

Chapter One

Introduction

During a keynote address to global leaders at the 2016 B20 meeting in Hangzhou, the Chinese President, Xi Jinping, emphasised how China's developmental approach remains predicated on 'crossing the river by feeling for stones' (*mozhe shitou guohe* 摸着石头过河).¹ While the application of this metaphor is not novel, its recurring reference by the Communist Party of China (CPC) more than 60 years after its introduction by Chen Yun, the Vice Premier of the first governing regime led by Mao Zedong, is noteworthy.² Chen advocated a measured approach to change during the early 1950s after China entered an entirely new historical phase as a nation-state – hence the term 'new China' – and could not rely on past experiences for guidance. All the newly-victorious CPC knew was what it did *not* want, namely the inherited institutions associated with feudalism, imperialism and bureaucratic capitalism. When Mao's economic programs failed to meet expectations after three decades of 'transition to socialism' (*shehui zhuyi guodu* 社会主义过渡), Chen (1995: 245; author's translation) insisted again on a tentative approach to change in December 1980: 'We want reforms, but also firm steps...which means "crossing the river by feeling for stones." The steps should be small initially, the movement gradual'. Deng Xiaoping, then newly appointed as paramount leader of the CPC, fully endorsed Chen's exhortation as 'our subsequent guiding agenda' (Deng 1994a: 354; author's translation). Read against this 'agenda', Xi's reference to 'feeling for stones' in Hangzhou almost four decades later raises a theoretically-significant question on post-1949 Chinese

On Shifting Foundations: State Rescaling, Policy Experimentation and Economic Restructuring in Post-1949 China,
First Edition. Kean Fan Lim.

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Published 2019 by John Wiley & Sons Ltd.

political-economic evolution: if the *necessity* to feel for ‘stones’ indicates a preference for stable foundations within the capricious ‘river’ of global economic integration, (how) have these foundations shifted from their Maoist origins?

Some answers, this book argues, could be derived from an emergent geographical trend of ‘feeling for stones’ across China – the intensifying institution of experimental socioeconomic policies within territories designated as ‘nationally strategic new areas’ (*guojia zhanlue xinqu* 国家战略新区). Newly established regulatory authorities in these intra-urban territories have been delegated the power to ‘move first and experiment first’ (*xianxing xianshi quan* 先行先试权) with exploratory reforms deemed to be of national significance. These reforms have become integral to the legitimacy of the CPC – and in particular its socialistic rule – as it negotiates the demands of global economic integration (Lim 2014). To be sure, the demarcation of urban frontiers to drive national-level reforms is not a policy innovation per se; it could be argued that the first wave of marketising reforms in four ‘Special Economic Zones’ (SEZs) – Shantou, Shenzhen, Xiamen and Zhuhai – generated more transformative impacts on China’s developmental pathway during the post-Mao era. After all, the SEZs set in motion the collective willingness to welcome foreign capital, relinquish the Maoist notion of self-sufficiency and tap into what was otherwise idling rural surplus labour. This said, there was very little between the SEZs by way of policy differentiation or positioning within the global economy.³ On the contrary, a distinguishing feature of this recent series of ‘nationally strategic’ experimentation is the considerable expansion of its territorial platforms, policy scope, and socioeconomic spheres of influence.

First designated was Pudong New Area in Shanghai. Approved in 1990, the territory has since transformed into a world-renowned city-regional ‘motor’ – or ‘dragon head’ (*longtou* 龙头), in popular parlance – of China’s economic growth.⁴ Subsequent experimentation only (re)gained intensity in 2006, however, after the Hu Jintao regime assigned ‘nationally strategic’ status to the Binhai industrial region in Tianjin. Three more similar territories were instituted during Hu’s tenure, namely the Liangjiang New Area in Chongqing; the Nansha New Area in Guangzhou, which has since been co-opted into a broader Guangdong Free Trade Zone (GFTZ) that includes two other zones previously also termed ‘nationally strategic’, Hengqin and Qianhai; and the Zhoushan Archipelago New Area off the coast of Zhejiang province. The pace and geographical spread of experimentation grew after Xi Jinping took over the CPC leadership in 2013. At the time of writing, the Xi regime officially assigned ‘nationally strategic’ status to 13 additional ‘new areas’ across all major regions in China (see Figure 1.1). These are, namely, Guian New Area, Xixian New Area, Qingdao Xihai New Area, Dalian Jinpu New Area, Chengdu Tianfu New Area, Changsha Xiangjiang New Area, Nanjing Jiangbei New Area, Fuzhou New Area, Yunnan Dianzhong New Area, Harbin New Area, Changchun New Area, Nanchang Ganjiang New Area and Baoding Xiongan New Area. Viewed holistically, this geographical trend suggests the desire to seek out new ‘stones’ have never been stronger than at any other



Figure 1.1 New frontiers of reforms: China's 'nationally strategic new areas', 1990–2016. Source: Author, with cartographic assistance by Elaine Watts.

stage of 'crossing the river'. *On Shifting Foundations* aims to explain and evaluate this phenomenon.

At one level, this division and differentiation of Chinese state spatiality could be construed as a proactive attempt on the part of the CPC to engage with the global system of capitalism through its own variant of instituted uneven development. Simultaneously, however, the growing pace of change is *symptomatic* of increasingly severe strains within the national regulatory structure. During the build-up to China's 12th Five-Year Plan (2011–2015), the Chinese central government issued an unprecedented admission that its GDP-focused developmental approach of the past three decades was undertaken in tandem with 10 structural challenges (delineated in Table 1.1). One prominent example can be seen in the extensive extraction of natural resources and low-cost dumping of waste into the biosphere in the pursuit of GDP growth. Similarly, the rollback in rural welfare provision and municipal governments' corresponding denial of (already-minimum) social benefits to rural residents who migrate into and support urban economies generated huge savings that were consequently re-directed into capital-friendly, supply-side projects (Oi 1999; Whiting 2001; He and Wu 2009). Accompanying this rollback was the proliferation of social contradictions that collectively exemplify the fragile social contract that constituted the so-called Chinese economic growth 'miracle'.

Rather than tackle these challenges head on at the national scale, central policymakers chose to develop and test potential solutions within each of the designated ‘new areas’. Herein lies a key relationship that will be further examined in this book: the institution of ‘nationally strategic’ experimental policies through territorial reconfigurations. Specifically, the built environment, administrative boundaries and industrial compositions of targeted city-regions have been repurposed to generate new conditions for reforms. Each ‘new area’ is charged with experimenting with a predetermined range of national-level initiatives that have been formulated with local conditions in mind.

For instance, experimental policies in Liangjiang New Area in Chongqing built on the broader regional program to develop the western interior (more on this program shortly). To facilitate this, the Chongqing government deepened its reform of another national-level institution – the urban–rural dual structure (*chengxiang eryuan jiegou* 城乡二元结构). This was and remains a direct attempt to dismantle a longstanding and highly discriminatory national institution established during the Mao era – the *hukou*, or household registration, system of demographic controls. In the Pearl River Delta (PRD) extended metropolitan region where Hengqin, Qianhai and Nansha New Areas are located, reforms were focused primarily on financial innovation (*jinrong chuangxin* 金融创新), particularly the creation of ‘backflow’ channels for RMB in offshore financial centres to ‘return’ to China (*renminbi huiliu* 人民币回流). These reforms deal with another problematic institution of the Mao era, namely the fixed currency exchange rate system. As trade with the global economy expanded, Chinese merchants developed an over-reliance on the US dollar for trade settlements (Lim 2010; McKinnon 2013). The CPC consequently began promoting the external circulation of RMB through currency swaps, bond issues and trade settlements to reduce dollar usage. Opportunities must be offered to foreigners to

Table 1.1 China’s 10 socioeconomic challenges, identified in the proposal of the 12th Five-Year Plan.

1. Increasing constraints of resource environments
2. Relationship between investment and consumption is unbalanced
3. Income distribution gap widened
4. Scientific and technical innovation capacity remains weak
5. Asset structure is unsatisfactory
6. Thin and weak agricultural foundation
7. Lack of coordination in urban–rural development
8. Coexistence of contradictory economic structure and employment pressures
9. Apparent increase in social contradictions
10. Persistent structural and systemic obstacles to scientific development

Source: Suggestions on the 12th Five-Year Plan by the Communist Party of China (p. 3, Mandarin document; NDRC 2011). Author’s compilation and translation from Mandarin.

re-invest their RMB holdings in order to expand offshore RMB demand (hence the focus on providing ‘backflow channels’). The unfolding of these geographically differentiated sets of new policies raises a question of policy experimentation: to what extent does it lead to foundational institutional change at the national level?

To address this question, this book draws from and advances the current body of research that underscores the importance of policy experimentation under CPC rule. As Sebastian Heilmann’s work (2008: 2) shows, ‘existing, and initially deficient, institutions can be put to work, transformed, or replaced for economic and social development in an open-ended process of institutional innovation that is based on locally generated solutions rather than on imported policy recipes’. This process is not as top-down and rigid as it appears, observe Heilmann and Elizabeth Perry (2011). On the contrary, the preferred *modus operandi* is to effect ‘adaptive governance’ through a type of ‘guerrilla-styled’ decision-making that originated from the CPC’s sporadic and opportunistic military strategy in its ‘long revolution’ through the 1930 and 1940s. The ‘wartime base areas’ formula of encouraging decentralised initiative within the framework of centralised political authority proved highly effective when redirected to the economic modernisation objectives of Mao’s successors’ (Heilmann and Perry 2011: 7). To this it could be added that the ‘guerilla’ approach was never jettisoned during the Mao era. Indeed, despite Mao’s grandiose efforts to institute a Soviet-styled central planning system, socioeconomic regulation was more accurately characterised by decentralised rule in the rural ‘People’s Communes’ (*renmin gongshe* 人民公社), within which more than 80% of the population resided. It was also during this era that senior CPC cadres such as Peng Dehuai, Liu Shaoqi and Li Fuchun called repeatedly for gradualism and pragmatism (including the selective retention of market-based practices that Mao found unacceptable), two defining characteristics of the party’s impromptu wartime forays.⁵

Confronting growing external debt and persistent domestic poverty at the time of Mao’s passing in 1976, the CPC knew it had to make changes to preclude social and political chaos. It was uncertain, however, on what directions to take without undermining its Marxist–Leninist foundations and its ideological commitment to facilitate the previously-mentioned transition to socialism.⁶ This uncertainty re-accentuated the need to ‘feel for stones’. As Deng Xiaoping explained in 1978, the end-goal of reform would be the modification of national-level institutions through place-specific experimentation. No pre-existing playbook guided this potentially uncomfortable process:

Before a unified national agenda is developed, new methods can be launched from smaller parts, from one locality, from one occupation, before gradually expanding them. The central government must allow and encourage these experiments. All sorts of contradictions will emerge during experimentation, we must discover and overcome these contradictions in time. (Deng 1994b: 150; author’s translation)

Implemented across a growing number of institutionally-distinct territories, Deng's experimental approach in the 1980s and early 1990s was *qualitatively* distinct from those instituted during the Mao era. While it was superficially like decentralised governance in the People's Communes, experimentation after 1978 strongly encouraged spontaneity while it delicately accommodated Mao-era practices. Thomas Rawski (1995: 1152) puts this shift in clear perspective:

China's reforms typically involve what might be termed 'enabling measures' rather than compulsory changes. Instead of eliminating price controls, reform gradually raised the share of sales transacted at market prices. Instead of privatization, there was a growing range of firms issuing shares. Production planning does not vanish, but its span of control gradually shrinks. This open-ended approach invites decentralized reactions that the Centre can neither anticipate nor control.

Viewed in relation to the most recent wave of policy experimentation in 'nationally strategic new areas', this 'open-ended' approach continues to define the contemporary spatial logics of socioeconomic regulation in China. 'Crucially', Jamie Peck and Jun Zhang (2013: 380) argue, this approach 'has meant that endogenous state capacities and centralised party control have been maintained through China's developmental transformation'. Then again, reforms in China remain, in Zhichang Zhu's (2007) observation, 'without a theory'. There is, specifically, no explanation why experimental reforms have not led to federal-styled autonomy for subnational governments. Likewise, it is not clear whether increasingly differentiated subnational initiatives could drive national-level institutional change in a way that enhances stability. *On Shifting Foundations* will address these gaps in the following three ways.

First, the book problematises dichotomous portrayals of post-Mao economic development as outcomes of decentralisation and its corollary, uneven development, while the Mao era was characterised by a highly centralised political economy that was committed to socio-spatial egalitarianism. Presenting a fresh conceptual and historical appraisal of the spatial logics of socioeconomic regulation since the founding of contemporary China in 1949, this book argues that the apparent 'downscaling' of governance to city-regional levels since the 1980s has not been a linear, one-track process. What is emerging is at once a further fragmentation of regulatory territories as well as a repurposing of Mao-era institutional foundations. In other words, the on-going round of 'nationally strategic' policy experimentation exemplifies the limits *and* legacies of past socio-spatial configurations, which makes it necessary to historicise the rationale for experimentation in each 'new area'.

Second, the book goes beyond assuming the territorial demarcations of 'nationally strategic' experimental sites as straightforward anointments from the central government.⁷ Emerging evidence suggests, indeed, that the establishment

of these new zones are outcomes of competitive lobbying by subnational actors. What counts as a ‘nationally strategic’ policy is therefore a fluid and actively contested entity; the designation of a site for national-level reforms is politicised rather than preordained. Lu Dadao, a senior economic geographer at the Chinese Academy of Sciences and a longstanding consultant to CPC policymakers, candidly describes how this lobbying has complicated the notion and value of the ‘national strategy’:

What is the national strategy? It refers to the guiding capacity of the development of one region within the broad national domain, including a huge supportive impact. Currently, at the demands of different regions, the problem is the designation of regions as nationally strategic when they should not be. [...] The current problem is some regions emulate one another to develop plans. Through communication and other manoeuvres, they hope the National Development and Reform Commission [hereafter NDRC, also known as *fagaiwei* 发改委] will organise and draw up these plans and forward them for approval by the State Council. Some of these have been approved, others are still lobbying the central government to organise and include their plans within the national strategy. From the national vantage point, how can it work if everyone is a strategic hub? (Lu, interview with *Liaowang*, 17 June 2010; author’s translation)

Xiao Jincheng, the president of the NDRC’s Institute of Regional Economy, explains the rationale of this competitive alignment with the ‘national strategy’:

There is a particular point of view that so long as the State Council approves a plan for a region, this region will be an important developmental node that will enjoy abundant support through state policies and capital. Hence it is possible to approve many projects and there will be no limits to future development. (Xiao, interview with *Liaowang*, 17 June 2010; author’s translation)

These observations by Lu and Xiao collectively suggest that policy experimentation has evolved into a multi-scalar *political* process. This evolution exemplifies the *willingness* within the central leadership to consider proposals from subnational actors ‘through communication and other manoeuvres’. Integral to the reconfiguration is the alignment of supposedly favourable local conditions with national-level concerns. Why and how some subnational cadres succeed in convincing central policymakers to ‘scale up’ their territories as ‘nationally strategic’ will be further explored in this book’s two case studies on the PRD and Chongqing (see, specifically, Chapters 4 and 6).

Last, but not least, this book will evaluate the national impact of the experimental policies in the PRD and Chongqing (Chapters 5 and 7, respectively). At least five years have passed since policy experimentation was instituted in these territories, and the CPC Party Secretaries who were directly involved in their designation – Wang Yang and Bo Xilai – have left their positions. It would be apt,

then, to evaluate whether the policies have generated fresh avenues for changes in national-level institutional foundations. The focus will be on two major policies in the case study of Chongqing – urban–rural integration and state-driven attempts to attract capital inland from the coastal provinces. In the PRD, the book evaluates the effectiveness of RMB backflow channels in Hengqin and Qianhai New Areas, and foregrounds their implications for Nansha New Area (which was still new at the time of data collection and hence difficult to ascertain policy effectiveness). In so doing, these chapters address the concerns of Lu and Xiao by showing the extent to which ‘nationally strategic’ designation can lead to foundational change at the national level.

To further contextualise the three foregoing research avenues, the next section will consider how recurring spatial differentiation was and remains essential to the production of a hierarchical, unitary Chinese state since 1949. It argues, specifically, that the designation of ‘nationally strategic new areas’ is characteristic of a longstanding and proactive attempt to retain, if not reinforce, political power through the reconfiguration of state spatiality.

Recurring Spatial Reconfigurations and the Consolidation of a Unitary State

The predominant political project in China over the last century has been to establish and consolidate a modern state structure. Pressures for state formation began during the late Qing period when the Empress Dowager, Cixi, was confronted with demands for constitutional rule. Sustained revolutionary pressures consequently triggered the demise of the Qing dynasty in 1911. In its place was a new Chinese state – the Republic of China (中华民国) – formed by Sun Yat-sen, one of the leading revolutionaries (Cohen 1988; Shambaugh 2000; Kuhn 2002). Sun’s subsequent tenure was transient, lasting less than three months before his successor, Yuan Shikai, moved swiftly to re-institute the monarchy. Yuan was eventually thwarted in 1916 and fresh state-building efforts were launched by Chiang Kai-shek, the-then leader of the Nationalist Party (or Kuomintang, the KMT). During the two decades that followed, the KMT established institutions conducive to state rule such as the Ministry of Finance and Ministry of Foreign Affairs; a strong military force was also developed in tandem. The effectiveness of these institutions was undermined, however, by the KMT’s inability to penetrate local communities in the rural hinterland and the total war against Japanese occupation between 1937 and 1945 (Duara 1991; Strauss 1998; Remick 2004; Osinsky 2010). It was only after the CPC emerged victorious in a protracted, three-year civil war with the KMT in 1949 that the state-building project stabilised. Andrew Walder (2015: 2) underscores the historical significance of the CPC victory:

For the first time in well over a century, there would be a Chinese state that effectively controlled its territory within secure borders, and that was able to stamp out pockets of domestic rebellion. For the first time in China's long history, salaried state officials, not local notables, would administer Chinese society in rural villages and urban neighbourhoods. These officials were part of a national hierarchy that connected the apex of power in Beijing directly, and relatively effectively, with life at the grass roots. Mao and his comrades may have viewed the victory of the Communist Party in 1949 as part of the triumph of world socialism, but it marked the birth of China's first modern national state.

Perhaps counter-intuitively, the CPC succeeded not because it formulated more innovative state building policies. As John Fitzgerald (1995) argues, state formation through the late Qing, early Republican (1912–1927), Nationalist (1928–1949) and communist periods (1949 and thereafter) was underpinned by the *continuous* quest for a unitary state in spite of differences over what kind of nation this state represents. Along the same vein, Samuel Jackson (2011: 76) points out that 'nationalist efforts to secure political unification of China during the 1920 and 1930s informed the strategies and institutions adopted by the CCP to consolidate control'. Building on these insights, this book argues that the CPC's state-building project was distinct from its predecessors because space was not construed as a passive 'container' or epiphenomenon of state-building. To paraphrase Henri Lefebvre (1991), the CPC changed China because it first altered its political-economic spatial formations.⁸

The Mao regime prioritised the integration of a unitary state through large-scale territorial reconfigurations after its victory in the Chinese civil war was imminent. This was a transformative approach because 'China' under the KMT was effectively a patchwork of disparate regional economies – dominated by warlords, Japanese colonialists and local 'land tyrants and gentry' (*tuhao lieshen* 土豪劣绅) – that significantly precluded the concentration of political power. Integrating these territories into a national whole was encumbered by poor access to local economies, particularly in the vast rural hinterland, where widespread resistance was encountered.⁹ This pushback was contained and eventually broken after the CPC implemented an important but often-overlooked spatial strategy: the political-geographical division of its newly acquired territories into six administrative divisions. These regions were called North China (*Huabei* 华北), led by Liu Shaoqi; Northeast China (*Dongbei* 东北), led by Gao Gang; East China (*Huadong* 华东), led by Rao Shushi; Central and South China (*Zhongnan* 中南), led by Lin Biao; Northwest China (*Xibei* 西北), led by Peng Dehuai; and Southwest China (*Xinan* 西南), led by Deng Xiaoping. This military-styled territorialisation provided the platform for the CPC to *thoroughly* redefine rural state-society relations through the redistribution of rural land to poor peasants. Once landownership reconfigurations were completed by 1952, the CPC augmented its political power through coercive and at times violent mobilisational campaigns (Strauss 2006).

At the same time, two leaders of the six administrative regions – Gao Gang and Rao Shushi – were suddenly purged on the grounds of insubordination (Teiwes 1990, 1993, chapter 5; Shiraev and Yang 2014). Drawing from this consolidated political strength, the Mao administration rolled out plans for the mass collectivisation of means of production. This was to culminate in the Great Leap Forward industrialisation program between 1958 and 1961.

Writing in support of this economically nationalistic project, the-then Shanghai Mayor, Ke Qingshi, published an article in the Party's leading journal, *Red Flag* (*hongqi* 红旗), in February 1959 to encourage subnational actors to privilege national-level developmental goals. This article attained touchstone status in Chinese policymaking and academic circles for introducing the metaphor 'the whole country as a chessboard' (*quanguo yipanqi* 全国一盘棋). Days after its publication, the key tenets of the article were echoed and endorsed by the party-state through an editorial in its mouthpiece, *People's Daily*:

Our socialist economy develops along planned ratios. In order to deploy enthusiasm within different spheres in the most efficient and most reasonable way, it would be necessary to enhance centralized leadership and macro arrangements, it would be necessary to look from the perspective of the whole country, and arrange the national economy in the form of a chessboard. (*People's Daily*, 24 February 1959; author's translation)

Particularly pertinent for the analysis in *On Shifting Foundations* is the editorial's insistence on placing national concerns ahead of local calculations:

The initiatives and flexibility of every leadership organ and department during the implementation of central directives should be promoted at any time; work cannot be performed well when these characteristics are lacking. However, proactivity and flexibility should be brought forth with reference to 'the whole country as a chessboard'. These should first and foremost be used to ensure the victory of 'the whole country as a chessboard', to guarantee the actualisation of the state plan. Only when the projects and plans designated by the state are fully completed can proactivity and flexibility be extended to other areas. (*People's Daily*, 24 February 1959; author's translation)

As the subsequent chapters will elaborate, the CPC's contemporary development of 'nationally strategic' policy experimentation is premised on a repurposed 'chessboard' philosophy. The continued relevance of this philosophy is interesting because, within its original context, Ke Qingshi's imploration to subsume subnational developmental initiatives to national goals neither inspired the Great Leap Forward program to success nor enhanced economic production during the Mao era. After it became apparent that this program was unsuccessful, Mao implemented more radical measures to ensure China did not follow the 'revisionist' steps of the Soviet Union. This was first launched through the Third Front

Construction program in 1964 (*sanxian jianshe* 三线建设), on the premise of growing military threats from ‘imperialism and their running dogs’ (*diguo zhuyi jiqizougou* 帝国主义及其走狗). Mao ordered means of production to be relocated from the coastal city-regions, officially termed the ‘First Front’, to those in the relatively sheltered interior, termed the ‘Third Front’ (ref. Li and Wu 2012: 61–64). The relocation was an immensely costly project that more negatively impacted economic recovery than the chaotic Cultural Revolution (1966–1976), as Barry Naughton (1988) shows. Once the national industrial composition was spatially reconfigured, the platform was set in 1966 for the further consolidation of CPC rule – to exterminate the ‘clique of capitalist roaders’ (*zouzipai* 走资派).¹⁰

Economic reconstruction unsurprisingly took a backseat during the first few years of the Cultural Revolution. Cell-like administrative units were tied hierarchically to Beijing in tandem with geo-economic insulation (under the nationalistic slogan of ‘self-sufficiency’) to ensure absolute political control. Provinces were granted significant autonomy to self-finance developmental projects in return for the enforcement of a minimal trade policy. For almost a full decade prior to the 1978 reforms, the ‘Chinese economy’ looked more like a customs union more than a common market; it was an entity with a common barrier against the global economy, within which free trade did not exist. Embedded within the previously mentioned ‘People’s Communes’ and urban industrial units (*gongye danwei* 工业单位) was effectively a ‘cellular’ and ‘fragmented’ economic structure that was constituted by cell-like, self-sufficient and regionally uneven administrative units (Donnithorne 1972; Tsui 1991; Bray 2005). To be explored further in Chapter 2, these policies collectively comprised a ‘politics in command’ (*zhengzhi guashuai* 政治挂帅) approach to socioeconomic regulation that lasted until Mao’s passing in 1976.

Chinese state spatiality was (again) reconfigured to prioritise and incentivise market-driven production under the pragmatic Deng Xiaoping leadership. After taking power in 1978, Deng immediately made it clear his priority was the survival of the CPC through the enactment of the ‘Four Cardinal Principles’ in the Chinese Constitution: (i) We must keep to the socialist road; (ii) We must uphold the dictatorship of the proletariat; (iii) We must uphold the leadership of the Communist Party; (iv) We must uphold Marxism–Leninism and Mao Zedong Thought. It is important to note that the third principle is the pivot on which the other three principles rest (for full text of Deng’s speech on the Four Cardinal Principles, see *People’s Daily*, 30 March 1979).

To fulfil his commitment, Deng’s signalled his preference for Vladimir Lenin’s ‘New Economic Policy’ in post-Tsarist Russia, which accommodated private enterprises in the quest for socialism. Interestingly, this approach marked a *return* to the CPC’s original policy focus of the early 1950s (Horesh and Lim 2017). Deng’s flexible approach was predicated on proactive spatial restructuring that facilitated the growing urbanisation of capital and labour power (Lin 1999; Ma 2005). Underpinning this approach was the ‘ladder-step transition theory’, or

tidu tuiyi lilun (梯度推移理论). First espoused by the Shanghai-based academics Xia Yulong and Feng Zhijun in 1982, this prescriptive ‘theory’ attracted the attention of a senior CPC cadre, Bo Yibo, and subsequently permeated central policymaking circles. Instituted as a policy blueprint during the 7th Five-Year Plan (1986–1990), this predictive theory divided Chinese state spatiality into three economic–geographical belts: the eastern (coastal), central, and western (Xia and Feng 1982). The Deng administration allowed one belt (the eastern seaboard) the priority in ascending the development ‘ladder’. It assumed that the fruits of development in the ‘first mover’ belt would diffuse downwards to other rungs of the ladder. This template of instituted uneven development became the *basis* of market-oriented reforms: the Deng administration expanded China’s re-engagement with the global economy by permitting foreign investments beyond the first four SEZs. Prior to the 1994 fiscal overhaul that (re)concentrated fiscal resources at the central level, preferential fiscal policies were given to selected coastal provinces to accelerate their respective developments, while subsequent tax reforms continued to benefit these provinces (Wei 1996; Dabla-Norris 2005).

Up until Deng’s passing in 1997, the CPC did not designate any time for accumulated capital to be proactively transferred from the coastal belt to the central and western interior to attain long-run spatial equilibrium. There was also no detailed plan that explains what would happen to the coastal provinces’ economic development as resources are re-directed westwards. Ostensibly aware of potentially-damaging consequences of the widening coast–interior unevenness, Deng’s successor, Jiang Zemin, began to focus on developmental issues confronting the interior provinces. Reiterating Deng’s philosophy, Jiang averred in a 1999 speech that ‘reducing the developmental disparities within the entire country, developing in a coordinated manner and ultimately attaining Common Affluence is a basic principle of socialism’ (*People’s Daily*, 10 June 1999; author’s translation and emphasis). Yet, in an important qualifying point made in the same year, Jiang clarified he was not about to jettison the spatial logic of socioeconomic regulation that had contributed to China’s economic growth:

My understanding is, when Comrade Deng Xiaoping mentioned letting some regions and people to first prosper before gradually reaching Common Affluence, that is still not the end point. Upon reaching a relatively higher standard of living, more advanced regions must still move forward. Equilibrium is relative while disequilibrium is absolute, this is the objective rule of material development (Jiang 2006: 341; author’s translation).

It was based on this ‘objective rule’ that Jiang announced, in November 1999, the ‘Great Western Development’ spatial project (*xibu dakaiifa* 西部大开发). Ratified by the State Council in 2001, this strategic program represented the beginning of more targeted approaches towards developing the large interior regions. The original plan involved enhanced fiscal redistribution to the western provinces; more commitment by the central government to infrastructural development; opening

up more sectors for foreign investments; and implementing preferential policies to attract foreign capital to the interior parts. Two other cross-provincial programs known as Northeastern Rejuvenation (*dongbei zhenxing* 东北振兴) and Rise of the Centre (*zhongbu jueqi* 中部崛起) were launched in 2002 and 2004 respectively.

While fiscal monies have been redistributed to the provinces involved in these developmental programs, the growing population concentration in the coastal cities and the huge inter-regional income disparities over the 2000s indicates the overall pattern of regional unevenness was not ameliorated. Structural change was precluded because these cross-provincial programs entailed no specific institutional (re)formulations at the provincial level (Li and Wu 2012; Liu et al. 2012). According to Weidong Liu (2012: 7), a leading economic geographer from the Chinese Academy of Sciences, the broad cross-provincial developmental programs are part of a passive overall plan; they function independently rather than relate to one another, and do not have clear goals. For this reason, Liu adds, these programs do not provide guidance for an overall (i.e. national) regional development strategy.

Unsurprisingly, as indicated previously in Table 1.1, the Chinese State Council overtly identified regional disparities and lack of overall coordination as a major policy issues in its 12th Five-Year Plan (2011–2015). In a televised press conference, the-then Premier, Wen Jiabao, emphasised that despite China's current standing as the world's second largest economy, his government is 'also fully aware that China remains a developing country with a large population, weak economic foundation and uneven development' (China Central TV live telecast, 14 March 2011; author's transcription). Shortly after, the-then President, Hu Jintao, acknowledged that 'there is lack of adequate balance, coordination or sustainability in our development' (*China Daily*, 15 April 2011). This official recognition corroborates the obdurate persistence of uneven economic-geographical development in China despite the previously-mentioned ameliorative attempts.

Against this backdrop, Xi Jinping recently implored the CPC to take 'the "whole country as a chessboard" approach in the developmental activities of the 13th Five Year Plan [2016–2020], through which coordinated development would be decisive' (*Xinhua*, 18 January 2016). Once again, this called for incorporating proactive and flexible governance within the context of the national 'chessboard'; once again, the recourse was to 'feel for stones' to overcome the new challenges. An emergent response over the last decade was to institute experimental policies in the 'nationally strategic new areas'.

Approaching the 'Nationally Strategic New Areas'

To evaluate the emergence and effects of 'nationally strategic new areas' against this backdrop of recurring spatial reconfigurations across China, *On Shifting Foundations* presents an integrated analytical framework that foregrounds the

relationship between state rescaling, path-dependency and policy experimentation. This framework situates these experimental zones as integral to and an impact of the multi-dimensional process of state rescaling. State rescaling is defined as the reconfiguration of regulatory relations between the national, subnational and supranational governments, such that what represents the 'national interest' is no longer expressed and realised at one scale (i.e. nationwide). This reconfiguration is not a simple transference of regulatory capacities from a national government to governments or non-governmental entities located at other scales. The notion of 'transfer' implies a one-directional movement, whereas state rescaling is underpinned by political strategies that re-define how regulatory power is (to be) shared between governments.

This reconfiguration of political power is conceptualised as a dynamic process that shapes and is shaped by *successive* spatial divisions of regulation. First conceived by Jamie Peck (1998) and further developed by Neil Brenner (2004), this conceptualisation parallels and builds on Doreen Massey's ([1984] 1995) 'spatial divisions of labour' thesis, which views spatial change as predominantly driven by private capitalist interests. Specifically, Massey's thesis refers to the way economic investors respond to and reshape geographical inequality, with a primary focus on how the calculations of firms are affected by and in turn reshape localities. 'Spatial structures of different kinds can be viewed historically', writes Massey (1995: 118), 'as evolving in a succession in which each is superimposed upon, and combined with, the effects of the spatial structures which came before'. The key process of note is the 'combination' of different spatial structures within a broader system of production: 'The combination of layers is a form of mutual determination, of the existing characteristics of the area or regional system with those of the geographical patterns and effects of previous uses' (Massey 1995: 114–115). Massey's approach has been creatively adopted to conceptualise local(ised) expressions of regulatory shifts. Central to her approach for geographical studies of regulatory shifts, for Peck (1998: 29), is the emphasis on interaction:

If, in a parallel sense to Massey's (1984) conceptualization of 'rounds of accumulation' unfolding unevenly across the economic landscape, this can be conceived as a process of institutional layering, then it is one which entails a considerable measure of reciprocal interaction between the layers. The process by which new geographies of governance are formed is not a pseudo geological one in which a new layer (or round of regulation) supersedes the old, to form a new institutional surface. Rather, it is a dynamic process in which national (regulatory) tendencies and local (institutional) outcomes mould one another in a dialectical fashion.

Brenner's (2004: 108) conceptualisation further foregrounds this 'dialectical fashion': 'Spatial divisions of (state) regulation are...directly analogous to spatial divisions of labour insofar as both entail determinate articulations and differentiations of particular types of social relations – whether of capitalist production or

of state regulation – over an uneven territorial surface and within a chronically unstable scalar hierarchy’. Like Peck (1998, 2002), Brenner (2004: 109) calls for an understanding of the ‘interactions’ between new regulations and the actually-existing ‘economic landscape’. While the Chinese context differed from those that informed the conceptual work of Massey, Peck and Brenner, there are striking similarities in the ways regulatory power is reconfigured through spatial restructuring. The emergence of ‘nationally strategic new areas’, each charged with implementing a unique set of experimental policies, would therefore be assessed in relation to the impact – both constitutive and constraining – of inherited institutions.

Institutions are defined in this book as the rules and regulations, both legalistic and informal, which structure socioeconomic interactions. This structuring process is at once a licence (it sets up the actualisation of specific actions) and a limitation (the rules set boundaries that preclude or criminalise specific actions). Propagandistic campaigns, the CPC constitution, the RMB-denominated monetary system and the so-called ‘feudal’ clan-based associations all constitute various aspects of formal and informal institutions in the Chinese context. The overall institutional structure is sustained and reproduced holistically through what is known within Chinese policymaking circles as *dingceng sheji* (顶层设计), literally ‘top-level design’. A direct legacy of the ‘chessboard philosophy’ and an inversion of the Marxian base-superstructure logic,¹¹ this process become the *basis* that determines political-economic evolution in China. Carl Walter and Fraser Howie (2011: 8) offer an incisive description of its enduring impact:

China’s economic geography is not simply based on geography. There is a parallel economy that is geographic as well as politically strategic. This is commonly referred to as the economy ‘inside the system’ [or *tizhinei* 体制内]...and, from the Communist Party’s viewpoint, it is the real political economy. All of the state’s financial, material and human resources, including the policies that have opened the country to foreign investment, have been and continued to be directed at the ‘system’. Improving and strengthening it has been the goal of every reform effort undertaken by the Party since 1978. It must be remembered that the efforts of Zhu Rongji, perhaps China’s greatest reformer, were aimed at strengthening the economy ‘inside the system’, not changing it.

This observation of continuity-through-change offers an interesting prism to assess Xi Jinping’s (2013: n.p.) claim that the ‘feeling for stones’ approach is ‘dialectically unified with top-level design’. Corresponding with Peck’s previously quoted point on dialectical institutional layering, Xi’s focus on ‘dialectics’ strongly suggests that policy experimentation is unfolding in tension with established parameters ‘inside the system’. This then raises the question on the attainment of structural ‘unity’ at the national level: does it entail the thorough transformation, subtle refinement or further reinforcement of policies and practices associated with existing institutions?

Answering these questions entails an evaluation of the *extent* to which new initiatives are path-dependent. As existing research in urban and regional studies have shown, geographically-variegated developments are situated within historical pathways. Reviewing the connections between regional development and economic globalisation, Dennis Wei (2007: 25) notes how ‘China’s reform is a gradual, experiential, and path-dependent process’. At the intra-urban level, Fulong Wu (2009: 886) observes how socioeconomic inequalities ‘show a strong path-dependence feature’. This corresponds with George Lin’s (2007: 10, *emphases-in-original*) broader survey of post-Mao Chinese urbanism:

If state–society relations have a particularly important role to play in Chinese urbanism, which in turn occupies a special position in the state scaling strategy that deals with the Chinese society, then the processes underlying Chinese urbanism would remain culturally specific and path-dependent despite the observation that certain forms of Western urbanism are replicating themselves in contemporary China under globalization.

Despite this acute awareness of path-dependency, the process has been examined largely in isolation rather than in tandem with the politics of regulatory reconfigurations and policy experimentation. Furthermore, the cross-scalar variations and effects of path-dependency are under-explored. Experimental policies can generate changes at the local scale, for instance, but may not lead to new developmental pathways at the national level. In some cases, place-specific policy experimentation could lead to the reinforcement of what Walter and Howie (2011) term ‘the system’. Specifically, resistance develops at the national level because some institutions are ‘locked in’ to the extent that self-reinforcing effects discourage transformative change. Chapter 3 will integrate these processes within a dynamic analytical framework. In so doing, this book circumvents the challenges of state centrism, a common social-scientific approach that view states as ‘containing’ economies and political authority as limited within the confines of state spatiality.

Three problematic assumptions associated with state centrism will be avoided, namely spatial fetishism, methodological territorialism, and methodological nationalism. Spatial fetishism is defined as the notion that space is distinct and functions autonomously from social, economic and political processes. In contrast to spatial reification, which regards space as a thing with a materiality and life of its own, spatial fetishism treats space as a pre-given entity that needs no separate theorisation. For instance, a foundational assumption of macroeconomic theory – that economic processes could be reduced to ‘aggregate demand and supply’ – does not ask why it is possible or, indeed, necessary to ‘aggregate’ to the national scale. That the intrinsic instability of state regulation could problematise the aggregating process over time is never questioned; the assumption ‘all things being equal’ will not stand once the malleability of state space is

considered, however. This fetishistic approach reduces locational patterns to simple cost–benefit calculations or universal laws that are neither connected to nor capable of explaining unequal power relations that are spatially (re)configured. In short, it is not concerned about how differentiated territories regulate and reproduce social, political and economic phenomena at the national scale.

Contrary to this two-dimensional view of space, research has demonstrated how the inherent instability of socio-spatial formations generates dynamic tensions with state apparatuses (Swyngedouw 1997; Peck 2002; Brenner 2004; Massey 2005; Harvey 2008). For this reason, while state space should never be taken as capable of generating causal influences autonomously, the *conjunctural specificity* of its configuration could direct or confine socioeconomic processes to the sub-national and/or supra-national scales and consequently determine whether the CPC could fulfil its regulatory objectives. This dynamic conception applies to the economic geography of ‘new China’, as discussed earlier in this chapter, and will be adopted to explore the rationale and ramifications of designating the ‘nationally strategic new areas’.

The portrayal of the Chinese political economy as a disparate and inherently unstable territorial mosaic foregrounds two other assumptions problematised by state rescaling research: methodological territorialism and nationalism. Across much of the social sciences, Brenner (2004) observes, social processes are assumed to occur within spatially-delimited ‘containers’, the most privileged of which remains the nation-state. While national borders generate constitutive effects, they are also inherently porous. In view of this porosity, Brenner (2009: 48–49) emphasises the importance of *not* privileging specific scales when seeking to understand social phenomena, but to understand how and why these phenomena are scaled:

[S]cale cannot be the ‘object’ of political-economic analysis, for scales exist only insofar as key political-economic processes are scale-differentiated. From this point of view, it is more appropriate to speak of scaled political economies – that is, of the scaling and rescaling of distinctive political-economic processes – rather than of a political economy of scale per se.

As previously mentioned, a key objective of this book is to foreground the *co-constitutive* relationship between Chinese state stability and regular regulatory reconfigurations. That ‘China’ as we know it today is an outcome of regular and in some ways cumulative state rescaling rather than a normative national ‘container’ illustrates methodological nationalism as the third problematic assumption. Social scientific studies predominantly collate, present and compare data at the inter-national level. While subnational socioeconomic data is often available, they are presented as subsets of national data, which underscores the constitutive effect of national borders on statistical quantification. However, these data would not be directly helpful for ascertaining the rationale and politics of

designating ‘nationally strategic new areas’. Rather, the discourses of key decision-makers positioned at various levels of the regulatory hierarchy would be a more relevant source of information. Juxtaposing the discourses of these actors could open new ways to understand logics of regulatory reconfigurations that are overlooked by nationally-oriented quantitative data. Indeed, while the Chinese political economy comprises the site of analysis, political and economic actors have been proactively seeking to negotiate their place-specific socioeconomic interests in relation to national-level calculations through ‘nationally strategic’ policy experimentation.

Table 1.2 summarises how this book will address the a-spatial assumptions of state centrism. The counter-cases are delineated along the lines of geographical-historical re-assessment, theoretical re-evaluation, and case studies of ‘nationally strategic new areas’. Through reappraising the spatial logics of socio-economic regulation in China after 1949, Chapter 2 foregrounds two distinct geographical processes – the centralisation-decentralisation dynamic and instituted uneven development – in developing and reinforcing the CPC’s politico-economic power. This reappraisal provides the platform for challenging the assumptions of methodological territorialism and nationalism in Chapter 3. Specifically, the chapter frames the national scale as a *process*; as constituted by the *tensions* between attempts at change (policy experimentation in subnational locations) and demands for continuity (resistance to the implementation of experimental policies nationwide).

As mentioned earlier, the empirical analysis will be based on case studies about the emergence of ‘nationally strategic’ policy experimentation in the PRD, where Nansha New Area is designated, and Chongqing, the municipality appointed as the site of Liangjiang New Area. As is now well-documented, the PRD was the frontier of China’s ‘reform and liberalisation’ in the early 1980s. While it remains the leading city-region in export orientation and economic output today, its developmental approach came under pressure during and after the 2008 global financial crisis, which led to a new series of experimental reforms to generate new competitive advantages for this extended metropolitan region. Prior to the designation of Nansha New Area in 2012, the CPC instituted reforms in two smaller ‘new areas’, one to the east (Qianhai 前海, in Shenzhen SEZ) and the other to the west (Hengqin 横琴, in Zhuhai SEZ). The reforms in both these territories were originally labelled ‘nationally strategic’, and were then integrated within the broader GFTZ after Nansha officially received national designation. This book will therefore examine financial and trade policies first instituted in Hengqin and Qianhai as they went further back in time (from 2009 to 2010, respectively), while also situating these policies within broader processes of economic integration in and through PRD.

Chongqing, on the other hand, became a reform test bed because it received the short end of Deng Xiaoping’s developmental stick. Home to 33 million residents, the majority classified as ‘agricultural’, and lagging far behind coastal

Table 1.2 Refinement of state-centric assumptions through the Chinese cases.

A-spatial assumptions	Details	A refinement through the framework of state rescaling, path-dependency and policy experimentation	Counter-cases in this book
Spatial fetishism	• State space is timeless and static • State territory is unaffected by changes in the regulatory structure or broader shifts in the global system of capitalism	• Chinese state spatiality is always in the making; the current spatial form was non-existent pre-1949, and its existence is an outcome of Maoist structural and spatial reconfigurations • Current attempts at reflexive centralisation are to reinforce this Maoist politico-geographic legacy while facilitating global economic integration	• Active differentiation of state spatiality in the Mao era • Reconfiguring post-Mao regulatory spaces (Chapter 2)
Methodological Territorialism	• State territoriality is viewed as an unchanging, fixed or permanent aspect of modern statehood • The geography of state space is reduced to its territorial dimensions	• Chinese state spatiality is regularly reconfigured at different scales • Contrary to conventional portrayals, the Mao-era was characterised by entrenched uneven economic-geographical development • Post-Mao decentralised governance was and remains a dynamic extension of centralisation, not an end in itself • Spatial projects and strategies are layered on one another as well as constitute one another simultaneously • The ability of the Chinese state to produce polymorphic economic geographies within a broader global system of capitalism is the basis of contemporary Chinese statehood	• State spatiality as a dynamic process (Chapter 3) • Guangdong government's push for rescaling in response to national and global economic conditions (Chapters 4 and 5) • Rescaling in Chongqing as strategic repositioning in the global economy (Chapters 6 and 7)
Methodological nationalism	• The national scale is viewed, ontologically, as the primary and natural scale of political power and capital accumulation	• Even during the geo-economically insulated Mao-era, the national scale was determined by processes occurring at the provincial/commune and international scales • The apparent primacy of the national scale of accumulation (in relation to the global economy) is constituted by dynamic, subnational repositioning	• Explains how national-level structural coherence is intrinsically unstable (Chapters 2 and 3)

Source: State-centric assumptions adapted from Brenner (2004: 74); refinement and proposed counter-cases by author.

provinces in income and output since 1978, the sprawling city-region was chosen in 2010 to experiment with policies to overturn the (still) widening uneven development across the country. More than two decades after Deng Xiaoping pledged to reciprocate interior China's contributions to the reform process, Liangjiang New Area became the first non-coastal location to institute reforms deemed to be of national significance. These reforms build on the already high-profile attempt to overhaul the 1958 *hukou* institution in the municipality, while attempts at directing manufacturing investments to Liangjiang New Area raised questions on the relevance of coastal-oriented industrialisation (ref. discussion on Deng and Jiang's approaches to uneven development).

Although the 'national strategy' of socioeconomic development is never launched with the aim to conserve old regulatory logics, the fact that experimental policies continue to be 'contained' within specific territories reflect the difficulty of removing regulatory logics inherited from previous regimes. For instance, the previously mentioned *hukou* institution still denies social benefits to rural migrants. This has inevitably generated social discontent and created longstanding speculations about its removal (Chan and Buckingham 2008; Fan 2008). Such was the anger at this institution, 13 major newspapers took the unprecedented step of publishing a joint front-page editorial on 1 March 2010 – just before the annual 'two meetings' of top CPC delegates in Beijing – calling for its immediate removal (ref. Lim 2017). Recent reforms in Chongqing marked a tentative step in this direction, but no transformative change occurred at the national level (see Chapter 7).

The pre-existing state monopoly on financial capital supply – a Mao era legacy – similarly precludes many private investors from accessing capital from the formal financial market. While the financial system has widely adopted management mechanisms employed by market economies after the 'reforms and liberalisation' of 1978 (e.g. the public listing of banks, issuance of bonds, separation of owners from management, etc.), the entire system continues to be a function of party developmental goals (Tsai 2004; Walter and Howie 2011; Sanderson and Forsythe 2013). These phenomena jointly suggest reforms have not relinquished Mao-era regulatory logics. And it is for this reason that the contemporary reforms also reflect the constraints of institutional path-dependency.

The rationale and ramifications of the 'nationally strategic new areas' will be demonstrated through a broad spectrum of empirical data collected prior to, during and after the embarkation of three field visits to China, namely between January and February 2012 (to Beijing, with a stopover in Shanghai); in March and April 2012 (to Chongqing); and in January 2013 (to Hengqin, Qianhai, Macau and Hong Kong). A follow-up fieldtrip was made to Macau, Hong Kong and the GFTZ in June and July 2015. Given that the three primary field visits involved interactions with as many as 80 individuals on various occasions (e.g. lunches and dinner hosted by local governments, chats with guides at visitor centres of the New Areas), it was difficult to define the total number of 'interviews'.

Strictly speaking, semi-structured interviews were conducted with 31 academics and policymakers during the three field visits, while spontaneous interactions with other individuals that yielded insights into developmental processes in the ‘new areas’ were written into field notes. Major policy documents (e.g. the 12th Five-Year Plan; Plan for Guangdong-Macau-Hong Kong; Great Western Development plan; etc.) and published interviews by state actors were collected, translated and analysed.

Many of these documents, mostly published in Chinese and which have not been discussed by scholars outside China, offered a concrete background knowledge of the historical contexts of the ‘new areas’ and the reasons why these areas were given national designations. Policy analysis was complemented by an analysis of statistical and qualitative information published in the media. Close to 800 articles published in various media in China, Hong Kong, Macau and Taiwan were collated. These articles provided a significant source of information, including statistical information on updated capital flows into the ‘new areas’ as well as major firms that have moved into the areas. A substantial amount of this information was not reported in the statistical publications of the Chinese government, but nonetheless helped to highlight both the legacies and limitations of instituted uneven development.

Specifically, the database was constructed to illustrate and explain (i) the socioeconomic relations that constituted and are affected by the production of ‘nationally strategic new areas’; and (ii) the impacts of interactions between the experimental policies and the inherited institutions in the two chosen research sites (i.e. Chongqing and the GFTZ). These two case studies helped to sidestep an important ‘methodological trap’, i.e. the attempt at a totalising reconstruction of the past. Through the identification of theoretically-significant empirical phenomena in the case studies (e.g. which institutions are resistant to change today, which policies the state strives to reform, etc.), new questions were generated. These questions, such as why the *hukou* institution remains so resistant to change despite the reforms to augment Chongqing’s economic position through Liangjiang New Area, opened up new avenues to re-interpret events that have had specific and seemingly natural meanings attached to them. The remaining chapters will present and evaluate the implications of these new interpretations.

The Chapters Ahead

On Shifting Foundations comprises three parts that correspond with one another dynamically. The tensions between the ‘chessboard’ regulatory philosophy and its territorial expressions will be further examined in Part I (Chapter 2). The chapter specifically demonstrate how new rounds of socioeconomic reforms in post-1949 China, each with their distinct geographical expressions, constitute a complex palimpsest rather than a straightforward process of historical succession. Drawing

on a review of published empirical evidence, the chapter complicates two dichotomous portrayals of socioeconomic ‘transition’ in China, namely centralisation and egalitarianism (the Mao era) and decentralisation and uneven development (the post-Mao era). It demonstrates these binaries cannot adequately explain the post-Mao economic ‘miracle’ when decentralised governance and uneven development also characterised the Mao era. Indeed, decentralised governance and uneven development are not antithetical to the quest for perpetual CPC rule: just as the Mao administration strategically blended centralising mechanisms with instituted uneven development to consolidate its power, the post-Mao regimes are repurposing Mao-era regulatory techniques to achieve the same objective. The chapter concludes by highlighting the need for a more incisive analytical framework that could foreground the extent to which post-Mao reforms, most recently rolled out through the designation of ‘nationally strategic new areas’, truly lead to shifting foundations. This challenge will be addressed in the second part of the book (Chapter 3).

Bringing into conversation research on historical institutionalism, geographical political economy and policy experimentation in post-Mao China, Chapter 3 explores how the reconfiguration of regulatory relations in China – which, as previously mentioned in this chapter, is defined conceptually as state rescaling – is dialectically entwined with inherited developmental paths established at different scales. The development of this framework is both necessary and timely because there has been a largely uncritical adaptation of the state rescaling literature, which emerged from western European and North American contexts, to the theorisation of political economic evolution in post-Mao China. This literature presupposes a relatively coherent national regulatory scale that became increasingly fragmented following an emphasis on city-regional growth. While the trend of shifting developmental resources and regulatory capacities towards city-regions may appear similar between China and advanced western economies over the last three decades, the *persistence* of Mao-era institutions in contemporary regulation underscores the necessity to probe beneath appearances (i.e. whether state rescaling is occurring or not) in order to attain more accurate understandings of the logics of rescaling (i.e. why the predominant regulatory scale has shifted to the ‘nationally strategic’ reform frontiers). This approach proceeds from a different point of departure: neither national-level coherence nor the movement towards urban-based accumulation is assumed as an historical inevitability.

This framework will situate the empirical research presented in the third part of this book (Chapters 4–7). It comprises two case studies of ‘nationally strategic’ territories in the GPRD and Chongqing. These contemporary cases are presented in two segments that each comprises two chapters (Chapters 4 and 5 on the GPRD and Chapters 6 and 7 on Chongqing). The first chapter of each segment explores how key actors built on the geo-historical context to drive the national designation of specific territories; the second examines the implications of key policy experimentation in the areas.

As Chapter 4 will show, the designations of Hengqin and Qianhai New Areas were part of a broader industrial upgrading strategy officially known as ‘double relocation’ (*shuang zhuan yi* 双转移) or ‘emptying the cage, changing the birds’ (*tenglong, huanniao* 腾笼换鸟). Rolled out by the new Guangdong provincial government just as the 2008 global financial crisis was unfolding, this new agenda aimed to relocate unwanted industries and labour power from the PRD extended metropolitan area while injecting, simultaneously, higher-order industries. The chapter shows how this strategy was contested by some actors from the central government and discursively (counter-)justified by Guangdong officials. Its overarching objective is to show how the state rescaling process was an outcome of territorial politics between the Guangdong government, then led by Wang Yang, and senior policymakers in Beijing. Attempts by the Wang administration to introduce ‘nationally strategic’ sites of policy experimentation in the PRD, culminating in the 2012 designation of Nansha New Area, therefore appear as a *political necessity* to overcome the detrimental socioeconomic effects of the ‘double relocation’ program.

The specific reforms are documented and evaluated in Chapter 5. In Hengqin, Qianhai and Nansha New Areas, new border regulations were established to ‘liberalise’ flows of goods, money and people from adjacent Macau and Hong Kong (China’s two Special Administrative Regions that function as open conduits to the global economy). However, a new border between Hengqin to the mainland was simultaneously constructed to prevent the ‘liberalised’ flow of goods and people to move smoothly into China ‘proper’. Qianhai is similarly a re-bordered zone, within which approved financial institutions from Hong Kong could issue unlimited loans in Chinese yuan to Qianhai-based businesses (triggering the ‘backflow’ of Chinese currency from offshore centres). Nansha, the largest and most recent of the three designated territories, was developed with the intention to bring these new financial flows in connection with the ‘concrete’ economy. The chapter shows how the emergence of these new experimental spaces raise the question about the geographical limitations of economic liberalisation in China: Chinese policymakers want more of such ‘free’ spaces at the national level (hence the production of Hengqin, Qianhai and Nansha), but these spaces could only be free insofar as they are subject to new forms of geographical control.

Various developmental issues pertaining to urban–rural integration and the reduction of coastal–interior economic disparities are identified and presented in the case study of Liangjiang New Area in Chongqing (Chapters 6 and 7). To fully explain the territorial politics that led to the designation of Chongqing as a nationally-strategic reform site, a historical exploration of institutional evolution proved important. This exploration is presented in Chapter 6. The chapter discusses how the localised lack of market reforms in the Deng and Jiang eras – vis-à-vis the marketisation process along the coastal seaboard – impelled the Chongqing government to reconfigure and in turn enhance its intervention in the economy. In other words, strong state involvement in the pursuit of equitable urbanisation in Chongqing,

which the *Asia Times* (24 November 2009) portrayed as emblematic of the ‘resuscitation of Maoist norms’, ironically did not arise as a result of some cadres’ insistence on following Mao-era regulatory logics. Rather, the retention of strong state economic intervention was made possible by developmental paths generated in the post-Mao era. Interestingly, this means path-changing attempts in the post-Mao era confined some subnational economies (like Chongqing) on the old ‘big state’ pathway of the Mao era. As such, while the strong state in present-day Chongqing is an extension of an interventionist legacy, it now also includes post-Mao reforms as a condition of possibility. And as the chapter will elaborate, it was this strong state-directed development that enabled the Chongqing government to actualise the designation of Liangjiang New Area as a ‘nationally strategic’ location in the CPC’s economic restructuring agenda.

Chapter 7 proceeds to evaluate the impacts of socioeconomic reforms in Chongqing. The colossal tension caused by the large-scale attempt to build public rental housing for new peasant migrants in Chongqing illustrated how two major reforms implemented at the national scale have potentially encountered limits, namely (i) the persistence of the *hukou* institution, which designated peasants in the cities as socio-spatial ‘aliens’, and (ii) the apparent lack of employment opportunities in the rural hinterland, which ‘pushed’ peasants to seek employment in the cities. The fact that equitable urbanisation is used to justify the intensification of export-oriented industrialisation (led by the Liangjiang New Area) contradicts Deng’s earlier strategy to privilege capital accumulation over social welfare provision. And it is this contradiction, this chapter suggests, that led to strong opposition to the Chongqing reforms – some interest groups could have become too embedded in the path established by the Deng administration that path-changing policies had to be repudiated.

Bringing the three parts of the book together, Chapter 8 lists and critically reflects on five interrelated conclusions. These conclusions are: (i) There is much greater spontaneity and spatial selectivity in the ways initiatives of national significance are proposed, evaluated and ultimately implemented in the post-Mao era. (ii) State rescaling and geographically-targeted policy experimentation have become necessary strategies for the Chinese central government to preserve domestic socioeconomic stability vis-à-vis the limits of marketisation and an increasingly volatile global context. (iii) The main difference between the policy experimentation in the PRD (Hengqin, Qianhai and Nansha New Areas) and Chongqing (Liangjiang New Area) is how they generate new regulatory paths in the name of the ‘national interest’. (iv) The policy experimentation in the two contemporary field sites is in itself filled with uncertainties and inconsistencies, which underscores the difficulties of transforming institutional foundations at the national level. (v) Designed to fit the pre-existing socioeconomic conditions of Guangdong and Chongqing, the experimental reforms are inherently contradictory: it would be unfeasible to have these experiments extended ‘as is’ to other locations with different socioeconomic developmental pathways. The chapter then connects these conclusions to the three-way relationship of state rescaling

introduced in Chapter 3, namely the constitutive roles of place-specific developmental pathways; evolving national-level logics of socioeconomic regulation; and dynamic demands of transnational capital.

Read in relation to one another, the three parts of the book demonstrate how specific regulatory logics of the Mao-era have been repurposed while others were jettisoned to enable the transitional present. The institutional continuity after each round of experimental reforms since 1978 is construed as of theoretical significance: despite colossal changes engendered by new policy experimentation, the retention of inherited institutions offers a new entry point from which to investigate the relationship between the Chinese economic growth ‘miracle’ and Mao-era regulatory logics. The economic-geographical configurations along the eastern seaboard and the less developed interior may have changed with each round of regulatory restructuring, but, as it will be emphasised in the concluding reflections, this is engendered by interactions with the spatial logics of regulation instituted during the Mao era. To portray the post-Mao period as antithetical to the Mao era thereby precludes an exploration of inherited institutions as *capacities* that (seemingly still) produce a politically stable state apparatus. The important question, then, is what kinds of inherited capacities have been useful for retaining – if not reinforcing – CPC control during the post-Mao period. As the following chapters will show, contemporary policy experimentation in the ‘nationally strategic new areas’ strongly suggests it would be premature to pronounce the post-Mao political-economic ‘liberalisation’ as a mirror of Mao-era institutional errors or, for that matter, as a function of post-1978 reforms. Whether institutional changes became possible *despite* or *because of* Mao-era institutional foundations still needs to be established. This book takes a small step in this direction.

Endnotes

- 1 Full text transcribed by www.dwnews.com; author’s translation.
- 2 Chen Yun first introduced the metaphor in April 1950. He provided its first elaborate definition in 1951: ‘solutions should be reliable, this is called crossing the river by feeling for stones. Problems could emerge if we rush. We would prefer a slow and steady approach rather than be haphazard and make mistakes. This especially applies to the management of national economic problems’ (Chen 1995: 152, author’s translation).
- 3 A thorough official account of SEZ formation can be found in the memoirs of Li Lanqing (2010), the former vice Premier of China. Yeung et al. (2009) provides a detailed overview of the SEZs’ evolution.
- 4 The designation was in part a political response to the rise of conservatism following the 1989 Tiananmen chaos. As Sang (1993) notes, Pudong New Area was allocated policies previously available only for the SEZs, which sends a strong statement on economic liberalisation given that the key centrally-governed cities (the others at the time were Beijing and Tianjin) were previously considered too important to become too open. For a detailed delineation of Pudong’s emergence, see Marton and Wu (2006).

- 5 Chen Yun (2000: 69) made clearer his views in 1961, towards the end of the floundering Great Leap Forward program, that “On the one hand, experimentation has to be daring in thought, in talk and in doing; on the other hand, doing things specifically must be begin with actual facts, there has to be a distinction between experimentation and expansion. Expansion must involve things that have matured” (author’s translation). Deng Xiaoping would mention the ‘black cat, yellow cat’ analogy in 1962, noting how it conveyed a Sichuanese notion of pragmatism: the colour of the cat does not matter so long as it can perform the function of catching mice.
- 6 The reference to ‘socialism’ in this book does not reflect or impose a normative conceptualisation. Following Whyte (2010), the book examines the CPC’s self-proclaimed quest for socialism as an empirical fact rather than what ‘socialism’ means when it is measured against a particular template (e.g. Marx’s version based on the experience of western capitalist economies or Lenin’s version based on the largely agrarian Russian economy). While the CPC claims both Marx’s and Lenin’s versions to be relevant to its quest (at least ideologically), its official commitment to creating ‘socialism with Chinese characteristics’ is path-setting given the collapse of the socialist internationalist movement. What ‘socialism’ means for the CPC is thereby an empirical question, to be explored in tandem with marketisation reforms and the emergence of new planning capacities in the party-state apparatus.
- 7 This geographically nuanced approach is aligned with Aihwa Ong’s (2004, 2006) works on graduated sovereignty and spaces of neoliberal exceptionalism in China; Douglas Zeng’s (2010) edited collection on China’s special economic zones and industrial clusters; and Sandro Mezzadra and Brett Neilson’s (2013) analysis of multiple internal boundaries within China.
- 8 The original expression from Henri Lefebvre (1991: 190), a major social theorist of spatiality, was ‘to change life [...] we must first change space’.
- 9 Despite an expanding industrial base between 1912 and 1949, as expertly demonstrated in Chang (1969[2010]), there was a wide array of economies that were not regulated by a unified state regime (Meisner 1999). Many of these economies were controlled by warlords, and this made it difficult for the KMT to centralise power (see Jackson 2011).
- 10 For an extensive analysis of the specifics of the Cultural Revolution, see Dikötter (2016). The rationale of the Cultural Revolution is set within a broader context of de-Stalinisation in Walder (2015).
- 11 The ‘superstructure’ in Marxian terms refers to social aspects such as culture, ideology and religion. The ‘base’ refers to the means and social relations of economic production. Economic production in this regard refers to the creation of things needed by society. Marxian logic states the economic ‘base’ generates the ‘superstructure’, a logic turned on its head in the latter half of Maoist rule. Distinguishing his approach from that of Stalin, Mao argued in the late 1960s that the Stalinist regime ‘speak only of the production relations, not of the superstructure nor politics, nor the role of the people’ (Mao 1977: 136). Through the Cultural Revolution (which officially lasted between 1966 and 1976), Mao went on to prioritise ideological purity over economic production. It was arguably because of this that the Soviets subsequently charged the CPC of moving from the fundamental tenets of Marxism-Leninism towards a new path of Maoist voluntarism.