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THE IMPACT OF FOREIGN TRADE AND INVESTMENT ON CHINA'S URBAN INDUSTRIAL DEVELOPMENT 1978-88

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CONTENTS

I. Introduction

The policy shifts in China since 1978 may be viewed as the most recent developments in a continuing debate initiated in the mid 1950s and focused on two fundamental questions. Firstly, should priority be given to the development of production forces and economic construction, or to the transformation of productive relations and the development of socialism? And secondly, what strategy would create the most rapid economic development?

An important indication of the emergence of the new dominant position of this debate is the Open Door Policy. Announced in 1978, the stated purpose of this policy was to pursue the expansion of economic co-operation in terms of equality and mutual benefit with other countries in a quest to adopt the world's advanced technologies and equipment. The aspect of this policy which is so different from past international trade and technical exchange policies, is that for the first time in China's post-revolutionary history, foreign investment, particularly from the developed capitalist countries has been actively encouraged.

The proportion of foreign investment in China in comparison with the state's total investment has remained low. China's export production is also small in relation to the total domestic production output. It is argued here, however, that in relation to urban industrial development, both foreign trade and investment have exerted increasing influence on the results and direction of the current national and urban development strategies to a much greater extent than their relative quantifiable significance would initially suggest.

Part Two - of a three part discussion - is an historical, comparative analysis of the emergence of alternative and distinctive sets of national and urban development strategies and the associated characteristic urban transformations within the changing context of China's socio-economic and political realities from 1949 through to the present day. This perspective provides an understanding of what has happened and - to a lesser extent - of what is happening; identifying within the current national urban industrial development strategy, two new main mechanisms of change; domestic market reforms, and foreign trade and investment.

In Part One of the discussion, a materialist analysis serves as a foundation for the historical perspective in Part Two, by identifying the nature and character of the relationships between the different classes, the state and the determinant structure of production, as they have emerged since 1949.

In Part Three, foreign trade and investment - as a mechanism for change -becomes the focus of analysis, explaining how foreign trade and investment influence China's urban industrial development. The significance of this influence is borne out through the historical understanding that in the context of China, elements of change exist within four distinct but connected levels of social reality. These are:

1. The structural limits imposed through the relationship between China and the world's global and regional political economies.
2. Social conflict, with an emerging tendency for class relations to be overlaid by the potential for urban, regional and sectoral conflicts.
3. The organisational form, nature and character of China's institutions.

4.Individuals, rationale, and the generation and movement of ideas.

In essence, the ability of foreign trade and investment to create and stimulate important changes within these four levels of China's social reality - with correspondingly important changes in China's urban industrial development - validates the claim of the significance of these influences. Accordingly, the impact of foreign trade and investment on China's urban industrial development is discussed in four sections:

1.China and the world's global and regional political economies:

A relationship altered through the increasing pace by which China's immense, export oriented, profit driven production potential may be harnessed. This in turn, is linked to changes in import, export, and trading partner aspects of China's trade structure. New markets (domestic and foreign) are created, exposing China to world level income, production and consumption standards. This too is linked with shifting global market trends, an increasing need for foreign investment capital, and China's changing position within the international division of labour. All are factors that contribute to both the results and direction of China's current national and urban development strategies.

2.Sectoral, Urban and Regional disparities:

Foreign trade and investment is not evenly distributed owing to state directives and incentives, the influence of international markets, the particular requirements/ persuasions of foreign investors, and geographical and cultural features. Sectoral growth responding to international trade, coupled with changes in domestic investment priorities, and the concentration of foreign investment in specific urban centres, are factors which through their nature serve to alter China's locational and sectoral patterns of urban industrial development. At the same time, these manifest sectoral, urban and regional disparities which both cross-sect and reinforce China's peasant and urban working class divisions.

3.Institutional reforms:

The intent to improve upon the absorption of foreign capital and technology has stimulated the streamlining and decentralisation of the bureaucracy, allowing greater local state, cooperative and private enterprise autonomy. Not only do these reforms serve to accentuate regional and sectoral disparities created by foreign trade and investment, they also give rise to new forms of institutional conflicts in opposition to the reforms. More specific to national and urban planning authorities, the stimulation of competing private, cooperative and local state enterprises through foreign trade and investment has also introduced, in some areas, the planning limitations imposed by the fixed parameters of a mixed economy.

4.Individuals, rationale and ideas:

China's transformation from an output orientated to a profit driven economy, emphasising advanced technology and competitive enterprise, also represents an ideological change with corresponding changes in the individual make-up of the bureaucracy, and in the personal qualities, skills and attitudes amongst the leaders and workers alike. Foreign trade and investment are purveyors of elements of capitalist rationale - the rate of profit, competitive advantage, the time cost of money - which serves to stimulate and to encourage changes in the attitudes, skills and expectations of individuals as people, employees, professionals and leaders. For urban planners, indications of these changes are reflected in the emergence of

different approaches to planning - planning as a means of control rather than leading to urban development - and in the absorption of new planning skills.

In these important ways, foreign trade and investment in China, has the existing capacity and still greater potential to alter and influence the direction, nature and character of China's urban industrial development.

II. The Materialist Foundation for Analysis

The development of the four dimensional framework of analysis has been outlined. The focus of this part of the discussion is to provide a materialist foundation towards understanding the nature and character of the relationships within and between China's social classes; the state and the determinant structure of production; and the key elements of China's social formation and how it has emerged since 1949. Through this approach it is possible to give some clarity to the identification of the dominant social agents and the associated material interests towards, and in resistance to change. Elements of organisational theory are also introduced to allow for a less static materialist approach to understanding the fragmented nature of class relations in China and how these can be both overlaid or strengthened by the potential of regional and sectoral conflict.

With class analysis in China - as with other socialist countries - the immediate problem is that there is no clearly definable individual ownership of the means of production comparable to that in capitalist societies. The material basis on which classes are defined, however, is understood as their distinctive relationship to the means of production, and this, in the context of China, does not present any real problems except perhaps in discerning the dominant social class from all others.

In defining China's dominant class, which he calls the "Bureaucrats" Kraus (1983) asserts that this class is distinctive from all others because it has a unique and collective authority over the country's productive assets. "The surplus of China's economy is extracted through the leadership and its disposition is planned by them" (Kraus 1983). From the material basis of this definition the Bureaucrats are identified as a combination of party and state bureaucrats; these are jointly identified by the Chinese as cadres. However, this definition does not include those cadres at the local level who are paid on the basis of their collective work point values, as opposed to the fixed state salaries of the more senior cadres.

Kraus (1983) also points out the significance of the cadres's collective relationship to the means of production in recognising that as individual bureaucrats possess no assets beyond state office, they are highly vulnerable to the greater collectivity to which they belong. It is clear that without the security of personal material assets the cadres are intensely dependent upon maintaining their position within the state. As a result, in order to reinforce their relatively insecure administrative/party positions it is necessary for the cadres to establish elaborate social networks under the patronage of more powerful officials so as to protect themselves against political criticism and possible removal from office.

In short, not only does the state office held by the cadres allow them the right to participate in the collective allocation of economic resources, it is also in itself an important resource. The cadres clearly derive direct material benefits from their privileged position and, further, it provides the

opportunity to manipulate the promotion, demotion and recruitment of others.

To this point, the Bureaucrat class had been defined and characterised from a rather static materialist perspective with some reference to the organisational networks within this class. However, for the purposes of this thesis a more complex definition is required so that the influences from, and the impacts on both inter and intra class dynamics can be more fully understood. With this task in mind, historical materialism and organisational theory approaches pose no either/or choice, but rather, must be integrated in recognition that the Chinese do organise into factions.

The linkage between Bureaucrats as a class in formation, made up of distinctive organisational networks under the patronage of powerful individuals, which parallels China's feudal patrimonial/Confusionist bureaucratic heritage, is given credence by Kraus (1983). In drawing attention to the predominantly privileged class origins of the Revolutionary Communist Party's leadership, Kirkby (1985) and Andros (1978) implicitly add support to this linkage. As Levenso (1983) so eloquently puts forward "many bricks of the same structure are still around - but not the structure. Fragments may still survive because they meet a modern taste, not because (more than the fragments forgotten) they must convey the essence of an invincible tradition." (Levenso 1983)

The suggestion here is that the Bureaucrats have, since 1949, been undergoing a process of formation whereby influence on policy directives is in constant flux. This shifting influence is the outcome of the conflicts which arise from the jostling of a mixture of class fragments from prerevolutionary times and successive and varied patterns of recruitment intake into the ranks from the urban working and peasant classes, all vying for either dominance or for a position within the Bureaucrat class. As these class fragments arrange and rearrange in the process of class formation, different material and ideological organisational bases overlay this disorder with alternative and often transitional organisation networks which add further complexity to the conflicts within the Bureaucrats. Certainly some of the more contemporary interorganisational conflicts have focused on regional and sectoral divisions.

The evolution of the Bureaucrat class has been reflected in the conflicts of its internal politics - which may also draw upon wider socio-economic issues - and has been characterised by a pattern of purge and rehabilitation. Cadres purged in one campaign often collectively press for the public reversal of the centre's verdict, justifying their disgrace along with the removal of the label that restricts them to inferior posts (Kraus 1983). The successive waves of cadre rehabilitations that have taken place, particularly since the 1970's fit this pattern. The rehabilitation (twice) of Deng XiaoPing from political oblivion, and others under his patronage (White 1983) provides a clear example of the internal factional dynamics that continue to shape the Bureaucrat class.

The final issue to be clarified in this section concerns an understanding of the determinant structure of production, the relationships between the dominant social class, the state and the conflicts within wider society. Whilst at the highest level of abstraction, the question as to whether there is such a thing as a socialist mode of production remains unresolved, it is clear that at the lower - social formation - level, there exists in China a distinctive state-organised and controlled accumulation of capital, albeit in a world dominated by capitalism. For most of its postrevolutionary history, China's mode of production has been characterised by the forced pace of industrial accumulation based almost entirely upon the rural to urban transfer of capital (Bletcher 1986).

With a varying but generally high degree of intensity, the determinant structure of production has rested on both the direct and indirect transfer of capital and labour from rural to industrial production. Supported by an ideology ensuring socialist modernisation, the political structure has justified its different approaches in maintaining the state organised extraction and transfer of the rural surplus. In a centralised or decentralised form the nature and result of this transfer remained the same, instilling a clear dominance of industrial production over rural production in terms of national planning and the distribution of resources (Bletcher 1986). From this perspective, it is clear that within China's determinant structure of production, there has been an inherent potential for conflict between the urban working and peasant classes.

In more recent years since 1978, a purposefully reduced rate of industrial accumulation has reduced reliance upon the rural sector, and this tendency has been reinforced by the opening up of international markets, and capital investment from foreign sources. However, while these newly introduced dynamics - foreign trade and investment - serve to reduce the contradiction between urban working and peasant classes, capitalist market mechanisms create new issues of conflict along the lines of regional and sectoral divisions.

In the analysis to follow two contrasting perceptions of the Chinese state are used in combination to define the role of the state - and by association - the role of the Bureaucrats as their collective authority. One view stresses the autonomous power of the state, as an essential prerequisite for undertaking two primary tasks; the modern industrial development of an economically backward country and the abolition of precapitalist relations (Meisner 1983). This view aligned to the Marxist conceptualisation of the Bonapartist State, suggests the almost immediate postrevolutionary formation of a stable and unified state class, the "Bureaucrats", emphasising their twofold role in the accumulation of capital and the transformation of social relations.

An alternative perception of the Chinese state, as put forward by Kraus (1983) warns against the tendency to view the state as an entity separate from society. This conception argues that the party and bureaucracy of the state are institutional structures in which social struggles are fought. As has been discussed, the Bureaucrats from this perspective are viewed as a class undergoing a process of formation divided by various conflicts of interests arising from the different class, regional and sectoral origins of the cadres and their tendency to form into competing organisational networks.

As a synthesis of these contrasting ideas, the Chinese state is viewed as separate from but influenced by both internal and wider social conflicts. The state's role as directed by the collective authority of the Bureaucrats is to organise and control China's rapid socio-economic development with emphasis on the accumulation of industrial capital. However, for this task to be achieved it is necessary for the cadres to form and maintain tentative class allegiances between the potentially conflicting demands of the peasantry and urban proletariat. In turn this twofold role of the state gives rise to conflicts within the Bureaucrats which are expressed in the form of national, regional and sectoral policy issues.

The historical analysis of China's national and urban development strategies to be presented in Part Two, depicts planning as an instrument of the power exercised by the party and state bureaucrats which helps facilitate their twofold social role. Underpinning this discussion is the understanding that as in all societies, planning as a social process is one form of selective state intervention,

primarily in the long term interests of the dominant social class. However - as will become apparent - in contrast with capitalist societies, planning in China has only recently been introduced to the limitations imposed by the fixed parameters of a mixed economy, and thus the level and scope for intervention has been much greater.

III. China's National and Urban Development in Historical Perspective

In this section, the discussion focuses on the understanding of two important conjunctional turning points in China's national development and its interrelationship with urban industrial development; the 1957/58 movement towards decentralisation, and the 1978/79 initiation of market liberalising reforms and the Open Door Policy. The class analysis/organisational theory framework as outlined in Part One will serve to separate explanation with a materialist basis, from various aspects of ideological justification, and allow for a clear identification of the dominant social agents. However, this materialist foundation is now to be overlaid with a conjunctional specific understanding of the influence of individuals and the generation and movement of ideas; and the structural limits of China's political economy.

In essence, this historical conjunctional specific analysis implicitly brings together a four dimensional perspective - 1) inter/intra class conflict, 2) institutions and organisations, 3) individuals and ideas, and 4) political economic structural limits - which in Part Three will be used to observe and explain the impact of foreign trade and investment on China's urban industrial development.

Secondly, this historical perspective serves to demonstrate the two way link between China's national and urban development, and helps to identify and clarify some of the more influential issues and conflicts in the changing direction of China's national and urban development strategies. The last section in this part of the discussion outlines the nature and direction of the current development strategies and thus provides a suitable introduction to the specific influences of foreign trade and investment on urban industrial development.

1. The 1957/58 Movement Towards Decentralisation

During the first postrevolutionary decade, China's national spatial pattern of urban industrial development changed considerably as a result of two very different sets of industrialisation policies. During the first five year plan (FYP) urban industrial development was characterised by the growth of large cities - predominantly in the north of the country - that were to be the sites of industrial concentration and agglomeration. In contrast during the second FYP the spatial pattern of urban industrial development was characterised by the decentralised growth of industrial satellite towns (Fung 1978).

This apparent change in spatial patterns of urban industrial development corresponded with a national movement towards decentralisation in almost all aspects of social organisation. The momentum for this change can be understood as a result of the outcome of the conflict between two dominant factions of the Bureaucrat Class - the party leadership and central ministerial administrative cadres - who until 1958 had maintained two separate and distinctive forms of organisational hierarchy which were supported by contrasting ideological platforms. Amidst lacklustre performance and the threat of open class conflict between the peasantry and urban working classes, this intraclass conflict reflected the party leadership's struggle to maintain its

political hegemony against the perceived challenge from the central ministerial cadres.

The distinction between the state bureaucrats (administration cadres) and the Communist Party cadres at this time was not only organisational but also had a material base. The form of the Communist Party's organisation has been termed the "area" approach, whereby party cadres of a similar level but involved in different sectors (eg. urban, rural industrial) establish horizontal links between each other so as to promote the joint formulation and implementation of party policy within a common geographical area (Jeffery 1977). In contrast cadres of the state bureaucracy organise within a hierarchical structure referred to as the "line" approach (Jeffery 1977). Under this organisational form, cadres within each of the different sectors were primarily under the direction of those cadres immediately above them and so on, up a chain of command through to the separate central government ministries. This line approach, emphasising technical efficiency in the organisation and control of the means of production, has a key element of the centralised "Soviet model" for urban industrial development under the ideology of socialist modernisation (Kirkby 1977, Chang 1978, Sutherland 1984).

In effect, the combined organisational form and emphasis of the state bureaucracy tended to isolate the party cadres from more direct control of the means of production. Even at the highest level, the party politburo was increasingly dependent upon support from the state bureaucracy in terms of both the formulation and implementation of urban industrial policy.

By mid 1956, in spite of impressive gains in industry and important land reforms in agriculture, the Chinese faced some hard political and economic choices. The emphasis on heavy industry, concentrated in selected urban centres, with little investment in other sectors, along with the tendency to ignore local and/or marginal resources - natural and human - in the quest for large scale efficiency, was an outcome of the dominance of the state bureaucrats in the central ministries over the party cadres and other sectoral interests (Chang 1978). Since China neither had the export capacity nor the foreign exchange reserves to pay for the urban industrial infrastructure expansion, the Soviet style industrialisation strategy was increasingly reliant on the weaker performing agriculture sector (Chang 1978). The burden on the peasantry was further intensified by the growing food demands of China's increasing urban population (an increase of 50% between 1952-57) and also through the failure to sell industrial products in the international markets dominated by openly hostile capitalist interests (Bletcher 1986, Sutherland 1984).

Economics aside, the Soviet style urban industrial development strategy posed severe political problems. The increasingly open exploitation of the peasantry through the rural to urban transfer of capital, and the dominance of the bureaucrats in the central state ministries over the party cadres served to intensify the conflict within the Bureaucrat Class and externally between the peasant and urban working classes (Bletcher 1986).

The limits to China's national and urban development strategies as imposed by these political and economic factors during this period were also reinforced by the technical competence differential between individuals of the party and administrative bureaucracies. China's economic planning process was geared to provide for the rapid[1] accumulation of industrial capital and required a

[1] Industrial growth measured in output productivity increased annually by approximately 30% between 1952 and 1957.

delicate balancing of the state's set production targets and resource allocations. In turn this form and level of state involvement required high levels of technical competence. This requirement was at least partially met by the 10 - 20,000 technical advisers, some 80,000 Soviet trained Chinese engineers and research personnel and the recruitment into the state bureaucracy of prerevolutionary industrial managers and technicians during the 1949-57 period (Andros 1977).

In contrast Kirkby (1985) reports that at the time of liberation, apart from the seventy-odd leaders, the great majority of the party's members were poorly educated and from a predominantly peasant class background. Andros (1977) also reports that the party's recruitment policy after liberation continued to emphasise political commitment rather than technical competence.

The combined evidence suggests that given the technical requirement of the centrally planned and controlled accumulation of industrial capital the party - with the exception of the leadership - did not have the capacity to take an active role in the planning and organisation of the dominant sector of the economy.

In 1956 Mao made an important speech entitled "On The Ten Great Relationships"; among the expressed concerns was the reiteration of the Marxist principle of the eradication of the three major contradictions, between town and country, between agriculture and industry, and between mental and manual labour (Chang 1978). Included among the other relationships added by Mao was the contradiction between central authority and local authority which was a direct criticism of the dominance of the "hierarchical line" approach to economic planning by the state's central bureaucracy in contrast to a more localised "area" approach maintained in the party's organisational form (Chang 1978, Bletcher 1986).

In the first instance, the thrust of Mao's speech had been to explain and initiate the change in the national development strategy towards decentralisation. More directly, however, Mao's speech marked the beginning of a major ideological debate, with the core of the party leadership supported by the provincial level party cadres on the one side, against the central state bureaucrats on the other (Bletcher 1986). The debate was fuelled by intellectual criticism: in Mao's words "let a hundred flowers bloom, a hundred schools of thought contend". The state's central bureaucracy emphasised the need for the scientific and technical intelligentsia to contribute their skills to make the central planning process operate more effectively, while the party leadership emphasised the elitism and authoritarianism inherent within the bureaucracy and the affront to the development of socialism that these revisionist tendencies presented (Chang 1978, Bletcher 1986). This debate also marked the first open questioning as to whether priority should be given to increasing the productive focus or to the development of socialist relations of production.

Despite the less than unanimous support for Mao's proposal, the outcome of the year long debate was used to legitimise the "Xia Xian Movement" whereby the administrative cadres from the various central planning sections, finance officers and inspectional departments were sent down to work at the provincial and lower levels of government administration. Between 1957-59 the number of state ministries and other central agencies had been reduced from 41 to 14 (Chang 1978). In essence the Xia Xian movement represented a transfer of administrative/implementionary powers through decentralisation, from the central ministries to the provinces.

By 1958, the start of China's second FYP the country was already heavily committed to a

development strategy characterised by extremely rapid and decentralised growth that was to become known as "The Great Leap Forward". The catch phrase "walk on two legs" idealised the directive for industry to develop alongside but separate from dependency on agriculture. Officially, the greater powers for the local authorities was to allow flexibility in the maximisation of all human and natural resources, free from the constraints of the carefully controlled centralised development strategies of the previous years (Bletcher 1986).

More directly, however, the decentralisation strategy represented a viable alternative that would serve to strengthen the party leadership's position of political dominance. Through maintaining their powers of policy formulation and by embarking on a decentralised development strategy based on an intensive politicising of urban and industrial issues and encouraging mass participation, the party leadership was able to forge a closer controlling link with China's means of production. For example, to translate the national development strategy into guiding concepts for urban development, the central party leadership issued policy directives through the provincial and municipal party cadres to the technical/administrative cadres now under their immediate supervision.

The manifestations of this change in national development strategy at the urban level come into focus in the comparison between the 1952-57 "Key Point" city and the 1958-78 industrial satellite town construction programmes. In 1952 seventeen priority locations were explicitly targeted for urban industrial investment and expansion. These cities, predominantly existing urban centres in the north of China, were redesigned and constructed along the lines of the Soviet model with investment primarily drawn from the rural sector (Fung 1978, Sutherland 1984).

The Soviet inspired "ideal" urban form of the Stalinist era, basically envisaged model socialist worker cities. Such cities were massive in conception and scale. They encompassed a large geographical area, with massive boulevards, central squares and public buildings and were to be sites of industrial concentration.

With the national productive assets under the state's authority, the Bureaucrats were able to direct capital investment, Soviet aid and skilled labour to the key point cities. During this period it is clear that these cities did become the focus of large scale expansion and industrialisation. The number of Chinese cities with a population of over one million increased from nine to fourteen in direct correspondence with the growth of the "key point" cities. In respect to physical size, the cities of Beijing and Xi'an are typical examples, expanding some 20,000 and 15,000 ha respectively through the expropriation of previously privately owned land (Fung 1978 reporting from Beijing Ribao and Shaanxi Ribao 1957). By 1957 these cities had become provincial centres for transport, communications, education, industry and commerce, in a national network under the direct control of the state's central ministries (Sit 1985).

These urban transformations - frequently involving the demolition of much of the existing urban fabric - were capital intensive, drawing heavily upon physical and human resources, and served to perpetuate the need for high levels of skilled urban and industrial management. Manifestations of the urban development strategy, and ideologically justified by the notion of transforming the capitalist cities of consumption into socialist cities of production, these urban transformations not only reflected the priorities of national development but also served to reinforce them; symbolically through design, economically through function, and politically through administration.

In contrast, urban industrial development in the 1958-78 period was characterised by decentralised growth. The transfer of power to the provinces fostered tendencies of localism and regionalism, with the provinces becoming the most important unit of economic planning. The dominance of the "area" rather than "line" approach to economic planning in turn forged the link between physical and economic planning. The physical manifestations of these changes was for the large cities to have their administrative regions vastly expanded - through national directives - and provincial centres were to coordinate rather than control the regional economy and to stimulate the growth of rural based satellite towns (Sutherland 1984).

Shanghai for example was upgraded from municipal to provincial status with an accompanying increase of some 52,000 km^2 to its administrative area (Fung 1978). After 1958 Shanghai's Provincial Council initiated the construction of twelve satellite towns: these were designed to be fully integrated, specialised heavy industrial centres with a residential population of between 50 - 200,000 (Fung 1978, 1979).

According to the Chinese, the provision of communication links between the centres, and the provision of each satellite with its own zoned belts of intensive agriculture would constitute three ideologically pure design advantages; it would contain urban expansion, aid mechanisation of the rural sector through the diffusion of technical innovation, and help maintain self-sufficiency in respect of a perishable food supply (Fung 1978). Officially these combined advantages would in turn serve to reduce the contradictions between town and country and between peasant and urban worker, and were the outcome of reducing the contradiction between central authority and local authority (Sutherland 1984, Sit 1985).

As a testament to the significance of the "national level" of urban policy formation, the industrial satellite town pattern of urban development was echoed in the hinterlands of other large cities; Beijing, Tianjin, Xi'an, and also in close proximity to natural resource centres; Dukon in Sichuan and Shiyen in Hubei. The programme initiated in 1958 was to continue through to 1980, however as Yan (1985) suggests, the failure to provide adequate quality housing, educational, shopping and recreational centres created a reality more akin to industrial worker camps than to fully integrated towns.

The extended continuation of this decentralised development programme is not to suggest a twenty year period of socio-economic and political stability. The Cultural Revolution, the Red Guards and the Xian Xia Xiang movement (the forced transfer of labour to the countryside) are not only indicative of the attempts at creating changes towards developing socialist relations of production, but also demonstrate the often disruptive and conflictual nature of a national development strategy referred to by White (1983) as "Radical Maoism". Mao's strategy was based on the mobilisation of domestic resources, encouraging local accumulation, appropriate technology and the side by side development of industry and agriculture (White 1983). Development was to be generated through popular mobilisation and intense politicisation, a harnessing of the potential of the masses within collective institutions under the party leadership and complemented with a party cadre recruitment campaign amongst the peasant and urban working classes.

Whilst the satellite town construction programme is a recognisable outcome of the change in urban planning priorities associated with "Radical Maoism", it is also clear that this national development

strategy was a practical response to China's socio-political and economic realities. International markets remained politically hostile to China's largely inferior products and the Sino-Soviet split had stopped the inflow of development assistance (Chang 1978). On the domestic front, the country was still economically backward, and the main agents of advancement - the intellectuals and technocrats - had been effectively purged from office; more positively, however, the peasant and urban worker classes had remained loyal to Mao and the Party (Bletcher 1986). In effect the ideologically pure notions of collectivism, mass participation and self-sufficiency were used to harness China's most important resource "human potential" during a time when the material conditions did not facilitate more conventional development alternatives.

2. 1978/79 Open Door Policy and Domestic Market Reforms

After Mao's death in 1976 and the demise of the "Gang of Four" in 1978, the path was clear for the party leadership to formulate an alternative development programme away from the inherent problems of the "Radical Maoist" approach (White 1983). As White (1983) suggests, mediocre economic performance, a backlog of pent up consumer frustration, worsening unemployment and political discontent were major national issues in the downfall of the "Gang of Four" and the subsequent rise to the party leadership of Deng XiaoPing.

Manifestations of these issues at the urban level, particularly during the mid 1960s - late 1970s, included stagnated or negative large city population growth (primarily through migration), the closure of technical educational institutions, major disruptions to transport systems, shortages of essential commodities, and the virtual disappearance of all commercial activity (Sit 1985, Fung 1979). The amount and quality of housing construction had also fallen considerably relative to the 1949-57 period. In effect, the design ideals of the decentralised integrated industrial satellite construction programme had been transformed through the continuing emphasis on promoting increased urban production at the expense of investments to improve urban consumption services.

At the national level, the problems of growing political discontent, particularly amongst the urban working class - corresponding with pent up consumer frustration as an outcome of the failings of the urban development strategy - and the country's generally poor economic performance were priority issues of Deng XiaoPing's approach to China's national development after 1979 (Kirkby 1985). The reforms included reducing the overall rate of accumulation, changing investment priorities to upgrading the existing industrial capacity and stimulating productivity, employment and consumer demand through the expansion of light industry and service trades (White 1983, Solinger 1983). The link between production and consumption was also strengthened and reoriented through a less restrictive and dogmatically negative approach to market forces. The tentative relaxation of controls in the domestic market was accompanied by a greater emphasis on international markets and foreign investment as an outcome of the Open Door Policy and its desired "modernising" influence. In short, China's national development strategy in the 1980s has been marked by a liberalising, international consumer orientation, with corresponding changes in the recruitment of party cadres emphasising technical competence rather than political commitment.

In the context of China's cities it is clear that these national reforms have initiated considerable and rapid urban transformation since 1978. The two main thrusts of China's urban construction programme are evident through the emergence of "special economic zones", and the extensive redevelopment of the urban core of China's largest cities. The relatively high population growth

rates in the larger cities (primarily through immigration), new national urban spatial patterns of development, increased urban productivity and diversification and the expansion of commercial and service enterprises are in stark contrast to the stagnated urban economy of the Cultural Revolution years.

A new dimension to be tackled by China's urban planners has been the growth in foreign capital investment, in the various forms of joint ventures in partnership with the Chinese, or as sole, privately-owned and multinational companies. Together with the increasing numbers of worker cooperatives, these enterprises introduce such notions as competition, comparative advantage, the rate of profit, and the cost of land as new and essential factors for consideration by China's urban planners (Henderson 1986). The attraction of international development assistance and less direct forms of foreign investment are similarly tainted with capitalist precepts.

The urban cores of the larger older cities have received a significant proportion of both forms of foreign investment. In Shanghai, for example, World Bank loans are financing -in part - an underground railway, an upgraded sewer and water supply system, bridge construction, a variety of housing projects, and extensions to existing highway and port facilities (China Economic Weekly 1986, China Pub 1985/6). At the same time, multinational companies are financing and/or providing specialist knowledge, particularly in the realms of service enterprises such as international tourist hotels and communication and banking services (China Daily 1985-88). A similar pattern of urban infrastructure upgrading and service centre development is being repeated in China's other large and older urban centres such as Beijing, Tianjin, Guanzhon and to a lesser extent Shenyang, Harbin, Wuhan and Xi'an.

Such foreign investments are small in comparison to the state's contribution to the total investments in these urban centres. Furthermore domestic market reforms have more than complemented these developments, the associated growth in the urban collective sector has significantly improved and diversified the range of commercial services on offer, not only reviving district free markets for fruits, vegetables and small goods, but also urban commodity production in general (China Daily 1985-88).

The second thrust of China's urban development programme is evident through the emergence of "special economic zones" which are government sponsored priority locations for foreign investment, commodity trade and export orientated industrialisation (China Pub 1986). The zones are generally located on the coast or alongside navigable rivers to promote access to international markets (China Pub 1986). Urban and industrial expansion within each zone is focused on the rapid development of a central urban node, surrounded by predominantly agricultural hinterlands, the city/zones of Xiamen, Shanton and Shenzhen on China's south coast are typical examples (China Pub 1986).

Much of the urban industrial infrastructure development within these cities is new, rather than upgraded. Expansion has been extremely rapid. In the case of Shenzhen the transition from a small impoverished border town to the present rapidly growing modern industrial and commercial city has occurred in eight short years (China Pub 1986). It should be noted, however, that the increased urban productivity has also been accomplished with a significant increase in consumer services, significantly higher incomes, better quality and larger housing units, superior transport and shopping facilities. The special economic zones are much desired residential locations for the

Chinese (China Daily 1986-88).

The ideological justification for this apparent shift towards consumerism, market forces and international trade, in the current national and urban development programme, is the notion that China's socio-economic modernisation can be most rapidly achieved through a cautious harnessing of capitalist productive forces. This notion has a clear association with Marx's expectation in his conceptualisation of the "dictatorship of the proletariat", that socialist development could only be spawned under conditions of economic abundance and technical advancement in a modern postcapitalist society (Meisner on Ollman, 1979).

In considering the profit generating potential of these urban developments, the opportunity to invest funds into consumer services and the prospect of international travel, it is clear that the bureaucrats, (both party and administrative), have the social position to benefit most from these changes. Access to the developing consumer services of the cities in China remains a selective process organised by the Bureaucrats; using such mechanisms as restrictive urban in-migration, career postings, housing allocation and resident registration (Kraus 1983).

3. Historical Perspective Summary

Before going on to examine the role and impact of foreign trade and investment on China's urban development there are a number of salient points identified in this section that should be summarised to highlight their significance.

1.At the most general level, it is clear that China's changing socio-economic and political realities have led to the emergence of three alternative national programmes of urban construction.

i)Centralised urban industrial development; "key point cities" 1949-57
ii)Decentralised urban industrial development; "satellite towns" 1958-78
iii)Market liberalising reforms/Open Door Policy "Urban Redevelopment" and "Special Economic Zones" 1979-

These three alternative national programmes of urban construction have corresponded with major changes in the organisation of the state, the individual makeup of the bureaucracy, and in the leadership of the party's politbureau.

2.The generally effective implementation of national and urban planning policies is clearly related to the Bureaucrats' collective authority over the state's control and organisation of China's means of production.

3.Urban and industrial policy formulated at the national level, through the initiatives of the party leadership, has been a dominant influence in the direction and form of urban planning implemented by the urban administrators. However, it is also clear that transformations at the urban level - involving a composite of the dominant sectors of the economy - have also influenced the formulation of national development policies and strategies in a two way relationship.

4.As an expression of the conflict both within and beyond the state, the two major turning points in China's national and urban development strategies have reflected a shift in the dominant

position in the continuing debate as to whether to give priority towards increasing production forces or to the development of socialist relations of production. This is not to suggest a one dimensional dialectic on policy issues but rather identifies an influential dialectic that has increasingly been superimposed on other policy issues such as those that surround the balancing of production versus consumption investments, and the rural to urban transfer of capital. These policy issues both create and reflect the divisions of conflict - institutional, regional sectoral - that overlay the structure of class relations.

5.A changing selection of ideological propositions have been used to legitimise the nature, character and extent of the urban transformations that have occurred in China's cities since 1949. These transformations are, in the last instance, a reflection of the shifting emphasis of urban planning priorities. In turn the origins of these - through national level policy initiatives - lie in the understanding of China's changing socio-economic and political realities on four different but interrelated levels.

i)The structural limits imposed through the interrelationship between China and the world's global and regional political economies.
ii)Social conflict, with an emerging tendency towards class relations being overlaid by the potential for regional and sectoral conflicts.
iii)The organisational form, nature and character of institutions.
iv)Dominant individuals, and the generation and movement of ideas.

6.The direction of China's current national and urban development strategies is towards a cautious harnessing of capitalist productive forces, through the dynamics of domestic market liberalising reforms and foreign trade and investment.

IV. The Impact of Foreign Trade and Investment on China's Urban Development

In Part Two the historical emergence of China's current national development strategy was clarified, and the two new prime mechanisms of change were identified as A) domestic market liberalising reforms, B) foreign trade and investment. In focusing on the impact of foreign trade and investment on urban development, the central assumption is that the nature and character of these forms of foreign involvement have the capacity to catalyze and precipitate changes in the four different but interrelated levels of China's socio-economic and political reality. Accordingly to identify and explain the interrelationship between the observable manifestations of these changes and the influence of foreign trade and investment, the discussion is structured under four headings:

1. China and the world's global and regional political economies
2.Sectoral, urban and regional disparities
3.Institutional and administrative forums
4.Individuals, rationale and ideas.

It should be made clear at this point that although the focus is on the impact of foreign trade and investment on China's urban development, there is no suggestion here that the influences of domestic market reforms are any less significant. The two prime mechanisms of change clearly interrelate. However, the narrower focus allows for a more detailed analysis of the changes taking

place, and provides an insight as to how foreign trade and investment may create or stimulate these changes.

1. China and the World's Global and Regional Political Economies

Since 1978, China's entry into the world market has introduced a new and potentially major player into the realm of regional and global economic interdependency. China not only constitutes the world's largest reserve of labour, it also encompasses a vast hinterland of raw materials - minerals, ferrous/non-ferrous metals and so on - and strategic sources of energy - coal, oil, gas and uranium. The current Open Door Policy on trade signifies the beginning of the integration of China's human and material reserves into the global economic structure.

With regard to industrial export processing, the relocation of labour intensive industries to cheaper sources of labour in China and other low cost countries in South East Asia, Sri Lanka, Malaysia and Thailand, signifies the implicit displacement of less profitable sectors of the traditional cheap labour industries in South Korea, Taiwan and Hong Kong. In turn a second generation of skill intensive export processing zones is promoted in these countries in the more sophisticated industries which were previously located exclusively in the advanced capitalist countries, for example, information systems, microprocessors and optics (Harris 1985).

The economic rationale for China's special economic zones, as Chossudovsky (1983) suggests, is remarkably similar to that of the vintage export processing zones of Singapore, Taiwan and Hong Kong in the 1960s. At that time, wages for skilled labour in these zones was at least four times lower than those of the advanced industrialised countries. According to Chossudovsky (1983), China's wages in the state sector in 1982 were at least five times lower than those in the Hong Kong manufacturing sector. In this light China's entry into the tradition of export processing is conducive to potential sequential displacements in the structure of the international division of labour which has a pervasive impact on the structure of economic growth both in South East Asia as well as in the advanced capitalist countries.

These dynamics in the international structure of economic relations correspond with emerging changes in China's trade structure. In their comparative analysis of China's trade figures immediately prior to, and after the 1978 turning point, Hsneh and Woo (1983) noted the emerging importance of processed raw materials, oil and mineral based chemicals and particularly machinery and manufactured goods as exports. These changes were parallelled by a demise in the export importance of animal by-products, grains, textile fibres and other unprocessed commodities. They also noted substantial increases in the importation of consumer durables, manufacturing plants, and raw materials for light rather than heavy industrial processing.

After some thirty years of emphasis on heavy industrial development, the pursuit of foreign markets in conjunction with expanding domestic consumer markets has clearly added to the revival of light industry. These two sectors, roughly balanced since 1984, have an annual output growth rate of approximately 12% as compared to agriculture at 4% (Wong and Chu 1985). Export oriented growth requires international competitiveness, and China's comparative advantages for the present favours those manufacturing processes that are both resource and labour intensive, and particularly those which do not require a high degree of labour skill machinery and electrical assembly such as canning and food processing, metal fabrication, textiles, clothing and footwear (Wong and Chu 1985).

China's labour cost advantage can also be reinforced through multi and bilateral trade agreements reflecting both political and economic trading partner priorities. China's exports for different commodities have both benefited and suffered from such agreements which can affect country specific import duties, tariffs and quotas. The influence of these factors on the market competitiveness of China's exports is demonstrated in the comparison of China and Hong Kong's cost price relations in the garment industry - table 1, A and B in Appendix.

Trade agreements between countries exist on the premise of mutual benefit; explicit within China's Open Door Policy is the growth of export earnings stimulated through the importation of foreign technology and investment. The emerging diversification of China's trading partners has, since 1978, been characterised by a shift away from developing economies towards the advanced capitalist countries (Guoguang et al, 1987). Increasingly then, China's export production is responding to the market demands of the advanced capitalist countries, which are, at the same time, the main trade beneficiaries of China's importation of technology, equipment and capital.

The most recent trade figures indicate that the decelerated import growth (2.2%) following the large trade deficits of 1985 ($15 billion) and 1986 ($11 billion), and a record (29%) increase in exports have produced a moderate but healthy current account surplus ($5 billion). China's trade performance is clearly related to the changes in its trade structure. Finished manufacture products now account for 65% of China's physical exports, indicating the successful move from exports of raw materials and primary products to higher value added manufactured exports. This is exemplified by the 30% increase in textiles and the 50% increase in electrical machinery, both as exports, (O.A. 1988).

Beyond simple trade statistics these figures represent changes and influences upon national and urban development strategies. Emerging export growth areas are revenue earners, but also create their own particular demands for resources. Such sectors have specific requirements for labour skills, raw materials, energy sources and access to markets. Relative strengths and weaknesses must be juggled by commercial management and planners at the urban, regional and national levels towards increasing trade competitiveness. In effect, international market mechanisms not only alter patterns of sectoral growth, but also have the capacity to create new patterns of urban and regional disparity. This becomes more apparent when comparing the 40% rapid increase of exports originating from the coastal areas with the current national average record growth in exports at 29%. These figures clearly demonstrate the spatial dimension of changes in China's trade structures (Agugrier 1988).

The significance of trade agreements viewed in this light becomes clearer. The potential fluctuations in market competitiveness for traded goods can create different signals and incentives for capital investments at a faster rate than national planners, urban managers and industrial enterprises can appropriately respond. Trade agreements, reflecting both political and economic alliances, offer a mechanism for stabilising market trends and can be described as one of the determinants in the direction, nature and scale of urban and industrial transformations.

In general, over the past ten years, China's entry into the global economy has been well received, and a number of writers (A.S. 1987, Sit 1985) have drawn attention to the element of "goodwill" attached to bilateral and multilateral trade agreements which earn China preferential treatment in

the expansion of overseas markets for its products. However, changes in the global economic structure do not occur without conflict. Sectoral displacements in the advanced capitalist countries where China's exports have made the most gains also represent the undermining of the home market for domestic production. Fearing further recessions, industrial lobby groups in these countries agitate for greater import trade restrictions, which in the past have generated chain reactions of protectionism amongst the larger trading nations (Hsueh and Woo 1983).

The recent signing (February 1988) of an agreement limiting the export of Chinese textiles to the USA - China's third largest trading partner - is an indication of the potential for these mechanisms to create external constraints on China's export growth (O.A. 1988). The implications of these external constraints on urban development, should they become more significant and effectual, suggests a general slowing down of urban growth nationally, with perhaps recession in the coastal areas and particularly in the special economic zones. This scenario is speculation, but the point is that the interrelationship between China and the world's global and regional economies can, and has, affected China's urban and regional industrial development, and some of the constraints imposed by this interrelationship are largely beyond Chins's control.

Looking more specifically at foreign investment, it is clear that in the decades prior to its entry into the world economy, China had virtually no external debt. Even through 1983, China had no significant need for external financing aside from building up sufficient foreign currency reserves (A.S. 1987). However, by 1984-85, China began to run a serious current account and budget deficit. At the same time, foreign direct investment began to slow down as a reflection of the growing awareness of China's uncompetitive investment climate. For the fist time, China needed to secure substantial financing from external sources. Initially, multilateral and concessional sources were drawn upon, but increasingly, China has had to look towards financial markets and commercial banks to meet its financing needs (A.S. 1987). In 1985 China required over $7 billion in external financing, a sharp increase over previous years (see table 2 appendix).

Estimates of China's total external debt in 1986 were put at about $25 billion, with the prediction that China would be likely to require between $6 - 8 billion per year in external financing for at least the next five to ten years (A.S. 1987). The preference is for direct investment - which provides essential technology and management expertise, and is not debt producing, and for concessional flows from official sources. The World Bank and other multilateral organisations have been important contributors, but the amount of financing available from these official sources is relatively small (A.S. 1987).

Three main factors combine to create this situation. In identifying these, the link between China's current debt burden and the present focus of the national and urban development strategies is further clarified. Firstly, there is the aspect of an increasing level of urban consumption, resulting from a domestic policy introduced to satisfy pent up consumer frustration accruing during the 1958-78 period, and as a secondary stimulus for the service and light manufacturing sectors. This in turn is linked to the growing significance of imported consumer durables and their not insignificant contribution to the national trade deficit between 1978-87. Secondly, there is the increasing investment required to orientate the trade structure towards higher value added manufactured exports, and subsequently to the urban industrial developments in the coastal trade zones. Closely related, the third factor is the time lag between investments - in capital construction, refinements in production processes and marketing costs - and the eventual realisation of export

profits. This time lag is both shorter in terms of the sectoral shift towards light industrial production away from heavy industrial production, and longer in terms of the lack of existing basic social and industrial infrastructure in the export production growth areas - a problem particularly acute in the special economic zones.

The structure of China's current deficit both influenced and reflects China's national and urban development strategies. From tales 2 and 3 in the appendix it is apparent that indirect foreign investment - mostly originating from official sources and through international financial markets - constitutes the larger proportion (from 86% between 1979-82 down to 74% 1979-85) of the deficit financing relative to direct investment. The major advantage of indirect investment is its relatively high rate of disbursement, due primarily to the official nature of most of the loans in this category. Credits accruing from capital markets - over 60% of the borrowings from foreign private sources, and over 30% of the total deficit up to 1986 - constitutes an important source, with the potential for expansion into London and US bond/securities markets. However, as is suggested by Rines (A.S. 1987), the pricing of issues for China has been based more on relationship building, rather than on true market rates. In this respect, although not a serious problem, investment priorities for urban industrial development are not being properly guided by realistic market rates of return.

Officially secured or concessionary loans have a similar problem, with unrealistically low borrowing rates and terms of agreement. Furthermore, the potential for expanded borrowing from these sources is constrained due to the limits of the existing reserves and growing world demand. World Bank actual investments in China stand at about $5.5 billion and will be limited to $2 billion annually[2]. However, investments of this character are usually sectoral and project specific, and, in the case of China, closely follow government priorities. The majority of this investment has gone into infrastructure projects - energy, transport and industry - on account of the relatively low rates on borrowings and returns, and the relatively long maturing periods which are particularly suitable for such projects (A.S. 1987).

Until now, direct foreign investment has played an important but secondary role in China. Estimates suggest a little over $5 million (up to 1987) has been invested in joint ventures and other forms of direct investment, with Hong Kong and the USA most involved (A.S. 1987). As a means to introduce international production rates and quality standards, technology and management expertise, direct investment is more important to China's urban industrial development than might initially be suggested. Although more recently there has been an upswing in the amount of direct investment in China, it has been suggested that its decline in relation to total foreign investment during the 1984-86 period can be attributed, at least in part, to China's relatively poor investment climate in comparison with its South East Asian neighbours, particularly Thailand (A.S. 1987).

The interrelationship between China and the world's regional and global economies has clearly influenced the direction and nature of foreign trade and investment in China, which in turn is both influential on, and influenced by, the extent, form and direction of China's national and urban development. The main effectual mechanisms of change at this level have been identified and characterised, and from this point the discussion turns from external to national, internal influences in terms of urban, regional, and sectoral disparities.

[2] World Bank Representative DPU 1987 expressed concern at the availability of multilateral funds for the financing of both India's and China's potentially huge surge of urban industrial development.

2. Urban, Regional and Sectoral Disparities

Explicit with the current national development strategy is the notion that foreign trade and investment will bring both quantitative and qualitative changes to China's locational and sectoral patterns of urban industrial development. With this strategy there is also growing official recognition that these changes will intensify the existing regional disparities between the more rapid socio-economic developments in the coastal areas and the slower rates of development in the inland regions (Falkenheim 1985), see table 9. This presents a marked change from the emphasis of national and urban development strategies between 1952-78 which, in different ways, made some inroads to addressing the traditional regional imbalances stemming from the colonial port treaties prior to 1949, see map 1 in the appendix. In this section, the focus is on examining emerging evidence of the disparities occurring due to the influence of foreign trade and investment, from the viewpoint that the effects created by these influences are potentially more diverse and complex than has been officially recognised.

Beyond state directives and incentives, the national distribution of foreign trade and investment is influenced by commodity market trends, institutional constraints, the particular requirements/persuasions of foreign investors, scales of economy and geographical/cultural factors. Furthermore, the distributive and potential effects of foreign trade are different to those of foreign investment.

Looking at table 4 in the appendix, the nineteen officially targeted cities for foreign trade and investment are listed[3]. Together they command approximately 86% of the total of direct foreign funds already invested, approximately 50% of the total is centred in the four special economic zones in two coastal provinces, and over 25% of the total is located in Shenzhon special economic zones. These figures are for the years up to and including 1985, and at present there are no indications of a deviation from these trends.

Although the special economic zones, the fourteen open coastal cities and Beijing, have been targeted as priority locations for foreign investment, it is clear from these trends that the distribution of direct investment does not follow the exact pattern of official directives. Concentrations occur in the two most favoured of the four special economic zones, and Beijing, Shanghai, Tainjin and Guanzhon. Whilst three of these four are open coastal cities, they stand distinct from the others in this category in terms of their population size, the scale of economies that they offer, and the absolute quantity of foreign funds already invested in each's per capita value. Foreign direct investment is also scattered in non-priority locations, predominantly in the larger urban nodes within Guandong and to a lesser extent, Fujian and the rest of the coastal provinces.

As for the relationship between foreign investment and foreign trade the literature is consistent in suggesting that foreign investment plays a key role in the development of export growth areas (Wong and Chu 1985). However, data for 1985 demonstrates that it is only in the special economic zones that increased levels of export trade correspond to increased levels of foreign investment; table 5 in the appendix. This may be the result of institutional constraints - direct investment is the more sensitive of the two variables, and even in comparison with the fourteen

[3] Excluding Hanan Island which was designated the fifth special economic zone in mid 1988.

open coastal cities, the special economic zones have considerably less bureaucratic interference - and it also raises the question as to the intensity or concentration of the foreign investment necessary before observable changes are manifested.

Except for Shenzhen and Zhuihai, foreign investment - combined direct and indirect - does not qualify as a significant proportion (greater than five per cent) of the total investment even in the priority locations, and in this respect it would seem that its associated sectoral, urban and regional disparities would hold only limited interest. However there are clear indications that the distribution of foreign investment (direct) corresponds with the distribution of domestic investments as reflected by various indices of social and economic development. This becomes most apparent in the comparisons between each of the four special economic zones and in the correspondences between higher levels of foreign investment with higher levels of industrial output, newly added fixed assets, as well as increased residual space (all expressed as per capita rates); these indices in turn reflect increasing urban investment, production and consumption values, see table 6 in appendix.

The data in table 6 also demonstrates the extent of the disparities between each of the four special economic zones - using three socio-economic development indices - and four sets of seven cities with similar sized populations. The disparities between Xiamen and Shanton special economic zones and their respective sets of seven cities were not as definitive as those for Shenzhen and Zhuhai. These results, although not conclusive, indicate that even amongst the special economic zones where institutional relationships are similar, the strength of the links between corresponding socio-economic indices is related to the intensity by which foreign direct investment is concentrated. Importantly, this pattern is also repeated in relation to average wage earnings, much higher in the special economic zones in general, and higher still in Shenzhen and Shuhai, table 7 in appendix.

Looking more carefully at the nature of the socio-economic indices used for comparisons in table 6, it is apparent that two of them, "newly added fixed assets" and "increased residual floor space", have a direct spatial dimension. Increased export trade and foreign investment have a spatial consequence, stimulating urban industrial construction and physical expansion. For an indication of the form and character of this expansion it is necessary to turn to sources of qualitative data.

Patterns of investment in the special economic zones and the fourteen open cities have been changing since 1978, uniformly though there has been a strong emphasis on infrastructure developments. This most definitely reflects the predominantly low level of socio-economic development in the special economic zones prior to acquiring their S.E.Z. status and the previous emphasis on the development of the interior towards national regional balance, which left a largely insufficient, outmoded and inefficient range of production/consumption infrastructure services within the coastal cities prior to the 1980s.

With the exception of land developments, the relatively low return on large capital outlays which characterises infrastructure development projects has not attracted direct foreign investment, leaving these essential areas of investment to government sources with some assistance from multilateral agencies (A.S. 1987). According to a representative of the World Bank, by June 1987, China had secured $5.5 billion in commitments from the World Bank for 52 projects, predominantly located in the coastal provinces. "Up to the present time, energy has received 25% of our lending funds, transport infrastructure 19%, industry 17% and the balance has gone to

agriculture, water supply, technical assistance, housing and health projects" (Ahmed 1987)[4]. Mr Ahmed further stated that this pattern of sectoral investment follows closely the stated investment priorities of the Chinese government. The main distinction between the special economic zones and the fourteen open coastal cities is that, for the SEZs, infrastructure development represents new growth and expansion. Whilst in the older coastal cities it essentially involves redevelopment, extensions to, and upgrading of the existing facilities.

The energy sector has been identified as the principal restraint on China's national development, a problem of most significance to the manufacturing sector, particularly in the coastal export growth areas where the frequency of brownouts or blackouts reduces production to three to four days per six day working week, and also affects product quality (Sit 1985). Much of the transport sector investment in these areas has gone into port development, initial construction, navigation channels, customs and storage facilities (Sit 1984). Road, rail and communication links between and within the special economic zones and coastal cities have also been a focus of investment. Of these most prominence has been directed at developing externally oriented communication (Yeh 1985). Gas, water, drainage and infrastructure developments have also been identified as "key links" in support of the export growth areas (Yeh 1985, Sit 1984).

One aspect of this regional priority shift in urban infrastructure development, is the question of the timing of this shift and the absorption of advanced technology as an element of the Open Door Policy. Priorities towards developing the interior, particularly during the 1958-78 period, took place as part of the emphasis on national and regional self sufficiency. The technology employed in the infrastructure developments in the cities of the interior during this time offered no significant advancement over that which existed in the coastal provinces. In view of the importance of infrastructure for the potential growth of urban centres in terms of both increased production and consumption levels, the existing disparities between the coastal interior regions is being intensified by foreign trade and investment, not only directly but also indirectly as a stimulus in channelling the distribution of state investment and resources.

Turning to the priorities of foreign direct investment, no comprehensive statistics are available; however, an indication of the investment trends in at least the special economic zones is given in the sectoral figures for Shenzhen 1980-83 in table 8. The most obvious trend from these results is the growing emphasis on manufacturing, and whilst this does not present any surprise it does invite the identification of the regional/sectoral disparities that it creates or intensifies. Firstly, it is keenly apparent that the manufacturing sector draws heavily upon the state's provision of social and industrial infrastructure services, which in turn is financed by the displacement of investment in other areas. Secondly, manufacturing relies on the availability of low cost raw materials, these are purchased often at below international market prices and predominantly from the interior regions. Thirdly, there is some evidence to suggest the displacement of domestic (state or collective) industrial production which - through foreign direct investment in manufacturing - is brought into overt competition with more advanced technologies, management and equipment imported from abroad (Chossudovsky 1983).

The second major thrust of direct foreign investments as indicated in table 8, is in real estate.

[4] Kabir Ahmed is the senior country programme officer in the China division of the World Bank reported in 1987.

While these developments do involve considerable investments in infrastructure, this has not been directed at increasing industrial production, but is involved with the development of consumption services, and more specifically focused on high rise (luxury, by Chinese standards) residential apartment blocks, Hong Kong style tourist hotel complexes and large scale shopping centres (Chossudovsky 1983).

From the wider perspective, the composite of data suggests that not only has foreign trade and investment created and intensified sectoral and regional disparities in terms of production, but it also has the potential to reinforce these through emerging consumption cleavages. From the data, it is evident that in comparison with any of the nation's cities, people within the special economic zones enjoy better quality housing[5], access to higher quality consumer goods (Sklair 1987) and substantially higher incomes, see tables 6 and 7. There is also evidence to suggest that despite the various institutional constraints, increased levels of consumption are also occurring in some of the older coastal cities particularly in Guanzhun (China Urban Statistics Year Book 1986).

Up till now the discussion in this section has largely avoided the question of provincial disparities. Initially, the tables of raw data failed to establish any clear indications of emerging patterns of investment, production and consumption cleavages between the provinces. Certainly, the provinces of Guangdong and to a lesser extent Fujian have received much of the direct investments. However, looking at the distribution of these investments and foreign trade centres within these provinces it is keenly apparent that it is more appropriate to refer to specific urban, rather than provincial locations of concentration (China's Urban Statistics Year Book 1986). This pattern of specific urban centre concentrations of foreign trade and investment, in a more dilute form, is repeated in the other coastal provinces.

Turning to tables 9 and 10 in the appendix, growth rates are given for the different provinces. Comparing figures for 1979 and 1983 (Aguigner 1988), four significant trends emerge.

1.The major differences observed can be explained more by the evolution of industrial output than by that of agricultural output. The growth rates for the latter are clustered around the national average.

2.For industrial output some provinces have experienced exceptional growth since 1978; these are (in growth rate order): Zhejiang (over 100%), Hubei, Jiangsu, Fujian, Guangdong. With the exception of Hubei, these are all coastal provinces. At the other extreme, the provinces of the north west have mostly been experiencing industrial stagnation.

3.From table 10, several of the poorest provinces, Yunnan, Hebei, Guangxi, Guizhow and the provinces in the north west, have a growth rate below that of the country as a whole. Among the provinces whose output index is below 100, only Anhui, Guangdong and Fujian have a growth rate much above the average; the others are stagnating or falling back.

4.The regional structure of growth is tending towards a strengthening of the disparities between coastal and inland provinces.

[5] China Pub (1987) refers to better quality housing standard, but also to the housing shortage.

The link between industrial growth in the coastal areas and foreign trade has already been established. However, in view of the urban specific nature of the concentrations of foreign trade and investment within the provinces, their potential to stimulate specific sectoral growth and the nature of the regional disparities identified must be redefined as urban and sectoral specific regional disparities.

It is not clear that there is a particular class basis for these disparities, not at least in relation to the inequalities between the different regions and urban centres. The greatest potential for a reinforcement of class divisions is via the nature of the sectoral related disparities, export growth industries requiring higher levels of labour skills (education) and the associated material advantages.

At present, the domestic market reforms - particularly in relation to the agricultural surplus - have led to relative prosperity amongst the peasants in comparison with the urban workers in terms of savings after expenditure (Chai 1987). Furthermore, the potential for sectoral growth disparities to create new class divisions amongst the existing urban working class is at present largely contained by institutional reforms which effectively limit wage differentials between occupations and economic sectors within the same urban location (Henley and Mee-Kau 1987) also see table 7 in appendix.

One last point in this section needs to be discussed; it is that many of the various trends already identified relate to the close geographical proximity to Hong Kong and to the cultural ties that exist between the people of southern China and those just across the border. In perspective, however, it is only since the Open Door Policy that these cultural factors have had any significant influence, and even then, primarily through the mechanisms of foreign trade and investment. The four special economic zones, and the open coastal cities within Guandong and Fujian provinces, were created with an explicit central government awareness of the prospects of annexing Hong Kong and perhaps Taiwan as China's new front door to the world (Hsueh and Woo 1983). Similarly, the more northern coastal cities were opened with expectations of greater foreign trade with Japan, South Korea and the other major trading nations.

3. Institutional Reforms

Major institutional reforms have been made, with more to follow as a direct result of the push for foreign trade and investment. The relationship between state and cooperative enterprises, joint ventures, local municipalities, provincial authorities and central state bureaucracies, continue to be altered with a view to streamlining and decentralising administrative procedures and allowing greater local and private enterprise autonomy. As an interrelated part of these changes, new laws governing and protecting foreign investments have been created along with changes in labour/employer relations, taxation and monetary policy reforms, which in themselves require new forms of regulatory bodies and support structures.

In this section, these issues are discussed in respect of their interrelationship with China's urban industrial development. The separation here, between those institutional reforms relating to the liberalising of the domestic market and those associated with foreign trade and investment, is difficult to establish at this level of abstraction. It is within China's institutions that the directions for both foreign and domestic policies are formulated, and through them, implemented.

Although early initiatives began in 1978/79, the Open Door Policy was fully enshrined in the sixth five year plan (1981-85), as Ho and Huenenmann (1984) suggest, exceptional not only for its content but also for the fact that it was the first to be published since the first five year plan (1953-7) and in english too. In its prelude to the chapter on "Economic Relations and Trade With Foreign Countries", the plan asserted that: "On the basis of self reliance we will continue the policy of opening to the outside world and substantially develop our economic and technical trade with other countries based on the principle of equality and mutual benefit. We will make best use of foreign funds and import advanced technology suitable for China to promote its economic construction" (reported in Sklair 1987). Whilst in itself this policy directive represents an outcome of the institutional reforms initiated between 1978-81, it also points the direction for future reforms, and serves to strengthen both internal (Chinese) and external (foreign) perceptions of these changes.

From 1949-79, China's commercial relations with non-socialist countries were relatively inflexible and largely limited to "arms length" trade. The Chinese resisted international market conforms in relation to such areas as buyers' specifications, design of packaging, trade marks, patents, quality and standardisation, contract trade etc. - and the limited foreign technology which had been acquired consisted primarily of the importation of complete plants with little credence afforded to foreign "capitalist" management skills or marketing efficiency (Painault 1988). One major practical consequence of the Open Door Policy is that the Chinese have had to adopt a more flexible approach to foreign economic relations and trade. Anxious to expand its exports and to strengthen its domestic economy through foreign technology and investment, China has had to become more sensitive to the needs and demands of foreign buyers and investors.

Increasingly, China is using licensing arrangements to acquire advanced technology, either tangibles such as equipment and processing methods, or intangibles such as management expertise and design. The most interesting developments in this direction have been the use of "special trade arrangements" which involve a closer formalised partnership between Chinese - state or cooperative - and foreign owned enterprises. The Chinese categorise these as five forms of foreign investment (direct) i.e.

i)Processing and Assembly
ii)Compensation trade
iii)Joint venture
iv)Cooperative venture
v)Cooperative development (Ho and Huenemann 1984)

For the Chinese, the processing and compensationary trade agreements are desirable because they provide ready access to markets - the Chinese are offered a processing fee derived from the partner's sales - the projects are self-liquidating through the generation of foreign exchange earnings, and involve to some extent a transfer of design and management know-how. For the foreign partner, these arrangements provide the opportunity for lower production costs (particularly wage labour), and offer an approachable angle for the sale of plants and machinery in China (Ho and Huenemann 1984).

With cooperative ventures, joint ventures and joint developments there is a greater interaction, resulting in a more efficient transfer of disembodied or intangible technology. Property developments, service industries, and predominantly manufacturing have been the focus of most of

these trade arrangements. Of these, the cooperative ventures are the least formalised since in principle all aspects of the agreement - including the distribution of earnings - are negotiable. However, greater institutional flexibility in the Chinese context also amounts to greater ambiguity. Cooperative ventures often exist outside the state plan and there are difficulties associated with this in acquiring state or centrally allocated resources (Lockett 1988).

Because of these problems, in the case of investment projects that require large amounts of capital from either of the bargaining sides, the preferable and most permanent option is offered by the joint venture format. The only form of the special trade arrangements involving foreign investment, as the term implies outside of China, is the equity joint venture; where the Chinese and foreign partners pool their assets and form a new legal entity. Risks, profits and management decisions are taken by a joint board of directors, with the responsibilities shared in proportion to each of the partner's equity contributions (Ho and Huenemann 1984). The joint venture is generally considered the most effective means of technology transfer because both parties have a contractual and regulated vested interest in the success of such ventures which involves greater joint participation and interaction at all levels of commitment - from the production process through to marketing (Ho and Huenemann 1984).

It is also worth noting that these different forms of foreign investment (direct) are not discrete categories. For example, a small but increasing number of joint venture agreements involve full foreign ownership, often in the form of multinational subsidiaries (China Urban Statistics Year Book 1986).

To induce localities and enterprises to look outwards for economic opportunities and technical assistance, a number of important reforms have been made to improve the incentive within the economic relations and trade system. Specifically, these include: 1) A more realistic internal exchange rate on foreign exchange earnings which is now linked to the $US (A.S. 1987); 2) Discretionary reductions on essential imports particularly those for use in manufacturing; although initially limited to advanced technology/equipment these have since been extended to include some raw materials imported at below domestic refinement costs (Sklair 1987); 3) Central state acceptance (and to some extent encouragement) of localities and ministries retaining a share of the foreign exchange generated by enterprises under their control; 4) The various forms of foreign investment enterprises have increasingly gained more discretionary control over their foreign exchange earnings (O.A. 1988).

Several new central agencies directly responsible to the state council have also been established since 1979 to implement and administer the Open Door Policy. These include:

The State General Administration of Exchange Control (SGAEC)
Foreign Investment Administration Commission (FIAC)
Import Export Commission (IEC)
China International Trust and Investment Corporation (CITIC)
Ministry of Foreign Economics Relations and Trade (MFERT)

The authority vested in these agencies involves the setting up of policy guidelines and regulations for joint ventures, the planning of foreign exchange receipts and expenditures, setting out the national trade plan, the active promotion of foreign investment, and in the case of CITIC, to engage

in joint ventures and invest in China of its own accord (Ho and Huenemann 1984).

From a wider view, these organisational changes taking place within and between the institutions of China's economic relations and trade structure suggests three general trends in the modifications to the trade system. A) Incentives to stimulate foreign trade in general and to promote export trade in particular; B) institutions to set policy for and to administer the growth areas in foreign trade; and C) decentralisation of the existing foreign trade structure to make it more flexible and responsive, bringing China's producers and users into closer contact with their foreign partners. On the whole, these changes have increased the authority of the localities and the commercial and industrial ministries, primarily at the expense of the Ministry of Foreign Trade (MFT) which, prior to 1979, was the leading body responsible for China's international commerce (Ho and Huenemann 1984). It is also clear that the decentralisation measures are associated with a general movement towards specialisation. The state owned foreign trade corporations originally formulated under the MFT have since been split into more specialist corporate units, with branch offices given greater authority to conduct foreign trade, and with directives to become more responsive to the needs of local authorities and enterprises.

With the exception of Guandong and to a lesser extent Fujian, the provincial authorities have not benefited greatly from these movements towards decentralisation and specialisation. Whilst provincial level state enterprises are encouraged to conduct foreign trade, the former direct contact with the state council has been replaced with the greater involvements of the various specialist state corporations, and through them the separate ministries. The nature of these new organisational links reflects the dominance of sectoral interests over provincial interests.

An understanding of these institutional reforms goes some way to explain the absence of clear patterns of disparities - arising from the impacts of foreign trade and investment - at the provincial level, when they were so much more observable along the lines of sectoral and regional divisions. To recall, it was suggested that statistical data indicated the emergence of new dominant sectors and urban (foreign trade) centres, mostly located within the coastal provinces, but that these developments were not apparent from the analysis of provincial level data.

Furthermore, it is suggested that the nature and extent of these institutional reforms reflects the size and nature of foreign investment projects, and the relevance of the particular choice of "special trade arrangements" options. From data for Guandong and Fujian in comparison with the other coastal provinces, the following distribution patterns of foreign investment have been observed:

1. Relatively more scattered and smaller urban locations for foreign investment.
2. The average scale of project (frequently in the manufacturing or service sectors) is small, as is the associated capital outlay.
3. Frequency in the number of locally negotiated special trade arrangements, usually compensation trade agreements or co-operative ventures.
4. The small size of both the foreign company (usually Hong Kong based) and the Chinese enterprise.
5. Significantly more Chinese cooperative enterprises than in other provinces, and proportionately more of these are involved with foreign trade and investment (Urban Statistics Year Book 1986).

In turn, these emerging trends - which suggest a new dispersed pattern of urban development with selective sectoral growth responding to foreign trade and investment -can be understood, at least in part, as a reflection of the greater autonomy extended to the local authorities. This allows them to forge direct trade links through both state and collective enterprise in areas adjacent to the China/Hong Kong border (Sit 1985). Again the significance of the proximity of these areas to Hong Kong/Macao/Taiwan is not to be denied. However, it is clearly the changes within and between China's institutions that allowed these geographical advantages to come into play.

The clearest example of the decentralisation measure was the creation of the special economic zones (SEZs), where economic activities involving foreign investment are governed by regulations - within a different legal framework - that are more liberal than those for the rest of China. In the SEZs all forms of special trade arrangements are encouraged, including the setting up of foreign wholly-owned enterprises. The process of institutional reforms within the SEZs continues. More recent innovations have included: new flexibilities in employer/labour relations, the creation of floating wage schemes based on worker productivity, attitude and responsibility; the introduction of land markets with access given to foreign parties in both lease and sales agreements; and lower tax rates on profits and tariff/duties on imports (Sit 1985, China City Planning Review, June 1986).

The greater flexibility within the SEZs also offers useful contained observation laboratories, where the centre state can experiment with new ways of running enterprises and managing the economy. Arguably it was the initial successes in Shenzhen that stimulated the later creation of Xiamen SEZ (and more recently Hannan Island), and indeed, the opening of fourteen coastal cities. Without doubt, the general tendency has been towards greater, more widespread institutional reforms. Perhaps the most recent indication of this trend was the announcement (August 1988) of the sale of a number of state factories (outside of the SEZs) in Liaoning province to foreign buyers (Financial Times 9 August 1988). The suggestion here is that the potential for foreign trade and investment - to alter the existing patterns of national urban industrial development - is being realised (albeit gradually) through a movement towards more widespread institutional reforms.

At the enterprise level, writers such as Xu (1985) have suggested the need for more specific categorisations of the economy. In setting out his argument Xu distinguishes, through shares of the total productive output in Shenzhon, a) the state capitalist sector fifty per cent, for state and foreign owned enterprises; b) the foreign wholly owned enterprises thirty per cent; and c) the collective[6] enterprises, foreign investors with non state partners. In short, the argument follows, that there is a growing dual character in the management structure - within the SEZs and to a lesser extent in the fourteen open coastal cities - with the belief that state capitalism under the socialist planned economy must reflect aspects of both capitalist and socialist organisation (Xu 1985 in Warner 1987). Certainly, it appears from the raw data that there is disproportionately more cooperative economy activity in the coastal regions as compared with the national, on the whole (Agugrier 1988). This phenomenon is more intensive within the SEZs, and to a lesser extent within the open coastal cities, in terms of the percentage of the total production output, diversification and number of enterprises (China Urban Statistics Year Book 1986). Whilst there is considerable encouragement of these developments through the domestic market reforms, it is also apparent that the institutional reforms more specific to foreign trade and investment in the

[6] The collective sector consists of the various forms of co-operative enterprises.

coastal areas have served to catalyse these opportunities for the expansion of the urban collective of the economy. Furthermore, the link between growth in the urban collective economy and growth and diversification in the urban service sector in China has been established by Fung (1979), Sit (1985) and Kirkby (1985).

In recognising that it is not only at the micro enterprise level that capitalist and socialist elements confront and collude with each other within institutions, the argument put forward here extends beyond the observations of Xu (1985). To be clear, the sectoral, urban and regional disparities identified earlier, and the prior discussion concerning the interrelationship between China and the world's global and regional economies, established that the influences emerging from the interactions between capitalist and socialist elements also occur within the institutions at the urban, regional and national levels.

In effect, foreign trade and investment as a stimulus for the growth in China's leading sectors and focal development locations, presents elements of the restricted parameters of a mixed economy, acting to restrict the level, scope and effectiveness of the state's intervention. For China's planning departments, particularly those involved with developments of the coastal regions, new levels of uncertainty fostered by fluctuations in global markets do not allow for accurate projections concerning resource demands, population growth and employment demands, nor for the direction of industrial and commercial expansion. Two examples that demonstrate different urban level manifestations of these market generated uncertainties at work are outlined as follows:

1. Recent reports in China's foreign press have highlighted the problems of tourist hotel developments. With a heavy reliance on foreign investment, major (luxury class) hotel complexes have been concentrated primarily in a select few cities and none of these caters for lower budget tourists (China Economic Weekly 1986). Multinational hotel chains, make enormous initial capital outlays, on project developments and these in turn require quick and sizeable returns. Few of China's inland cities have the ready tourist potential to attract such large international hotel investments, and the few existing Chinese hotels in these centres lack the service know-how to support even the beginnings of a tourist industry (China Economic Weekly 1986). In essence, China's tourist development strategy, with its heavy reliance on investments through international hotel corporations, has not lived up to expectations - creating growing demands for increased state intervention.

2. The nature and direction of foreign investment in land developments within Shenzhen has also drawn considerable criticism, primarily from state planning authorities. While the savings to the state on infrastructure investments were initially welcomed, the uncertainties created did not allow for efficient economic linkages and incremental extensions to the state's provision of production and consumption related infrastructure services as was envisaged under the existing state plan (Sit 1985).

In short, the interaction between state socialist and capitalist elements within China's institutions creates the need for a more flexible, less deterministic approach to the formulation of development strategies by China's various planning authorities.

There is also the suggestion that the institutional reforms associated with foreign trade and investment developments have served to initiate or to catalyse institutional reforms relating more

directly to the domestic economy and, in turn, the effects that these create on China's urban industrial development. These institutional reforms have not occurred without both internal and external institutional conflicts. Traditional and continuing conflicts - concerning whether priority should be given towards developing socialist relations of production over increasing forces of production, which in part stems from a "political commitment" versus "economic logic and technology" conflict (now both absorbed within the party's and the state's organisational structure), have been effectively cross-sected with sectoral and regional allegiances relating to foreign trade and investment.

In some ways, institutional reforms which both arise from, and are created for, foreign trade and investment may be less disdainful to the more conservative elements of the Bureaucrat class than those more closely related to the domestic economy. The special economic zones, and the fourteen open coastal cities can be argued as necessary compromises in China's push for rapid economic development with the advantage of having the capitalist tendencies suitably contained within isolated cities and zones. Certainly, the institutional reforms that initiated the national and urban developments responsive to foreign trade and investment, did not incite the same kind of institutional resistance, as is currently apparent in the concerted opposition to the proposed domestic market pricing reforms which will involve the lifting of food subsidies (Raynolds 1987). The strength of the current domestic position concerning these institutional conflicts is evident in that in observing both the success and failure within the SEZs and open coastal cities, the reformers have been able to argue for still more liberalising socio-economic reforms (Raynolds 1987). In view of the current trade budget surplus, and the apparent success of the export growth zones in the coastal regions the tendency towards further institutional reforms relating to foreign trade and investment is likely to continue.

4. Individuals, Rationale and Ideas

China's partial transformation from an output orientated economy to a profit driven economy emphasising advanced technology and competitive enterprise, not only represents a major ideological shift but also - if lessons from the recent past hold - must herald changes in the individual makeup of the bureaucracy and in the personal qualities and attitudes of the leaders and workers alike. In the past, such changes have corresponded to alternative national programmes for urban construction, incorporating different spatial forms and design ideals.

The sudden expansion of foreign trade and investment and its associated effects - thus far discussed - on urban industrial development, are at the same time both the result of, and influential on, the continuing debate as to whether to give priority to the development of productive forces or to the transformation of productive relations. The cautious harnessing of capitalist productive forces as emphasised in China's current national and urban development strategies testifies to the dominant position in this debate, as does the Open Door Policy.

In this section, the discussion focuses on the interrelationship between foreign trade and investment on the one hand, and China's individuals and ideas on the other, and on how this relationship influences urban industrial development. More so than in the other sections of the discussion, the task of separating the influences of foreign trade and investment from the influences of the domestic market reforms is very difficult. However, even with the limited and vague nature of the available data, it is still possible to draw some important inferences.

Both Livingstone (1987) and J Bank (1987) focus on the Chinese learning of western management, marketing, economics (neoclassical) and other forms of disembodied technology. They draw attention to the relative effectiveness of the various forms of foreign investment (direct and indirect) towards stimulating the absorption of technology into the workforce and higher level of urban and industrial management, through direct exposure, training programmes, and through production/quality wage incentives. This exposure, contends Sklair (1987), extends beyond the organisational structure of institutions and enterprises in that it acts to create attitude changes in people as individuals - rather than as cadres and urban industrial workers - in terms of raising expectations towards life and career objectives, and serves to instill an individual (entrepreneurial) rather than collective responsibility. Sklair (1987) also refers to the exposure of sophisticated imported commodity goods and the accompanying "consumer mentality" as a stimulus to these changes.

To be sure, these elements - technology, enterprise incentives, consumerism - are all part of the shift towards a profit driven economy as envisaged in the national development strategy. However, it is being suggested here that the exposure of the Chinese as individuals to foreign trade and investment, either directly or indirectly, acts to stimulate or to catalyse their effectual awareness of both the value and the repercussions of technology, enterprise incentive and consumerism. Certainly within the SEZs there is a noticeably greater expression of these elements: the significantly higher wages in all sectors, numbers of private (Chinese) and cooperative enterprises, numbers of privately owned cars, and numbers of workers and cadres trained/educated outside of China (Sit 1985, Lockett 1988).

In reference to the state housing development in Shenhen, Yeh (1985) suggested that growing trends towards consumerism, individualism and a significantly increased range of incomes, combines to create pressing demands for a wider range of better quality and larger homes. The construction of luxury (by Chinese standards) residential apartments by Hong Kong based land developers - primarily for sale and lease to foreign company staff (Chossudovsky 1983) - acts as a ready reminder of alternative and better housing design standards.

In 1983, a few Hong Kong based real estate companies were granted permission, under licence, to develop land in Shenzhen and Xiamen - primarily for residential and commercial purposes. Owing to the nature of the investment (land), ministerial approval was sought and given. However, because of this higher level approval, the licence issued by the local planning authorities became relatively incidental. This factor combined with the absence of any comprehensive subdivision regulations, and the uncertainty as to whether China's scant planning and housing standards were suitable or even applicable to the developer's proposals, presented - for the ill-equipped Chinese urban planners - the daunting task of attempting to control the developments without appropriate guidelines or even effective authority. Yeh (1985) points out, that prior to these developments in China land use requirements would normally be settled through negotiation amongst the relevant state institutions. In the SEZs, even as the land use requirements for foreign whole owned and cooperative (Chinese) enterprises increased, planners could still rely on licensing procedures. Compliance with the master plan was generally assured because the plan also represented the direction of state investments. However, as Yeh (1985) identifies, beyond outright refusal by the ministry concerned, private land and infrastructure developments could not be adequately controlled.

The results of this encounter between Chinese planners and foreign land developers points to an emerging contradiction between the current Chinese perception of the role of planning and planners on the one hand, and on the other, a new, less progressive role which it seems urban planning in the SEZs is compelled to assume. The advanced technology component of the current national development strategy represents a turn towards expertise and professionalism, a reversal of the 1958-78 trend emphasising political commitment. However, it seems that the subsequent rise in the status of urban planning/planners - expounding the technical capacity to promote efficient urban socio-economic development - has, in the SEZs, been threatened through exposure to foreign trade and investment. Rather than acting to promote and coordinate urban development, the Chinese urban planners, in the case of the foreign investment in land developments, were forced to adopt a more passive and negative approach: planning as a means to control rather than lead urban development.

This scenario in the first instance suggests the failings of the existing planning institutions and the limitations of China's urban planners. More poignantly, however, it is arguable that this situation was an outward consequence of a socialist rationale that had not embraced ideologically, the private ownership or sale of land.

As has been demonstrated in previous sections of the discussion, other elements - the rate of profit, comparative advantage, the time cost of money - of the market rationale in association with foreign trade and investment, have had a significant impact on China's urban development. To what extent these concepts have been actively considered by urban planners, and to what extent foreign trade and investment may have had a role in conveying this understanding is difficult to gauge. Ho and Huenmann (1984) have suggested that the emergence of the disparities in the growth rates between the different special economic zones - particularly in regard to the perceived "disappointing performance" of Shanton and Xiamen - have served to highlight the workings of capitalist rationale. It is also interesting to note the reports of significant numbers of Chinese planners currently attending real estate and land management training programmes in Hong Kong, and the recent announcement of China's first legal code for land sales in Shenzhen (China Trade Report May 1988).

From these initial indications, it appears, at the ideological level, that the penetration of foreign capital into China's political economy has the capacity to catalyse changes in institutional procedures, and in the attitudes and skills of the individuals making up the institutions, with corresponding implications for urban industrial development, and indirectly through the stimulation of further domestic market reforms. In turn, these changes are rationalised by the reformers amongst the party leadership as essential compromises to the development of socialist productive relations, made necessary for the attraction of foreign trade and investment and its associated stimulus to increasing forces of production.

The acceptance of these compromises to socialist development by the leadership is obviously associated with the individual makeup of the party leadership. Burns (1983) claims that the necessary personnel reforms - for carrying out the domestic market reforms and opening up to the outside world - were not implemented until 1982, when Deng XiaoPing was in a strong enough position to remove the leaders who had survived the Cultural Revolution. Personnel changes within the higher echelons of the party were further accelerated in 1985, but to the present day remain incomplete (Cabestan 1988).

It is difficult to suggest with any confidence that foreign trade and investment - and both its direct and indirect implications for China's urban industrial development - has influenced the makeup and emphasis of the leadership, and so altered its formulation of policy. However, in focusing on the socio-cultural background of the leaders in the state council (the apex of state administration and secretariat to the politburo) Cabestan (1988) draws attention to two criteria changes in the promotion of leaders. Firstly, it is suggested that in contrast to the 1965-78 period there are significantly more (70.5%) leaders originating from the coastal provinces which constitutes barely 35% of China's population. Secondly, and again in contrast to the 1965-78 years, Cabestan (1988) infers from the numbers of leaders with overseas university qualifications, that there is a greater emphasis on the leaders having "knowledge of the outside world".

At the risk of supposition, it is plausible that the increased international awareness amongst the party leadership, both increases the prospect of furthering China's international trade relations, and subdues the concerns over its ideological and materialist effects. Certainly, the intensifying of the regional disparities between the coastal and inland areas through foreign trade and investment is likely to be less repugnant to the majority of leaders whose socio-cultural allegiances have a coastal origin.

V. Conclusion

From this discussion of the impact and potential influence of foreign trade and investment on China's urban industrial development, it is possible, with a degree of confidence, to draw the following conclusions.

1. In accordance with the international division of labour and in response to the world's changing competitive trade structure, certain sectors - manufacturing, industrial processing and assembly - within China's economy, have over the past ten years experienced very rapid growth in terms of both production output and export earnings. At the same time, China's traditional export sectors - mainly lower value added raw/semi-processed materials - have experienced a demise in export trade importance, which in turn is reflected in the formulation of national investment priorities.

2. This sectoral shift towards light industry and manufacturing favours the coastal areas and is attributable not only to port/international market accessibility, but also reflects the existing levels of commercial/industrial infrastructure and the skill potential of the workforce in these areas.

3. In its very nature, the light industrial and manufacturing sector draws heavily upon natural, human and energy resources, and in order for its export potential to be fully realised this sector is afforded a priority position within the state's distribution of resources. In essence, foreign trade and investment both rely upon and stimulate the direction of state investments. In turn, this relationship is expressed in the twin thrusts of China's current urban development construction programme - special economic zones and inner city redevelopments - with urban transformations manifested as commercial, service and industrial infrastructure upgradings and new expansion in these locations.

4.In serving to reinforce the traditional regional and sectoral (urban priorities over rural) disparities between the coast and inland areas, foreign trade and investment responding to more specific locational criteria (including institutional directives) has a more concentrated influence in a select few of the special economic zones (Shenzhen and Shuhai), open coastal cities (Guangzhon, Shanghai, Tianjin), and in Beijing.

5.Within the urban centres of concentrated foreign trade and investment there is evidence of corresponding changes towards increasing urban investment, production and consumption levels, as both a reflection of, and influence towards, rapid urban industrial growth. In essence, foreign trade and investment is stimulating the emergence or revival of new and traditional urban growth poles, interspersed amongst the port cities of the coastal provinces. The outcome (urban and sectoral specific regional disparities) of these urban industrial developments serves both to reinforce and at times cross-sect the traditional urban/rural, intersectoral, and coastal/inland regional disparities and conflicts.

6.At the institutional level, the pursuit of foreign trade and investment and the accompanying advanced technology has and continues to stimulate the streamlining and decentralisation of the bureaucracy towards greater local state, cooperative and private enterprise autonomy. Elemental to the emerging pattern of foreign trade and investment related urban and sectoral specific regional disparities is the growth of the urban collective economy. In turn, growth in the urban collective economy has been linked to the expansion of the commerce/service sectors and to a lesser extent (small scale) the export manufacturing sector.

7.It is apparent that foreign trade and investment related reforms have influenced and stimulated the relaxation of domestic market controls. Reforms, tried and tested in the special economic zones, become the prototype for further reforms in other urban centres. The graduated dynamics of this progression is demonstrated by both the increasing number of special economic zones, and in the separate declarations of the opening of fourteen coastal cities.

8.Importantly, it was also noted that institutional reforms - as significant as they are -do not in themselves constitute more than an element of the definitive constraints upon the form and nature of China's urban industrial development. In other words, the influence of foreign trade and investment on China's urban industrial development goes beyond the nature and directions of institutional reforms as is demonstrated by the quantitative and qualitative differences between and within each of the different special economic zones. These effects in turn may be explained in part, as the result of the imposition of an alternative market rationale over that which is currently embraced by China's socialist approach to state economic planning.

9.Elements of this market rationale - comparative advantage, the rate of profit, the time cost of money, and the private sale and ownership of land, etc - are conveyed as intangible components within foreign trade and investment. At the institutional level, and specifically in relation to the interaction between urban planning authorities and the growing number of collective and privately (foreign or Chinese) owned enterprises, it is becoming evident (within the special economic zones at least), that foreign trade and investment serves to introduce elements of the restricted parameters of a mixed economy, acting to restrict the level, scope

and effectiveness of the state's intervention.

10. The technological component of foreign trade and investment, in combination with the purveyance of consumerism and individualism, serves to introduce and to create demands for alternative urban planning and housing standards and ideals. At the same time, China's urban planners, in contending with the restricted parameters of a mixed economy, not only require alternative planning skills but have also adopted a less progressive - control rather than promotion - approach to planning China's urban industrial development.

In these fundamentally important ways, foreign trade and investment in China has the existing capacity and still greater potential to alter and influence the direction, nature and character of China's urban industrial development.

Appendix

Table 1.

A) Cost-price relations in the Chinese garment industry (man's shirt, US$)

Factory price (C&F)	$3.00
Insurance	0.10
Import duty	0.30
Importer's commission, Hong Kong Office (5%)	0.15
Handling charges (customs broker, etc, New York)	0.30
Cost price in New York	3.85
Wholesale price	8.00
Approximate retail price	15.00

Source: Interview with a major American garment importer conducted in China in 1982.

B) Cost-price relations in the Hong Kong garment industry (Man's shirt, US$)

Factory price (FOB)	$4.80
Freight	0.40
Import duty (US duty of 27.5% on $4.80)	1.32
Importer commission (Customs broker, etc, New York)	0.32
Cost price in New York	7.18
Wholesale price	10.00

Approximate retail price	18.00

Source: Interview with a major American garment importer conducted in China in 1982, in Chossudovsky, 1983.

Table 2. China's Current Deficit Financing, 1982-91 (billions of US dollars).

	1982	1983	1984	1985	1986	1987-91
Trade Balance	4.2	2.0	x	-13.0	-12.0	NA
Current Balance	5.9	4.4	2.4	-11.5	-7.5	NA
New Capital Inflow	1.0	1.5	3.5	7.7	7.2	33.0
Official Sources	0.6	0.7	1.0	1.3	1.9	13.0
Bilateral	0.5	0.6	0.7	0.7	0.9	3.0
Multilateral	0.1	0.1	0.3	0.6	1.0	10.0
of which: soft terms	0.1	0.1	0.2	0.3	0.5	NA
Export Credits	x	-0.2	-0.2	-0.2	1.0	3.0
Private Flows	0.4	1.0	2.7	6.6	4.3	17.0
Financial Markets	x	0.4	1.4	4.9	2.5	10.0
Direct Investment	0.4	0.6	1.3	1.7	1.8	7.0

Presented by Michael W Oborne
Source: Various official sources, in A.W. 1987

Table 3. Foreign investment in China, 1979-85 (billions of US dollars)

	1979-1982		1979-1983		1979-1984		1979-1985	
	Total	% total	Total	% total	Total	% total	Total	% total
Indirect	10.87	86	11.94	82	13.23	77	15.66	74
Direct	1.77	14	2.69	18	4.11	23	5.68	26
Total foreign investment	12.64	100	14.63	100	17.34	100	21.34	100

Presented by Michael W Osborne
Source: OECD in A.O., 1987.

Table 4. Foreign capital already invested (including countries, unit = $10,000)

City	Foreign funds already invested	Category of foreign investment form				Category of target location
		Joint ventures	Contractural joint ventures	Joint exploration	Full foreign ownership	
Beijing	61,734	40,722	4,213			Capital city
Tianjin	25,531	12,944	3,009			
Qinhuangdao	13	13				The 14 coastal cities
Dialian	2,500	2,500				
Shanghai	65,528	25,527			341	
Lianyangang	15,184	13,691	191			
Nantong	2,647	198	26			
Ningbo	1,519	1,158	61			
Wenzhou	105	105				
Fuzhou	3,346	1,813	976		100	
Quingdao	9,761	9,661	100			
Yanti	8,044	57	6,000			
Guanzhou	81,688	4,453	72,032			
Zhanjiang	8,697	41	7,011			
Beihei	1,540	236	996	301	7	**Beijing & the coastal cities**
Sub total	**287,837**	**113,119**	**94,615**	**301**	**448**	
Xiamen	37,728	27,917		1,880		Special Economic Zones
Shantou	4,891	2,816	709	544		
Shenzhen	230,548	32,248	151,350		28,762	
Zhuhai	139,946	2,903	136,103		141	
Sub total	**413,113**	**65,884**	**288,162**		**31,327**	**SEZ**
Sub total	700,950	179,003	382,777	301	31,775	All target cities

Total	**827,202**	**212,205**	**456,300**	**639**	**32,634**	**National**

Ref: China Urban Statistics Yearbook, 1986.

Table 5. Non correspondence between direct foreign investment and export trade values

Special eco- nomic zones and the 14 open coastal cities	Direct foreign funds already invested/ per capita	Rank according to direct foreign investment	Export trade value 10,000 RMB – Per capita	Rank according to export trade
Shenzhen	12,530	2	3,059	1
Zhuihai	13,417	1	546	2
Xiamen	1,028	3	454	3
Shantou	38	4	207	4
Liangangang	330.5	1	76	12
Guanzhou	269.6	2	715	4
Behai	133.2	3	535	6
Zhanjiang	125.6	4	326	8
Shanghai	86.6	5	644	5
Yanti	81.1	6	174	11
Qingdao	63.1	7	1,517	3
Tianjin	54.1	8	262	9
Fuzhou	31.0	9	219	10
Nantong	20.1	10	3	13
Ningbo	17.8	11	340	7
Dalian	12.6	12	2,739	2
Whenzhou	1.5	13	--	14
Qinhuangdao	0.3	14	2,943	1

Table 6. Comparisons between each of the four special economic zones, and averages from four sets of seven cities with the same sized population, in relation to direct foreign investment, increasing production and consumption values, and urban physical growth.

Index per capita	Foreign investment RMB –		Industrial output RMB –		Newly added fixed asset RMB –	
Special economic zone	SEZs	Average in 7 cities with same population	SEZs	Average in 7 cities with same population	SEZs	Average in 7 cities with same population
Shenzhou	12,530	8.8	9,664	3,237	6,945	2
Zhuhai	13,417	1.8	4,960	3,222	2,267	3
Xiamen	1,028	1.2	3,890	3,317	969	2
Shantou	38	8.9	2,090	1,509	352	1

Table 7. Wages and Labour Force (Units - total wage bill 10,00 RMB −; staff 10,000 persons; average wage RMB −).

City	State Institutions			Collective Enterprise			
	Total Wage Bill	Number of Staff	Average Wage	Total Wage Bill	Number of Staff	Average Wage	Total Wage Bill
Beijing	322,363	287.81	1,140	61,511	66.59	924	1,351
Tianjin	220,155	196.15	1,120	60,451	66.83	904	615
Qinhuangdao	24,522	14.38	1,012	4,128	4.99	827	125
Dialian	53,174	55.51	958	23,379	28.74	882	389
Shanghai	343,755	292.89	1,174	75,008	80.69	929	4,348
Liayangong	12,442	12.70	979	4,333	5.73	756	27
Nantong	3,148	13.90	946	6,083	7.01	868	72
Ningbo	14,581	14.80	985	8,183	9.31	879	341
Wenzhou	8,473	9.32	909	10,526	13.71	768	
Fuzhou	29,578	29.66	997	13,431	16.10	834	387
Qingdao	53,093	46.87	1,132	26,152	20.18	1,295	
Yanti	16,076	13.89	1,157	5,973	5.77	1,035	244
Guanzhou	159,394	115.17	1,383	45,768	37.87	1,208	1,632
Zhanjiang	17,003	14.28	1,190	4,140	4.06	1,020	175
Beihai	3,016	3.14	960	752	1.03	730	
Xiamen	13,994	13.38	1,046	6,777	7.37	919	283
Shanton	14,125	14.04	1,006	10,183	13.80	738	97
Zhenzhen	24,902	11.78	2,114	2,974	1.74	1,709	2,829
Zhuhai	5,088	2.69	1,891	1,509	0.97		
All 324 cities	**5,314,654**	**4,917.05**	**1,081**	**1,503,904**	**1,789.28**	**840**	**33,497**

Ref: China Urban Statistics Yearbook, 1986.

Table 9. Growth rate in 1983 compared to 1979, by province (in %)

Table 8. Sectoral investment for Shenzhen

1980[1]	Mid-1982[2]	

	Number of items	Committed investment (HK$, millions)	Percent	Number of items	Committed investment (HK$, millions)	Percent	Number of items
Manufacturing	395	160	10	474	375	15.27	1,847
Commerce	14	190	12	12	218	8.87	132
Transport	n/a	n/a	n/a	7	9	0.40	28
Real estate	7	530	30	23	1,090	44.35	59
Tourism	15	540	33	19	562	22.86	16
Agriculture	n/a	n/a	n/a	182	103	4.19	423
Miscellaneous	10	0.6	5	3	101	4.06	n/a

Note: n/a = not available

Sources: 1. Kang Ye (1981)
2. Lu Liao (1981)
3. People's Daily, 29 March 1984, in: Lee Fong 1985.

Provinces	Industrial & agri-cultural output	Agricultural output	Industrial output
Beijing	46.7[a]	77.7	43.8
Tianjin	49.6	71.8	47.8
Hebei	27.3	36.4	22.2
Shanxi	40.2	44.6	38.4
Inner Mongolia	39.7	37.5	41.1
Liaoning	35.4	46.5	33.1
Jilin	44.3	48.3	42.1
Heilongjiang	32.7	36.5	31.4
Shanghai	33.7	61.6	32.5
Jiangsu	69.8	54.2	77.9
Zhejiang	84.7	47.2	112.0
Anhui	50.8	47.4	53.6
Fujian	51.2	43.8	57.0
Jiangxi	46.4	62.5	33.6
Shandong	46.1	59.6	39.3
Henan	7.0	7.0	44.3
Hubei	65.1	26.0	91.8
Hunan	41.2	30.4	47.8
Guangdong	50.3	43.0	54.0
Guangxi	34.9	34.6	35.2
Sichuan	47.6	45.8	49.1
Guizhou	42.9	38.0	47.3
Yunnan	33.1	30.0	50.0
Shaanxi	31.1	28.4	32.5
Gansu	12.5	20.0	9.7
Qinghai	7.2	11.6	6.0
Ningxia	19.1	36.0	5.1
Xinjiang	57.2	52.8	60.8
China	**46.0**	**46.0**	**46.0**

[a] All figures in this table are positive

Source: China Urban Statistics Yearbook, 1986.

Table 10. Output per head, by province, as a percentage of the national average[a]

Province	Popn. (mill)	Geogra-phical region	Industrial and agricultural output		Industrial output	Agri-cultural output
	1983		1952	1983	1983	1983
Beijing	9.3	North	187	337	446	103
Tianjin	7.9		479	362	483	103
Hebei	54.2		95	86	78	104
Shanxi	25.7		81	96	98	92
Inner Mongolia	19.6		126	74	64	94
Liaoning	36.3	North- east	222	106	237	108
Jilin	22.7		164	121	121	121
Heilongjiang	33.1		238	137	145	120
Shanghai	11.9	East	771	683	945	121
Jiangsu	61.4		95	152	154	148
Zhejiang	39.6		98	117	112	127
Anhui	50.6		56	65	53	90
Fujian	26.4		72	70	60	90
Jiangxi	33.8		93	65	52	94
Shandong	75.6		72	100	89	123
Henan	75.9	Centre	65	66	52	91
Hubei	48.3		101	106	108	103
Hunan	55.1		76	75	62	100
Guangdong	60.7		89	85	84	87
Guangxi	37.3		69	55	42	82
Sichuan	100.8	South-	65	67	56	89
Guizhou	29.0		66	45	36	64
Yunnan	33.2		60	54	45	74
Shaanxi	29.3	North-	75	74	73	77
Gansu	19.9		65	71	74	65
Qinghai	3.9		109	67	60	82
Ningxia	4.0		109	71	67	79
Xinjiang	13.2		110	81	67	109
China	**1,024.95**		**100**	**100**	**100**	**100**

[a] These figures give the value of gross output per capita for each province (for agriculture and industry only, as data are not available for transport, commerce and services) expressed as a percentage of the national average.

Source: China Urban Statistics Yearbook, 1986

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