GLOBALIZING SUZHOU: EXOGENOUS GROWTH AND CHINESE URBAN DEVELOPMENT

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Introduction

The transformation of Suzhou into an urban center represents one of China’s most economically dynamic regions and a leading force in the development of urban China (Xu 2000; Airriess 2008). Suzhou’s history is in a sense China’s history (Airriess 2008), boasting a legacy of over two and a half millennia. Located in the southeast Jiangsu province in eastern China and situated on the Yangtze River, Suzhou is noted its scenic beauty and boasts some of the country’s most productive and fertile agricultural land. It is consistently ranked among the top cities in China for liveability, foreign direct investment (FDI), business environment, and competitiveness (Wei, Lu, & Chen 2009).

Suzhou’s urban development and its incorporation into the global economy has been anchored on an export-oriented, foreign investment-led model beginning in the early 1990s through the establishment of two special economic zones (SEZ), the Suzhou New District (SND) and the Suzhou Industrial Park (SIP). These developments were set in motion when China initiated economic market reform in the late 1970s and early 1980s by adopting the opening-up policy engineered by Mao Zedong’s successor, Deng Xiaoping. Since then, Suzhou’s interplay with the global economy has translated into the city exhibiting a satellite district model dominated by transnational corporations (TNCs) and external organizations (Wei, Lu & Chen 2009). The use of foreign capital and external resources in the past two decades has been crucial in moving the city’s economy beyond a stagnating one previously dominated by state-owned enterprises (SOEs) and township and village enterprises (TVEs) (Wei, Liefner & Miao 2011).

Accompanying this period of rapid economic growth for Suzhou (among other Chinese cities) has been the heavy cost of environmental degradation as a result of uneven environmental governance, scale of development, and rapid population growth (Yang & Wang 2008; Zhang, Pu & Tu 2009; Li, Miao & Lang 2011). Common challenges for Chinese cities include growing and inefficient use of water and power, lack of water treatment, problems in hazardous chemical use and disposal, lack of effective recycling and solid waste management, and deteriorating air quality (Krusekopf 2011). Particularly for Suzhou, agricultural land loss is proving to be an obstacle to the sustainability of urban development and is disproportionately affecting rural landowners (Zhu 2006; Li, Chen & Sun 2007).

The aim of this paper is threefold. First, I trace the national context of urban development as influenced by Mao- and Xiaoping-era policies and their impact on the growth and transformation of Suzhou. Second, I discuss the most pressing social and development issues in Suzhou such as the need to adopt promote more endogenous-oriented economic development, and the environmental impacts as a result of rapid development and urbanization of the countryside. Third, I assess how an understanding of the transformation of Suzhou into a modern city requires an attention to scale and center-local relations.

Chinese Context of the Urban Development Process

China is currently enjoying astonishing (urban) economic success. Tracing this success requires an examination of the Chinese urban development process, one that presents an interesting comparative case study due to the rescaling of politics and governance, and the introduction of market forces during economic reform (Logan 2011).
A body of literature has developed examining the changing politics of scale in post-reform China. Emerging from this has been a debate centered on changing central-local relations between the central and local governments interrogating whether the post-Mao reforms has transformed and favoured the relative power of the ‘local’ (difang) over the ‘center’ (zhongyang) (Jong-Ho 2002; Smart & Lin 2007). Jong-Ho argues the most appropriate perspective is one that acknowledges the mutually transforming nature of central-local relations, whereby the central power shapes, but simultaneously is shaped by, the local forces. Understanding this will be crucial in framing and locating the development dynamics of Suzhou wherein the two scales were simultaneously at play in shaping the city’s transformation.

China has a hierarchical administrative system with the central government at the top, overseeing local administrative units at the provincial, prefecture, county, and town/township/sub-district level. Provinces administrate various cities and counties. Cities, urban districts, sub-districts and towns are urban administrative units, having various designations. Cities at the county and district levels are considered urbanized areas in China and thus relevant to our discussion (see Fig. 1) (Shen 2008).

**Socialist Era (1949-1977) Urban Development**

During the socialist era, the system under Mao was highly centralized with power emanating from Beijing. Local governments had little authority and were passive actors following ministerial orders (Shen 2008). The central government controlled the growth of cities in order to keep a rural-urban balance; official policy was to limit the development of large, coastal cities and let the small, interior cities flourish. As a result, China had low levels of urbanization with less than 20 percent of its population living in cities during this period (Huang 2005, p. 236). The hukou system, China’s household registration system, further reinforced low urbanization rates. At the same time, China was undergoing rapid industrialization. This phenomenon of slow urban development, accompanied by the rapid industrialization at the time suggests China was experiencing under-urbanization (Huang 2005).

Under the socialist system, land was owned by the state and allocated to users on the basis of need rather than on the ability to pay (Tang 1994). For rural peasants, land was allocated for agricultural purposes and in return, an agricultural tax was paid to the state. Lin & Ho (2005) emphasize that under collective ownership, rural collectives could possess, use and benefit from the land, but they did not have the right to dispose of the land. Private plots and housing sites were allowed by the state, but the amount of land distributed and their use were respectively small and restricted.

In urban areas, the state entrusted local governments to allocate land use rights of state-owned land to users. State expropriation was the only method of shifting land from the rural collective sector to the urban state sector. Therefore, local governments, acting on behalf of the state, would expropriate the land and allocate it to the user, whether it being a government department or SOE. Under this land system, rural collectives had little bargaining power when it came to negotiating land expropriation. The user paid the collective a compensation for the land and the state arranged for the resettlement of the displaced peasants (Lin & Ho 2005).

Lin & Ho point out several shortcomings to this system. First, because land was allocated freely and had no locational value, users had little or no incentive to economize on the land. Consequently, large tracts of land were commonly underutilized. Second, administrative allocation was ineffective as it could not distinguish between higher and lower value land. Third, conflicts regularly arose between municipalities and rural collectives. Fourth, there was no effective mechanism to control the demand and
prevent wasteful use of urban land. Lin & Ho conclude that these shortcomings made the land system under state socialism defective and unable to accommodate the needs of foreign investors.

**Reform Era (1978-Present) Urban Development**

During the reform era, the central government shifted its focus from class struggle to economic development and from social and spatial equality to economic growth (Huang 2006). China abandoned its previous approach of self-reliance (zili gengsheng) and opted for the reform and open (gaige kaifang) policy (Lin & Ho 2005). In the wake of Xiaoping implementing the open door policy, the tripartite forces of decentralization, marketization, and globalization actively reshaped China redrawing local, regional, and global linkages. Cities were made the focus of policy, but this occurred under a strategy of gradualism (Haung 2006). Before Xiaoping’s policy was implemented nationwide, four special economic zones were established in 1978 as a laboratory to experiment with socialism with Chinese characteristics (Muchlinski 2011; Xu 2011). The SEZs saw massive foreign investment from overseas China and an influx of migrant labour employed by newly established foreign or private enterprises (Huang 2006). This marked a striking shift from the rural-urban balance sought out by Mao. The open door policy was biased towards coastal cities resulting in uneven urban development due to the benefits brought about by globalization that left the in-land cities behind.

The farm commune system under collective ownership was dismantled in 1983. Replacing it was the TVE system in which peasants engaged in non-agricultural activities such as consumer goods manufacturing. This fueled a huge demand for non-agricultural land (Lin & Ho 2005). TVEs were located in peri-urban zones that allowed ready access to urban markets (Airriess 2008). In 1984, the central government allowed peasants to move to towns and small cities. The reform era can be characterized by a massive rural-to-urban migration as a result of surplus labourers from the land; the development of private sectors and new opportunities in cities; the reform of the hukou system; the phasing out of the rationing system under central planning; and the relaxation of migration controls (Huang 2006). Described as urbanization from below, migration enabled urban development to flourish and access to a readily available and immense cheap labour pool.

In parallel, the disparity between rural and urban increased dramatically. From 1985 to 2004, urban incomes increased to $1,000 from $80 a year. In contrast, rural incomes increased to only $300 from $50 (Harvey 2005, 126). This engendered a floating population of indeterminate legal status. Harvey observes that the condition of the rural sector and the instability it is generating is today one of the most serious problems facing the Chinese government.

In 1988, an amendment to the constitution was passed to legitimize the commercialization of land use rights. Land ownership was separated from land use rights, meaning that while urban land remained owned by the state, its use rights could now be granted or transferred to commercial users. Enabling this was the introduction of a dual-track land-management system. Use rights were assigned in two ways. First, state allocation (huabo) granted state-owned or non-profit users use rights with no time limits. Second, conveyance (churang) transferred use rights to commercial users for a fixed period depending on zoning (Lin & Ho 2005). Further reform included the 1989 City Planning Act that devolved fiscal responsibility and authority for land use planning to municipalities. All urban land development consequently became subject to the control of the local planning authority.
The reform of the land system resulted in a resurgence for Chinese urban and regional development (Wei 2000; Lin & Ho 2005; Logan 2011). Consequently, this raised a strong demand for urban development that was largely driven by emerging market mechanisms where commoditization and marketization of land and building were supreme (Zhu 2004). This set up a major housing boom in the countryside, further contributing to massive rural-to-urban land conversion for residential use and the displacement of rural peasants.

By taking the capitalist road and constructing a market economy incorporating neoliberal elements with authoritarian centralized control, socialism with Chinese characteristics (or neoliberalism with Chinese characteristic as Harvey describes) has delivered rapid urban development, spectacular economic growth, and rising standards of living. However, it remains that environmental degradation, social inequality, and the reconstitution of capitalist class power has followed in tandem (Harvey 2005).

Globalizing Suzhou

Suzhou and its agricultural hinterland has historically been an economically and culturally robust region. Under Mao's socialist industrialization, Suzhou, like other coastal regions, was neglected in favour of Beijing and interior cities. In response, Suzhou developed into an industrial city with a group of light industries such as textile production. Especially in the rural region, small handicraft industries flourished beginning in the late 1950s. This tradition of rural and small town craft industries continue to remain today a prominent aspect of economic activity. Suzhou silk is recognized nationally and internationally as one of the best in the world (Airriess 2008; Wei, Lu & Chen 2009).

Small-scale TVEs proliferated in the early 1970s in a second wave of rural industrialization. This was facilitated by human capital, business networks, technical expertise and technology transfer provided by urban youth and young adults who relocated from Shanghai to Suzhou (Wei, Lu & Chen 2009). The Suzhou-Shanghai TVE-based economic development became known as the successful Sunan model, with Suzhou as the apprentice and Shanghai the master (Airriess 2008). Zou et al (2001) provide a compelling history of Suzhou's intimate relationship with Shanghai and their mutual reliance as a result of geographic proximity—Suzhou is only 80 km west and an hour's drive from Shanghai (Carter, 2011). A key example of early capitalist development, Suzhou was an industrial center experiencing endogenous growth that brought together capital, resources, labour, and trade routes (Ferguson 1999).

By the beginning of reform in the 1980s, TVEs were performing better than the SOEs operating in the city. Development thus favoured the countryside as opposed to the urban center. Nonetheless, TVEs and SOEs were stagnating as performance lagged compared to other cities that were experimenting with socialism with Chinese characteristics. It was only until the mid- and late-1980s Suzhou began to take concrete steps to open itself to the global economy and replicate the growing might of the four original SEZs such as Shenzhen. There was a conscious plan to widen its industrial base by enabling development in the machine building, electronics, pharmaceutical, chemical, light, building materials and metallurgical industry (Ferguson 1999; Wei, Lu, & Chen 2009). Urban reforms were introduced in piecemeal fashion beginning in 1984 and 1985, including introducing market mechanisms and decentralizing SOEs into local management. Despite FDI and trade officially beginning in 1985, FDI was very limited, mainly in international loans and joint management (Wei, Lu, & Chen 2009).

Suzhou began to form its competitive secondary city status through the creation of two special economic zones in the form of large industrial parks: the Suzhou New District in 1992 as a western
regional development owned by the Suzhou municipal government, and the joint China-Singapore Suzhou Industrial Park in 1994 in the east (see Fig. 1). This marked the commencement of the city pursuing exogenous growth through an export-oriented, foreign investment-led model. Suzhou became a hot manufacturing centre and major destination for FDI, attracting over 5,500 foreign enterprises (Airriess 2008, p. 144; Wei, Lu & Chen 2009). For example, from 1990 to 2005, the municipality of Suzhou saw FDI increase from 34 million USD to a staggering 5116 million USD, a 150-fold increase (Wei, Lu & Chen 2000, p. 415). No longer was Suzhou subservient to Shanghai, but rather an active competitor (Airriess 2008).

These opportunities shifted migration patterns in Suzhou. Despite chaotic urban development from 1949 to 1978 as the city was rapidly industrializing, urbanization was stagnant at 31.6% like the rest of China (Li et al 2007, p. 409). The Sunan model of development encouraged TVEs to thrive and pushed urbanization to 39.3%. From 1992 as a result of FDI and introduction of global capital to the city, urbanization jumped to 52.6% with an annual growth of 1.3%. Consequently, across China, the share of the agricultural sector as a proportion of GDP decreased from 18.3% in 1984 to only 1.8% in 2004 (410).

![Fig. 1. Location of Suzhou (Source: Wei, Lu & Chen 2009)](image)

The origins of Suzhou’s integration with the global economy began during Xiaoping’s southern tour in 1992. Xiaoping made statements encouraging learning from Singapore’s experience as he greatly admired the country’s model of development. Xiaoping and other officials (Minli 2008; Carter 2011) held
Singapore's success in the 30 years after its independence and modern status in high esteem. Xiaoping commented how "Singapore enjoys good social order and is well managed. We should tap on their experience, and learn how to manage better than them" (Zhao & Farole 2011, p. 104). SIP was formed with an clear stipulation of a knowledge transfer (of both an explicit and tacit nature) objective where "Singapore would share its knowledge of efficient economic management and public administration experience with its Chinese partner so that the latter could formulate pro-business business policies in SIP and govern with transparency and efficiency" (Inkpen & Pien 2006, p. 786).

On 26 February 1994, Vice-Premier Li Lanqing and Singapore's Lee Kuan Yew signed the agreement and established the China-Singapore SIP Development Corporation (CSSD), with Singapore holding majority control at 65% (Wei, Lu & Chen 2009, p. 417). The state-to-state joint venture stipulated the development of a modern 70 sq. km greenfield town capable of supporting 600,000 people with software assistance in (Carter 2011, p. 71-72):

- Land use planning and development;
- Environmental planning and regulation;
- Building construction management;
- Planning and management of industrial estates;
- Management of new towns and public utilities;
- Labour management, and;
- Social security.

Attracting FDI was the central strategy of Suzhou and it did so remarkably. For example, in 2004 with only 3.0% of the total land and 3.5% of the total population of Suzhou City, the SIP contributed 17% of the total industrial-added value, 30% of the total registered capital, and 31% of total imports and exports. The majority of FDI came from Europe and the Americas and the SIP had accumulated contractual FDI of 20 billion USD (Wei, Lu & Chen 2009, p. 419).

The success of SIP was in part related to the effectiveness of the knowledge transfer. Effective knowledge transfer depended on the ability of local Suzhou officials to adapt Singaporean practices in a localized context for a local setting. Knowledge transfer of this nature would not have likely succeeded under a pre-reform, non-local era where the centre had clear authority. But as Jong-Ho (2002) argues, the two have a mutual reinforcing relationship. SIP initially struggled due to conflicting interests, difficulties transferring tacit knowledge (explicit knowledge proved to be much more successful), and perceived competition from the Suzhou-run SND. While the China-Singapore cooperation was a huge competitive advantage, there were weaknesses in the interorganizational network (Logan 2011). Particularly, the Singapore government misjudged centre-local relations (Pereira 2002). Singapore eventually realized the central government had limited influence over the city's economic decision-making, a two-way rather than top-down system. Singapore encountered difficulties communicating under this system given that it operated under a high degree of centralized control. Moreover, Singapore was adamant in preserving its close relationship with Beijing as they were weary of potential backlash that would filter upwards from intra-competition and resulting tensions in the SIP. Consequently, Singapore disengaged from the project and the Chinese consortium became the key stakeholder at 65% and took over management in 2001 (Inkpen & Pien 2006; Pereira 2011).
Sustaining Suzhou: Pressing Social and Development Issues

However, given concerns of the market sensitivity of exogenous growth made poignant by the late-2000s recession; the questioning of the safety, integrity, and quality standards of Chinese goods; and an emphasis among scholars and policymakers to shift from a "made in China" to "invented in China" economic development model, Suzhou's pillars to growth is becoming increasingly unstable (Carter 2011).

The city's satellite district status means Suzhou hosts the factories and plants of TNCs, with headquarters located outside the city and weak linkages to local economies. Resources and supplies are often external to the city, reflecting Suzhou's dependence on external markets and external control. Suzhou lacks top-ranked research universities and institutions hindering R&D efforts and aspirations to become a neo-Marshallian high-technology centre. Also, spatial differentiation within the city fosters intense competition and limits development as the city is fragmented among the SIP, SND, and the city core (Wei, Lu & Chen 2009). Carter (2011) shows anticipated spillover effects between foreign firms in Suzhou and Chinese companies from 1996 to 2006 were disappointing; effects were either zero or negative.

With the explosive growth in urban development and massive rural-to-urban migration underway in Suzhou and China as a whole, it is presenting immense challenges for sustainable development. A restructuring of the urban-rural boundary is occurring as peri-urban areas begin to emerge as a phenomenon where "Chinese peasants are able to leave the soil but not the village" (Logan 2011, p. 18).

Agricultural land loss is accelerating in the Yangtze River Delta where Suzhou is situated (Li, Chen & Sun 2007). Li et al (2007) conduct a GIS analysis to determine non-agricultural land expansion (NAL). Urbanization accelerated after 1992 and by 2003, non-agricultural land in Suzhou was 26,4000 hm², 2.6 times that of 1984 (412). Relative intensity from 1996 to 2000 was 3.6 times greater than from 1984 to 1995 (413). Several conclusions were arrived at (418):

- From 1984 to 2003, the population of Suzhou increased by 14.9% but NAL expanded by 159%.
- Farmland protection failed in Suzhou.
- Industrial use of land has been the predominant contributor to sprawl and the loss of agricultural land to urban use.
- Sustainability of a city's development requires agricultural development and environmental preservation in conjunction with industrialization and growth.

Zhang et al. (2009) demonstrates from 1995 to 2005, arable land, forest, water, pasture, and fossil energy were at an ecological deficit.

Zhu (2006) provide an overview of the social effects of agricultural land loss and implications for rural landowners. Nationally, approximately 5 million farmers have had land taken away during the period of 1987 to 2001 (69). While the state compensates land acquisition from landowners, they often sell use rights at much higher prices and in many cases, compensation is less than what was stipulated. While Zhu praises Suzhou for actively coping with the social challenges faced by elderly farmers by swapping land for old-age support through the establishment of an integrated pension system for both rural and urban residents, more needs to be done. Zhu presents a series of recommendations such as covering for the aged who live on the margin of the poverty line, and not simply the poorest of the poor. Nonetheless, Harvey
(2005) would dictate that the reconstitution of class power where “affluent urban dwellers drive BMWs [and] rural farmers are lucky to eat meat once a week” is a troubling sign of the road China is taking (144).

Conclusion

Overall, Suzhou’s pathway to industrialization and regional development has proved a success and is beginning to challenge nearby neighbor Shanghai for a dominant position in the larger economy (Airriess 2008; Wei, Lu & Chen 2009). Through a concerted effort from Beijing, local Suzhou officials, and Singapore, the establishment of the SIP encouraged the visibility of the city to global flows and networks of capital. Attention was paid to scale and center-local relations in influencing the transformation of Suzhou by tracing a changing land system, urban development context, and administrative authority in a pre- and post-reform era.

At the same time, Suzhou may be at a crossroads. The city’s success has been based on a model of exogenous growth, one that may not be tenable in a post-recession period. It is imperative to foster indigenous economic development and erect stronger environmental governance in order to sustain Suzhou.
Bibliography


