultural products were still produced under the guided plan of the state, while 12 industrial products were partly produced under the directives of the state (Wang et al., 1998).

The central-local relation has been rearticulated. The central government has steadily decentralized its powers while local governments have steadily increased theirs. It is useful to examine how power has been rescaled between central and local governments, especially on fiscal matters.

### ***Reforming Central and Local Fiscal Relations***

Before 1978, a highly centralized fiscal system prevailed in China under state socialism (Lu et al., 1997). The most extreme

**Figure 1** Rescaling of the political economy in post-reform China

Interacting, negotiating and contesting among actors.

of central control was during the period 1949-1953, when revenues and expenditures were completely controlled by the central government, with the central government taking 44% of total fiscal revenues. Various forms of fiscal arrangements between the central and local governments were tried in the 1970s, with the result that the central government's share of fiscal revenues was reduced to only 13% in 1976. The central government faced a poor fiscal situation. A system of fiscal contracting was introduced, which brought continuous improvements to the fiscal conditions of the central government in the period 1980-1994.

There have been four major reforms to the fiscal system (Chan et al., 2002). The first was implemented in the period 1980-1984. The scope for the central and local governments to collect revenues was divided following the idea of "eating in separate kitchens." For local governments with a fiscal surplus, the proportion of the local surplus to be remitted to the central government was fixed. For local governments with a fiscal deficit, a fixed quota for a subsidy from the central government was set up. The proportion or quota would be fixed for five years. These measures had the effect of encouraging local governments to stimulate economic development to increase their revenues and control their expenditures. Subsequent reforms are consistent with this reform spirit.

The second reform was implemented in the period 1985-1987. Based on tax-for-profit economic reforms, tax revenue was divided into three parts: items for central revenue, items for local revenue and shared items for central and local revenue. The previous system of contracting based on proportion and quota was maintained using local revenues and expenditures in 1983 as the basis.

The third reform was implemented in the period 1988-1993. Sixteen province-level units would remit a proportion of their total revenues or increased revenues to the central government. Some 16 regions would receive fixed subsidies from the central government. Guangdong and Hunan would remit revenues to the central government based on a fixed growth rate. Shanghai,

Shandong and Heilongjiang would remit a fixed amount of revenues to the central government.

Similar to the fiscal relations between the central government and the provinces, a fiscal contracting system was implemented between a province and its subordinate units (Oi, 1992; Wong et al., 1995; Chan et al., 2002). The fiscal contract was signed between a provincial government and each of its prefectural-level administrations or city governments. The fiscal relations between the two levels of government varied tremendously and were subject to negotiation. In some cases, an overall ratio was used so that a lower level government kept a percentage of its fiscal revenues (say 80%) and the remaining portion (say 20%) was sent to the higher-level government. Some local governments only needed to hand over a fixed quota of fiscal revenues to their higher-level governments. For example, fiscal contracts stipulated that the revenues to be turned over to the provincial government of Guangdong should increase by 7% a year for the cities of Foshan, Jiangmen, Shaoguan and Maoming, and by 6% a year for Zhanjiang beginning in 1985 (Lam, 1999).

These fiscal reforms, based on proportion and quota, drove local governments to stimulate economic development and increase revenues, but two problematic measures were often adopted. First, local governments offered many tax concessions to enterprises because the tax revenues were shared with the central government (Walder, 1992). Such concessions often came at the expense of the tax revenues to the central government (Wang et al., 1998). As a result, the fiscal revenues of the central government grew slowly despite rapid economic growth. Second, local governments were keen to expand economic sectors that offered high profits and tax revenues, resulting in the widespread construction of similar industries all over the country. For example, due to high tax rates on alcohol and tobacco, many small factories were established to produce these products (Chan et al., 2002). Thus, the central government made several attempts in 1989-1991 and 1993 to recentralize and rectify the rampant tax concessions offered by local governments,

demonstrating that central-local relations were subject to adjustment and negotiation (Hsu, 2000).

In the fourth reform, a system of tax assignments was formally introduced in 1994, with the aim of correcting the abovementioned problems. Circulation taxes, i.e., industrial-commercial taxes including product taxes, value-added taxes and business taxes, became a major source of tax revenues. Different kinds of taxes were designated to raise revenues for central or local governments. The power of local governments to offer tax concessions was reduced and the revenues of the central government increased. After the reform, the central government's share of the fiscal revenues increased from 22% in 1993 to 55.7% in 1994. A tax rebate system was also introduced for the central government to return the extra taxes collected as a result of the new tax assignment system to local governments. However, of each 1% growth in such extra taxes in the coming years, only 0.3% would be returned to local governments, ensuring that the tax revenues of the central government would grow quickly (Chan et al., 2002). But local governments became dependent on transfers of revenue from the central government, which controls a large share of tax revenues. In 1991, the total fiscal revenue of local governments (RMB229.6 billion) within the budget (*yusuan nei*) was close to the total fiscal expenditure (RMB221.1 billion). In 2000, the total fiscal revenue of local governments (RMB640.6 billion) was just 61.8% of their total fiscal expenditure (RMB1,036.7 billion) (Editorial Committee, 1992, 2001).

Many local governments were keen to bargain with the central government for more revenue support and more investment projects. Table 1 presents the distribution of fiscal revenues and expenditures among local governments in 1991 and 2000. It is clear that the provincial and county-level governments had a larger share of fiscal expenditures than of revenues, while other low-level governments had a larger share of revenues than of expenditures. The provincial governments depended on transfers of revenue from either the low-level governments or the central government. Local governments

**Table 1** Distribution of fiscal revenues and expenditures among local governments in China, 1991 and 2000 (%)

Item	1991	2000
Fiscal revenues		
Provincial governments	22.3	22.4
Prefectural-level units	40.1	36.5
County-level units	22.9	25.1
Towns/Townships	14.7	16.0
Fiscal expenditures		
Provincial governments	30.8	29.3
Prefectural-level units	28.3	30.6
County-level units	30.1	29.0
Towns/Townships	10.8	11.2

Note: The majority of prefectural-level units are prefectural-level cities.

Sources: Editorial Committee (1992:151, 2001:93).

were also induced to put more effort into collecting taxes in order to balance local finances.

### *The Rise of Local Governments*

Generally, the new tax assignment system increased the central government's share of fiscal revenues and provided a sound institutional framework for the division of fiscal revenues between local and central governments. But local governments still possessed overwhelming autonomy in economic administration. By the late 1990s, local governments, firms and the non-state sector emerged as major agents of investment and the central government has come to play a less significant role in the accumulation of capital and allocation of investments (Lam, 1999; Y. D. Wei, 2001). Walder (1992:309) pointed out that:

In Chinese cities revenues come almost exclusively from taxes on enterprise profits. The proceeds are divided with the provincial or the central government, according to a negotiated formula. With its share, the city funds its social services, public works, and infrastructure development.

Local governments have adopted a number of strategies to capture financial gains within their boundaries. First, local governments are keen to improve their infrastructure — highways, electricity supplies and communication facilities for local development — but they pay much less attention to improving the living environment and to providing social security, matters that are less tangible but require large amounts of financial resources. For example, in most cities, less than 50% of wastewater is treated (Wang, 2001).

Second, tax concessions and other policy incentives are offered by local governments to attract foreign investment. Cheap and even free land has been offered to foreign investors, including those from Hong Kong, Macao and Taiwan. For example, a Hong Kong based firm, China Travel International (CTI), which is actually owned by the Chinese government, was given 4.4 km<sup>2</sup> of free land to develop the Overseas Chinese Town in Shenzhen (Zhu, 1999). CTI's investment was regarded as investment from Hong Kong. It made substantial profits due to the property boom in the mid-1990s. Although the local government gained RMB0.95 billion in taxes from this project in the period 1986-1995, it is likely that the government lost substantial revenues from land that could otherwise have been used to improve public facilities and social welfare. CTI has been the greatest beneficiary of the project.

Third, local governments have developed close relations with local firms through direct or indirect participation and intervention, typified by the notion of "Local State Corporatism" (Oi, 1992; Walder, 1992). An informal local coalition for growth is formed between local governments and enterprises so that local governments subsidize local enterprises at the expense of central revenues or public assets, while enterprises pay tribute to the local governments in the form of various fees, charges and donations (Zhu, 1999). For example, 85 kinds of fees were



imposed on real estate development in Guangzhou, accounting for 25% to 30% of the total cost of development. "Relationships" (*guanxi*) with local officials have an important impact, formally and informally, on the operations of a business (Oi, 1992).

As a symptom of rising localism, the protection of local markets has become widespread in China. This is partly due to inadequate regulation by the central government to ensure fair competition and trade. Some local governments have adopted local product standards or discriminatory policies to protect local firms. For example, consumers who buy non-local cars have to pay higher fees than those who buy locally produced cars (Chan et al., 2002). This may be regarded as an overstretching of the strategy of territorialization (Storper, 1997).

Under the protection of local governments, many firms have been established to produce similar goods for the local market. The result is over-investment, market segmentation, duplicated construction and surplus production capacity. In 1998, 8,835 firms in China produced one-third of the world's cement. But some 75% of firms were small in scale, each only producing less than 60,000 tonnes of low-quality cement. According to the national industrial census in 1995, of 285 main industrial products, the rate of utilization of production capacity was below 50% for 90 products (H. Wei, 2001).

Fourth, the commodification and marketization of land and housing property since 1988 have created substantial landed interests (Zhu, 1999; Zhang, 2002). Local governments will acquire significant land revenues due to the huge gap in rents when agricultural land is turned into industrial and urban land for commercial buildings, offices and housing. Thus, local governments have every incentive to control large areas of land and to convert a great deal of arable land for industrial and urban development. This is a major force driving the expansion of urban space in China.

### **Rescaling the Process of Urbanization**

The rescaling of urbanization is having a significant impact on

urban development and the reorganization of urban space in China. This section focuses on the migration of the population and the growth of the urban population from the perspective of the rescaling of urbanization over various scales (Figure 1). Heavy contestation is involved in this scalar structuration that is producing dual-track urbanization in China (Shen et al., 2002). Spontaneous urbanization is a new track of urbanization from below in the post-reform period. However, state-sponsored urbanization, which prevailed in the pre-reform China, has continued and is being reconfigured under China's emerging market economy.

### ***The Role of the Central Government***

It is apparent from the rescaling of central and local governments in post-reform China detailed in the previous section that the role and function of central and local governments in the process of urbanization have been contested and reconfigured. The central government is busy adjusting its urban policies to accommodate local interests but also to maintain urban order in an increasingly decentralized, liberal and urbanizing society.

In pre-reform China, the central government, via the political regime of central planning and the household registration (*hukou*) system, controlled the speed of urbanization to pursue industrialization (Chan and Zhang, 1999). Under the *hukou* system, there were two types of household registration status: the agricultural population and the non-agricultural population. Almost all urban enterprises were state-owned. They had no autonomous power to recruit migrants but had to accept employees allocated to them by the government. The urban population referred to the non-agricultural population, who were fully supported by the state in terms of education, housing, employment and other forms of social welfare. This is called state-sponsored urbanization (Shen et al., 2002).

The urban policy of the central government has changed significantly since the early 1980s. Faced with an over-supply of manufactured goods and serious deflation in the national

economy, a pro-urbanization strategy has been considered an effective way of stimulating demand and economic development since 2000 (Figure 1) (State Council, 2000; Wang, 2001). Tight controls over the growth of the urban non-agricultural population have been relaxed. The central government has also reconfigured state-sponsored urbanization by reducing the extent of its formal support to the urban non-agricultural population (Smart and Smart, 2001; Shen et al., 2002). In the meantime, controls over migration have been relaxed (Shen and Huang, 2003).

### *The Role of Local Governments*

Local governments also have great power to regulate the urban population under their jurisdiction. First, urban governments have attempted to collect various management fees from enterprises and rural migrants, and this has acted as a barrier to migration. In one city, an enterprise is required to pay RMB20 a month to its Labour Bureau for each non-local migrant that it employs (Chan et al., 2002).

Second, registering for the status of "temporary resident" is compulsory for people who move away from their place of household registration. Each migrant is issued a Temporary Residency Card by the local office of Public Security Bureau. A rural migrant is also required to get a work permit from the local Labour Bureau of the city government. Access by migrants to some attractive occupations is restricted by tight regulations (Yu and Hu, 1998). For example, in 1999 the Labour and Social Security Bureau of one city listed 104 occupations that were open to the temporary population and 103 occupations that were not open to the temporary population (Chan et al., 2002).

Third, rural migrants without a local *hukou* are not eligible for social services and welfare reserved for local residents (Shen and Huang, 2003). As they have no access to subsidized housing and education, most rural migrants leave their children and spouses back in their hometowns. Thus, there is much to cause tension between the local government and rural migrants (Zhang, 2001).

Fourth, some cities like Shenzhen and Shanghai have attempted to attract talent from outside to support their economic development by offering formal *hukou* or "quasi non-agricultural population" status (Kang, 2001). Shanghai and other cities have introduced a "blue-stamp" *hukou* that is available, after paying an urban construction fee, to established rural migrants with stable employment, income and housing. The fee is set by individual cities and can be as high as RMB10,000 in some cases. The holders of "blue-stamp" *hukou* have the same education and welfare rights as local urban residents. About 30,000 people acquired "blue-stamp" *hukou* in Shanghai in the period 1994-2000, of whom about 20,000 obtained it by investing in residential property. But such "blue-stamp" *hukou* is valid only locally in a city. It is different from the usual "red-stamp" *hukou*. Similar, locally valid *hukou* have been available in some towns since 1997 and in the urban area proper of county-level cities and all designated towns since 2001 (State Council, 2000). These kinds of "quasi non-agricultural population" status are localized under the principle of "local need, local benefit, local responsibility and local validity."

In the reform period, rural urbanization led by the growth of township and village enterprises (TVEs) has been taking place at the level of locally designated towns, market towns and townships with the active participation and support of local governments. Their growth and expansion has been an important part of locally driven urbanization (Ma and Fan, 1994; Shen, 1995). In 1978, there were only 28.27 million TVE employees. The number jumped to 52.08 million in 1984 and reached 130.86 million in 2001 (National Bureau of Statistics, 2002). Together with a temporary population of over 120 million, they accounted for about half of the total of 498.76 million rural labourers in China. Without these TVEs, many more of the rural population would have moved into the cities.

### *The Role of Enterprises and Individuals*

At the enterprise level, the increasing autonomy of firms in an emerging market economy has been an important factor in the

process of urbanization. Firms are now willing to employ skilled people and cheap migrants from outside, a trend that may be consistent with or contradictory to the agenda of urban governments.

At the individual level, the rescaling of urbanization empowers residents to initiate and participate in the process of urbanization. A "non-*hukou* population," i.e., "floating population," has emerged in various places. According to official population surveys and censuses, the "non-*hukou* population" in China increased from 6.57 million in 1982 to 48.41 million in 1995 and 121.07 million in 2000 (Shen and Huang, 2003).

### *Interaction among the Central Government, Local Governments, Enterprises and Individuals*

It is interesting to note that the central government, local governments, enterprises and individuals do not act separately. Indeed, the interaction and negotiation among these actors has been intense, reflecting the process of the rescaling of urbanization in China (Figure 1). The central government's pro-urbanization strategy at the national scale has been instrumental in giving rise to the dual-track urbanization that has characterized post-reform China. The reconfiguration of state-sponsored urbanization by reducing welfare support to staff of state-owned enterprises (SOEs) has also met with controversy and resistance (Smart and Smart, 2001). Instead of outright dismissal, redundant SOE workers are paid a fraction of their wages to stay at home.

In another example, in the face of an increasing number of non-*hukou* migrants in urban China, the state had to introduce the status of "temporary resident" in 1985 to give legal status to rural migrants. But local governments have attempted to charge various excessive fees to register the temporary population (Yu and Hu, 1998). There has been intense conflict between rural migrants and city governments (Zhang, 2001; Gu and Shen, 2003). Recently, the central government has attempted to

regulate relations between rural migrants and local governments. The General Office of the State Council (2003) has issued a notice that restrictions on the occupations that rural migrants are permitted to take up should be abolished.

## **Reorganizing Urban Space in China**

### *Cities as Important Administrative Units*

According to the "Law on the Organization of Local People's Congress and Governments at Various Levels of Localities of the PRC" revised in 1995 (Editorial Team, 1995), the People's Congress of a city is the organization vested with the power of the state. The city government is not only the executive arm of the People's Congress of a city but also the local administrative arm of the state. Indeed, a department of a city government, such as the Department of Civil Affairs is not only responsible to the city government but also to the Ministry of Civil Affairs under the central government. Thus, the city government is responsible to both the People's Congress of the city and to the administrative organization of the state at higher levels.

The current process of designating cities and changing boundaries is stipulated by relevant laws. According to the revised constitution passed by the fifth National People's Congress in 1982, the designation of a municipality needs to be approved by the National People's Congress and the designation and the boundaries of a prefectural-level or county-level city need to be approved by the State Council. Cities can be designated at the level of the province, prefecture or county.

One major event in the rescaling of the city is the designation of semi-provincial cities. They were introduced in 1994. The status of a semi-provincial city is higher than that of a prefectural-level city but lower than a municipality that is under the direct administration of the central government. The key consideration is to facilitate the autonomy of some larger cities to spur economic development. These cities are given a privileged position in the national plan such that their economic

plans are listed separately from those of the province in which they are located. In 1997, there were 15 such cities (Dai, 2000).

One major form of urban territorialization refers to the expansion of the administrative area of a city to enclose both landed and other economic interests. This takes place when a city's territory expands to include more areas under its control. The city gains control over the land and economic interests in the new area. The process occurs in various ways. One important way in which cities expand their influence is by the designation of new cities and towns. Local governments are keen to negotiate with the central government for urban status for economic, territorial and strategic interests. A city has several advantages over a county. First, when a county is designated as a city, it acquires greater administrative power. Second, a city is listed separately in the provincial plan. Third, a county-level city can use 7% of local fiscal revenues for urban maintenance and construction while a county can only use 5% (Wang, 2001). Fourth, it is much easier for a city to promote its economy and products than it is for a county.

### *Changing Regulations for the Designation of Cities*

The central government has been influential in the designation of cities through various regulations before and after 1978. The first regulation on the designation of cities and towns in China was announced by the State Council in 1955. The regulation stipulated that settlements with a population of over 0.1 million and other important places could be designated as cities. During the period 1949-1978, the designation of cities was tightly controlled and the total number of cities only increased from 132 to 193 (Urban Socio-economic Survey Team, 1999:4-5).

Considering the importance of urban development, the criteria for the designation of cities were revised in 1983, 1986 and 1993, respectively, to speed up the process (Liu and Wang, 2000). Before 1983, as mentioned before, a settlement normally had to have a non-agricultural population of 0.1 million to be designated a city. In 1983, a county with a total population of

less than 0.5 million could be designated a city if the seat of the county government had a non-agricultural population of over 80,000 and a manufacturing output of over RMB200 million. The 1986 criteria included a new section for upgrading a town to a city as well as the condition for the introduction of the system of "city-leading county." A town could be designated a city if it had a non-agricultural population of over 60,000 and a gross domestic product (GDP) of over RMB200 million. A medium-sized city with a non-agricultural population of over 0.25 million and a GDP of over RMB1 billion could administer other counties. In 1993, a set of more sophisticated criteria for the designation of county-level cities and prefectural-level cities was approved by the State Council. This was the first time that the criteria for the designation of prefectural-level cities were stipulated. To be designated a prefectural-level city, the main urban settlement, the seat of the city government, should have a non-agricultural population of over 0.2 million and a strong economy.

### *Major Ways of Urban Designation and Expansion*

"Separating a built-up area from a rural county" is one way of designating a city that was used mainly before 1978. In this process the urban and rural areas are completely separated into a city and a county. For example, part of the original Jinjiang county in Fujian province was cut off to establish the new city of Shishi in 1987. The city administered an urban subdistrict (*jiedao*) and three towns with an area of 160 km<sup>2</sup> and a population of 0.25 million (Anonymous, 1993). The remaining Jinjiang county still administered 15 towns with an area of 649 km<sup>2</sup> and a population of 0.9 million. Jinjiang county was also designated a county-level city in 1992. Such a city designation can create serious problems of governance due to the overlapping of governments. The county will either lose its momentum to urbanize or become the rival of the city by developing a new urban centre in its own territory.

The second way of designating a city is called the "re-designation of a whole county as a city." A whole county is re-

designated as a city if it meets the criteria for being designated a city. Over 70% of the current cities in China were designated in this way. A county-level city often consists of several towns and townships. For example, Conghua county in Guangdong province was designated a county-level city in 1994 (DCA and MPH, 2000). Its largest town, Jiekou, only had a population of 0.1 million in an area of 49 km<sup>2</sup>. The remaining 14 towns each only had a non-agricultural population of less than 5,000.

Urban expansion is an important strategy for enhancing a city's strength (Shen, 2004). Urban territorialization takes place when a city annexes a county or a county-level city as its urban district and when two or more towns or cities are merged. Again, the process involves sophisticated negotiation and interaction between the central and local governments.

When a county or a county-level city is designated as an urban district, it is totally absorbed by the prefectural-level city. Such a move often meets with stiff resistance from the county or county-level city involved, as was the case with Panyu (Dai, 2000). After the change, an urban district has less power and gets into fewer conflicts with the city. Generally, a county or county-level city is an independent political unit with much political and economic power. An urban district is part of a city and is not an independent and complete political unit. Many political and economic matters are administered directly by the city government, while the government of the urban district is the lowest level of government in a city that often only performs the function of providing public services to its own residents.

With the changes in urban policy, many townships have been designated as towns. The number of towns increased rapidly, from 2,173 in 1978 to 20,312 in 2000. One major problem is that many towns are small in scale. In 1996, the average area of 16,124 designated towns (excluding the central towns of counties) in China was only 2.43 km<sup>2</sup> with a total population of 4,520 and a non-agricultural population of 2,072 (Dai, 2000). Another major problem is the low efficiency of land use. The amount of urban built-up area per resident is as much as 149 m<sup>2</sup> in designated towns, 38% greater than the urban average of

108 m<sup>2</sup> (Table 2). It is argued that, for better social and economic efficiency, resource utilization and environmental protection, the minimum population of a town should be 50,000. The policy of changing townships to designated towns was suspended by the State Council in 2002 because the criteria used for the designation of towns were considered too low. With rapid economic growth, too many small and economically weak townships had been designated as towns. Some provinces have taken measures to merge small towns. In Jiangsu province, the number of towns/townships was reduced by 508, from 1,974 in 1998 to 1,466 in 2000 (Wang, 2001).

Vertical rescaling and horizontal territorialization can also take place simultaneously. Here, vertical rescaling refers to a change in the administrative status of a city while horizontal territorialization refers to the expansion of the administrative area of a city. For example, when the system of "city-leading county" is introduced, a city may be scaled up from a county-level to a prefectural-level city with an expanded administrative area in most cases. By 1994, the "city-leading county" system was implemented in all provincial units in China except Hainan province. A county under the administration of a city may later

**Table 2** Urban built-up areas in China per resident by the size of the settlements (m<sup>2</sup>)

Size of settlement	Built-up area per resident
Super-large city	75
Large city	99
Medium city	105
Small city	132
Designated town	149
Village	168

Source: Wang (2001:35).



qualify for city status and be designated a county-level city. Thus, a system of "city-leading city" also emerged. The system is designed to enhance the integration of a central city and its surrounding hinterland. But, in some cases, there are intense conflicts between the governments of the central city and the county-level units (Dai, 2000). When a county is under the administration of a province, it has much autonomous power. But when it is governed by a prefectural-level city, the city tightens its administration on the county. A central city may give priority to its urban proper in bidding for large construction projects, foreign investment and the right to directly conduct foreign trade. Thus, the system is regarded as a system of "city exploiting county" instead of "city helping county" (Liu and Wang, 2000). A survey in 2000 revealed that the mayors of about 20 county-level cities shared this view (DRE and JICA, 2001).

The case of Foshan city and Nanhai city in Guangdong province is an example. Nanhai was designated a county-level city in 1992 and was under the jurisdiction of Foshan, a prefectural-level city. By 2000, Nanhai had become even stronger than Foshan's urban proper in economic terms. Nanhai's GDP was RMB33.9 billion while the GDP of the later was RMB15.9 billion in 2000. The per capita GDP of the two cities was similar, at RMB31,076 and RMB33,434 respectively (Statistical Bureau of Guangdong, 2001). Thus, it was difficult to coordinate the urban infrastructure falling under the jurisdiction of two competing city governments. The solution taken by the provincial government was to convert Nanhai and other county units into urban districts of Foshan city. Through such administrative adjustments, the power of the central city increased while the county-level local government suffered economically and politically. Urban development may help to coordinate development in a region, but if it is not properly planned, unhealthy tension and conflict may result between the core and periphery.

The urban system has changed dramatically after the above changes. The total number of cities increased from 193 in 1978 to 245 in 1982 and 668 in 1997. It was reduced to 663 in 2000 due to

the merging of cities, as mentioned before. The number of prefectural-level cities increased from 112 in 1982 to 207 in 1997 and 244 in 2000 (Urban Socio-economic Survey Team, 1999:4-5; National Bureau of Statistics, 2000; Wang, 2001).

### *The Roles of Central and Local Governments*

The central government has substantial power over the process of urban rescaling and territorialization. First, the National People's Congress or the State Council is empowered by the nation's constitution to approve the designation of cities and changes in boundaries. Second, the State Council has the power to set up and revise the criteria and guidelines for the designation of cities and changes in boundaries. Third, the power of the central government has been implemented through a hierarchical administrative system, as local governments at the provincial, prefectural and county levels are made responsible to both the People's Congress of their territory and higher levels of government.

The designation of cities and changes in boundaries are a matter for local and central governments. Local governments are actively engaged in the process. Public participation, however, is rare in China although the State Council stipulated as early as 1961 that changes in administrative divisions must be made in consultation with the public. For example, the merging of towns in Jiangsu has resulted in many problems involving the interests of residents and local areas (Wang, 2001). Where will the merged towns be located? What name will a merged town take? How will residents who sustain a economic losses due to the merger be compensated? Clearly, community participation is important in the process, but it is still poorly developed in the socialist market system in China (Zhang, 2002).

### **Conclusion**

The scale theory has been developed to describe the scalar organization of capitalism. It is argued that the general principle

of scale theory also applies to socialist economies in transition, where scalar configurations have also been rearticulated by liberalization and globalization. This paper uses the scale theory to conduct a political-economic analysis of urbanization and the reorganization of urban space in post-reform China.

The rescaling of central and local governments is a politically constructed process. It does not only mean the decline of the central government and the rise of the local governments. The central government has introduced policies of recentralization from time to time to gain control over financial resources and administrative power. As argued by Zhang (2002), the urban regime theory is applicable to the analysis of urban governance in Chinese cities. But the coalition for local growth is marked by problems in the rescaling of the central and local governments, i.e., the transitional or muddling nature of a society and economy with immature and inadequate mechanisms for regulation (Smart, 2002). With its increasing fiscal and administrative power and the inadequate regulation of the central government in an immature market economy, a poorly regulated "local growth machine" has emerged in China.

With the rescaling of central and local governments in post-reform China, the rescaling of urbanization is taking place at various scales: the central state, local state, enterprises and individuals. This has major implications for urban development.

The development of industries and land in China can bring huge financial returns to local governments in the form of land revenues and industrial-commercial taxes. Decentralization has led to the emergence of localism, with increasing competition instead of cooperation among localities. Every local government is interested in attracting investment and is concentrating on developing its own administrative area, a kind of urban territorialization. To meet the increasing need to expand the development of industries and land, acquiring urban status and expanding spatial boundaries under the jurisdiction of local governments has become a new strategy for local growth, resulting in one of the most massive efforts in Chinese history to reorganize urban space.

Consequently, in this process, the role and function of the state have been contested and reconfigured at various spatial levels. At the individual level, the spatial fixing function of *hukou* has been shaken, resulting in the increasing mobility of peasant migrants across the "invisible wall" separating city and country. At the community and township level, local industries and small towns are expanding rapidly. At the city and county level, local governments are keen to acquire urban status and to expand their urban space. In the meantime, the central government is busy adjusting its urban policies to accommodate local interests but also to maintain order in an increasingly decentralized, liberal and urbanizing society. Under a hierarchical administrative system, the central government has substantial power over the process of urban rescaling and territorialization.

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## **Space, Scale and the State**

### **Reorganizing Urban Space in China**

#### **Abstract**

Space and scale have become the key foci of China's urbanization as the role of the state has been contested and altered at various spatial levels. This paper will argue that the spatial restructuring of China's urban areas is a politically constructed process and that the recent advancements in scale theories can be used for political-economic analyses of China's reorganization of urban space. Multi-scalar in perspective, this paper will examine how lower-level places acquire the status of cities, a process that directly affects the number of cities in China, the system of "city-leading county," the recent administrative conversion of suburban counties to city districts, and the merging of cities and towns. The paper will also contribute to the theoretical debates on central-local relations, the role of the state in China's reforms, globalization, marketization and decentralization.



## 空間、尺度與政府 中國城市空間重組

沈建法

（中文摘要）

政府的角色，正在許多層次上受到挑戰，並進而在空間與尺度上發生變化。對於中國的城市化過程來說，這些變化正是焦點的所在。本文認為中國城市格局的重組是一種政治過程，因而可以運用最近發展的尺度理論，對中國城市的空間重組進行政治經濟分析。

本文從多尺度角度對新城市的設置、「市帶縣」制度、縣改區以及城鎮的合併等問題作出探討，有助於進一步研究有關的理論（如中央—地方關係），以及瞭解中國政府在改革、全球化、市場化和權力下放中所扮演的角色。