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**Scale, state and the city: urban transformation in post reform China**

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**Abstract**

Globalization has resulted in the change of scalar relations of the state and the city in the contemporary world. The scale theory is developed mainly in the context of capitalist societies. As a general sociospatial theory, this paper argues that the general principle of scale theory is also relevant to transitional socialist economies where scalar configuration has been rearticulated by liberalization and globalization. It is adopted to describe the profound transformations of the state and the city in China. Multi-scalar in perspective, this paper examines the urban spatial transformation and reconfiguration as rescaling and territorialization processes.

*Keywords:* urban transformation; scale theory; state; China

## **Introduction**

There is a hierarchical administrative system in China from the top of central government (State Council) down to provincial, city, county and town/township governments. Before 1978, the system is highly centralized. Since the early 1980s, there has been clear tendency of decentralization. Various scales and forms of state activity have been rearticulated through a complicated process involving twin issues of governance and scale.

Such changes are not unique in China. They are parallel to widespread transitions taking place in North American and Western European cities and regions, but possibly due to different processes (Ohmae 1995; Lauria 1997; Brenner 1999). The triple processes in western countries, denationalization, destatization and internationalization, have resulted in the rescaling of regulatory codes, norms and institutions downward or upward (Macleod and Goodwin 1999; Swyngedouw 1997, 156; Storper 1997). The transition process from state socialism to market economy in China involves three processes: decentralization, marketization and globalization (Wei 2001a).

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 transitional economies where scalar configuration has been rearticulated by liberalization and globalization.

The relation between the central and local governments in China has been the focus of some studies. Most studies focused on the central-local fiscal relationship such as those between the central and provincial governments and those between the provincial and city/county governments (Wong et al 1995; Lam 1999; Hsu 2000). Rising local state has been described with the notions of “local state corporatism” and “local governments as industrial firms” (Oi 1992; Walder 1995).

Urban transformation in transitional China has been the focus of previous studies (Wu 1997; Fan 1999; Ma 2002; Pannell 2002; Shen 2004a; 2004b; 2006; Shen, Feng and Wong 2006). Zhu (1999) cautiously used concepts of urban regime and urban growth machine in an analysis of the urban dynamics in China. He found that an informal local growth coalition is formed between local state and enterprises. Zhang (2002) formally adopted the urban regime theory in the study of Shanghai. He concluded that the concepts of urban governance work well with the economic dimension but differ from the political dimension of urban governance due to a strong government and tight social control.

The explanation power of urban growth machine and urban regime theory are considered internalistic paradigms of urban politics (Macleod and Goodwin 1999, 508). The model of urban growth machine is also criticized for overemphasizing the

role of property in economic development. Indeed, in terms of scalar analysis, both the global forces, the central state and the local actors in a city should be taken into consideration due to the relativization of scale (Jessop 2002, 27).

Urban space re-organization has become an essential measure of urbanization in China (Wang 2001). Since 1978, the urban space in China has been expanded/re-organized tremendously with the designation of new cities and the constant adjustment of city boundaries. The role and function of the state have been contested and reconfigured consequently at various spatial levels.

Previous studies concerning the central-local relations, the rising of “Local state corporatism” and the application of “urban growth machine” and “urban regime theory” are relevant in the explanation of urban spatial transformations in China. But few studies have examined the urban transformation in post-reform China as rescaling and territorialization processes (Shen 2003; Ma 2005). Ma (2005) adopted the scale approach in his study on the urban administrative restructuring as a rescaling process of the state power. He emphasized the importance of the administrative status of a city. But further efforts are needed to theorize the rescaling process in the context of urban transformation and urban space re-organization in China. Although many studies have been done to describe the urban changes in China largely in non-scalar languages (Chan and Zhao 2002; Ma 2002; Shen 2004a; 2004b), it is insightful to re-examine these changes from the perspective of the scale theory.

The scale theory is adopted to describe the profound transformations of the state and the city in China in this paper. It examines the urban spatial transformation and reconfiguration as rescaling and territorialization processes. The paper contributes towards theorizing the urban space re-organization as a political constructed process. The empirical analysis also contributes to the theoretical debates on the central-local relations and the role of state in the background of China’s reforms, globalization, marketization and decentralization.

### **Scale theory and sociospatial transformation**

There have been debates on globalization. Some argued that the world is becoming placeless and no longer subject to territorially based states and institutions (Ohmae 1995). However, Storper (1997) did not agree that the locus of control in the development process is being passed from territorialized institutions such as state to deterritorialized institutions. There is continued territorial specificity in development patterns.

The processes of deterritorialization or territorialization have important implications on the state and governance at various spatial scales. The key concepts in this debate of globalization and sociospatial transformation are scale, territorialization, deterritorialization and rescaling of scalar relations. Several leading

scholars such as Smith (1992; 2000), Storper (1997), Brenner (1999; 2001) have attempted to clarify these concepts.

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 on scale is on the “production of scale” rather than the “scale” itself. This idea is rooted in Lefebvre’s (1990) “production of space”. Although scale is only a spatial metric, the meanings of “scale” and “space” in above two phrases are essentially close. Such usage often leads to the confusion in the meanings of “scale” and “space”.

The notion of the “politics of scale” is introduced by Smith (1992) to theorize the role of geographical scales as frameworks for a broad range of social activities and struggles. The production and construction of geographical scale involve a number of processes responsible for sociospatial transformations. Most important of all are the scaling and rescaling 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). It is a means of both containment and empowerment.

Second, rescaling refers to the shifting in the power and control over scales. It involves two or more scales. But it is often named after one scale that is another source of confusion in the scaling studies. For example, according to Brenner (1999, 441), rescaling the state means reterritorializing state power onto multiple spatial scales that do not converge with one another on the national scale. In this case, the state power is scaled down while the power of urban scale and global scale are scaled up.

Indeed, territorialization and de-territorialization are involved simultaneously in such a rescaling process. A general term for such process may be rescaling of territoriality (Brenner 1999, 435). In China, the introduction of the “system of city governing county” is an example of rescaling of territoriality or rescaling of cities precisely.

Territorialization is a concept related to economic organization in the discussion 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”. Such territorialization of economic activities determines the ability of territorially bounded states and institutions to bargain with TNCs. Concept of territorialization is also applicable to cities and states that are considered as forms of territorial organization (Brenner 1999). In addition to

territorially bounded practices and relations, one important and explicit form of de- and re-territorialization is the shrinking or expansion of physical space. This includes the urban space re-organization that is the focus of this paper.

The third process of the production of scale is the interaction of scales. For example, “jumping scale” refers to the case that political power established at one geographical scale is expanded to another scale (Smith 2000). The abolishment of metropolitan governments by the Thatcher government is one such example. “Penetrating scale” refers to the case that acts in one particular scale attempt to exert their influence in other scales. Rather than a result of rescaling cities (Brenner 1999), “world city” formation may be regarded as an example of the penetration of global forces into the urban scale. It is a process that takes place within the city boundary. “Conquest scale” refers to the case that actors attempt to position themselves in a particular scale. Struggle to organize labor union at local, regional or national level is one such example (Smith 2000). “Overlapping of scales” refer to the case that the lower scale has certain power and property of the upper scale. For example, a vice-provincial city in China is under the administration of a province, but it also possesses much provincial-level power.

The fourth process of the production of scale is the territorialization taking place at the same scale. This issue has been neglected due to overwhelming attention to scalar relations. Sociospatial transformation within the same scale is also significant in the contemporary world. This is especially so in the case of China where locals have become center of development. Their realignment and spatial re-configuration have long-term implications for regional and local development.

The popular scale theory has also subject to serious criticism. Marston et al (2005) argued that the hierarchical concept of scale has many problems and that hierarchical scale can be abandoned and replaced by a flat ontology. However, scalar concepts can be considered as heuristic abstractions and scholars should pay attention to the strategic interplay of scalar and non-scalar processes (Jonas 2006). Scales are not fixed geographical structures. They are dynamic and constituted through strategic actions and struggles (Swyngedouw 1997). Thus scale approach is a useful framework to understand sociospatial transformation in China (Shen 2003; Ma 2005).

While many scholars argue that the urbanization process is unique in China (French and Hamilton 1979; Ma 2002), some scholars believe that Chinese cities and western cities share similarities in the broad urbanization process and the concepts and theories of urban change developed in the western context are also relevant to Chinese cities (Wu 1997; Zhu 1999; Zhang 2002). Nevertheless, the specific ways of the rescaling of governance will vary within and between nations, regions and their respective contexts (Macleod and Goodwin 1999, 515). Thus much theoretically

informed empirical research is needed to understand the complex articulation of social, economic and political forces through space and over time.

### **Rescaling the central and local states**

Due to globalization and cross-border investment, competition between nations has become competition between cities (Brenner 1999; Zhu 1999, 535; Shen 2004a; So and Shen 2004). In the western countries, local government has emerged as a major actor in urban restructuring. The concept of “urban regimes” has been used to describe local growth coalitions in American cities (Lauria 1997).

Without direct influence of American experience, the urban government has assumed an increasing role in local development in China due to tremendous changes in the political economy and governance since 1978. There is a hierarchical administrative system in China from the top of central government down to provincial, city, county and town/township governments. Before 1978, the system is highly centralized meaning that the central government has overwhelming power in the decision-making of the society through its sectoral controls from the central to local and even enterprises and rural collectives.

Since the early 1980s, there has been clear tendency of decentralization initiated and settled by the intense interaction of central and local governments, SOEs (state owned enterprises), non-SOE enterprises and residents. Various scales and forms of state activity have been rearticulated involving twin issues of governance and scale. The four scales of concern are the national scale, the local scale (especially cities), enterprises and residents (Fig. 1). In China, cities have four different kinds of status with different political and economic power including county-level cities, prefecture-level cities, vice-provincial level cities and provincial level cities. They can be considered as four sub-local scales. A city’s status can be downgraded or upgraded in the process of urban space re-organization. This paper will focus on the rescaling of the central and local states at national and urban scales as well as urban spatial transformation: changing city scales and urban territorialization. Enterprises and residents are two independent scales but they will not be examined in detail in this paper. The central state, local state, enterprises and residents are also important actors in urban governance.

(Figure 1 about here)

The open door policy can be regarded as a response to the globalization trend to bring China back into the world economy. With the entry of China into WTO (World Trade Organization), internal institutional reforms will be increasingly driven by external forces of globalization. For example, China has been reforming its administrative system to make its economic regulation consistent with WTO rules since 2001. Many government regulations and administrative rules inconsistent with

WTO will be abolished. It is estimated that the central government has about 20,000 kinds of administrative power to approve various projects and applications; a provincial government over 10,000 kinds of power and the urban government of a prefecture-level city 5000-6000 kinds of power. Over 11,000 kinds of power of the central government have been reviewed to simplify bureaucratic procedures (Mingpao 2002). By September 2006, the State Council cancelled the approval requirement for 1795 items, accounting for about 50% of the items that need approval of State Council previously. 31 provincial governments and 58 Ministries and Bureaus of the State Council also assessed 25,797 approval items. Some 8666 items were cancelled and 1841 items were adjusted (Law Office of State Council 2006).

The impact of globalization on the restructuring of Chinese cities has been examined in detail recently and is not the focus of this paper (Wei et al 2006; Wu 2006; Hsing 2006; Cook 2006; Batisse et al 2006). Apparently, much has been going on in the politics and struggle between the global and national scales such as regulating the inflow of global capital, bidding to host international events, joining of WTO and the import of natural resources and energy.

Economic reforms have been set in motion to reconfigure the economic, social and institutional organization of the country. The decentralization and marketization processes are perhaps the most influential in the rescaling of political economy and governance in China. The central planning system has been gradually replaced by the market mechanisms in China. By 1998, most industrial and agricultural production was based on market. The share of industrial production based on state plan in the total value of industrial output was reduced from 70% in 1979 to 4.6% in 1998. The share of goods with prices under state regulation in the total value of traded goods reduced from over 95% in 1979 to only 7.2% in 1998 (Wang et al 1998). The central state has also been reconfigured to cope with the emerging market economy. Through four major reforms in 1982, 1988, 1993 and 1998, the number of ministries and commissions in the state council was reduced from 100 before 1982 to 53 in 1998 (Wang et al 1998).

During the rescaling process, the local states have gained great autonomy in fiscal operation, financing, investment and enterprise administration (Zhang 2002). Oi (1992) argued that local states have taken control of economic development, giving rise to "Local State Corporatism".

Due to intensive intervention of the state in Chinese economy under both state socialism and market socialism, it is useful to examine how the power has been rescaled between central and local states. The central-local relations involve the division and sharing of power on policy matters, personnel matters and fiscal matters (Chien and Gordon 2006). The power related to fiscal matters is very important. The

fiscal arrangement between the central and local governments is also closely related to policy matters.

A highly centralized fiscal system prevailed in China under state socialism before 1978 (Lu and Sit 1997). The most extreme of central control was in the period 1949-1953 when the share of central government in the total fiscal revenue was over 44%. Various forms of central and local fiscal arrangement were tried in the 1970s and the share of central fiscal revenue was reduced to only 13% in 1976. The central government faced a poor fiscal situation.

A fiscal reform was started in 1980 in China to reduce the central state's own fiscal burden, to make local governments fiscally self-sufficient and to provide incentives to local governments to stimulate economic development (Oi 1992). There have been four major reforms in the fiscal system (Chan et al 2002). A fiscal contracting system between the central and provincial governments was introduced and improved continuously in first three reforms in the period 1980-1989.

Under the fiscal contracting system, fiscal contract was signed between the central state and each provincial government, between each provincial government and each of its prefecture-level administration or city government (Oi 1992; Wong et al 1995: 103; Chan et al 2002: 53). For example, the fiscal contract stipulated that the revenue to be turned over to the provincial government of Guangdong should increase 7% a year for Foshan, Jiangmen, Shaoguan and Maoming, 6% for Zhanjiang beginning in 1985 (Lam 1999).

In the fourth reform, a tax assignment system was formally introduced in 1994. Different kinds of taxes were designated as revenue for central or local government. The power of local government to offer tax concessions was reduced and the revenue of the central government increased. After the reform, the share of central government in fiscal revenue increased from 22% in 1993 to 55.7% in 1994.

Local governments become dependent on the revenue transfer from the central government. Many local governments are keen to bargain with the central government for more revenue support and more investment projects. The local governments have also been induced to collect tax more seriously for local fiscal balance. In recent years, all county-level governments in Jiangxi, Shanxi, Anhui and Shandong achieved fiscal balance (Wang et al 1998, 63).

Stimulating economic growth and expanding the revenue base have become two key goals of local state under aggressive pro-growth development strategy. According to a survey of 56 officials in 11 cities in Jiangsu in 2000, increasing economic growth rate and local fiscal revenue were top two focuses of local governments and top two motivations of investment by local governments (Table 1). They are keen to invest in and serve the firms which are the source of revenue while



do little to provide public facilities like education and medical services to residents especially in newly developed residential areas (DRE and JICA 2001, 196). In 1999, the fiscal expenditure of local governments on firms was RMB60 billion while that on urban maintenance and construction was only RMB47 billion in China (186).

(Table 1 about here)

To capture financial gains within their boundary, local states have adopted a number of strategies. First, the local states are keen to improve their infrastructure such as highways for local development (Shen 2002). Second, the local states are keen to attract foreign investment by offering tax concessions and other policy incentives. Cheap land has been offered to foreign investors (Zhu 1999, 541).

Third, they have developed close relations with local firms by direct or indirect participation and intervention. An informal local growth coalition is formed between local state and enterprises. Under “soft budget constraints”, SOEs often get financial subsidies and even subsidized land supply to keep them surviving. This tendency indeed is in opposite to the central state’s reform agenda to separate the state from SOEs while, in 1992, prohibiting government departments and officials from running any business (Editorial Committee 1995, 54-55). It is likely that the local growth coalition in China has a long way to move closer to the urban growth coalition in western countries in terms of sound legal foundation and wide community participation.

The scaling of central and local states has major implications on the relations of local states in the same scale. Under the protection of local government, many similar firms have been established to produce goods for the local market resulting in surplus production capacity. In China, color TV firms were found in 27 provincial regions in 1988 and motor industry was listed as a pillar industry in 22 provincial regions in 1996 (Wei 2001b, 2-29). According to the national industrial census in 1995, among 285 main industrial products, only 25 products had the utilization rate of production capacity over 85%, 42 products between 75-85%, 128 products between 50-75% and 90 products below 50% (Wei 2001b, 4).

Fourth, the above three strategies, if successful, will generate significant land revenue for local states by creating a huge rent gap when agricultural land is turned into industrial and urban land. This is similar to the case in the inner city of western countries where the rent gap can be created by “continued urban development and expansion” (Smith 1996, 68).

According to the Law of Urban Housing Property Administration of China (Wang et al 1998, 58), the land revenue from the transfer of land-use rights is a part of the fiscal revenue of the local government and will be used to support the construction of urban infrastructure and land development in the locality which may further boost

the land price. According to the revised Law of Land Administration of China that was in force on 1 January 1999 (PRC 2001), all the land is owned either by the state or rural collectives. The land owned by rural collectives can be converted to state owned land and rural collectives will be compensated based on the original land use, 6-10 times of the average output for arable land. Resettlement aid, 6-10 times of the average output for arable land, will also be provided. The land revenue from the transfer of land-use rights using such new state owned land would be shared by the central state (30%) and the local state (70%). Thus the local state has every incentive to control large area and to convert much arable land for industrial and urban development. This a major force driving the urban space expansion in China. Total urban built-up area increased from 9,386 km<sup>2</sup> in 1985 to 19,264 km<sup>2</sup> in 1995 and 32,521 km<sup>2</sup> in 2005 (NBS 2001, 344; NBS 2006, 395). As a result, the total arable land of China decreased by over 46.7 thousand km<sup>2</sup> in the period 1986-1998 (Ye 2004). It further decreased from 1.30 million km<sup>2</sup> in 1996 to 1.22 million km<sup>2</sup> in 2005 (Sheng 2006). The revenue of land sale reached RMB35 billion and RMB 49.2 billion in 2000 and 2001 respectively (Wang 2004).

In summary, industrial and land development in China can bring huge financial returns to local governments in forms of land revenue and industrial-commercial tax. Every local state is interested in attracting and concentrating the development in their own land, a kind of urban territorialization. Acquiring urban status and expanding the spatial boundary under the jurisdiction of local states have become a new strategy for lasting growth, resulting massive urban space re-organization in Chinese history. Other than urban growth and urbanization, social, political and administrative considerations are also causes for changing urban administrative areas in China.

### **Changing city scales and urban territorialization**

Changing city scales and urban territorialization are two major forms of urban space re-organization in China, one vertical and one horizontal. City scale changes when a city is promoted in the administrative hierarchy from county level to prefecture level, vice-provincial level or provincial level which are three basic levels of government administration in China below the central government. Urban territorialization takes place when a city's territory expands to put more areas under its control. It is not just a kind of spatial expansion. More importantly, a city gains control over the land and economic interest in the new area. This section will examine these processes and the interaction among various scales.

City is an important kind of political units in China. The "Law on the Organization of Local Governments" revised in 1995 stipulated the political power structure of a city (Editorial Committee 1995, 29). The People's Congress of a city is

the organization with the state power. 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. Thus the city government was responsible to both the People's Congress of the city and the state administrative organization at higher level. Such a power structure ensured that the central government had the ultimate power in initiating changes and controlling local governments at various levels. The central government has been influential in the changes of city scales, i.e., the promotion of a city from one level to another in the administrative hierarchy, and urban territorialization, i.e., city boundary change, both before and after 1978.

The current processes of city designation and boundary changes are stipulated by relevant laws such as "the regulation on the management of administrative divisions" announced by the state council in 1985. Economic consideration is the main reason for reconfiguration of urban space. Cities are regarded as places for efficient wealth creation and to act as economic centers to enhance the integration of urban and rural economy. Two major events in the change of city scales are the designation of a new municipality and vice-provincial cities (Shen 2004b).

First, a new kind of vice-provincial cities was introduced in 1994 recognizing their increasingly role in the economy. The key consideration is to facilitate the autonomy of some larger cities for economic development. These cities are given a privileged position in the national plan that their economic plans would be listed separately from their provinces. In 1997, there were 15 such cities including Shenzhen, Dalian, Qingdao, Ningbo, Xiamen and 10 provincial capitals of some provinces with strong economic and political status. These vice-provincial cities are still under the administration of provincial governments, but they have the same power as a provincial government in economic planning and administration.

Second, a new provincial level municipality, Chongqing, was established in 1997. The old prefecture-level city of Chongqing in Sichuan province was scaled up to the provincial level and expanded to include two prefecture-level cities and one prefecture. The new municipality was established to cope with the migration and development related to the construction of the "Three Georges Project" which will be constructed during the period 1994-2009. The upgrading of Chongqing's city scale has important impact on its development path and it now acts as a leading central city in the southwestern region of China.

Horizontally, urban territorialization takes place when a city's territory expands to put more areas under its control. One important form that cities expand their influence is the designation of new cities. Local governments are keen to negotiate with the central state for urban status for economic, land and strategic interests.

A city has several advantages over a county. First, when a county is designated as city, it will acquire greater administrative power and gain much autonomy. According to the Central Staffing Committee (Editorial Committee 1995, 73), a city government may set up 30-60 commissions/bureaus while a county government may only set up 20-30 bureaus. A county-level city government has greater administrative power than a county government. It can approve a construction project up to US\$30 million while a county government can only approve a project up to US\$1 million (Dai 2000, 222). Second, a city will be listed separately in the provincial plan. Third, a county-level city can use 7% of the local fiscal revenue for urban maintenance and construction while a county can only use 5% (Wang 2001, 228). Fourth, a city is much easier to attract investment and talents and market its “urban” products than a “rural” county.

“Separating a city from a rural county” is one form of city designation used mainly before 1978. An original county is divided into two administrative units, a county keeping most area of the original county and a city with a small area of the central town. The new city is fully surrounded by the new county, which is deprived of its central town. Urban and rural areas are completely separated into a city and a county. Such kind of city designation can create serious governance problem due to overlapping of governments. In 24 cases, city and county governments are stationed in the same city while the county does not have its own urban center (Wang 2001, 242; 252). For example, in the urban proper of Shaoxing city, there were three governments, for Shaoxing city, Shaoxing county and Yuecheng district respectively, in an area of 101 km<sup>2</sup> in 1998. The officials of the county government and their dependents are not residents of the county and their legitimacy as local county officials is questionable. The county will either lost its momentum of urbanization or become the rival of the city by developing a new urban center in its own territory.

The second form of city designation is called “re-designation of a whole county as a city”. A whole county is re-designated as a city if it meets the criteria for city designation. Over 70% of the current cities in China are designated in this form. For example, Conghua county was designated as a county-level city in 1994 (DCA and MPH 2000). It had an area of 2009 km<sup>2</sup> and a population of 0.47 million in 1998. Such city is different from the conventional concept of a city with a central built-up area. A county-level city often consists of several towns and townships. Conghua city consists of 15 towns and 1865 rural settlements spreading over its territory.

Urban territorialization also takes place when a city annexes a county or a county-level city as its urban district and when two or more cities are merged. When a city’s territory is expanded, it will acquire much land for industrial, commercial and housing expansion, be able to gain substantial land revenue and tax income. Urban

expansion is an important territorialization strategy to strengthen a city's political and economic power and to curb rising localism in subordinated areas.

For example, Guangzhou city had 8 urban districts with a total area of 1274.41 km<sup>2</sup> and a population of 4.2 million in 1998. It also administrated four county-level cities with an area of 6022 km<sup>2</sup> and a population of 2.7 million in 1998. Industrial and urban development in Guangzhou's urban districts was constrained by limited land. To solve the problem and to gain control of the new international airport being constructed in Huadu city and the port facilities in Panyu city, Guangzhou city annexed Huadu and Panyu as two new urban districts with the approval of the state council in May 2000. Such move often met stiff resistance of a county or county-level city such as the case of Panyu (Dai 2000, 112). When a county or a county-level city was designated as an urban district, it was totally absorbed by a high level city. Generally, a county or county-level city is an independent political unit and has much political and economic power. An urban district is a part of a city and is not an independent and complete political unit (Dai 2000, 99). After the change, an urban district has less power and less conflict with the city.

“The merging of two cities” usually involves one prefecture-level city and one county-level city both with strong economic power. This is different from the case that a city or a county is annexed by a dominant city. The merging of two cities also involves the re-shuffling of the government organizations in two cities. Before the merge, two cities often have intense interest in the urban development. It is typical that the county-level city would attempt to develop its own urban center either near the prefecture-level city or some distance away from the prefecture-level city so that it can gain control on its own urban development. This may be regarded as an overstretched strategy of territorialization (Storper 1997; Brenner 1999). It has the effect of reducing the agglomeration effect and the duplication of urban facilities. Problems of co-coordinating the urban infrastructure would arise. In Jiangsu province, steps have been taken to merge cities to solve such problems. In 2001, county-level city Xishan was merged with prefecture-level city Wuxi. Before the merge, Xishan was emerging as a strong county-level city. It had a GDP of RMB 28.5 billion and a population of 0.989 million in an area of 1114.3 km<sup>2</sup> in 1999 (USES, 2001). On the other hand, the urban area of Wuxi city only had an area of 517 km<sup>2</sup>. It had a GDP of RMB 37.8 billion and a population of 1.117 million in 1999.

As mentioned before, vertical rescaling and horizontal territorialization can take place simultaneously. For example, when the “system of city governing county” is introduced to replace a prefecture, a county-level city is often promoted to become a prefecture-level city, which also puts other county-level cities and counties in the

former prefecture under its administration. The city is scaled up from county-level to prefecture-level while the urban space under its administration is also expanded.

The “system of city governing county” is an important way of expanding the area under the jurisdiction of a city. By 1994, the system was implemented in all provincial units except Hainan province in China. A total of 741 counties, 31 autonomous counties, 9 banners and 2 special districts were put under the administration of 192 cities. 240 county-level cities were also administrated by prefecture-level cities on behalf of provincial governments.

The “system of city governing county” is designed to enhance the integration of a central city and its surrounding hinterland. But in some cases, there are intense conflicts in administrative power and economic interest between the governments of the central city and the county-level units (Dai 2000, 156). When a county is under the administration of a province, it has much autonomous power. But when it is governed by a prefecture-level city, the city tightens its administration on the county. The central city is interested in the overall planning and administration (centralization) of the whole city. But due to limited resources, the government and the mayor of a central city often focus on the urban proper (Dai 2000, 155). A central city may give priority to its urban proper in bidding for large construction projects, foreign investment and the right for direct foreign trade. Thus “system of city governing county” is regarded as a system of “city exploiting county” and “city suppressing county”, instead of “city helping county” (Liu and Wang 2000). The mayors of about 20 county-level cities share this view in a survey (DRE and JICA 2001, 97). According to another survey on the system of city governing county in 1990 (Zhou and Hu 1992), 88% of counties responded that there was competition between counties and the central cities on the supply of raw materials, investment, projects and the duplication of factories.

The urban system has changed dramatically after above changes. The number of total cities increased from 193 in 1978 to 668 in 1997. The number of total cities was reduced to 661 in 2004 due to the merging of cities mentioned before (NBS, 2005). On the other hand, the number of prefecture-level cities increased from 112 in 1982 to 268 in 2004. The numbers of municipalities, vice-provincial cities and county-level cities were 4, 15 and 374 respectively in 2004.

Under a hierarchical administrative system, the central government has substantial power in the process of changing city scale and territorialization. Its influences build on three major vehicles. First, the National People’s Congress or the state council is empowered by the nation’s constitution to approve city designation and its boundary changes. For example, due to the rapid increase of city numbers, the state council decided to freeze all applications for re-designation of a county as a city

in 1997. Second, the state council, via the ministry of civil affairs, has the power to set up and revise criteria and guidelines for city designation and boundary changes. Third, the power of central government is implemented through the hierarchical administrative system. Thus local governments are not completely autonomous. Comparing to western countries, the central government is more powerful in making changes in the administrative regions including city boundaries in China. It holds the important political and administrative power.

The local governments also participate in the process of changing city scale and territorialization actively. First, any new forms of city designation and boundary changes are often initiated, experimented and tried by a local government. Once successful, such forms would be endorsed by the central government and introduced to other areas all over the country. Thus there are bottom-up initiatives and feedbacks from local to central governments in addition to the top-down directions and guidelines in the Chinese hierarchical administrative system. For example, five cities were designated on the basis of the central towns in five counties in Zhejiang province in 1978 (Dai 2000, 67). The city and the county were combined to form a large city based on the previous whole county in 1981 to overcome the conflict between the city and the county after the state council approved the province's application. This means that a whole county was designated as a city in Zhejiang province in 1981. Such model of city designation was later accepted by the ministry of civil affairs in 1983 and was introduced nationwide.

Second, generally, the process to designate a new city or change/enlarge the boundary of a city is initiated by the local governments concerned. For example, if a county likes to be designated as a city, it will prepare relevant documents and data to support the case that will then be examined by its provincial government. If there is no objection, the case then will be passed on to the state council for approval.

Third, putting a county or a county-level city under the administration of a prefecture-level city and designating part or a whole county-level city as an urban district involve an adjustment of the administrative relation between a prefecture-level city and areas under its administration. Usually, the power of a prefecture-level city will increase while that of a county or county-level city will be reduced. Local county-level governments are the largest stakeholders but they are required to follow the decisions of higher-level governments. Open disputations are rare in this regard. Most issues are solved behind doors. Nevertheless, as mentioned before, some conflicts do exist which have to be handled properly (Dai 2000, 112).

Fourth, city designation and boundary changes are a matter of local and central governments. Public participation is rare in China. Clearly, community

participation is important but is not sufficient under the socialist market system in China (Zhang 2002).

### **Discussion and conclusion**

While many scholars argue that the urbanization process is unique in the pre-reform period of state socialism and the reform period of market transition (French and Hamilton 1979; Ma 2002; Chan and Zhao 2002), some scholars believe that Chinese cities and western cities share similarities in the broad urbanization process and the concepts and theories of urban change developed in the western context such as “urban regime theory” and “urban growth machine” are also relevant to Chinese cities (Zhu 1999; Zhang 2002). But “urban growth machine” and “urban regime theory” focuses on the forces of urban transformations within cities, largely ignoring external forces at the national and global scales. The scale theory is a more general theory, emphasizing the struggle over scales and analyzing internal and external factors and players within and beyond city scales. Due to the relativization of scale, both the global forces, the central state and the local actors in a city and the scalar interactions should be taken into consideration in scalar analysis.

The scale theory is developed mainly in the context of western capitalist societies to describe the scalar organization of capitalism, paying little attention to the transformation in socialist countries such as China. As a general sociospatial theory, the paper argues that the general principle of scale theory is also relevant to transitional socialist economies where scalar configuration has also been rearticulated by liberalization and globalization.

After reviewing the key concepts of scale, territorialization, deterritorialization and rescaling of scalar relations, the scale theory is adopted to describe the profound transformations of the state and the city in China. In addition to territorially bounded practices and relations, one important form of de- and re-territorialization is the shrinking or expansion of physical space. This includes the urban space re-organization that is the focus of this paper. This paper examines the scaling of central and local states. It considers the urban spatial transformation and reconfiguration as rescaling and territorialization processes.

The rescaling of central and local states is a politically constructed process. It does not just mean the declining of central state and the rise of local state. There have been intensive interaction and negotiation between local and central governments over administrative powers, revenue sharing, taxation, investment projects and loans.

The central government itself plays an important, sometimes leading, role in facilitating the functioning of the local state. The local state has been encouraged to development the local economy using various means. The central government has also introduced recentralization from time to time to gain control over financial



resources and administrative power. Regulatory intervention and frequent reshuffles of key local officials are key measures of the central state to curb rising localism. This is similar to the case of western countries, in terms of scale theory, that “state institutions have arguably played a particularly significant – but hardly exclusive – role in demarcating, reproducing, modifying, destroying and creating anew the major scalar hierarchies and partitions in which everyday life within capitalist society has been configured” (Brenner 2001, 607).

Industrial and land development in China can bring huge financial returns to local governments in forms of land revenue and industrial-commercial tax. Decentralization has led to the emergence of localism. Every local state is interested in attracting and concentrating the development in their own land, a kind of urban territorialization. To meet increasing needs for the expanding industrial and land development, acquiring urban status and expanding the spatial boundary under the jurisdiction of local states have become a new strategy for lasting growth.

Changing city scale and urban territorialization are two major forms of urban space re-organization in China, one vertical and one horizontal. City scale changes when a city is promoted in the administrative hierarchy from a county level to a prefecture-level, vice-provincial level or provincial level. Urban territorialization takes place when a city’s territory expands to put more areas under its control. Through spatial expansion, a city gains control over the land and economic interest in the new area.

Economic consideration is the main reason for reconfiguration of urban space. Cities are regarded as places for efficient wealth creation and to enhance the integration of urban and rural economy. A new municipality and a new kind of vice-provincial cities have been designated in China. Many county-level cities have also been designated and a “system of city governing county” has been introduced. Most changes are in the interest of local areas concerned. But in some cases such as the conversion of county-level cities to urban districts, merging of two cities and the introduction of “system of city governing county”, the power and interests of lower units are affected. In some cases, there are intense conflicts in administrative power and economic interest between the governments of the central city and the county-level units under the “system of city governing county”.

The paper also examined the role of central and local states in the processes of rescaling the city and urban territorialization. Under a hierarchical administrative system, the central government has substantial power in the process of changing city scale and territorialization. The local governments also participate in the process actively.

One major difference between the western and Chinese cases lies in the nature of rescaling process. In western countries, scalar configurations are often remade through intense socio-political struggles as a stable and rigid system has been well established (Brenner 2001, 592). Once scalar fixes are established, they often exercise strong structuring effects upon the future evolution of scales representing a situation of “path-dependency”(607). In the Chinese context, a mature socialist market economy is yet to be established after abandoning the command economy in 1978. Thus both the central and local states have been actively initiating new arrangement of scalar relations among the central, provincial and local governments. Although there have been conflicts, intense interaction and negotiation between the central and the local states have been an outstanding feature and the central state often assumes a leading role in the final resolution of scalar reconfiguration.

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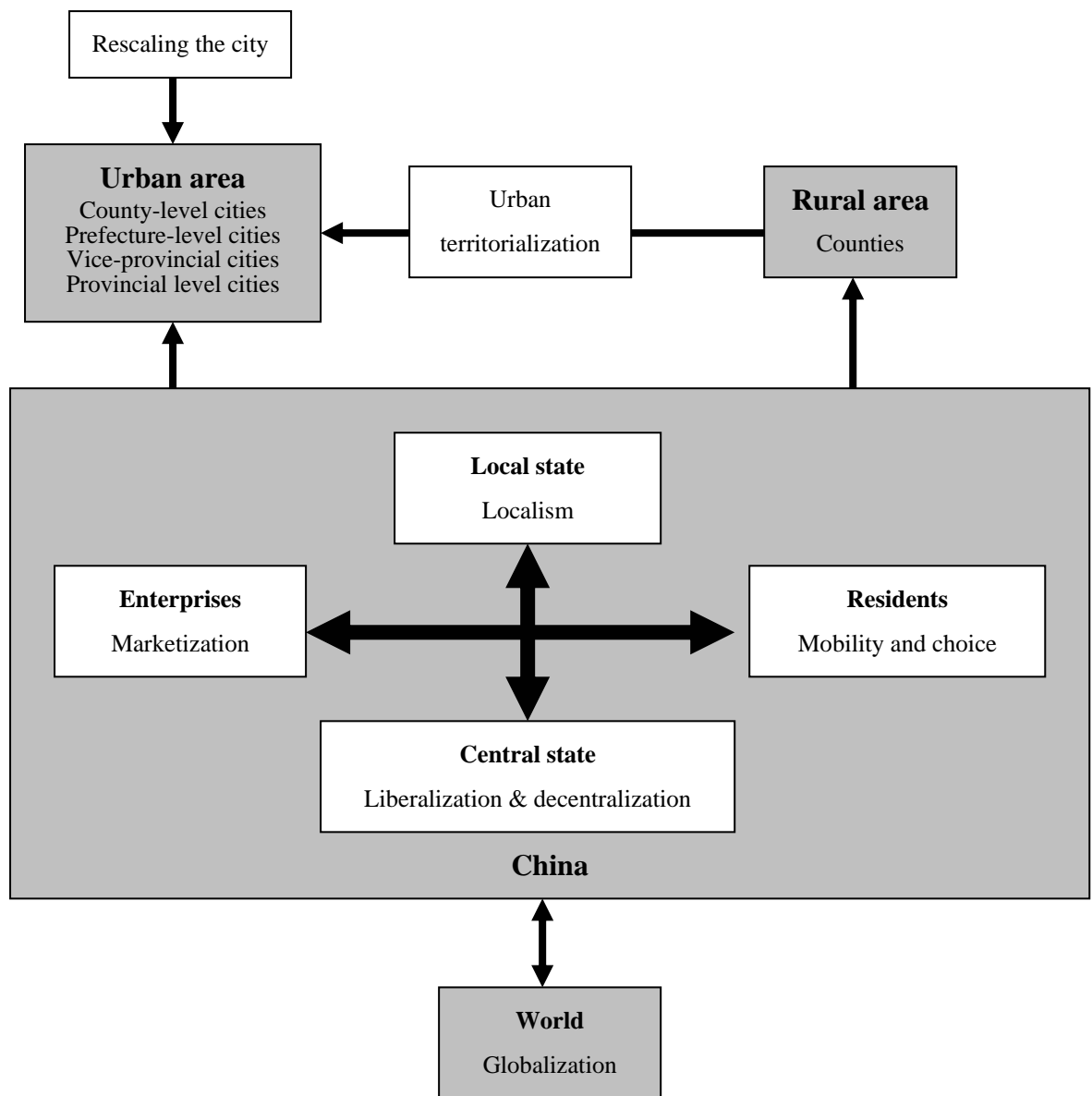
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Table 1

The focus of local governments

| Focus                          | %  |
|--------------------------------|----|
| Increase economic growth rate  | 77 |
| Increase local fiscal revenue  | 53 |
| Create living environment      | 43 |
| Improve investment environment | 37 |
| Improve social security        | 17 |
| Increase employment            | 15 |

*Data sources:* DRE and JICA (2001: 185). Based on a survey of 56 officials in 11 cities in Jiangsu in Aug. 2000.



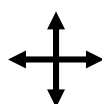

 Interaction, negotiation and contesting among actors

Fig. 1. Rescaling of political economy in post-reform China.