

Regions: spatial inequality and regional policy

Terry Cannon

The social and economic characteristics of China vary tremendously from place to place, and the contrasts are so sharp that they surprise people who do not know the country well. For instance, even the average per capita consumption of Beijing city-dwellers is nearly five times higher than that of the peasants of Gansu, one of the poorest provinces.

This chapter looks at some of the patterns inherited by the new communist government in 1949, and how it has influenced the spatial patterning of economic activity and people's income and welfare since 1949. It examines how far since 1949 (and especially since 1979) the Communist Party's policies have responded to perceived inequalities, and the degree to which policies have had a deliberate or accidental geographical impact.

It is argued that only occasionally has the leadership shown concern to reduce certain forms of spatial inequality: the Communist Party of China (CPC) has been motivated much more by military strategy or its notion of economic efficiency. It has therefore been more interested in determining where economic activity should be located, rather than addressing income or welfare differences.

This should not be surprising: the revolution was not aimed at removing all inequalities, but rather to end class exploitation and foreign domination. Many geographical differences are not the result of exploitation, arising from natural conditions (like climate), or from living in locations which enjoy an advantage (for instance, in access to markets for the sale of produce).

These have not often been a communist priority, since it can easily be assumed that they are not the result of one class enriching itself at the expense of another. Dealing with such differences has to await the greater affluence of fully developed communism, at which time society can share on the basis of need. In the meantime, limited programmes of aid to poorer districts have been used, as well as disaster aid after the effect of hazards.

INEQUALITIES IN SPATIAL AND REGIONAL TERMS

Until the 1980s, the Chinese state had a virtual monopoly in providing information about the country to the world, and its quality was not good. The predominant image of the country was one in which party policy could be implemented throughout the land, and of a society virtually homogeneous in its economic and social characteristics as a result of this all-pervading presence. Independent travel was difficult, so foreigners went mainly in organised groups to a few places, and gained an impression (or wanted to believe) that things were much the same everywhere.

Since 1979 much more (and better) information has become available, and from more sources than the government alone. There is now greater awareness of spatial differences within the country, even if these are mostly seen in terms of very general contrasts between rather ill-defined regions (especially between 'the Coast' and the rest). Even so, most data was available only at the level of China's twenty-nine provinces, and this made careful regional analysis impossible.

Fortunately, in 1982 there was a detailed census from which there are statistics relating to China's more than 2,000 counties. These allow a much finer understanding of spatial variations, which are shown to be much more complex than can be represented on a 'regional' basis using simply provinces. Figure 2.1 is a simplified map showing the per capita gross value of industrial and agricultural output on a county basis. This data is of production for the two main sectors of the economy, not of income, but is a useful measure of relative levels of wealth across the country. One thing which is apparent is the high level of variation, and the lack of any clear, simple regional pattern.

But such data provides only part of the picture: regions are not the only form in which spatial differences show up. Of crucial 'non-regional' importance, for instance, is the dynamic which connects and separates town and countryside. This is dealt with rather more in the chapters on rural China (Chapter six) and urbanisation (Chapter eight), while here the main focus is on larger-scale regions.

This chapter explores the economic, political and social processes in China and the world which have had a spatial impact in China. Unfortunately, despite the data available from the census, it is done in highly simplified macro-regional terms. In fact, for much of the discussion, reference is made to just three very large regions: the Coastal, Central and Western (Figure 2.2). This is far from adequate, given their high degree of internal differentiation, but it is necessary here for simplification, and more especially because it is by reference to these three that the Chinese themselves now debate regional issues and define regional objectives. Before looking at them in more detail, there are a number of other spatial matters to mention.

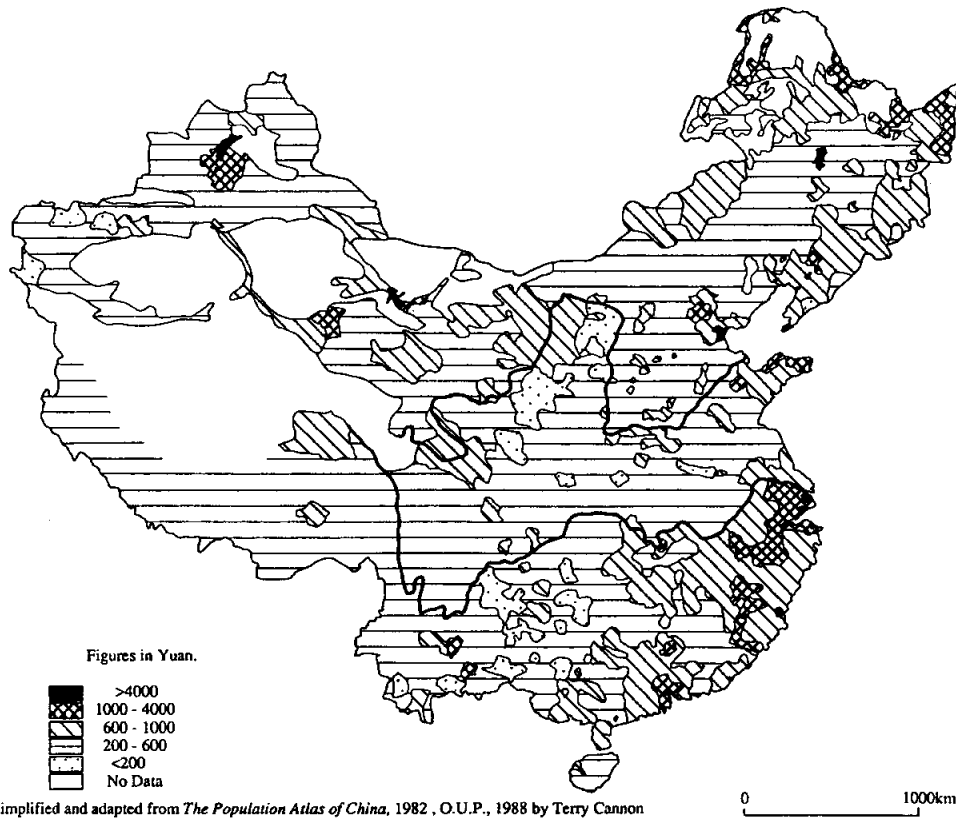


Figure 2.1 Per capita gross value of industrial and agricultural output (GVIAO), by county

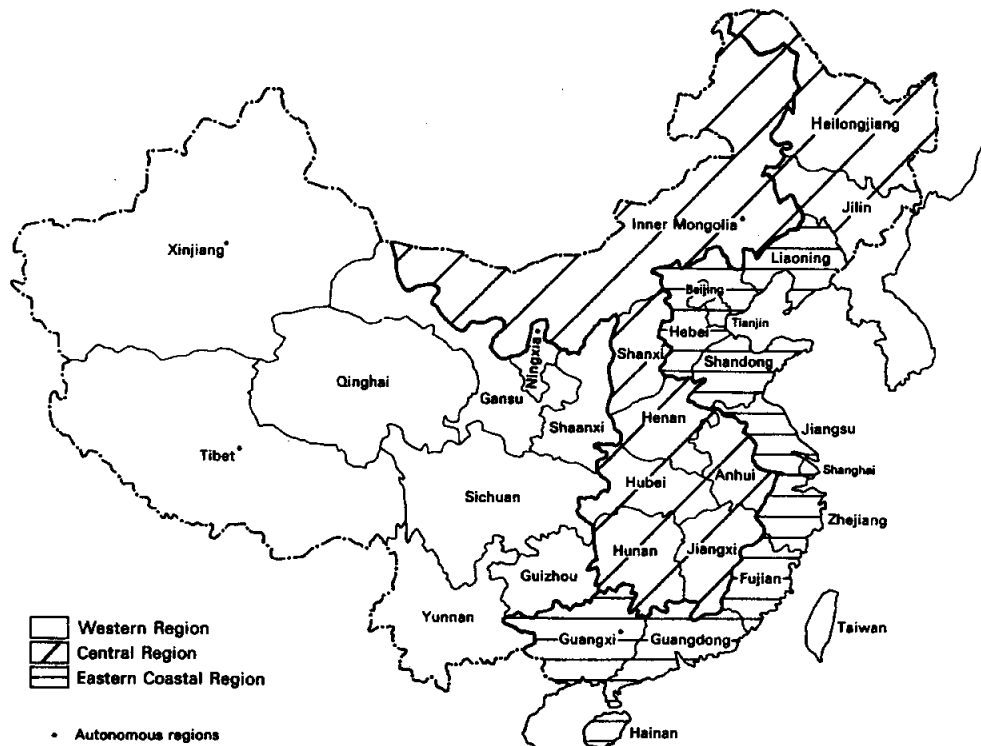


Figure 2.2 Tripartite regionalisation used in the Seventh Five-Year Plan 1986-90

The urban-rural divide

Urban dwellers enjoyed generally higher standards of living than most peasants, at least until the rural reforms begun in 1979. This gap between town and countryside, worker and peasant, was significant to the Maoists. They argued that in some respects it was a class division, based on the greater use of the surplus generated by the whole of society by a small privileged section in the cities. For them, it also represented a reversal of the history of the revolution, whose success had depended mainly on the help from the farming communities in poorer areas which were being left behind.

This spatial inequality was addressed in the Great Leap Forward (1958-60) and Cultural Revolution (1966-76) by policies which were supposedly pro poor peasant. These were really the only times when such special attention has been paid to peasant priorities for egalitarian reasons. In the mid-1960s, Mao rebuked the health ministry for running a system favouring 'urban gentlemen' because of the virtually complete lack of organised health care in the countryside.

The policy he developed of medical teams going from the cities to train 'barefoot doctors' (peasant paramedics) was extended to much wider 'sending-down' of educated young people during the Cultural Revolution, with the intention of increasing rural education. As is now known, many who went then, and the older intellectuals who followed, were unwilling participants in this Cultural Revolution policy, and the value it had for the peasants is questionable. But other than during that period, spatial inequalities have not figured very high in CPC priorities.

The state as major determinant of spatial differences

What is unusual about spatial inequalities in China is that the government, since 1949, has had the ability to shape the country spatially much more than most. Because of its central control of the economy, and command over a large proportion of investment funds, it has the capability (not always used) to alter differences in welfare between places.

Yet this control is not universal or complete: there is also spatial inequality in the government's effectiveness. The country is immense, communications are difficult, and there are political and administrative weaknesses in the CPC itself. During the Cultural Revolution, nearly two decades after the party came to power, a group of Red Guards arrived in a remote valley in the southwest, the first visitors from the political realm for a very long time. The peasants who received them had a question: who is the Emperor? The local people were aware that they lived in territory over which Chinese emperors supposedly ruled, yet the impact of this on their lives for decades had been practically non-existent.

This is an extreme case, but illustrates quite how diverse the country is. Spatial variation is influenced by many factors, including natural conditions of climate and resource endowments, and the various sorts of economic system which people have come to operate in different places. These vary enormously, including cultivation in oases in the far west, slash-and-burn farming in the southwest, as well as the more familiar intensive farming and industrialism of the east. To these factors must be added the actions (or inaction) of government.

The inadequacy of simplified regions

As a result of all these, China is an enormously intricate patchwork of social and economic variation, not easily subsumed into a few large regions. The use here of the three simplified regions designated by China is inadequate, and needs to be qualified so as not to assume too much similarity within them.

For instance, income differences can vary greatly over quite short distances (even between neighbouring villages). It is evident (from 1982 census data - see Figure 2.1) that some counties less than 250 km from Shanghai, in what is often considered the 'wealthy' Coastal Region, are amongst the poorest in the country. Conversely, some of those which have highest per capita agricultural incomes are in Tibet and Xinjiang, which are part of the 'poor' Western Region (see Figure 2.2).

The ways that regions are conceived can vary enormously. An area of territory may be considered a region by virtue of its apparent internal sharing of chosen characteristics (e.g. topographic or socio-economic) which make it distinct from those of neighbouring territory. Alternatively, a region may be designated by the state for the purpose of generating certain shared characteristics or other policy objectives within a given area of territory, which if achieved would distinguish it from the surrounding areas.

The three macro-regions represent a type of region which both identifies certain crude, shared, internal characteristics and then links them to the setting of broad objectives in economic development. These were formally set out in the Seventh Five-Year Plan for 1986-90, and are discussed in that context later. Meanwhile, they will be used to provide a much simplified understanding of change in China's economic development since 1949.

REGIONS IN THE REVOLUTION

When the communist government came to power in 1949 the country had been at war within itself or against the Japanese for more than thirty years. The legacy of tremendous destruction and disruption of the economy was

overcome remarkably quickly, especially given the lack of experience of the CPC in managing large industry and cities.

Inherited inequalities

Virtually all industrial activity in 1949 was located in two types of area, both now considered to be part of the Coastal Region. These were, first, the disconnected and highly localized developments in cities – all of them ex-treaty ports – on the coastal fringe (e.g. Shanghai, Tianjin, and Qingdao), where foreign entrepreneurs and their Chinese emulators had established various businesses after 1840 (see Chapter three). Second, in the northeast provinces which collectively became known as Manchuria, Russian and later Japanese colonisation led to significant development of raw material resources, especially iron and coal, and heavy industry, much of it serving the needs of the Japanese economy.

The rest of the country was virtually devoid of modern industry: Beijing (Peking), though not very distant from either of the areas mentioned, had virtually none. Other cities which today are notorious for their industrial pollution, many of them far inland like Taiyuan, Xian, Wuhan, Chengdu, Lanzhou, or Kunming, were innocent of such disturbances. This does not mean that China had never had industry. In many respects the nation had been more advanced than anywhere else in the world in Song times (in the twelfth and thirteenth centuries AD), and some industries (employing many thousands) were continuously successful long after that. But agriculture continued to dominate, and even the inroads of foreign-initiated industry after 1840 made little impact. China remained having but ‘a modern hem on an ancient garment’.

The First Five-Year Plan and its aftermath

The system of central planning begun in China in the First FYP of 1953–7 owed much to the Soviet experience, and was indeed largely financed and directed by loans and technicians from the USSR. This ‘command economy’ established a large number of important enterprises in sectors such as iron and steel, metallurgy, chemicals, electricity generation, coal mining and textiles. In short, the emphasis was on large-scale plants, and a lot of them in heavy industry and under strict central control.

The plan partly reflected the Soviet Union’s domination over communist politics. But it was also a product of the international environment with which the new Chinese state found itself having to cope (see Chapter eleven). In this, strategic concerns determined both the nature of rapid accumulation, and the location of investment.

The very nature of the industry on which the plan concentrated also had its spatial effect. Much of it relied on coal and other locationally specific

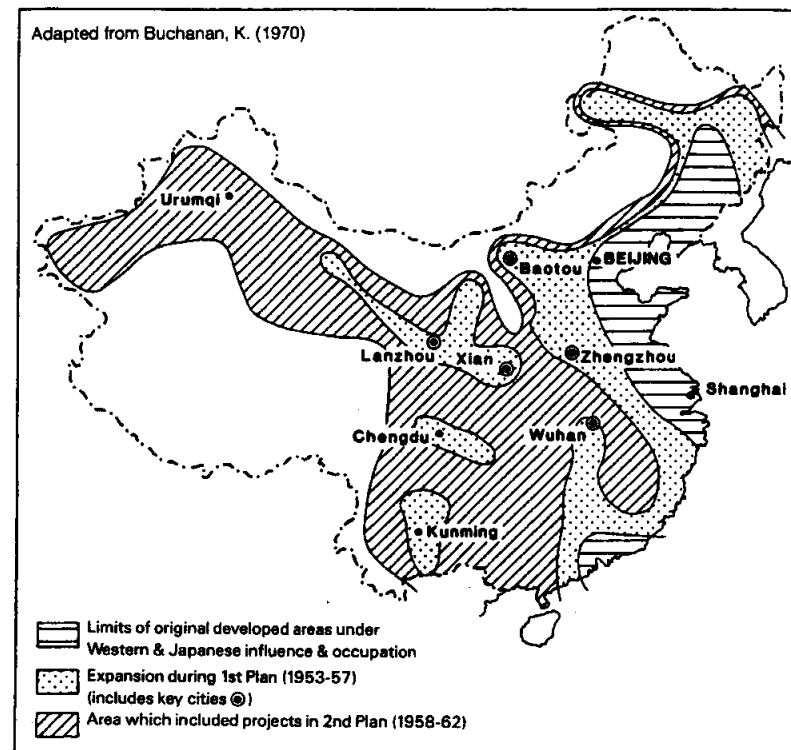


Figure 2.3 The inland spread of industry in the First and Second Five-Year Plan

raw materials, and so was concentrated into relatively few (but large) centres (known as the Key Point cities). This meant that the benefits of the new jobs were spread beyond the Coastal Region, but to relatively few places in the other regions. Being spread so thinly, this industrial growth hardly constitutes the creation of a new regional pattern. But the impact was to disperse a significant amount of industrial capacity (Figure 2.3). Of nearly 700 large- and medium-scale projects underway in the First FYP, two-thirds were inland.

In the post-1949 ‘Cold War’ atmosphere, China was effectively embargoed by the Western powers, and so self-reliance and acceptance of Soviet aid was a result of constrained options rather than ideology alone. The Korean War (1950–3) and its aftermath put China on a war footing, and this also affected the type of industries which were given priority. But this also determined that military-strategic concerns affected the location of the new projects. To reduce risks from possible bombing and invasion

on the coast, many of the new industries were spread inland. Defence remained a very significant factor in the location of industry until the 1970s.

Conflict over the Soviet model

In 1956, a year before the formal ending of the Plan, Mao Zedong advocated a reduction in what he saw as the Plan's concentration in the interior, and a more favourable attitude to development in the Coastal Region. In a major party speech ('On the Ten Major Relationships'), he maintained that the interior should still receive 90 per cent of the investment, implying that the coast had been getting virtually none. He argued that the development of the interior would be helped by the greater accumulation of capital made available from the more rapid advance of the coast. It is a view more consistent with that of the 1980s' reformers than those with which Mao is generally associated.

Inherent in this argument is a set of conflicts over economic policy and regional priorities which are still controversial today. Should there be regional specialisation based on comparative advantage, which might allow the (more efficient) coast to race ahead? Instead, ought there to be a more equitable locational policy, or would this actually cost more in resources because it reduces production efficiency?

During the phase which followed the First FYP it was, in effect, policy that there should not be regional specialisation, on the basis that economic considerations were insufficient to judge efficiency. From late 1957, Mao Zedong promoted a development strategy known as the Great Leap Forward (GLF) which was diametrically opposed to the First FYP in its principles. The name indicates something of the intention: rapid agricultural development and the initiation of rural, small-scale industrialisation, with all areas attempting local self-sufficiency in some key industrial products.

In theory the GLF (and the concurrent commune system) was intended to promote a greater spread of economic opportunity throughout rural China. This was to be, even at the expense of 'efficiency' as normally defined. But to understand the GLF once again requires an appreciation of the international situation, and the growing threat after 1958 in the south of China. Taiwan was increasingly belligerent towards the People's Republic at the same time as the USA was planning to base nuclear missiles on that island. As if this were not enough, antagonism with the USSR led in 1960 to the Soviet Union withdrawing its aid, and the beginning of the thirty-year rift.

The 'Third Front' and strategic factors in regional development

Even after coming to power, and with national defence much in mind, the CPC government retained a form of strategic regionalisation which divided

the country into six military regions, each with its headquarters in a major provincial city. It was based on the idea of regional self-sufficiency in the production of key minerals and industrial products, so that in event of civil war or invasion there were smaller units which supposedly could survive independently. The nature of external threats changed in the 1960s and required another approach. The military threat was from both super-powers, so where could economic and military activity now be placed for security?

A quite extraordinary episode in regional development now emerged, lasting from about 1965 to the early 1970s. We now know that over a seven-year period there were massive and secret investments in certain parts of the country which were thought safest from invasion and bombing, known as the Third Front (*sanxian*) region in the southwest (Figure 2.4). Such was the nature and size of these developments and their associated transfers of personnel that the effects on the efficiency of the economy are likely to continue to be felt for some time to come.

The answer to the threat of attack from either or both the USA and the USSR was a policy to duplicate or withdraw many industrial enterprises, research establishments and military installations into this interior heartland. The first front was regarded as the highly vulnerable coastal cities; the second a rather vague 'intermediate zone' between the first and third.

The core province of the Third Front was Sichuan, an inland basin of rich agricultural land, relatively well off in fuels, and surrounded by mountains. The neighbouring provinces or parts of them were also involved (Guizhou, Yunnan, Shaanxi, Gansu, and the western parts of Henan, Hubei and Hunan). Further west in Tibet, Qinghai and Xinjiang, other military and nuclear establishments were built up or expanded under this policy, making eleven provinces involved in all.

The *sanxian* policy relied on safeguarding crucial productive capacity and research facilities in order to prosecute a war from a protected heartland. Its location was dictated by the threat from all sides, and the resultant industrial development is significantly different from the First FYP strategic policy, which had no need to avoid places near the Soviet and Mongolian borders.

Although US President Nixon's diplomatic openings with China in 1972 reduced the threat of US aggression and complete hostile encirclement was broken, very little has been known about *sanxian* outside China until relatively recently. The story emerged because of the current need to use the technology and personnel locked into the secret economy for civil purposes. Today the international situation hardly warrants such a strategic measure in any case, and China is more interested in using the productive and research capabilities of the Third Front establishments for modernising and developing the rest of the economy.

The revelations about the policy show an astounding scale of investment,

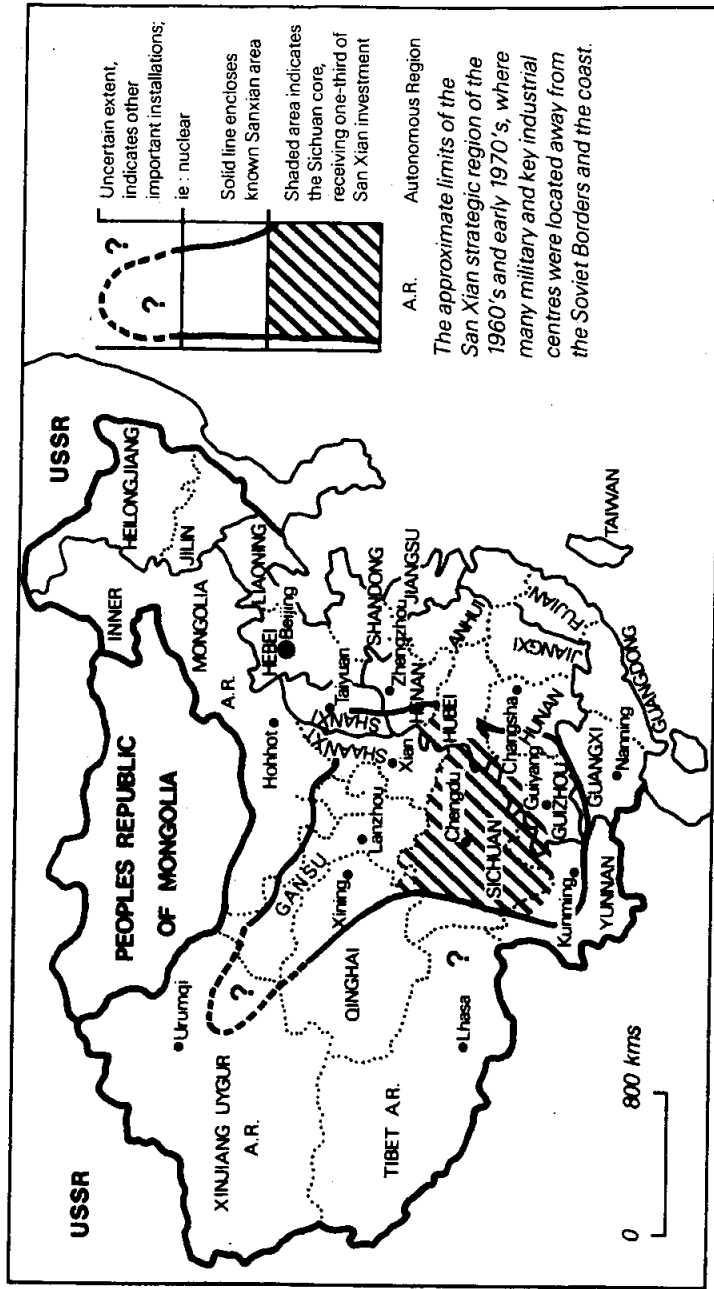


Figure 2.4 The *sanxian* (Third Front) region of large-scale strategic investment, c. 1965-72
 Source: Information in *China Daily*, 27 May 1987 and unpublished papers.

involving billions of yuan on several huge key projects. That China's fifth largest iron and steel works today is at Panzhihua, on the borders of Sichuan and Yunnan in a very mountainous area, gives some idea of the scale and nature of the policy. The *Guardian's* China correspondent reported in 1988 that Panzhihua, which began from scratch twenty years ago, with the first workers living in huts without sufficient food, is now a city of more than 850,000 people.

Most staggering of all, though, are the amounts of capital invested in the Third Front region. About 29,000 institutions of all sizes were involved, and of these around 2,000 were large and medium-sized enterprises (in all China there were only 5,000 so defined in 1981). If we look at the eight provinces nearer the heart of the region (i.e. excluding Tibet, Qinghai and Xinjiang), their share of total national investment is put at nearly 53 per cent in 1966-70, and 41 per cent in 1971-5. By contrast, their share of the national total investment made in 1985 in fixed assets was only 24.6 per cent.

One study of this strategic region asserts with reason: 'We can safely conclude that at least two-thirds of budgetary industrial investment went to the Third Front during its prime construction period' (Naughton 1988: 351-86). The population in this region is around 38 per cent of China's total, suggesting that the massive 'excess' investment (when compared with the share of population) in the *sanxian* period has in the 1980s been reversed to considerable 'under-investment'.

The dispersal of enterprises and institutions under the *sanxian* policy had little at all to do with bringing about spatial equality. Interpretations which assume that Chinese policy has been concerned with this are misguided. At times in CPC debates the question of greater regional equality has been raised, but the evidence is that major investment shifts, which have indeed had such massive regional effects, have been almost entirely for strategic reasons. The CPC has undoubtedly got the capacity to bring about major shifts in resources between regions, and on a number of occasions has done so. But the motivation has been to strengthen and preserve the country, not to equalise consumption or welfare between provinces. All analyses of the country's economy until very recently have had no knowledge of this factor and so are fundamentally flawed.

POST-MAO ECONOMIC REFORM AND ITS REGIONAL IMPACT

The post-Mao era since 1979 has been marked by a major shift in emphasis, away from 'politics' to the promotion of 'economic' priorities, embodied in the Four Modernisations (of industry, agriculture, science/technology and defence). This does not mean that China is devoid of politics. But political struggle and the time-consuming discussion of what is politically correct should no longer handicap the production process (see

Chapter one). Each of the modernisations has been promoted by a series of economic reforms, of which those affecting rural production were among the earliest (begun in 1979).

Although many rural people enjoy the higher living standards which have accompanied the reforms (see Chapter six), there is significant spatial inequality in the reforms' impact. Significant poverty and hunger exists in areas officially acknowledged to include 100 million people. This requires the state to provide limited aid to certain counties.

Urban reforms for industrial growth

'Urban' reforms, directed at reorganising industry, were more difficult to implement. Their key characteristic is reduced central control over the economy. At lower levels of the administrative hierarchy, where previously orders were received from superior authorities, there is now much greater autonomy and new financial arrangements which reduce dependence on the centre. But there has been significant opposition from old-guard CPC members who still favour centralised control.

This decentralisation has had regional and spatial objectives associated with it, for instance the encouragement of regional comparative advantage as opposed to regional self-sufficiency. In parallel with the reform of industry have come policies to encourage new spatial forms in the economy, such as the designation of regional associations of enterprises which cut across province boundaries. Instead of the plan emphasis on hierarchy and vertical integration of enterprises, the reforms encourage 'horizontal linkages'. Additionally, the post-Mao policies include the 'open door' to foreign investment and trade, and this has also had its regional impact in its effects on industry and commerce.

So, in various ways, there are new regional strengths and weaknesses emerging, and these are contributing to the economic and political crises which have affected the success and continuity of the reform period. Most serious of these, as we shall see, are the growing protests at the 'gap' between the west and the coast, and the way in which local (especially provincial) economic power has disrupted the objectives of reform and led to serious conflicts between areas.

Regional comparative advantage

China's leaders have argued in recent years that regional or local self-sufficiency is inefficient and that instead the country must pursue a policy of allowing some areas to 'get rich first'. As a 1985 article in *Beijing Review* put it: 'China is vast, and its natural and production conditions vary from place to place. . . . Therefore the pace at which areas and peoples become prosperous will never be simultaneous.' This is a clear spatial implication

of the economic 'reforms' of the past decade, and is related to the increased role granted to the market. It is analogous with the policy that some individual peasants or entrepreneurs should be allowed to become rich before others.

It is really a policy of regional comparative advantage: particular areas are thought more efficient than others at producing some things, so they should specialise by exploiting their cost advantage. The surpluses and deficits which arise for the different products of each should be equalised through increased inter-regional trade (despite the inadequacies of the transport network). This contradicts the 1950s' and 1960s' policies, which were aimed at regional self-sufficiency in order to reduce transport needs and improve defence capabilities.

Such regional specialisation is meant to be a result of the operation of market forces, at least in part. But the government also has a clear notion of what pattern it prefers, based on what it sees as existing material conditions. This preference is demonstrated in the way the three macro-regions have been drawn up in the Seventh FYP (see Table 2.1 and Figure 2.2). Each of the three is described in terms of its existing resources, and the economic priorities it is supposed to pursue in the next ten years or so. It is the explicit promotion of the rapid advance of the Coastal Region in this which has resulted in conflict and protests from the leaders of both Central and Western provinces. Although some basic characteristics and priorities for the three regions are given in Tables 2.1, 2.2 and 2.3, it needs to be remembered that there is much internal variation within each of them.

Decentralisation and the dilution of planning

The central planning system was already largely decentralised during the 1970s in the sense that the Beijing authorities did not try to run everything.

Table 2.1 Macro-regions of the Seventh Five-Year Plan: proportion of population by region compared with share of investment, 1985

Region	Population		Total investment in fixed assets ^a	
	Millions	Per cent	RMB ^b millions	Per cent
Coastal	429.96	41.3	127,483.0	52.7
Central	371.25	35.7	74,675.0	30.9
Western	239.87	23.0	39,597.0	16.4
Total	1,041.08		241,755.0	

Source: *Statistical Year Book of China 1986*, (1987) Hong Kong: Oxford University Press, p. 73 (population), p. 367 (investment).

Notes: ^a 'Total investment in fixed assets' is a category which shows the amount of work done in construction and purchase of fixed assets by state-owned, urban and collective units and individuals, expressed in money terms.

^b RMB = Renminbi, the official name of the currency unit yuan (¥).

Table 2.2 Macro-regions of the Seventh Five-Year Plan: proposals for specialisation and differential development of the regions

COASTAL

- Technological updating of existing industries and creation of new industries, especially in high value and consumer goods, using central-government investment and foreign partners.
- Special Economic Zones, open coastal cities and other areas to grow rapidly and become bases of expanded foreign trade, and act as training grounds for transmitting knowledge and technology to other parts of the country. Such areas to continue preferential policies.
- Energy resources and transport to be developed to ease shortages. Heavy users of energy and transport to be closed or relocated in Central Region.
- Agriculture and rural production to be expanded and linked more to urban and industrial demands.
- Service sector to be expanded, including financial services and the setting-up of markets and trading centres to encourage circulation of manufacturers and farm produce, and rural inputs, imports and exports.
- Preferential treatment for export industries, and promotion of increased tourism.

CENTRAL

- Speed-up of coal and electricity generating, non-ferrous metals and phosphate mining, and building-materials industries, using increased government investment.
- Cities and areas which are more developed will have greater development of hi-tech industry, both existing and new.
- Vigorous development of agriculture to raise output of grain and cash crops.
- Accelerated development in coal and electricity and oil, and increased capacity for steel, using government and foreign investment. Also more transport links to coast.
- More rapid introduction of new technology in existing industry.
- Setting-up of 'commodity production bases' for grain, soy bean, oil-bearing seed crops and sugar-yielding crops.
- Vigorous development of forestry, animal husbandry and animal products.
- Development of the middle reaches of the Changjiang (Yangzi) river to help stimulate growth in the Western Region. (It is not specific whether this means the Three Gorges hydro-electric project.)

WESTERN

- Development of farming, forestry, animal husbandry and transport.
- Increased exploitation of minerals and energy supplies on a selective basis.
- Where economic and technical level is relatively high, technological up-dating to be undertaken, especially using co-operation with Coastal and Central Regions.
- Land for grain production to be protected, to raise yields and reduce imports from other regions.
- Faster development of grasslands and pastoralism, but with environmental protection.
- Improved rail links with the Central and Coastal Regions.
- Transfer of defence industries to civilian production.
- Open up mineral and energy sources in the higher reaches of both Huanghe (Yellow) and Changjiang (Yangzi) rivers.
- Development of the Sichuan-Yunnan-Guizhou border area in energy and semi-finished products.
- Develop the Urumqi-Karamai area as an industrial centre in Xinjiang.
- Faster construction of frontier market towns, and expanded foreign trade across borders in west.
- Preferential treatment for the west in development of education, transport, mining and energy.

Source: adapted from 'The Seventh Five-Year Plan of the People's Republic of China for Economic and Social Development (1986-1990)', *Beijing Review* 29, 17: 28 April 1986.

Table 2.3 Comparison of the value of production in industry and agriculture in the three macro-regions in 1985

Region	1985	Increase	Percentage of	
	(billions of yuan)	over 1980 (per cent)	total production 1980	1985
Value of industrial output				
Coastal	56.64	79.5	60.0	61.2
Central	24.57	71.6	27.3	26.5
Western	11.34	70.5	12.7	12.3
Total	92.55	76.2	100.0	100.0
Value of agricultural output				
Coastal	12.62	51.8	42.8	43.3
Central	10.63	49.5	36.6	36.5
Western	5.87	46.3	20.6	20.2
Total	29.12	49.8	100.0	100.0
Value of industrial and agricultural production				
Coastal	69.27	73.7	55.4	56.9
Central	35.2	64.3	29.8	28.9
Western	17.21	61.4	14.8	14.2
Total	121.68	69.1	100.0	100.0

Source: 'Economic growth in different areas', *Beijing Review* 29, 49: 8 December 1986.

State-owned industry was delegated to the provinces and even to some city governments. But the crucial issue was who controlled profits and investment funds. Before 1979 these stayed firmly in the hands of the centre; since then, these too have been decentralised, and the centre allows local-level bodies to hold on to more of their profits and pay a tax to the centre instead.

It is this transfer of control over funds which has largely been responsible for the boom in the industrial sector since 1980, with growth rates of well over 10 per cent per annum, much higher in some years. The authorities which have gained more control over profits and capital are not so much the provinces but local authorities, including cities, townships and counties. These lower-level governments have, in effect, gone into business, often in a big way. Enterprise culture in China is based on bureaucrats and local party chiefs turned capitalists, and much of this growth is in rural areas.

The post-Mao government has also reduced the rigid 'central' planning, which it regarded as a constraint on the economy, by the devolution of power to enterprises themselves; though combined with the exercise of much greater control in their sphere by local levels of government, a

tension has been created between the objectives of enterprise managers and the local bodies which oversee them.

In effect, the urban reforms mean the loss of control of much of the economy by central government. This is evident in a number of ways beyond the intended decentralisation, including the deliberate flouting by lower-level authorities of government directives and regulations. Some of these had been intended to minimise the damaging effects of the process. Let us look at some of the implications of decentralisation at different levels of the hierarchy.

Enterprises

With more autonomy granted to individual state-owned enterprises under the urban reforms, which were mainly introduced after 1984, industry has become more 'footloose'. And whereas before the emphasis was on manufacturing, other activities in commerce and the tertiary sector have been experiencing massive growth. Enterprises and local authorities now retain more investment funds, and are thus able to reinvest in other locations, and in sectors unrelated to their previous activities. Before, most funds were channelled through central authorities and had to be used within the enterprise (see Chapter seven).

This has led to cases of investment in places far away from the originating enterprise (in a few instances even abroad). Some projects have earned criticism from 'old-guard' communists: factories have been known to use capital to build hotels instead of replacing their old machinery, attracted by the higher expected profits. In similar fashion, township and city governments have used funds under their control to invest in the service sector and other activities, sometimes in other locations. Questions of ownership and control have become very muddled.

A crucial part of this change is a completely new attitude to how the state directs investment funds under its control. Instead of receiving all 'profits' from state-owned enterprises, it now charges taxes (which are lower and enable the enterprises to retain more of their 'profits'). These are then recycled through the banking system, instead of by central allocation of investment funds. The banks are expected to supervise loans, and the state to manipulate this new credit system by means of indirect controls such as the rate of interest.

Unfortunately, the banks have little experience in the administration of lending; factories have borrowed to pay workers bonuses, or for projects whose merits or viability the bank is unable to judge. However, once such experience has built up, in spatial terms this shift in funding is likely to favour enterprises in areas which have a higher certainty of success and repayment. This is likely to reinforce the dominance of the Coastal Region.

Lower-level local authorities

One of the boom areas of industrial and commercial development during the reforms has been in small- and medium-scale enterprises. These have been initiated at the level of county, township and smaller cities, often by the local government alone or in collaboration with private entrepreneurs. Though technically called collectives, these businesses are often under the control of individuals, and it is frequently local CPC leaders who have used their power to get in on the act (of decentralisation) early.

It is such locally initiated industry and commerce which has accounted for a large proportion of the rapid economic growth of the reform period. But such development has also contributed to the 'overheating' and inflation problems of the economy, because of difficulties in constraining levels of investment and ability to bid up prices for raw materials and components, as well as the demand for construction materials used to build them.

There is a significant regional aspect too: this industrial and commercial growth is happening above all in parts of some coastal provinces. Several factors contribute to this 'bias'. Such areas may enjoy sub-contracting relations with existing nearby large-city industries; the purchasing power of the population is higher so new products can sell; in some cases, foreign capital or investment from overseas Chinese back in their home area is significant; and surplus peasant labour in rich agricultural areas can be employed using rural-generated capital. This is evident in parts of peninsular Shandong. In one county town, where party leaders have set up a range of new industries, 2,000 out-of-towners are employed and accommodated in dormitories.

The example of south Jiangsu is also very significant, as described in Case Studies 6.1 and 8.1 on pages 160 and 220 respectively. Guangdong province demonstrates the most rapid growth of this type involving foreign funds. But the leader overall has been Zhejiang, which, like Jiangsu, abuts Shanghai. Even in the earlier years of the reforms, Zhejiang saw much more rapid growth in the collective than in the state-run sector, so that by 1985 it was producing far more in the collectives, way ahead of other provinces.

Provinces

The central planning system was based largely on Beijing's control of enterprises and agriculture through the provinces and even through lower layers of local government; in effect there was a 'dual-control' system. Provinces have therefore been a key spatial as well as political unit in the implementation of state economic policy. The economic reforms have shifted this role considerably, weakening the planning function of provinces as agents of the centre.

The intention of the urban reforms was partly to reduce the rigidity of the planning process, which treated provinces as more or less sealed boxes acting as local components of the plan. Whereas before there was little chance for co-operation between enterprises on different sides of a provincial border, they were now permitted to find their own suppliers of raw material and components, and to sell their own output. This should have increased efficiency by encouraging spatial concentration and more competition. In some respects this has worked, and where enterprises have been able to escape the constraints of the former plan the province has become less significant as an economic unit.

But in other ways provinces have seized on their greater autonomy to intervene in new forms of activity, and, in effect, to build up their own power in other ways. These include using protectionist measures to benefit enterprises under their control. Thus the more market-oriented intention of the last decade of reforms has been subverted by decentralisation. New problems have been unleashed which alter the economic relations between provinces. The result runs counter to the intended increase in trade and investment across provincial borders. For instance, some province leaders have taken the opportunity to develop industries to produce goods locally which before they had to 'import' from other provinces. To protect them from the rivalry of the previous suppliers, tariff barriers have been put up to keep others' goods out.

A further twist to this is that these new 'infant industries' may use local raw material supplies, which are then denied to traditional users who might well be more 'efficient' producers. This situation has arisen in a number of inland provinces, creating conflict with the normal producers in the Coastal Region. Thus attempts to increase the 'value-added' produced within their boundaries, rather than act as mere raw material suppliers to others who gain those income benefits, are a constraint on the intended role of the coast. An example is Gansu province in the west, an important wool producer which previously supplied this raw material to long-established carpet factories on the coast. Now it has become the second largest producer of carpets in the country. The desire of the government to promote regional specialisation is neatly subverted.

Such developments have led to charges that provincial leaders are acting like 'economic warlords', a term which recalls the collapse of China in the 1920s and 1930s into separate mini-states ruled by local warlords. There are numerous examples: one industry which is particularly significant is silk textiles. Because most of the output is exported, whoever controls this can earn foreign exchange and use it (or abuse it) to purchase imports, or sell it above the official rate in China.

In Shanghai, normally the main processing city for silk goods, the industry had almost shut down in 1988. It was being starved of raw silk because producing areas were keeping most of it for their own new

factories, which increased their wealth and enabled them to earn foreign exchange. So determined were some provincial authorities to ensure supplies for their own factories that they set up armed border guards to prevent silk leaving.

By the late 1980s the central government was trying to prevent this erosion of its control over foreign exchange and introduced a tax on exported silk goods at 100 per cent. The intention was to force others to export through the state monopoly corporation, which then receives a complete rebate on this tax. This competition for raw materials has affected other industries too, leading to inter-provincial conflict and regional rivalries of a new type.

In an attempt to control the local economy, provinces are overstepping their legal authority, and the centre seems powerless itself to do much about it. In some ways central government embarrassment at what has been going on between provinces is at odds with its desire to promote a market economy. The problem it has not reckoned with is that markets encourage participants to compete by using any initial advantage they have, and this is being used for all it is worth. A situation is arising which may be worse than that under the central plans which market forces were meant to replace: a combination of the worst aspects of both market and remnants of central regulation.

Beggar-thy-neighbour attitudes are even more apparent in the actions of government and entrepreneurs in Guangdong province, which is part of the Coastal Region (Hong Kong is adjacent to it). The inland provinces have the excuse that they are trying to retain some control of income-earning opportunities in the face of the coast's unfair advantages. Guangdong, the epitome of coastal 'success', has no such defence. Its business practices have created conflict with neighbouring provinces and considerable resentment in Beijing and among other Chinese.

Inland provinces have argued that they should share in some of the experimental privileges enjoyed by Guangdong and the coast, since the Coastal Region is not simply earning through new business, but is distorting existing production patterns and weakening the inland provinces. Now Hunan province, for example, is being allowed to retain more of the foreign exchange it earns.

The most serious grievances levelled at Guangdong include those arising from its practice of buying raw materials or even finished goods from neighbouring provinces with Chinese currency (Renminbi), then selling them abroad so that the foreign currency earned never gets to the inland provinces. Because the foreign exchange can be sold to those who will give more yuan than the official rate, Guangdong entrepreneurs can then afford to buy from their suppliers at higher rates, so cornering the market (and boosting inflation).

This has provoked the authorities in neighbouring inland Guangxi,

Hunan, Jiangxi and even coastal Fujian to demand payments in foreign exchange, or to set up border controls on traffic in certain goods. Some inland provinces have tried to get in on the act by setting up businesses in Guangzhou (Canton) or the Special Economic Zones (SEZs), all of which are on Guangdong's coast (see Chapter nine).

Beijing's attempts to institute controls over some of the more flagrant violations have met with stiff resistance from local officials and businesses. In the late 1980s it appears that the central authorities made a real effort to implement controls over some of the more blatant private and official dealings in Guangdong. These included the cancelling of over-budget investments and even some joint ventures with foreign partners. But some leaders are adamant that their province should enjoy the fruits of the 'experimental' open status which had supposedly been granted to increase foreign investment and improve technology. They are aided by the fact that when the central government attempts to institute proper regulation foreign business confidence is reduced; it is difficult to control economic growth without constricting supplies of outside capital and technology.

Pressures for new province-level authorities

There have been at least two attempts to redraw province boundaries in the last five years, and this may be indicative of the new advantage in controlling a province. One was for the creation of a new province centred on the proposed huge Sanxia (Three Gorges) hydro-electric power (HEP) dam and flood control project at the Yangzi gorges. This has been shelved, and it is still uncertain whether the dam will go ahead because of cost and environmental protests. The other proposal was to separate the south-coast island of Hainan from its parent, Guangdong province, creating a new province; this was agreed in 1988.

The Hainan case is remarkable, because it will restore powers of trade and business to the island's authorities only a few years after a major scandal. In 1985 many party leaders on Hainan were forced to resign after they misused their autonomous trade powers by importing large numbers of cars and motorbikes from Japan which were then resold on the mainland in conflict with import controls on such luxury items.

The State Economic Commission's action in allowing larger cities (initially nine) to become, in effect, provincial-level authorities, at least as far as their economic responsibilities are concerned, has further increased the number of province-level units. This indicates how decentralisation has created significant advantages for provincial officials. They are able to reduce their role as agents in the regulatory functions of the centre, and increase their own control over existing local resources and the growth of new ones. Local power means being able to retain more control over the

increased wealth and foreign exchange generated (some of which may find its way into personal benefits).

Impact of the 'open door' policy on location of economic activity

One of the earliest 'reforms' of the post-Mao period was the 'open door' policy, which greatly expanded China's economic connections with the rest of the world (see Chapter nine). From the low levels of the mid-1970s, trade had increased three times by the early 1980s. More significant than trade was the acceptance of foreign investment and borrowing of capital from foreign governments and banks. To the Maoists such policies were a sign of capitalism and subjection of the country to imperialism. Now China is a member of the World Bank and the International Monetary Fund (IMF), and even invests money abroad itself, for instance in an iron ore mine in Australia.

The spatial impact of the new trade and investment opportunities has reinforced the growth of the Coastal Region. The government's faith in the region's comparative advantage has also been backed with a number of policies. Of these the best known is the Special Economic Zones (SEZs), set up at four places in south China in 1980. In addition, and more significant, are the fourteen port cities and one area (Hainan island) which were later granted particular rights aimed at encouraging foreign investment. The entire island of Hainan was then also made an SEZ in 1988.

The central government has itself committed disproportionately high levels of capital to the improvement of transport and dock facilities in all these places, partly to encourage investment but also to aid in shipping China's own exports from the coast and inland.

The rapid growth of the Coastal Region, and the concentration in it of both enterprises and population with higher spending power, has attracted to it higher levels of imports of consumer and producer goods. In turn, the new emphasis of the urban reforms on light industry has been concentrated on the coast, and the central government is intent on raising the export capacity, too, in order to help pay for the country's imports. In the second half of the 1980s the import bill was far in excess of the value of China's exports: there arose a serious balance of payments problem.

There have been hopes that oil would be found offshore at several sites on the east and south coasts, but so far there has been little success. Oil is already exported in large amounts from the northeast to help pay for technology imports, and new supplies would have helped reduce domestic energy shortages and would have also increased exports. The exploration efforts have in the meantime further boosted the Coastal Region's growth (see Chapter nine).

Emergence of the Coastal Region as dominant

A whole series of factors, then, seem to coalesce to create coastal pre-eminence, and although some of its growth may be the product of comparative advantage, it is also a result of government policy preferences, and the way in which local authorities have used their lead over other provinces. It is difficult to separate out the causes of the relative success of the coast and decide how much to attribute to inherent locational advantage, to higher productivity, to greater enterprise spirit, and to government policy (e.g. the promotion of Special Economic Zones and open ports, or the improvement of infrastructure).

What is clear is that it is achieving investment which is higher than the other macro-regions in relation to its share of population (see Table 2.1). Taking account of all sources of capital, the investment in fixed assets in the Coastal Region in 1985 was 52.7 per cent of the national total, while the population represents only 41.3 per cent.

The economic power of some coastal provinces to control supplies of raw materials has provoked conflict with inland authorities, as we have already seen. This seems to have prompted prominent government leaders to modify the three-fold 'division of labour' of the macro-regions (see Table 2.2). In the late 1980s, Party Secretary Zhao Ziyang and others, while still promoting the Coastal Region's rapid-growth policy, were saying that the coast had to look for alternative supplies of raw materials, even those from abroad, so as to reduce the constraints that its demand has put on inland development.

They added that those industries using large quantities of raw materials or energy should be cut back, and stress should be put on the growth of lighter industry. The products should be aimed especially at export markets, so as to reduce the impact of selling goods inland in competition with other producers there. Clearly, a regional division of labour is producing its own political price, and the economic objectives of increased efficiency are not to be achieved without the emergence of social and political conflicts which themselves are unmeasurable but are real costs of such policies.

The east-west divide

The conflicts with the Coastal Region experienced by the inland provinces are most intensely felt by those in the Western region. The issues are made more complex by the fact that this region is inhabited by many people of non-Han 'minority nationalities', who have always been at the thin end of economic policies, which are more geared to benefit the dominant Han people (see Chapter eleven). This has led to the concept of the 'east-west' divide in China, which is in some ways comparable with the arguments about a north-south divide in Britain. Despite the fact that growth rates in

the west are quite respectable, leaders and some people in the west feel that their region is being left behind, or even deliberately neglected, under state policies which so clearly promote the coast (see Table 2.3 for a comparison of regional growth rates).

Government assurances that the Western Region will become the major growth zone of the next century are little consolation for people who have to endure current official policy of merely developing farming and animal husbandry, even if some (including sections of minority peoples) in the Western Region have experienced increased incomes under the new commercial policies (see Figure 2.2). They resent the limited role assigned to them of supplying food, raw materials and energy, mainly for 'export' (on improved transport links) to the rest of the country. Central governments explanations that the thrust to develop the coast first is intended to provide China with the wealth to develop the whole of the country is probably little consolation.

But the grievances arise not so much from national minority groups such as the Uighurs, Tibetans or Mongolians, as from Han Chinese who have settled in the west in large numbers in recent decades. They are there often as a result of some compulsion, and resent being excluded from the benefits going to provinces in the east from which they may have been sent. So the east-west divide is a point of conflict for the west's leaders, who want to retain the central subsidies they are accustomed to, and people (mostly Han) who resent the place and function they have been given in the new policies.

The minority peoples have other reasons to be discontented with central government, and in some respects their experience of being ruled by outsiders has been aggravated under the reform policies. Indeed many of the non-Han people (as seen in protests in Tibet and Xinjiang) would prefer the Han to withdraw and leave them with greater independence from what they experience as colonial control.

The ethnic conflict arises largely out of the minorities feeling that the Han want to use their areas mainly for the benefit of the Han economy rather than theirs, which are in most cases based on different resources and systems of production. The CPC's commitment to equal rights falls far short in minority people's experience. Without really having any say, they see their pasture land taken over by Han settlers who cultivate crops for Han people, mines opened to provide the east with raw materials, territory used as a dumping ground for prison labour camps, and dangerous nuclear tests (in Xinjiang).

So although some of the indigenous people have benefited from the greater commercialisation of their areas under the impact of the economic reforms, much of the thrust of the new policies is seen as intensifying Han exploitation of their areas, rather than as sympathetic to needs which they are able to define for themselves.

Not all of the Western Region is affected by this ethnic divide: the most populous provinces in it – Sichuan, Shaanxi and Guizhou – are predominantly Han. They seem to have been included in the Western Region in order to help promote their neighbours' growth. They were also significant recipients of investment in the *sanxian* policy, and this industrial and scientific base is intended to provide a lot of ready-made facilities which just need to be 'civilianised'. This is not very easy, given their remote locations with long routes to markets in which they have to compete with much better-placed enterprises. Being expected to compete on this unfair basis is another element of the conflict creating the east–west divide, to which the central government has said it will pay more attention.

Policies for the west and minorities

Whether this attention is much more than lip-service remains in question, since the central government seems to have neither the will nor the ability to hold back the coast. However, it has been necessary to go some way to recognising the east–west gap, and formulate policies for dealing with it. The 'east–west dialogue' is an example: an attempt from the early 1980s to encourage enterprises from the east to participate in joint ventures or direct investment in the west. Examples of such projects in Xinjiang include fruit canning and other food processing, a truck assembly plant, and a textile factory.

The policy's success has been very limited, with only a small increase in value of output from such ventures. There was a more concerted effort to promote a large number of projects in Tibet, the least populous of all the Western Region's provincial-level authorities, in the mid-1980s. These were mostly in the service sector and infrastructure, and were criticised in Tibet because many of the forty-three projects seemed to be aimed mainly at increasing the capacity for tourism, the dollar earnings from which would benefit the central government.

By the late 1980s other ideas were being promoted. These included increasing minority area trade contacts with the nations bordering them, so that they 'look in two directions simultaneously', thus 'converting minority regions from remote places far from domestic markets into frontier areas adjacent to an international market' (*Beijing Review* 27 March 1989). Cross-border contact is unlikely to produce much in the way of growth, but in terms of morale it is probably quite important, especially in areas where people are ethnically the same on both sides of the border and want improved contact. The most benefit from this is likely to go to Xinjiang after the opening of the new rail link from Urumqi to the Soviet Union and thence on to Europe.

Another proposal is to expand the capacity of the minority regions to exploit mineral and other resources, using 'continued grants of intellectual,

material and financial assistance from the state' (*Beijing Review* 27 March 1989). This reference to 'continued grants' is a diplomatic response to the anger expressed by leaders of western, provincial-level authorities; in 1987 the state announced that central subsidies were going to be phased out, leaving deficit provinces (like most of those in the west) to cover their budgets in other ways.

This obligation comes at a time when many of the west's skilled people are trying to leave for the east, reducing the development capacity of the region. In general, Han people do not like to live in national minority areas, and, since the 1950s, government posts have attracted salary bonuses to encourage people to go and work there. But with greater freedom of movement for people in the reform period many skilled workers, scientists and other 'intellectual resources' have been leaving the west in search of a better life further east.

The unimpeded impact of the reforms on the west is likely to further antagonise most of the minority peoples, who see the new policies as designed for the benefit of others. However, leaders in the Western region are in an awkward situation; to remain leaders they have to support the reforms (even if they are from the ethnic groups), yet at the same time be heard to complain of the reforms' unfairness and harmful impact on minority nationalities. The sort of protest movements seen in Tibet and Xinjiang in recent years, complaining that the local governments are inadequately expressing the opposition of the minorities to the impact of the Han reforms, may well continue.

Economic crisis and the reforms

Implicit in the attitude of letting some areas get rich 'first' is an official faith in the 'trickle-down' theory of economic development, in which areas growing first and fastest stimulate poorer areas nearby through their increased purchases of goods and raw materials, hiring of labour, and eventual cross-investment. In my view, it is largely discredited in the eyes of many people in less-developed countries.

In practice, it can allow rapid economic *growth* – as has indeed been happening in China in the last decade – but is much less effective in the promotion of medium- and long-term income distribution and welfare provision. Some of the most serious economic and political problems facing the leadership in the late 1980s relate precisely to this inadequacy. 'Overheating' of the economy and inflation at levels between 20 and 30 per cent produced widespread disenchantment with the reforms, and led to a drop in real income for many urban inhabitants.

Another spatial aspect of the regional divergence is the extra strain it puts on already overloaded transport and energy sectors (see Chapter seven). Since the 1950s there has been a serious shortfall in transport and

energy provision for the economy and domestic use. There is still no effective plan to increase their provision at a rate which even catches up with the pre-existing gap, let alone matches the economy's growth. Interestingly, part of the 'comparative advantage' proposals for the Central Region is to improve the use of its energy resources and to promote the movement of energy-hungry enterprises from the coast to the centre. This would help reduce demands on the transport system, much of which is used to shift coal to places where electricity can be generated without long transmission lines.

REGIONAL POLICY IN THE 1980s

Regional policy has emerged during the 1980s in parallel with the reforms, and is largely concerned with improving the production conditions of the Coastal Region. Since this region is already in advance of the rest, living conditions of its people are likely to improve further. As well as the higher levels of investment going to the coast, government policy favours this region in the concessions granted for foreign capital. The coast has the five SEZs, as well as the fourteen coastal cities and other coastal 'open zones' with similar 'open door' freedoms and more infrastructure spending from the government (see Figure 9.4 on p. 237).

The idea of regional policy is mainly to strengthen the economy of the already better-off coastal provinces. By contrast, in Western countries it has generally been the objective of regional aid to improve living standards in worse-off regions by encouraging more economic activity there, trying to achieve a more equitable spatial distribution of employment levels, income and welfare facilities.

China's leaders argue instead that a stronger, economically developed and more technically advanced Coastal Region will provide a better basis for future assistance to the poorer parts of the country. The coincidence here with Mao's view in his 1956 speech ('On the Ten Major Relationships') shows how difficult it is to unravel politics and economic policy in China, given the usual simplistic presentation by whichever faction is in power of their total opposition to whoever went before them.

But apart from the major support for the coast as a macro-region, policy in the 1980s has also promoted some new types of smaller regions, some of which encourage not only inter-province linkages, but also connections between the three macro-regions.

Regions in the Seventh Five-Year Plan

One of the most interesting aspects of the Seventh FYP (1986-90) for geographers is the stress it puts on regional differences, and the proposals in it for different sorts of regional policies. In fact, new types of policy

region (i.e. regions designed to achieve certain objectives) seem the vogue in China. Apart from those in the Seventh FYP itself, a confusing welter of new regions have been proposed (but not all implemented) by different government institutions and other bodies. They often seem at cross-purposes and pull in conflicting directions.

These new types of region are one of the most significant agents in the dissolving of traditions of provincial power-broking. They are aimed at improving efficiency by encouraging enterprises and local authorities to deal directly across province boundaries. In the old rigid planning system, managers had to deal up the bureaucratic hierarchy to the province authorities and down again to communicate with their neighbouring plants. Production connections between provinces were discouraged under this system, since the provinces were in effect closed systems which dealt with Beijing as their superior but not with equal-level neighbours.

In marked contrast, the new regions which were sanctioned by the Seventh FYP (some were already in operation) aimed at reducing the significance of provinces as economic managers. Instead they are intended to promote economic efficiency by encouraging links between enterprises no matter which province they are in. The emphasis is on promoting horizontal linkages, against the 'verticalism' of central planning. Some of the largest new regions have been backed up officially by high-level support, including the appointment of government ministers responsible for them.

At this scale, there are different types of region aimed at distinct problems or objectives. For instance, in an attempt to improve energy production and use there is the Shanxi Energy Base region, centred on that province but linked also to parts of Inner Mongolia, Hebei and Shaanxi. (It falls in the Central Region, which is meant to focus on energy production anyway.)

There are three other large 'horizontal' regions on this sort of scale. The Shanghai Economic Zone, and the Northeastern Economic Zone aim to improve links between adjacent provinces which already have large amounts of industry. Both include provinces from the Coastal and Central Regions. The former incorporates Jiangsu, Zhejiang, Fujian, Anhui and Jiangxi, with its headquarters in Shanghai. The Northeastern includes Liaoning, Jilin and Heilongjiang.

The remaining one connects three provinces from the Western Region - Sichuan, Yunnan and Guizhou - and Guangxi Autonomous Region, which is part of the Coastal Region, despite being one of the country's poorest provinces. It appears to have the transformation of the *sanxian* production capacity as its focus (see Figure 2.4).

These large regions are the first level of a hierarchy of the new policy regions, which are described as 'networks of economic zones'. This language itself indicates how far the thinking has gone away from the

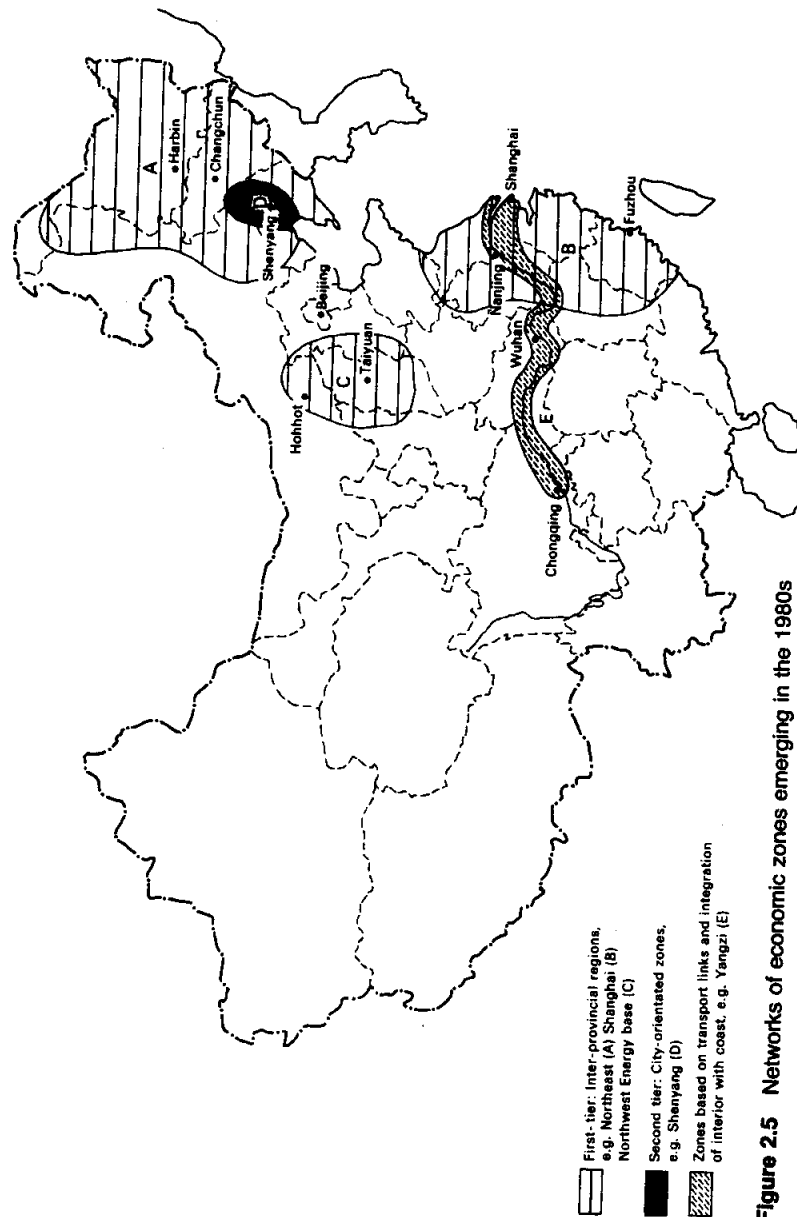


Figure 2.5 Networks of economic zones emerging in the 1980s

notion of provinces acting as the state's agents in a strict vertical planning system. In the next level are found networks 'along vital communication lines'. So far, two seem to have been mentioned, based on the Chang Jiang (Yangzi) River and on the crucial rail route that links the east coast with Urumqi in the far-west Xinjiang Autonomous Region (soon to connect China through the USSR with Europe). These curious 'linear' regions (see Figure 2.5), whose organisation has not been clearly spelled out, cross all three macro-regions. Really they are not regions as such, but rather a co-ordinating conference of the relevant city authorities.

The third level of new region types link together groups of cities into smaller regions, apparently to create logical cross-border connections where there are industrialised areas straddling provincial boundaries. Such groupings seem to have been springing up partly as a result of provincial initiatives, in recognition of the mutual benefits to be gained. There are examples within the northeast, in a grouping around Shenyang, and in the grouping of Tianjin and cities in Liaoning, Hebei, and Shandong around the 'Bohai rim' (the coast of the Gulf of Bohai). It is especially this type of region that seems to be at cross-purposes with the others. Given that these smaller ones seem to contain much of the relevant productive activity, higher-level efforts would have a rather contradictory impact on them.

PROSPECTS FOR THE COMING YEARS

The most significant spatial impact of the economic reforms is in the reinforcement of the strength of the Coastal Region, and the stirring of inter-regional rivalries and conflicts arising from the resultant 'east-west gap'. This major regional advance for the coast is a product of both the working of the economic reforms (which promote the comparative advantage of that region) and deliberate regional policy. It is reinforced by the powers which provinces have taken for themselves in the decentralisation of planning, and by the formation of the new types of region which aim to cut across provinces but which are also most numerous in the Coastal Region.

In short, there is unlikely to be any reduction in the existing strength of the coast and its potential for rapid growth, unless the conflicts arising lead to a significant shift in official policies. Even such a shift is of doubtful value, as the central government may be too weak to rein-in the economically strong coastal provincial governments and other business interests.

Aspects of regional policy designed to reduce spatial inequality are relatively weak, though there is some evidence of growing concern about increasing spatial (including regional) inequality. There are some aid provisions for poor areas, and there is greater willingness to reveal the level of rural poverty in mountainous and hilly areas. Paradoxically, such areas of poverty occur even within coast provinces, reminding us

of how crude are the macro-regions in characterising their internal coherence.

The most crucial determinants of poverty in China are poor farming conditions (of soil, slopes, access to water) and the consequent inability to produce surplus for sale on the market, or of poor transport access to markets even when a surplus can be produced. These are conditions which are largely a factor of economic and regional policy, and it is going to be extremely expensive to overcome them. It is worth noting that under the reforms the number of counties eligible for special poverty aid has doubled, though the fund for it has not been increased. Polarisation between richer and poor areas is likely to continue and become more acute, producing greater social stresses.

One way in which people are responding to the inequalities of earning opportunities is by migrating, sometimes seasonally, in response to agricultural work, but increasingly in search of permanent employment. This process is now possible, whereas during the Maoist period place of residence was much more strictly controlled. Migrants can buy food on the open market rather than use ration cards which are given to urban dwellers through their place of work. Though a market in labour has yet to be officially sanctioned it is developing by default and is not being strictly controlled. This is likely to continue, as central and local controls on movement are extremely difficult to re-impose without harmful effects on other aspects of the economic reforms (see Chapter eight and Case Study 5.1 on p. 126).

Lack of data makes it difficult to assess the patterns, but it is likely that movement correlates strongly with economic opportunity, so that growth areas in coastal provinces are major recipients. It has been reported in the *People's Daily*, for instance, that there are 2.5 million people in Guangdong from neighbouring provinces either in or seeking work. After the New Year festival in 1989, in the capital Guangzhou (Canton) alone there were 30,000 rural labourers waiting in a main square for temporary jobs. By comparison, the size of the workforce in the province in 1985 was around thirty million.

While work in the towns and cities is far from guaranteed under such conditions it is unlikely that agriculture will ever again be able to absorb more people. Even if work is not easily available, the mobility of labour under the new conditions is likely to continue, with increasing pressures of urbanisation and residence in towns and cities. Stronger regionalisation of economic growth and the emergence of patterns of smaller towns in the periphery of larger cities along the model of south Jiangsu seems likely (see Chapter eight).

China seems set on a course which is going to produce increased regional differences and heightened political awareness of the problems such spatial inequalities involve. In the pursuit of economic growth rather than a broader, more equally shared development, Deng Xiaoping's model aims

at producing greater wealth and welfare for all in the long term even if it means greater inequality in the meantime. His objective is shared by many, but not all, of the central leadership and is increasingly opposed by significant sections of the people.

But the forces unleashed by the commercialisation of socialism have created powerful regional and provincial interest groups in better-off areas which desire to maintain the decentralised and market-oriented policies. With the centre much less able to reinstitute controls there is likely to be a growth in 'separatist' aspirations by the well-off and growing tension in the less prosperous areas. Some poor hill and mountain areas have already suffered food shortages, and because aid is inadequate and political will insufficient they are potentially victims of the new spatial patterning of Chinese society, voiceless and superfluous to central or local needs.

ACKNOWLEDGEMENTS

My thanks to Roger Chan, Janet Hadley, Maurice Howard, Richard Kirkby and Martin Lockett for their comments and help in writing this chapter.

REFERENCES

- Buchanan, K. (1970) *The Transformation of the Chinese Earth*, London: Bell.
 Naughton, B. (1988) 'The third front: defence industrialisation in the Chinese interior', *The China Quarterly* 115, September: 351-86.

FURTHER READING

Geography (1989) October.

The annual 'This changing world' supplement in this issue is devoted to China on the fortieth anniversary of the People's Republic and contains short articles of relevance to regional and spatial issues. Also published as a separate booklet available from the Geographical Association.

Goodman, D.S.G. (ed.) (1989) *China's Regional Development*, London: Routledge/RIIA.

This collection of papers includes coverage of regional policy, the problem sectors of the economy (energy and transport), the impact of foreign trade on regionalisation, and case studies of the Special Economic Zones, a province from the Coastal Region (Shandong), the Central Region (Shaanxi), and the Western Region in general.

International Regional Science Review (1987) 11, 1.

A special issue of this journal devoted to 'Regional aspects of the Chinese economic reforms', containing essays, almost all of which are relevant and some excellent.

Leung, Chi-Keung and Chai, J. C. H. (eds) (1985) *Development and Distribution in China*, Hong Kong: University of Hong Kong.

Some useful contributions relevant to regional and spatial issues.

Naughton, B. (1988) 'The third front: defence industrialisation in the Chinese interior', *The China Quarterly* 115, September: 351-86.

A rare study of the *sanxian* policy and its regional impact.

UPDATE

The official Chinese magazines *Beijing Review* and *China Reconstructs* (now renamed *China Today*) often have articles or news of matters concerning regional development. The Hong Kong weekly *Far Eastern Economic Review* carries reports and analysis which often concerns particular provinces or regions, and is a very useful counterbalance to the bias of official sources. More difficult to get hold of, the Hong Kong newsletter *China News Analysis* and the Japanese trade monitor *JETRO China Newsletter* are well worth checking for their occasional well-informed articles on regional development and policy (JETRO is the Japan Export Trade Research Organisation).

Chapter three

History: historical perspectives on the current geography of China

Richard Louis Edmonds

To understand contemporary China it is necessary to know something of the country's past. In this chapter we explore the role of history in certain aspects of China's geography, and mention a few ways in which the past has resurfaced since 1978.

Governments in China have had a profound impact on the country's geography. Moreover, the continuity of history is still to be seen in its present government, despite its being generally considered radically modified. After two militarily successful revolutions in the twentieth century, as well as attempts at bureaucratic reform since 1978, the form of government owes much to the nation's dynastic past. Imperial-style bureaucracy is evident even in the present day. Although China has adopted republican terminology since 1911, the state today is ruled by individuals who appear to hold power for life. This is more in the imperial than the republican tradition.

Under the Chinese emperor there existed a large centralised bureaucracy whose qualifications for service were based on the results of state examinations or personal relations with the ruling faction. Today, university examinations and party membership are the bases for top jobs in areas of society that are under central-government control and located in the national capital.

Despite being in the process of compiling a thorough law code, there is a feeling among many inhabitants that law is enforced rather arbitrarily. This increases with distance from the national capital and major regional cities. That rule by law is more proper than rule by individuals is often stressed in the state-controlled press, and this indicates that rule by individuals rather than law is still widely practised. The concept of rule by men of virtue was expounded in the classics by Confucius, with interpretation of the law traditionally at the discretion of local officials.

Dates such as 1911 (founding of the Republic), 1949 (the People's Republic) and 1978 (the beginning of the open policy and the assumption of power by Deng Xiaoping) do not represent complete breaks in Chinese history but are merely times when formal modifications occurred in its