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**China's Motor Cities: Industrializations and Urban
Development under State Socialism, 1948-90**

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Chung-Yuk Shamus Mok

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**CHINA'S MOTOR CITIES: INDUSTRIALIZATION AND URBAN
DEVELOPMENT UNDER STATE SOCIALISM, 1948-90**

Volume I

By

Chung-Yuk Shamus Mok

A DISSERTATION

**Submitted to
Michigan State University
in partial fulfillment of the requirements
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ABSTRACT

CHINA'S MOTOR CITIES: INDUSTRIALIZATION AND URBAN DEVELOPMENT UNDER STATE SOCIALISM, 1948-90

By

Chung-Yuk Shamus Mok

The theme of this dissertation focuses on social production of urban space in various stages of Chinese socialist transitions from 1953 to 1990. Historical comparative analysis of four city case studies is employed, covering three distinctive state development strategies: namely, 1) bureaucratic institutional development of the First Five-Year-Plan (FYP) Industrialization (1953-57); 2) mass-line development of the Third Front Industrialization (1964-76); and 3) market socialist transformation of the economic reform (1978-present). Special focus is placed on the variability of urban form of motor cities in relation to the institutional distribution of state resources in local urban system. Its sub-themes concern the impacts of state development strategies on the organization of automotive enterprise and the relationship between automotive enterprise and municipality.

This study argues that under the state ownership system, urban development of the Chinese socialist city was governed by the political logic characterized as "work unit (*danwei*) collective consumption." In a motor city, the city properties and developmental authorities were divided between the automotive enterprise and municipality. The central government poured heavy investment in the automotive enterprise, turning it into a big owner of state resources in the city, but little funds was granted to the municipality. These two local *danwei* tended to keep their resources within their territories, preventing the resources from being channeled into other *danwei* that would limit social division of labor. The urban form of motor city is

determined by such political logic operated in the varying institutional arrangements structured by the three state development strategies.

Findings of this dissertation suggest that in the cases of Changchun and Shiyan three types of motor city have emerged. The construction of the First Auto Works in Changchun during the First FYP Industrialization revealed the dual city pattern. The formation of the Second Auto Works in Shiyan during the Third Front Industrialization showed the dispersed city organization. As these two motor cities entered market socialist reform, each of them has transformed into an enterprise city. This study is based upon an eight-month field and archive research in Changchun, Shenyang, Beijing, Wuhan, Shiyan, Guangzhou, and Hong Kong in 1991.

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1994

*For here we do not have a lasting city,
but we are seeking the city which is to come.*

Hebrews 13:14

for my mother

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Abbreviations: Newspapers, Journals, and Frequently Cited Books

CCCCP	Central Committee of Chinese Communist Party
CCP	Chinese Communist Party
CKD	Completely Knocked-Down Vehicle
CNAIC	China National Automotive Industrial Corporation
GVAO	Gross Value of Agricultural Output
GVIO	Gross Value of Industrial Output
FAW	First Auto Works
FBIS	Foreign Broadcast Information Service (United States)
FMMB	First Ministry of Machine Buidling
FYP	Five Year Plan
JPRS	Joint Publication Research Service (United States)
JV	Joint Venture
LC	Local Content
MOF	Ministry of Finance
Norinco	North Industrial Corporation
PC	Passenger Car
PLA	People's Liberation Army
RMRB	<i>Renmin ribao</i> (People's Daily)
RMRBH	<i>Renmin ribao [haiwaiban]</i> (People's Daily [Overseas Edition])
SAW	Second Auto Works
SCCC	State Capital Construction Commission
SCMP	Survey of China Mainland Press (United States)
SEC	State Economic Commission
SKD	Semi-Knocked-Down Kit
SMSB	State Material Supply Bureau
SPC	State Planning Commission
sqkm	Square Kilometer
skm	Square Meter
ZQGY	<i>Zhongguo qiche gongye de yaolan</i> (The Cradle of China's Automobile Industry)
ZRDBZ	<i>Zhongguo renmin daxie bukan ziliao</i> (Chinese People's University Newspaper and Journal Materials) (Beijing)

Notes: Land Measures, Exchange Rates, and Transliteration

Land Measures

1 acre = 0.40468 hectare
1 hectare = 10,000 square meter (sqm)
1 *mu* = 0.1647 acre
1 *mu* = 0.06665 hectare
1 *shang* (Northeast China land measure) = 15 *mu*
1 square kilometer (sqkm) = 100 hectare

Exchange Rates

The following average exchange rates (*yuan* per U.S. dollar) are taken from the International Monetary Fund's International Financial Statistics Yearbook (Washington, D.C., 1990) which are cited by William A. Byrd (ed.) (1992). Chinese Industrial Firms Under Reform. Washington D.C.: Oxford University Press, p. xi. The First Five Year Plan figure was quoted from Carl Riskin (1987) p. 55. The 1991 to 1994 figures are added by the author based on field research data and current news.

The First Five Year Plan	\$ 1.0 = 2.46 <i>yuan</i>
1978	\$ 1.0 = 1.68 <i>yuan</i>
1979	\$ 1.0 = 1.56 <i>yuan</i>
1980	\$ 1.0 = 1.50 <i>yuan</i>
1981	\$ 1.0 = 1.71 <i>yuan</i>
1982	\$ 1.0 = 1.89 <i>yuan</i>
1983	\$ 1.0 = 1.98 <i>yuan</i>
1984	\$ 1.0 = 2.32 <i>yuan</i>
1985	\$ 1.0 = 2.94 <i>yuan</i>
1986	\$ 1.0 = 3.45 <i>yuan</i>
1987	\$ 1.0 = 3.72 <i>yuan</i>
1988	\$ 1.0 = 3.72 <i>yuan</i>
1989	\$ 1.0 = 3.77 <i>yuan</i>
1991	\$ 1.0 = 5.38 <i>yuan</i>
1992	\$ 1.0 = 5.77 <i>yuan</i>

1993 \$ 1.0 = 5.69 *yuan*
 1994 \$ 1.0 = 8.70 *yuan*

After the Liberation of China on October 1, 1949, Northeast currency (*dongbeibi*) was allowed to circulate in Northeast China until March 20, 1951. According to the *Dangdai Changchun chengshi jianshe* (1988) p. 50, the exchange rate of yuan in 1950 was about:

1 *yuan* = 10,328 *dongbeibi*

But the official exchange rate determined by the State Administrative Council on March 20, 1951 was one yuan to 9.5 *dongbeibi*, a 1,148 times appreciation of *dongbeibi*. (See *Zhonghua renmin gongheguo caizheng dashiji (1949-1985)*, p.36). This dissertation adopted the first exchange rate which was apparently a better representation of the real value of *dongbeibi*.

All \$ signs refer to U.S. dollars.

Transliteration

All transliteration of Chinese terms in this dissertation adopted the *pinyin* system of romanization of Mandarin (*putonghua*).

Part One

**State, Economy and Urban Form: The Political Economy of Chinese
Industrial and Urban Development**

Introduction and Review of Literature

I. Introduction

Modern society has been structured in a complex pattern of continuity and change with regard to traditional social structures and consequences of industrialization.¹ Much of modern social changes have taken place in cities, for cities provide places for intensive social activities. As a place of concentration, cities are shaped by social structure which is represented by patterns of social relationship and institutional arrangement. These factors affect the built environment and land use pattern of a city in a way that the resultant socio-economic system determines the distribution of economic rewards and places people within the urban system. In a given period of time, the social and spatial structures become "fossilized-in"² and remain to be structural constraints for later development when the ideologies of distribution of economic rewards and strategies of industrialization change. In this sense, social structure and spatial structure are mutually determined and reflect each other. Because of the long-term effect of space on physical environment, spatial organization is considered as a significant factor in understanding changes of social structure.³ The questions this dissertation raises are: how does a socialist system, i.e. state-owned economy, centralized redistributive state, and egalitarian principle of organization, affect spatial structure? More specifically, how do socialist ideology and the state bureaucratic systems within local political economic contexts affect

¹ Reinhard Bendix (1964). Nation-Building and Citizenship. Berkeley and Los Angeles: University of California Press.

² R. E. Pahl (1975). Whose City? Middlesex, UK: Penguin Books, p. 147.

³ Anthony Giddens (1972). The Class Structure of the Advanced Societies. New York: Harper & Row.

distribution of resources and placing of people? Finally, how does historically inherited social and spatial structures constrain the restructuring process during the transition from state socialism to market economy?

For more than four decades, China has been undergoing a series of changes while searching for the "genuine" course of socialism. China's cyclical ideological swings have brought about continuous restructuring of state redistributive system, social, and spatial organizations. Yet, Chinese socialist transitions resemble the changes of other modern societies as industrialization has been a consistent strategy throughout Chinese socialist development. What makes China different from other modern societies, however, is China's peculiar institutional arrangements and organization of industrialization programs. These programs constituted new social and spatial relationships in the urban system. The transitional process not only restructured China's long history of urbanization, but also gave birth to new cities in socialist fashion.⁴ Chinese socialist transitions have been undergoing the following three courses: 1) bureaucratic institutional development (1953-57); 2) mass-line development (1966-76); and 3) market socialist development (1978-present).⁵ The first two developmental paths during Mao's era constituted two different patterns of industrial cities. Cities have been restructuring themselves again under the current market socialist reform from "socialist" city to the current "reformed socialist" city.

The Chinese socialist state played an important role in national industrialization programs. With elimination of market and private property, Chinese industrialization was basically a state led industrialization. The state assumed the role of redistribution

⁴ Dai Junliang (ed.) (1992). *Zhongguo chengshi fazhan shi* (The History of Development of Chinese Cities). Harbin: Heilongjiang renmin chubanshe.

⁵ A similar classified scheme for Chinese development can be found in Peter Van Ness, and Satish Raichur (1983). "Dilemmas of Socialist Development: An Analysis of Strategic Lines in China 1949-1981." *Bulletin of Concerned Asian Scholars*, 15(1):2-15.

in financing the expensive industrialization programs. Researches have documented the state's exploitation of agricultural sector for urban industrialization.⁶ Chinese socialist state made use of economic scissors to ship below-valued agricultural product to city in return for expensive industrial goods. The inefficient industrial production system sucked up most of the precious development capital that left the rest of Chinese society underdeveloped for many decades. The well-known Chinese sociologist Fei Xiaotong alluded that China prematurely carried out extensive industrialization programs because of lack of financial capability.⁷ As a result, the state led industrialization was governed by the principle of "industrialization with minimum urban investment." Such a policy had tremendous impacts on urban forms throughout the first twenty-five years of socialist transition. Chinese cities were seriously underdeveloped in the midst of massive industrial development.

II. Theme of Dissertation

The theme of this dissertation is focused on social production of urban space with respect to changes in patterns of work unit (*danwei*) collective consumption in the local urban system. Specific attention is focused on the impact of state development strategy on the organization of automotive enterprises and urban development. Historical and comparative analysis of institutional arrangements is applied in four case studies, covering three distinctive state development strategies in the history of China's state socialist transitions, namely: 1) bureaucratic institutional development during the First Five Year Plan (FYP) Industrialization (1953-57); 2) mass-line development during the Third Front Industrialization (1964-76); and 3) market socialist

⁶ Cheng Xuan (1990). "Problems of Urbanization Under China's Traditional Economic System." Pp. 65-77 in Chinese Urban Reform What Model Now? edited by R. Yin-Wang Kwok, William L. Parsh, *et al.*. New York: M. E. Sharpe Inc.

⁷ Fei Xiaotong (1992). "Forward." P. i in Urbanizing China, edited by Gregory Eliyu Guldin. New York: Greenwood Press.

transformation during the economic reform (1978-present). Focuses in this dissertation are:

- 1) the changes of state system with the shifting of socialist ideology and international relations;
- 2) the impact of state development strategy on the principle of organization of auto production system and labor management;
- 3) the changes of organization and collective consumption of automotive enterprise within the motor city;
- 4) the spatial, political, and social impact of collective consumption of automotive enterprise on the formation of local urban system.

III. Review of Literature: State, Economy, and Urban Form

Uneven urban development in the capitalist cities has raised new urban sociology to reexamine the traditional theoretical perspectives. The argument espoused by the new urban sociologists for uneven urban development was based upon the capital logic embedded in the advanced capitalist society. It alluded that uneven urban development should not exist in socialist society where the capital logic was inapplicable due to the elimination of private ownership. However, some studies found that uneven urban development did exist in socialist city. The socialist urban development was structured by the state mode of production. A political logic derived from the state mode of production was the major impetus for the socialist uneven urban development. How could possibly these structural inequalities exist in two opposite camps of society system? In the following section, the major literature concerning the two camps' uneven urban development will be discussed.

A. Capital Logic in Capitalist City

In the early development of new urban sociology, discussions were focused on social production of urban space in advanced capitalist society. The new urban sociologists, based on the class conflict and logic of capital accumulation, tried to explain how these processes molded urban space. To them, space refers to the spatial arrangements of people and activities that are said to be at the core of a wide variety of contemporary problems associated with metropolitan life.⁸ Social problems are seen to be caused by differences in location in which life chances and structural inequalities are based. That is, the new urban sociologists explain social (urban) problems in the urban area by spatial arrangements.

1. Conduit of Capital and Control

The new urban sociologists view city as an urban system structured by the mechanism of capitalist mode of production. City becomes a conduit of capital and control.⁹ Capitalists seek opportunity for profit making whereas the capitalist states fight for maintaining social and economic stability in city. Relationship between state and enterprise affects the movements of capital and people that bring about growth and decline of particular urban areas. One of the major issues is the role of capital accumulation and the impact of uneven urban development. David Harvey,¹⁰ for instance, considered capital accumulation as the major crisis of capitalist system. Harvey argued that the movement of investment from one part of the city to the other or from older cities to other new cities stemmed from the cycles of over accumulation.

⁸ Mark Gottdiener (1985). The Social Production of Urban Space. Austin: University of Texas Press, p. 13.

⁹ Sharon Zukin (1980). "The Cutting Edge: A Decade of the New Urban Sociology." Theory and Society, 9:575-601.

¹⁰ David Harvey (1973). Social Justice and the City. Baltimore: Johns Hopkins University Press.

When a city is invested with too much capital and becomes no longer productive for investors, capital may begin to move out bringing about devaluation of urban infrastructure. Investors thus will seek other urban areas that can bring more profit.

On the other hand, Manuel Castells argued that the urban problems of the capitalist society is the crisis generated by the state's failure to manage collective consumption. Because monopoly capitalists have been successful in getting the state to assume the cost of social reproduction, the state takes up collective consumption responsibilities, such as, welfare, services, infrastructure, and tax breaks. State's collective consumption within the built environment benefits capitalists' interests in the following ways: firstly, collective consumption in supporting the needs of workers could ease demands for pay raise; secondly, state investment in public goods is aimed at creating a profitable institutional environment for capitalists, desirable for them to counter the falling rate of profit over time; thirdly, collective consumption in built environment is another direct means to revitalize lagging industry or old industrial districts.¹¹ Castells pinpointed that essentially state committed to a degree of intervention, the economic and political cost of which it cannot afford.¹² In response to the dilemma of state expenditure and capital accumulation, Castells suggested austerity measures, which would lead to urban decline in those cities dependent on the state collective consumption.

However, Richard Child Hill, based on his research on American cities, responded differently, arguing that the capital accumulation no longer requires densely concentrated central city. Suburbanization has been emerging in the United States in the past few decades, and this process creates fiscal and sociospatial inequalities among

¹¹ Manuel Castells (1975). "Advanced Capitalism, Collective Consumption, and Urban Contradictions: New Sources of Inequality and New Models for Change." Pp. 175-97 in Stress and Contradiction in Modern Capitalism: Public Policy and the Theory of State, edited by Leon N. Lindberg *et al.*. Lexington: Lexington Books.

¹² Manuel Castells (1977). The Urban Question. Cambridge: MIT Press.

regions.¹³ Hill also pointed out that capital concentration in the hands of multinational corporations aggravates the urban decline in advanced capitalist societies. As the multinational corporations take advantage of the world market, this triggers global migration of capital, employment, and people to other cities in the world, that might pose serious consequences on the growth and decline of American cities.

2. Localization of Social Forces

From the neo-Weberians' perspective, state intervention in urban development may not create system crisis as suggested by the neo-Marxist urbanists. The neo-Weberians concentrate on the question of how space is used in the process of social reproduction. The European urbanists examine unequal access to the benefits of an expanding urban infrastructure among social groups. City is considered as a system of social action.¹⁴ Ray Pahl, for instance, perceived city as a relatively discrete local social systems constructed by social distribution mechanisms. In Pahl's conceptualization, city is a sociospatial system that generates patterns of inequality in the distribution of life chances. To Pahl, space is inherently unequal because no two people can occupy the same location in relation to the provision of any facility. Thereby, spatial constraints on life chances will operate, to some extent, independently from the mode of economic and political organization in society, although these constraints can be ameliorated by political intervention.¹⁵ The question of how urban resources are distributed is largely a function of goalkeepers or the urban managers who occupy strategic allocable locations in the social system. The task of urban sociology is therefore to study urban managers' goals and values in order to explain the

¹³ Richard Child Hill (1978). "Fiscal Collapse and Political Struggle in Decaying Central Cities in the United States." Pp. 213-240 in Marxism and the Metropolis, edited by William K. Tabb and Larry Sawers. New York: Oxford.

¹⁴ Sharon Zukin (1980).

¹⁵ Ray Pahl (1975).

resulting patterns of distribution. Pahl's conceptualization of city is shaped by a corporatist perspective of society, where interest groups and elites are endowed with monopoly authorities by the state over social and economic issues in exchange for cooperation with the state.

B. Political Logic of Socialist City

The development of socialist city is strikingly different from the capitalist city. In the capitalist city, the movements of capital and population over space that follow the logic of capital accumulation and class struggle are the major dynamics of urban growth and decline. In the socialist city, on the other hand, the movements of capital and population are strictly limited by the state administrative system. Population movements are strictly restricted by the household registration system, and state capital and other state resources are allocated according to the central plan. In such an immobile society, dynamics of urban development was not based upon the volatile societal movements that happen in the capitalist city. Urban development in the socialist city rather depends on the state allocations and institutional hoardings of resources over space.¹⁶ It is not the logic of capital accumulation that fed the socialist city development, but rather the logic of state redistributive system and institutional conflicts. In short, political logic refers to the institutional struggle of control and distribution of state resources in locality within a state ownership system.

Apparently, the fundamental difference of these social systems lies in the differences of ownership systems. The socialist state mode of production transformed all privately owned business into state- and collective-owned enterprises. The capitalist style state-enterprise relationship has turned into socialist state bureaucratic

¹⁶ Jack C. Fisher (1967). "Urban Planning in the Soviet Union and Eastern Europe." Pp. 1068-99 in Taming Megalopolis--Volume II: How to Manage an Urbanized World, edited by H. Wentworth Eldredge. New York: Andor Books.

relationship. Socialist state enterprises respond not to the market signal but rather to the hierarchical order of state redistributive system. The enterprises engage in constant negotiations with the superordinates bargaining for more state resources. The bargaining power of socialist state enterprises is partly dependent on their administrative rank as well as the scale of their industrial production. Social exchanges among the socialist state enterprises are limited by the socialist state redistributive system and the distorted socialist price system of commodities. This creates a cellular economic system instead of developing a complicated social division of labor in socialist city. In other words, the development of socialist state enterprises are confined within their own territories, where a myriad of relatively independent work units emerged to form the socialist city.

1. Channels of State Resources and Control

Socialist cities can be conceptualized as channels of state resources, which are controlled by the institutions or individuals who have the power to allocate state resources. In this line of thought, urban development is structured by the political logic operated in the state bureaucracy that stratified socialist society into those who have power and those who have not. For example, Ivan Szelenyi pointed out this structural inequality in Hungarian socialist cities, arguing that the basic source of social inequality comes from the socialist state mode of production in which state owns and controls all enterprises. Party cadres and factory managers who have power to gain access to scarce resources, such as enterprise vehicles, nice apartments, imported goods etc., would be benefited. This social structure reveals the spatial arrangement of the "new class," mainly the bureaucrats and technocrats, who lived in certain parts of the city that had favourable urban infrastructure and better living environment.¹⁷

¹⁷ Ivan Szelenyi (1983). Urban Inequalities Under State Socialism. New York: Oxford University Press.

Socialist spatial arrangement is also structured by the institutional differences within the hierarchical state administrative system. As in the socialist state mode of production, the administrative rank of state enterprise determined the amount of state resources. A large-enterprise, for instance, would have a lot more financial ability to provide housing for workers than a small-enterprise. This situation was especially acute in company town, where a large-state enterprise was located in a small city run by lower rank government. William Taubman's study on the steel city Magnitogorsk in the Soviet Union revealed the spatially segregated pattern. In 1960, the Magnitogorsk Metallurgical Combine owned 52 percent of the city state housing and operated most municipal services, including the public transportation. The Metallurgical Combine, therefore, institutionally divided the city into Combine district and non-Combine district. The Magnitogorsk citizens' affiliation with the Combine practically determined their chances of getting housings and other welfare benefits.¹⁸ Thus, the socialist sociospatial system is structured by the state redistributive system, which generated patterns of inequality in the distribution of life chances.

2. Localization of Institutional Conflicts

As the channels of state resources and controls, socialist city becomes the local arena for institutional forces competing for limited state resources. Unlike the corporatist state-enterprise relationship in some capitalist cities, the socialist municipality and central state enterprises are engaged in power struggle over the controls of resources and urban development. Each of the state enterprises exerts control over its own territories. This poses a big threat to the municipality,

¹⁸ William Taubman (1973). Governing Soviet Cities: Bureaucratic Politics and Urban Development in the USSR. New York: Praeger, pp. 54-72. See Stephen Kotkin (1991). Steeltown, USSR: Soviet Society in the Gorbachev Era. Berkeley: University of California Press, for Magnitogorsk in the 1980s.

undermining its ability to coordinate urban development. The urban development in socialist city largely depends on the administrative rank of municipality and the size of city. For the administrative rank indicates the municipality's ability to coordinate urban development across the bureaucratic system of state enterprises, and the size of city determines the amount of state resources allocated to the municipality. In short, the key for socialist city is the municipal power to coordinate the development among different state enterprises, as well as the amount of state resources the municipality can utilize.

In reality, municipality and state enterprises are often in a state of conflict. Since superordinates assess enterprise managements by productivity not by urban development, it is not in the interest of enterprise managers to help the improvement of urban development. When municipalities demand state enterprises to cooperate in urban development, enterprise managers have no incentive to comply. As Taubman observed, the mayors and city officials have far more responsibilities than they can carry out.¹⁹

3. Chronic Shortage and Anti-Urbanism

As the sole provider of capital and resources for development, the socialist state encounters structural problems of chronic shortage. In the state mode of production, state enterprises operated with soft budget constraints. The operation of state enterprise was not connected to its performance because there was simply no bankruptcy in socialist economy.²⁰ State enterprises' hoarding behavior in the midst of shortage aggravated the phenomenal imbalance of socialist economic system. In the state's central plan, the state put industrial development in a much higher priority than the

¹⁹ William Taubman (1973).

²⁰ János Kornai (1992). The Socialist System: The Political Economy of Communism. Princeton: Princeton University Press.

urban development. The inefficient industrial system forced the socialist state to impose austerity measures in urban development fostering "anti-urbanism" tendency.²¹ The industrial system heavily relies on high rate of investment in order to maintain low accumulation rate. High investment rate draws substantial proportion of national resources to industrial development, which requires to suppress other social sectors especially urban development and improvement of living standards. The structural problem of socialist mode of production lies in the hierarchical social exchange system that can not generate incentives in state enterprises.

The structural problems of uneven distribution and chronic shortage of resources are reflected in the spatial arrangement of people and activities in socialist city. Urban pattern of socialist city has been described as patchy, because of institutional land hoarding behavior. Urban land was used without cost, and this practice induced work units to occupy more land than they actually needed.²² Stressing industrial accumulation over consumption created distorted urban land use pattern. As more and more land was allocated for industrial and storage purposes in the city, environmental hazard, partly due to the hasty industrial development, became a serious urban problem, posing a serious health threat to the city dwellers.

C. Motor City – Auto Production System and Spatial Pattern

The background of the capitalist city and socialist city discussions lies in the impacts of industrialization on urban development in these two social systems. Although these two social systems have a different operational logic in urban

²¹ Pearse Murray and Ivan Szelenyi (1984). "The City in the Transition to Socialism." International Journal of Urban and Regional Research, 8(1):90-107.

²² James H. Bater (1980). The Soviet City: Ideal and Reality. London: Edward Arnold, p. 124.

development, the question of how the different operational logic in industrialization and urban development affect each other remains to be answered.

The study of motor city in the capitalist society has centered upon the highly comprehensive auto production system and the resultant urban form. Automotive producer brings together thousands of parts assembled in many different workshops before it finally produces a complete vehicle. Because of its comprehensiveness, automotive industry has been described as "industry of industries." The industry requires supplying industries such as steel, machinery, rubber, electronics, plastic, glass, petroleum, and textiles, that the auto production system and suppliers have great spin-off effect in regional and national economy.²³

The automotive production process involves a number of stages prior to final assembly. Figure 1.1 shows that raw materials go through different workshops in a sequence of operations. Several major productions are involved in stamping of steel metal to form body panels, casting of engine blocks, forging of high-strength parts, and manufacturing of other parts. Thousands of parts are sub-assembled in different stages before the final assembly, such as body assembly, engine assembly, transmission assembly, paint body, engine dress and rear end assembly, etc. After completing all these stages, all assembly components are brought together for final assembly.²⁴

In a highly competitive market, efficiency, innovation and flexibility have been vital to the automotive industry. Organization and management of the above auto production system become the determining factors of success of auto makers. Automotive multinational corporations exploited their powerful production chains over

²³ Peter Dicken (1992). Global Shift: The Internationalization of Economic Activity. New York: Guilford Press. Chapter 9.

²⁴ Rhys Jenkins (1987). Transnational Corporations and the Latin American Automotive Industry. Pittsburgh: University of Pittsburgh Press, pp. 65-71

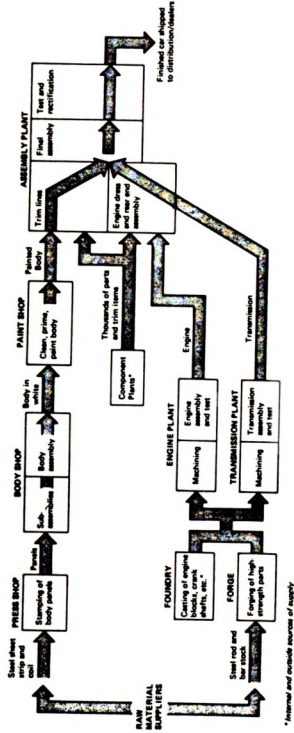


Figure 1.1. Automobile Production System--Sequence of Operations

Source:

Rhys Jenkins (1987). Transnational Corporations and the Latin American Automobile Industry. Pittsburgh: University of Pittsburgh Press, p. 66

the world.²⁵ Multinational corporations controlled the strategic elements of production process, such as research and development, capital, and marketing channels, which allowed them to divert the lower value production to other lower wage countries and form a vertical specialization across borders. Global factory model also allows multinational corporations to avoid heavy tariff imposed by the Third World countries. The Third World countries involved in labor-intensive low value standardized production become locked-in at the lower strata of technological ladder. Third World countries have little chance to upgrade their technological capacities, and local laborers are in the process of deskilling in the standardized production. Multinational corporations that embrace the global factory model also create social trauma to their own country. They created capital flight in old industrial heartland and shifted manufacturing jobs overseas. Deindustrialization process hits hard in many industrial cities, leaving deep economic and social crises in local communities that lead to urban decline.²⁶

In Richard Child Hill's study of Toyota City, he outlines a different automotive enterprise and state relationship. Hill argued that it is not the international division of labor per se that creates deindustrialization in local community, but rather the inability to innovate auto production system and company organization. Japan's management of human resources effectively utilizes her own labor to support continuous innovation in a job secure working environment.²⁷ In addition, the central and local governments are

²⁵ Richard Child Hill (1987). "Global Factory and Company Town: The Changing Division of Labour in the International Automobile Industry." Pp. 18-37 in Global Restructuring and Territorial Development, edited by Jeffrey Henderson and Manuel Castells. Beverly Hill: Sage Publications.

²⁶ Sharon Zukin (1991). Landscapes of Power: From Detroit to Disney World. Berkeley: University of California Press; and Joe T. Darden, Richard Child Hill, *et al.* (1987). Detroit: Race and Uneven Development. Philadelphia: Temple University Press.

²⁷ Robert S. Ozaki (1991). Human Capitalism: The Japanese Enterprise System as World Model. New York: Kodansha International.

responsible for the creation of an favorable institutional environment in which state and enterprises can cooperate to develop innovative production and effective labor systems. Japanese home-based export strategy was based upon three considerations: 1) high productivity; 2) domestically developed technology, and 3) expansion of reproduction through exports. It is obvious that the Japanese corporatist state-enterprise relationship is vital to the development of motor city. The Japanese motor city creates favorable environment for the auto production system to undertake efficiency, innovation, and flexibility.²⁸

Would similar capital logic apply to the organization of China's socialist auto production system and spatial arrangement? How did the Chinese local government respond to the central state's investment in automotive industrial development? The answers to these questions are based upon the role of the state in the structure of Chinese socialist city. In comparison with the state collective consumption of the Western capitalist state and the centralized state redistributive mechanism in Eastern European socialist state, the Chinese socialist state is organized in a more decentralized fashion and restrained in state collective consumption. Thereby, the discussions of Manuel Castells, and Richard Child Hill on capitalist state and of Ivan Szelenyi on socialist state are not directly applicable to the Chinese context. Furthermore, China's auto production system could neither attain efficient innovation nor flexible production.²⁹ As the Chinese socialist city is structured in institutional conflicts, there is striking difference from the Japanese corporatist state-enterprise relationship as suggested by Richard Child Hill. Thereby China's motor city is incompatible to all

²⁸ Kuniko Fujita and Richard Child Hill (1993). "Toyota City: Industrial Organization and the Local State in Japan." Pp. 175-202 in Japanese Cities in the World Economy, edited by Kuniko Fujita and Richard Child Hill. Philadelphia: Temple University Press.

²⁹ Eric Harwit (1994). China's Automobile Industry: Policies, Patterns, and Prospects. New York: M. E. Sharpe.

these theoretical traditions. This dissertation is attempted to draw upon the concepts of work units collective consumption and political logic to advance a different version of Chinese urban political economy.

D. Urban Political Economy of Transition from Chinese State Socialism

Some literature in Chinese studies have emphasized the historical root of the Chinese Communist Party (CCP).³⁰ The Chinese socialist urban development is closely related to the peasant-based CCP and the peasant revolution. The CCP successfully employed "villages encircle city" strategy and land reform in the rural area, and won widespread support from peasants.³¹ In 1939, 97 percent of the CCP memberships were from the rural.³² When the CCP liberated China in 1949, the new urban setting became a great challenge to the peasant-based Party. As Ezra Vogel observed, the temptation of city lives such as gambling, drinking, food, and prostitution could easily corrupt the Party members.³³ The Party members had to learn to live in cities and manage urban resources for socialist transitions.

To the CCP, the sole function of socialist city was to be its supporting role in industrialization. The structure of Chinese socialist city was constituted by the state strategies of industrialization. During the past four decades of socialist development, the CCP has been shifting state development strategy, exploring "genuine" form of socialist society. The CCP's vision of socialist society was very much affected by the

³⁰ Theda Skocpol (1979). States and Social Revolutions: A Comparative Analysis of France, Russia, & China. New York: Cambridge University Press.

³¹ Chalmers Johnson (1962). Peasant Nationalism and Communist Power. Stanford: Stanford University Press.

³² Victor C. Funnell (1971). "Bureaucracy and the Chinese Communist Party." Current Scene, 9:5(May 7, 1971):1-13.

³³ Ezra Vogel (1969). Canton Under Communism: Programs and Politics in a Provincial Capital, 1949-1968. Cambridge, Mass.: Harvard University Press, pp. 59-60.

peasant-based revolution, favoring mass-line development strategy and elimination of urban-rural distinction. In this sense, more state redistributive power was shared with lower rank administrative agencies in China than one expects in Eastern Europe where the centralized state redistributive mechanism was also exercised.

1. Conceptualization of Chinese Socialist City: Work Units (*danwei*) Collective Consumption

The salient characteristic of Chinese socialist city comes from the work units (*danwei*) collective consumption. Studies of work units described Chinese work units as miniature societies³⁴ which tended to minimize their contacts with urban system. Work unit is considered as political, social, and economic institution which assumes the cost of social reproduction within their own boundaries. For city dwellers, work unit is not only a wage-provider; it is also a source of welfare.³⁵ In a recent article written by Li Bin, Li delineated the comprehensive functions and historical origin of work units in Chinese socialist revolution. When the People's Liberation Army occupied the city of Beijing, large foreign and private enterprises were confiscated and turned into state-owned businesses under the administration of municipal industrial bureau. On the other hand, smaller private businesses were organized under a cooperative system. The major purpose of such transformation was to resume normal production and social order. As more new industrial enterprises are established under the CCP regime, work unit continues to become a basic social unit that provides care for its own workers and

³⁴ Brantly Womack (1991). "An Exchange of Views about Basic Chinese Social Organization." The China Quarterly, 126:313-332.

³⁵ Mayfair Mei-hui Yang (1989). "Between State and Society: The Construction of Corporateness in a Chinese Socialist Factory." The Australian Journal of Chinese Affairs, July 1989 (22):31-62.

family members.³⁶ Thereby, Chinese socialist city is a social system consisting of a myriad of work units, each responsible for its own collective consumption.

Work unit collective consumption is defined as investments in infrastructure and reproduction services in a specific territory occupied by a state- or collective-owned enterprise. The purpose of collective consumption is to provide stable production and reproduction of the socialist society by supporting the needs of workers and minimize the mobility of population. Work units' collective consumption in built environment is a major means of urban development, albeit, in a fragmented urban form in Chinese socialist city. Collective consumption increases the cost of production, which attracts more state resources to work units through a bargaining process with superordinates.

Industrial work units are dependent on resource allocation from supervising agencies, ensuring self-reliant manufacturing with little division of labor within the city. In China's ideology of socialist development, items of collective consumption are considered "non-productive investment." The central state refrains from "non-productive investment" in order to pour more state capital into industrial development. However, once an industrial work unit is established, the responsibility of maintaining production and reproduction activities are taken up by the work unit. As Figure 1.2 shows, the central state concentrated state resources on large-scale industrial projects, whereas the municipal governments received less state funds for urban development. In turn, the municipality concentrated city resources on establishing the municipal industrial system. Accordingly, each of the municipal industrial work units could engage in collective consumption in their own territories.

³⁶ Li Bin (1993). "*Danwei* Culture as Urban Culture in Modern China: The Case of Beijing From 1949 to 1979." Pp. 245-52 in Urban Anthropology in China, edited by Greg Guldin and Aidan Southall. New York: E. J. Brill. A more detail discussion of the historical origin of *danwei* in the Great Production Campaign during the Yanan Period (1935-45) can be found in Xiaobo Lu (1994). "Organizational Involution and Official Deviance: A Study of Cadre Corruption in China." University of California, Berkeley, Ph.D. dissertation.

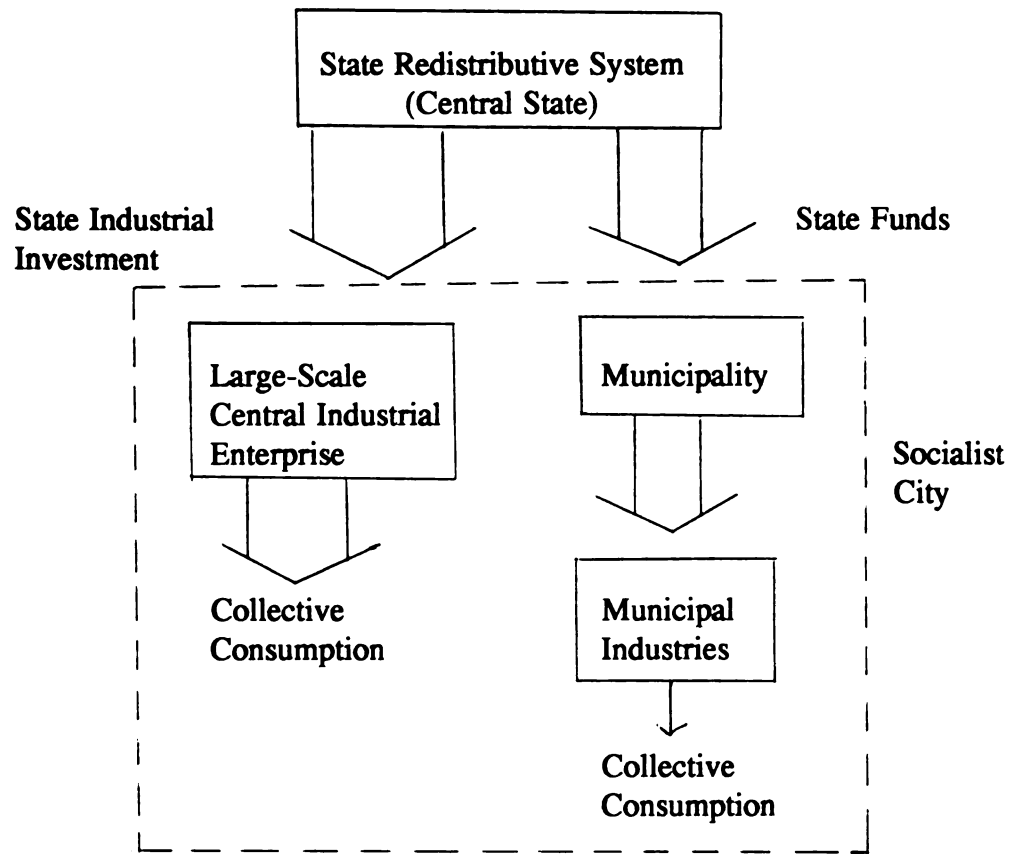


Figure 1.2. Workunits Collective Consumption in China's Socialist Producer City

Industrial work units are organized along the state bureaucratic system of central, provincial, municipal, and county levels of authority and divided into numerous industrial ministries and departments. Industrial work units are heavily dependent on material supplies from their superordinates with very little from local government.³⁷ The industrial work units are thus compartmentalized within the city, with little horizontal coordination among them. Instead of an integrated urban system, the Chinese socialist city is a congregation of discrete work units forming independent local communities of their own. China's scholars tried to capture this pattern by describing the Chinese socialist system with the concepts, economic cellularization and social encapsulation.

a. Economic Cellularization

Economic cellularization is a concept used to describe the continuity between Chinese traditional society and Chinese socialist society. The relationship between central and local governments is constructed in a dialectic relationship of dependency and self-reliance. Local governments tend to depend on material support from the central state in Beijing while a centrally controlled bureaucratic system of industries is created in their territories. As a result, numerous local economic systems emerge in a locality. Audrey Donnithorne described this system as "cellular economy."³⁸

The Chinese cellular economic structure creates a decentralized local management system. In any given locality, work units, vertically administered by the central state bureaucratic system, operate independently in the local urban system. In

³⁷ Andrew Walder offered an institutional theory of stratification based upon the hierarchical fiscal structure of state. See Andrew G. Walder (1992). "Property Rights and Stratification in Socialist Redistributive Economies." American Sociological Review, 57:524-39.

³⁸ Audrey Donnithorne (1972). "China's Cellular Economy: Some Economic Trends Since the Cultural Revolution." China Quarterly, 52:605-19.

this respect, individual and social groups are incorporated into a hierarchically organized system, rather than belonging to social institutions organized horizontally by local government.³⁹ The vertical relationship is vital to the socialist production units because verticality is the channel of national resources in a hierarchical social exchange system.

Since 1978, the market socialist policy has created new institutional arrangements in localities. Work units, especially in lower level of government such as county, township, and village, are regrouped into what Jean C. Oi described as local state corporatism. Local cadres have assumed new roles as entrepreneurs channeling local resources to support the development of local enterprises. Such institutional restructuring provided a corporatist nature of local communities; nevertheless, it reinforced the cellular economy through the rise of local protectionism.⁴⁰ Local state corporatism seems to be more effective in a lower level of government than one expects in municipality. As Andrew G. Walder stated "the small scale of local industrial bases provide more intense financial incentives and budgetary constraints while at the same time affording officials a stronger capacity to monitor and sanction the performance of managers."⁴¹

b. Social Encapsulation

At the micro level, each work unit is a comprehensive sociospatial unit for organizing the urban population. E. M. Bjorklund outlined the sociospatial

³⁹ Gordon White (1993). Riding the Tiger: The Politics of Economic Reform in Post-Mao China. Stanford: Stanford University Press, p. 200.

⁴⁰ Jean C. Oi (1992). "Fiscal Reform and the Economic Foundations of Local State Corporatism in China." World Politics, 45: 99-126.

⁴¹ Andrew G. Walder (1994). "The Industrial Organization of Zouping County: Agency and Ownership in Local Public Enterprise." Paper presented in the Annual Meetings of the Association for Asian Studies, Boston, March 24-27, 1994.

characteristics of work units in Chinese urban system as follows.⁴² According to him, the major difference of Chinese socialist work units and capitalist private enterprises is that the former responded not to market demands and efficiency of production but rather the socialist work units reacted to the state redistributive mechanism by maximizing their bargaining power. They did so by expanding the scale of production and pursuing self-reliant production system instead of entering complicated division of labor in order to attain more efficient production. As a result, specialization within city economy is limited to the lowest degree and the urban industrial system is fragmented. This situation was aggravated when the central state stressed self-reliance for national defense reasons. Low specialization of urban system is said by the Chinese to lower reproductive costs and at the same time attain effective social control. The self-reliant work unit becomes an urban commune that provides jobs and welfare for its work force. In the state sector, employees tended to stay in the same enterprises for life and so did their children as they could inherit their parents' jobs. Individuals and groups are encapsulated within the work units that could provide stability but kept them immobile.⁴³

Work unit collective consumption creates inefficient industrial production in Chinese socialist cities. The systems require high state investment in return for a declining accumulation rate. The central state was caught in a fiscal difficulty finding it hard to finance "productive investment" without depressing other urban infrastructure.

⁴² E.M. Bjorklund (1986). "The *Danwei*: Socio-Spatial Characteristics of Work Units in China's Urban Society." *Economic Geography*, 62:19-29.

⁴³ Andrew G. Walder (1986). Communist Neo-Traditionalism: Work and Authority in Chinese Industry. Berkeley: University of California Press.

2. Structure of the Chinese Socialist City

The structure of the Chinese socialist city is determined by the work unit collective consumption system. The Chinese communist state's policy after the Liberation in 1949 was to transform the "consumer city" to a "producer city" to serve socialist nation building. In this respect, the Chinese socialist city differed from the capitalist city in its suppression of consumption. This concept of the socialist city inevitably created an industrial bias, and underplayed the development of urban infrastructure during Mao's era.⁴⁴ As indicated in Figure 1.3, industrial work units at different administrative levels coexist within the boundary of the city. Industrialization meant adding industrial work units. A larger-scale industrial base within city increased a municipality's political bargaining power with superordinates over the state allocation of resources. New work units expanded the urban land area and aggravated fragmentation in the urban system. In short, industrialization created a cellular production system, dividing the city into discrete work units.

a. Production over Consumption

The Chinese central state has repeatedly demanded sacrifice from municipalities for industrialization programs. After decades of continuous industrial growth, there is a wide range of industrial urban patterns inherited from different state development strategies.⁴⁵ For instance, during the First FYP, central planners put industrial projects in the former colonial cities and took advantage of the relatively good urban infrastructure in order to reduce state investment. Even in the Third Front Industrialization program during the Cultural Revolution, industrial projects were

⁴⁴ Rhoads Murphey (1980). The Fading of the Maoist Vision: City and Country in China's Development. New York: Methuen.

⁴⁵ Frank Leeming (1985). "Chinese Industry--Management Systems and Regional Structures." Transaction of the Institute of British Geographers, 10(1985):413-26.

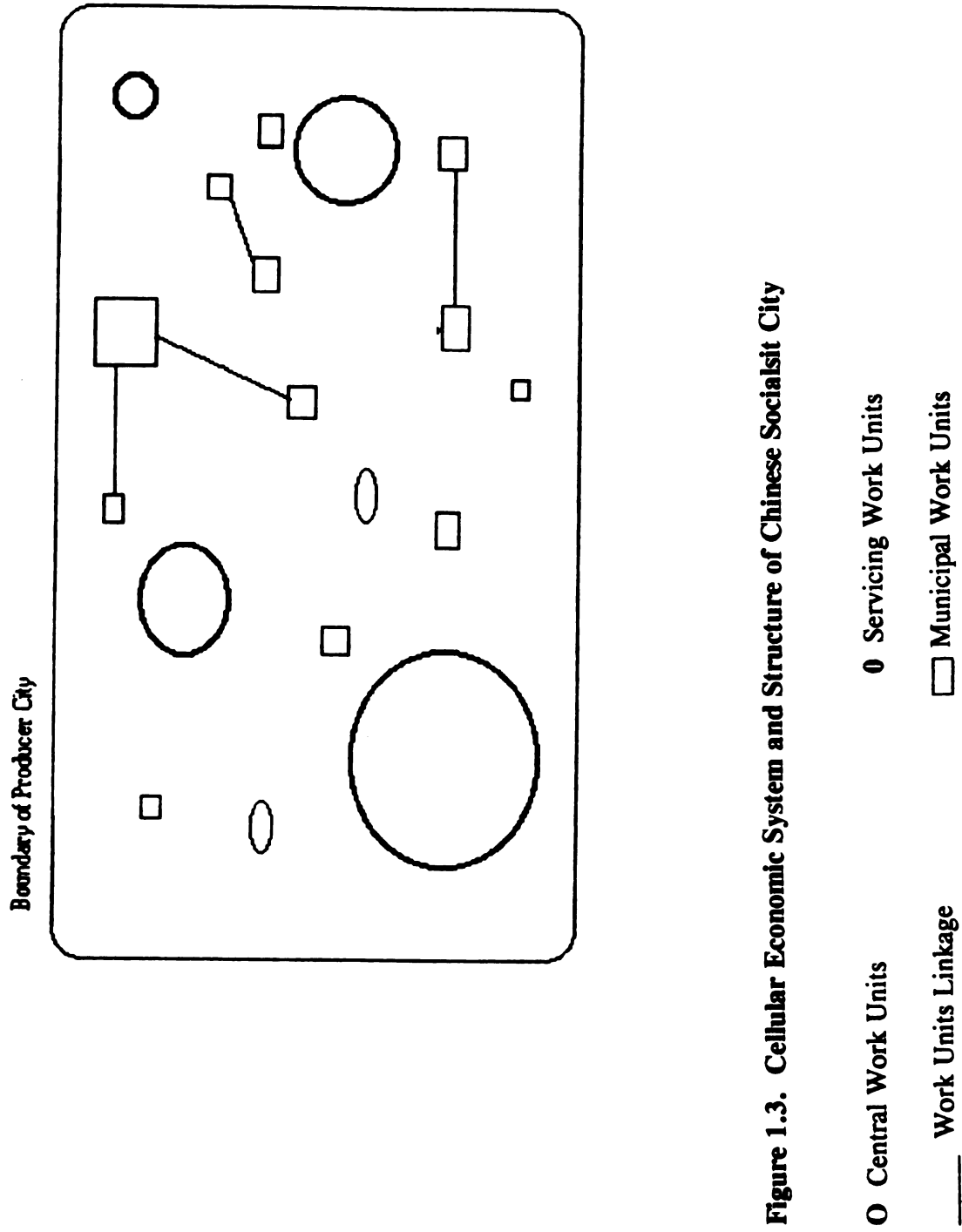


Figure 1.3. Cellular Economic System and Structure of Chinese Socialist City

located in the remote mountainous area. The "industrialization with minimum urban investment" principle brought about the "Daqing" model of ruralized industrial communes.⁴⁶ During Mao's era, the imbalance in industrial and urban development was apparent.⁴⁷ In a Chinese saying, it is the imbalance between "flesh" (*rou*) and "bone" (*gutou*). The underdevelopment of urban infrastructure is like lacking "flesh" to support the operation of "bone," which refers to industrial development within an urban organism.

The imbalance between urban and industrial development was aggravated by the uneven development between industrial and urban state bureaucratic systems. With the suppression of urban development, the urban administrative system was eliminated in November 1960.⁴⁸ Under the Chinese system, state bureaucracy is like a bank account that demands state resources. Eliminating the urban administrative system is like closing an item of state expenditure. However, this state policy totally ignored the importance of municipal coordination in the urban system. This problem also indicates the ambiguous position of an urban administrative department. Under the economic cellular system, work units took care of their own territories, which in fact crippled local horizontal coordination. In addition, urban land was available for work units without charge. The urban administrative department did not have any clear function in this self-reliant economic system. Elimination of the urban administrative institution indicated a structural fault in the ruling body.

⁴⁶ R. Yin-Wang Kwok (1981). "Trends of Urban Planning and Development in China." Pp. 147-93 in Urban Development in Modern China, edited by Laurence J. C. Ma, and Edward W. Hanten. Boulder, Colorado: Westview Press.

⁴⁷ R. J. R. Kirkby (1985). Urbanization in China: Town and Country in a Developing Economy 1949-2000 AD. New York: Columbia University Press, pp. 10-8.

⁴⁸ Dangdai Zhongguo de chengshi jianshe (Contemporary China City Construction) (1990). Beijing: Zhongguo shehui kexue chubanshe, p. 80.

b. Self-reliant Neighborhood Unit

The weak urban bureaucracy and self-reliant work units constitute a decentralized urban system. Chinese cities are organized into self-reliant neighborhoods designed for social and political involvement as well as carrying out production. A city is organized in district and street offices. Under each street office is ten to twenty residents' committees that routinely carry out essential day-to-day services. Their functions include supervising social services and welfare tasks, such as employment offices and nurseries. Residents' committees also transmit governmental edicts, channel complaints upward, mediate local disputes, enforce birth control, and report suspicious activities or persons.⁴⁹ During the Cultural Revolution, residents' committees were transformed into revolutionary committees which played a crucial role in integrating neighborhoods through a common political outlook and mutually supportive behavior.⁵⁰

Larry Sawers found that Soviet cities organize neighborhoods differently.⁵¹ The Soviet urban system is planned with "microdistricts," service delivery areas, rather than social or political units. Soviet cities are dominated by central administrative districts with intensive land use patterns. The guiding principle of Soviet planning was efficiency in the organization of production, consumption, and administration. The Soviet urban system allocates more control to local governments, and engenders more coordination between industrial and urban development. There is a clear division of labor between municipality and industrial work units; the former coordinates

⁴⁹ Martin King Whyte and William L. Parish (1984). Urban Life in Contemporary China. Chicago: University of Chicago Press.

⁵⁰ Janet Weitzner Salaff (1971). "Urban Residential Communities in the Wake of the Cultural Revolution." Pp. 289-323 in The City in Communist China, edited by John Wilson Lewis. Stanford: Stanford University Press.

⁵¹ Larry Sawers (1977). "Urban Planning in the Soviet Union and China." Monthly Review, 1977, 28(10):34-48.

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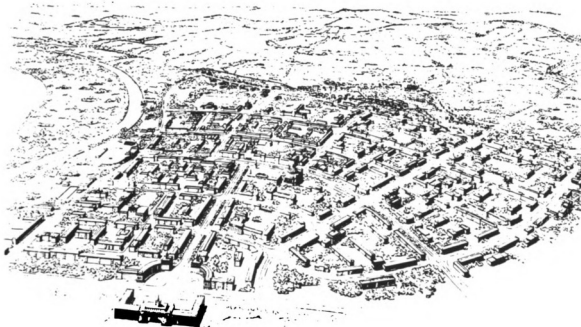
reproduction and the latter, production. In this system the municipal authority implements socialist urban planning. As Map 1.1 shows, the socialist city of StalinStadt (Eisenhüttenstadt) in the former East Germany was designed in conformity with the Soviet prototype. The master plan reveals uniform density of settlement from edge to core. Large open spaces in the center of town are for political congregation or military parade during May Day.⁵²

The difference between the Soviet centralized urban form and Chinese decentralized spatial pattern indicates ideological differences about state administration between the two socialist countries. The Chinese communist state had long feared that centralized planning and management systems would put workers under a new type of exploitation. In his 1956 speech "On the Ten Major Relationships," Mao called for enhancing the initiative of local governments, enterprises, and workers. However, Mao's proposal stimulated only the initiatives of work units and of local governments in their collective consumption territories, resulting in inflation of production costs and inefficiency through the proliferation of local industrial facilities in chaotic fashion.

IV. Theoretical Framework for the Study of Variations of Chinese Motor City

The motor city is one of the specialized producer cities embodying the general structure of Chinese socialist city as discussed above. However, the motor city also contains peculiar characteristics because of the complicated auto production system. Because the Chinese automotive enterprise performs a significant role in keeping social, economic, and political order in the socialist city, it is strikingly different from the capitalist automotive plants suggested in Richard Child Hill's studies. In Hill's findings on the Japanese motor city, for instance, capitalist automotive plants organize according to a capital logic by engaging in a cost saving, just-in-time subcontracting

⁵² Spiro Kostof (1991). The City Shaped: Urban Patterns and Meanings Through History. London: Thames and Hudson, p. 28.



Map 1.1: The Socialist City of Stalinstadt (Eisenhüttenstadt) in Former East Germany

Source:

Spiro Kostof (1991). The City Shaped: Urban Patterns and Meanings Through History.
London: Thames and Hudson Ltd., p. 28, Map 22.

system. The local government tries to create favorable institutional environments for the automotive plants by offering collective consumption. Spatial pattern in the capitalist motor city is therefore jointly shaped by the efficiency of auto production system and state governed development. In China, cost saving production is considered negative advantage to the automotive enterprise because it would reduce state subsidies. Because the Chinese socialist economic system rewards inefficiency, the automotive enterprise had no incentive to pursue an efficient subcontracting system. The automotive enterprise was organized in a self-sufficient fashion including collective consumption within the plant's boundary. While the local government was supposed to create a favorable collective consumption environment for the automotive enterprise, in reality, the municipality withheld its resources from the automotive system. Thereby the spatial pattern of Chinese motor city was constituted by an inefficient state redistributive system and political conflicts within the urban system.

Figure 1.4 presents a framework to explain the variability of motor cities in the Chinese state socialist system. In this framework, urban development is jointly determined by the state development strategy and the enterprise organization. To the central state, building industrial work units in localities is a significant part of creating the socialist society. However, how the automotive enterprise should be organized and constructed is determined by the state development strategy. The central state formulated guiding principles, assumed leadership, and provided investment capital as well as related resources to the automotive enterprise. The central state exerted similar influences on urban development. However, industrial enterprises have higher priority in the state redistributive system than the municipality, and the city is supposed to assume a supporting role for industrial development. So, in addition to direct influences from the central state, the relationship between the automotive enterprise and local urban system is vital to the formation of the sociospatial pattern of the motor city.

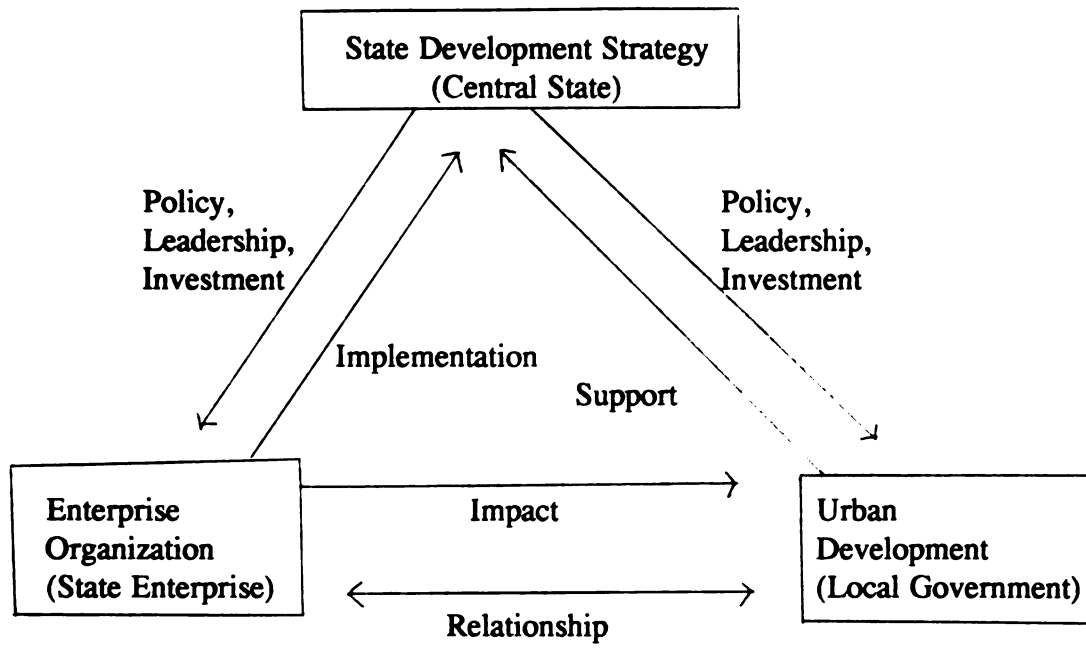


Figure 1.4. General Development of Chinese Motor City

Based on this scheme, the three major factors covered in this dissertation are 1) state development strategy; 2) enterprise organization; and 3) relationship between enterprise and city. To analyze the empirical realities of Chinese state activities, definitions and indicators are discussed in the following sections.

A. State Development Strategy

State development strategy is a plan for nation building created by the central state according to its international relations and dominant ideological vision of socialist society at the time. Socialist ideology determines the role and organization of the state system. One important role of the state system is the allocation of resources.

State development strategies adopted by the Chinese communist state over the past four decades have oscillated between centralization and decentralization. Some social scientists argue that there is a cyclical pattern of development in China. Edward Friedman, for instance, says the closed Leninist state system is governed by an inherent contradiction. As Friedman put it, in China

every political opening has been quickly followed by a tightening. But the political closure causes economic losses, the correction of which requires a reopening that in turn carries political costs that cause another closure.⁵³

The socialist system lacks a coherent formula for development. It allows an ample gray area for the interpretation of communism. Factions in the Chinese communist state embraced different developmental blueprints engaged in intense power struggles over development strategy. The literature in China's development identifies three major factions: 1) bureaucrats; 2) radical Maoists; and 3) market reformers. Jack Gray observed in the early 1970s that the development of China was governed by two

⁵³ Edward Friedman (1989). "Theorizing the Democratization of China's Leninist State." Pp. 171-89 in Marxism and the Chinese Experience, edited by Arif Dirlik, and Maurice Meisner. Boulder: Westview Press, p. 171.

camps: the bureaucrats represented by the National Chairman Liu Shaoqi and the radical Maoists led by the CCP Chairman Mao Zedong.⁵⁴ The major concern of bureaucrats was how to establish a centralized state redistributive system so that state plans could be carried out. However, the radical Maoists were fed up with the centralized command system. The class-conscious radical Maoists tried to ensure peasants and workers a part in the decision making process. Thereby, the bureaucrats preferred centralization; the radical Maoists valued decentralization. Nevertheless, the first three decades experience proves that neither approach was able to improve the efficiency of economic institutions. The state enterprises pursue expansion of their inefficient and self-sufficient production systems in order to gain bargaining power in the state bureaucratic system.

Given this background, market reformers have launched revolutionary changes in economic institutions aiming to break the political logic so that state enterprises could be restructured to efficient production. Victor Nee theorized the Chinese market transition positing that as the national economic system is more dominated by market coordination, the less likely economic transactions will be embedded in networks dominated by cadres, and the more likely power, i.e., control over resources, will be located in market institutions and in social networks of private buyers and sellers.⁵⁵ A market transition thereby would bring about redistribution of power in Chinese society. Nee postulated that the direct controllers of the state redistributive mechanism will experience a loss of power over national resources. As political benefits decline, the value of economic advantages rises. In this transition period, those cadres who possess

⁵⁴ Jack Gray (1973). "The Two Roads: Alternative Strategies of Social Change and Economic Growth in China." Pp. 109-157 in Authority Participation and Cultural Change in China, edited by Stuart R. Schram. London: Cambridge University Press. When Gray published this article in 1973, market reformers had not emerged to be a major faction. Market socialist reform was started in 1978.

⁵⁵ Victor Nee (1989). "A Theory of Market Transition: From Redistribution to Markets in State Socialism." American Sociological Review, 54:663-681, p. 668.

political capital may take advantage of their remaining influence to integrate with the marketized firms.⁵⁶

The attention of this dissertation is not focused on the power struggle among major factions over development strategy. Instead, three distinctive development strategies are singled out in chronological fashion and a cluster of characteristics is identified with each. The three development strategies studied in this dissertation are: 1) the First FYP Industrialization (1953-57); 2) the Third Front Industrialization (1964-76); 3) the market socialist transformation (1978-present). These three development strategies by no means exhaust the CCP's developmental history. For instance, the Great Leap Forward (1958-60), the Recovery Period (1961-65), and the Western Leap Forward (1976-78) are not discussed here. Nevertheless, I believe the three development strategies in this study have the most far reaching effects and thereby provide meaningful contexts for historical comparative study of motor cities.

B. Organization of Chinese Automotive Enterprise

The organization of automotive enterprise refers to the principle of organization adopted by the state development strategy. The development strategy determines enterprise management and organization of the auto production system. Enterprise organization is vital to urban development because it determines the spatial pattern and land use within the city, and reveals the distribution of power among social institutions in the local urban system. Over the four decades of automotive development, the organization of enterprise has been restructuring along the following dimensions: 1) concentration - dispersal; 2) vertical command - bottom-up methods; 3) scientific

⁵⁶ Victor Nee (1992). "Organizational Dynamics of Market Transition: Hybrid Forms, Property Rights, and Mixed Economy in China." *Administrative Science Quarterly*, 37(1992):1-27.

management - mass-line management; and 4) large-scale mass production - small-scale handicraft manufacture.

Variations in automotive enterprise organization are determined by the vision of socialist society prescribed by the state development strategy. Since industrial work units function as the cells of socialist society, work units are one of the first social institutions to be reformed whenever there are changes of state development strategy. The organization of automotive enterprises differed greatly according to the above dimensions. During the three periods, automotive enterprises had distinctive methods of land use, constituting different spatial patterns. Each spatial pattern reveals a particular type of automotive enterprise, each operating somewhat differently in production and reproduction activities.

The bureaucrats in the First FYP Industrialization applied the so-called branch principle (*bumen*) to create a straight vertical chain of command for each branch of government.⁵⁷ The First Auto Works (FAW), built during this period, was centrally administered by the First Ministry of Machine Building in Beijing. The FAW's auto production system is organized in a concentrated, self-sufficient fashion. From the radical Maoist perspective, the state bureaucratic system established under the branch principle served to exploit workers and discontinued the revolution. The Maoist organization of the automotive industry took the "Daqing (or Taching) Model," which called for dependence on the human force of the mass-line instead of the leadership of bureaucrats.⁵⁸ The Second Auto Works (SAW) was established during this period and the Third Front Industrialization was organized in a dispersed self-sufficient pattern. In

⁵⁷ Franz Schurmann (1970). Ideology and Organization in Communist China. Berkeley and Los Angeles: University of California Press, p. 89

⁵⁸ "Taking the Road of Taching, Run a Taching Type Enterprise: An Investigation Report on the 'in Industry Learn from Taching' Movement Launched by Changchun No. 1 Automobile Works." Renmin ribao (People's Daily), September 23, 1971, in SCMP 4990, MP 71-40, p. 113.

addition to the different land use patterns between the FAW and SAW, power relationships were also significantly different.

C. Relationship between Automotive Enterprise and City

During four decades of industrial development, the relationship between industrial enterprises and cities has been one of the main factors shaping socialist society. Changes of such relationship lie along the following dimensions: 1) independent - dependent; 2) hierarchy - egalitarianism; and 3) direct impact - indirect impact.

Variations depend on the kind of supporting role the Chinese socialist city plays for the automotive enterprise. The automotive enterprise has had very little economic impact on the motor city, compared with its political influence. Nonetheless, there are a wide range of variations along these continuums.

The relationship between the automotive enterprise and city during the First FYP Industrialization revealed an administrative contradiction. The municipality was instructed by the central state to provide material and human support for the construction of a self-reliant automotive enterprise. However, channeling resources to the automotive system was against the interest of the local government, although short-term loss may induce long-term gain since the completion of the automotive enterprise could strengthen the municipality's bargaining power for more state resources. The relationship of the automotive enterprise and motor city during the Third Front Industrialization indicates another institutional arrangement. The influence of central ministry over the automotive enterprise was substantially reduced, which allowed the local government a stronger role. However, such a decentralized organization created tremendous problems when it came to mobilizing the resources. In the Daqing Model, the municipality was disbanded and the automotive enterprise became both production

work unit and city administrative agency.⁵⁹ Under the market socialist transformation, the automotive enterprises have been restructuring into quasi-state conglomerates. The automotive conglomerates are driven by a profit sharing impetus that allows closer economic relationships between the automotive enterprise and the motor city. As Nee (1992) suggests, market transition has transformed the power networks of cadres into new local economic institutions. In sum, the market socialist transformation has restructured the social institutions such as the automotive enterprises as well as municipalities. A new form of the motor city is emerging, which may come to resemble more the capitalist pattern.

D. Variations among Chinese Motor Cities

The aforementioned theoretical framework provides a set of interrelated factors which can delineate a various types of motor city. The motor cities illustrated here are the spatial products of industrialization and urban development under different state development strategies. In Figure 1.5, three types of motor city in China are identified. Each of these motor cities is positioned on the dimension continuums according to its historically based developmental process. The three types of motor city revealed in this study are: 1) dual city; 2) dispersed city; and 3) enterprise city.

1. Dual City

A dual city is an urban form consisting of two separate and unequal parts revealed in spatial segregation. Unlike a dual city such as New York, where income

⁵⁹ The guiding principle of Daqing Model revealed in Yu Chiu-li (1977). "Mobilize the Whole Party and the Nation's Working Class and Strive to Build Taching-Type Enterprises Throughout the Country: Report at National Conference on Learning from Taching in Industry on May 4, 1977." *Beijing Review*, no. 22, May 27, 1977, pp. 5-23.

	[1] DUAL CITY First Five-Year-Plan Industrialization (1953-57)	[2] DISPERSED CITY Third Front Industrialization (1964-76)	[3] ENTERPRISE CITY Market Socialist Transformation (1978-Present)
STATE DEVELOPMENT STRATEGY			
<i>Socialist Ideology</i>	Bureaucratic Society	[11] [3]	[21] [2]
	Urban Society	[11], [31]	[21] [2]
<i>State Administrative System</i>	Direct Control	[11] [3]	[21] [2]
	Effectiveness	[11] [3]	[21] [2]
<i>State Redistributive System</i>	Direct Control	[11] [3]	[21] [2]
	Efficiency	[3] [11]	[2] [2]
	Mass Line	[2] [11]	[3] [2]
<i>International Relation</i>	International Integration	[3] [11]	[21] [2]
			Non-bureaucratic Society
			Rural Society
			Indirect Control
			Ineffectiveness
			Indirect Control
			Inefficiency
			Non Mass Line
			International Isolation

Figure 1.5. Variations of Chinese Motor City and Cluster of Characteristics

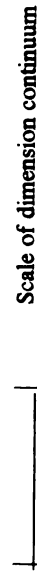


Figure 1.5 (cont'd)

ORGANIZATION OF AUTOMOTIVE ENTERPRISE

<i>Principle of Organization</i>	vertical Command	[11]	[3]	[2]	Bottom-up Mobilization
<i>Management</i>	Scientific	[11], [3]		[2]	Unscientific (Revolutionary)
<i>Production System</i>	Concentration	[11], [3]		[2]	Dispersal
<i>Scale</i>	large	[11], [2], [3]			Small

RELATIONSHIP BETWEEN AUTOMOTIVE ENTERPRISE AND CITY

<i>Dependency</i>	Independence	[11]	[2]	[3]	Dependence
<i>Social Relation</i>	Hierarchy	[11]	[3]	[2]	Egalitarianism
<i>Social Impact</i>	Direct Political Impact	[11], [2]	[3]		Indirect Political Impact
	Direct Economic Impact		[3]	[1], [2]	Indirect Economic Impact

inequality and racial segregation are the major characteristics of urban polarization,⁶⁰ the Chinese motor city, especially during the First FYP, was polarized by institutional inequality. Income inequality in China was minimized after the Liberation in 1949. The disparity in institutional collective consumption among work units brought about uneven development within the urban system. The automotive enterprise during the First FYP Industrialization program in the 1950s organized a concentrated courtyard style production district and workers' living quarters. The automotive enterprise was spatially isolated and independent from the rest of the city. The highly self-sufficient auto production system was partly due to the backwardness of China's industrial foundation. The city's industrial system was unable to provide effective subcontracting work for the automotive enterprise. In addition, the vertical state redistributive system disconnected the enterprise from the local urban system. The rest of the motor city, which did not receive as much state funds as the FAW, was underdeveloped for decades. Thus, work unit collective consumption inequality is the major structural factor contributing to the emergence of dual city in China.

2. Dispersed City

Spatial pattern of the dispersed city is guided by national defense and egalitarian principles. This type of city attains self-reliant industrial production in remote mountainous areas. Industrial facilities were scattered and built within valleys, and agricultural land was preserved as much as possible. This land use pattern hides industrial facilities from air surveillance and bomb attack by enemies. Disparities between urban and rural, workers and peasants, enterprise and municipality are supposed to be eliminated in this urban form.

⁶⁰ John Hull Mollenkopf and Manuel Castells (eds.) (1991). Dual City: Restructuring New York. New York: Russell Sage Foundation.

The decentralized automotive enterprise built during the Third Front Industrialization from 1964 to 1976 was organized through mass-line processes instead of the state bureaucratic system. Composed of automotive workshops and villages, the motor city area was largely filled by agricultural land and dispersed workshops within valleys. The relationship between the motor city and automotive enterprise was a cluster of relationships among local villages and automotive workshops. The municipality was a low ranking administrative office, whereas the automotive enterprise was the major ranking institution in the city. In comparison with the dual city, inequality in institutional collective consumption was minimized in the dispersed city. The standard of living of industrial workers was as low as that of the rural people. Automotive workshops formed alliances with local communes. Industrial workers and their family members took turns working in the fields with local peasants to grow foodstuffs and supply local consumption.⁶¹ Workshops also organized political studies and mobilized workers into militia for local defense. Work units and the motor city depended on mass mobilization. The citizen was "the *duomianshou*, the jack-of-all-trades, whose life would combine in equal measure the responsibilities of the worker, the peasant, the soldiers, and the student."⁶² The dispersed city is the product of a strikingly different method of organizing the labor process than was prevalent in the hierarchical dual city.

⁶¹ Chiang Shan-hao (1977). "Taching Impressions (IV): Combining Urban and Rural Life." *Beijing Review*, 22:24-27, 29.

⁶² Harry Harding (1987). *China's Second Revolution: Reform After Mao*. Washington, D.C.: The Brookings Institution, p. 18.

3. The Enterprise City

The enterprise city is dominated by a state enterprise.⁶³ Although the enterprise city shares the characteristics of work unit collective consumption with the dual city and the dispersed city, there are non-state allocated resources available for work units in the enterprise city. Work units no longer solely depend on the state redistribution system, as they can be motivated through profit-sharing schemes. This financial arrangement substantially expands the collective consumption capacity of work units and municipality. As institutional and individual consumption mount dramatically, they stimulate the city's economy. Thereby, the Chinese enterprise city is structurally different from the previous two motor cities, in the sense that the enterprise city places an equal emphasis on production as well as consumption.

The organization of auto production system in enterprise city shares similar characteristics with the dual city, and yet, the enterprise city depends on a different logic. The profit sharing mechanism has gradually transformed the inefficient, self-reliant production system. Currently, we can see more division of labor in industrial production as well as booming commercial sectors in the enterprise city.

V. Framework for the Historical and Comparative Study of Chinese Motor Cities

Four case studies of two motor cities are included in this historical comparative study. The four cases are prototypes of the three state development strategies. Each state development strategy created different institutional environments for the construction and transformation of automotive enterprises, and led to different spatial patterns of motor city development.

⁶³ For typologies of Soviet city, see Henry W. Morton (1984). "The Contemporary Soviet City." Pp. 3-24 in The Contemporary Soviet City, edited by Henry W. Morton and Robert C. Stuart. New York: M. E. Sharpe, Inc.

Figure 1.6 reveals the historical comparative framework for this study. The first case concerns the First Auto Works in Changchun (the dual city) in the First FYP Industrialization period from 1953 to 1957. The focus of the second study is the Second Auto Works in Shiyuan (the dispersed city) during the Third Front Industrialization from 1964 to 1976. The third and fourth case studies cover the restructuring processes of these two cities during the market socialist transformation in the 1980s. These four case studies represent the three major stages of Chinese socialist urban transitions. The Chinese communist state transformed the pre-liberated colonial city to dual and dispersed city after 1949, and to enterprise city during the market socialist transformation.

Map 2.1 (p. 52) shows the locations of Changchun and Shiyuan. Changchun is located in northeast China, which is geographically peripheral to the mainland but is close to the Soviet Union. Shiyuan is located in the mountainous region of the mainland. The Shiyuan region was underdeveloped because of transportation barriers but has been a historically famous rebel route. This dissertation concerns these two peculiar places where China's largest automotive production facilities are located.

VI. Contribution and Limitation of Dissertation

This dissertation, based on case studies of two Chinese motor cities, allows us to understand local political and institutional aspects of development under the transition from Chinese state socialism. This study contributes to the literature on local community studies in China. Historical comparative studies of these two motor cities also throw new light on changing spatial arrangements during the Chinese socialist transitions. This China's case study can add to the literature of urban political economy.⁶⁴

⁶⁴ John Walton (1993). "Urban Sociology: The Contribution and Limits of Political Economy." *Annual Review of Sociology*, 1993(19):301-20.

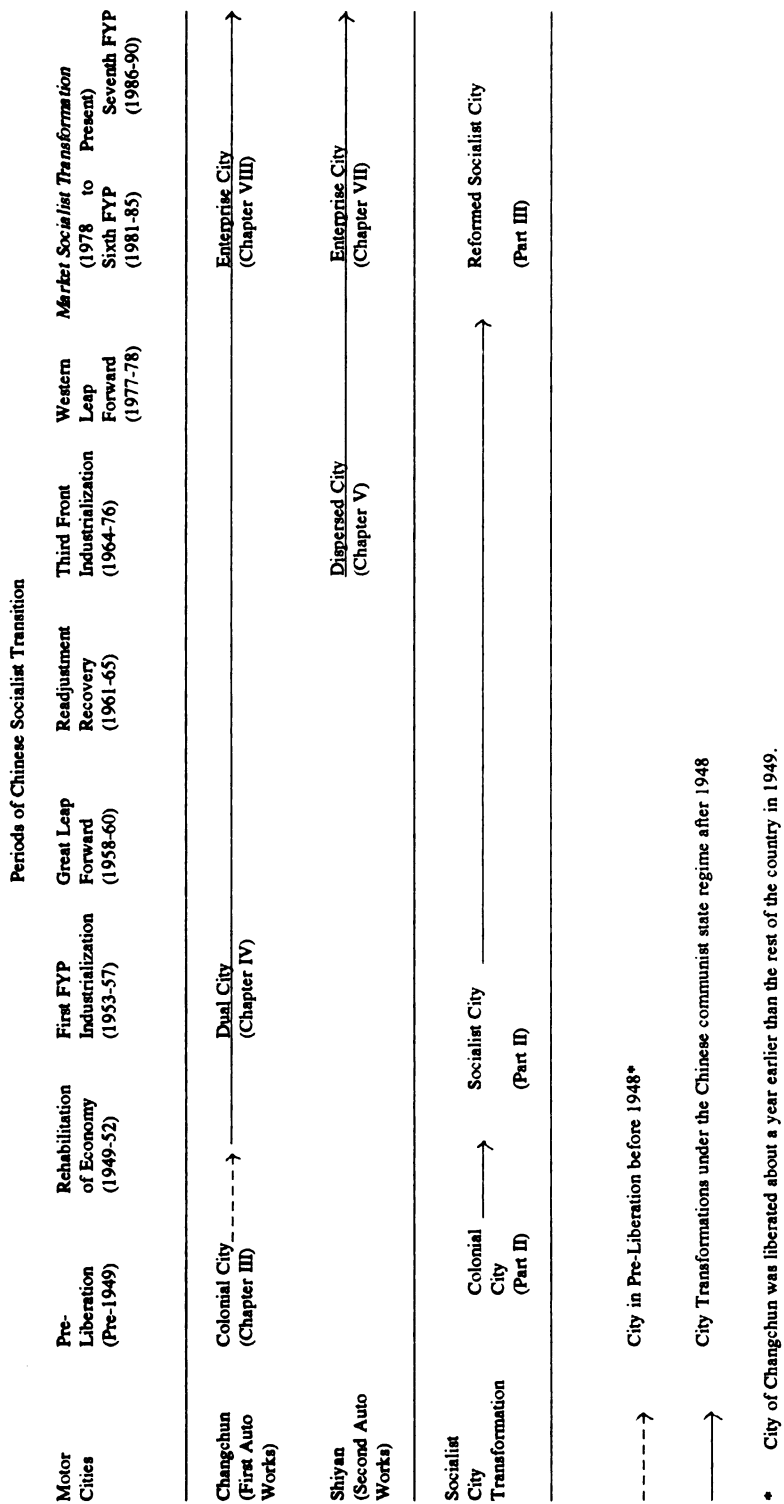


Figure 1.6. Framework for Historical and Comparative Study of Transformation of Chinese Motor Cities, 1953-90

But this case study of two large-scale "quasi-state enterprises" in the interior of China cannot capture the volatile changes of "marketized firms" along the coastal regions. I hope the strengths and weaknesses of this dissertation can stimulate more institutional study of urban and industrial development under the transition from Chinese state socialism in the future.

Research Methods

The subject matter of this dissertation concerns a historical development of two local communities. The data in this study covers a wide range of national political economy as well as automotive industrial development. This data provides background information for detailed analysis of local development from 1948 to 1990. Due to the scope of data extended over such a time span, the design of research in this study combines the strength of documentary and field methods. Given the historical comparative nature of this project, the data has been collected from different locations in the United States, Hong Kong, and the People's Republic of China (PRC).

The first section of this chapter focuses on the research process and the design of research. Section two provides a detailed report of documentary research and field works in China. The final section centers on data analysis.

I. Stages of Research

A. First Stage of Research (1986 to 1989)

Data collection of this dissertation was actually begun when I was a junior graduate student, working for Richard Child Hill from 1986 to 1988 as research assistant for a research project concerning China's automobile industry. Although the focus of this project was about developmental strategies of China's automobile industry, the extensive documentary research I was engaged in enabled me to develop an interest in specific automotive production system and urban development. In 1988, the idea of this dissertation started formulating. The research question in my mind was

how did the various institutional arrangements of China's industrialization affect local development and spatial patterns. I chose automotive industry as a case study not only because of my experience as research assistant, but also because I believed the industry can represent China's industrialization attempts. In the original idea of this project, I planned to study four automotive production centers that emerged from different state development strategies: the FAW in Changchun in the First FYP industrialization (1953-57); the Shenyang Automotive Plant in Shenyang during the Great Leap Forward (1958-60); the SAW in Shiyan during the Third Front industrialization (1964-76); the Shanghai-Volkswagen Automotive Corporation, a joint venture, under the Market Socialist Reform, (1982-present). In 1989, my proposal to conduct field research in China and Hong Kong was drafted. The original plan estimated that it would take one year to complete the research activities in China. Much to my disappointment, the crackdown of the 1989 pro-democracy movement in China deterred my plan of field research in China. However, after a year of observation, I decided to resume my project in the summer of 1990.

In order to carry out the research proposal, I needed to put myself into the network of personal connection. The general strategy for my field research was based on a snow ball method of introduction. I started with my friends here in East Lansing, Ann Arbor, and Detroit. Several American and Chinese friends, who were students, visiting scholars, researchers, and automobile businessmen, provided substantial assistance in introducing me to the concerned Chinese authorities.

In Figure 2.1, the first row illustrates the snow ball introduction process. Introduction is an important process in Chinese society. It includes both personal and official introduction. Both types of introduction always involves introduction letter. The letter states that I am a friend or a client of somebody and ask the concerned work units or individuals to provide help as much as they can. The difference between personal introduction and official introduction is that the latter is part of the rule of

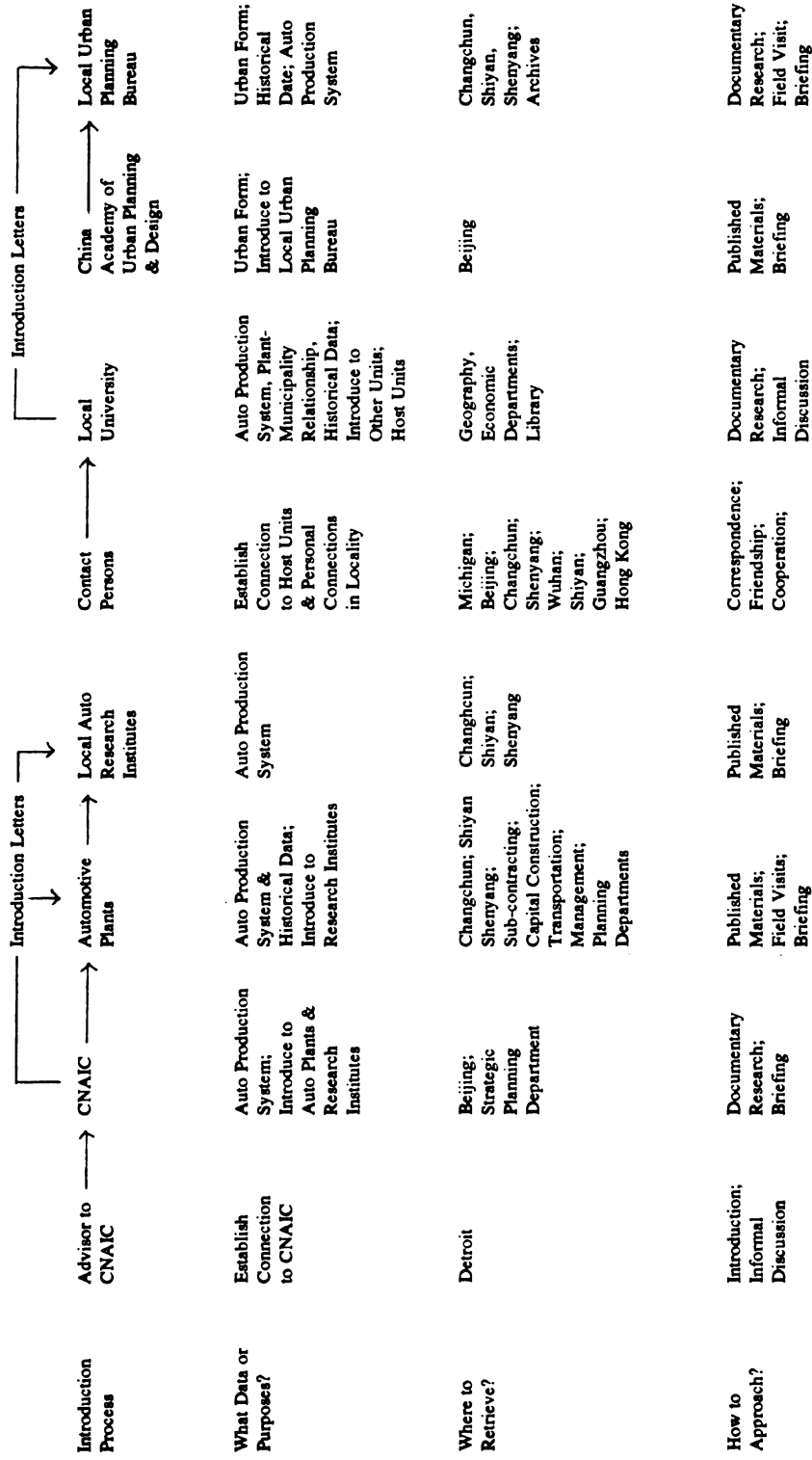


Figure 2.1. Initial Strategy for Field Research in 1989

state bureaucracy, and the former can put one into a personal network. As a university graduate student, it was easier for me to establish connection with China's universities. Through friends in the United States, I established contacts with local universities as my host units. Through them, I was introduced to local urban planning bureaus. However, a local university may not have direct connection with its local automotive plants, because large automotive work units have their own educational system and they do not need to have a close linkage with their local universities. In such a case, I had to establish a personal connection. An American advisor to the China National Automotive Industrial Corporation (CNAIC) assisted me in taking my research proposal and turning it in to the president of CNAIC personally during his business trip to China. I thought that through the CNAIC a central sub-ministerial (*fu buji*) agency for automobile industry could help me arrange field visits in local automobile plants. However, the CNAIC did not reply to my proposal. The American advisor later explained that there were two possible reasons for the unsuccessful approach. Firstly, in late 1990, the CNAIC was busy in formulating the Eighth Five-Year-Plan for automobile industry, therefore the president forgot to reply. Secondly, the president of CNAIC was newly appointed right after the 1989 pro-democracy movement, and she was considered a weak and conservative leader. Academic research like my project may be "inconvenient" (*bu fangbian*). I thought there may be another reason for the CNAIC's non-response. Beginning in late 1990 to 1991, Chinese conservative leaders in the central government had launched an "anti-peaceful evolution" (*fan heping yanbian*) campaign targeting the democratic and cultural influences from the West, especially from the United States. Under this political climate, my proposal was unlikely to be endorsed by a central sub-ministerial agency.

Fortunately, my application to the local universities through friends' introduction started to bear fruit. A few key universities in Changchun, Shenyang, Wuhan, and Shanghai accepted my requests to serve as my "host units" (*jiedai danwei*).

Some of them issued "letter of invitation" (*yaoqing xin*) so that I could formally apply for a visa from the Ministry of Foreign Affairs (a branch office in Hong Kong handling visa application) or from the China Embassy in the United States for one year of research in China. Having received support from local universities, I began to amend the field research strategy. In Figure 2.2, it shows that instead of going through the CNAIC, a top down introduction process, I relied solely on local introduction from universities and friends.

B. Second Stage of Research (1991)

My field research in China was carried out from June 1991 to December 1991. My original proposal underestimated two important things that resulted in shortening my one-year research plan into six months in China. Firstly, I underestimated the difficulty in transportation (both intra-cities, and inter-city) in China. Transportation is one of the most serious bottlenecks in China's booming economy. Due to the tight research budget, I used public transportation such as train, bus, and ship. Secondly, I overlooked the physical strength that it takes to do this sort of comparative field research. During the six months in China, I kept moving from one city to another. By the end of the trip, I was totally exhausted and needed to cut short the original plan. Nevertheless, I was able to complete three of the four cities I intended to study in my proposal. I dropped my last stop, Shanghai, but finished up Changchun, Shenyang, and Shiyang. Shenyang was later excluded in this dissertation because of lack of sufficient information concerning the city's historical urban development.

Map 2.1 shows the route I followed: Hong Kong, Guangzhou, Beijing, Changchun, Shenyang, Beijing, Wuhan, Shiyang, Wuhan, Guangzhou, Hong Kong. During the hot summer in June, I conducted field research in Northeast China and

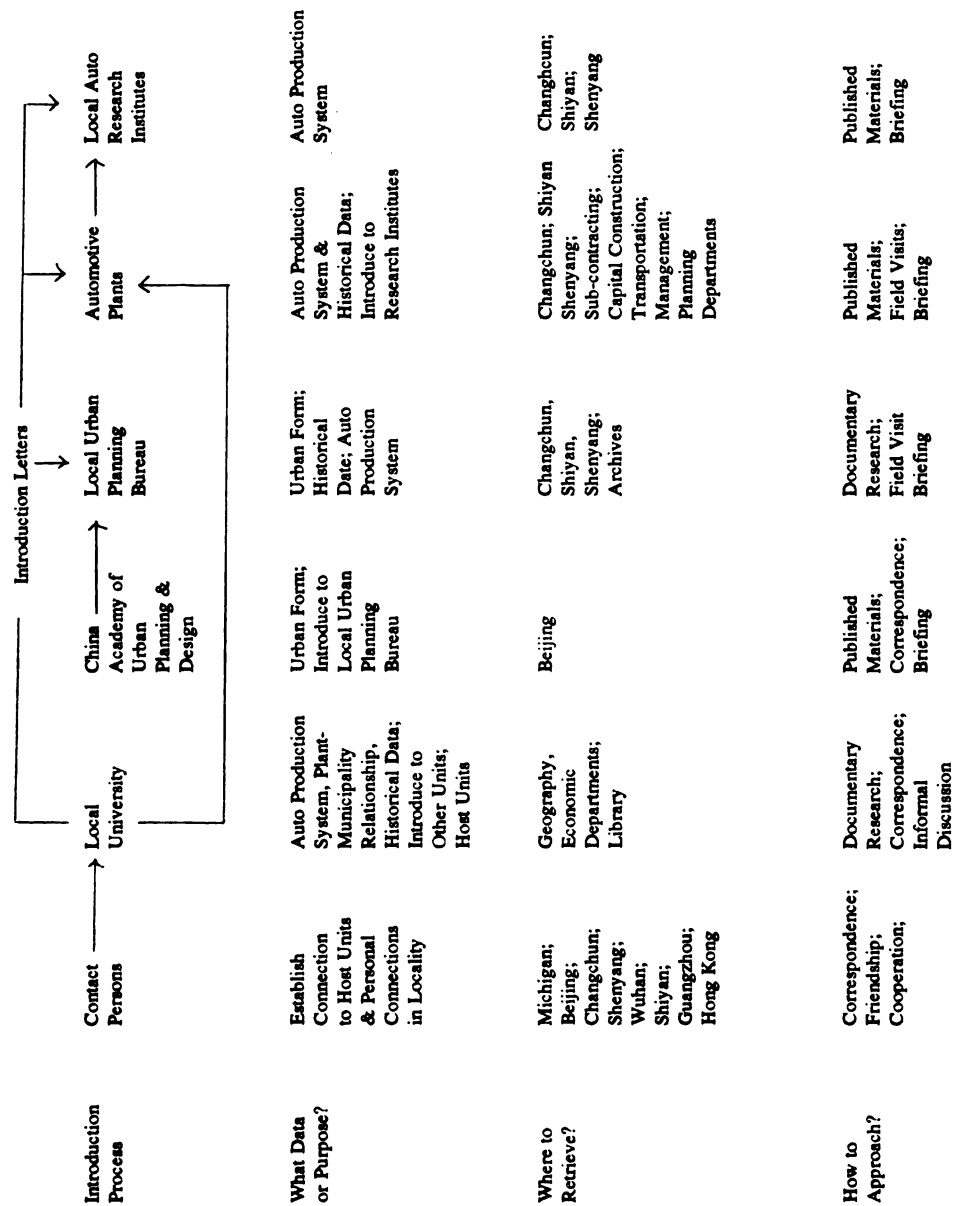
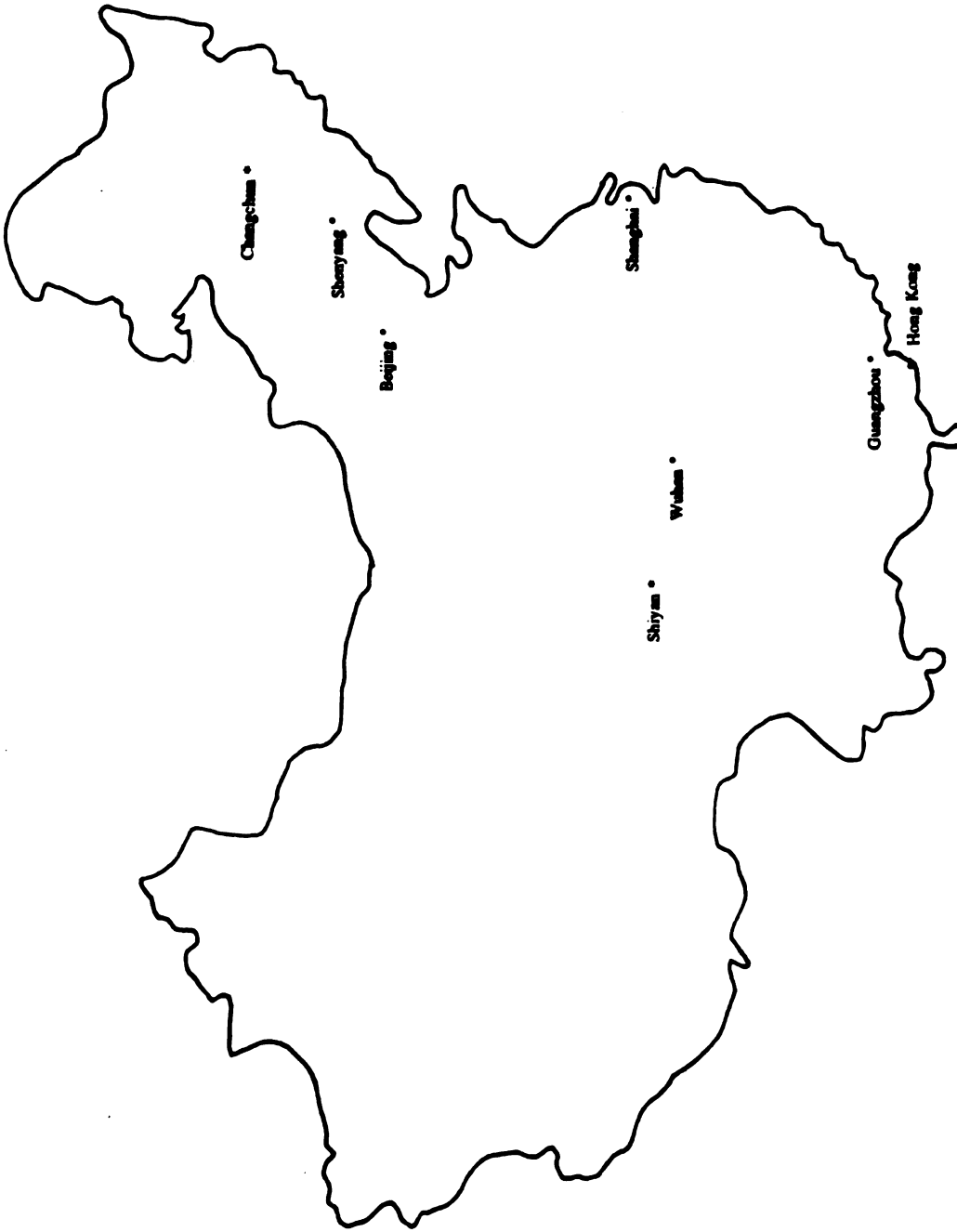


Figure 2.2. Strategy Changed in 1991 Field Research



Map 2.1. Locations of Changchun, Shiyuan and Other Field Research

avoided the southern cities such as Wuhan.¹ By December, I was conducting research in the south when the temperature in Northeast China had fallen to the teens. This field route proved to be essential because the underdevelopment of urban infrastructure in China could be a big hindrance to research activity.

Although the research focus was in Changchun, Shenyang, and Shiyan, I needed to stop by other cities such as Beijing, Wuhan, and Guangzhou. On the one hand, these cities are transitional points of the field route; on the other hand, documentary data could be collected in these cities. In Figure 2.1 or Figure 2.2, the third row shows the locations of data and the second row indicates the kinds of data needed. Although these figures provide only brief illustration, they were an important guide for the lengthy and complicated research process.

II. Documentary Research and Field Work in China

Bibliographical research has played an important role in China studies for the last few decades. Because China was not opened to the outside world during the Mao's era, western scholars had to depend on China's publications and radio broadcasting to trace the internal development.² Bibliographies are prepared for party meetings,³ urban, and provincial development. Collections on special topics, such as "red guard" publications during the Cultural Revolution, were compiled.⁴ Recently, more

¹ In summer, the temperature in Wuhan always stands around 110 degree with very little day and night temperature difference.

² Michel Oksenberg and Gail Henderson (1982). Research Guide to People's Daily Editorials, 1949-1975. Ann Arbor: Center for Chinese Studies, The University of Michigan.

³ Kenneth Lieberthal and Bruce J. Dickson (1988). A Research Guide to Central Party and Government Meetings in China 1949-1986. New York: M. E. Sharpe, Inc..

⁴ Raymond, N. Tang and Wei-yi Mao (eds.) (1966). "Source Materials on Red Guards and the Great Proletarian Cultural Revolution." Ann Arbor: University of Michigan; and "Red Guard Publications: A Check List." Washington, DC: Center for Chinese Research Materials, 1970.

documents are declassified and are available for research. Taking advantage of China's more open environment, my documentary survey tackles the unexplored territory of local archives for urban and industrial development.

A. Bibliographical and Documentary Research

Bibliographical and documentary researches are the major research methods to provide historical data concerning national and local urban as well as automotive industrial development. Beginning in 1986, I undertook an extensive bibliographical research on China's automotive industry both in English and Chinese language materials in the United States. But overseas bibliographical research can only retrieve national and provincial level information. The field research in China and Hong Kong aimed at accessing municipal data. There were few bibliographical tools to provide systematic search for municipal materials. Documentary research in local archives was based on catalogues. Thereby, based on the distinction of nature of information, research methods can be classified into: 1) bibliographical research for national and provincial materials; and 2) documentary research for municipal materials.

1. Bibliographical Research for National and Provincial Materials

Most of my bibliographical research conducted from 1986 to 1988 was based on the Asia Library of University of Michigan of Ann Arbor and Michigan State University Libraries (the Main Library, Art Library, Planning and Design Library, Business Library, Engineering Library, and Special Collection Library). I studied the development of the Chinese auto industry from 1953 to the present and collected information on the history of automotive development. The Chinese and English language materials in this project have been systematically collected through a series of indexes and bibliographies as follows:

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- 1) Foreign Broadcast Information Service Index
- 2) Infotrac
- 3) Predicasts F & S Index, International
- 4) Quanguo baokan suoyin (National Newspapers and Journals Index)
- 5) Renmin ribao suoyin (People's Daily Index)
- 6) Survey for China Mainland Press Index
- 7) Trantex (The index for Joint Publication Research Service)
- 8) The Provinces of the People's Republic of China: A Political and Economic Bibliography, edited by John P. Emerson et al. Washington, DC: US Government Printing Office, 1976.
- 9) Cities and City Planning in the People's Republic of China: An Annotated Bibliography, edited by Laurence J.C. Ma. Washington DC: US Department of Housing and Urban Development, September 1980.
- 10) Urbanization and Urban Planning in the People's Republic of China: A Selected Bibliography 1980-1988, edited by Jan Middelhoeck, Nijmegen: Kathalieke Universiteit, 1988.
- 11) The Geography of China 1975-1991: An Annotated Bibliography, edited by Roger Mark Selya et al. East Lansing: Asian Studies Center, Michigan State University, 1992.
- 12) Zhongguo renmin daxue fuyin ziliao zhongxin (Chinese People's University Material Center).

These bibliographical tools were helpful to locate historical data. This work was continued when I was in Hong Kong. Through the University Service Center of the Chinese University of Hong Kong, more materials were gathered.

The National Library of China (*Beitu*) in Beijing is probably one of the most resourceful libraries in China. It houses about 16 million volumes of books and materials. Those foreigners who have valid identity documents (passport, or foreign student pass) are eligible to use the library. The library has a fairly good catalogue system. Materials in this library are mostly national and provincial level. The major problem in this library is the very inefficient system. Because all books are kept in closed stacks, patrons have to fill in forms (maximum three requests at a time) and wait for about 30 minutes for search. It depends on patrons' luck, because many times the search result is "can't find it" or "checked out." The second problem in this library is photocopy. Again the photocopy machines are not open to patrons. Each patron needs

to fill in a form and wait in line for another 30 minutes for the service. Thus, documentary research in this library is very time consuming and unproductive.

2. Documentary Research for Local Materials

Documentary materials for local development can be found in municipal urban planning archives and municipal statistical bureaus, or through local publishers. These materials can be classified into the following three items:

a. Documents

Documents concerning urban development in the post-Liberation period were accessible in the local archives of urban construction. In the last few years, the central government has issued a new legislation to require municipalities to keep good records on urban development. Conditions of local archives of urban construction are various from city to city. Most of the librarians do not have formal training in cataloguing. These archives contain declassified documents, maps, speeches, blueprints, and city master plans. Patrons need to present official "introduction letter," get an approval from the head of municipal urban planning bureau, and pay user fee.

Documents from 1950 to 1964 are relatively easy to find. Information from 1965 to 1977, however, is totally blank. Much to my surprise, documents during the economic reform are mostly ranged from 1978 to 1982. The archives were having a hard time collecting documents from other departments because they refused to turn them over. Most of the medium and large-state enterprises have their own archives. Establishments of new archives institutionally obstructed the flows of departmental documents to municipal urban archives.

Most of the documents I reviewed are declassified materials. But the definitions of classified materials and "internal document" (*neibu jiliao*) are vague. It all depends

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on the librarians' subjective evaluation whether the documents can be available to foreigners or not. By and large, documentary surveys in local urban archives were quite fruitful. In one archive, I spent about 40 hours in taking notes. The archive discouraged photocopy by charging extremely high fee per page.⁵ Forty hours of documentary survey may mean spending one whole month in one archive: oftentimes the archives were closed because the librarians had to be involved in political learning twice a week for the "anti-peaceful evolution" campaign in 1991 and also attend departmental meetings, sport day, labor day special events, or take days off.

Local university library is another source for local materials. But university libraries generally have the similar problems mentioned in the National Library of China in Beijing. Among all sources available in China, local archives are probably the most worthwhile to try.

b. Statistical Data

Most of the publicly published municipal statistical yearbooks can be purchased from the *Zhongguo tongji chubanshe's* (China's Statistical Publisher's) retail outlet in Beijing. However, some of the municipal statistical yearbooks published by the municipal statistical bureaus are classified as "internal document" (*neibu jiliao*). In general, the "internal document" data is much more detailed than the China's Statistical Publisher's material. For example, city revenue, newly constructed houses, and value of housing are not fully mentioned in the publicly published materials. It is more valuable to gather the "internal circulated" materials. Municipal statistical bureau is usually located in municipal building. Some bureaus may be open for the foreigners with official "introduction letters." But the access to the data of these bureaus is much more restricted than that of the local archives.

⁵ In one archive, the librarian charged over a dollar for one page of photocopy.

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c. Books and Articles

Documentary research in this study also focuses on books and articles published by local publishers. In the past, publicly published books in China did not carry specific data and their contents were confined within the official ideology. Recently this trend has been changing. Some publicly published materials are aimed at compiling historical documents concerned with socialist transition⁶ and research reports on current economic reform.⁷ Each city, including large and small, and some counties are publishing gazetteers (*difangzhi*)⁸ reporting on the local development up until the 1980s. These materials open up a new opportunity for China scholars to pursue both new⁹ and old research topics that were left unanswered before.¹⁰

⁶ *Zhongguo zibenzhuyi gongshangye de shehuizhuyi gaizao: Liaoning juan, Shenyang fence* (Socialist Transformation of China's Capitalist Industries and Commerces: Liaoning Section, Shenyang Volume) (1992). Beijing: Zhongguo dangshi chubanshe; and Zhonggong Shiyan shiwei zuzhibu (1991). *Zhongguo gongchandang Hubei sheng Shiyan shi zuzhishi ziliao* (The Historical Materials of Organization of the Shiyan City of the Chinese Communist Party of Hubei Province). Wuhan: Hubei renmin chubanshe.

⁷ Zhang Jinsheng *et al.* (eds.) (1987). *Chengshi de weilai yu duice: 2000 nian Shenyang* (The Future City and Strategy: Shenyang in 2000). Shenyang: Liaoning daxue chubanshe; and Guowuyuan jingji jishu shehui fazhan yanjiu zhongxin (1988). *Yiqi zai gaige kaifang shiqi de jishu gaizao--laizi shengchan diyi xian de tiaocha baogao* (Technological Renovation of the First Auto Works in the Open Reform Period--Research Report from the Production Front Line). Shenzhen: Zhongguo caizheng jingji chubanshe.

⁸ *Shenyang chengshi jianshe dashiji (1044-1985)* (Chronicle of Shenyang City Construction [1044-1985]). Shenyang: Dangdai Shenyang chengshi jianshe bianji weiyuanhui, November 1988.

⁹ Stig Thogersen and Soren Clausen (1992). "New Reflections in the Mirror: Local Chinese Gazetteers (*Difangzhi*) in the 1980s." *The Australian Journal of Chinese Affairs*, 27:161-84.

¹⁰ Michael H. Hunt and Odd Arne Westad (1990). "The Chinese Communist Party and International Affairs: A Field Report on New Historical Sources and Old Research Problems." *The China Quarterly*, (122) June 1990:258-272.

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There are a few Chinese publishers' publication that contribute more to this study: *Zhongguo dangshi chubanshe* (Chinese Communist Party History Publisher), *Zhongguo shehui kexue chubanshe, dangdai Zhongguo congshu* (China Social Science Publisher, the Contemporary China Series), provincial *Renmin chubanshe* (provincial people's publisher), *Zhongguo tongzhi chubanshe* (China Statistical Publisher), and *Jixie gongye chubanshe* (Machinery Industrial Publisher). Most of these publishers have retail outlets in their cities. Researchers may visit their retail stores and check the local *Xinhua* Bookstores. It is also worthwhile to stop by the headquarters of local publishers or even visit their warehouses. If one can convince the guard in the front gate to get in, one may be able to talk to the editors of social science or history. My experience tells me that these editors and personnel are easier to communicate because of our similar background. They may introduce publications and even "internal circulated" materials to visitors. During my field trip, I visited over 40 Xinhua and retail stores. Some of them are located in city alleys where local taxi drivers have hard time finding them. Finally, large-state enterprises publish their own journals. It is useful to collect articles from these journals, the contents of which are mostly concerned with their own enterprises.¹¹

Another method to obtain local publications is to go through Hong Kong publication distributors. Some Hong Kong publication trading companies publish bi-weekly or monthly new publication lists and send them to readers. These publication trading companies play the role of putting the uncoordinated Chinese publications into a list available for ordering. Some trading companies are specialized in publishing "internally circulated" materials. But this kind of companies seem to be diminishing as 1997 approaches.

¹¹ *Qiyue daokan* (Enterprise Herald) is published by Second Auto Works, *Qiche gongye yanjiu* (Automotive Industrial Research), and *Qiyue yanjiu* (Enterprise Research) are published by First Auto Works.

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d. Others

Other important materials include maps, video, local newspapers and telephone directory. Usually the first thing I do when I arrive at a city is to get a detailed city map. Maps can be purchased from local Xinhua bookstores or even from newspaper stalls. There are many kinds of city maps, and some maps may locate most of the industrial work units in the city. Others may illustrate the city and county relationship. Nonetheless, for my field research project I needed to collect as many as I could. The municipal urban planning bureau or automotive enterprise may produce videos for publicity. Researchers might get a copy of it if they can.¹² Local newspapers usually keep track of the local party and government activities. Local newspapers can be subscribed through a host unit or borrowed from the host unit. Finally, telephone directory is an important source, for it provides a clue for the organization of local state bureaucratic system with its phone numbers. It is useful for field surveys.

B. Field Work

If documentary materials open a new opportunity to researchers, field survey is certainly another method that researchers can take advantage of.¹³ These days in China, researchers can travel relatively freely without worrying about being followed by national security personnel. Unless persons are well-known human right activists and journalists stationed in China, or their names are on China's blacklists, many Chinese work units are willing to accept visitors from foreign countries. Usually the work units may assist in the following ways: 1) visitation of local development site; 2)

¹² However, China's video system are different from American. Video from China needed to convert to American system.

¹³ Steven B. Butler (1983). "Field Research in China's Communes: Views of a "Guest"." Studies in Comparative International Development, 18:3-21.

briefing; 3) providing publicly published documents; and even 4) treating with lunch or dinner with many courses.¹⁴ The question is how to approach them.

1. Getting the Approval

In China, it is rather controversial which state bureaucratic departments have the final authority to approve research conduct by foreigners. In general, the argument lies whether the central state or local government has the final approval authority. As to the academic research, it is normal to submit one's research proposal to the State Education Committee (SEC) in Beijing for approval. However, the SEC is only one central department to deal with academic researches. Other departments, such as China Academy of Social Science, State Council Development Research Institute, State Bureau of Foreign Experts, or China National Automotive Industrial Corporation, also accept research requests from foreigners: these departments can make use of their bureaucratic system to arrange field surveys.

Field surveys, however, also can be approved by the local universities through an endorsement of the municipal or provincial foreign bureau. But some conservative Chinese officials believe that getting an approval from local authorities is not a normal procedure. Others argue that the local authorities have full authority to accept foreign researchers. My conclusion is that researchers should seek approval through either channel.

2. Field Survey

Field survey can be carried out through either official or unofficial ways. Researchers should ask for official visitations of local development site accompanied by

¹⁴ Researchers need to be accustomed to China's drinking culture, and prepare for the peculiar food, such as dog meat feast in Northeast China, and snake feast in South China.

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department personnel with the provision of transportation. Officially arranged field survey can provide comprehensive picture of development. But this official activities may be aimed at impressing foreigners. Hence, unofficial field survey is equally important. In each city, I asked my friends to show me underdeveloped city districts and inquired what social groups of people lived there. If I was fortunate enough to borrow bicycles from friends, I followed the map and traveled around. Such comparisons of the development of city districts were very useful for data analysis.

During my field surveys, camera, map, and notebook were the most important tools. I paid particular attention to the built environments, road conditions, economic activities, atmosphere, land use pattern, urban infrastructure, propaganda board, and people's reactions. In some districts which have close neighborhood security system, many retired and older people sat outside to watch for suspicious person. I was careful not to be confronted by them.¹⁵ Taking slides was very valuable for data analysis, and so were taking brief notes and drawing map to indicate land use pattern. After each field survey, a detailed fieldnote was written with maps describing the field route.

3. Briefing and Published Materials

It is normal for government officials or automotive personnel to give researchers a briefing to describe the background and latest development. Usually this briefing was delivered by mid-level cadres, lasting for an hour to 90 minutes. In the first meeting with a head of bureau, I told them my areas of interest and requested for briefings in certain areas. I took notes during the briefings. I usually asked the personnel to brief me whether there are any publicly published materials or maps.

¹⁵ In one instance, I was stopped and was questioned by the neighborhood people (Fieldnote, September 16, 1991).

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III. Analysis of Data

Documentary materials and fieldnotes collected during the field research contain a large volume of data. An integrated mechanism is employed to process this data. Data analysis was begun from February 1992 to August 1992. The first stage of data analysis focused on open coding of fieldnotes. Based on the fieldnotes, detailed categories are constructed. These categories are reorganized for card files. Card file is the data bank of this study because documentary materials are coded and included into the card file. During the coding and card file process, memos are prepared to integrate the complicated catalogue categories into useful concepts. These memos were helpful for me to come up with integrated diagrams to provide a visual picture of important factors. For instance, Figures 1.1 to 1.5 are the results of numerous immature integrated diagrams and memos. As this project is a case-oriented comparative study, the cases are matched and compared on various dimensions. The result of such comparison reveals the variations of motor city.

A. Open Coding and Card file

After a lengthy field survey and documentary research, the original factors and causal relationship suggested in the original proposal were too simple to tackle the complicated data. Data analysis, therefore, became a process of revising the proposal's concepts and ideas. Such revision enriched the original concepts or added new dimensions.

In order to reduce the large volume of qualitative data into manageable categories, fieldnotes are initially processed by open coding. The fieldnotes are closely scrutinized line by line. Lines of fieldnotes are grouped under factors. For instance, the first page of November 22, 1991 fieldnotes on Shiyan city is summarized under the factors such as: area, population, living standard, company center, industrial

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production, educational facilities, housing, cost, and city construction. The aim of open coding is to produce concepts that seem to fit the qualitative data.¹⁶ The raw categories created by the open coding are regrouped under bigger categories. In this process, the numbers of category are substantially reduced to a more meaningful and interrelated categories. In this stage, a rough framework has been revealed from the existing data.

Based upon the refined category system, card file is created in order to code the documentary materials and to integrate fieldnotes data as well. This process is extremely time consuming. By using the Windows Card file (version 3.0 or 3.1) computer system, qualitative data is catalogued into a set of index cards. In writing the empirical chapter, the card file was useful in pulling out cards that are sorted according to the refined category system.

B. Memo Writing

Memo writing is another type of integrative mechanism aimed at providing internal dialogue and clarification of researcher's thoughts. While coding and compiling the card file, the framework of research gradually emerged. In order to link the research with existing literature, writing memos helped gradually build the bridge. Such undertaking was required to clarify and redefine concepts through a series of internal dialogue in my mind. This process is assisted by creating integrative diagrams, chronicle charts, draft maps, and tables etc. When too many memos were accumulated to handle, categorizing them was necessary. Nevertheless, by applying these integrative methods, gradually I was able to handle the complicated historical data.

¹⁶ Anselm L. Strauss (1987). Qualitative Analysis for Social Scientists. New York: Cambridge University Press, p. 28.

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C. Comparative Matching

The integrative mechanism described above is governed by historical comparative method.¹⁷ Since this project is based on the four case studies that fall into three distinctive state development strategies, much attention is given in identifying the varying patterns of motor cities and the underlying sociospatial mechanisms. The conceptualization of sociospatial mechanism in China's socialist urban political economy is partly the result of generalization of historical data as well as borrowing concepts from existing literature. In this study, I tried to avoid simple application of western concepts in Chinese context and also narrative style of storytelling. In Figure 1.4 (p. 31), for instance, I employed three factors--state development strategy, organization of automotive enterprise, and the relationship between automotive enterprise and city--to reconstruct the historical process of each motor city's development. These factors are linked by the concepts of work unit collective consumption and political logic. Based on the dimensions of each factors, their characteristics and links to concepts are identified. Thus, the varying patterns of the motor cities are explained by the variations of institutional arrangements indicated by the concept of dimensions.

VI. Limitation and Quality of Data

Problems of documentary research in Chinese studies are well known for the possibility of being fallen into the trap of political propaganda. Official documents publications, and speeches provided by work units have underwent edition in order to be consistent with the Party general strategic line (*zong luxian*). Furthermore, statistics

¹⁷ Charles C. Ragin (1987). The Comparative Method: Moving Beyond Qualitative and Quantative Strategies. Berkeley: University of California Press; and Theda Skocpol (ed.) (1984). Vision and Method in Historical Sociology. New York: Cambridge University Press.

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published by Chinese work units have been hampered by artificial distortion. It was common for Chinese officials exaggerate figure as part of the bargaining process with the superordinates. Thirdly, briefings by Chinese officials are no more than a presentation of official picture to impress foreigners, and have little significance where one wants to uncover the real scenario of Chinese socialist city.

Despite the criticisms, the quality of data in this study can be maintained highly reliable. The purpose of historical analysis is to reveal the social conditions and logic of operation in each historical periods. Official documents from work units which may be biased with political propaganda are interpreted within a larger context of national development. Based on this analysis, a detailed organizational structure of work unit is charted and the institutional arrangement of work units in the motor city is outlined. Given the inconsistent Chinese socialist developmental strategies, the previous development was often under official criticism in the subsequent development. Thus, the political propagandized materials can be compared with the materials published in the subsequent periods of development. In sum, the interpretation of official materials issued by work units is made within a large context of historical development and is compared with other official materials issued in subsequent period of development.

Official statistics is used only to reveal the trend of development. This materials can show a comparative tendency of work unit and city development. Such data is sufficient for historical comparison which could show the degree of effectiveness of developmental strategies and the impact on spatial pattern. Finally, the subject matter of this study, the spatial pattern, provides a guidance of analysis. As the spatial boundary of work units can be roughly outlined, it can guide the interpretation of institutional arrangement as well as the official materials and statistics. In general, despite the possible flaws of official materials, historical comparative analysis of materials can reveal a reliable trend of development across the periodization of Chinese socialist transition.

Part Two

Sociospatial Transformation in Mao's Era, 1948-76

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Colonial City: Historical Legacy of Changchun Urban Form, 1896-1948

Changchun was a colonial city in the first half of the twentieth century. After half a century of Japanese domination, Changchun became one of the few Chinese cities constructed according to a master urban plan. However, the urban form of Changchun was fragmented along the line of imperialist powers, leaving Changchun with a spatially uneven developmental pattern.

The early history of Changchun can be traced back to the Xia (2,200-1,509 BC), Sheng (1,510-1,121 BC), Zhou (1,122-770 BC) Dynasties, and the Chunqiu Period (772-481 BC). Inhabitants in this area were scarce and were mostly minorities: the Koreans, Manchus, and Mongols. Until the early nineteenth century, a large number of peasants from Shandong, Hebei, and the nearby provinces of mainland China migrated to Changchun and other parts of Manchuria. Over the 1799 to 1810 period, the population in Changchun soared eight folds to 17,000 households.¹ In 1825, the Qing Dynasty established a Changchun Office to handle daily official administrations.² The Qing government designated Changchun to be an agricultural town. The wall of Changchun Old Town was erected in 1865; the town encompassed eight square kilometers.³

¹ Dangdai Changchun chengshi jianshe bianjibu (1988). *Dangdai Changchun chengshi jianshe* (Contemporary Changchun City Construction). Beijing: Beijing shi chaoyangju hongwei jiaoyin chang, p. 15.

² Cao Minguo (1988). *Zhongguo renkou (Jilin fence)* (China Population [Jilin Volume]). Beijing: Zhongguo caizheng jingji chubanshe, pp. 33-45.

³ "Changchun jiuchengzhi" (The Changchun Old Town Site). Pp. 198-200 in *Changchun wenshi ziliao* (Literary and Historical Materials of Changchun) 1986(4), edited by Changchun shi zhengxie wenshi weiyuanhui. Changchun: Changchun shi dijiu yinshua chang.

I. The Colonial Powers and the Fragmented Urban System in Changchun

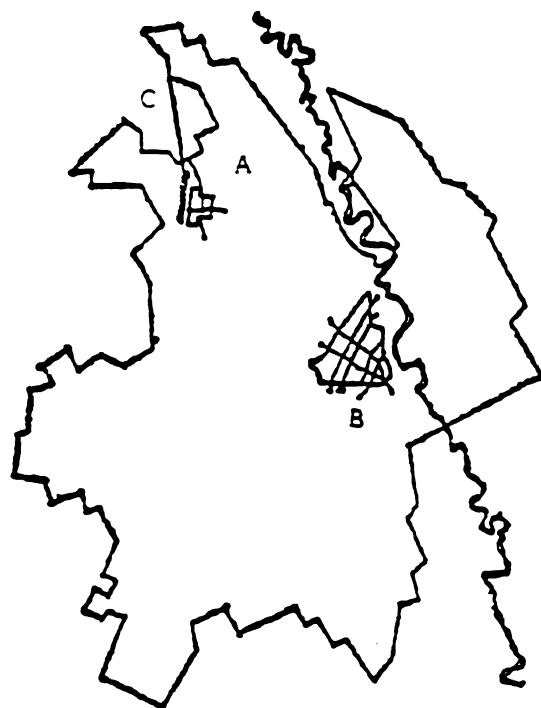
A. The Rise of Colonial Powers

Changchun development was stimulated by the rise of colonial powers. After the Sino-Japanese War in 1894, Changchun fell into the domination of Japanese imperialist. Land was purchased by the Japanese at low price. Urban and industrial infrastructures were built in order to consolidate Japanese territorial control. Changchun was therefore transformed by the new infrastructure into a political and commercial center for the entire Manchuria.

At the same time, the Russians took advantage of the Sino-Japanese War to get access to mid-Manchuria. The Chinese Eastern Railway Company Settlement (or *Kuanchengzi*), a Russian administrated territory, was built in Changchun in 1896. As is shown in Map 3.1, the Settlement was a separate district, which was about five kilometers northwest of the Old Town. The Chinese Eastern Railway Company constructed railways in 1898 to connect Changchun with the northern city Harbin and the southern seaport Dalin. The construction of these two railways allowed Changchun to emerge as a transportation node for the entire Manchurian region. Within the Settlement, the Russians built military camps and living quarters. The Settlement territory was administered by the Russian's legal, police, and taxation systems.⁴

Russia and Japan were involved in intensive interest conflicts in Manchuria, which inevitably led to the Russian-Japanese War in 1904. Japan won the war and the right to run the railway connecting Changchun and the southern seaport Lushun. Japan established the South Manchuria Railway Company in November 1906 and built the Changchun Railway Station with Russian compensation. In 1907, the Japanese

⁴ Dangdai Changchun chengshi jianshe bianjibu (1988), p. 17.



Map 3.1. The Russian Railway Settlement and Changchun Old Town, 1900

A = railway settlement of the Chinese Eastern Railway Company (Russian); B = the old town (Chinese); C = Russian's railway.

Source:

Dong Jianhong (1989). *Zhongguo chengshi jianshe shi* (The History of City Construction in China). Beijing: Zhongguo jianzhu gongye chubanshe, p. 265.

purchased agricultural land for the Railway Settlement of the South Manchurian Railway Company between the Old Town and Russian Settlement.⁵

B. The Emergence of Fragmented Urban System

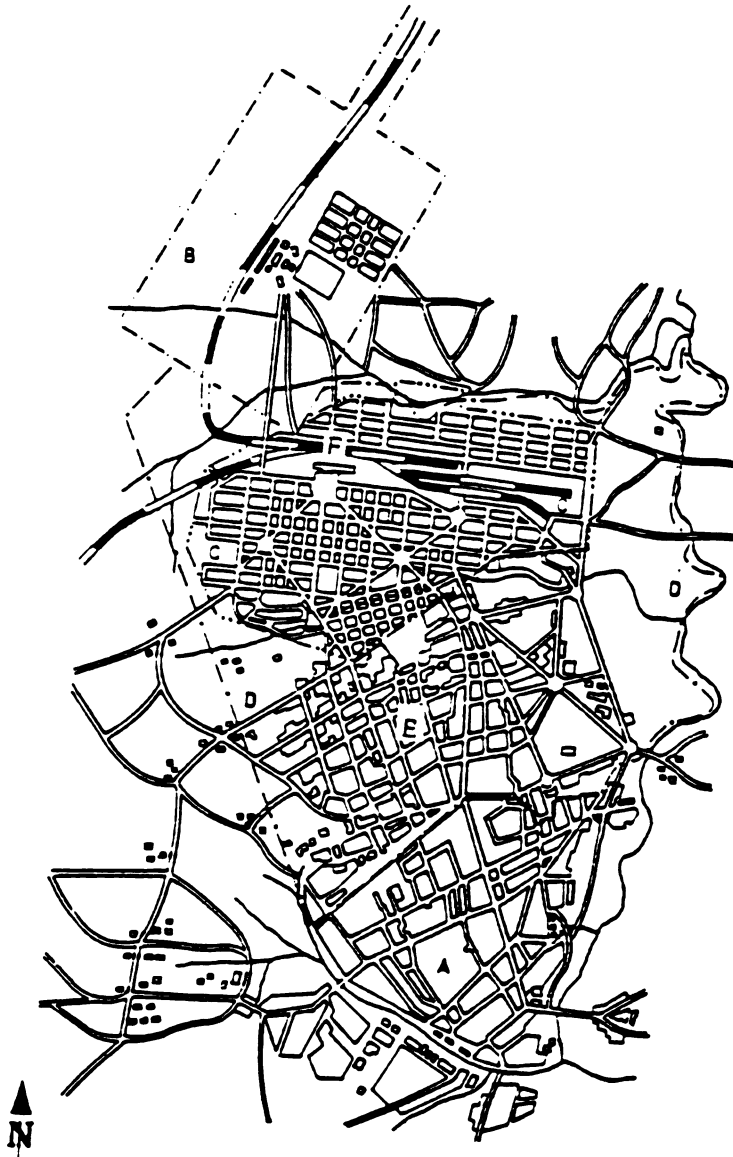
As Changchun was rapidly rising into a regional transportation and trading center, there was a pressing need for the foreign countries to establish embassies and trading companies in the city. A commercial port emerged between the Old Town and the Japanese Settlement in 1906. This territory was, in fact, an extension of Japanese power in the Changchun area.⁶ Map 3.2 shows that from 1865 to 1907, the city of Changchun had taken its shape. Much of the city development was constructed since 1896, with the establishment of the Russian Settlement. Table 3.1 also shows that the city size had expanded from eight square kilometers to 25 square kilometers between 1865 and 1907, a three times expansion in about a decade. The city consisted of four independent districts, divided according to the political powers: the Russian, the Japanese, and the Chinese governments.

Even though the wall of the Old Town was demolished to enhance a smooth connection with the whole city, the urban system of Changchun remained largely divided. The districts were administered by different systems of law, taxation, police, and other regulations. It left a lot of loopholes, enhancing illegal activities in Changchun. The commercial port which lay between the Old Town and the Japanese Settlement partly became a red-light area with bars, brothels, inn, and saunas for the entertainment of the imperialists.

The four Changchun districts had a separate entity from each other. The street systems were not connected with each other. Map 3.2 shows that the district planning

⁵ *ibid.*

⁶ Dong Jianhong (1989). *Zhongguo chengshi jianshe shi* (History of China City Construction). Beijing: Zhongguo jianzhu gongye chubanshe, p. 264-5.



Map 3.2. Spatial Fragmentation in the City of Changchun under Russian and Japanese Colonialism in Mid-1910s

A = the old town with its irregular street pattern (Chinese); B = the railway settlement of the Chinese Eastern Railway Company (Russian); C = the railway settlement of the South Manchurian Railway Company (Japanese); D = the boundary of the city district in the first decade of 20th century; E = the commercial port with its irregular street pattern (Chinese); F = Changchun Railway Station.

Map 3.2 (cont'd)**Sources:**

Dong Jianhong (1989). *Zhongguo chengshi jianshe shi* (The History of City Construction in China). Beijing: Zhongguo jianzhu gongye chubanshe, p. 266.

Alfred Schinz (1989). *Cities in China*. Berlin: Gebrüder Borntraeger, p. 428.

Table 3.1. The Development of Changchun under the Qing Dynasty and Foreign Colonial Powers

District	Beginning Year of Development	Controlling Authority	Total Area (sqkm)
----- -----	----- -----	----- -----	----- -----
Old Town	1865	Chinese	8.0
Chinese Eastern Railway Company Settlement	1896	Russian	5.0
Commercial Port	1906	Chinese	5.3
Railway Settlement of South Manchurian Railway Company	1907	Japanese	6.8
Manchuguo Empire Capital (<i>Xinjing</i>)	1931	Japanese	200.0

Sources:

Dong Jianhong (1989). *Zhongguo chengshi jianshe shi* (The History of City Construction in China). Beijing: Zhongguo jianzhu gongye chubanshe, pp. 264-9.

Dangdai Changchun chengshi jianshe bianjibu (1988). *Dangdai Changchun chengshi jianshe* (Contemporary Changchun City Construction). Beijing: Beijing shi chaoyangju hongwei jiaoyin chang, pp. 17-9.

of the Russians and Japanese Settlements were prepared independently by the two governments. The irregular street pattern of the Old Town, however, showed very little district planning. In fact, the Old Town became a slum area for the Chinese inhabitants. The commercial port district was planned by a German architect to connect the planned Japanese Settlement and the irregular Old Town. Such a limitation created a semi-irregular street pattern in the commercial port.

II. Stratified Social Structure

A. International Trading Center

The social structure of the agricultural town of Changchun had experienced a rapid transformation to be a center of international trade. Colonial powers permeated Changchun by means of constructing railways from the northern Russian border to the southern sea-ports of Dalian and Lushun. The railway system enabled the foreign powers to ship Manchurian raw materials to the world market systematically.

By the mid-1910s, Changchun had already been known as an international "bean city." During World War I from 1914 to 1918, the European countries were in high demands of soy bean, oil and timber for industrial raw materials. Changchun was one of the soy bean trading centers in the world that supplied the materials to Europe. Most of the soy bean markets, however, were manipulated by the Japanese companies. The business of soy bean trading companies, mostly located in the commercial port, developed by leaps and bounds. The annual soy bean production in Manchuria rose from 200,000 ton to 686,000 ton.⁷

The railway system also brought in a large number of immigrants from China's mainland to Manchuria. These immigrants provided enormous cheap labor for the

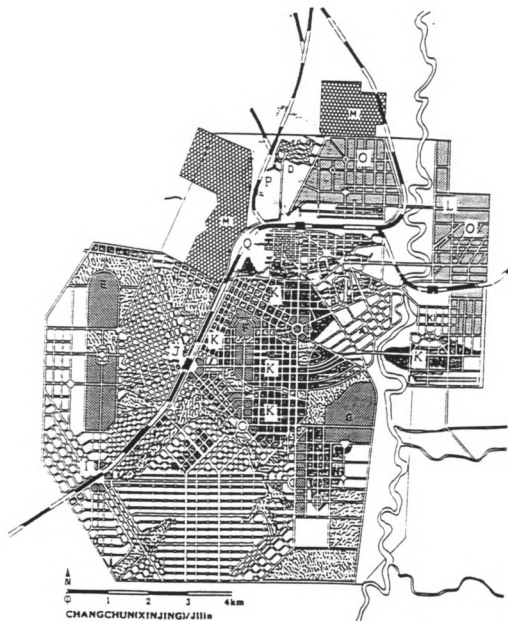
⁷ Dangdai Changchun chengshi jianshe bianjibu (1988), p. 18.

Manchurian cash crop agricultural and industrial productions. However, the rapid increase of city population created tremendous problems, including subhuman living conditions in the Old Town. Chinese laborers, for example, lived in shanties of the slum area in the Old Town, and with migrants for work, brothels were widely operated in Changchun. The local laborers were controlled by gangs, and labor bosses mediated between the gangs and foreigners for the labor supply.

B. "Puppet" Manchuguo Empire

The development of Changchun reached the highest point when the Japanese troops launched a full scale attack in Manchuria. In March 1932, the Japanese government established the puppet Manchuguo Empire, an independent state from the Nationalist (*Guomindang*) government, to rule over the entire Manchuria. Japanese government chose Changchun as a new capital (*Xinjing*) for the Manchuguo Empire. Beginning in 1933 until the end of Japanese occupation (1945), Changchun was under large-scale construction. The status of Changchun was once again promoted from an international soy bean trading center to a political center of the Manchuguo Empire. In 1932, a master city plan for Changchun revealed significant changes of the city. The city plan covered 200 square kilometers of area, of which 79 square kilometers was city proper: Changchun's city proper was expanded about three folds from the original 25 square kilometers (see Map 3.3).

A new ruling class emerged in Changchun under the Manchuguo Empire. In addition to the puppet Manchuguo local officials, there were a large number of Japanese troops, administrators, professionals, and businessmen in Changchun. According to the new social structure in Changchun, the new master city plan designed four levels of living districts. The level I district had 4,000 persons per square kilometer; level II 5,000 persons per square kilometer; level III designed 10,000



Map 3.3. The Master City Plan for Changchun--The "New Capital" (*Xinjing*) of the "Puppet" Manchuguo Empire, 1932

Map 3.3 (cont'd)

A = old town; B = commercial port; C = South Manchurian Railway Settlement; D = Chinese Eastern Railway Settlement (Russian); E = State Palace and Throne Hall of the Emperor of Manchuguo; F = Manchuguo Empire's Government; G = Emperor's Parade Ground; H = Civic Center; I = Railway Station of the Emperor; J = new Main Railway Station; K = location for public building; L = heavy industrial district; M = military installation; N = build-up area in 1945 at the end of Manchuguo; O = light industrial district; P = Russian wide-gauge railway system; Q = Japanese standard-gauge railway system

Sources:

Dong Jianhong (1989). *Zhongguo chengshi jianshe shi* (The History of City Construction in China). Beijing: Zhongguo jianzhu gongye chubanshe, p. 266-68.

Alfred Schinz (1989). *Cities in China*. Berlin: Gebrüder Borntraeger, p. 428.

persons per square kilometer whereas the level IV had 12,000 persons per square kilometer. The amount of urban facilities were built according to this scheme: that is, the level I received most investment as the Japanese residents and local high officials lived in level I and II districts; ordinary Chinese citizens were designated to live in level III and IV.⁸ The new master city plan did not include the Old Town and other slum areas. Thus, many Chinese laborers who lived beyond the standard of the aforementioned living scheme were, in fact, out of the picture of urban planning.

III. Land Use Pattern in Changchun

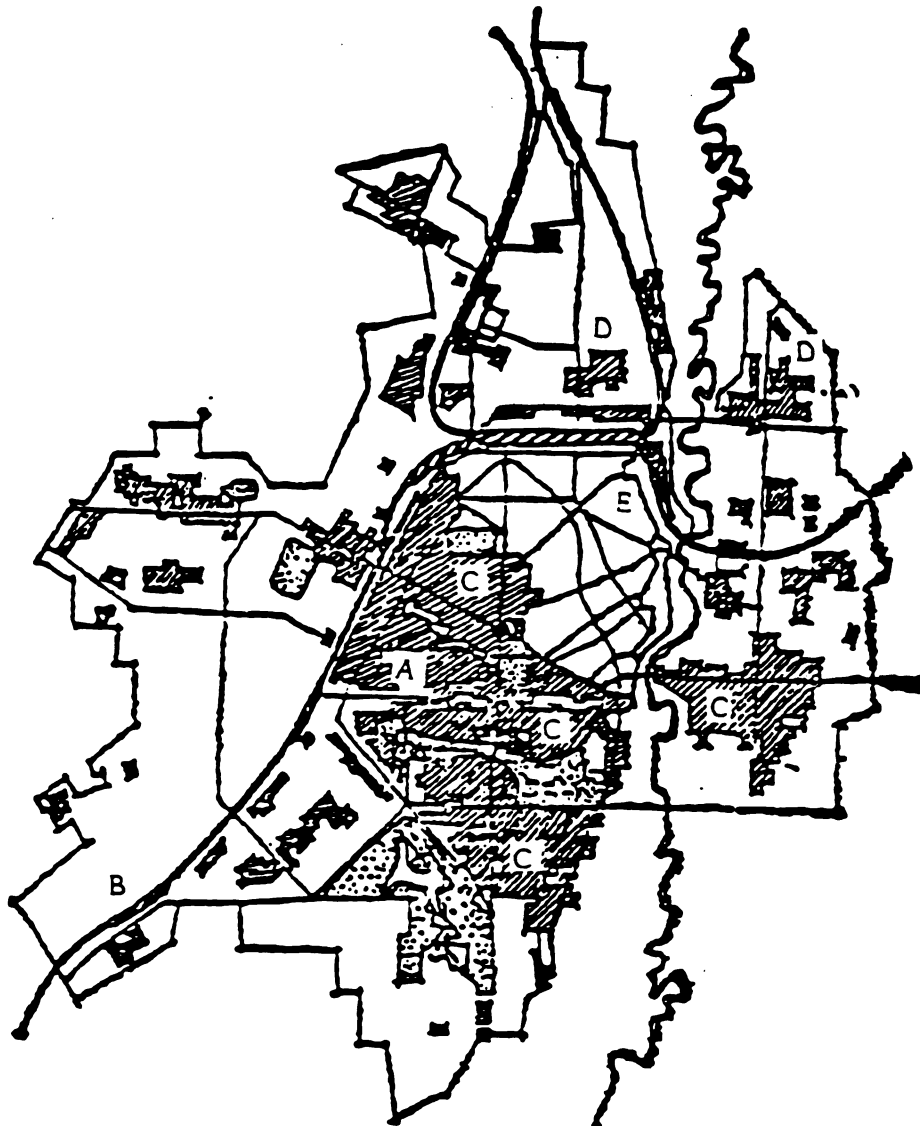
The master city plan of 1932 was half completed by about 1945.⁹ Map 3.4 shows the developed area from 1936 to 1945. Much of the constructed area was occupied by public buildings located in the south and southwest of the original districts. Public buildings also extended for the first time, to the eastern side of the Yitong River. The public buildings housed various Japanese institutions ranging from research, business, government apparatus, hospital, living quarters, and high officials' living compounds. The Main Railway Station and important Japanese offices were connected to the inner-city road systems. Sixty five percent of the city land was designed for government and public building purposes whereas 21 percent for roads.

Local industries were located in the northern part of Changchun. Most of the industries in Changchun were owned by Japanese and engaged in soy bean and wheat processing production.¹⁰ The second important industry was construction materials related to factories aiming at supplying the materials needed in the large-scale production. As industrial manufacturing was relatively unimportant to Changchun, it

⁸ *Dangdai Zhongguo de chengshi jianshe* (Contemporary City Construction in China) (1990). Beijing: Zhongguo shehui kexue chubanshe, p. 481.

⁹ Alfred Schinz (1989). *Cities in China*. Berlin: Gebrüder Borntraeger, p. 430.

¹⁰ *Dangdai Changchun chengshi jianshe bianjibu* (1988), p. 18.



**Map 3.4: Changchun City Proper Developed Area from 1936-1945
Guided by the Master City Plan of 1932**

A = incompleted Manchuguo Empire's Government (later called *badabu*); **B** = a secret Japanese Guandong Army 100 Unit's biological weapon facility; **C** = public buildings; **D** = city industrial facilities; **E** = build-up area before 1936

Map 3.4 (cont'd)

Sources:

Dong Jianhong (1989). *Zhongguo chengshi jianshe shi* (The History of City Construction in China). Beijing: Zhongguo jianzhu gongye chubanshe, p. 265.

"*Ruben Guandongjun 100 budui yiji fangcha ji*" (The Investigation of the Vestige of The Japanese Guandong Army 100 Unit). Pp. 228-37 in *Changchun wenshi ziliao* (Literary and Historical Materials of Changchun) 1986(4), edited by Changchun shi zhengxie wenshi weiyuanhui. Changchun: Changchun shi dijiu yinshua chang.

was estimated that only six percent of the total land was for industrial purpose. Military camps were constructed in the suburb of the city; a biological weapon complex was built in the southwest of the city.¹¹ About nine percent of the city land was occupied by military, and much of the real estates and land were owned by the Japanese quasi-governmental organizations, such as the South Manchurian Railway Company and the Japanese Guandong Army that manipulated the Manchuguo government.

In sum, the development of Changchun city was a result of the invasion of colonial powers. The urban system signified the division of political powers and the social stratification in the city. In various stages of the city development, colonial governments were heavily involved in shaping the planning and construction of the urban infrastructure. It left a legacy of state domination over city development for future Changchun. The development created urban enclaves for the poor Chinese, a useful and cheap work force for the exploitation by the colonial powers and local gangs. Nonetheless, the fact that Changchun emerged as an international "bean city" and then later a political and transportation node for the entire Manchuria left the Chinese socialist regime one of the few well planned cities in China. After 1949, under the socialist regime, Changchun was once again transformed this time into a "motor city."

¹¹ *"Ruben Guandongjun 100 budui yiji fangcha ji"* (The Investigation of the Vestige of the Japanese Guandong Army 100 Unit) (1986). Pp. 228-37 in *Changchun wenshi ziliao*, 1986(4), edited by Changchun shi zhengxie wenshi weiyuanhui. Changchun: Changchun shi dijiu yinshua chang.

Four

Dual City: Socialist Urban Transformation in Changchun during the First Five Year Plan Industrialization, 1948-1957

The first industrialization program launched by the Chinese communist state in 1953 had a tremendous impact on Chinese society. It was the first time in Chinese history that a centrally planned industrial development was implemented by the state. Taking advantage of the post-war high spirit of the masses, the Chinese communist state successfully mobilized manpower and resources for nation building. China's first industrialization required an efficient state bureaucratic system to carry out the development and to acquire technology for industrialization. The Chinese communist state also abided in its ideological commitment to build a "socialist society." As a peasant-based party, the Chinese communist state lacked ability to pursue industrial socialist development. Under the circumstances, the Chinese communist state looked to the Soviet Union,¹ and publicly declared the so-called "lean to one side" (*yibiandao*) diplomatic policy toward the Soviet Union in June 1949.²

The Chinese communist state adopted Soviet's urban industrialization development and centralized command system as the blueprint of the First Five Year

¹ Before the Chinese communist state looked to the Soviet model, China originally intended to seek aids from the U.S. In March 1945, Mao disclosed the CCP's interest to an American embassy official in Chongqing, but the U.S. government declined such request. See United States Relations with the People's Republic of China. Hearing before the Committee of Foreign Relations, United States Senate, Ninty-Second Congress, First Session on S.J. Res. 48, S. Res. 18, S. Res. 37, S. Res. 82, and S. Res. 139. June 24, 25, 28, 29 and July 20, 1971. Washington D.C.: U.S. Government Printing Office 1972, p. 183f.

² Mao Zedong (1968). *"Lun renmin minzhu zhuanzheng--jinian Zhongguo gongchandang 28 zhounian"* (The People's Democratic Dictatorship--Commemorate 28th Anniversary of the CCP, June 30, 1949). Pp.1357-71 in Mao Zedong xuanji (Selected Works of Mao Zedong). Beijing: renmin chubanshe.

Plan (FYP). The remarkable achievement of the First FYP not only helped China to erect a national industrial backbone, but also consolidated the state bureaucratic system, turning large numbers of Chinese cities into industrial centers. However, the Chinese communist state had to pay off for its economic achievements. Politically, the involvement of the Soviet Union obstructed China's exercise of independent decision on national development. The Soviet government intentionally incorporated China's industrialization program into the Soviet's Far East regional developmental plan.³

This chapter focuses on the automotive industrial backbone, the First Auto Works (FAW) in Changchun city. The FAW was one of the most important plants among the 156 Soviet-aided projects. The FAW had a big impact on the China's national automotive industry and Changchun city. The FAW turned Changchun from an international colonial "soybean city" into a national socialist "motor city." Ironically, the socialist industrial development shared a similar urban result as when China was under the Japanese colonial rule. The FAW bureaucratic system created an independent institutional entity in Changchun, that in turn formed an isolated urban enclave in the city. The impact of the FAW on Changchun was mainly confined to social and spatial effects. Such an impact left a particular urban form in Changchun that was characterized as dual city.

Findings in this chapter suggest that the First FYP Industrialization project in the city of Changchun created a dual city. The centralized state development strategy created social and spatial segregation in Changchun. The FAW project was organized vertically by the central government. The sole purpose of a socialist city was to support industrial development with its urban infrastructure. Under the state redistribution scheme, industrial projects were given the first priority of resource

³ Wu Yuan-Li (1967). The Spatial Economy of Communist China: A Study of Industrial Location and Transportation. New York: Frederick A. Praeger, Publishers (Published for the Hoover Institution of War, Revolution and Peace), pp. 22-23.

allocation and possession of the best local resources. Urban segregation is, therefore, the result of state redistribution policy and compartmentalization of the state administrative system. Although the compartmentalization of state system hampered economic diffusion effect to locality, the construction of the FAW had strengthened Changchun's political position within the state system. As a result, Changchun became the provincial capital, and the municipality received more state funds for social and industrial development. This case study reveals that China's industrialization program in the 1950s unevenly distributed industrial land within the city, creating imbalance in urban form.

The first part of this chapter reviews the state development strategy of the First FYP Industrialization. Part two describes the state's organizational effort during the FAW construction. Part three discusses the dual social structure created by the relationship between the FAW and Changchun. The final part examines the formation of spatially segregated dual city in Changchun.

I. State Development Strategy in the First Five Year Plan Industrialization, 1953-1957—An Uneven Redistribution Mechanism

A. Main Policies

After three years of recovery (1949-1952) from the civil war, China basically returned to a stable condition. Beijing and the Great Administrative Region governments effectively exerted control over the vast size of country. Under the Chinese communist state's guidance, the new socialist China built her industrial backbone with a strong state redistributive system. In the process of the First FYP Industrialization program, the Chinese communist state also consolidated its central power by transforming the preliminary state system into strong central ministries.

1. Urban Industrialization Policy

The First FYP was based upon the general strategic line (*zong luxian*) of China's socialist transition. Major objectives of China's socialist transition were industrialization and building up an effective state bureaucratic system. The First FYP was centered on the 156 Soviet-aided projects and the 694 "above investment norm projects" (*xian é yi shang xiangmu*). Although the First FYP started in 1953, the details of the plan were not announced until July 5, 1955.⁴ The Chinese communist state carefully planned the industrialization program and consulted closely with the Soviet government. The industrialization process was preoccupied with borrowing Soviet's experience and planning methods. Thus, the Soviet government had a strong influence on the decision-making process of the Chinese communist state.

According to the Stalinist Model, industrialization program depended on the subsidy from agriculture. In the meeting of the Central Committee of the Chinese Communist Party's (CCCCP) First FYP Eight-Members Working Group on April 20, 1954, the group decided to collectivize 50 percent of the agricultural land during the First FYP.⁵ Agricultural sector received merely 7.6 percent of the capital construction investment in this period in contrast to 58 percent to industry.⁶ Based on the centralized planned system, the Chinese state extracted profits from agriculture to finance the expensive urban industrialization program.

Stalin believed a real industrialization involves development of heavy industry,⁷ and the heavy industry would serve as the springboard for further industrialization,

⁴ Chen Yulong (1989). *Zhonghua renmin gongheguo caizheng dashiji (1949-1985)* (Chronicle of Finance of the People's Republic of China, 1949-1985). Beijing: Zhongguo caizheng jingji chubanshe, p. 111.

⁵ *ibid*, p. 93.

⁶ Willy Kraus (1982). *Economic Development and Social Change in People's Republic of China*. New York: Springer-Verlag, p. 73.

⁷ J. V. Stalin (1955). *J. V. Stalin Works, Volume 12*. Moscow: Foreign Languages Publishing House, p. 274.

aiming to reach national economic independence.⁸ This strategy was also justified on the grounds of national defenses and the structural imbalance of the colonial legacy. Stalin argued that a country attains national industrialization when the total output of heavy industries constitutes 70 percent of the total industrial and agricultural production values.⁹

Part of the impact of Soviet's heavy industrial orientation on China was building large-scale industrial facilities. China's central planners in the First FYP were preoccupied with "large factory rationale" (*dachang heli*). The Party newspapers, People's Daily (*renmin ribao*), cited Stalin's word as following:

there is only one real foundation for a socialist society, and it is large industry. If we do not possess factories of great size, if we do not possess a large industrial structure with the most advanced equipment, then we won't be able to talk of socialism, in general¹⁰

In addition to the 156 Russian aided large projects, the state facilitated 694 "above investment norm" projects during the First FYP. In light of the actual condition of China, the state set an "investment norm" (*xian é*) for every category of capital construction. For instance, the "investment norm" for iron and steel, automobile, tractor, ship-building, and locomotive project was 10 million yuan; for the non-ferrous metal chemicals and cement industries six million yuan.¹¹ Hence, the First

⁸ Chi Yun (1953). "How China Proceeds with the Task of Industrialization." *Renmin ribao*, May 23, 1953. Pp. 290-3 in The People's Republic of China: A Documentary History of Revolutionary Change, edited by Mark Selden (1979). New York: Monthly Review Press.

⁹ Zhang Jingyu et al.(eds.) (1991). *Zhongguo gongchandang he Zhongguo xiandaihua* (Chinese Communist Party and China's Modernization). Changsha: Hunan chubanshe, p. 200.

¹⁰ Chi Yun (1953), p. 291.

¹¹ Mark Selden (1979), pp. 296-7, and "jiben jianshe gongzuo zanxing banfa" (Provisional Regulations on Capital Constructions, January 9, 1952). Pp. 64-66 in Economic Planning and Organization in Mainland China: A Documentary Study (1949-

FYP was filled with about 850 medium and large factories fully or partially aided by the Soviet Union and the Eastern European countries.

These large-scale industrial projects were mostly located in urban areas. Urban industrialization strategy could reduce investment by taking advantage of urban and transportation infrastructure. Industrialization transformed former colonial commercial and trading centers into industrial cities. It also changed the corrupt and exploited "consumer cities" into centrally planned "producer cities." Thereby urban industrialization was a major driving force for socialist transition. During the peak of industrial construction, massive construction laborers and industrial workers migrated from rural areas to cities. By the end of the First FYP, the number of cities rose from 54 to 177 over the period 1947-57. In 1949 alone, the number increased to 82 as compared to 54 in 1947. Accordingly, urban population increased from 57.65 million in 1949 to 99.49 million in 1957. Many of the new cities were simply granted city status instead of carrying out large-scale urban construction. As a result, the colonial urban infrastructures were overburdened with industrial development and urban population. Under these new social conditions, the question that followed was how to redistribute the insufficient urban resources within the socialist city.

2. Command Economic Policy

From 1949 to 1957, the Chinese communist state had been gradually establishing a centralized command economic system. Beginning in 1950, the central government adopted the Soviet's centralized management system, concentrating all investment decision-making power within the state. The Chinese described this system as "completely centralized and inclusive" (*quantong quanbao*). According to this system, all investment was decided by the Central Financial Commission (*Zhongyang* 1957). Vol. 1, edited by Chao Kuo-chün (1959). Cambridge Mass.: Harvard University Press.

caizheng weiyuanhui); the commission determined the scale, structure, and distribution of state investment; the investment projects were handed down to the central ministries to be carried out. The central ministries and enterprises were no more than implementing agents for the national plan. As the government apparatus was consolidated, the Chinese state exerted tighter control over industrialization program.

In 1950, the Central Financial Commission concentrated on monitoring the 156 Soviet-aided projects. The 694 "above investment norm" large projects, however, were administered by the Big Administrative Region People's Governments (*daxingzheng qu renmin zhengfu*). In 1954, the Big Administrative Region Administrative Committees were disbanded,¹² and their officials were transferred to head central ministries. As a result, the 694 large projects fell to the jurisdictions of central ministries or of the provincial governments.

As the government apparatus was consolidated in the central state and local government, Beijing put forward the three levels of administrative system in 1951, dividing national financial management into: the central government, Big Administrative Region, and province. Concomitantly, the central government established systems of tax, finance, and wage.¹³ The bureaucratic institutionalization process gave a serious challenge to the rural-based cadres. In one of his speeches, Chen Yun, one of China's leading economic planners, implicitly pointed out that the rural guerrilla warfare tactic was not applicable to the urban industrial development; he instructed the cadres to learn scientific management, balance of financial budgets, and the knowledge of how to formulate "great policy" (*dazheng fangzhen*).¹⁴

¹² "Why is Regional Administrative Machinery Abolished and Certain Provincial and Municipalities Amalgamated?" *Wen Hui Bao*, July 4, 1954, in SCMP July 3-4, 1954, pp. 35-7.

¹³ Tian Yinong et al. (1988). *Lun Zhongguo caizheng tizhi gaige yu hongguan tiaokong* (China's Financial Reform and Macro-Control). Beijing: Zhongguo caizheng jingji chubanshe, p. 28.

¹⁴ Chen Yulong (1989), p. 51.

Beginning in 1952, the central government formed an eight-member working group to formulate the First FYP. The main objective of the working group was to decide and balance the investment fund for each category. The working group, however, could not amend the already agreed Soviet-aided projects. On the basis of the 141 Soviet-aided projects,¹⁵ the working group centrally allocated the limited investment funds. Some of the Soviet aided projects did not provide exact investment cost not until 1955.¹⁶ On July 5, 1955, the First FYP was publicly announced in the People's Congress. As Figure 4.1 shows, 63 percent or 48 billion *yuan* of the total state investment was distributed to the capital construction (*jiben jianshe*). Capital construction refers to the newly built or expanded construction that contributed to the expansion of fixed assets.¹⁷ Total investment in industrial capital construction during the First FYP was about 26.6 billion *yuan*, which was about 62 percent of the total capital construction.

The Beijing government gradually centralized control over national key raw materials. In 1950, the Material Allocation Bureau (*wuzi fenpei ju*) was formed and was able to control only eight items of important materials such as rolled steel, timber, and cement. Each ministry and province established a similar bureau. The material allocation system was based on the state, ministry, and province. The central government divided raw materials into four levels: 1) centralized materials (*tongpei wuzi*), 2) ministerial materials (*buguan wuzi*), 3) local materials (*tifang wuzi*), and 4)

¹⁵ Until April 20, 1952, there were only 141 Soviet-aided projects, but later 15 more projects were added to the First FYP.

¹⁶ The total investment cost for the FAW was finalized in March 1955 by the First Ministry of Machine Building. Two years after the construction began. *Diyi qiche zhizao chang shi zhi bianzuanshi* (1991). *Diyi qiche zhizao chang changzhi, 1950-1986*. p. 106.

¹⁷ Xiong Dafeng *et al.* (ed.) (1985). *Shehui jingji tongji cidian* (Dictionary of Social Economic Statistics). Xiangfang: Hubei renmin chubanshe, p. 286.

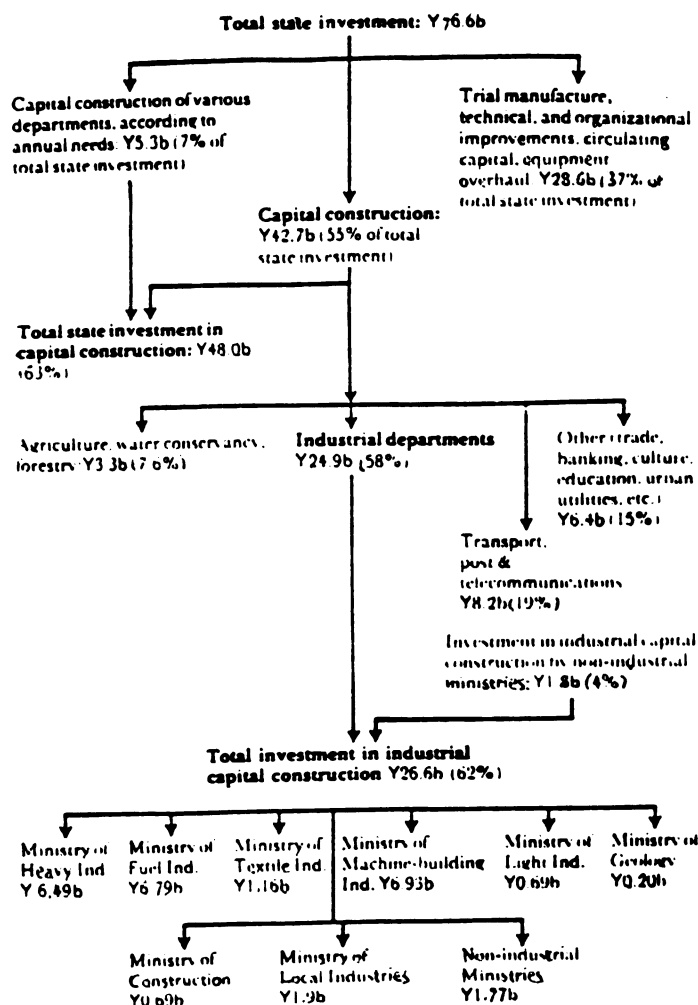


Figure 4.1. Distribution of State Investment in the First Five Year Plan, 1953-57 (in Billion Yuan)

Note: The percentages of items below "capital construction" take investment in capital construction as the base.

Sources:

Chen Yulong (1989). *Zhongguo renmin gongheguo caizheng dashiji (1949-1985)* (Chronicle of Finance of the People's Republic of China [1949-1985]). Beijing: Zhongguo caizheng jingji chubanshe, pp. 93, and 111.

Carl Riskin (1987). *China's Political Economy: The Quest for Development since 1949*. New York: Oxford University Press, p. 56.

market materials (*shichang caiguo wuzi*).¹⁸ The centralized materials were controlled by the State Council; ministerial materials were administrated by central ministries, local materials were distributed by local governments, and finally market materials could be purchased in the designated material outlets. The number of centralized materials rose from eight to 231 between 1950 and 1957. The number of ministerial materials also soared from 115 to 301 in the period 1953-57. The state controlled materials were redistributed to the Russian-aided and the "above norm investment" projects. Distribution of state materials were coordinated by the material manufacturers and the Ministry of Railroad.

A number of large construction teams were formed by the central ministries and were sent to the project construction sites. The Ministry of Construction Engineering centrally organized a 300,000 work force construction teams. Most of the construction team members were veterans of the People's Liberation Army (PLA). These teams were mustered swiftly around the country so as to support the key point projects. Furthermore, central ministries, such as metallurgy, coal, electrical power, petroleum, railroad, transportation, post and telegram, and textile ministries, also formed their own construction companies for capital construction. In the end of the First FYP, the authority of central ministries was significantly expanded in administering state enterprises, redistributing raw materials, and directing construction teams to many other authorities.

¹⁸ *Dangdai Zhongguo de guding zichan touzi guanli* (Contemporary China's Management on the Investment of Fixed Assets) (1989). Beijing: Zhongguo shehui kexue chubanshe, p. 18.

B. Consolidation of the Changchun Municipal Bureaucracy

In much the same sense, Changchun municipal bureaucracy was in the process of consolidating its power over the city property. The municipality carried out collectivization of private properties in Changchun. When the PLA liberated the city in 1948, large numbers of monumental buildings and urban infrastructure were located in the Japanese and Russian territories. These became valuable city resources for the upcoming industrialization. They were redistributed to the newly established state administrative work units in the city. Changchun's urban resources were divided among the administrative work units. In short, the city's urban transformation during the First FYP was no more than redistribution of urban resources for the construction of the FAW industrial facilities.

Changchun suffered a tremendous damage after the Japanese troops surrendered on August 15, 1945. Russian troops liberated Changchun on August 19, 1945 and remained in the city until April 1946. During the eight month occupation, the Russian troops systematically looted the city's industrial machinery and urban facilities: i.e., electrical generators, locomotives, vehicles, printing machines were shipped back to the Soviet Union for the Russian's post-war reconstruction.¹⁹

The destruction of the city continued when the *Guomindang* (Nationalist) troops retook Changchun in May 1946 until the *Guomindang* surrendered to the Chinese Communists' PLA on October 19, 1948. Changchun's urban infrastructure was further damaged during the two and a half years of *Guomindang* occupation. The *Guomindang* troops took construction materials from the buildings for military build-up around the city. As a result, of the 700,000 square meters building spaces 230,000 square meters

¹⁹ Edwin W. Pauley (1946). Report on Japanese Assets in Manchuria to the President of the United States. Washington (?): General Staff of the United States Reparations Mission.

was demolished.²⁰ The PLA besieged Changchun for months, stopped all materials and food supplies entering the city. Famine swept through the city and thousands of Changchun residents died of starvation. Although the PLA and the *Guomindang* troops did not enter a large-scale battle in the Changchun region, the casualty due to starvation scored tens of thousands of lives. When the PLA liberated Changchun on October 19, 1948, it virtually received a "ghost city."

Under the blueprint of Chinese communist state's socialist transition, Chinese cities were transformed from "consumer cities" to "producer cities." Commerce was given way to industry under the strategic line of "socialist city." Changchun, an internationally renowned soybean city during the pre-Liberation period, was transformed into an industrial city according to the transition blueprint. During the First FYP, the construction of the FAW led Changchun to be a "motor city."

1. Municipality

The first and foremost task in the immediate post-war period was to establish an effective socialist municipal apparatus to carry out massive relief and reconstruction. On one occasion, Mao instructed the future city leaders that from the first day of occupation of a city, the city administration must fix their eyes on the recovery and development of economy.²¹ The new socialist government focused on unifying the urban population for the recovery construction. The CCP's united-front policy sought the cooperation of the three segments of urban population that possessed professional skills. These segments included the liberal intellectuals and technical intelligentsia, bureaucrats, and urban administrators of the Nationalist (*Guomindang*) regime. They

²⁰ Dangdai Changchun chengshi jianshe bianjibu (1988), p. 19.

²¹ Mao Zedong (1968), p. 1318.

were vital to the political unity of the local governments and national reconstruction as well.

Immediately after the Liberation on October 19, 1948, a Changchun Special City Military Control Committee (*Changchun tebieshi junguanzhi weiyuanhui*) was established to carry out the pressing relief work and to put the city in normal operation. The committee, the highest authority in Changchun, promulgated new regulations, aimed to maintain city property and establish new socialist apparatus to facilitate normal lives in the city. A day after the formation of the Military Control Committee, bureaus, such as police, fire, construction, water, electrical power, and transportation bureau, were established.

The early structure of the Changchun municipality was heavily affected by the PLA system. Yet the military officers who had little knowledge and experience in running a city relied heavily on the former city administrators and personnel. Under the leadership of the Military Control Committee, urban utilities were partially resumed in ten days. The Military Control Committee was disbanded and the authority was transferred to the Changchun Special City Committee and the Changchun Municipal Government on November 1, 1948. Figure 4.2 shows the Changchun municipal structure. The Changchun municipality was subordinated to the CCCCCP Northeast Bureau, Northeast Administrative Committee, and Jilin Provincial Government. Two committees were formed directly under the Changchun People's Government to coordinate the urban construction, and air raid defense during the Korean War. Specialized bureaus of urban utilities were established and were subordinated to the administration of the Urban Construction Committee. The committee system tried to centrally coordinate the city utilities. At the same time, Changchun was divided into six districts administered by the district governments.

The new municipality dissolved the former *baojia* (neighborhood organization during the pre-Liberation period) system and established a three level (city-district-

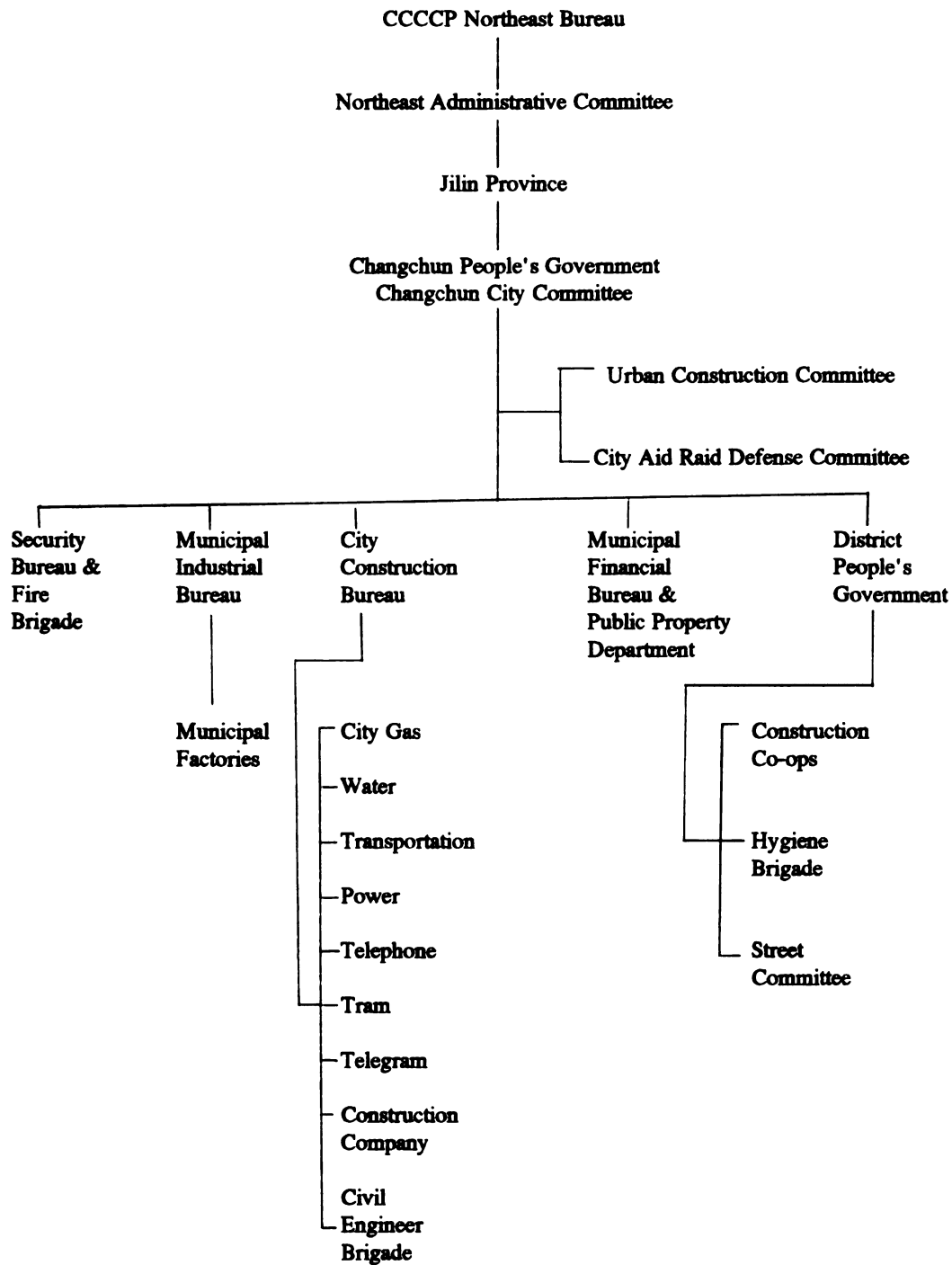


Figure 4.2. The Structure of the Changchun Municipality from 1948 to the Early 1950s

street) administration system. The structural change aimed at destroying the former local power and replacing it with the socialist governing system. Concomitantly, the municipality and the PLA jointly launched a campaign against anti-revolutionaries. The campaign targeted cracking down and arresting local gang members, prostitutes, spies, labor bosses and other anti-revolutionaries. Those who were arrested were sent to the reform camps for re-education.²²

Changchun was directly subordinated to the Northeast Administrative Committee, instead of the CCCCP. It was due to the fact that in the early stage of development, the CCCCP was unable to govern the whole country effectively. The Big Administrative Region (*da xingzheng qu*) system was based upon the system of regional military control commissions. The Big Administrative Regional People's Governments (*da xingzheng qu renmin zhengfu*) governed the subordinate provinces on behalf of the Beijing government. When the Jilin provincial government was consolidated, Changchun was transferred to the leadership of Jilin government in 1949. The administrative rank of Changchun was promoted from the previous "province governed city" (*shengxia shi*) to "directly governed city" (*zhixia shi*) when the FAW project began large-scale construction in July 1953. The Northeast Administrative Committee represented the central government to administer Changchun. This system was maintained until the Big Administrative Region was dissolved in August 1954. The Changchun municipality returned back to the Jilin Province administration. The frequent changes of administration revealed the volatile transformation of the Chinese communist state bureaucratic system. It also showed that Changchun occupied an important place in the state planning in the early stage of socialist transition.

²² Dangdai Changchun chengshi jianshe bianjibu (1988), p. 20.

2. District Governments

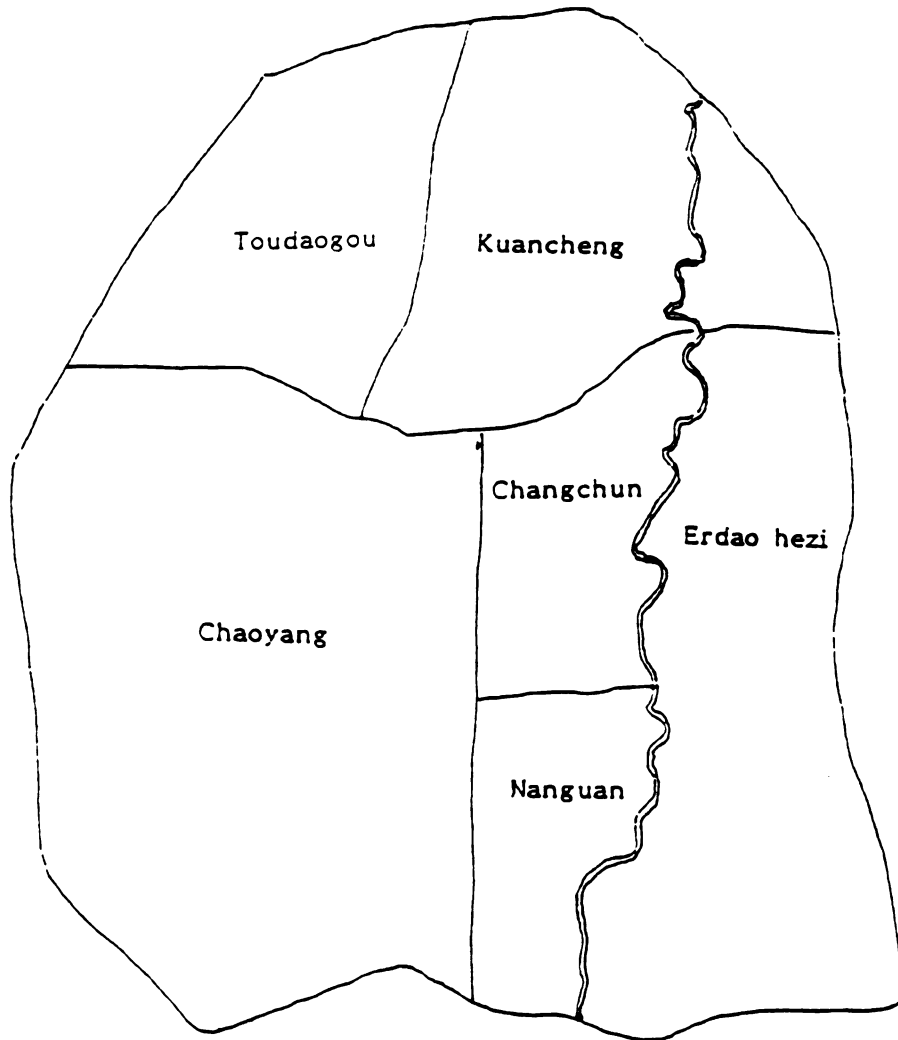
Changchun city administration was based upon six district governments. The district governments played important roles in resuming the normal city lives. Within the districts, street committees were formed as a means of social control, implementation of local policy, and mobilization of street residents. Due to the shortage of funds and raw materials, social mobilization became an effective source for urban reconstruction

The district governments organized co-ops to channel local labor force and resources into urban reconstruction. In 1949, construction co-ops were formed in each district. Each district had about 1,400 workers in the co-ops to engage in small-scale repair and renovation work. Building materials were obtained from the Municipal Construction Bureau. Until 1956, 170,000 square meters of sidewalk was built or repaired by the district construction co-ops.²³ The Municipal Hygiene Bureau disbanded transportation teams and transferred the carriages and drivers to the district governments. The district governments were responsible for the hygiene conditions of their own territory. In 1955, the district governments were granted the authority to administer their own districts' real estate.²⁴ However, decentralization of power to the district governments created a considerable urban mismanagement in Changchun. Despite the municipal regulation to preserve the city property, the district governments violated the regulation by demolishing city buildings in the process of reconstruction. As a result, the district governments' administration power to regulate the city property was returned to the municipality in 1956.

Changchun districts were merged from six districts to four districts in 1957. Map 4.1 shows the district boundary of the six districts. According to this scheme, city

²³ *ibid*, 293.

²⁴ *ibid*, p. 47.



Map 4.1. Changchun City Districts before 1957

Source:

Dangdai Changchun chengshi jianshe bianjibu (1988). *Dangdai Changchun chengshi jianshe* (Contemporary Changchun City Construction). Beijing: Beijing shi chaoyangju hongwei jiaoyin chang, pp. 285, 294.

resources inherited by each district government were widely different. Most of the urban construction during the Japanese occupation was concentrated in the Changchun and Chaoyang districts. The Kuancheng district, which was once the Russian Settlement, had some small-scale urban construction. The rest of the three districts, however, inherited very little urban infrastructure with dense population. Such disparities were mediated by merging some of the poorer districts with the better-off districts. Map 4.2 shows the result of this merger.

3. Urban Administrative Agencies

The Urban Construction Committee was one of the most important government offices in Changchun. The committee chaired by the mayor of Changchun focused on urban reconstruction. The structure of the Urban Construction Committee, as is shown in Figure 4.3, was decided by the First National Urban Construction Forum in September 1952.²⁵ The committee coordinated the municipal offices for urban reconstruction.

The Beijing government instructed the Changchun municipality to preserve the status quo of the urban system. The central government reiterated austerity policy against demolition and reconstruction of the old city.²⁶ Widespread redistribution of housings to the city dwellers was prohibited. All monumental buildings and urban infrastructure would be reserved for the First FYP Industrialization program.

Building property was one of the most important historical inheritance of Changchun. During the "New Capital" (*Xinjing*) urban construction plan in the 1930s and 1940s, Japanese colonial government carried out massive construction, erecting new buildings in the southwest of Changchun. Some of them were monumental

²⁵ *Dangdai Zhongguo de chengshi jianshe* (1990), p. 36.

²⁶ Gao Yingzhen (1987). *Chengshi tudi guanlixue* (Urban Land Management). Wuhan: Wuhan daxue chubanshe, p. 89.

长春市简图



1 = Kuancheng District; 2 = Chaoyang District; 3 = Nanguan District; 4 = Erdao hezi District; 5 = First Auto Works District

Map 4.2. Merge of the Changchun City Districts, 1957

Source:

Changchun shi tongji ju (1989). *Fenjin de sishi nian* (Vigorously Progrec for 40 Years). Changchun: Changchun shi tongji ju.

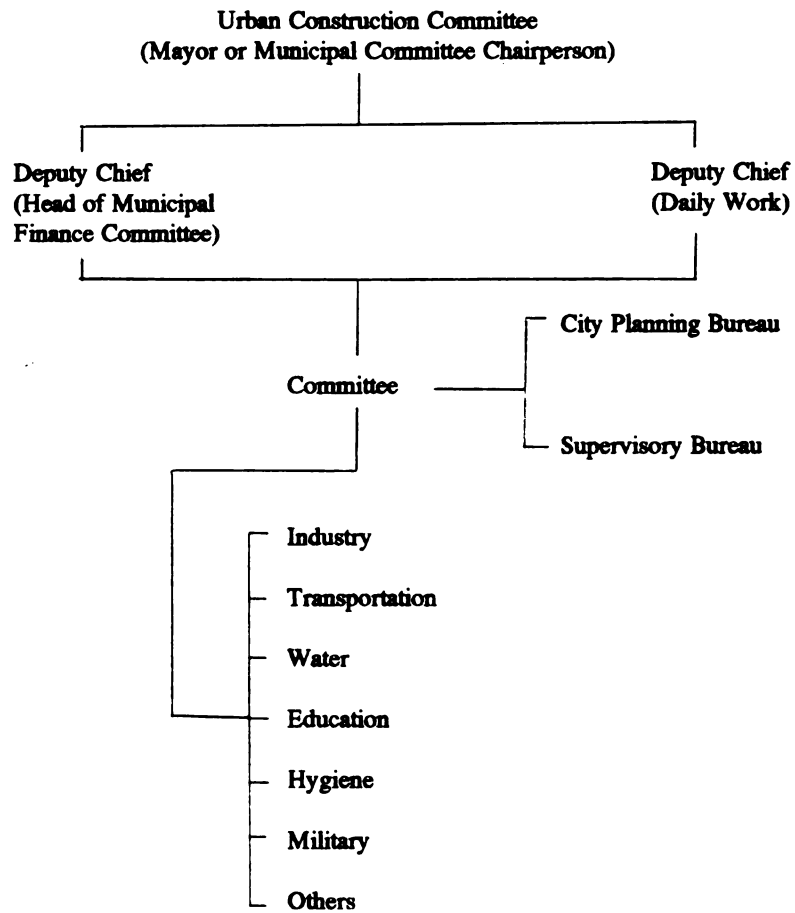


Figure 4.3. Changchun Urban Construction Committee, 1952

buildings such as the "Eight Big Ministries" (*badabu*). It was estimated that the new socialist municipality inherited 7.72 million square meters of floor space in 1948;²⁷ however, only about ten percent of the space was living area.²⁸ Only Japanese civilians and local elites who lived in the current Chaoyang district enjoyed the pleasant urban environment; but eighty percent of the Chinese population that lived in the slum areas (the current districts of *Nangunan*, *Erdao hezi*, and *Balibao*) did not have proper urban facilities. Majority of the Chinese had to live in the crowded, damp, old shanties (*penghu*) and in the poor laborers' houses, or in the former brothels.

Immediately after the Liberation in 1948, the Changchun municipality established a real estate management organization to carry out the socialist transition. Changchun's real estate was previously controlled by Japanese colonialists, landlords, capitalists, and compradors (*maiban*). The first stage of restructuring the ownership of real estate was launched from 1949 to 1955. The Real Estate Management Committee (*fangchan guanli weiyuanhui*) was formed in November 1948, a month after the Liberation. The Real Estate Management Committee assumed an important mission and was under the direct leadership of the city government. The authority of the committee expanded quickly between 1949 and 1952.

The Real Estate Management Committee headed the real estate reform in Changchun. The committee tried to centralize the control and allocation of the state-owned property. The committee was responsible for formulating policy, regulations, confiscation of enemy property, registration of property, correcting property right, changes of property certificate, and so forth. Due to the chaotic situation in the early stage of Liberation, many city properties were illegally occupied, forcibly owned, damaged, demolished, including removal of furniture and equipment, etc. In fact, two days after the Liberation, the first regulation promulgated by the Military Controlled

²⁷ Dangdai Changchun chengshi jianshe bianjibu (1988), p. 43.

²⁸ *ibid*, p. 49.

Changchun Special City Committee was prohibition of damage and occupation of city property. In December 1948, a second directive was issued to forbid removal of furniture and equipment from city property. The Real Estate Management Committee had difficulty in implementing these regulations. The Committee thus relied on the six district governments and the street committees to protect the city properties. Nonetheless, the district governments had their vested interests to hoard real estate for their own.

In order to curb the real estate mismanagement, the Real Estate Management Committee was dissolved and the Changchun Real Estate Management Bureau was formed to centralize the administration in August 1952. In the same year, representatives from the Northeast People's Government and Jilin Provincial Government came to Changchun and formed an inspection team to investigate the city's housing conditions. The team investigated 180 work units (*danwei*) and found that 130 of them occupied more housings than they should have. A total 127,670 square meters of space was illegally occupied by these units. Despite the municipal efforts, only 2.7 percent (3,499 square meters) was successfully reclaimed.²⁹

Due to the unsuccessful centralization of Changchun's real estate management, the management authority was decentralized to the district people's committee (*qu renmin weiyuanhui*) in 1955. It was believed that the people's committee was more effective than the previous Real Estate Management Bureau. The district people's committee was directly under the administration of Changchun Party Committee. Apparently the decentralized measure only aggravated the mismanagement. After one year, the management authority of real estate was again under the Changchun Real Estate Management Bureau.

²⁹ *ibid*, p. 50.

The Changchun socialist municipality confiscated a large portion of former state-owned property. In 1949, 61 percent or 4.71 million square meters of the city building space was turned into public-owned real estate (*gongyou fangchan*). After the Changchun Real Estate Committee transformed more city property, the public-owned real estate in Changchun increased to 77 percent (7.18 million square meters) in 1952. It was estimated that of the confiscated real estate 61 percent belonged to the Japanese government, and 36 percent to the private owners.

The public-owned real estate was leased to other units by the Changchun Real Estate Management Bureau. In principle, the bureau centrally controlled all the city real estate. Due to the lack of management ability, the public-owned real estate was divided into two categories: one "directly managed public real estate" (*zhiguan gongfang*), the other "self-managed public real estate" (*ziguan gongfang*). The former was directly managed by the Changchun Real Estate Management Bureau, whereas the latter was administered by the user work units. The bureau issued a user certificate or lease contract to the user units. According to the new rental system, the users were required to pay rents in an average of 0.3 yuan per square meter. However, the Changchun Real Estate Management Bureau collected only 30 percent or 7.74 million yuan of the rent in 1950. In 1952, the bureau formed the Real Estate Management Company to enforce rent collection.

The division of the public-owned real estate indicated the bureaucratic fragmentation in Chinese urban system. Many of the huge government work units, such as, the military, the FAW, and Provincial governments, were all high rank government agencies. The Changchun Real Estate Management Bureau, a municipal middle level agency, was unable to administer the high rank work units. Although the bureau in principle supervised and implemented local regulations, in reality, it was unable to enforce them in the "self-managed public real estate." As increasing numbers of central and provincial work units were located in Changchun, a growing number of

"self-managed public real estate" was excluded from the municipal management system. For instance, in September 1951, 1,600 buildings with a total 300,000 square meters of floor space in Changchun were transferred to the Voluntary Army for the Korean War. The municipality also allocated 508 buildings with 259,067 square meters of floor space to the FAW in 1953. When the Jilin Province, Jilin Party Committee, and all the provincial departments were moved to Changchun, a total 167 buildings or 310,000 square meters of floor space, mostly monumental styles, were given away.³⁰ Changchun's urban system was gradually divided into bureaucratic enclaves, and in these territories the local regulations and management were unenforceable.

There was also an inequality of allocation of investment funds among bureaucratic institutions. This inequality was due to the central government's scheme of investment. According to the plan, the priority of investment should be: central work unit prior local work unit, military work unit prior civilian work unit, and key point project prior ordinary project. In 1953, Beijing allocated 85 million yuan for remodeling and constructing 874,341 square meters of floor space for central or local state enterprises, and 3.64 million yuan for clearing 6.3 million square meters of land. Most of the building space was allocated to the aforementioned Volunteer Army, the FAW, and Jilin government. However, the Changchun's high school and primary school systems which had 230,000 square meters of floor space were supposed to receive 1.49 million yuan for renovation, but they received merely 150,000 yuan in 1953.

³⁰ Dangdai Changchun chengshi jianshe bianjibu (1988), p. 50.

II. Organization of the FAW during the State Led Construction Process— Bureaucratic Enterprise

The early socialist transition in China was driven by the massive urban industrialization. For the CCP, socialism meant more or less a gradual abolition of private ownership and rapid industrialization. The general strategic line (*zong luxian*) adopted by the CCP was to transform agriculture, traditional handicraft industry, capitalist commerce, and concentrate on socialist industrialization. The municipality created favorable institutional environment for socialist industrial development by collectivizing city properties and consolidating local state redistributive system.

China's first industrialization program was also strongly tied to the Soviet Union, for the Soviet government provided extensive financial and technological assistance to China. In December 1949, Mao led a delegation to Moscow and held a meeting with Stalin to discuss political and economic cooperation. The visit concluded in signing the Sino-Soviet Treaty of Friendship, Alliance, and Mutual Aid. This treaty included the construction of 50 industrial projects and 1.2 billion ruble (US \$ 300 million) of low interest loan.³¹ Between 1950 and 1956, China signed 11 low interest loans and more contracts on industrial projects with the Soviet Union. The total value of Russian loans was 5.66 billion rubles (US \$ 1.415 billion), mostly paid for the 156 Russian-aided projects. China paid one to two percent annual interest for the Russian loans with returning period of two to ten years. By 1964, China returned all the loans with 588 million rubles (US \$ 147 million) of interest.³²

³¹ The U.S. \$ 300 million loan was charged with one percent annual interest and was scheduled to be returned in 10 years. *Dangdai Zhongguo de jiben jianshe* (1989), p. 57.

³² "Sulian dui Zhongguo gongye de yuanzhu" (Soviet Aids to the China's Industrial Development). Pp. 845-55 in *1967 Yearbook on Chinese Communism: A Summary of Chinese Communist Situation from 1949 to 1966*. Taipei: Institute for the Study of Chinese Communist Problem.

One of the key projects among the first 50 Soviet-aided projects was the large-scale First Auto Works (FAW).³³ The high priority of this project caught some local automobile experts by surprise because China lacked basic industrial strength to provide reliable supplier bases for the auto production system.³⁴ But in the master plan of national industrialization, automobile industry held an important role in providing civilian and military transportation for socialist transition. The national plan divided China into five regional industrial bases. Each of the regional industrial bases was supported by a large steel plant. Under this developmental scheme, the Chinese state was confident that there were sufficient supplies of steel for the self-contained auto production system.

After the Sino-Soviet Treaty of Friendship, Alliance, and Mutual Aid was signed in December 1949, the Automotive Industrial Preparation Group was formed in March 1950 under the leadership of the Ministry of Heavy Industry. The main target of the Preparation Group was to coordinate with the Soviet experts during the pre-construction period. The Preparation Group consisted of 30 members, some of whom were cadres from Hebei and Shanxi Provinces; others included former automobile workshops' workers, intellectuals from coastal regions such as Shanghai, and young workers who were enthusiastic to participate in the nation building.

The Preparation Group's first and foremost mission was to investigate the automotive industrial assets inherited from the former Japanese and the *Guomindang* governments. The group members went to Kunming, Chongqing, and Shanghai to investigate the China Automotive Company, a subsidiary of the capitalist Song Zimin

³³ Zheng Zhuyuan (1955). *Zhonggong wunian jihua pouxi* (Analysis of the CCP's First Five Year Plan). Hong Kong: Ziyou chubanshe, pp.139-40.

³⁴ Meng Xiaonong (1984). "Zhongguo qiche gongye de chuangjian" (The Establishment of China's Automotive Industry). Pp 31-5 in *Zhongguo qiche gongye de yaolan--diyi qiche zhizao chang sanshi zhou nian jinian wenji (1953-1983)*, (hereafter ZQGY) edited by Diyi qiche zhizaochang qiyi yanjiu zhongxin, p. 31.

Conglomerate. They then went to Zhuzhou (Hunan), Pingxiang (Guangxi), and Chongqing (Sichuan) to investigate the branch factories, and recruited the factory workers. They found five sets of blueprint for the construction of automotive plant in the *Guomindang's* Resource Committee documents. One of the blueprints was prepared by the Reo Automotive Company of United States for the construction of an automotive production plant in Xiangtan (Hunan).³⁵ The group also found automobile blueprints in Kunming that were prepared by the American firm Sterling Company.³⁶ In Chongqing, the Mercedes Benz Automotive Company blueprints were discovered.³⁷ The group found very little automotive machinery left in northeast China because of the massive looting by the Soviet troops. Thus, the FAW project had to be started from scratch.

A. Decision-Making of Location

The choice of the location of the Soviet-aided FAW involved politically vested interest of the two parties: the Soviet and Chinese governments. The Chinese government wanted to locate the automobile plant, a symbol of modern technology, near to the capital, whereas the Soviet government preferred the northeast provinces of Manchuria, where they could exert their influence.

Before the Soviet-designed FAW blueprints arrived in China, the Preparation Group began to search for a future site in July 1950. The group focused on mid and southwest China including locations such as Beijing, Shijiazhuang (Hebei), Taiyuan (Shanxi), Xian (Shaanxi), Baoji (Shaanxi), Wuhan (Hubei), and Zhuzhou (Hunan). Among these locations, the central government preferred the automotive plant to be

³⁵ Lu Xiaokuan (1984). "*Zuguo qiche gongye de yunyu shiqi*" (Nurturing Period of China's Automotive Industry). Pp. 53-9 in *ZQGY*, p. 53.

³⁶ Meng Xiaonong (1984), p. 32.

³⁷ Lu Xiaokuan (1984), p. 53.

located in the suburb of Beijing. Geological survey was conducted in the west of Beijing in late 1950.

The Chinese decision of location was stalled when the two-member Soviet expert team arrived in Beijing on December 2, 1950. They introduced the Soviet-aided package of the FAW project monitored by the Soviet Ministry of Automotive Industry. The aided package helped China to build an automobile complex which had the annual production capacity of 30,000 Soviet's "Geese" trucks. The Soviets provided complete sets of machinery, plant layout, and technology for the FAW project. But the package also stated clearly that the location of the plant had to be put in Northeast China somewhere between Siping (Jilin) and Changchun (Jilin).³⁸ These locations were very close to the Soviet's navy port Vladivostok and half-way from the Soviet border and the Chinese commercial ports Dalian and Lushun. On January 3, 1951, Premier Zhou Enlai of the State Administrative Council accepted the Soviet's decision on the FAW location. Nonetheless, Zhou insisted that the plan of building automotive assembly plant in Beijing should not be abandoned.³⁹ Later, Soviet side continued to put pressure on China to drop the Beijing project.⁴⁰

During the early stage of the First FYP, China's decision-making autonomy was heavily constrained by the Soviet Union. It indicated that China had very little bargaining capital with the Soviet Union, partly due to China's lack of technical knowledge and experience. It was also clear that the Soviet Union wanted to make use of the 156 Soviet-aided projects to manipulate the Chinese communist state. The Soviet Union perceived the northeast provinces of Manchuria to be their territory of political influence. During the early stage of cooperation, Chinese government's

³⁸ Meng Xiaonong (1984), p. 33.

³⁹ *Di yi qiche zhizaochang shi zhi bianzuanshi* (1991). *Di yi qiche zhizaochang changzhi, 1950-1986* (The Gazetteer of the First Auto Works, 1950-1986). Changchun: Jilin kexue jishu chubanshe, p. 21.

⁴⁰ Meng Xiaonong (1984), p. 34.

response to the Russian dominance was but to comply with the Soviet's decision so as to preserve the alliance.

B. Central Organization of Construction

It took only five and a half years for China to complete the FAW. By 1957, the FAW became one of the most advanced automobile production plants in Asia. In addition to the massive Soviet technical aids, the Chinese socialist state demonstrated a strong organizational power in mobilizing national resources for the construction of the FAW.

1. Soviet Organized Assistance

After the Chinese and Soviet governments agreed on the location of the FAW, the Soviet Automotive and Tractor Design Institute began the initial factory and technological designs in 1952. The institute, based on the model Moscow Stalin Automobile Plant, was to complete a preliminary blueprint for the FAW. A few hundreds of personnel of the institute were involved in the FAW project. The blueprint was passed to the Moscow Stalin Automobile Plant for detailed designs. This was the most complicated work for the whole process. Based on the technological arrangement, each of 26 workshops of the Moscow Stalin Automobile Plant was responsible for preparing blueprints for the correspondent workshops of the FAW. The Soviet Union supplied 80 percent of the 5,500 machinery for the FAW. The rest of the machinery were ordered by the Soviet government for China because the United Nations imposed trade embargo on China.⁴¹

⁴¹ Chen Zutao (1984). *"Dui qiche gongye jishu yinjin de huigu"* (Review on the Technological Import of the Automotive Industry). Pp. 36-41 in *ZQGY*, p. 38.

About 200 Soviet experts arrived at Changchun in 1953 to lead the complicated construction work. They were well paid by the Chinese government. Among them, there were experts in technology of production, machinery repairs, production progress controls, scientific management, and work floor technicians. From 1953-57, 500 Chinese students were sent to the Soviet Union for training.⁴²

2. Chinese Organized Construction

In the eve of the First FYP, the central government transferred most of the Big Administrative Region leading cadres to Beijing to head the newly established ministries. The central ministries that involved intensively in the FAW project were the Ministry of Construction and Engineering, First Ministry of Machine Building, Ministry of Central Organization, Ministry of Railroad, Ministry of Postage and Telegram, and Foreign Ministry. In addition, the Jilin provincial government, Jilin Party Committee, and Changchun municipality were responsible for mobilizing local work force and raw materials for the FAW project.

In the winter of 1952, a FAW construction coordination organization was established. The 652 Plant Bureau and 652 Company were formed. The FAW project was undercover by the code "652."⁴³ As Figure 4.4 shows, the 652 Plant Bureau oversaw production preparation, whereas the 652 Company was responsible for the operation of the construction process. A 2,000 work force construction company was transferred to the 652 Company by the Northeast China Industrial Bureau. Later, the two organizations were merged to form a unified Plant Construction Committee. The party and administrative cadres of these two organizations were transferred from the

⁴² *ibid.*

⁴³ The "652" Project was equivalent to the FAW Project. This coding system suggested that the FAW organization was heavily influenced by the People's Liberation Army (PLA) system. Many of the leading cadres in the FAW were veterans. Furthermore, part of the FAW's products were targeted at military purpose.

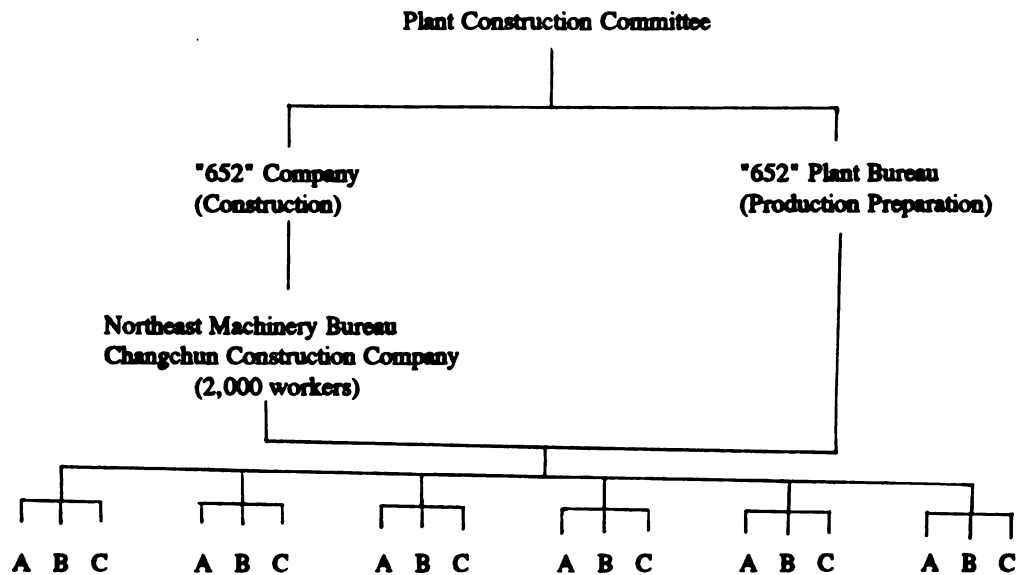


Figure 4.4. Organization of the FAW Administration, 1953-57

Source:

Zhang Zhemin (1984). *"Yuan wuhu sihai tuanjie zhandou de jingshen yongfang guangmang"* (May the Unified Combat Spirit in All Corner of the Land Shine Forever). Pp. 86-91 in *Zhongguo qiche gongye de yaolan--diyi qiche zhizao chang sanshi zhou nian jinian wenji (1953-1983)*, edited by Diyi qiche zhizaochang qiyi yanjiu zhongxin, pp. 86-7.

Northeast China Bureau, and the technical cadres mainly came from Shanghai.⁴⁴ The Plant Construction Committee was the highest authority in the FAW administration.

The central government stressed technical and Party leadership in the FAW. Before the construction of the FAW project began in July 1953, large numbers of cadres from all over the country were transferred to Changchun to fill up the FAW administration. The Ministry of Central Organization (*Zhongyang zuzhi bu*) transferred over 6,000 cadres and skillful workers to the FAW. Figure 4.5 indicates the composition of the personnel: about 100 engineers, 2,900 skilled workers, 2,800 administrative and party cadres, and 150 county brigade (*xian tuan ganbu*) level cadres. This leading force came from 28 provinces and coastal cities such as Shanghai.⁴⁵ Personnel from Shanghai were mostly technical and administrative cadres. Most of the new cadres took up leading positions in the bureaus (*ju*), offices (*chu*), and sections (*ke*) of the 652 Plant Bureau or in the 652 Company.

During the peak construction, there were about 30,000 to 40,000 workers participated. The construction process was divided into main plant and workshops. Each workshop was further divided into A (workshop bureau); B (workshop construction); and C (installment). The A (workshop bureau) was centrally monitored by the Plant Construction Committee; the 652 Construction Engineering Company was responsible for coordinating the B and C;⁴⁶ the Number One Machinery and Electrical Installment Company headed the C (installment).⁴⁷ This structure was fully organized by January 1, 1954.

⁴⁴ Zhang Zhemin (1984). "*Yuan wuhu sihai tuanjie zhandou de jingshen yongfang guangmang*" (May the Unified Combat Spirit of All Corner of the Land Shine Forever). Pp. 86-91, in *ZQGY* p. 87.

⁴⁵ Huang Ren (1984). "*Guanghui de wenxian*" (Glorious Document). Pp. 63-5 in *ZQGY*, pp. 64-5; and *Dangdai Zhongguo de chengshi jianshe* (1990), p. 57.

⁴⁶ Zhang Zhemin (1984), p. 86.

⁴⁷ Shi Lizhi (1984). "*Anzhuang duiwu zai (652) jianshe zhong chengzhang*" (The Growth of Installment Team during the Construction of [652]). Pp. 98-100 in *ZQGY*, p. 104.

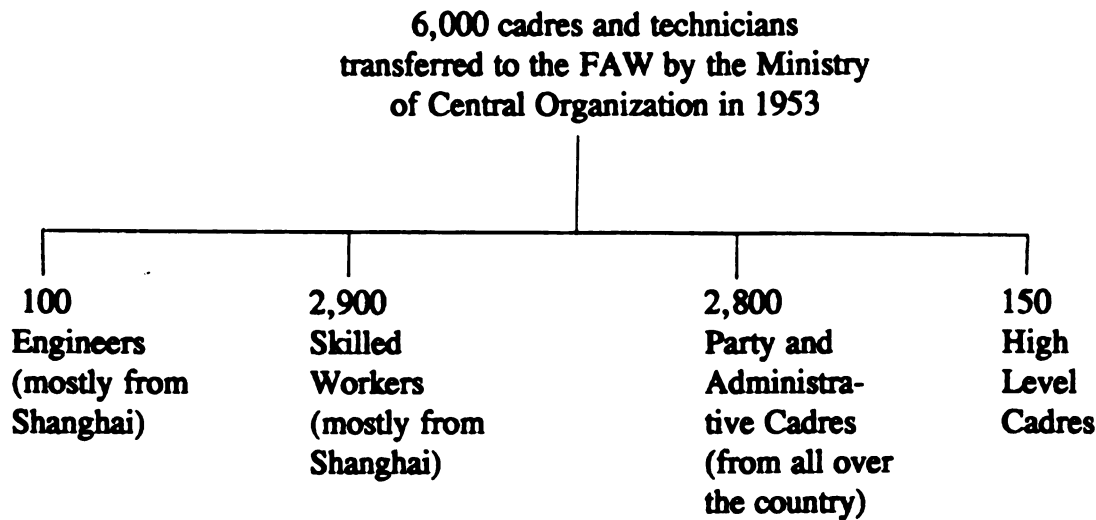


Figure 4.5. Party and Technical Cadres Allocated to the FAW by the Ministry of Central Organization

Sources:

Diyi qiche zhizaochang shi zhi bianzuanshi (1991). *Diyi qiche zhizaochang changzhi, 1950-1986* (The Gazetteer of the First Auto Works, 1950-1986). Changchun: Jilin kexue jishu chubanshe, pp. 103-4

Huang Ren (1984). "Guanghui de wenxian" (Glorious Document). Pp. 63-5 in *Zhongguo qiche gongye de yaolan--diyi qiche zhizao chang sanshi zhou nian jinian wenji (1953-1983)*, edited by Diyi qiche zhizaochang qiyi yanjiu zhongxin. Changchun: Diyi qiche zhizaochang, pp. 64-5.

Zhang Fengshi (1984). "Lishi de zhuangju" (Great Historical Undertaking). Pp. 47-52 in *Zhongguo qiche gongye de yaolan--diyi qiche zhizao chang sanshi zhou nian jinian wenji (1953-1983)*, edited by Diyi qiche zhizaochang qiyi yanjiu zhongxin. Changchun: Diyi qiche zhizaochang, p. 49.

A subcontracting system (*chengbao zhi*) was employed for the construction process. The Ministry of Construction Engineering (*Jiangong bu*) was responsible for dispatching a large number of construction force to Changchun. Over 20,000 workers were in the FAW construction. Several construction companies were subcontracted for the construction orders. Figure 4.6 shows that the 20,000 work force was divided into four sections: the Ministry's Engineering Company, Fifth Construction Division (*jianzhu wushi*), Construction Mechanical Brigade, and Harbin Construction Company.⁴⁸ The Ministry Engineering Company was the main unit to coordinate the construction of the FAW. When the construction period of the FAW project was shortened from four to three years in 1953, the Ministry of Construction Engineering sent the elite construction teams, the Fifth Division of the Shanghai Construction Company and the Harbin Construction Company, to Changchun. The two companies formed the 652 Construction Engineering Company. The former 652 Company and its work force were merged into this new construction company.⁴⁹ The Construction Mechanical Brigade formed centralized processing bases in the construction site to supply cement, reinforce bars and other mechanical operations. The electrical and mechanical installment was centrally organized by the First Ministry of Machine Building (FMMB). The two major installment companies were transferred from Shanghai and Shenyang. These companies merged together to form the Number One Mechanical and Electrical Installment Company. The Preparation Group was transformed into the Automotive Industrial Administrative Bureau to oversee the automotive education system.⁵⁰

⁴⁸ The "division" and "brigade" organization indicated that the PLA troops were transformed to be mobile units to support the First FYP construction projects.

⁴⁹ Zhang Zhemin (1984), pp, 87 and 89.

⁵⁰ Zhang Fengshi (1984). *"Lishi de zhuangju"* (Great Historical Undertaking). Pp. 47-52 in *ZQGY*, p. 48

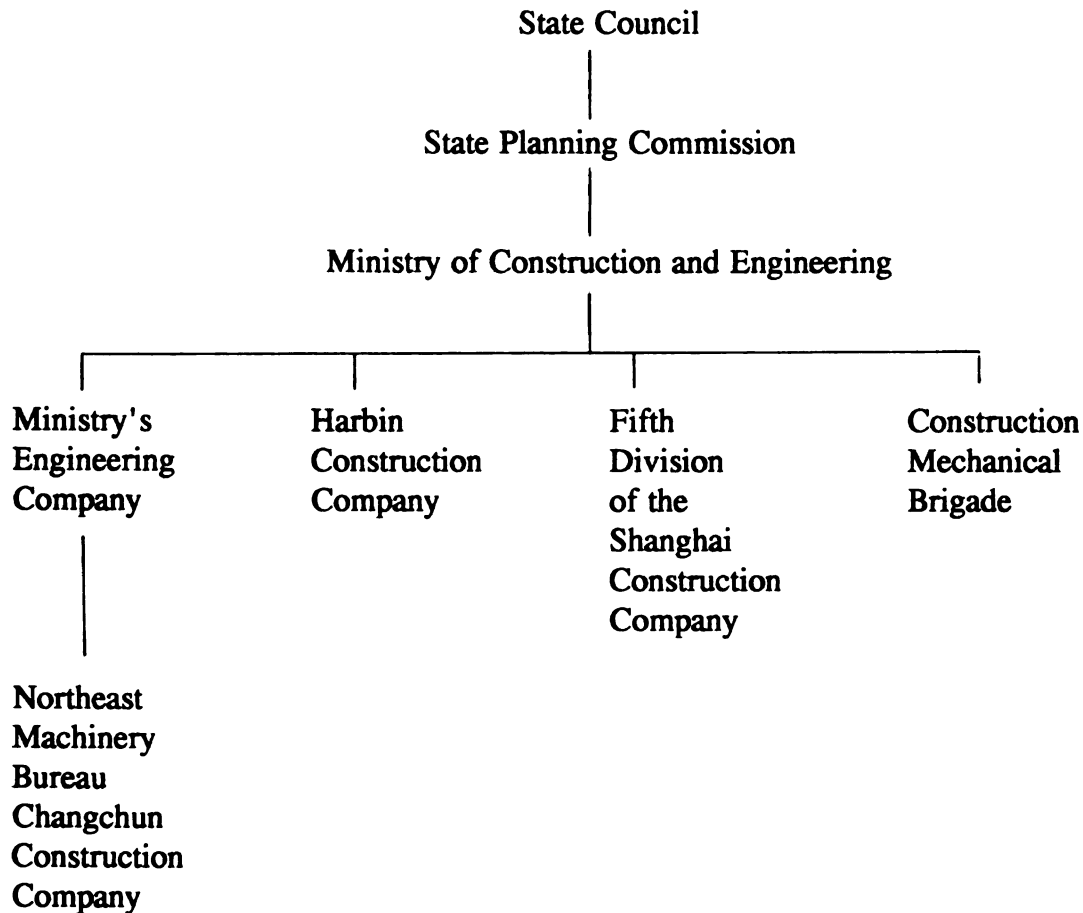


Figure 4.6. Organization of the FAW Construction Teams by the Ministry of Construction and Engineering, 1953-57

Sources:

Meng Xiaonong (1984). "Zhongguo qiche gongye de chuangjian" (The Establishment of China's Automotive Industry). Pp 31-5 in Zhongguo qiche gongye de yaolan--diyi qiche zhizao chang sanshi zhou nian jinian wenji (1953-1983), (hereafter ZQGY) edited by Diyi qiche zhizaochang qiyi yanjiu zhongxin, p. 34.

Zhang Zhemin (1984). "Yuan wuhu sihai tuanjie zhandou de jingshen yongfang guangmang" (May the Unified Combat Spirit in All Corner of the Land Shine Forever). Pp. 86-91 in Zhongguo qiche gongye de yaolan--diyi qiche zhizao chang sanshi zhou nian jinian wenji (1953-1983), edited by Diyi qiche zhizaochang qiyi yanjiu zhongxin, pp. 86-7.

Transport and communications networks were vital to the FAW project. There were busy communications between Moscow, Beijing, and Changchun. The Ministry of Postage and Telegram installed direct long-distance telephone services in the FAW headquarters. The Foreign Ministry assigned four special messengers for the FAW to commute between Moscow and China and deliver important documents and blueprints. The Ministry of Railroad needed to guarantee delivery of the 200 to 300 carriages cargo load materials to the construction site daily.

During the First FYP, the FMMB allocated nine percent of the Ministry's total investment to the FAW project. In March 1955, the project came up with an estimated budget of 565.16 million yuan. But the budget had already exceeded to 594.12 million yuan in August 1956, and finally the project was completed with the cost of 617.24 million yuan.⁵¹ The overspending was partly due to high standard designs.

Material supplies for the FAW project were centrally organized by the Material Allocation Bureau. There were about 400 items of raw materials, such as petroleum, chemical engineering products, rubber, glass, and plastic, made by 40 factories nationwide from many different ministries.⁵² The ministries made a special arrangement with the Ministry of Railroad to deliver materials from the factories to Changchun. The 5,500 items of imported machinery were directly shipped from Moscow to the FAW.

The Jilin provincial government, Jilin Party Committee, and Changchun municipality played important roles to channel local labor and resources to the construction site. It was estimated that Changchun mobilized about 30,000 local cadres, students, and militia to labor (*laodong*) in the construction site. These local

⁵¹ Diyi qiche zhizaochang shi zhi bianzuanshi (1991), p. 106.

⁵² *ibid*, p. 51.

labor helped out digging and transportation work.⁵³ The construction companies found 65 locations in the vicinity of Changchun to supply construction materials such as sand and stone. The Changchun Municipal Construction Bureau also mobilized the 22 subordinated construction material factories to supply bricks and tiles.⁵⁴ During the peak of the FAW construction, the Changchun municipality made 94 and 84 percent of urban investments in the FAW construction in 1954 and 1955, respectively.⁵⁵ One of the daunting tasks the Changchun municipality faced was to provide room and board to the tens of thousands of construction laborers especially during the bitterly cold winter.

III. Relationship between FAW and Changchun--Emergence of Dual Social Structure

Under the state policy, Changchun played a supporting role in the construction and operation of the FAW. When the construction of the FAW was completed, the large-scale enterprise was totally independent from Changchun urban system. Instead of any direct connection between the FAW and Changchun, the relationship between these two entities was mainly indirect. Because of the FAW's presence, Changchun became an important city in the national plan. It led to the promotion of administrative rank of Changchun municipality and speeding up of the city expansion.

A. Self-contained Auto Production System

The auto production system of the FAW was heavily affected by the Soviet automobile industrial model. The comprehensive blueprint of the FAW was copied from the Moscow Stalin Automobile Plant. The discussion in the last section indicates

⁵³ Liu Wenxue (1984). *"Shihucun yishi"* (Anecdote of Shihu Village). Pp. 108-110 in *ZQGY*, p. 110.

⁵⁴ *Diyi qiche zhizaochang shi zhi bianzuanshi* (1991), p. 101.

⁵⁵ *Dangdai Zhongguo de chengshi jianshe* (1990), p. 482.

that the 26 workshops of the Moscow Stalin Automotive Plant prepared the technical and construction blueprints for the correspondent workshops of the FAW. Accordingly, the Chinese inherited both the good and bad characteristics from the Soviet system.

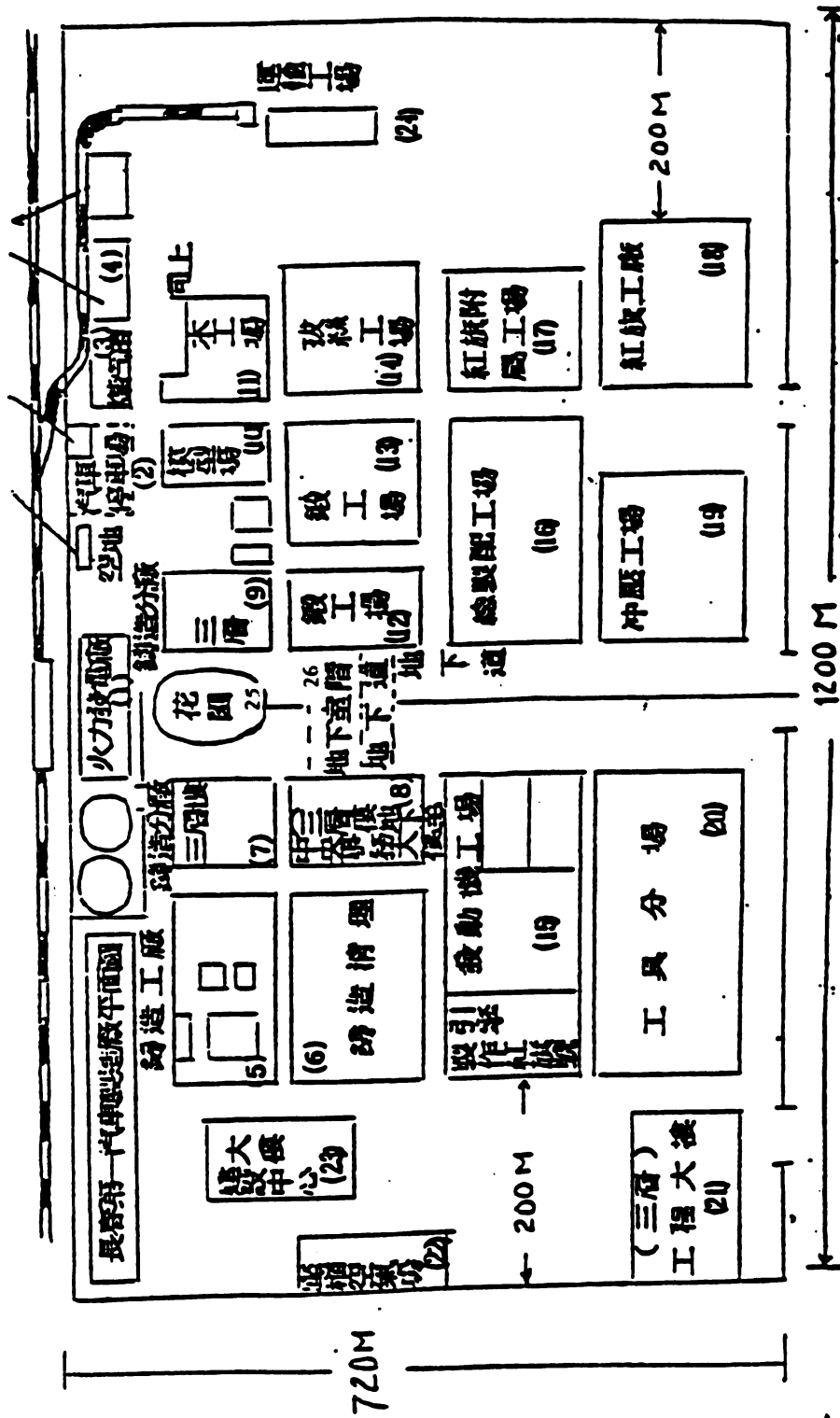
Factory design of the FAW revealed Soviet conception of industrial production. The FAW system was organized in a centralized fashion. Production system was designed to be very comprehensive and highly self-contained. It had a low level of external division of labor. This concept of organization is revealed in the spatial layout of workshops. The FAW auto production system consisted of 13 workshops, such as engine shop, frame shop, assembly shop, foundry shop, forging shop, press shop, woodwork shop, heat processing plant, power plant,⁵⁶ and ten other auxiliary workshops.⁵⁷ These workshops were packed within one square kilometer production district.⁵⁸ The FAW workshops constituted a high density production district. The district is located about eight kilometers southwest away from the central city, right next to the west side of the railway.

As is shown in Map 4.3, the workshops were built next to each other without leaving any expansion space between them. This layout significantly reduced shipping cost of parts among workshops. After completion, overhead conveyors were installed to connect workshops together. The highly concentrated workshops also minimized construction investment in urban supporting facilities, such as electrical power, water, gas, heat, and sewer systems. In addition, it speeded up the time of construction.

⁵⁶ The FAW Power Plant was an independent project among the 156 Soviet-aided projects. The present General Secretary of the CCP Jiang Zemin was the director of this plant from 1956-64.

⁵⁷ *Dalu gongfei qiche gongye* (The Automotive Industry in Mainland China) (1969). Taipei: Taiwan jixie gongsi dalu jixie yanjiu xiaozu, p. 76.

⁵⁸ *ibid*, p. 81.



Map 4.3. The FAW's Courtyard Style Production District in the Late 1950s and Early 1960s

First Auto Works' Workshops in Late 1950s and Early 1960s

1 = Power Plant; 2 = Parking Lot; 3 = Gas Plant; 4 = Warehouses; 5 = Foundry Shop; 6 = Foundry Processing Shop; 7 = Foundry Branch Shop (three stories); 8 = Central Administration Building (three stories and underground floors; 9 = Foundry Branch Shop (three stories); 10 = Mold Shop; 11 = Timber Processing Shop; 12 = Forging Shop; 13 = Forging Shop; 14 = Wire Drawing Shop; 15 = Engine Shop; 16 = General Assembly Shop; 17 = 'Hongqi' Limousine Subsidiary Shop; 18 = 'Hongqi' Limousine Shop; 19 = Press Shop; 20 = Tool Shop; 21 = Engineering Building; 22 = Compress Air Shop; 23 = Construction Center Building; 24 = Transportation Shop; 25 = garden; 26 = underground tunnel

Source:

Dalu gongfēi qiche gongyè (The Automotive Industry in Mainland China) (1969). Taipei: Taiwan jixie gongsi dalu jixie yanjiu xiaozu.

As a modern auto production system, the major defect of the FAW was a low degree specialization. The FAW was designed in a highly self-contained in-house production system, which means, the 26 workshops manufactured most of the parts for the "geese" truck. In the early stage of production, however, the FAW relied heavily on the imported supplies from the Soviet Union. In 1956, the plant imported 81 percent of rolled steel from the Soviet Union. Therefore, when the Soviet experts withdrew in the late 1950s, the production line was closed down in 1961.⁵⁹

The FAW encountered another problem, for the manufacturing pace of the 26 workshops was not coordinated for an efficient production system. The general engineer of the FAW, Chen Zutao, described the production system in the following way:

the ability to manufacture semi-finished products was lower than the processing ability. The processing ability was lower than the assembling. The production capacity for accessories was larger than the production capacity for main engines; the supporting rear could not assure the needs of the front lines.⁶⁰

The weakness of the FAW production system could be seen as early as when it was completed. Although the FAW was successfully completed in three years, it took eight years for the plant to attain the designed annual production capacity of 30,000 trucks. It was partly due to the ill coordination of auto production system and the political campaigns during the Great Leap Forward, which disrupted supply lines, as well as the austere economic policy right after the political turmoil. Moreover, the self-contained production system hindered the establishment of national standardization of parts. The FAW production system set a bad precedent for other automotive

⁵⁹ Diyi qiche zhizaochang shi zhi bianzuanshi (1991), pp. 38-40.

⁶⁰ Chen Zutao (1980). "Several Views on Establishing Vehicle Manufacturing Plants, from Importing Complete Plants to Building Plants on Our Own in Our Nation." *Qiche gongcheng*, 11:6-9 in JPRS 80392, pp. 21-9.

production facilities as they pursued self-contained production system. Automobiles in China shared little parts among themselves, and this aggravated the already fragmented China's automobile industry.

In spite of the highly self-contained production system, the FAW still depended on several suppliers for raw materials and parts. The State Planning Commission was responsible for providing the FAW supplier lines. Materials, such as nonferrous metals, ferrous metals, metal products (nuts, bolts, and the like), glass, bearings, electromechanical generators, electric motors, batteries, paint, rubber products, tools and instruments, were under the jurisdiction of other ministries.⁶¹

The Soviet Union assisted China to build a number of important parts production factories in the 1950s. These plants included: 1) the Number One Automotive Parts Factory in Jilin City; 2) Changsha Automotive Electrical Appliance Plant; 3) Harbin Meter Factory; 4) Laoyang Bearing Factory; 5) Beijing Automotive Parts Factory; 6) Wafangdian Bearing Factory; 7) Boshan Automotive Electrical Appliance Factory; and 8) Ahcheng Automotive Meter Factory.⁶²

In the comprehensive blueprint of the national industrialization during the First FYP, the Soviet-aided projects in Northeast China were centered around the Anshan Steel Plant. The Anshan Steel Plant was designed to supply quality rolled steel for other heavy industry such as the FAW. However, until 1960 the Anshan Steel Plant was unable to supply steel products, such as alloy steel plate, carbon steel, and seamless steel tube for automotive production.⁶³ The FAW power plant also relied on the city of Fushun for coals in order to generate electricity and heat.⁶⁴

⁶¹ Lu Xiaokuan (1984), p. 58.

⁶² 1970 Yearbook on Chinese Communism (Vol. II) (1971). Chapter 11, Taipei: Institute for the Study of Chinese Communist Problems, p. 18; and Dalu gongfei qiche gongye (1969), pp. 87-91.

⁶³ Renmin ribao, May 30, 1957.

⁶⁴ Dalu gongfei qiche gongye (1969), p. 66.

The FAW was designed by the Soviet urban planners to be an independent entity within the city of Changchun. In 1952, the Urban Construction and Design Institute of the Soviet's Ministry of Construction and Engineering, based on the Soviet standard of living, designed the FAW residential districts. The residential districts were designed to accommodate 200,000 population mainly for the FAW workers and their dependents.⁶⁵

The supportive urban infrastructure was jointly financed by the Changchun municipality and the central government. Table 4.1 and Table 4.2 show the municipal urban investments in the FAW construction site before the full scale construction. The municipality laid pipelines for gas, heat, water, and sewer systems in the FAW construction site. New tram track lines, bridges, and roads were constructed to ensure smooth transportation. Table 4.3 indicates that a portion of the FAW's investment was financed by the central government

It was estimated that the Changchun municipality invested 85 to 90 percent of the 22.4 million yuan urban construction funds in the FAW construction site. The central government financed 27.46 million yuan for the FAW reproductive facilities. Thus, the FAW received about 47 million yuan on reproductive facilities from the central and local governments.

Many of the construction items were designed according to the Soviet standard and were apparently beyond the financial ability of China's national conditions. Table 4.4 shows the total investments and living space for the personnel in different levels. The FAW's construction cost was considered to be very high in comparison with the rest of Changchun districts. On July 3 and 4, 1955, the State Council and CCCCP issued directives to criticize the extravagant construction and financial mismanagement.

⁶⁵ *"Qiche gongchang zhuzhaigu pingmian jihua sheji he jianzhu zhetitu"* (The Architecture and Planning Design of the Residential Region of the Automobile Plant) (1953). Moseke: Sulian jianzhu gongchengju / jianzhu gongcheng sheji ju / guojia chengshi jianzhu shejiyuan. Moscow.

Table 4.1. Urban Infrastructures Constructed by the Changchun Municipality for the FAW Project, 1953-56

Name of Project	Total Investment (in 10,000 Yuan)	Total Quantity
-----	-----	-----
Pipelines (Heat, Gas Water, Sewer)	455.40	72,128 m
Electrical Network	54.80	
Road	64.29	80,000 sqm
Levelling	12.40	257,000 M ³
New Water Source	187.30	One Hectare
Sewage Treatment Station in the FAW Region	10.00	
"625"* Bridge	17.00	
Kuanping Bridge	75.50	
New Tram Track	52.50	
Survey	10.05	
-----	-----	-----
Total	939.24	

Note: * "652" was the code number of the FAW.

Table 4.1 (cont'd)

Sources:

Changchun shi wunian chengshi jianshe jihua caoan (The Draft of Changchun Five Year Plan and Design for Urban Construction). Changchun: Changchun shi chengjian ju (1954).

Dangdai Changchun chengshi jianshe bianjibu (1988). Dangdai Changchun chengshi jianshe (Contemporary Changchun City Construction). Beijing: Beijing shi chaoyangju hongwei jiaoyin chang, pp. 64, 66, 291, 293

Diyi qiche zhizaochang shi zhi bianzuanshi (1991). Diyi qiche zhizaochang changzhi, 1950-1986 (The Gazetteer of the First Auto Works, 1950-1986). Changchun: Jilin kexue jishu chubanshe, pp. 120-1.

Table 4.2. Supporting Constructions Invested by the Changchun Municipality for the FAW Project, 1953-56

Name of Construction	Total Investment (in 10,000 Yuan)
-----	-----
-----	-----
Library	5.60
Junior High School	12.70
Fire Station	4.40
Police Station (Municipal)	30.30
Post Office	0.56
Motel	8.00
Cafeteria	2.40
Shop	5.60
Five Service Stations	2.80
Three Barbershops	0.42
-----	-----
Total:	72.78

Source:

Changchun shi wunian chengshi jianshe jihua caoan (The Draft of Changchun Five Year Plan and Design for Urban Construction). Changchun: Changchun shi chengjian ju (1954).

Table 4.3. Supporting Constructions Invested by the Central State for the FAW Project, 1953-56

Type of Construction	Total Investment (in 10,000 Yuan)	Total Space (sqm)	Total Number of Buildings
----- -----	----- -----	----- -----	----- -----
Single Workers' Living Quarters	203.4	20,064	5
Family Living Quarters	2,214.0	252,275	94
Expert Living Quarters	83.4	6,355	1
Cadres Motel	53.3	4,888	1
Technical School Single Dormitory	25.7	2,744	1
Expert Living Quarters Garage	5.3	423	1
No. 1 Building Blueprint Store Room	7.2	335	1
Primary School	50.3	4,886	1
No. 1 Building Cafeteria	27.5	1,502	1
No. 1 Building Coop	3.4	314	1
Cafeteria	43.4	3,296	1
Laundry Room	27.9	1,553	1

Table 4.3 (cont'd)

Main Kitchen	0.7	1,630	1
-----	-----	-----	----
Total	2745.5	300,265	110

Sources:

"Changchun shi wunian chengshi jianshe jihua caoan" (The Draft of Changchun Five Year Plan and Design for Urban Construction). Changchun: Changchun shi Chengjian ju (1954).

Diyi qiche zhizaochang shi zhi bianzuanshi (1991). *Diyi qiche zhizaochang changzhi, 1950-1986* (The History of the First Auto Works, 1950-1986). Changchun: Jilin kexue jishu chubanshe, pp. 120-1.

"'652' chang zhuzhaigu fangwu bufen gongzuoliang zhibiao" (Partial Workload Target for the Houses in the Residential District of the '652' Plant). *Changchun shi qiche chang: zhigong zhuzhaigu guihua ji xianzhuang dingde zhibiao* (Changchun Automobile Plant: The Present Standard and Target of the Workers' Housing Plan). Changchun: Changchun shi jianshe ju (July 1959), p.2 and p.8.

Table 4.4. Construction Cost and Estimated Number of Accommodation in the FAW Living Quarters, 1953-1956

Type of Workers' Living Quarter	Total Investment (in 10,000 Yuan)	Total Area (in sqm)	Construction Cost Per Square Meter (in Yuan)	Living Space Per Person (in sqm)	Estimated Number of Accommodation
-----	-----	-----	-----	-----	-----
Single Workers' Living Quarter	203.40	20,064	101.4	5.5	3,650 (Persons)
Family Living Quarter	2,214.00	252,275	87.8	11.3	6,900 (Households)
Cadre Living Quarter	53.00	4,888	108.4	100.0 per Unit	49 (Households)
Expert Living Quarter	83.40	6,355	131.2	200.0 per Unit	32 (Households)

Note: Living space per person was based on the Soviet standard. In Changchun city, the living space per person was 9 sqm but the standard was greatly reduced to 3.5 sqm in the 1957 master city plan. The discrepancy in investment amount between single workers' and family living quarters of the FAW was because each family unit included independent kitchen, bathroom, and bedroom. But the FAW standard was substantially reduced later during the 1965 "*Xue Daqing, 'gandalei'*" (Learn from Daqing and 'Earth Pounded Wall') campaign.

Table 4.4 (cont'd)**Sources:**

"Changchun shi wunian chengshi jianshe jihua caoan" (The Draft of Changchun's Five Year Plan and Design for Urban Construction) (1954). Changchun: Changchun shi Chengjian ju.

"Qiche gongchang zhuzhaigu pingmian jihua sheji he jianzhu shejitu" (The Design and Construction Blueprint of the Automobile Plant Residential Region) (1953). Soviet Union Construcion Engineering Bureau; Construction Engineering Architectural Bureau; and National Urban Planning and Construction Institute. Moscow.

Diyi qiche zhizaochang shi zhi bianzuanshi (1991). *Diyi qiche zhizaochang changzhi, 1950-1986* (The Gazetteer of the First Auto Works, 1950-1986). Changchun: Jilin kexue jishu chubanshe, pp. 114, 120-1.

Fieldnote: September 16, 1991.

Fieldnote: October 31, 1992.

"'652' chang zhuzhaigu fangwu bufen gongzuoliang zhibiao" (Partial Workload Target for the Houses in the Residential District of the '652' Plant). *Changchun shi qiche chang: zhigong zhuzhaigu guihua ji xianzhuang ding zhibiao* (Changchun Automobile Plant: The Present Standard and Target of the Workers' Housing Plan). Changchun: Changchun shi jianshe ju (July 1959), p.2 and p.8.

The directives instructed all the construction authorities to cut 25 percent of the capital construction investment from the 1954 budget.⁶⁶ In 1955, the FAW Construction Committee reduced 22 percent of the reproductive construction. The FAW cut 16 construction items and saved 12.8 million yuan.⁶⁷

B. Social Impacts of the First Auto Works on Changchun

Changchun was transformed rapidly in the 1950s from a colonial city into a socialist motor city. The three big transportation vehicle manufacture projects, the FAW, Changchun Passenger Train Plant, and Changchun Tractor Plant, were all under construction in the 1950s. These projects constituted transportation vehicle industrial production systems within the city. By the end of the 1950s, Changchun had already emerged as the center for vehicle manufacturing in state's national plan.

China's urban industrialization policy during the First FYP had a big impact on Changchun city. Since the completion of the FAW in 1957, a series of industrial projects were launched in Changchun. Another key industrial project in Changchun assisted by the Soviet Union was the Changchun Passenger Train Plant. The Passenger Train Plant is located in the northwest side of the city, where the former Russian-owned Chinese Eastern Railway Company Settlement used to be. Construction of the project began right after the completion of the FAW in July 1957. Total investment was about 120 million yuan, but the project stopped during the Great Leap Forward (1958-60) after having invested 73 million yuan.⁶⁸

During 1958, the Jilin Provincial People's Government constructed the Changchun Tractor Plant to support agricultural mechanization. The Changchun Tractor Plant was the third largest vehicle production facilities in Changchun. This

⁶⁶ Chen Yulong (1989), p. 110-1.

⁶⁷ *Diyi qiche zhizaochang shi zhi bianzuanshi* (1991), p. 26.

⁶⁸ *Changchun keche bao* (Changchun Passenger Train News), August 12, 1990, p.3.

plant was located in the Erdao hezi district. Unlike the FAW and Changchun Passenger Train Plant, the Changchun Tractor Plant was designed and equipped with indigenous technology. In contrast to the previous two projects, the Changchun Tractor Plant was financed and supervised exclusively by the Jilin Provincial People's Government.⁶⁹

The Jilin Provincial People's Government and Changchun municipality made 86.21 million yuan investment during the 1950s to set up two parts factories and a brick manufacturing factory. The parts factories were aimed at subcontracting for the FAW and the Changchun Tractor Plant. These factories were: the Automotive Tools Factory and Changchun Parts Factory. Automotive parts were found to be very profitable, and these factories were known as "treasury" (*jinku*) for the local governments.⁷⁰ During the Great Leap Forward, a large number of small-size neighborhood workshops emerged under the support of neighborhood committees. The "March Eight" Motor Car Parts Factory, for instance, was run by 20 housewives and 130 hired workers in a 850 square meters of workshop.⁷¹

The number of local factories increased from 266 to 702 in the period 1952-57.⁷² Some of the factories were moved from Shanghai in order to strengthen the industrial base of Changchun. Local industrialization effort allowed Changchun to attain self-reliance in supplying daily goods for the citizens. For example, it was reported that Changchun was able to produce cotton textiles, knitwear, embroidered fabric, sewing machines, bicycles, clocks, enamel and aluminum wares, and Chinese herb medicine, such as ginseng and deer antlers.⁷³ The gross value of industrial output

⁶⁹ "Transformation of Northeast China City" (Changchun, September 17, 1971). Pp. 30-3 in SCMP, no. 4983.

⁷⁰ *Dalu gongfei qiche gongye* (1969), p. 74.

⁷¹ "Transformation of Northeast China City", p. 31.

⁷² *Dangdai Changchun chengshi jianshe bianjibu* (1988), p. 9.

⁷³ "Transformation of Northeast China City," p. 31.

(GVIO) rose from 190 million yuan to 560 million over the 1952-57 period. The annual growth rate of GVIO during the First FYP was about 24.4 percent.⁷⁴

Changchun also emerged as educational and research center in Northeast China. During the colonial period, there were about few dozens of primary schools, secondary schools, and colleges with about 30,000 students mainly for the Japanese and local elite children.⁷⁵ When the Changchun socialist government was established in 1948, the provincial government systematically transformed some of the monumental buildings into research institutes and universities. In the 1960s, Changchun had about 300,000 students.

About 20 colleges, universities, and research institutes were established in Changchun in the 1950s. The most important educational institutions were as follows: Jilin University, Jilin University of Technology, Northeast Normal University, Jilin Medical College, Changchun Geological Institute, Changchun College of Optics and Precision Apparatus and Instruments, Changchun Physical Cultural College, Changchun Finance and Trade School, Changchun Applied Chemistry Research Institute, and Jilin Arts School. These colleges were mostly located in the southern part of the city.

The rise of Changchun's motor city created a need for an effective state administrative apparatus. Changchun administrative rank was promoted to "direct administrative city" (*zhixia shi*), making Changchun equivalent to Beijing, Shanghai, and Tianjin before the beginning of full scale construction of the FAW on July 15, 1953. In this state administrative framework, Changchun was under direct control of the Northeast Administrative Committee.⁷⁶

⁷⁴ Dangdai Changchun chengshi jianshe bianjibu (1988), p.9.

⁷⁵ "Transformation of Northeast China City," p. 31.

⁷⁶ *ibid*, p. 290.

When the Northeast Administrative Committee was disbanded on August 31, 1954, the Jilin Provincial Government gained control over Changchun. On September 27, 1954, the Jilin government decided to relocate the Jilin Provincial People's Government from Jilin City to Changchun.⁷⁷ Such move was aimed to reinforce provincial leadership for Changchun's industrial development. The central government approved the Jilin government's proposal to promote Changchun into provincial capital. As a result, the FAW project was able to get immediate responses from the highest local authority. At the provincial level, the influence of central ministries was much weaker.⁷⁸ Strong provincial support was, therefore, vital to the efficient construction of the FAW. The Jilin Provincial People's Government could make decisions on their own territory more freely.

After the project was completed, the FAW was jointly supervised by the Jilin Provincial Committee and the FMMB. Both authorities assumed "leadership relations" (*lingdao guanxi*) to the FAW. The FAW president was appointed by the State Planning Commission (SPC), which was filled with major-general (*shaojiang*) rank cadres. The SPC appointed Rao Bin, the Party Secretary of Songjiang Province, a former northeast province incorporated into Heilongjian Province in 1954, to be the FAW's first president. Rao served this position from 1954 to 1959. The Jilin Provincial Committee made appointments for other major FAW positions. The mandatory production target (*zhilingxing zhibiao*) and budget were determined by the SPC. The FMMB, however, issued guidelines, instructions, and technological advice

⁷⁷ Dangdai Changchun chengshi jianshe bianjibu (1988), p. 291.

⁷⁸ Franz Schurmann (1970). Ideology and Organization in Communist China. Los Angeles: University of California Press, p. 176.

to the FAW. In the course of the 1960s and 1970s, the FAW was totally decentralized to the Jilin Provincial Committee.⁷⁹

IV. Formation of Dual City--Dual Spatial Pattern

A. Rapid Urbanization

Changchun experienced unprecedented urban growth during the 1950s. The sudden increase of population size was due to the rapid growth of industries, high education institutes, and the relocation of provincial capital to Changchun.

The number of non-agricultural (urban) population in Changchun increased rapidly after the Liberation. Table 4.5 shows that the population growth rate from 1949 to 1951 was about eight percent per year. During this period, Changchun made an effort to recover from the civil war; nonetheless, the city became the rear-front at the outbreak of the Korean War (1950-53). It was estimated that three divisions of the PLA (about 30,000 troops) were stationed in Changchun. The city also recruited 38,000 civil personnel of the former Manchuguo and *Guomindang* regimes into the new socialist municipality.⁸⁰

The status of Changchun was promoted significantly after 1952 when the municipality played an important role in the construction of the FAW. In the eve of the First FYP, the Central Financial Commission instructed central ministries and local governments to form their own design and construction companies to carry out industrial development.⁸¹ About 2,000 peasants in Changchun were transferred to become construction workers for the city's construction companies. These local

⁷⁹ Tian Yinong et al. (1988). *Lun Zhongguo caizheng tizhi gaige yu hongguan tiaokong* (China's Financial System Reform and Macro Control). Beijing: Zhongguo caizheng jingji chubanshe, p. 57.

⁸⁰ Dangdai Changchun chengshi jianshe bianjibu (1988), pp. 286-7.

⁸¹ Chen Yulong (1989), p. 68.

Table 4.5. Non-Agricultural (Urban) Population of Changchun, 1949-1960

Year	Non-Agricultural Population	Rate of Population Growth (Percent)
-----	-----	-----
-----	-----	-----
1949	475,403	
1950	505,673	6.4
1951	545,576	7.9
1952	618,141	13.3
1953	722,334	16.9
1954	837,227	15.9
1955	871,355	4.1
1956	912,348	4.7
1957	975,381	6.9
1958	1,020,867	4.7
1959	1,157,629	13.4
1960	1,287,741	11.2

Source:

Fenjin de shisi nian (Fourty Years of Vigorous Progress) (1989). Changchun:
Changchun shi tongji ju, p. 233.

construction companies expanded rapidly in the second half of the 1950s when local industrialization projects started after the completion of the FAW.⁸²

Between 1952 and 1954, about 300,000 of urban population moved to Changchun. Most of the population growth was related with the Jilin provincial government and the FAW. According to the record of the Jilin Provincial Security Bureau, about 45,000 workers and their dependents moved to the FAW, 75 percent of them came from Shanghai. In order to strengthen Changchun's industrial power, hundreds of private light industries were also moved from Shanghai.⁸³ In addition, the Jilin Provincial People's Government and Jilin Provincial Committee were moved to Changchun with huge numbers of cadres and personnel, which contributed to the rapid increase of Changchun's urban population. The Changchun municipality recruited 20,000 local workers to have them work in the factories. Six thousand of them were transferred to the FAW. This policy was implemented to minimize the growth of urban population.⁸⁴ Changchun's well established educational system attracted large numbers of students (about 300,000) to Changchun.⁸⁵ Some of the student population was transferred from other areas to Changchun.

The growth of urban population slowed down from 1955 to 1958. Nonetheless, there was a 180,000 urban population increase during the period. In the period 1949-58, the city population increased 115 percent.

The urban land of Changchun had a long history of state ownership. During the Manchuguo Empire regime, most of the urban land was purchased by the Japanese and

⁸² Tang Guanye (1962). *"Guanyu chengshi guimu kongzhi yilian"* (Opinion on the Control of City Size). Changchun: Jianshe ju.

⁸³ Cao Mingguo et al.(1988). *Zhongguo renkou (Jilin fence)* (China's Population [Jilin Volumn]). Beijing: Zhongguo caizheng jingji chubanshe, p. 133.

⁸⁴ *Dangdai Zhongguo de chengshi jianshe* (1990), p. 58 and *"Changchun shi wunian chengshi jianshe jihua caoan"* (The Draft of Changchun Five-Year-Plan and Design for Urban Construction). Changchun: Changchun shi chengjian ju (1954).

⁸⁵ "Transformation of Northeast China City", p. 31.

became state-owned property. When the new socialist municipality took over the city, the Changchun municipality inherited a large area of urban land owned by the Japanese colonists. It was estimated that of the 113 square kilometers urban land 111 square kilometers was confiscated from the colonists.⁸⁶ Most of the land was used for public building and road construction purposes. However, about 31 square kilometers of the land was preserved for agriculture.

In 1953, the State Administrative Council promulgated "The Decree of Claiming Land for State Construction." It was the first urban land claim law in the history of Chinese socialist regime. The decree was publicized because of the upcoming industrialization program of the First FYP. The decree laid out the procedure for government land claiming and relief of the people who lived on the land.⁸⁷

The decree gave the Changchun municipality more power to claim land for urban development. In 1952-57, a large area of land, a total 46.6 square kilometers of land, was claimed by the municipality. Table 4.6 indicates sixty-three percent of the urban land in Changchun was used for industries and national defense purposes. Due to the proximity of Changchun to the Korean War front-line, nearly 13.7 square kilometers of land was occupied by the military airport, military buildups, and for the accommodations of the three divisions of the PLA. Most of the military land was located in the suburb (*jiaoju*) of Changchun.

The Changchun Urban Construction Bureau revised the Master City Plan three times over the 1954-59 period in order to keep up with the rapid changes of the city. The plan divided the city into seven zones. Map 4.4 shows that 1) the central city was concentrated with governmental apparatus, city commerce and finance; 2) the South

⁸⁶ *ibid*, p. 54.

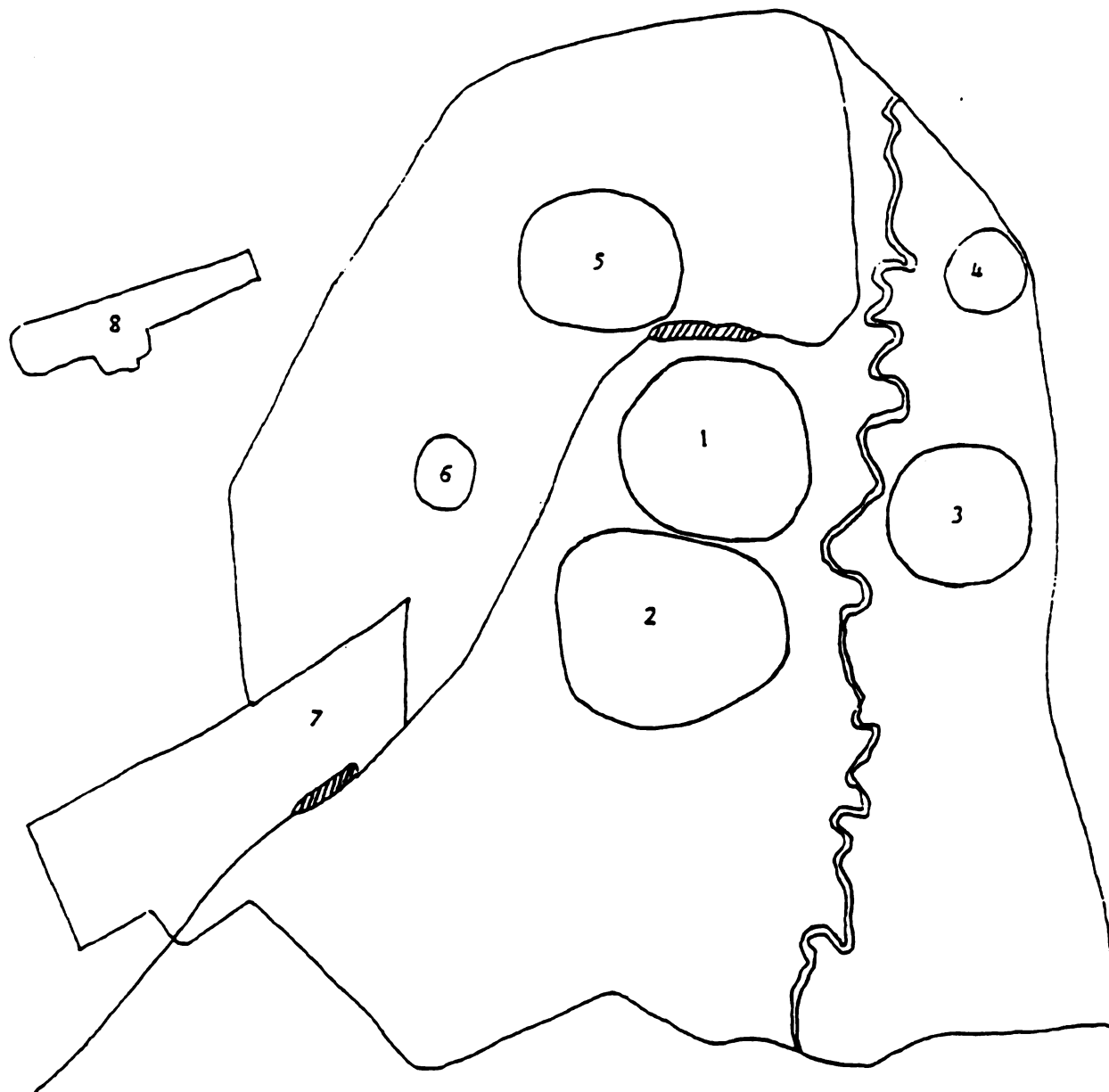
⁸⁷ Gao Yingzhen et al. (1987). *Chengshi tudi guanlixue* (Urban Land Management). Wuhan: Wuhan daxue chubanshe, p. 89.

Table 4.6. Urban Land Claimed by the Changchun Municipality and Land Use, 1952-1957

Land Use	Size of Land (sqkm)
-----	-----
-----	-----
National Defense	13.67
Industrial and Mining	15.81
Agricultural and Water	0.16
Education and Health	5.26
Urban Facility	0.75
Others	4.00

Source:

Dangdai Changchun chengshi jianshe bianjibu (1988). *Dangdai Changchun chengshi jianshe* (Contemporary Changchun City Construction). Beijing: Beijing shi chaoyangju hongwei jiaoyin chang, p. 56.



Map 4.4. Development Zones in Changchun in the Late 1950s

1 = central city (government, commerce, and finance); 2 = South Lake District (high education, research, and movie production); 3 = Erdao hezi (tractor plant and diesel engine plant); 4 = Balibao (timber processing and store houses); 5 = Tiebei (locomotive and passenger train plant); 6 = Northern Tiexi (textile factory); 7 = Southern Tiexi (First Auto Works); 8 = Airport (military)

Map 4.4. (cont'd)

Sources:

Cui Shuangyin (1957). "*Changchun shi guihua shuomingshu caogao: 1957 nian chu guihua zhanlanhui jianggao*" (Draft for the City Planning Guide in Changchun: Script for the Planning Exhibition in the Early 1957). Changchun: Changchun shi guihuake.

Shi Qingwu *et al.* (1987). *Dong bei jingji ju jingji ju jingji dili zonglun* (The General introduction of Northeast Economic Region and Economic Geography). Changchun: Dongbei shifan daxue chubanshe, p. 412.

Lake District with higher education, research and film production buildings; 3) in the east shore of the river lay the tractor plant and the diesel engine plant; 4) the northeast corner of the city had timber processing and ware houses; 5) the north was the center of the locomotive and passenger train plant; 6) the light textile factory was located in the northwest district, 7) the FAW district and 8) the military airport were in the southwest and northwest, respectively.⁸⁸ These zones were constrained by the natural dividers of the railroad and the Yitong River.

The spatial pattern of Changchun during the 1950s' industrialization was greatly influenced by the urban system inherited from the colonial regime. The Changchun Master City Plans in the 1950s were drafted according to the state policy of making use of the existing urban infrastructure for development.⁸⁹ As is shown in Map 4.4 (pp. 140-141), the buildup areas during the Manchuguo Empire, mostly concentrated in the central city, were used for higher education, research, movie production, municipal and provincial government buildings. The Changchun Real Estate Management Committee (*fangchan guanli weiyuanhui*) had done a lot of work before 1953 to recover a large number of houses. Basically, there was very little new construction in the central city area. Most of the industries before the Great Leap Forward were located in the east of the Yitong River and west of the railroad. There was little urban infrastructure inherited from the previous regime in these areas.

During the First FYP, there were five major industrial systems established in these areas. The FAW was the major industrial complex in the southern *Tiexi* (west of the railroad) district. The land was previously designed to be the location of the Palace

⁸⁸ Shi Qingwu *et al.* (1988). *Dongbei jingji ju jingji dili zonglun* (The General Introduction of Northeast Economic Region and Economic Geography). Changchun: Dongbei shifan daxue chubanshe, p. 412.

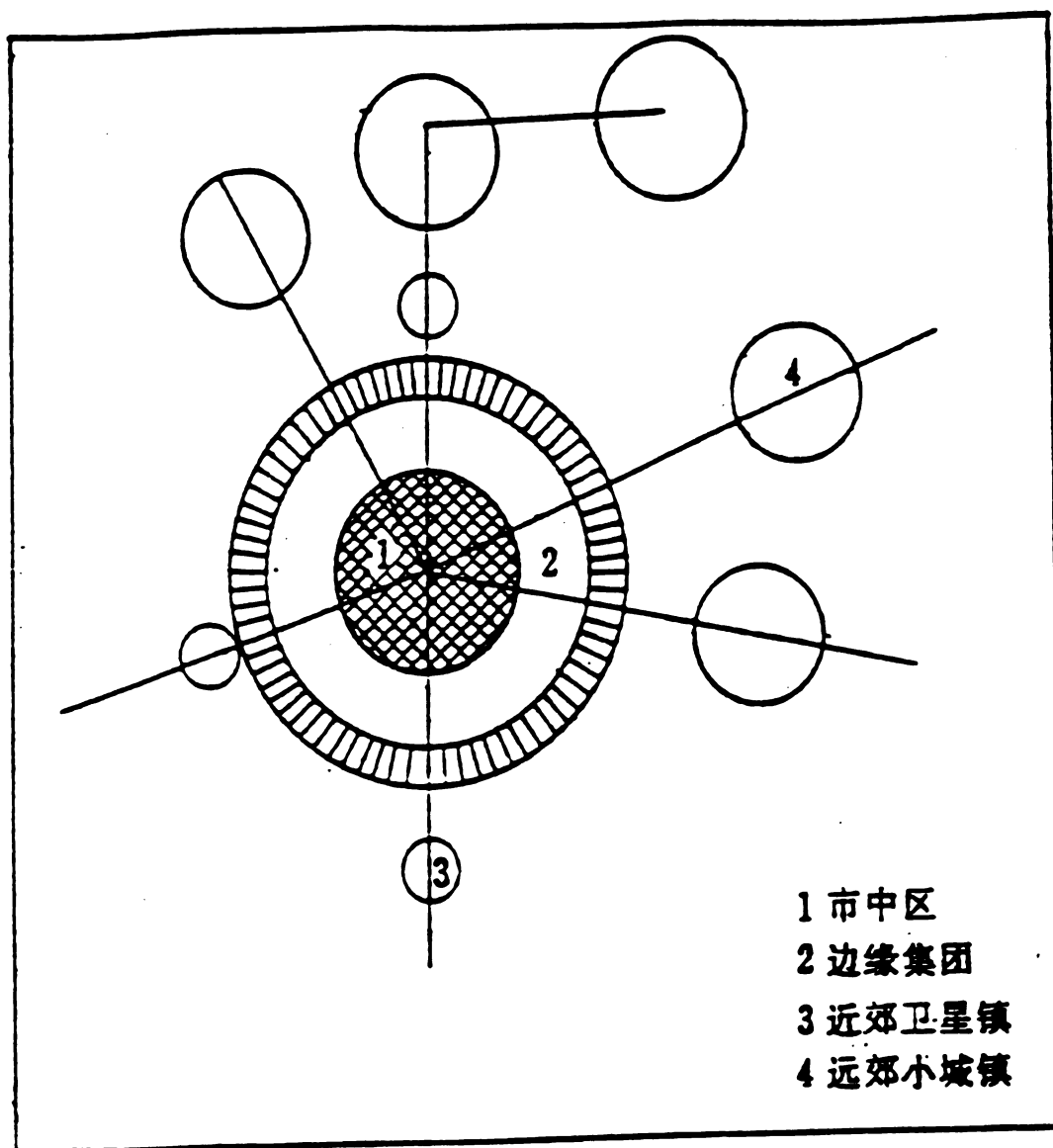
⁸⁹ "Changchun shi chubu guihua shiyitu shuomingshu" (A Guide for the Preliminary Diagrams of the City Planning of Changchun) (1957). Changchun: Changchun shi jianshe weiyuanhui (December 1957), pp. 1, and 6.

of the Manchuguo Empire and was regarded as the best land in Changchun. The Changchun Passenger Train Plant was built in the land of the former Chinese Eastern Railway Company Settlement (former Russian territory). The Changchun Tractor Plant was built in the east of the Yitong River. The advantage of this region was its closeness to the central city. A new textile factory was built in the north of *Tiexi*. This factory was built as the result of the state policy to balance the proportion of heavy and light industry in the city. The factory supplied local textile materials as well as jobs for female workers. There were unknown numbers of military built-ups around the city. The airport located in the northwest suburb of Changchun was controlled by the PLA.

The Changchun urban pattern revealed layers of clusters around the central city. Map 4.5 shows that the socialist transition of Changchun city took place mainly in the central city and its peripheral clusters. Most of the newly built industrial projects were located in the peripheral region. They formed clusters of settlement around the city. The central city, however, without putting up many new buildings, was relocated by the new state administrative work units, that eventually brought about the change of the city. A number of small towns were located in the suburb, and the county seat towns were in the far distant suburb.⁹⁰

The new socialist municipality did not change much of the city's built environment. The several City Master Plans prepared by the socialist Changchun municipality were designed on the framework of the Manchuguo Regime's City Master Plan. But the production district of the FAW easily discerned that the City Master Plan did not fit into the Changchun's overall urban form (see Map 4.2 [p. 100] or Map 4.4 [pp. 140-141]). The FAW district cut across the beltway and expanded toward the southwest of the city. The district was spatially disconnected from the city system, which made the FAW district become a city within a city.

⁹⁰ Shi Qingwu *et al.* (1988), pp. 412-414.



1 = central city; 2 = peripheral clusters; 3 = suburb towns; 4 = far distant county seat towns

Map 4.5. Urban Pattern of Changchun during the 1950s

Source:

Shi Qingwu et al.(1987). *Dongbei jingji ju jingji dili zonglun* (The General Introduction of Northeast Economic Region and Economic Geography). Changchun: Dongbei shifan daxue chubanshe, p. 413.

B. Spatial Segregation

The socialist transition of Changchun from a colonial city into a socialist producer city during the First FYP was carried out by establishing new industrial, governmental, and educational work units in the city. Based on the Soviet blueprints, the Beijing government created a new bureaucracy to institutionalize the industrialization program throughout the nation. The FAW and other central state enterprises in Changchun were organized vertically by the central ministries. As a result, the local state enterprises were incorporated into a centralized administrative system (*xitong*) instead of merging with other enterprises within the city. This created a socially and economically independent entity within the urban system. In addition to the central and provincial administrative systems, municipal district system was operated independently in Changchun. The state administrative system divided Changchun into numerous social and economic enclaves. Local resources, such as land, housing, and work force, were divided among the state administrative work units. As a result, a spatially segregated urban system was created in Changchun.

When Changchun was chosen to be the location of vehicle production center and the provincial capital, more central and provincial resources were channeled into the city. But the distribution of resource was confined to the work units within the central and provincial administrative systems (*xitong*). Table 4.7 indicates that Changchun received 121.36 million yuan investments on city construction during the First FYP. About 47.7 million yuan was invested by the central ministries, such as the FMMB, Ministry of Construction and Engineering, and Ministry of Railroad, etc. Eighty three percent of the central investment was directed to new construction. Most of the investment in public utilities of the FAW district was made by the Changchun municipality. The Changchun municipality received state fund for public utilities and

Table 4.7. Investments of City Construction and Real Estate in Changchun during the First Five Year Plan (in Million Yuan)

Investment Items	Total Investment	New Captial Construction	Repairing the Old Urban Facility
----- -----	----- -----	----- -----	----- -----
Ministry Investment	47.66	39.45	8.21
Public Utility	36.08	9.10	26.99
Real Estate	37.62	17.65	19.97
-----	-----	-----	-----
Total:	121.36	66.20	55.17

Source:

Changchun shi jianshe ju (1962). *"Jilin sheng Changchun shi 1963-1972 nian chengshi jianshe guihua (zong shuoming)."* (Plan for the City Construction in Changchun, Jilin Province, 1963-1972 [General Illustration]).

real estate. It was estimated that the central government granted Changchun 14 million yuan to repair the damaged urban facilities. The Changchun municipality spent 22 million yuan from its own revenue for the expansion of public utilities. Most of the real estate investments were made by the city government.

In the First FYP, the central state enforced the Changchun municipality to redistribute the urban facilities to the new state work units.⁹¹ This state policy, in fact, forced the Changchun government to divert the city resources to other state administrative systems. Once the urban facilities were distributed to other work units, the Changchun government usually lost control over the facilities. The vertical administrative system weakened the horizontal coordination of the local governments and thus was ineffective for urban development.

By channeling local resources to the FAW and other central work units, the Changchun municipality could show political enthusiasm and be evaluated positively by the central government. In the long run, a larger industrial base in the city could increase the city's bargaining power for more state funds. In short, the status of Chinese city was in proportion to the scale of industrial production.

Among the new work units in Changchun, the most important work units before 1954 were: the Volunteer Army (*ziyuan jun*) for the Korean War, the FAW, and Jilin Provincial Government. As is presented in Table 4.8, 2,767 buildings were assigned to these units. Most of the buildings for the Volunteer Army were small houses and were located in the suburb. The Jilin Provincial Government, however, was given the monumental buildings located in the central city along the Stalin Boulevard. The FAW inherited over 1,000 buildings from the municipality to provide accommodations for the 30,000 construction work force between 1953 and 1956. After the completion of the FAW construction, most of the houses were transformed to be workers' living

⁹¹ *Dangdai Zhongguo de chengshi jianshe* (1990), pp. 58-9.

Table 4.8. Allocation of Houses by Changchun Municipality, 1951-1957

Date	Work Unit	Number of Building	Floor Space (10,000 sqm)
-----	-----	-----	-----
September 1951	Volunteer Army in Korean War	1,600	30.00
1953-1954	First Auto Works	1,000	54.91
July 1954	Jilin Provincial Government	167	31.00
1957	Changchun Passenger Train Plant		6.50
	Primary and High Schools		23.00
-----	-----	-----	-----
Total:		2,767	145.41

Sources:

Dangdai Changchun chengshi jianshe bianjibu (1988). *Dangdai Changchun chengshi jianshe* (Contemporary Changchun City Construction). Beijing: Beijing shi chaoyangju hongwei jiaoyin chang, p. 50.

"Transformation of Northeast China City." (Changchun, September 17, 1971). Pp. 30-3 in SCMP, no. 4983, pp. 32-3.

quarters. The Changchun Passenger Train Plant, a much smaller-scale in the beginning, was assigned 65,000 square meters housing space. It is estimated that the Changchun municipality allocated 16 percent of the city's total housing space to the above work units.

In order to spare the housing space for the central and provincial work units, the Changchun municipality moved some of the residents to the newly built houses in the east of the Yitong River (*Erdao hezi*). This region was traditionally a flood ridden area. During the socialist transition period, simple houses were built in this area for the residents who did not belong to any of the central or provincial large work units. These residents mostly worked for the municipal work units, such as the burgeoning construction companies and local factories. About 270,000 square meters of floor space was built from 1949 to 1952 in the Erdao hezi district.

Before 1954, most of the houses assigned to the central and provincial work units were centrally managed by the Changchun Real Estate Management Bureau. However, the municipal department, which was a lower rank local unit, had a hard time exerting effective control over the high rank central and provincial work units. The houses became "self-managed public real estate" (*ziguan gongfang*), which were directly controlled and managed by the central and provincial work units. As a result, the developmental districts became independent administrative enclaves occupied by various work units of the hierarchical bureaucratic system. The Changchun municipality was powerless to have a central control over the overall city development.

The effort to have a centrally controlled city development was hampered by the intervention of the higher authorities. For example, in 1954, the Northeast People's Government waived the rents of the education housing; in 1962, the Jilin Provincial People's Government waived the rents of the government offices and other

organizations' houses.⁹² This policy dramatically reduced the city's municipal revenue.

V. Conclusion

This case study demonstrates that Changchun experienced rapid urban transformation during the First FYP Industrialization. The city had turned from a colonial city into a socialist industrial, political, and educational center. Within short period of time, the FAW and other machinery manufacturing plants were erected in Changchun. The focus of urban transformation in Changchun was industrialization. But the process of transformation underwent a series of institutional changes determined by the socialist state development strategy. Before the FAW construction began in 1953, the local government had done a lot of work in order to strengthen the local leadership. An effective government was vital to the nationalization of private and colonial real estate in Changchun. Many smaller-scale industries had been relocated from Shanghai to the city by the central government. Thus, before the construction of the FAW, the Changchun municipality was able to exercise its control over local resources. The municipality mobilized these resources and work force to support the complicated FAW construction. The completion of the FAW project in three short years was partly effected by the successful organization of the state redistributive system.

This case study also shows the Changchun's socialist urban pattern was structured by the organization of the state administrative system. After the nationalization of private property, the central government retained control over the

⁹² Changchun shi jianshe ju (1962). *"Jilin sheng Changchun shi 1963-1972 nian chengshi jianshe guihua (zong shuoming)." (Plan for the City Construction in Changchun, Jilin Province, 1963-1972 [General Illustration]).*

national allocation of resources. Under this centralized resource allocation mechanisms, the rank of work units determined the amount of resources they received from the state. Thereby, urban development was dependent on the amount of state resources carried by work units. In Changchun, the FAW, PLA units, Jilin Provincial Government, and other central industrial facilities jointly promoted the urban transformation. New investment was made by these work units and their territories were within the city. Social division of labor and exchange of resources among these work units were constrained by the centralized bureaucracy. These work units tended to hoard and confine their resources within their territories. For example, the FAW had little subcontracting production for the Changchun's municipal industrial factories. As a result, independent auto production system emerged within the Changchun urban system. This type of urban transformation divided the city into several territories consisted of independent work units that were not coordinated by the Changchun municipality. A dual socio-spatial urban pattern thus emerged during the First FYP Industrialization. In this pattern, the FAW and other higher rank administrative work units received more state resources than the lower rank municipal work units. In short, this uneven distribution of resources among work units created uneven urban development in Changchun.

Did uneven development of the dual socio-spatial urban pattern cause social problems to the new socialist city? It seems that the dual city in Changchun did not pose great threat to social stability in the 1950s. As the provider of wages and welfare, the work units created a stable social system for the post-war urban dwellers. The work unit system, however, exerted social control over the urban dwellers. Patriotism also played a role in minimizing the population's discontent stemmed from low living standard and uneven urban development. The Chinese leadership stressed rapid heavy industrialization over raising living standards, reiterating social sacrifices for the state-propelled industrialization program. Local urban development was not an

important issue in the state development strategy. However, large-scale industrial development directly affected the status of local governments in the state administrative system. For the Changchun municipality, a dual socio-spatial urban pattern did not carry any negative evaluation from the central state. Although the municipality gave away the city resources to the FAW and other central and provincial work units, the Changchun municipality could gain political bargaining power with the state in the long run. The city was in fact promoted to be the capital of the province.

Finally, this case study also reveals the relationship between political power and economic development. Had there been no Soviet influence on the decision of the FAW location, the FAW could have been located in the capital of Beijing. However, since the Soviet Union insisted on Changchun, the Jilin Provincial Government was relocated to Changchun. The political logic in the Chinese urban development is that governments or work units have a strong tendency to retain control of their own territories. Usually, economic development took place within the political territory of work units. In the FAW case, the Soviet Union interfered this political logic but the Jilin Provincial Government corrected it by relocating the provincial capital from Jilin city to Changchun. Thus, the Jilin Provincial Government could ensure firm control over the FAW and other important central projects. Such a close tie between political power and economic development in Changchun support the political logic argument suggested in Chapter One.

Dispersed City: Socialist Transformation of Shiyan during the Third Front Industrialization, 1964-1976

Shiyan is an industrial city that emerged during the Third Front Industrialization program from 1964 to mid-1970s. This was the second largest industrialization program launched by the Chinese communist state, compared to the First FYP Industrialization program in the 1950s. However, the two industrialization programs differed markedly in many respects. Instead of growing out of post-war nation building, as happened in the 1950s, the Third Front Industrialization program was carried out under war preparation conditions. The whole country was mobilized for political struggle and building of strategic industry. In contrast to the bureaucratic institutional development in the 1950s, the state bureaucracy was weakened on the eve of the Third Front Industrialization program. The bureaucratic planning procedure was replaced by the mass-line style collective political practice. The developmental dynamic for the Third Front Industrialization program was fueled with class struggle and the ideology of egalitarian society. Such a bottom-up approach paralyzed the Chinese state system. Obviously, the Third Front Industrialization created a distinctive institutional arrangement that reversed the hierarchical state administrative system established during the First FYP Industrialization. Thereby the Third Front Industrialization strategy had turned the power balance during the developmental process. If so, did the Third Front Industrialization strategy change the political logic of urban development that we have demonstrated in Changchun's case? What socio-spatial pattern did result from this mass-line developmental strategy?

This chapter is aimed at addressing the above questions. The project of the Second Auto Works (SAW) and the formation of the city of Shiyan are the prototype of

the Third Front Industrialization program. The case study reported in this chapter is focused upon the Third Front state development strategy and the egalitarian institutional arrangements. It seeks to understand the mass-line style collective construction process and the social and political impacts on the relationship between the SAW and Shiyan. Finally, attention is focused upon the spatial impacts of the construction process on Shiyan. This chapter concludes that a dispersed city was formed in Shiyan, which was markedly different from the dual city in Changchun.

I. Historical Legacy of Social Conditions in Shiyan

Historically, Shiyan is a passing route and a refuge for rebellious troops. Given its mountainous location and harsh living conditions, Shiyan had very little development value until the mid-1960s. However, the unfavorable physical conditions, as well as its historical relationship with the CCP helped Shiyan to change its ill fate in the national plan. As a rural-based Party, the CCP veterans were familiar with the Shiyan region when they conducted guerrilla warfare during the civil war and the Japanese war. The physical conditions and the historical legacy made Shiyan appear to be an ideal place for the construction of an egalitarian industrial society.

Shiyan is located in the northwest foothill of the legendary Wudang Mountain and north of the Shengnongjia (Shengnong primitive forest). Wudang Mountain is the site of the origin of Taoism and of Chinese martial art. The Shengnongjia is one of the world's few existing primitive forests. Historically, there has been a legend about the existence of "red hair wild man."¹ In the administrative geography, it is on the border of Hubei, Shaanxi, and Henan provinces. Strategically, Shiyan's location falls into the border of third and second fronts. Shiyan is a corridor between inland and east China.

¹ Fieldnote, November 28, 1991. For more details about the "red hair wildman" in Shengnongjia, check the documentary film "The Wildman" distributed by PBS (Public Broadcasting Service) in 1991.

The name Shiyan literally means "ten small dams." Peasants built small dams to block water on the Shengding River for irrigation and daily usage.

A. Rebel Route

The history of Shiyan can be traced back to the Sheng Dynasty (B.C. 1510-1121), and the Chunqiu Period (B.C. 403-221). The name Shiyan was established in the 17th century during the late Ming dynasty. In 1629, the peasant rebel leader Zhang Xianzhong led an army of 30,000 peasants and occupied Yunyang County. The rebel army was stationed in Shiyan. A few years later, another peasant rebel leader, Li Zicheng, led 70,000 troops from Shaanxi province and occupied Northwest Hubei in 1633. Li and his troops passed by Shiyan and headed southward. On their way, Li's troops defeated the Ming army. Li, who was widely supported by the peasants, returned to the Shiyan area in 1634. The peasants in the Shiyan area joined the rebel army. Since then the population in Shiyan had dramatically decreased, and many houses and fields were deserted.²

In contemporary Chinese history, Shiyan was once again to be the strategic site in the civil war. In 1931, the communist general He Long, who led the China Worker Peasant Red Three Brigade, passed by Shiyan.³ After the Japanese surrendered in August 1945, the Chinese Communists and the Nationalist (*Guomindang*) troops jockeyed for strategic positions in many places in China. The Central Plains Liberation Army led by Li Xiannian was badly mauled by the *Guomindang* troops in October 1945.⁴ Li's troops were forced to retreat to the mountainous regions of the north-central Hubei. In early 1946, the Communists and the *Guomindang* troops signed a

² *Hubei shixian gaikuang* (The General Conditions of Hubei's City and County) (1984). Wuchang: Hubei sheng tífāngzhì biānzāo wéiyuánhui, pp. 34, 42-3.

³ *ibid.*, p. 43.

⁴ Mao Zedong (1968). *Mao Zedong xuanji* (Selected Works of Mao Zedong). Beijing: Renmin chubanshe, p. 1065.

cease-fire agreement arranged by the US Special Envoy George C. Marshall. In June 1946, the agreement was broken and the *Guomindang* troops besieged Li's troops.⁵ While one of Li's lieutenants led a small number of soldiers pretending to break out the encircled troops, Li's troops skillfully retreated and remained in the central and eastern Hubei to conduct guerrilla warfare. Li and a platoon of men took refuge in Shiyan.⁶ When Li Xiannian became a vice-premier in the State Council, he was the strongest supporter for building the SAW in Shiyan.

B. Historical Economy

Historically, there was only scant habitation scattered around the Shiyan region. In 1633, when local peasants joined the Li Zicheng rebels, the population dramatically dropped. There were many houses and fields deserted. Later, a Chen family moved to Shiyan and opened a blacksmith workshop. Because of the skillful blacksmith Chen, peasants from the neighboring areas came for metal tools in exchange for mountain agricultural products. Gradually, more population was attracted to Shiyan. Some made wood and bamboo products. The commercial activities took place in today's Shiyan Old Street (in the old time it was called Chenjiajie or Chen's Family Street).⁷

Although Chen's Family Street grew slowly and attracted some population to the Shiyan area, the mountainous conditions made it difficult to get sufficient harvest for a larger population. The patchy fields located here and there failed to form a concentrated community in the Shiyan area. But the blacksmith craft in Chen's Family Street provided better tools for Shiyan inhabitants to build numerous small dams on the rivers for irrigation. In the mid-Qing Dynasty, six small dams were built on the Baier

⁵ Donald W. Klein and Anne B. Clark (1971). Biographic Dictionary of Chinese Communism 1921-1965, Vol. 1. Cambridge: Harvard University Press, p. 501.

⁶ Fieldnote, August 8, 1991.

⁷ Hubei shixian gaikuang (1984), p.34.

River, which were located in the east of Chen's Family Street. Later, four more small dams were built in the Huaguo area. Since then, Shiyan (ten small dams) was used as an administrative name. After the Liberation in 1949, only four blacksmith and wooden workshops remained in Shiyan Old Street. The population was less than a hundred people.

II. State Development Strategy of the Third Front Industrialization, 1964-1976— An Egalitarian Social Mechanism

In the mid-1960s, China was still at the crossroads in exploring a "genuine" way for socialist transition. The CCP fell into an intensive power struggle between bureaucratic elites and radical Maoists. The political campaign of the Cultural Revolution was a reaction of the radical Maoists against the bureaucratic institutions and influences of the bureaucratic elites in all levels of the state bureaucracy. In the mid-1960s, new social conditions emerged which were closely related to the revolutionary ideology of the radical Maoists. The state development strategy had a different emphasis on regional priority and internal dynamics. These peculiar social conditions and developmental strategies of the Cultural Revolution enabled the historically underdeveloped third front regions such as Shiyan, to be favorable sites for industrial development.

A. New Social Conditions

1. Egalitarian Society

It was quite confusing for the CCP to determine what a socialist egalitarian society should look like. During the First FYP period, an egalitarian society was built upon the urban-centered industrialization which was under the redistributive mechanism

of the central state. The economic development, which was based upon such a bureaucratic institutionalization approach, posed a political threat to the rural-based CCP. Concomitant to the rapid industrialization, powerful bureaucratic institutions were mushrooming in China, a development which brought intelligentsia, professionals, and technocrats into the center of the political arena.⁸ It drastically changed the power of balance in the Chinese communist state. Most of the veterans who had made a significant contribution during the revolution were from a rural origin and were not professional elites. Thus, the emergence of a "new class" and the exclusion of the rural-based veterans from the state system in the 1950s became the focus of political struggle in the process of exploring egalitarian society.

To some CCP members, egalitarian society meant the elimination of the "new class" and the restoration of rural-based veterans in the center of state power. The indigenous methods the veterans had in mind was the successful social mobilization strategy they had used during the Yanan Period from 1935 to 1945.⁹ The spartan spirit and the self-sacrifice in the harsh living conditions in the Yanan region became a symbolic model of egalitarian society for China in the mid-1960s. Yet, after two decades of industrialization, the Chinese communist state did accumulate experience on economic development as it was well expressed in Mao Zedong's writing. In 1956, Mao delivered his famous "Ten Big Relationships" speech in the Politburo of the CCCCPC on April 25, 1956 to evaluate the First FYP Industrialization.¹⁰ He adopted a

⁸ Kau Ying-Mao (1971). "Patterns of Recruitment and Mobility of Urban Cadres." Pp. 97-121 in The City in Communist China edited by John. W. Lewis. Stanford: Stanford University Press.

⁹ Mark Selden (1971). The Yanan Way in Revolutionary China. Cambridge: Havard University Press.

¹⁰ Mao Zedong (1979). "On the Ten Major Relationships." Pp. 314-22 in The People's Republic of China: A Documentary History of Revolutionary Change, edited by Mark Selden. New York: Monthly Review Press.

dialectic perspective to conceptualize a holistic model in order to balance the conflicts in China's economic and social development.

In sum, the Yanan rural spartan spirit and the dialectic perspective of Mao Zedong jointly shaped the conception of egalitarian society during the Third Front Industrialization. For the radical Maoists, peasants and rural society were the role model for the industrial city and the urban dwellers. Learning from the peasants and reproducing rural self-reliant society were the central guiding thoughts for the Third Front Industrialization.¹¹ This tendency was crystallized in important policies, such as sending down bureaucrats, intelligentsia, and youngsters to villages, as well as building up a rural-based industrial production center. In such a rural society, the holistic approach emphasized the integration of social polarities such as: factory and village, peasants and workers, urban and rural, and government and plant authority. This strategy was strikingly different from the dual development model suggested in the Changchun study.

The resultant society created by this egalitarian approach was the emergence of a neo-traditional society. This type of social structure emphasized self-reliance and simple division of labor in the industrial production system. The major difference in the neo-traditional society was the powerful influence of the communist ideology that displaced the traditional belief system and norm. The mass-line style collective political organization enabled effective social mobilization that was rarely seen in traditional Chinese society. Industrial production introduced by the CCP during the Third Front Industrialization program brought about unprecedented opportunity for rural China to take part in modernization.

¹¹ "Take the Road of Taching (or Daqing), Run a Taching Type Enterprise--An Investigation Report on the 'Industry Learn from Taching' Movement Launched by Changchun No. 1 Automotive Works" (1971). *Renmin ribao*, September 23, 1971, SCMP, 4990, MP 71-40, p. 113.

2. Undermining State Bureaucracy

Undermining state bureaucracy was an objective as well as a precondition for radical social changes. In the second half of 1964, institutional changes were underway under political pressure in the state bureaucracy. Mao launched a fierce attack on the state bureaucracy. Mao's written instruction to Chen Boda on August 27, 1964, indicated that Mao threatened to dissolve the State Planning Commission (SPC) if the SPC did not alter the planning procedure in the following years. Mao's instruction was discussed in the National Planning Conference on October 19, 1964. The conference criticized dogmatism and red tape of the state planning system. It concluded that China would change the course of development and "centralize the major authority, and decentralize the minor authority" (*daquan dulan, xiaoquan fensan*).¹² Most of the financial and administrative authorities were decentralized to localities. The conference also decided to simplify the "Planned Assignment Certificate" (*jihua renwu shu*) and disband the subcontracting system of the state construction. Finally, the conference emphasized material dialectics and mass-line methods instead of dogmatic planning procedure.¹³

The state bureaucracy further disintegrated when revolutionary masses besieged the bureaucratic institution in 1966.¹⁴ Most of the bureaucratic officials and intelligentsia were regarded as "class enemies." They were labeled as "capitalist roaders" or "foreign spies."¹⁵ When they were purged and prosecuted for their

¹² Chen Yulong (1989). *Zhonghua renmin gongheguo caizheng dashiji [1949-1985]* (The Chronicle of Finance of People's Republic of China [1949-1985]). Beijing: Zhongguo caizheng jingji chubanshe, pp. 270-1.

¹³ *ibid.*

¹⁴ "Changchun Motor Vehicle Plant Uses Revolutionary Mass Criticism to Promote Production" (1969). SCMP, no. 4509, p. 20-1.

¹⁵ Jilin sheng geming weiyuanhui / Changchun shi geming weiyuanhui (1971). *"Changchun diyi zhizao chang zhuzao fenchang de tiaocha baogao"* (Investigation Report of the Foundry Shop of the Changchun First Auto Works, October 1, 1971). *Zuguo*, 98:250-252. Hong Kong: Union Research Institute.

"crime," the power of Chinese state bureaucracy was curtailed and the whole country fell into a state of anarchy. In the midst of social turmoil, the Third Front Industrialization projects were spreading out in interior China. Bureaucratic elites and technocrats were sent down from cities or from the central government to the remote third front region to start the complicated preparation work. Despite the social turmoil, the third front region became, once again, a place of refuge for the thousands of ousted officials.

3. Changes of International Conditions

In addition to the internal enemy in the state bureaucracy, China was facing tremendous threats along the border. During the late 1950s and mid-1960s, the international conditions surrounding China were not in favor of peaceful development. The United States was involved in the Vietnam War near the southern border of China, and the threat of the US navy in the Taiwan Strait put pressure on Beijing leadership to be prepared for war with the United States. In addition, the Sino-India War broke out in early 1960 in southwest China, and millions of Soviet troops were stationed along the long northern border. This hostile scenario showed that China was actually surrounded by enemies in isolation from the international community.

The international conditions were used by the radical Maoists to refute the bureaucratic institutional development policy during the period of recovery from the Great Leap Forward. In May 1964, Mao commented on the draft of the Third FYP (1966-70), saying that the Plan should consider war preparation. The Third FYP was originally proposed to focus on improving the living standard, industrial infrastructure, and defense industry. Mao's comments suggested that the development of the defense industry should be put in first priority;¹⁶ the national industrial facilities ought to be

¹⁶ *Dangdai Zhongguo de jiben jianshe shangce* (Contemporary China's Capital Construction, Volume I) (1989). Beijing: Zhongguo shehui kexue chubanshe, p. 157.

moved to the third front. Mao evaluated the international situation surrounding China and anticipated the inevitability of war with the super-powers. He called for the preparation of "full scale war" (*dada*), "imminent war" (*zaoda*), and even nuclear war. The identification of external enemies enabled China to arouse a nationalistic sentiment for mobilizing national resources and labor force for the war preparation constructions. Mao successfully captured the national sentiment and directed it not only to the third front industrial construction, but also to the power seizure from the bureaucratic elites in state and Party apparatus.

B. Main Policies

1. Revival of Mass-Line Mobilization

During the Cultural Revolution, a new internal dynamic, different from the bureaucratic redistributive mechanism, was introduced. A war-time mobilization strategy similar to that of the Yanan Period was the major dynamic for the Third Front Industrialization development. Stressing mass-line was Mao's famous strategy. By revitalizing the initiative of localities and masses, Mao attained his political and economic goals. Mao frequently condemned the state and Party bureaucracies for creating a new class stratifying the society, and he believed that the policy of bureaucratic elites was too much preoccupied with social order, administrative efficiency, technological progress, and economic development. According to Mao, this conservative policy led to revolutionary stagnation and social inequality, which was contradictory to Mao's vision of socialist society. Mao regarded mobilizing social initiative as a more effective and egalitarian way to attain social goals. His social mobilization strategy (*shehui dongyuan luxian*) included at least six characteristics: 1) dissolution of state apparatus, 2) decentralization of power to locality, 3) deregulation of bureaucratic rules and procedures, 4) revolutionization of general practices in daily

routine and state administration, 5) spontaneous enthusiasm of revolutionary masses, and 6) continuous revolution.

Mao's social mobilization strategy was a strong destructive force instead of being a constructive impetus for development. The major problem for this strategy was that the social mobilization strategy failed to institutionalize its impulse after the destruction of the bureaucratic institution. The social mobilization strategy finally depended on the introduction of the military to bring back social stability and provide institutional system to resume minimum state administration.

2. War Preparation Strategy – The Third Front Industrialization

Beginning in mid-1964, China's economic development was integrated into the war preparation strategy. The aim was to build strong third front industrial bases within a short period of time. Under this circumstance, the Third FYP (1966-70) was substantially revised. The SPC submitted the revised draft in September 1965. The new plan reshuffled the priority of national investments. Improvement of living standard was no longer a priority; instead, based on the preparation for "imminent war" and "full scale war" guiding thought, state investments were focused on national defense and its related industries. Table 5.1 shows that the total state investments on capital construction in the third front region from 1965 to 1975 was 127 billion yuan or 43.5 percent of the total state investments in this period of time. The investments in the third front were mostly "big third front" projects (*dasanxian*), which were organized by the central government and/or the Military Commission Administrative Group (*junwei banshizu*). The rest of the 56.5 percent or 165 billion yuan of the state investments, however, were made to the "small third front" projects (*xiaosanxian*). These projects, located in the rear front of each province, were administered by local governments.

Table 5.1. Capital Construction Investments and Estimated Investments in the Third Front Projects, 1965-75

Year	Capital Investments (Billion Yuan)	Rate of Third Front Investments to Total Capital Investments (Percent)	Estimated Third Front Investments in Each Five-Year Plan (Billion Yuan)
-----	-----	-----	-----
-----	-----	-----	-----
1965	17.96	16.87	3.03
1966	20.94		
1967	14.02		
1968	11.31		
1969	20.08		
1970	31.25		
Sub- Total	97.60	52.70	51.44
1971	34.08		
1972	32.80		
1973	33.81		
1974	34.77		
1975	40.93		
Sub- Total	176.39	41.10	72.50
-----	-----	-----	-----
Total	291.95	43.50	126.97

Sources:

Dangdai Zhongguo de jiben jianshe [shang ce] (Contemporary China's Capital Construction, Volume One) (1989). Beijing: Zhongguo shehui kexue chubanshe, pp. 191-3.

Table 5.1. (cont'd)

Barry Naughton (1988). "The Third Front: Defence Industrialization in the Chinese Interior." The China Quarterly, 115(September):351-86, Table 1.

The defense industry in the "big third front" and the "small third front" projects was mostly concentrated in heavy industries. Figure 5.1 shows that in the distribution of state funds among industrial departments, energy, national defense, and metallurgy industries received most of the state investments. This investment pattern indicated that the war preparation strategy squeezed out state investments in light industries and agriculture. This policy was implemented because a wartime mobilization was called in. The political slogan "production first, living second" was reiterated by the Mao dominated CCP. The Yanan spirit was rejuvenated over the country. Joining the construction of the third front project in a remote area was considered to be a glory in a form of self-sacrifice.¹⁷

The shift from raising living standards to building national defense industries in the third front region means that there were changes of the spatial structure of the national economy. The third front scheme divided China into three tiers. The coastal region was called the first front, and the immediate inland region the second front. Because the coastal region was the most vulnerable should war break out, the third front region became the rear front, which could provide cover and defense from military attacks in a full scale war.¹⁸ As shown in Map 5.1, the strategic rear front roughly referred to south of the Great Wall and west of Beijing--Guangzhou Railroad's non-border provinces. Specifically, the third front referred to most of the areas of Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, and Ningxia provinces. But the third front region was later expanded to include the western regions of Hubei, Hunan, and Shaanxi provinces.¹⁹ These regions were mountainous, and historically had little

¹⁷ Zhang Jingyu *et al.* (1991). *Zhongguo gongchandang he Zhongguo xiandaihua* (Chinese Communist Party and Chinese Modernization). Changsha: Hunan chubanshe, p. 276.

¹⁸ Barry Naughton (1988). "The Third Front: Defense Industrialization in the Chinese Interior." *The China Quarterly*, 115(September):351-86.

¹⁹ *Dangdai Zhongguo de jiben jianshe (shangce)* (1989). p. 162.

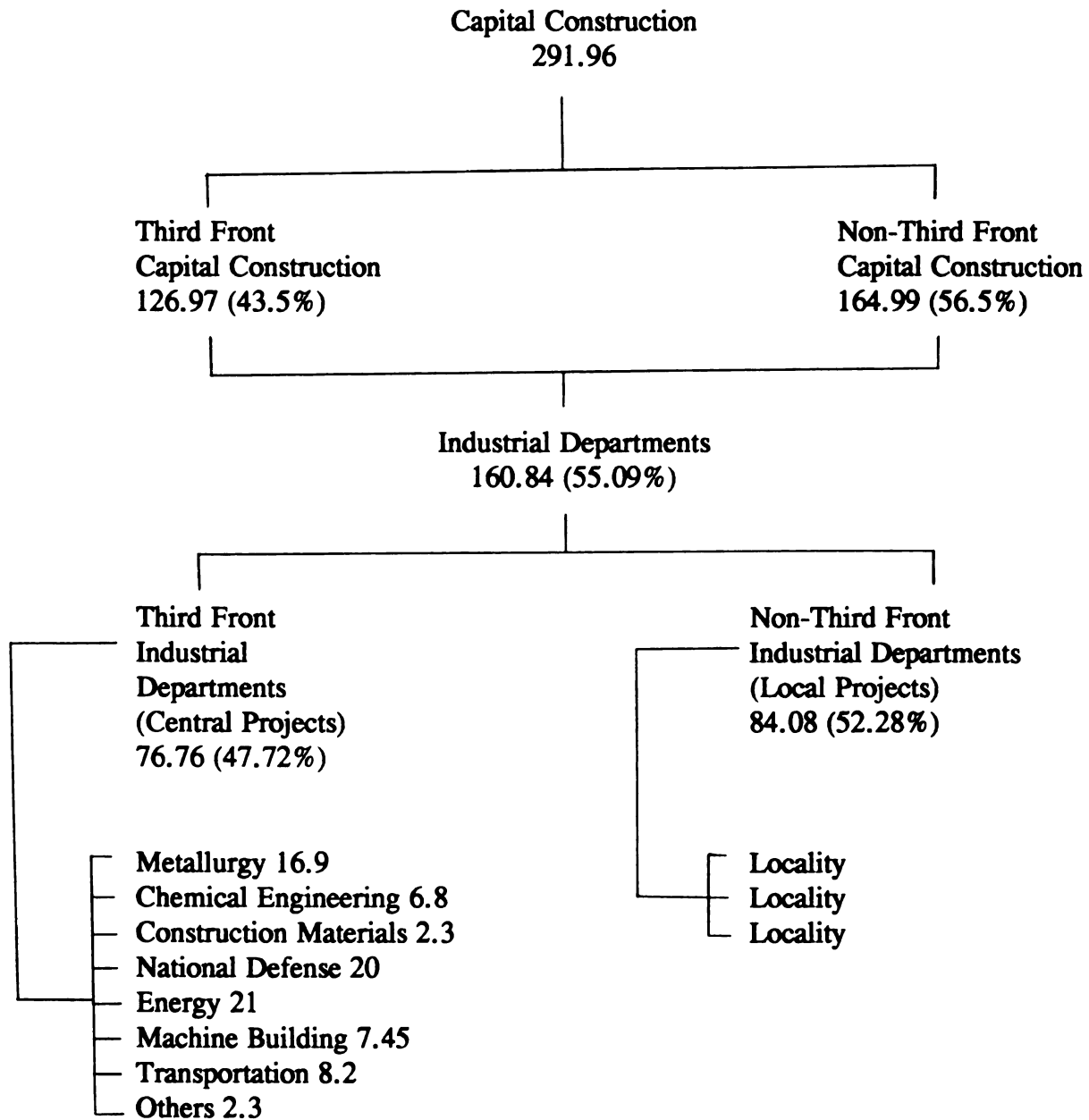


Figure 5.1. Distribution of State Investment, 1965-75 (in Billion Yuan)

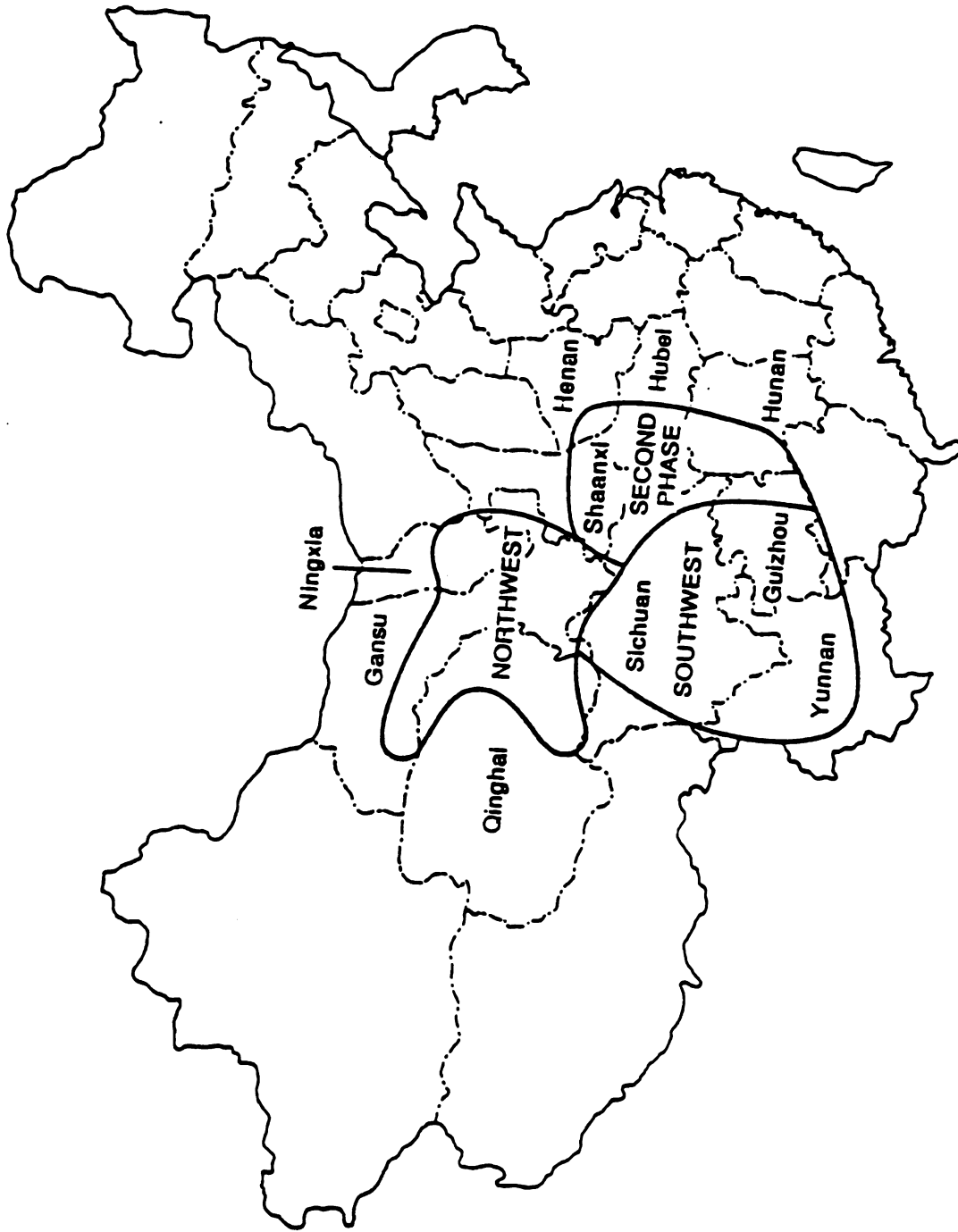
Note: There were unknown amount of investments from the extrabudgetary funds of the local governments.

Sources:

Dangdai Zhongguo de jiben jianshe (Shang ce) (Contemporary China's Capital Construction, Volume One). Beijing: Zhongguo shehui kexue chubanshe, pp. 163-82.

Figure 5.1 (cont'd)

"Guanyu gaijin jiben jianshe jihua guanli de jixiang guiding (caoan)" (Regulations on the Reform of Planning Management of Capital Constructions [Draft]); and *"Guanyu guojia tongyi fengpei wuzi liugei tifang shiyong de jixiang guiding (caoan)"* (Regulations on the Centrally Controlled Materials Retained by the Local Governments [Draft]) in November 30, 1965). Pp. 287-8 in *Zhonghua renmin gongheguo caizheng dashiji*, edited by Chen Yulong (1989). Beijing: Zhongguo caizheng jingji chubanshe.



Map 5.1.1. Location of the Third Front Regions

Barry Naughton (1988). "The Third Front: Defence Industrialization in the Chinese Interior." The China Quarterly, 115 (September):351-86, Figure 1.

development. Under the guiding thought of "dispersal to mountain and cave" (*shan, san, dong*), construction sites that were separated by long distances were chosen in the valleys. Industrial projects were built either in the newly chosen sites or on the abandoned construction sites during the Great Leap Forward.

The master plan of the Third Front Industrialization program aimed at establishing several independent self-reliant national defense industrial bases in the rear front. The first part of this plan was approved by the CCCCPC in February 1965 to build a conventional weapon industrial base around Chongqing.²⁰ Once the plan was decided, it determined the locations of the related industries, infrastructure, and railroad construction in southwest China.

The Third Front Industrialization program underwent three stages of development: the first stage came between 1964-68, the second after March 1969 to 1970, and finally the restructuring stage after September 1971.

a. 1964-68

After Mao made his comments on the Third FYP in May 1964 for war preparation, the CCCCPC meeting confirmed Mao's war preparation instruction as a general strategic line (*zong luxian*). Factories in big cities and in coastal regions that were vulnerable to war were moved to the third front region. When more authorities were decentralized to the locality, each province planned for "small third front" projects in its own territory. In addition, schools, research institutes, and planning agencies were required to move. As the massive national moving was about to be launched, the State Construction Commission convened a National Moving Conference in August 1965. The conference concluded that the moving programs should follow the principle of "big dispersal, small concentration" (*dafensan, xiaojizhong*). As for

²⁰ Zhang Jingyu *et al.* (1991), p. 274.

the national defense industries, they should accord the principle of "dispersal to mountain and conceal." When the war preparation program escalated, the third front projects were instructed to "disperse to mountains and caves" in order to hide from enemies' air raid. There was no objective standard of how this principle of dispersal should be appropriated. It is estimated that 11 billion yuan of the state investments was poured into the third front during this period.

b. March 1969

The Sino-Soviet border clashes around the Ussuri River in March 1969 triggered another high tide for third front construction. In April, the Ninth National Congress of the CCP decided to speed up the development of the national defense industry.²¹ The Military Committee Administration Group, which was manipulated by Lin Biao, proposed the 1970 to 1972 National Defense Industrial Construction Plan (*dajungong*). The Plan proposed to establish 10 independent defense industrial bases within three years.²² At the same time, the third front scheme was expanded to include the western Hubei, Hunan, and Henan provinces.

According to the National Defense Industrial Construction Plan (*dajungong*), electronic industrial bases were established in Sichuan, and Guizhou; combat weapon research and manufacturing bases were chosen in Sichuan and Shaanxi. Airplane industrial bases were located in Shannxi, and the west of Hubei. Ship-building industry and research bases emerged at the upper and middle of Changjiang River.²³ These national defense industrial bases were the core projects of the Fourth FYP (1971-5).

²¹ *ibid*, p. 276.

²² *Dangdai Zhongguo de jiben jianshe (shang ce)* (1989), p. 160.

²³ *ibid*.

c. September 1971

The failure of the coup d'état that led to the death of Mao's right-hand man, Lin Biao, in September 1971 was a watershed of the war-preparation strategy. The aftermath of the unsuccessful coup d'état was the purge of military leaders who were mostly the members of the Military Commission Administrative Group (*junwei banshizu*). The downfall of Lin's group forced Mao to shift his support to his other right-hand man, Premier Zhou Enlai. The Zhou-led State Council controlled again the scale of the runaway basic construction in 1972. The National Defense Industrial Construction Plan (*dajungong*) was subject to revise. In July 1973, the State Planning Commission revised the Fourth FYP (1971-5). The revised Plan lowered some of the high targets. As most of the third front projects had already been halfway completed, the revised Plan continued to support the speeding up of the construction of national defense industries.

Zhou proposed to end the social conditions that were hostile to China's development. His strategy bore fruit in late 1971 when Henry Kissinger secretly visited China to arrange for President Richard Nixon's visit. In February 1972, China and the United States signed the "Shanghai Communiqué"; and in September, Sino-Japan relations were normalized. This diplomatic success helped lead China out of diplomatic isolation. The improvement of Sino-United States relationships put pressure on the Soviet Union, which had millions of troops stationed along the Sino-Soviet border. Such diplomatic development allowed China to relax her war preparation strategy. Zhou also brought many bureaucratic elites back to the state and Party apparatus. In one of Zhou Enlai's written instructions, Zhou warned in January 21, 1972 that China's national defense and foreign aids were seriously hampered by the falling quality of vehicles. He urged the SPC to reform the FAW, SAW, and Nanjing

Auto Works.²⁴ Zhou's comment on automobile industry was in fact a signal for the SPC to regain bureaucratic control over the key automobile plants.

In 1973, China began to import some machines and equipment from abroad. Such a policy shift was important to the third front projects because many of them were in the middle of the mass-line collective construction process. The return of bureaucratic institutionalized developmental strategy allowed the project authority to repair some of the serious construction errors made by the revolutionary construction practice.

III. Organization of the Second Auto Works during the Third Front Construction—Mass-Line Enterprise

The bottom-up mobilization during the Cultural Revolution curtailed the normal functioning of the Chinese state bureaucracy. In the 10 years of social turmoil, the Chinese state system experienced weakening, paralysis, and re-establishment. Although the State Council and the central ministries struggled hard to maintain social control, the state officials were the target of purge and prosecution. In addition, the power of the central state was seriously stripped under the deregulation and decentralization policies. This anarchic phenomenon commonly existed in the local governments as well as the third front industrial project authorities. More often than not, however, the state bureaucracy resisted the radical policy passively. Furthermore, the deregulation policy created an anomie situation; that is, no institution was responsible for the complicated construction process. As a result, the mass-line construction process brought about intensive political struggle.

²⁴ Dangdai Zhongguo de jingji guanli bianzuanbu (1986). *Zhonghua renmin gongheguo jingji guanli dashiji* (The Chronicle of Economic Management of People's Republic of China). Beijing: Zhongguo jingji chubanshe, p. 269.

A. The Organization of the Second Auto Works Construction Authority

The SAW was the second major auto maker in China, named after the First Auto Works in Changchun. Although the SAW project first appeared in the state proposal in 1953, it did not receive full support from the state until the Third Front Industrialization program.²⁵ The SAW was classified as a second-degree confidential project.²⁶ The plant was planned to produce both civilian and military products. Prior to the second high tide of the Third Front Industrialization in 1969, the project was under the control of the State Council. The radical faction, the Military Commission Administrative Group (*junwei banshizu*), did not appear to have a strong influence on the SAW project.

The SAW project was organized according to the State Council and the central ministerial system (*xitong*). Figure 5.2 shows that the First Ministry of Machine Building (FMMB) had a leadership relation (*lingdao guanxi*) to the SAW Construction Committee. Based on the FMMB system, the China Automotive Industrial Company and the subordinate branch automotive companies, as well as the FAW's Changchun Automotive Research Institute formed the main working body for the project. In this case, the China Automotive Industrial Company, which provided technical aid, was said to have a professional relationship (*yewu guanxi*) with the SAW. As automobile production was related to many other industries which were controlled by other central ministries, the State Planning Commission (SPC) was responsible for the horizontal coordination. Thus, the SPC assumed an absolute leadership relationship (*jueduey lingdao guanxi*) for the whole project. The State Construction Commission was a

²⁵ Dier qiche zhizao chang changzi bianzuan weiyuanhui bangongshi (1986). *Erqi dashi ji (1953-1984)* (Chronicle of the Number Two Automobile Plant [1953-1984]) (1985). Shiyang shi: Dier qiche zhizao chang yinshua chang, p. 18.

²⁶ *ibid*, p. 11.

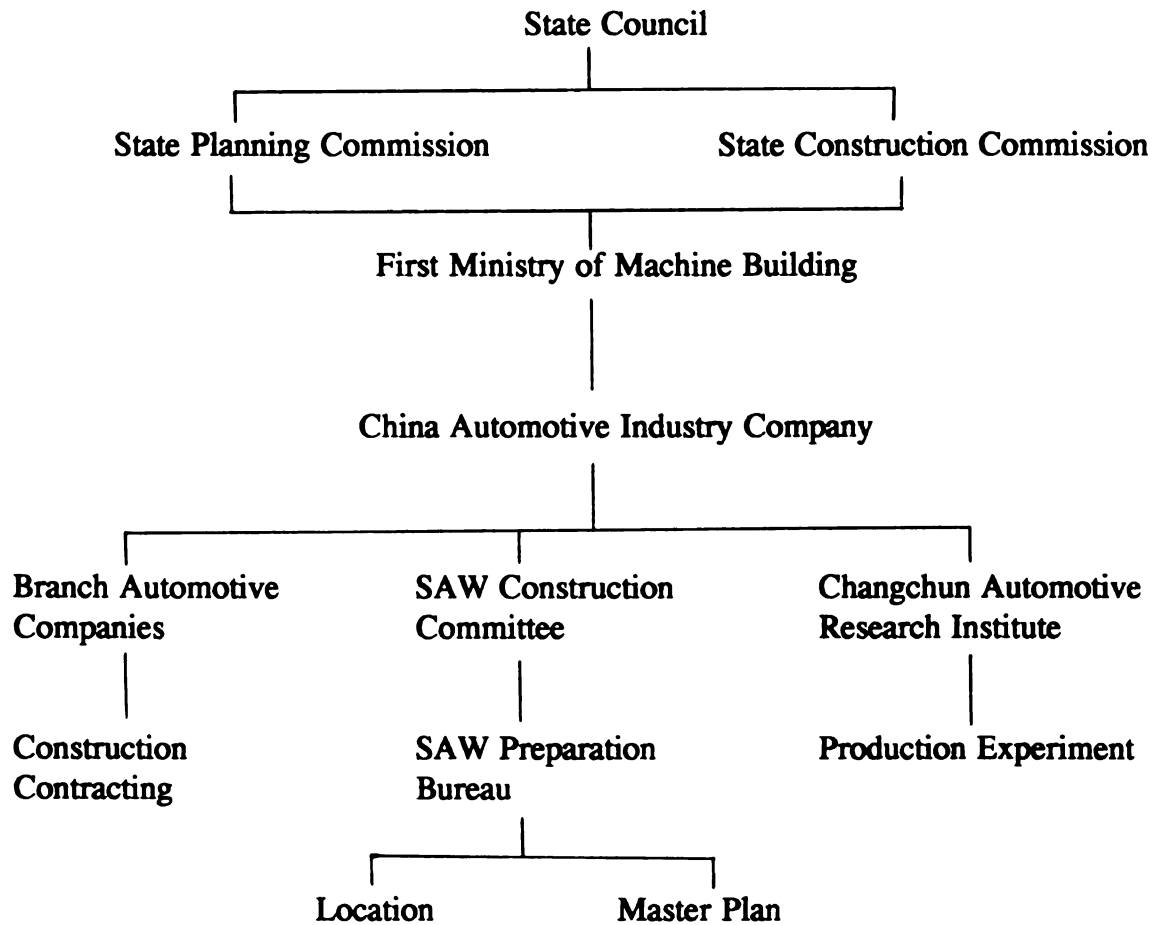


Figure 5.2. Organization of the SAW Project under the First Ministry of Machine Building Bureaucratic System (*Xitong*) before 1969

newly reestablished super-ministerial agency to coordinate the comprehensive construction process of the big third front projects.

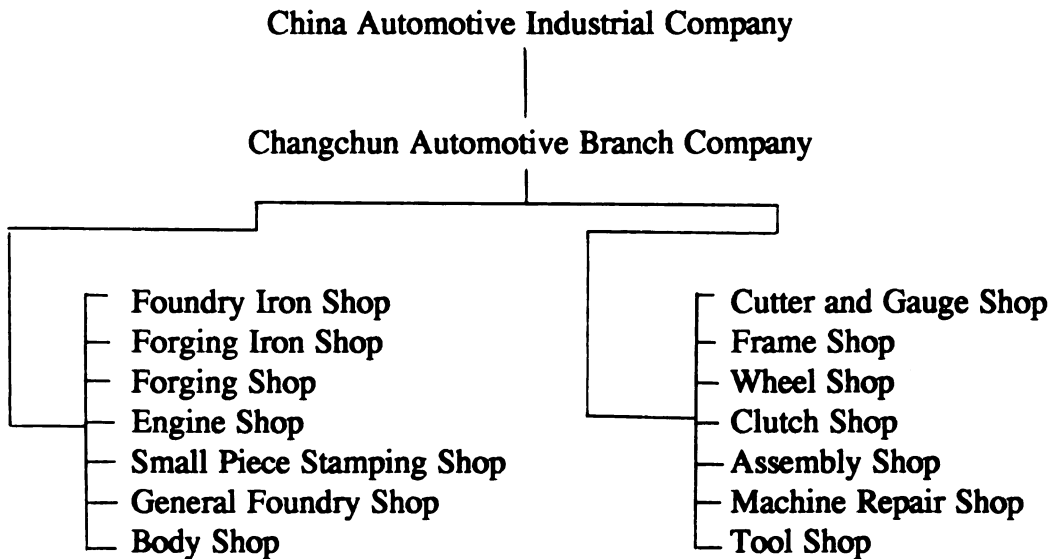
This bureaucratic system for the SAW project had considerable influence in the initial preparation stage. On December 24, 1965, the China Automotive Industrial Company issued a directive to its subordinated branches located in different cities to contract construction (*baojian*) for the 27 SAW workshops.²⁷ Figure 5.3 shows the four major contractors of the SAW project. The Changchun Automotive Branch Company contracted for 14 workshops. The Shanghai No. 1 Machine and Electricity Industrial Bureau contracted for eight workshops. The Nanjing and the Beijing branch were each responsible for two workshops. It was estimated that one third of the FAW technicians and skillful workers were transferred to the SAW. Thus, the SAW had both the national technology and personnel. However, political conflicts were also brought in with the workers who came from various parts of China.

When the Cultural Revolution reached its highest point in 1966, all the state bureaucracies, ranging from the State Council, SPC to the FMFB, were besieged by revolutionary masses. The China Automotive Industrial Company and its subordinate branch companies were eliminated because they were regarded as capitalist style of organizations. Consequently, the organization of the SAW authority was paralyzed, and the bureaucratic elites could hardly provide any formal leadership for the project.

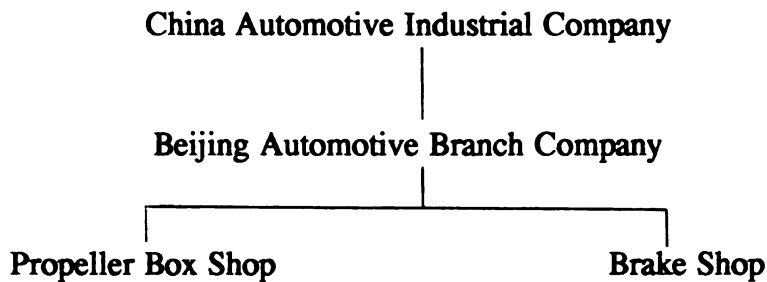
In 1969, the second high tide of the Third Front Industrialization brought back the SAW project into motion. However, the project fell into military control, mainly by the Hubei Military Region. Although the construction restarted, the SAW project was increasingly influenced by the radical Military Commission Administrative Group (*junwei banshizu*). Figure 5.4 shows that a new organizational system was formed for

²⁷ *ibid*, p.9

a. Changchun Automotive Branch Company



b. Beijing Automotive Branch Company



c. Nanjing Automotive Branch Company

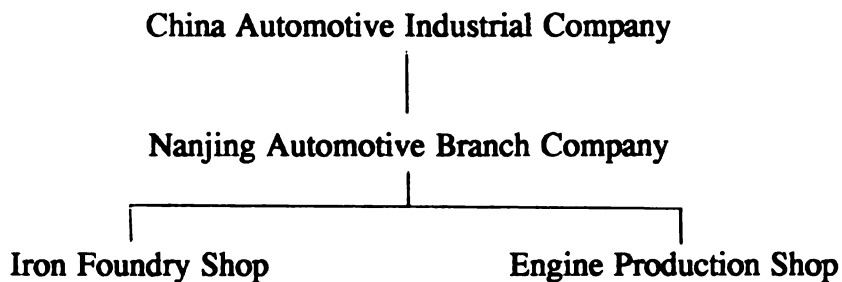
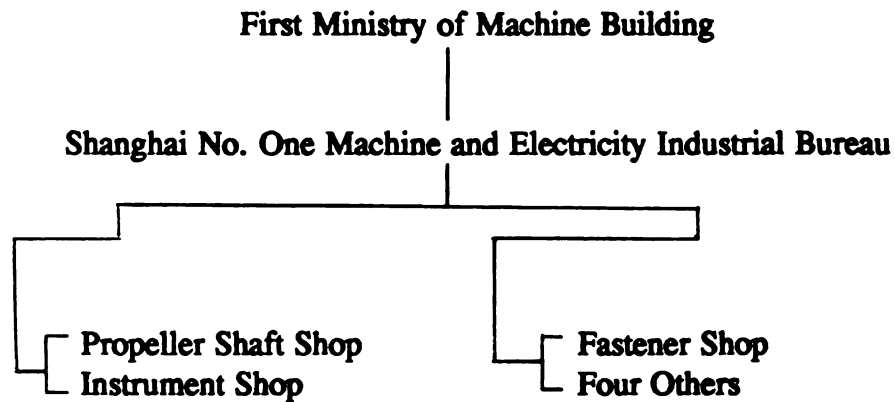


Figure 5.3. Contractors for the SAW Construction Decided on December 24, 1965

Figure 5.3. (cont'd)

d. Shanghai No. One Machine and Electricity Industrial Bureau



Source:

Dier qiche zhizao chang changzhi bianzuan weiyuanhui bangongshi (1986). *Erqi dashi ji (1953-1984)* (Chronicle of the Number Two Automobile Plant [1953-1984]), p. 9.

Diyi qiche zhizao chang shizhi bianzuanshi (1991). *Diyi qiche zhizao chang changzhi - 1950-1986, diyi juan shengce* (The Gazetteer of the First Auto Works, 1950-1986, Volumn One). Changchun: Jilin kexue jishu chubanshe, p.53.

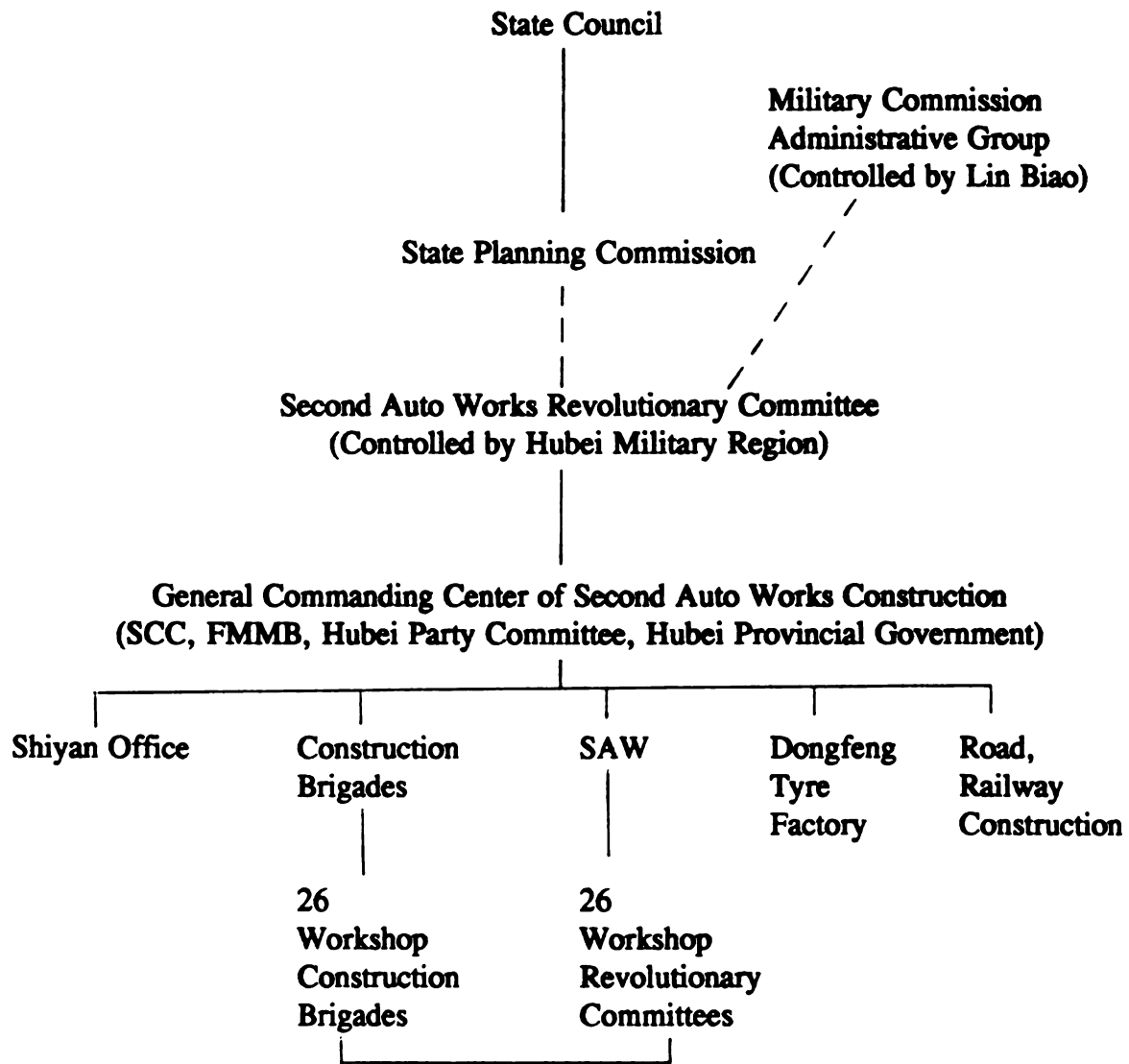


Figure 5.4. Organizations of the SAW Project under Military Control (*Junguan*), 1969-1972

the project. Although the State Council and the SPC continued to monitor the project, their influences diminished. Instead, the SAW Revolutionary Committee emerged as a new institution to assume the leadership. Under the SAW Revolutionary Committee, the General Commanding Center of SAW Construction was formed to coordinate both central and local authorities for the building process. The Commanding Center oversaw the five major components: namely, the Shiyao Office, Construction Brigades, Dongfeng Tire Factory, road and railway construction, and the SAW.

Figure 5.5 further illustrates the construction organization in each workshop. Under the General Commanding Center, each of the 27 workshops formed a workshop revolutionary committee. The committee was the leading organization in each workshop. It monitored the workshop construction brigade and the design, construction, technological, and equipment units. This organizational system indicated the decentralization characteristics. Despite the seemingly clear division of labor in this organization, the operation of the system was heavily influenced by the revolutionary practice. The construction committee emphasized the power of human will, and ignored scientific knowledge. Construction process was deliberately altered, as the so-called "four simultaneous constructions" (*siban jianshe*) policy was implemented. Figure 5.6 shows that a normal construction process should follow design, construction, machinery installment, and, finally, production, in that order. But the "four simultaneous constructions" method had the construction process proceed simultaneously. This process was regarded as revolutionary, creative, and time saving. The consequence was exactly the opposite. Compared to the three years it took to complete a large industrial project, such as the FAW during the First FYP Industrialization, it took almost seven to ten years to complete similar projects during the Third Front Industrialization.

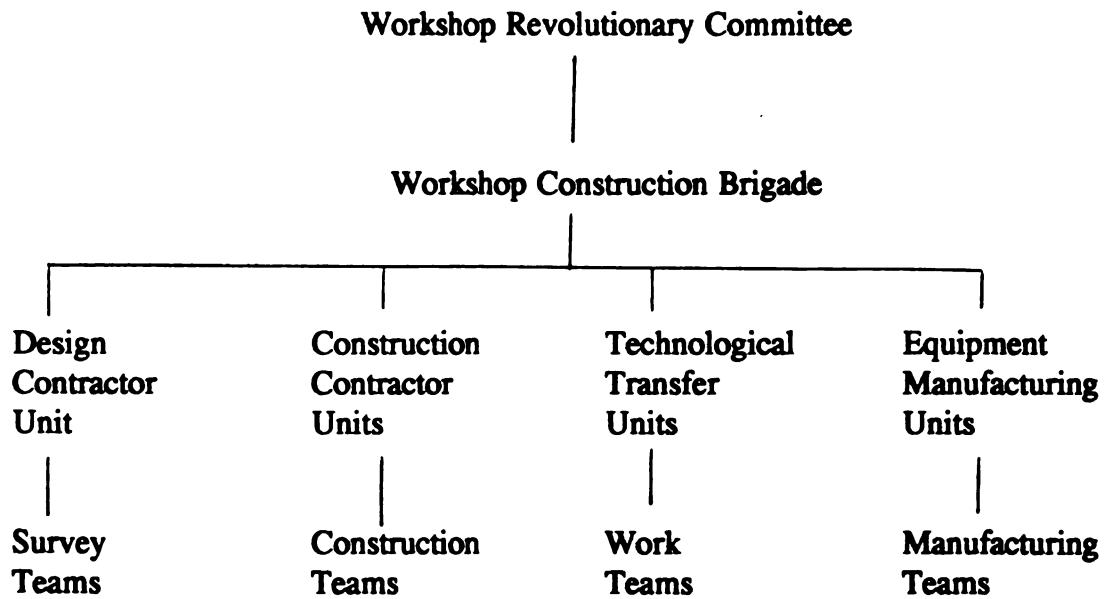


Figure 5.5. Organization of Workshop Revolutionary Committee of the SAW, 1969-1972

a. Normal Construction Procedure

Planning → Construction → Machinery Installments → Production

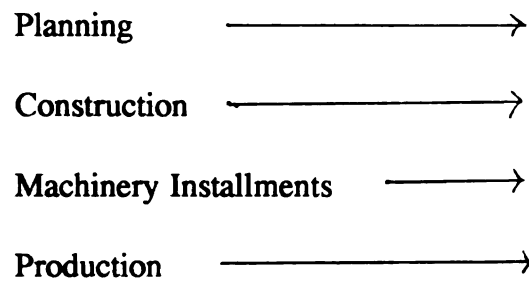
b. Four Simultaneous Construction Strategy

Figure 5.6. Comparing Normal Construction Procedure and Four Simultaneous Construction Strategy

B. The Struggle of Decision-Making Process during the Mass-Line Construction

In a society where there was no independent economic institution outside the state system, the SAW project became a product of state bureaucracy. The influence of the SAW project by the state system ranged from design, survey, construction, and installment, to production. However, the aforementioned institutional change in the state system, as well as the SAW construction authority, had a deep influence on the SAW. The institutional transformation in the state system altered the decision-making process for the SAW's construction. In addition, the layout was governed by the mass-line strategy, which introduced a new ideology emphasizing radical egalitarianism and subjective dispersed construction, so as to meet the criteria of socialist utopia and national defense. How could a transitional state system, operated within a deregulated system and revolutionary ideology, shape its built environment? The results of these institutional and ideological changes were directly translated into the physical layout of the SAW project.

1. The Influence of State Bureaucracy on Planning

In spite of the power seizure by the masses and the changes in the decision-making process, the bureaucratic elites played an important role in the design of the SAW master plan, as well as in various stages of the building processes. The important influence of the bureaucratic elites was their possession of technological knowledge and other professional experience that the mass-line construction process could not completely ignore. At any rate, no matter how passively they did so, the bureaucratic elites in the SAW construction authority resisted the radical construction process.

The location of the SAW project had been changed several times over the 1953-68 period. The decision-making process for this sensitive matter was heavily

influenced by the institutions involved and by the prevailing developmental strategy at the specific time. The state administration and the project-designing organization were the most influential agents for the decision of location. Table 5.2 shows that the location of the SAW changed three times--during the First FYP in the early 1950s, the Great Leap Forward in the late 1950s, and the Third Front Industrialization in the mid-1960s.

During the early 1950s, the CCCCCP wanted to add more industrial projects to the Russian-aided industrialization program. Mao Zedong proposed to build the SAW south of the Yangzi River.²⁸ The State Council and the FMMB contracted with the All-Russian Automotive and Tractor Design Institute to design the SAW. The FMMB proposed possible locations in Wuhan, Chengdao, or Huhhot. Among these possibilities, the vice-premier, the former governor of Hubei province Li Xiannian, and the FMMB preferred Wuhan as the first choice. However, due to the convenient location, many other central ministries also competed for the limited land in Wuhan for new projects. In February 1954, the SAW location was given to the Wuhan Steel Plant, which indicated that the SAW did not gain a high priority in national plan. The project lost support from the Russian partner, and was therefore abandoned in the early 1955.²⁹

The two short years of Great Leap Forward industrialization reintroduced the SAW project in the summer of 1958. Without professional and financial support from the Soviet Union, the project relied solely on indigenous resources. An FAW Factory Design Bureau was formed, aimed to perform the same function as the All-Russian Automotive and Tractor Design Institute. The CCCCCP preferred the plant to be located in Chongde, Hunan province. However, the FAW suffered a tremendous setback

²⁸ Chen Zutao (1981). "Views Given on Establishing Vehicle Manufacturing Plants." *Qiche Gongcheng*, No. 11, 1981, pp. 6-9 in JPRS 81392, pp. 21-29.

²⁹ Dier qiche zhizao chang changzi bianzuan weiyuanhui bangongshi (1986), pp. 1-4.

Table 5.2. Historical Process in Deciding the SAW Location

Date	Project Designer	Sources of Vehicle Model	Influential Agents in State Administration System	Location of SAW
First Five-Year-Plan				
April 1953 - Early 1955	Soviet National Automotive Tractor Design Institute	Soviet truck 100,000 production capacity	First Ministry of Machine Building (FMMB), Li Xiannian	Wuhan, Chengdao, Huhhot
Great Leap Forward				
Summer 1958 - February 6, 1960	FAW -- Factory Design Bureau	Jiefang five ton truck 70,000 production capacity	CCCCP FMMB	Hunan (Chongde)
War Preparation Strategy				
1964 - November 21, 1968	FAW -- Auto Research Institute	U.S. Cosmopolitan S162 3.5 ton truck	Mao Zedong State Council FMMB	Along Xiangfan - Chongqing Railroad South Hubei, West Sichuan, North Sichuan, Guiyang, Zunyi, Shiyang

Source:

Dier qiche zhizao chang changzi bianzuan weiyuanhui bangongshi (1986). *Erqi dashi ji (1953-1984)* (Chronicle of the Number Two Automobile Plant [1953-1984]), pp. 1-18.

between 1959 and 1961 due to the pullout of Soviet experts. The FAW lacked sufficient technical ability to be responsible for such a large project. In the end of 1960, the SAW project was abandoned again as the Great Leap Forward subsided.

The SAW project was reconsidered in 1964 under the Third Front Industrialization. Unlike the previous two unsuccessful attempts, the impetus for the development of the SAW project was strong because it was part of the national defense program. From April to July 1965, the FMMB submitted a series of reports to the State Council to suggest building a large-scale truck plant in the third front region. Finally, the CCCCPC and the State Council approved the FMMB's report on "Concerning a Medium Vehicle Automotive Production Base--The Plan for the Construction of SAW."³⁰ In September, the SAW project was included in the Third FYP.

From 1965, survey work proceeded in the designated area. The SAW Location Selection Team went through southern Hubei, western Sichuan, northern Sichuan, Guiyang, Zunyi, Shaanxi, and Hunan. The team compared sites from five provinces and over 20 cities and counties.³¹ Special attention seemed to be given to Hunan, the home province of Mao. But the national industrial pattern changed after the CCCCPC approved Chongqing as the military weapon industrial center.³² The railroad system was planned to connect Sichuan province with the eastern and western regions of China. The Xiangfan-Chongqing line was designed to connect northwest Hubei and Chongqing.³³ In November 1965, the FMMB minister Duan Junyi met Deng Xiaoping

³⁰ Hubei sheng tífāngzhì biānzāo wéiyuánhui (1990). *Hubei sheng zhī -- gōngyè zhìgào: jìxié* (Gazetteer of Hubei Province -- Industrial Gazetteer: Machinery). Wuhan: Wuhan daxue chubanshe, p. 85.

³¹ Hubei sheng jìhuà wéiyuánhui, and Hubei sheng chéngxiāng jiānshe tīng (1987). *Dāngdài Hubei jìběn jiānshe* (Contemporary Hubei Capital Construction). Wuhan: Hubei renmin chubanshe, p. 167.

³² Zhang Qingyu *et al.* (1991), p. 274.

³³ Hubei sheng jìhuà wéiyuánhui, and Hubei sheng chéngxiāng jiānshe tīng (1987), p. 185. The other four major railroad projects were: the Chengdu - Kuming, Sichuan -

in Sichuan to discuss a possible change of the SAW location. Deng sought instruction from Zhou Enlai, and finally Mao agreed that a location for the project could be selected along the Xiangfan-Chongqing Railroad. On May 10, 1966, the State Construction Commission summoned an Inland Construction Site Evaluation Conference in Beijing and confirmed the SAW site in Shiyan.

The FMMB assigned the most experienced personnel to head the preparation work for the SAW project. The five-member Preparation Bureau of the SAW Leading Group was formed on December 21, 1965. The Preparation Bureau was led by Rao Bin, the former FAW chief and vice minister of FMMB, Chen Zutao, Li Zizheng, Qi Kang, and Shang Qingxin.³⁴ They were former leading cadres in the state administrative system (*xitong*) such as the FAW and the FMMB. Their pragmatic styles, which they learned from the Soviet-aided FAW project, were brought into the SAW preparation work. They drafted the "Fourteen Principles for the Construction of SAW." Despite the fact that the "Fourteen Principles" (*shisi tiao*) document was later criticized by the revolutionary masses as "poison weeds" (*ducao*), it continued to set forth the important guiding principles for the SAW project. The "Fourteen Principles" can be summarized as follows:

- 1) establish a revolutionary and combat-type work team;
- 2) establish a new direction for the Chinese style automotive production;
- 3) pursue self-armed indigenous roads;
- 4) produce first-rate Chinese automotive products;
- 5) exceed world-class production level;
- 6) adopt latest advanced technology;
- 7) attain mechanization and automation;
- 8) change self-contained plant to specialization;

Guizhou, Guizhou - Yunan, and Hunan - Guizhou lines. Including the Xiangfan - Chongqing line, the total cost was 8.2 billion yuan. *Dangdai Zhongguo de jiben jianshe, shengce* (1989). Beijing: Zhongguo shehui kexue chubanshe, pp. 164-7.

³⁴ Dier qiche zhizao chang changzhi bianzuan weiyuanhui bangongshi (1986) p. 9.

- 9) expand specialized workshops' authority;
- 10) disband all unrelated production research, testing, and design;
- 11) centralize research and testing;
- 12) establish a scientific management and regulation system that is beneficial to the development of socialist economy;
- 13) produce useful and sturdy vehicles that are easy to make and repair;
- 14) design vehicles with good mileage and apply advanced technology.³⁵

Although the "Fourteen Principles" began with endorsing the formation of a revolutionary and combat work team, the rest of the guidelines hardly fit the revolutionary standard. The bureaucratic cadres did not support the extreme dispersal policy. For instance, the minister of the FMMB, Duan Junyi, instructed the SAW construction authority after inspection on August 3, 1966, that the design should not be too dispersed.³⁶ On October 7, 1966, the FMMB organized a working conference in Laoying, Hubei province, to decide how to implement the document issued by the State Construction Commission (SCC)--namely, "Concerning the Third Front Construction: Further Implementation of the 'Dispersal to Mountain and Conceal' Principle; and Enforce Hiding from the Air Raid." The meeting approved the "Fourteen Principles" and the general layout of the 27 SAW specialized workshops, and decided the construction would start on April 1, 1967. It was a landmark meeting in the history of SAW. The meeting was generally called the "Laoying Conference."

What the FMMB actually did in the "Laoying Conference" was to make use of the SCC document to justify their pragmatic work. Using the expression of the Cultural Revolution, they were "waving red flags to oppose red flags" (*huizhu honggqi fan hongqi*). The FMMB's passive resistance had a positive effect on the SAW development. The design of plant layout was led by the Russian trained technocrat Chen Zutao, a senior automotive engineer in the FAW Automotive Research Institute.

³⁵ Dier qiche zhizao chang changzi bianzuan weiyuanhui bangongshi (1986), p. 13; and Hubei sheng tífāngzhì biānzào wéiyuánhui (1990). p. 85-6.

³⁶ *ibid*, p. 12.

The institute resembled the All-Russian Automotive and Tractor Design Institute, which designed the FAW project in the 1950s. The FAW Automotive Research Institute conceptualized the dispersal policy through the decomposition of the auto production system. The Institute divided the production chain into several subsystems. Figure 5.7 shows that the auto production system was divided into five major subsystems according to the size of auto parts and the relation in the production chain: final assembly (big), engine (small), axle (medium), rear production (small), and tire (polluted).³⁷ Each of these subsystems consisted of several workshops; there were altogether 27 workshops for the SAW plant and the Dongfeng Tire Factory. The five subsystems formed five production districts. These districts gradually formed communities and determined the dispersed urban pattern of Shiyan.

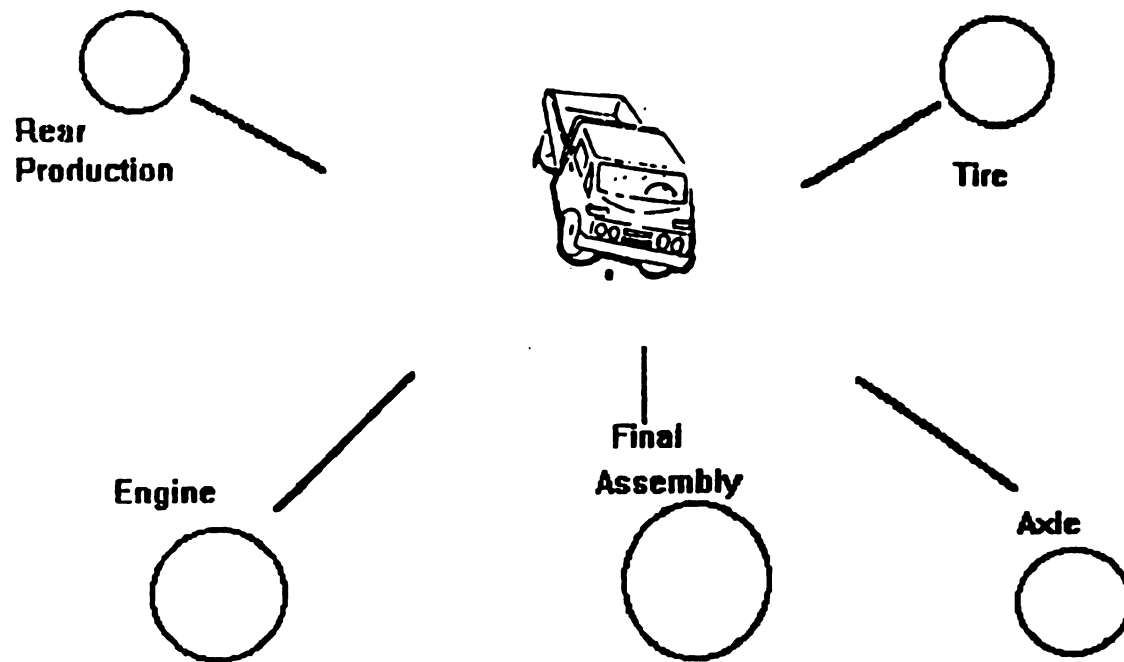
2. The Contribution of Local Peasants on Pilot Construction

The peasants in the Shiyan area made a significant contribution during the pilot construction. According to the schedule, the project was planned to enter full-scale construction on April 1, 1967. From May 1966 to July 1967, the project was in the preparation stage. The major objective in this stage was to provide "three circulation, one leveling" (*santong yiping*), which referred to the availability of 1) electricity, 2) water, 3) road, and 4) leveling land for construction.³⁸

Despite the serious social turmoil during the Cultural Revolution in the urban area between 1966 and 1968, the rural area was relatively calm. About four thousand peasant workers in the Shiyan regions were mobilized in November 1966 to build the Majiahe, Yandonggou, and Touyan reservoirs. These small scale reservoirs supplied drinking water for the upcoming full-scale construction. In February 1967, 3,000 local

³⁷ Fieldnote, November 30, 1991.

³⁸ Hubei sheng jihua weiyuanhui / Hubei sheng chengxiang jianshe ting (1987), p. 168.



**Figure 5.7. Plan for the Decomposition of Auto Production System of the SAW
Endorsed by the "January 9th" Conference in 1969**

peasant workers participated in building the first road in Shiyan. The Dalu Zigou Road was located in the west of the general assembly shop. This road linked the engine district, rear production district, and tire district to the Yunxian-Shiyan Road, a 35-kilometer road connecting Shiyan to the Han River in Yunxian. Before the completion of the railway, most of the raw materials and supplies were transported via the Han River to Yunxian. The Danjiangkou and Dengwan piers were remodeled to allow the 300 trucks transportation freight to move the required materials to Shiyan. It was estimated that eight million tons of construction materials and 20,000 machines were transported to Shiyan.³⁹

In the early stage of construction, the SAW relied on the Danjiangkou hydraulic power plant, located 100 kilometers northeast of Shiyan, to supply electricity. In March and April 1969, thousands of peasants who lived along the 110-kilometer power line route erected 270 iron towers from Danjiangkou to Shiyan.⁴⁰ The successful mobilization of peasants in the Shiyan region in the period 1966-69 showed that the village organizations were largely intact. During the construction phase beginning from 1969, it was estimated that 40 percent of construction workers came from the Shiyan regions.

3. The Challenge of Revolutionary Masses

When the Cultural Revolution broke out in June 1966, Shiyan was predominantly a rural area and less affected by the political conflict. When the SAW Preparation Bureau was established in Yunxian⁴¹ and later in Shiyan in March 1966,⁴²

³⁹ Dier qiche zhizao chang changzhi bianzuan weiyuanhui (1986), pp. 12-3.

⁴⁰ *ibid*, p. 21.

⁴¹ The SAW Preparation Bureau was established in Yunxian county, which lied 100 kilometer away from Shiyan, in the early 1966 instead of Shiyan. Yunxian county had better transportation and had already set up a construction headquarters for the Danjiangkou hydraulic dam project.

⁴² Dier qiche zhizao chang changzhi bianzuan weiyuanhui bangongshi (1986), p. 10.

increasing numbers of urban-based technical and management personnel moved to these areas. During the preparation stage in late 1966, most of these personnel were transferred from the FAW and the Changchun Automotive Branch Company, and from other regional branch companies. Among them, personnel from Changchun were the majority because the FAW and Changchun Automotive Branch Company sent one-third of their technical and management personnel to Shiyan.⁴³ Leaving Changchun to move to Shiyan meant giving up comfortable city lives and being sent to the remote mountainous area. In the screening process, workers who were excluded by the Changchun work units (*danwei*), mainly due to political and factional conflict, were most likely to be transferred to Shiyan.⁴⁴ In August 1966, some of the Changchun-originated personnel left Shiyan and went back to Changchun.⁴⁵ Hence, the SAW Preparation Bureau was partly paralyzed, leaving only the peasants in the Shiyan regions to carry out the preparation work, the so-called "three circulation, one leveling" job.

Unlike Shiyan, Changchun became the center of political struggle within the automobile bureaucratic system. Revolutionary masses from the Changchun Automotive Branch Company formed the "Revolutionary Rebellious General Headquarters" (*geming zaofan zong zhihuibu*). On January 16, 1967, masses from the "General Headquarters" besieged the FMMB in Beijing to demand changes of leading cadres in the Changchun Automotive Branch Company. The FMMB gave in to the masses' demands. Ten days later, the Changchun Automotive Branch Company was

⁴³ *ibid*, p. 51.

⁴⁴ Fieldnote, September 29, 1991.

⁴⁵ Dier qiche zhizao chang changzi bianzuan weiyuanhui bangongshi (1986), p. 12.

completely controlled by the "Revolutionary Rebellious General Headquarters."⁴⁶ The Changchun Automotive Branch Company became paralyzed.

The political activities of the "Revolutionary Rebellious General Headquarters" and the collapse of the Changchun Automotive Branch Company stimulated the SAW political activists to participate in the political struggle. In January 1967, some of the returned personnel from Shiyan formed the "SAW Revolutionary Rebellious Great Army" (*Erqi geming zaofan dajun*) in Changchun. The SAW Revolutionary Rebellious Great Army was connected with the Revolutionary Rebellious General Headquarters. The "Great Army" launched vigorous attacks on the SPC in regard to the decision-making on the SAW project location. They alleged that Li Xiannian, vice premier and former governor of Hubei province, used his personal influence to change the SAW location from Hunan to Shiyan in Hubei province. The SPC chief, Li Fuchun, defended Li Xiannian saying that the decision was based on the consideration of the railroad line.⁴⁷

As the SAW Preparation Bureau was unable to provide formal leadership for the construction process, the construction workers who were transferred to Shiyan fell into a state of anarchy. There was a wide division among the construction workers who came from various parts of China. On March 5, 1967, the Yunyang Military Sub-Region, a lower (local) level military unit, sent in troops to support "the revolutionary left" (*zhizuo*) (a means to take over the SAW authority), and brought back social order. The intervention of the Yunyang army was necessary because the construction phase was scheduled to start on April 1, 1967. Although the construction ceremony was held on April 1, 1967, the construction process was forced to stop. The project could not proceed with the help of the Yunyang army leadership alone. In addition, all the state

⁴⁶ Diyi qiche zhizao chang shizhi bianzuanshi (1991). *Diyi qiche zhizao chang changzhi -- 1950-1986 shengce* (Gazetter of First Auto Works -- 1950-1986, Volume One). Changchun: Jilin kexue jishu chubanshe, p. 52.

⁴⁷ Diyi qiche zhizao chang changzhi bianzuan weiyuanhui bangongshi (1986), p. 14.

bureaucracy was under attack. It was impossible to coordinate the necessary but complicated cooperation among the ministries. As a result, a large number of the construction workers left Shiyan in July 1967. The construction was completely at a halt for eighteen months.

4. People's Liberation Army in Command

Military control failed to resume construction on schedule in Shiyan in 1967. It was largely due to the lack of support from the central ministries, which were battling with the revolutionary masses. In 1968, the political situation changed when Mao determined to end the widespread violent strife. The army was sent to all levels of the state bureaucracy to restore order under the guise of supporting "revolutionary left" (*zhizuo*). Revolutionary committees were established at all levels to ensure triple alliance among army, workers, and bureaucrats. In this new alignment, it was usually the military that assumed the dominant position. The military officials more often sided with the old cadres than with the mass organizations.⁴⁸ As a result, the revolutionary committee acted like a party committee—only led by military personnel.

By March 1967, most of the central state apparatus had already established military controlled committees. As the state bureaucracy started functioning, the SCC took the lead to regroup the SAW contractors. On March 26, 1967, the SCC summoned a forum with some of the SAW contractor units. On June 21, 1968, the deputy commissioner of the SCC, Xie Buyi, took representatives of the SPC, the FMMB, the Ministry of Construction and Engineering, the Ministry of Railroad, and the Fifth Ministry of Machine Building to Shiyan. They delivered the instruction of the State Council to the SAW masses: that is, the project was a significant military plant

⁴⁸ Maurice Meisner (1986). Mao's China and After: A History of the People's Republic. New York: The Free Press, p.351.

and thus the masses should put the national well-being into priority and support the new SAW leadership.

Having the SCC jump started the construction process and holding the old cooperating system together, the SAW construction authority began to form. The SAW Revolutionary Committee was established on September 24, 1968, under the supervision of the Wuhan Military Region. In this new system, the Hubei Provincial Government was the major beneficiary. The Hubei government, together with the FMMB, assumed "leadership relationship" (*lingdao guanxi*) to the SAW. The Hubei Provincial Government was responsible for the appointment of high officials. The FMMB, however, had both a "leadership relationship" and a "professional relationship" (*yewu guanxi*) with the SAW; in the meantime, the SPC and the SCC continued to play important roles for coordinating the project.

The SAW Revolutionary Committee was led and controlled by the powerful Wuhan Military Region. The new leadership successfully regrouped the former SAW construction organization. In 1969, the FMMB and the Wuhan Military Region jointly convened two important meetings. The "January 9 Conference" concluded that the new leadership endorsed the decision of the "Laoying Conference." Another important meeting was the "May 15 Conference," which laid down the machinery production and the factory design for the SAW.⁴⁹ Representatives from 22 regions and 180 factories attended this conference.

Obviously, the SAW Revolutionary Committee did no more than endorse the decisions made by the bureaucratic elites in the SAW Preparation Bureau. In fact, many of the bureaucratic elites were quietly brought back into the new leadership. Yet having the commander of the Wuhan Military Region lead the SAW Revolutionary Committee made the decision-making process much more complicated than before.

⁴⁹ Fieldnote, November 30, 1991.

The military commanders who came from a rural origin had no professional knowledge of the automotive industry. Nevertheless, they were the persons who gave the orders for the complicated project. In order to maintain their authority, they stressed "redness" (*hong*) over "expertise" (*zhuan*)--political commitment over technical competence. However, the military commanders still had to make use of technocrats to complete the project. Thus, the army actually adapted an old bureaucratic system in a new revolutionary practice.

The military-controlled organization put the military concern into first priority. This had a far-reaching effect on the development of the SAW. In July 1968, the FMMB Military Controlled Committee transmitted the instruction of the General Chief of Staff Bureau (*zong canmoubu*) of the PLA to the SAW. The General Chief of Staff Bureau was one of the most important PLA departments. It was dominated by the Lin Biao's lieutenants from the Fourth Field Army (*si ye*).⁵⁰ The instruction stated that the SAW was a military-oriented plant. Therefore, it must meet the military demands by converting the original three-and-a-half ton trucks to two-and-a-half ton cross-country trucks. The military truck had a four-wheel drive and a high gas consumption but powerful engine. Originally the SAW was a second degree classified project, but the PLA instruction labeled the SAW to be one of the top secret plants. In 1969, the SAW Revolutionary Committee assigned a secret code to each of the 27 workshops. This system seriously hindered the internal communication among the workshops.⁵¹

The military-controlled organization brought the SAW project under the influence of Lin Biao's commanding center, the radical Military Commission Administrative Group (*junwei banshizu*) in Beijing. On October 12, 1969, the political commissar of the Wuhan Military Region, Liu Fang, transmitted the instruction from

⁵⁰ Ding Wang (1970). *Zhonggong "wenge" yundong zhong de zuzhi yu renshi wenti* (The Problem of the CCP's Organization and Personnel During the Cultural Revolution). Hong Kong: Contemporary China Research Institute, pp. 155-72.

⁵¹ Dier qiche zhizao chang changzi bianzuan weiyuanhui bangongshi (1986), p. 11.

the chairman of the Military Commission Administrative Group, Lin Biao, to the SAW that it was to turn out 100 trucks for the May Day military parade in 1970, and 500 for the National Day parade on October 1, 1970. Liu Fang was closely associated with Wu Faxian, the third powerful man in the General Chief of Staff Bureau.⁵² Given the fact that the SAW construction had just started, manufacturing 600 military trucks under the conditions of zero assembly line was almost impossible. But under the "four simultaneous construction" strategy, the SAW had to demonstrate the political stand to fulfill the target. After a great long effort, the SAW assembled 20 military trucks in September 1970. However, most of them could not even make it to Wuhan and were broken down on the road. The SAW called it the "political vehicles" (*zhengzhiche*) incident. This incidence brought the SAW a bad reputation.

The construction was finally resumed in September 1969. In this early stage of construction, there were about 50,000 labor forces participated. The State Construction Commission's 102 Construction Commanding Headquarters, and the FMMB's No. Two Mechanical and Electrical Installment Company were responsible for the construction processes.⁵³ There were two largest construction teams. One came from Baotou, the Northwest Engineering Bureau, and the other from the Beijing No. Three Construction Engineering Company. The former had 7,000 to 8,000 workers. In addition, there were many construction brigades from Hubei province. For machinery installment, most of them came from provincial machinery bureaus, i.e., the Ministry of Machine and Electronic Industry, and the FMMB.⁵⁴

In spite of militarization of the SAW administration, Shiyan was not immune from political campaign. In May 1970, the General Commanding Center of the SAW

⁵² Ding Wang (1970), pp. 155-72; and Yan Jiaqi and Gao Gao (1986). *Zhongguo wenge shinian shi* (The Ten Years Chinese Cultural Revolution). Hong Kong: Dagong bao chubanshe, pp. 264-72.

⁵³ Hubei sheng jihua weiyuanhui / Hubei sheng chengxiang jianshe ting (1987), p. 168.

⁵⁴ Fieldnote, November 30, 1991.

summoned a Design Revolution (*sheji geming*) Guiding Thought Meeting. The meeting reintroduced the revolutionary construction methods. A large number of engineers and technicians were persecuted for introducing what was called "western slave philosophy" (*yangnu zhexue*) and "slavery ideology" (*paxing zhuyi*). Some essential research, testing, and production projects were eliminated. In order to correct the "western slave philosophy" and "slavery ideology," the design revolution emphasized the power of human will as well as reversing the construction process.⁵⁵

The revolutionary spirit was revealed in the "four simultaneous construction" (*sibian jianshe*) process. Based on the revolutionary momentum, construction process was to be altered by simultaneous proceedings. In the actual work situation, it maintained only minimum coordination among the construction teams. Before the architecture team provided a blueprint for construction, the construction team had already begun to build the foundation. Sometimes, the architects simply conveyed their idea to the construction teams verbally. At the same time, the machinery installment contractors also told the construction teams about the size and shape of machines and assembly line.⁵⁶ It was through this informal verbal communication that the buildings were constructed.

Another revolutionary construction method adopted during this period was the so-called "pounded earth wall" (*gandalei*). In August 1970, the General Commanding Center of the SAW summoned a 'Gandalei' Experience Exchange Conference.⁵⁷ In the conference they decided to use this revolutionary method for building construction. The "pounded earth wall" is a style of construction used during the Yanan period when construction materials were in severe shortage. Instead of using reinforced bar, and concrete, the building wall was built with a mixture of sand, small stone, earth, and

⁵⁵ *Dangdai Zhongguo de chengshi jianshe* (1990), p. 95.

⁵⁶ *ibid.*

⁵⁷ *Dier qiche zhizao chang changzi bianzuan weiyuanhui bangongshi* (1986), p. 25.

water. The mixture was poured in between two boards and workers used big hammers to pound the mixture. Applying local raw materials signified self-reliance; ignoring technology demonstrated the power of human will. However, because of the unqualified building standard, factory buildings were liable to have cracks or collapse whenever vibration was produced by the operations of machinery.⁵⁸

Currently revealed information shows that large numbers of workers were killed or wounded through construction accidents. For instance, part of the dam of the Huanglongtan Hydraulic Power Plant collapsed on September 30, 1971. The power plant was one of the major electricity suppliers for the SAW project. The revolutionary construction process blindly stressed speed without adequate safety measures. The accident led to 35 death and 67 wounded.⁵⁹ Although there is no published data concerning the figure of casualties during the Third Front Industrialization, the accident such as Huanglongtan Hydraulic Power Plant was by no means an independent event. In April 1978, a directive issued by the Hubei provincial government indicated that there were widespread accidents in the national defense construction projects in railways, roads, water conservation, large-scale plants, and mines.⁶⁰

⁵⁸ Huang Qingxia (1985). *"Zongjie jingyan chengsheng qianjin: dier qiche zhizao chang dangwei diyi shuji Huang Qingxia gai jianchang shiwu zhounian qingzhu dahui sheng de jianghua"* (Conclude the Experience, Moving Forward in Victory: The Speech of the First Secretary of the Party Committee of SAW, Huang Qinghua, in the Fifteenth Anniversay Celebrary Meeting). Pp. 1-29 in *Dier qiche zhizao chang jingying yu guanli* (The Operation and Management of Second Auto Works), edited by Dier qiche zhizao chang shehui kexue xuehui. Beijing: jiqi gongye chubanshe, pp. 9-11.

⁵⁹ Hubei sheng jihua weiyuanhui (1989). *Hubei sheng jingji dashiji* (Chronicle of Hubei Economy). Wuhan: Hubei renmin chubanshe, pp. 271.

⁶⁰ *ibid*, p. 350.

5. Demilitarization and Reinstitutionalization of Bureaucratic Administration

The military controlled organization in the SAW was suddenly out of power following the fall of Lin Biao. Lin's failed coup d'état in September 1971 brought about a series of purges among military commanders. This incident brought back the state bureaucracy under the State Council. When Premier Zhou Enlai criticized the declining quality of the automobile industry and instructed the industry to restructure itself on January 11, 1972, it sent a clear signal from the State Council that the revolutionary method or "redness" was to be ended, and the rational method or "expertise" was reintroduced to solve the quality problem.

The quality issue directed attention away from continuous revolution. Bureaucratic elites gradually came back in power at all levels of the state bureaucracy. In January 1972, Rao Bin, the former chief of the SAW Preparation Committee and the vice-chairman of the SAW Revolutionary Committee, attended the Automotive Industry Quality Problem Conference in Beijing. Rao took advantage of the policy shift and launched a series of meetings and campaigns in the SAW to focus on technical issues. Emphasis on technology and quality strengthened the power base of the bureaucratic elites. On March 17, 1972, an extended meeting was held by the party committee of the SAW General Commanding Center. The goal of the extended meeting was to announce important strategy changes in the SAW. Rao Bin's speech emphasized the changes of strategic line for the SAW-- mainly on preparation, testing, quality, and strengthening the production base.⁶¹

The political impact of this shifting strategy meant reshuffling of leading cadres, replacing military commanders with the former bureaucratic elites. The cadres who were persecuted during the "Design Revolution" campaign in May 1970 and sent down

⁶¹ Dier qiche zhizao chang changzhi bianzuan weiyuanhui bangongshi (1986), p. 28.

to the May Seventh Cadre School (*wuqi dangxiao*) in Xiangbei villages returned, and they were rehabilitated. Many of them were reappointed by the Hubei Party Committee into the SAW administrative and Party systems. Beginning in April 1972, the Hubei Party Committee made a series of new appointments in the SAW as well as in the Yunyang Region. In August, the political commissar of the General Commanding Center of the SAW was removed. Finally, the SAW Revolutionary Committee and the General Commanding Center dissolved in the end of 1972. The Hubei Party Committee approved the establishment of the SAW Provisional Party Committee.

The organization of the demilitarized SAW resembled the earlier organization which was subordinated to the FMMB. The new organization, however, had more decentralization features than the former system. As shown in Figure 5.8, the SAW Revolutionary Committee was replaced by the SAW Provisional Party Committee. The position of Chief Engineer was established and was filled by Chen Zutao, one of the key planners for the SAW master plan. By following a technical division of labor, 31 departments and bureaus were formed. The Hubei Party Committee played a more important role in assigning personnel and in coordinating the construction process.

The new organization, which put emphasis on professionalism, led a large number of cadres to promotion in leading positions.⁶² These personnel were young and lacked political capital in leadership. During the post-militarization period, a large number of former revolutionary masses and military personnel were now subordinated to the new bureaucratic leaders, who had been the targets of purge before. This development indicated that there was a big conflict between bureaucratic elites and workers.⁶³ A series of measures was ordered to reduce the influence of the former

⁶² *'San quanmian' fenceng jingying chengbao zeren zhi--lilun yu shijian* ('Three Comprehensives' Level Contract Responsibility System -- Theory and Practice). Shiyang: Dier qiche zhizao chang shehui kexue hui, p. 12.

⁶³ *ibid*, p. 31.

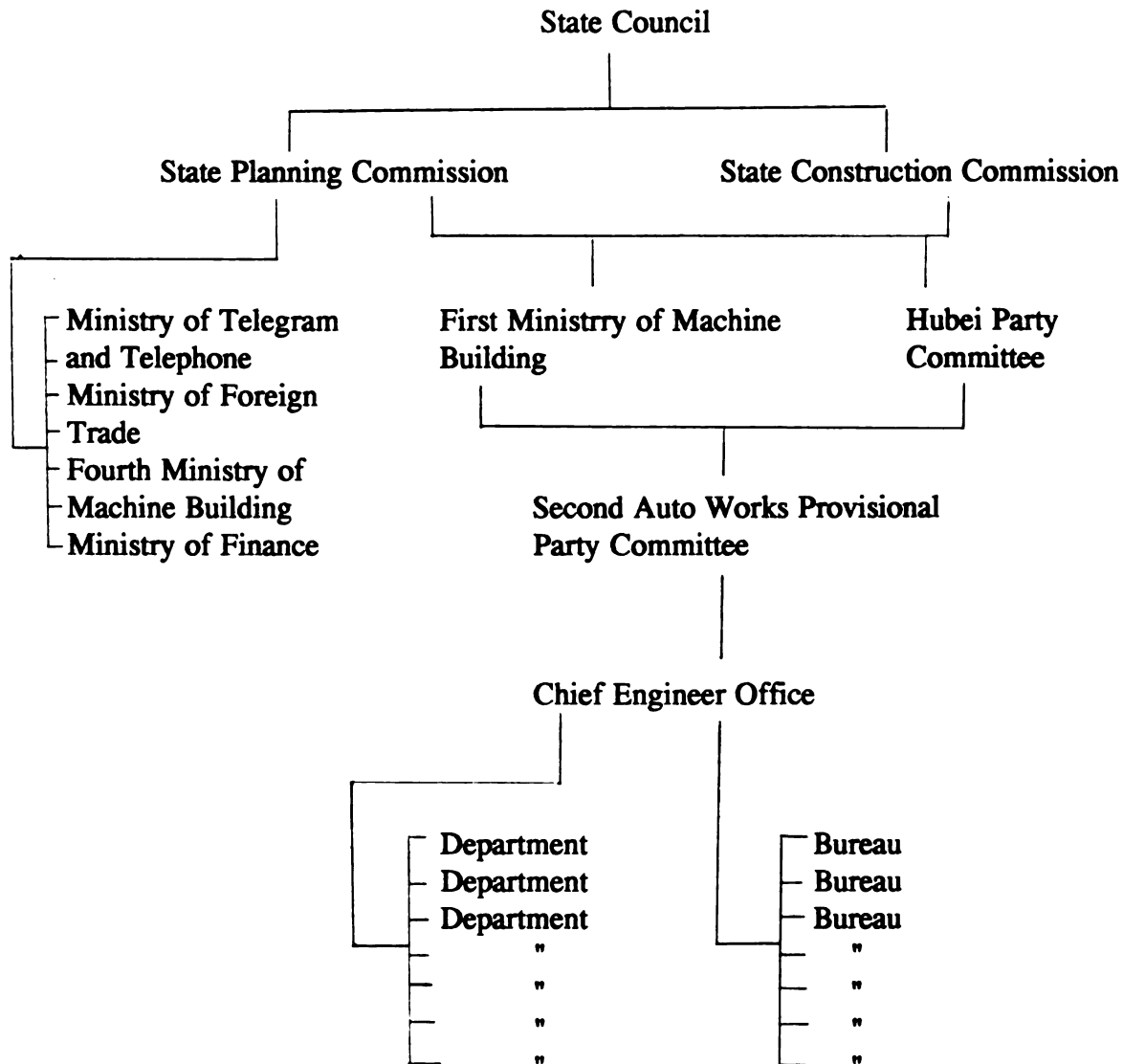


Figure 5.8. Organization of the SAW Project and the SAW Provisional Party Committee, 1973

Source:

Dier qiche zhizao chang changzi bianzuan weiyuanhui bangongshi (1986). *Erqi dashi ji (1953-1984)* (Chronicle of the Number Two Automobile Plant ([1953-1984])). Shiyang: Dier qiche zhizao chang yinshua chang, pp. 29-30.

revolutionary masses. For instance, the Wuhan Military Region army were ordered to leave Shiyang in March 1972. At the same time, the 102 Engineering Commanding Headquarters and the 10,000 work force construction team from the State Construction Commission were dispatched to other places. This construction team was formed by construction army brigades. In November 1972, 7,477 veterans who transferred to the SAW were assigned new jobs in petroleum and in the transportation industries. Obviously, these measures were designed to cut off the military influence in the SAW project. The SAW authorities strengthened its influence by forming the SAW Youth Communist League and the SAW Trade Union. These organizations were directly subordinated to the SAW Provisional Party Committee. On the other hand, the SAW authorities imposed tough measures by cracking down on counter-revolutionary activities and by organizing public trials.

During the post-militarization period, the SAW construction process required a large-scale mobilization of national resources. Again, it was a big challenge to the State Planning Commission and the State Construction Commission. All state apparatuses were undergoing similar restructuring as was the SAW. The central ministries had already lost many of their influences to locality. Therefore, central mobilization of national resources for the SAW project was extremely difficult. In this case, the State Council adopted two major measures: 1) appointing Hubei province to centrally coordinate the SAW project; and 2) coordinating the central ministries to contribute the SAW required resources. In July 1973, the SAW Construction Quality and Speeding Up Problems Forum was held in Beijing. Important agencies such as the SPC, SCC, FMMB, Ministry of Telegram and Telephone, Ministry of Foreign Trade, Ministry of Finance, Fourth Ministry of Machine Building, Automobile Bureau, Hubei Province's Machinery Bureau, and State Council sent personnel to attend the forum. The meeting lasted for a whole week. The four vice premiers met with the

representatives a few times during the meeting. It showed the support of the top central leaders.

The two-and-a-half years of militarized construction period erected a "design revolution" style foundation for the SAW. In the period 1969-72, the SAW built 780,000 square meter of floor space (about half of the total floor space) , 45 kilometers of water pipe, 35 kilometers of special railroad, five power conversion stations, 100 kilometers of power cable, and so forth. However, this foundation had a different degree of quality problem that threatened the subsequent construction. Under the "design revolution" guiding thought, there was no organization to oversee the comprehensive design and constructions of the related projects, such as: power system, water system, sewer system, flood prevention system, bridges, railroad, road network, communication system, and factory buildings. These constructions were designed and constructed independently.⁶⁴ Therefore, there were serious duplications and mutual interferences.

IV. Relationship between the SAW and Shiyan—Social Egalitarianism

A. Limiting Social Division of Labor—Self-Reliant Auto Production System

The SAW project was preoccupied with political considerations instead of economic principles. The pattern of the SAW auto production system was an outcome of the mass-line collective political construction. The new social conditions that emerged from the Cultural Revolution created new institutional arrangements in the state bureaucracy, which would have a tremendous impact on the organization of the SAW authority and on the decision-making process. The two new social actors, revolutionary masses and military, which emerged during the political campaigns,

⁶⁴ Hubei sheng jihua weiyuanhui and Hubei sheng chengxiang jiansheting (1987), p. 168-9.

brought about a series of institutional changes within the SAW authority. These social actors that embraced the "red" (in different degrees, though), tended to suppress the "experts"-- the bureaucrats and the technocrats. Although bureaucratic elites played significant roles in different phases of the project, they were unable to exercise their influence because of lack of coherent policy and stable political economic institutions. Furthermore, they had to compromise their expertise with "redness" or else face political persecution. "Redness" or "expertise" became the dividing line of power base and principle of organization. The tug-of-war between these two dichotomies within a paralyzed state system had a direct impact on the built environment of the SAW.

The pattern of the SAW auto production system is a manifestation of the weakened state system. Mass-line strategy was based on the assumption that China was surrounded by enemies: enemies along China's border and enemies within the state and party bureaucracies. Thus, war preparation and political struggle fueled dynamics of the SAW project. However, such impetus developed within the state bureaucracy led to a series of institutional changes and social instability. Given the dispersed policy, the construction process underwent high decentralization and self-reliance. The 27 workshops had maintained a high degree of independence since the early stage of construction. A self-reliant construction process was carried out by the workshop revolutionary committee. Thereby, the workshop as a basic unit of construction, reproduction, and production constituted a dispersed pattern of auto production system. Such a decentralized and self-reliant pattern became a characteristic of a mass-line political organization and war preparation strategy.

The decentralized and self-reliant workshop system allowed only simple division of labor. This system seriously hindered the coordination of the auto production system. In the early stage of production, it took couple of years for the SAW to establish a more efficient coordinate system of division of labor. In short, mass-line political organization under dispersal strategy was very expensive in development.

B. Underdevelopment of Municipality

The role of the Shiyan municipality had significantly diminished during the early stage of construction. It was partly because there were few urban services required to be provided by the city government. The dispersed urban system left most of the reproductive services to the workshops and created self-reliant auto production system. The SAW workshops spatially divided Shiyan into industrial communities. The emphasis on self-reliance not only hindered division of labor among workshops, but also spatial concentration. The municipality was alienated from the monolithic SAW bureaucratic system. There was little urban service existed outside the SAW system before 1973. The Shiyan municipality was no more than a symbolic authority of the Hubei provincial government. Under such political economic systems, the city government in Shiyan was underdeveloped. The Shiyan municipality was subordinated to the Yungang Specialized Regional Government with little power to control resources.

In 1973, the status of the Shiyan municipality was upgraded as a result of reestablishing bureaucratic systems. The municipality was subordinated to the Hubei provincial government. However, such change did not mean the Shiyan government increased its influence. The SAW administration and the Shiyan municipality belonged to different state administrative systems. As a state enterprise, the SAW did not treat local authority as a partner. In 1975, the Hubei provincial government merged the Shiyan municipality with the SAW administration. In 1978, the system was separated again.

The development of local authority indicated that the relationship between local government and enterprise was blurred. There was no clear role for the Shiyan municipality. The frequent changes of government showed the ambiguous role of the

municipality. The result of ineffective local government was disorganization of urban development. After 1975, each workshop authority retained autonomy in developing reproductive facilities. The SAW administration authorized the workshops to develop their territory according to their own plan. The Shiyan municipality, however, had no jurisdiction over the SAW development in the city.

C. Balancing Industry and Agriculture

The Third Front Industrialization development was founded on the egalitarian principle of mutual support of agriculture and industry. However, industrialization broke the rural social order into a wartime mobilization. During the pilot stage of construction peasants contributed their labor. They also sacrificed land, sharing living space with workers, and changed their traditional farming methods to cope with the needs of urban workers. Such changes meant that Shiyan peasants had to pay high price for the SAW project. It may be true that the urban workers also sacrificed their city lives, leaving their families in order to migrate to Shiyan. Many of the workers did so, due to political reasons which were out of their control. Rural areas, however, were less affected by the Cultural Revolution. Shiyan peasants might have been immune from political campaigns if the SAW project had not been located there.

If anything seemed to be unfair to Shiyan peasants, it was not the real intention of the state policy. At least, the egalitarian principle put peasants' concerns in center. But in the industrialization process, peasants were the only segment of the population who had to sacrifice more for development. Moreover, the SAW administrations, no matter who were in control, were more likely to have distance from the Shiyan peasants. Neither the revolutionary masses' power-seizure movement nor the "support revolutionary left" (*zhizao*) campaign by the Yunyang military helped the relationship

between the bureaucrats and peasants. The bureaucrats who found their power in the bureaucratic system were supposed to have a great distance from peasants.

The SAW workshops and people commune were the two basic work units in Shiyan. These organizations symbolically represented the polarities of urban and rural, modern and tradition, and advancement and backwardness. Egalitarian principles directed the integration of workshops and people commune, through which coalition between this social polarity was established. As a result, an egalitarian society could be built in the process of the Third Front Industrialization.

The peasant sacrifice for the SAW project did not seem to have caused widespread grievance among the peasants. Of course, this does not mean that peasants were willing to sacrifice their benefits for industrialization. There was no organized opposition that led peasants to become another major actor of a power struggle. Another reason to explain the peasants' reaction is that the SAW project brought to Shiyan peasants mixed blessings. In spite of the peasants' contributions in labor, materials, and land, peasants were indirectly benefited by the modernization of the physical environment. Such changes brought improvement in farming conditions. Moreover, Mao had a high reputation among peasants, and this made it relatively easy to generate their willingness to sacrifice themselves.

The relationship between workers and peasants was loosely organized before 1973. Although peasants contributed roughly 40 percent of the labor force of the SAW construction, there were divided interests between workers and peasants. Peasants seldom supported power seizure of revolutionary masses. During the militarization period, peasants worked shoulder to shoulder with workers. The "three-in-one" organization system allowed peasants to air their opinions. When militarization ended, the bureaucratic administration wanted to direct peasants into the new institution--the Workers-Peasants Alliance Association. This association, which operated at the workshop level, seemed to foster worker-peasant relationships. The peasants'

relationship to workers was mainly confined to their provision of fresh food and temporary labor. Workers' support was confined to technical assistance of mechanical installment or repair, leaving farming to the peasants.

The weak agricultural potential limited the role of agriculture of the SAW project. The state government realized that it was impossible for Shiyan peasants to support the large number of the non-agricultural population. The peasant's role was quickly shifted to supply fresh vegetables and temporary labor. The Third Front Industrialization led to industrial domination over agriculture. In 1975, urban workers already outnumbered peasants. Agricultural production became symbolic for an egalitarian society. In the long run, industrialization was moving on farmland, which eventually led to the decline of agriculture.

The "production first, living second" strategy was based upon a wartime mobilization spirit calling for self-sacrifice. As mobilization spirit subsided, the slogan could easily reverse itself to become "living first, production second." This situation really happened around 1975. When large-scale worker living quarters were built, workshop authorities were preoccupied with organizing the daily living of tens of thousands of workers and dependents. The 27 workshops which were located in 150 square kilometers were isolated from each other. Even within the production district, workshop connection was limited to production. Each workshop played the role of production and reproduction units simultaneously. The self-reliant pattern of workshops hindered specialization and furthered isolation. Before the economic reform in 1978, the isolated pattern prevented the development of city centers.

V. Formation of Dispersed City--Spatial Egalitarianism

The self-reliant and dispersed auto production system in Shiyan prevented the formation of a concentrated industrial city. Shiyan consisted of 27 workshops, each ranging from few hundreds to couple of thousands of workers. According to the egalitarian principle, the workshops were to be integrated with the local rural communities instead of forming urban centers. This social organization was aimed to eliminate social inequalities. Local initiative was mobilized for the aggressive Third Front Industrialization. However, building a large-scale industrial complex in the rural region without any support of urban infrastructure forced the loosely organized workshop system to be even more self-reliant. In particular, the unequal distribution of land for the SAW construction became one of the most sensitive issues in Shiyan.

A. Dispersed Spatial Pattern

The radical Maoists were aware of the issue of redistribution of land very well. As the mass-line methods depended on the initiatives of peasants and workers, any policy that violated the interests of peasant would be contradictory to the Third Front strategy. Thereby egalitarian and national defense strategies led to the protection of agricultural land and set a limit on the location of workshops. The policy of "don't occupy good agricultural land, occupy less agricultural land" (*buzhan liangtian, xiaozhan nongtian*) confined the location of the 27 SAW workshops into 19 valleys. This policy was further regulated by the war preparation guiding principle of "dispersal to mountain and cave" (*shan, san, dong*), which indicated that the industrial location had to be put in an area where it could be concealed from the air. Following these principles, the 27 workshops were scattered within a 150 square kilometers. The advantage of this development patterns was that it claimed minimum farmland for

industrial purpose. The factories were built inside valleys or on the slopes which may otherwise would have had little chance to be developed. As factory was located inside the valley, village existed in the nearby plain. Thus, this peculiar spatial relationship constituted a special social relationship in which industry and agriculture were supposed to be interdependent. Eventually, this pattern could strengthen the war preparation purposes.

The "factory led people commune" (*yichang daishu*) strategy we have discussed in the last section was revealed in Figure 5.9. The engine district which consisted of five workshops was located in the territory of Huaguo people commune. The Huaguo commune was composed of about 18 production brigades and about 100 production teams. All the workshops in engine district were built within valleys. The five workshops had a total 7,000 workers. The workers were partly dependent on the supply of fresh vegetable and other fresh foodstuffs by the surrounding brigades. The factory would provide technical assistance to brigades to improve their farming methods. Based on this spatial pattern, an interdependent social relationship was in place.

This pattern of development was learnt from the Daqing Oil field model.⁶⁵ The Daqing Oil field was located in Northeast China where agricultural land was abundant. In Shiyan, the physical condition is different. In 1964, for instance, only 6.5 percent of the Shiyan's 1,200 square kilometers total area was cultivable. Farmland was scattered along the foothills. It was estimated that 25 to 30 percent of the farmland was claimed for industrial purposes. Peasants who were displaced by the development were shifted to become the SAW workers.

⁶⁵ Yu Chiu-Li (1977). "Mobilize the Whole Party and the Nation's Working Class and Strive to Build Taching (or Daqing) Type Enterprises throughout the Country: Report at National Conference on Learning from Taching in Industry on May 4, 1977." *Beijing Review*, May 27, 1977. Pp. 5-23.

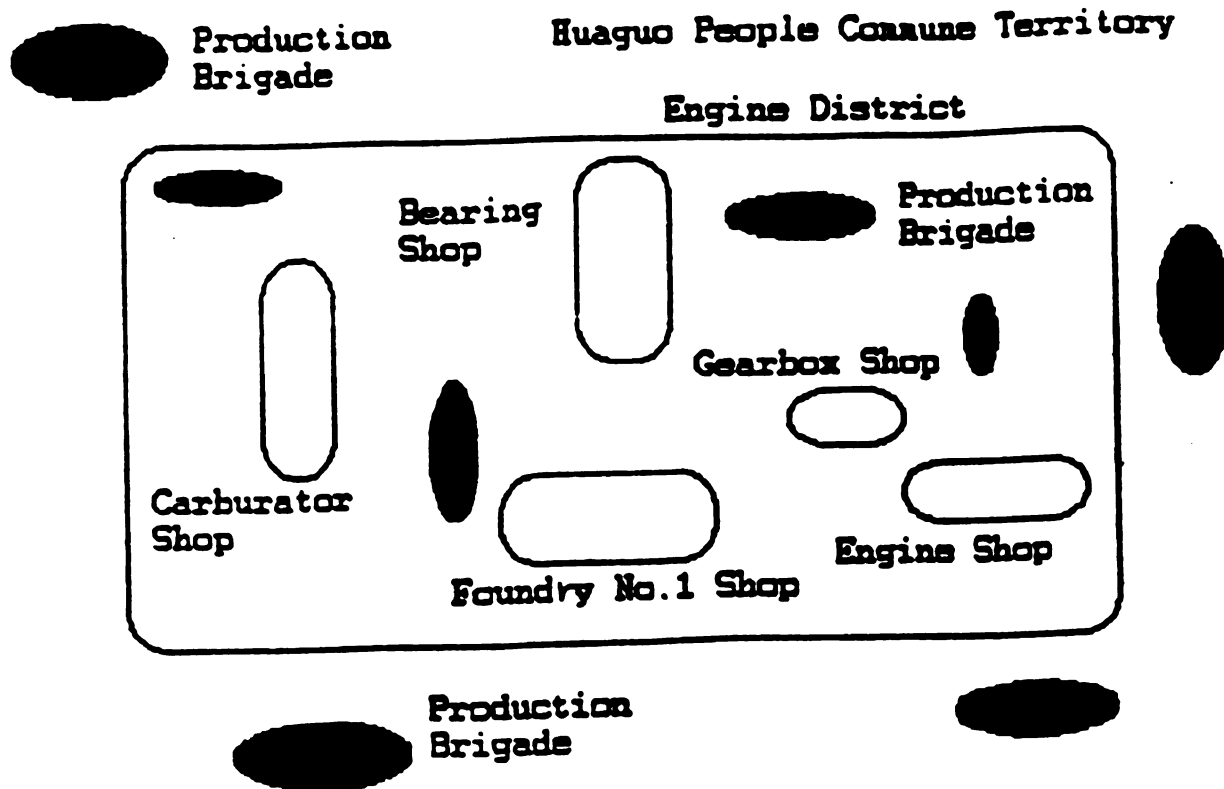


Figure 5.9. Factory Leads People Commune: Engine District and Huaguo Commune (around 1973)

New responsibility for Shiyan peasants to the SAW project was to supply foodstuff to the newly arrived urban workers. But the scarce farm land left little surplus for supporting the SAW working population. Shiyan's limited farm land did not require mobilizing workers to support farming with local peasants. In turn, nearby provinces and the Hubei government directed local food supply to Shiyan. A new demand to Shiyan peasants was to supply fresh vegetables and other fresh foodstuffs, such as egg, fish, and poultry to workers. Shiyan peasants had to learn new farming methods to cope with the new demands.

The spatial relationships among the 27 workshops were constructed in a similar fashion. Location of workshops was roughly determined by the auto production system to ensure specialized manufactory. Figure 5.10 indicates that the biggest final assembly district was located in the center of other production districts within a 15 kilometer radius. The polluted tire factory was put in the north of the city because of the strong southwest wind. This scheme was adopted by the Military Controlled FMMB on October 28, 1969.⁶⁶

The immediate shortcomings for this land use pattern were complexity and high cost for construction. The amount of soil and rock used for construction was 10 times greater than that of the FAW in Changchun.⁶⁷ And buildings were confined by irregular valleys. This spatial pattern could not create the best environment for the operation of complicated automotive machinery. What made the situation worse was the "Design Revolution" construction process which ignored scientific surveys. Many buildings were located in the paths of mountain torrents. For instance, 55 work floors

⁶⁶ "Guanyu jiasu dier qiche chang jianshe de baogao" (Concerning Speeding up Construction of Second Auto Works) (1986). P. 253 in *Zhongguo renmin gongheguo jingji guanli dashiji*, edited by Dangdai Zhongguo de jingji guanli bianzuanbu. Beijing: Zhongguo jingji chubanshe.

⁶⁷ Chen Zutao (1981). "Views Given on Establishing Vehicle Manufacturing Plants." JPRS 80392, p. 28.

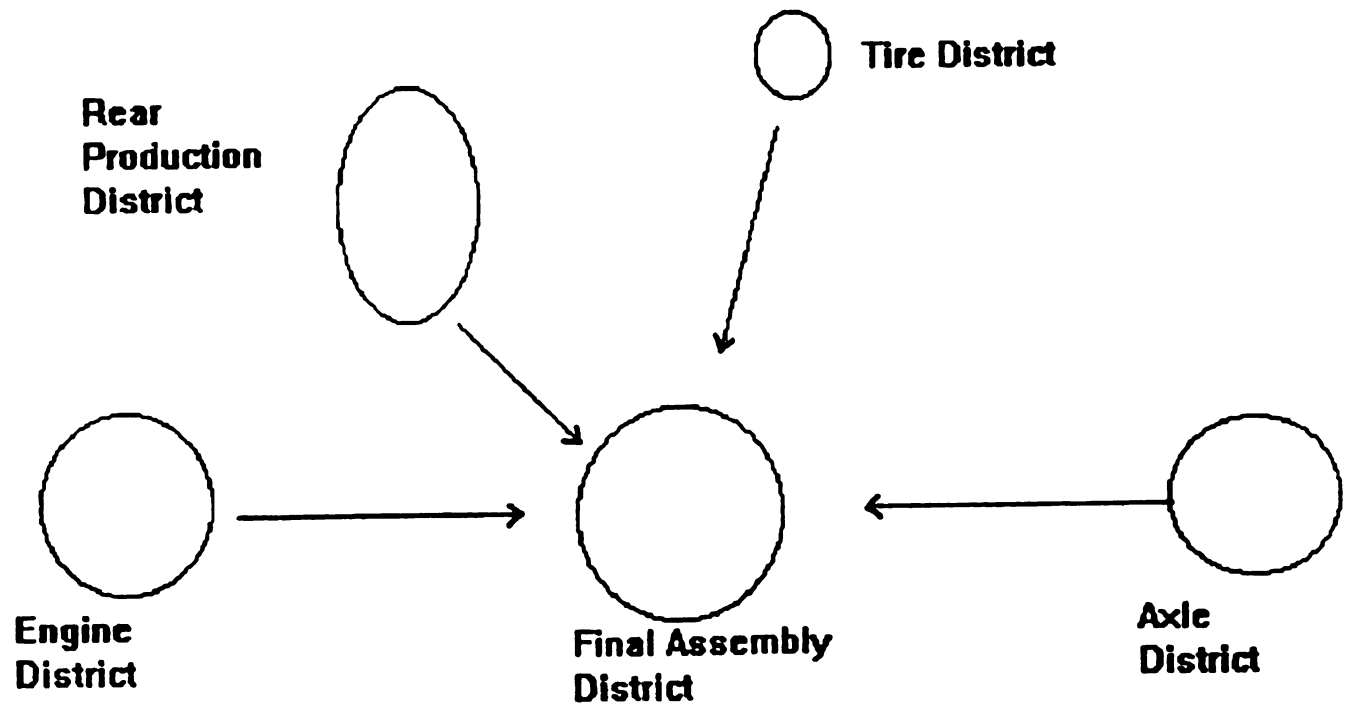


Figure 5.10. Plan for the Production Districts of the SAW

were damaged by mountain torrents in a heavy rain on April 29, 1973.⁶⁸ In order to strengthen flood prevention, the state government invested a large amount of capital in construction. It was estimated that the SAW project was over three times more expensive than the FAW.

Although the Third Front Industrialization provided a central guiding principle for spatial organization, the process of formation of dispersed city in Shiyang was highly politicized by the mass-line construction process. As we discussed in Part III, the political struggle between "redness" (revolutionary masses, and army) and "expertise" (bureaucrats, and technocrats) during the construction process heavily influenced the outcome of policy. These two factions had different interpretations of the "dispersal to mountain and cave," and "don't occupy good agricultural land, occupy less agricultural land" guiding principles. Whoever won the round of political struggle, they would turn the course of development to their favorite direction. Such shift may mean restructuring the previous buildings and redirecting the new construction. Such tug-of-war situation cost enormous time, capital, and human power.

The layout of the SAW production system followed a cluster-dispersed pattern. Such design indicated that the SAW Preparation Group did take economic effect into consideration. During the preparation period, the FMMB and the Preparation Group successfully resisted the influence of radical Maoists. The radical Maoists called for "the more dispersed, the more revolutionary" campaign. Therefore, they preferred the "sheep dung" (*yanglashi*) pattern over the "cow dung" (*niulashi*) (cluster dispersal) pattern. The difference between these two patterns was that they had a different unit of decomposition. The "cow dung" pattern perceived that the auto production system should be decomposed according to workshops, whereas the "sheep dung" pattern preferred much smaller units as production floor sections of a workshop. The "cow

⁶⁸ Dier qiche zhizao chang changzi bianzuan weiyuanhui bangongshi (1986), p. 32.

"dung" supporters insisted that the workshops should not be too scattered, while the "sheep dung" maintained that the production sections should be located hundreds of miles apart.⁶⁹ In this respect, the SAW layout became a highly politicized issue.

Under the mass-line collective political construction process, the living standards of the urban migrants were maintained in a spartan level. According to the "production first, living second" principle, the lodging problems for tens of thousands of the newly arrived workers were thrust away. The political construction process demanded self-sacrifice from the workers for revolutionary purposes. In the construction stage from 1969 to 1975, focus was put on industrial buildings; residential buildings, however, were put on hold. Peasants shared their living place with workers. In reality, a majority of them lived in straw shacks (*caopang*). The living pattern was organized in workshop units. As revolutionary committees were formed in workshops, construction workers, planners, mechanics, and assembly workers lived together near the construction sites. This living pattern constituted self-reliant industrial communes in Shiyan.

After six years of construction, workers generally expressed frustration at the inconvenience in daily living.⁷⁰ After 1975, systematic construction of worker living quarters was underway around each workshop. Self-reliant industrial communes were formed on the basis of the dispersed workshop pattern. According to this living pattern, other urban facilities such as hospitals, school, and shops were gradually put into place. As a result, more farmland was claimed when the workshops were expanded. In the late 1970s, the guiding principle became more realistic. As the farm land declined, the policy stated "occupy farm land but do not reduce production"

⁶⁹ *Dangdai Zhongguo de chengshi jianshe* (1990). Beijing: Zhongguo shehui kexue chubanshe, p.95.

⁷⁰ Fieldnote, November 30, 1991.

(*zhandi bu jianchan*). The policy admitted a scale-down of spatial egalitarianism and increase of agricultural productivity.

The Third Front Industrialization brought radical change in Shiyan, although slowly, due to the lengthy construction period and the political struggle between "redness" and "expertise". The built-up city area (about 150 square kilometers) was connected by roads and railway, and was supplied with electricity. Power lines were put on agricultural land. Much of the claimed farmland was used for road construction. Unlike the workshops, which were located inside valleys, the road was built on the foothill area, which was originally agricultural land. The flood prevention project, however, claimed land located in a lower level. These basic constructions were put up on flat agricultural land despite the "dispersal to mountain and cave" strategy.

Having road, railway, power, and flood-prevention constructions, rural Shiyan was gradually modernized. The lives of Shiyan peasants were indirectly benefited, if not in real material return. Shiyan farming conditions were improved with the construction of a reservoir, flood prevention, and the introduction of new farming methods. Agricultural productivity was significantly improved.

B. The Dispersed Social Networks

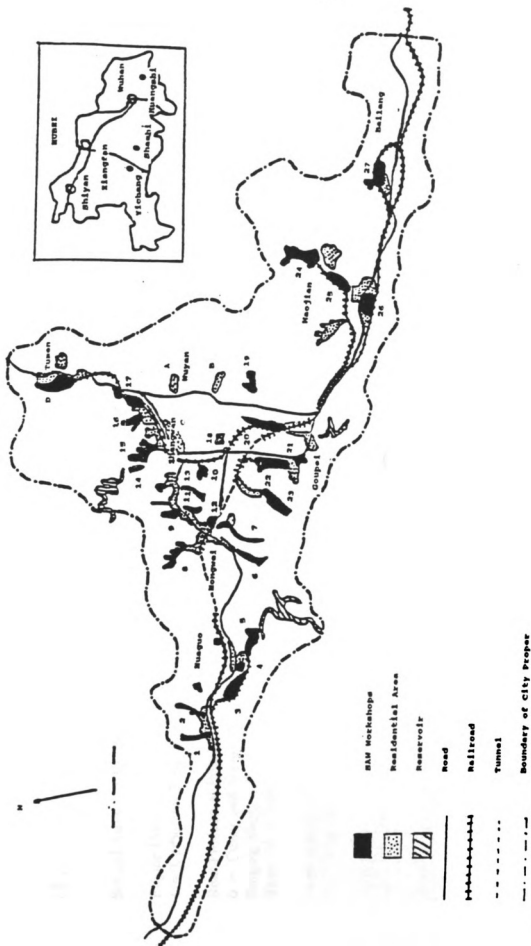
In the original design of the master plan, the SAW production system was planned according to a "cluster dispersal pattern" (*niulashi*). The bureaucrats preferred a less dispersed layout which aimed at achieving more efficiency. The master plan was to put workshops in production districts in order to form rural industrial communities. This plan was not really successful, as there was no district-level administrative body to coordinate the workshops. On the other hand, the spartan living conditions during the Cultural Revolution had limited consumption materials to form any commercial

activities in the district. Workshops or rural industrial communes were loosely connected with the simple division of labor of an automotive production system. Moreover, the state redistributive networks and air raid bunker networks held these industrial communes in a very loose relation.

The 27 SAW workshops were grouped according to the auto production system and war preparation strategy. As revealed in Figure 5.10 (p. 214), the five industrial districts formed a simple division of labor in auto production system standard. One major factor that affected efficiency for the 27 workshops was the transportation network, which was located in a 150 square kilometers region. The Shiyan region was connected by several main roads. When mass production was in effect in the late 1970s, railways were built to deliver a large volume of raw materials (see Map 5.2). The network of roads, however, had been built before the large construction started. Given the restriction of occupying farmland, peasants planted along the roads. Industrial production and residential areas remained in valley areas. Before 1977, when the SAW had not engaged in mass production, workshops were isolated from each other. For this reason, the SAW administration had great difficulty in coordinating the alienated workshops into an efficient production chain.

A state redistributive network of daily necessities was formed in 1970. When the city expanded, as a result of mass production, the redistributive system gradually developed from a simple to a more complex system. Before 1970, the Shiyan region was divided into two village-level redistributive networks. The network consisted of 60 retail shops to sell the state allocated daily supplies.⁷¹ When the large-scale construction started, the old redistributive network was reformed from village-based system to a auto-production workshop system. In April 1970, the Cab Shop and

⁷¹ Hubei sheng tífāngzhì biānzào wéiyuánhui (1984). *Hubei shíxiān gāikuāng* (The General Conditions of Hubei Cities and Counties). Wuhan: Hubei sheng tífāngzhì biānzào wéiyuánhui, p. 40.



Map 5.2. Shiyao City and the SAW Production Districts in late 1970s

Map 5.2. (cont'd)

Second Auto Works' Workshops

Engine District:

1 = Carburetor Shop, 2 = Bearing Shop, 3 = Foundry No. One Shop, 4 = Gearbox Shop, 5 = Engine Shop

Rear Production District:

6 = Cutter and Gauge Shop, 7 = Machine Repair Shop, 8 = Electric Facilities Maintenance Shop, 9 = General Casting and Forging Shop, 10 = Stamping Die Making Shop, 11 = Power Plant, 12 = Gas Plant, 13 = Radiator Shop, 14 = Leaf Spring Shop, 15 = Fastener Shop, 16 = Machine Tool Building Shop, 17 = Wheel Shop, 18 = Chassis Shop

Final Assembly District:

19 = Propeller Shaft Shop, 20 = Truck Body Shop, 21 = Frame Shop, 22 = Final Assembly Shop, 23 = Cab Shop

Axle District:

24 = Axle Shop, 25 = Forging Shop, 26 = Timber Processing Shop, 27 = Foundry No. Two Shop

Others Administrations:

A = Municipal Administration, B = Yuyang Region Administration, C = Second Auto Works Headquarters, D = Dongfeng Tire Plant

Sources:

Dier qiche zhizao chang (1990). *Dier qiche zhizao chang jianjie* (A Brief Introduction of the Second Auto Works), pp. 6-7, 9-10, and Map 1.

Shiyan shi renmin zhengfu (1980). *1980 nian Shiyan shi chengshi zongti guihua* (Master City Plan of Shiyan 1980), Map 1.

Map 5.2. (cont'd)

Zhongguo chengshi guihua sheji yanjiuyuan / Shiyang shi guihua (1989). Shiyang shichengshi zongti guihua -- 1990-2010 (Master City Plan of Shiyang -- 1990-2010). Shiyang: Shiyang shi renmin zhengfu.

Fastener Shop established two grocery stores in their territories.⁷² After 1970, each workshop established its own grocery store, selling vegetables, meat, and basic necessities. The distribution of food and other products was organized by the SAW administration. The Shiyan municipality, a much less powerful local government compared to the SAW administration, had little control on foodstuffs. The state redistributive network was gradually growing in concentration. Medium size shops were formed in the district area; and finally, larger scale financial outlets and commercial shops were formed in the city-center area.

When production entered economic scale in the late 1970s, Shiyan city was gradually growing in size and concentration. But the developmental trend was based on the growth of each workshop. By expanding the production and reproduction activities of workshops, their territories were merged together and formed district communities. The SAW administration assumed the role of municipality in the redistribution of state resources. The workshops, however, targeted acquiring and hoarding raw materials from the SAW administration. Such a redistributive relationship easily developed into a protective and conflict relationship among workshops and the SAW administration. The self-reliant system of workshops could not achieve efficient use of raw materials because there was widespread wasting through hoarding and overlapping.

The SAW was a second-degree classified defense project. The major guiding thought was to prepare for air raid or nuclear attacks from the enemy. In 1972, the City Air Defense Office (*shi renfang bangongshi*) was established to coordinate air defense construction. Originally, it was planned to construct an air defense network consisting of command headquarters, a clinic, a warehouse for war preparation supplies, transportation vehicles, specialized teams bureau, underground production workshops, and underground generators and water supply facilities throughout the city.

⁷² Dier qiche zhizao chang changzi bianzuan weiyuanhui bangongshi (1986), p. 24.

The Air Defense Office, however, did not seem to have much effective control of air defense construction. Most of the air defense constructions such as hillside tunnels, underground tunnels, and air raid shelters were built by workshops in the hillside.⁷³ The construction quality of air raid shelters was poor. Many of them encountered water problems and had little value of usage. In this sense, the war preparation strategy, was in fact, poorly prepared.

VI. Conclusion

Shiyan had emerged from an insignificant village into a national automotive production center. Shiyan was a laboratory of China's indigenous effort of development. This study demonstrates development of Shiyan was closely linked to the Chinese Communist's peasant revolution history. The Third Front Industrialization showed that the Chinese communist state abruptly departed from the previous successful First FYP Industrialization strategy. The major difference between these two industrialization programs was that the First FYP was a Soviet's product whereas the Third Front was tied to the Chinese communist state experience. Despite the success of the former strategy, the Chinese communist state believed that there was a Chinese model of development which constituted a "genuine" socialist society. Under such circumstance, Shiyan was the product of Chinese model which tied to the Chinese socialist ideal as well as the historical past.

To be sure, not all the Chinese communist state agreed with the Third Front strategy. The Chinese bureaucratic system established during the First FYP was the biggest structural obstacle. Adopting a new developmental strategy meant shifting of balance of power. In Shiyan case, it showed that the developmental process was a

⁷³ Zhongguo chengshi guihua sheji yanjiuyuan/Shiyan shi guihua ju bianli (1989). *Shiyan shi chengshi zongti guihua -- 1990-2010* (Master City Planning of Shiyan -- 1990-2010). Shiyan shi: Shiyan shi renmin zhengfu, pp. 118-120.

process of power struggle between the supporters and opponents. The radical Maoists, the most enthusiastic advocator of changes, opposed the state bureaucrats. On the brink of losing their power, the bureaucrats quietly resisted the fierce attacks by the radical Maoists. Ironically, their political power struggle provided a major momentum for the SAW construction.

Where did the political momentum come from, and what did the political environment contribute to the Shiyan development in comparison with Changchun's case? Part Two suggests that the radical Maoists established an egalitarian social mechanism for the Third Front Industrialization. This social mechanism was based upon the socialist vision of egalitarian society. The built-in impetus for such social mechanism was the mass-line style collective political movement, a powerful political weapon for the radical Maoists to eliminate the influence of the mammoth state bureaucracy. The Third Front Industrialization program shifted the developmental direction from the Third FYP (1965-70) which was designed to continue the bureaucratic institutional development. The international environment during the mid-1960s helped the radical Maoists to turn the Third FYP to the war-preparation oriented Third Front Industrialization. Policy shift was not carried out peacefully. The process of transformation underwent violent power seizure. The state bureaucracy was besieged by revolutionary masses. State officials were sent down or persecuted for being "capitalist roaders." The egalitarian social mechanism was propelled by power seizure.

The institutional environments created during the First FYP and the Third Front were strikingly different. The First FYP Industrialization was based upon a peaceful and stable environment for the efficient functioning of state administrative system. The state bureaucrats, however, also relied on social mobilization for labor force. But the social organizations were mainly under bureaucrats-in-command. During the Third Front Industrialization, however, peaceful and stable environment, which stagnated the

momentum of "continuous revolution," was condemned by the radical Maoists. State bureaucrats were the common enemies of revolutionary masses. A strong belief in the power of human will was considered to be a more egalitarian approach than the bureaucratic regulation. Thereby, Shiyao development was organized under the logic of politics-in-command.

What lesson do we learn from the politics-in-command during the SAW construction? The findings of this study does not imply that indigenous egalitarian approach had to undergo violent power seizure. It was obvious that the volatile political environment created tremendous structural and quality problems for the SAW project. The unscientific methods of construction brought about disastrous results to the whole project with huge losses. However, the SAW was still one of the few fortunate third front projects that was able to complete. There were many unsuccessful cases in the third front regions that failed to complete the projects during this period. The unsuccessful third front projects made a big contrast with the 156 Soviet-aided projects of the First FYP Industrialization, which became the backbone of Chinese industry. The Third Front strategy was hardly a successful industrialization in the CCP's history.

The social structure created in Shiyao was revealed in the 27 dispersal SAW workshops. Lacking a centralized administrative center, the workshops operated in a structure of self-reliance while integrating with local agricultural communes. Despite the guiding principle of "production first, living second," the daily struggle in such a harsh environment virtually reversed this principle. Each workshops wasted a lot of time and energy just to maintain the minimum level of subsistence for their workers, leaving the auto production system slow in development and making it hard to put itself into an efficient production chain.

The spatial impact of mass-line collective political movement on Shiyao was the emergence of dispersed city. A dispersed spatial pattern was partly the result of

lacking a strong state bureaucratic system to coordinate the complicated project. The SAW headquarters could only maintain loose control over the dispersed 27 workshops located within 150 square kilometers. The political environment compelled the workshops in the mountainous area to seek self-reliance and integrate with the rural people communes. Thus, the political environment created structural impetus to bridge the gap between industry and agriculture. However, as the political momentum faded away, the workshops expanded their development within their territories, which further widened their distance from the people communes. As a result, smaller communities emerged and the dispersed city became more concentrated.

Did Shiyan's dispersed city change the political logic of urban development? This study shows that there was no fundamental change in the state redistribution system during the Third Front Industrialization. The 27 SAW workshops were the basic social units in Shiyan. Each workshop controlled certain territories and received state resources from the headquarters. When the political momentum declined, the workshops engaged in collective consumption by building living quarters and other welfare facilities for workers. Although the mass-line movement temporarily changed the social relationship, it did not transform the state redistributive system. This developmental result showed that the mass-line political movement failed to institutionalize itself to sustain the continuous revolutionary momentum. Compared with the bureaucratic institution, the mass-line strategy only had a temporary impact, yet far more destructive one on development.



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**CHINA'S MOTOR CITIES: INDUSTRIALIZATION AND URBAN
DEVELOPMENT UNDER STATE SOCIALISM, 1948-90**

Volume II

By

Chung-Yuk Shamus Mok

A DISSERTATION

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Part Three

**Sociospatial Transformation during the Market Socialist Reform,
1978-90**

State Development Strategy of Market Socialist Reform, 1978-Present

The death of Mao and the end of the Cultural Revolution opened up a new era in contemporary Chinese history. It ushered in revolutionary change second only to the post-liberation transformation. The rapid social change after 1949 erected the backbone of industrial infrastructure for socialist transitions. In spite of the obvious achievements in industrial development in Mao's era, the structural problems inherited from the command economic system seriously hindered growth and technological innovation in state enterprises. The post-Mao reform is revolutionary, in the sense that it tries to break away structural constraints and transform socialist economy into an efficient system. Economic reform does not depend on mass mobilization nor on strict central redistribution system. The Chinese communist state intends to establish capitalist market mechanism for socialist economy. The post-Mao reform is a revolution of pragmatism and rationalization as opposed to the mass-line development of the Cultural Revolution.

The post-Mao reform is significant because it served as a focus of unifying the whole country and as an alternative in the historical crossroads. The aftermath of the Cultural Revolution left the whole nation in a ruinous state. Virtually all of the social, political, and economic life of the People's Republic was distorted, nearly wrecking the country. The Cultural Revolution campaigns consumed not only the nation but also her people, sapping the energy totally out of them. After having suffered the decade-long political movement, the people were extremely at a loss without knowing where they were heading for. The political leaders, both conservative central planners and market reformers, were disappointed at the failure of the previous era's attempt to revive the

nation. Under these circumstances, the economic reform policy, set in the late 1970s, filled the vacuum left by the Cultural Revolution. It provided a way out at a blind alley.

I. Breakup with Egalitarianism--New Social Conditions

The social and political vacuum during the aftermath of the Cultural Revolution created a strong desire for change in China. By shifting away from political campaigns, the national attention was focused on economic development. Both central planners and market reformers who survived political purges during the Cultural Revolution joined hand in hand in economic reform to restore economic efficiency. Such a coalition of political factions within the Chinese communist state created a bargaining atmosphere that held national unity.¹ The coalition was held due in part to their awareness of pressure from international competitions. Even after decades of the state led development programs, China could not achieve what she boasted of, that is, catching up England in fifteen years. On the contrary, the Asian neighbors, which were not much better off than China after the Second World War, quickly moved upward to become newly industrialized countries. Under such circumstances, new ranges of social conditions emerged, paving the way for economic reform.

A. Economic Development over Utopian Attainment

Socialist transitions have been caught in the dilemma of two developmental goals: namely, economic development and utopian attainment.² According to Lowenthal (1970), the communist utopia that stresses egalitarian principle of

¹ Harry Harding (1987). China's Second Revolution: Reform After Mao. Washington, D.C.: The Brookings Institution.

² Richard Lowenthal (1970). "Development vs. Utopia in Communist Policy." Pp. 33-116 in Change in Communist Systems, edited by Chalmers Johnson. Stanford: Stanford University Press.

organization is basically contradictory to the economic development that focuses on efficiency. The practice of revolutionary development during the early stage of the Third Front Industrialization program showed that the utopian method was extremely costly. According to a report prepared by the Ministry of Finance in 1978, the inefficiency of capital construction during the Fourth FYP (i.e. the Third Front Industrialization) was manifested in following ways: 1) lengthy construction period, 2) few industrial projects actually operated, 3) slow cash flow, and 4) high construction cost.³ Although the Third Front Industrialization was partly aimed at lower production cost by keeping the industrial complex within the rural area, the rural industrial commune model hindered any efficient division of labor or normal operation. It required higher production cost and led the whole country to an economic stagnation. The state led industrialization redistributed scarce resources into extremely costly projects, yet the plants had low production capacities. This development program was carried out at the expense of workers' living by suppressing urban facilities and thus lowering their living standards to that of the rural population.

Deng Xiaoping, the architect of China's economic reform, refuted the value of egalitarianism. He pointed out that egalitarianism and prosperity were mutually exclusive. The goal of economic reform is therefore not to make Chinese society more equal but rather more prosperous. In doing so, the Chinese state would reduce her role in the state led development program and encourage the initiative of production units. New economic principles were introduced to replace the mass-line methods. Professionals and technocrats regained power in the new economic environment. Deng admitted that economic reform would evidently bring social inequality, but he promised that the reform program could gradually bring better living standards.

³ *"Guanyu jiben jianshe xiaoguo wenti de baogao"* (Report Concern With the Efficiency of Capital Construction Investment [on April 14, 1978]). Pp. 372-373 in *Zhonghua renmin gongheguo caizheng dashiji*, edited by Chen Yulong. Beijing: Zhongguo caizheng jingji chubanshe.

It is obvious that the vision of socialist society the market reformers have in mind is different from that of the radical Maoists. Market reformers saw egalitarianism as a stumbling block to economic development, causing poverty and economic stagnation. However, their allegiance to socialism was well manifested in their defensive statement that socialist society aims at achieving greater economic and social equality, but economic equality does not mean economic underdevelopment (i.e., everybody is equally poor), rather greater economic prosperity. Hence, market reformers redefined the Chinese socialist agenda by arguing that China was in the "primitive stage of socialism," that the mission of this socialist construction is to build national economic strength in order to achieve communist utopia. Thereby, in the economic development process, Chinese society should tolerate social inequality and finally that the Chinese communist state should change the role of redistribution to create favorable environments for economic development. In short, their agenda can be summed up as this: state should maintain social stability, create economic regulations, reduce state intervention on business, and minimize social inequality produced by market economy. Looking for models, the Chinese government looked closely to the successes of South Korea, Taiwan, and Singapore, and their seemingly effective "neo-authoritarian" states.

B. Fear of Social Disintegration

Market reformers' vision of society is by no means shared by most of the conservative central planners. The central planners who orchestrated the First FYP Industrialization program during the 1950s stressed the state redistributive mechanism in reducing social inequality. To them, market mechanism is a revisionist method which may lead to corruption of socialist society. Central planners do not believe that there is any parallel between Chinese socialist state and the Asian new authoritarian

states. Nonetheless, both factions admitted that there were serious problems in Chinese economy and they wanted to avoid political campaign style of power struggles. Social instability is the primary concern of the post-Mao leaders. As survivors of the social disruption during the Cultural Revolution, the post-Mao leaders are willing to compromise their differences, including their ideological differences in the vision of socialism.

Over a decade of economic reform, China's central government has been weakening as it increasingly shares its economic power with localities and state enterprises. The state-society relationship has also been emerging. It is revealed in the growing proportion of social resources that are now controlled by the non-state sector. Even within the state system, state enterprises retain a large amount of profits that are not controlled by the state. However, reducing intervention of the central state government has significantly strengthened the influence of local governments. Local enterprises and local officials share common interests in profit-making. In the course of economic reform, local business seeks protection from local officials. Officials in office or retired are invited to join board of directors of local enterprises. As a result, local economic interests are strengthened and a new form of localism has been emerging. Neo-localism transforms the former state-owned economy into a "quasi-state" economy that is based upon the fragmented state bureaucracy. In turn, the "quasi-state" economy fragments national market and blocks divisions of labor.

Despite the central top officials' fear of social disintegration, the unfolding of economic reform seems to be contradictory to their apprehension. Conservative central planners have manipulated this fear during the economic hardship to impose economic retrenchment policies. They aimed at regaining economic control over local and state sector economy. So far, economic retrenchment policies were unsuccessful, as the powerful local governments and state enterprises show resistance. This situation forced the central government to engage in bargaining with the local forces.

C. Pressure from International Competition

The industrialization programs that placed a strong emphasis on self-reliance during the Mao's era did not put international market into their frame of reference. The state led industrialization programs were preoccupied with speed and high productivity. Despite the accomplishment of rapid industrialization, the Chinese economic system was highly based on state investment. The then-premier Zhao Ziyang admitted in 1980 that the previous era's development strategy failed to produce the desirable outcome in spite of its high investment rate.⁴ Consequently, heavy state investment policy reproduced a wide array of backward and internationally non-competitive industries. As poor quality industrial products were unable to earn hard currency, China in turn had to export raw materials and agricultural products.

Aside from egalitarianism, market reformers regarded the principle of self-reliance as the fundamental problem of economic stagnation. While the newly industrialized Asian countries, such as South Korea, Taiwan, Hong Kong, Singapore, and the ASEAN countries (including Malaysia, Indonesia, and Thailand) successfully restructured their economy in the course of the 1960s and 1970s, China's socialist road of development led her economy to the opposite direction. Economic miracles created by the Asian industrialized countries put them ahead of China, whereas China was at the bottom of international economy. In 1978, a series of meetings in Beijing revealed a shift in the direction of the CCP. These meetings criticized self-reliance and closed-door policies. In September 1978, a National Planning Conference was held in Beijing attended by provincial economic planning officials. The meeting essentially called for

⁴ Zhao delivered his critique in the work meeting of CCCCPC from December 16 to 25, 1980. Pp. 428-429 in *Zhonghua renmin gongheguo caizheng dashiji*. (1989), edited by Chen Yulong. Beijing: Zhongguo caizheng jingji chubanshe.

importation of foreign technology, introduction of foreign capital, and entering into the international market.⁵

II. Stratified Reform Program—Market Socialism

"Market" and "socialism" are two contradictory concepts in economic development. As briefly discussed above, the CCP stated that China's socialist development is said to be in a "primitive stage of socialism." In other words, the socialist economic development in the Mao's era was prematurely enforced; hence, it is necessary for China to return to the primitive stage of socialism and develop an economic strength in order to attain the communist utopia some time in the future. At the present stage, market mechanism is used to advance economic development.

The main goal of economic reform is to transform production unit into "quasi-state" enterprise, or marketized firm. The two major production units in the state economy are the people communes in rural areas and the state enterprises in urban areas. By liberalizing the production initiative of these production units, they would gradually enter into sophisticated integration and cooperation, forming city and economic region. In this regard, city governments should create favorable conditions for production units. Large numbers of new non-state enterprises that emerged in cities turned out to be a very dynamic sector for the economic reform.

1. Liberating Production Units

In the eve of the economic reform (1978), China's agricultural production was organized by people communes. After the historical meeting, the Third Plenum of the Eleventh Central Committee in December 1978, the economic reform program was officially on the state agenda. One of the early steps for the economic reform was to

⁵ *ibid*, p. 377.

decollectivize agricultural production into household base. People communes were dismantled and "household responsibility system" (*baochan daohu*) was enforced. Given that 80 percent of China's population in the late 1970s were peasants, this policy allowed a majority of the people to receive benefit from the economic reform.

In the end of 1982, the "household responsibility system" became nearly universal in the countryside. In late September 1980, the Central Committee issued "Document 75" that detailed the "household responsibility system." According to the document, the Chinese government permitted contracting output to the household. This method allowed the household to use a particular piece of land and submit an agreeable amount of output to the team (*zu*). The household might be allowed to keep its own surplus output, or it might receive a bonus for surplus; it would also be penalized for a deficit. Either the household or team could be responsible for providing inputs, including seed, fertilizer, and insecticide. Plans for planting, irrigation, and the use of draught animals and machinery remained under the team control.⁶

After the Third Plenum, the Chinese government raised the procurement price sharply. It was estimated that grain quota purchase prices were increased by 20 percent. Prices of other agricultural products, such as cotton, oil-bearing crops, sugar, and other sideline products were also raised. The price policy accompanied with the "household responsibility system" successfully stimulated the peasants' initiative. As a result, the gross value of agricultural output (GVAO) grew by no less than nine percent per year between 1978 to 1984.

The relatively successful agricultural reform confirmed the belief of China's leaders in that liberating the state production unit from the traditional state bureaucratic system could help vitalize productivity. Following the reform logic of agricultural reform, state enterprises are endowed with more autonomy. Initially, their autonomy

⁶ Carl Riskin (1987). China's Political Economy: The Quest for Development Since 1989. New York: Oxford University Press, pp. 287-288.

was confined only to profit sharing; state enterprises negotiated a profit remittance target with the supervisory agencies. Profits above the target would be shared between state enterprises and the supervisory agencies, or for some particular industries (usually with low earning rate), enterprises could retain all the above target profits. This is normally called "profit responsibility system." Later, the "profit retention system" included greater authority over plans, supply of materials and equipment, sale of output, and other aspects of operations. By decentralizing these authorities, the production units were supposed to be responsive to market signals; in turn, markets could guide production plans and motivate producers to improve productivity. Under this reform strategy, state enterprises might be transformed into "quasi-state" enterprises without changing their ownership system.

To organize the liberated state enterprises into "quasi-state" enterprises in a transitional economic system is a key for the formation of market. The "quasi-state" enterprises have to break the traditional vertical administrative system within the state bureaucracy and engage in horizontal integration with other enterprises. Specialized associations rose while joint ventures and private companies flourished as a means of linking enterprises in different localities, state and non-state sectors together. To be sure, implementation of horizontal integration received a lot of local resistance as the local governments wanted to protect their own territorial benefit.

State enterprises were urged to reform their management system by engaging in profit responsibility contract with their subordinate departments and workshops. The new contract that based on material incentives also included systems of work-place discipline, and of promotion of professional personnel to leading positions. Elimination of the so-called "iron rice bowl" of lifetime employment is a central reform issue in state enterprises. It is not an easy task to develop rational measures to enhance efficient performance of workers in the workplace, for workers have been used to the work system in which job security and social welfare provisions are guaranteed.

B. Staircase Regional Economy

One of the important breakthroughs in China's economic reform is that it is the first time in China's socialist development that enterprises and later cities were regarded as important actors. During the Mao's era, emphasis was placed on the government's management of economy. The main actor in the old system was the state bureaucratic system in which state enterprises were a subordinate system. When enterprises were liberated from the state administrative system, cities, the context of enterprise activities, were urged to break the old administrative jurisdiction boundary and to be transformed into an economic organism.

To define cities in terms of economic dimension differs from the way the old system did in many ways. Cities are now defined by the economic role they play instead of their administrative duty. In the old system, the city's jurisdiction boundary blocked the flow of money, materials, labor, and other economic activities. Under the new organization principle, the city as a center of economic activities is liberated from the administrative barrier. The city is considered as a center of transportation, distribution networks, industry, science and technology, resources, information, finance, and culture.

Like the previous discussions, cities are endowed with bigger authority over budgetary revenues and expenditures with a view to linking their expenditures to their revenues earning ability and thus arousing their initiative. However, decentralizing more authority to localities does not necessarily mean that they could behave like the economic organism. On the contrary, as localities became more powerful, this aggravated local protectionism.

With the vast territory to rule, China's economy is traditionally broken down into economic regions. Each region develops its own system of division of labor.⁷ During the economic reform, economic regions have emerged. Most of the economic regions are based on provinces. Each of them seldom has a interprovincial cooperation. Sometimes, the city with an independent jurisdiction authority may have a conflict with the provincial government. Most of the discernible economic regions are located in the coastal areas where intensive economic activities with Hong Kong, Taiwan, and currently with South Korea have been taking place.

The main idea of economic reform is based on the concept that the central cities are to design economic diffusion to the surrounding provinces. If this economic diffusion becomes really successful, a regional cooperative economic sphere will be formed. Reform planners envision this type of regional economic model as a final step of economic reform. With provinces being linked economically, China can be transformed into a powerful economic country.

III. The Emergence of "Quasi-State" Economic Institutions

One of the characteristics of China's economic reform is the decentralization of authorities from center to localities and enterprises within the existing state bureaucratic system without changing the structure of ownership. Under this scheme, the national economic system is further fragmented into smaller units ranging from province, city, conglomerates, to enterprises. Depending on their initiative stimulated by material incentives, the national economy may be revitalized. In doing so, the Chinese central government gradually loses its redistributive authorities and transforms its role into regulating the national economy via the smaller economic units. The role of the central

⁷ William G. Skinner (1977). "Introduction: Urban Development in Imperial China." Pp. 3-31 in The City in Late Imperial China, edited by William G. Skinner. Stanford, California: Stanford University Press.

government becomes more supportive and less directive oriented when more decision-making power is retained by economic units. The economic units, therefore, have more bargaining power with the central state. To be sure, the central government has no intention to launch large-scale privatization of state enterprises, a sensitive issue that may break a coalition within the CCP. A partial solution for the revitalization of economic units, which remain under the central administrative control, is to develop new social institutions to bridge the bargaining relationship between state and enterprise.

Automobile industry is one of the few national industries that took aim at experimenting organizational reform. In December 1978, Deng Xiaoping urged automobile industry to take the lead in restructuring industrial organization.⁸ A working group was formed in 1980 to study strategy for reform. One of the priorities of working group was to apply the principles of specialization in restructuring national automotive industry. With the decentralization of much of authorities to local units, many of the automotive facilities are regrouped into the automotive corporations controlled by province, municipality, or national automotive conglomerates. The burgeoning local automotive assembling plants indicated that decentralization policy successfully motivated the initiative of localities. However, this situation is contradictory to the rationalization plan of the automotive industrial system. In order to regroup automotive production factories into rational number, the working group was instructed to organize an intermediate "quasi-state" agency, such as China National Automotive Industrial Corporation (CNAIC), to monitor horizontal integration across administrative and spatial boundary.⁹

⁸ Zhongguo qiche gongye lianhehui (1984). *Zhongguo qiche gongye nianjian 1983* (China Automotive Industry Yearbook 1983). Beijing: Jixie gongye chubanshe, p. 426.

⁹ "Guowu weiyuan Bo Yibo tongzi gai Zhongguo qiche gongye gongsi dongshihui diyi ci huiyi sheng de jianghua" (The Speech of State Council Committee Member Bo Yibo

The logic of China's institutional reform centers on the "quasi-state" institutional relationship. The "quasi-state" institution is transformed from the state bureaucratic unit to a self-motivated unit within the state system, possessing more economic authority. In this system, the "quasi-state" institution shares in part the elements of the state bureaucratic unit as an administrative and official unit. On the other hand, it has the elements of enterprise as an economic unit. Before the formation of effective market network, economic activities were operated within the state bureaucratic system. Economic units may use administrative power to pursue economic benefit. The major actors in the "quasi-state" relationship are: central state, local government, and state enterprise. In this system, initiative of economic units may aggravate localism and administrative barriers. Although the relationship between state and locality (enterprise) is still fragmented, the state and locality relationship helps redistribute authority and resources (profit) within a more dynamic economic system. This relationship is important for the impetus of reform development.

In the 1980s, the structure of China's automotive industry gradually developed into a three-tiers system. As illustrated in Figure 6.1, China's automotive industry was organized by: 1) municipalities, 2) big three national automotive conglomerates, and 3) the intermediate central organization, CNAIC. This structure was formed along the state bureaucratic lines. Except the CNAIC, the big three conglomerates and the municipal automotive groups were "quasi-state" enterprises motivated by the decentralized economic authority. Currently, the astronautics industry has been aggressively restructuring its relatively sophisticated facilities into automotive

in the First Board of Directors of the China National Automotive Industrial Corporation) (May 7, 1982). Pp. 3-7 in *Zhongguo qiche gongye nianjian 1983* (China Automotive Industry Yearbook 1983) (1984), edited by Zhongguo qiche gongye lianhehui. Beijing: Jixie gongye chubanshe

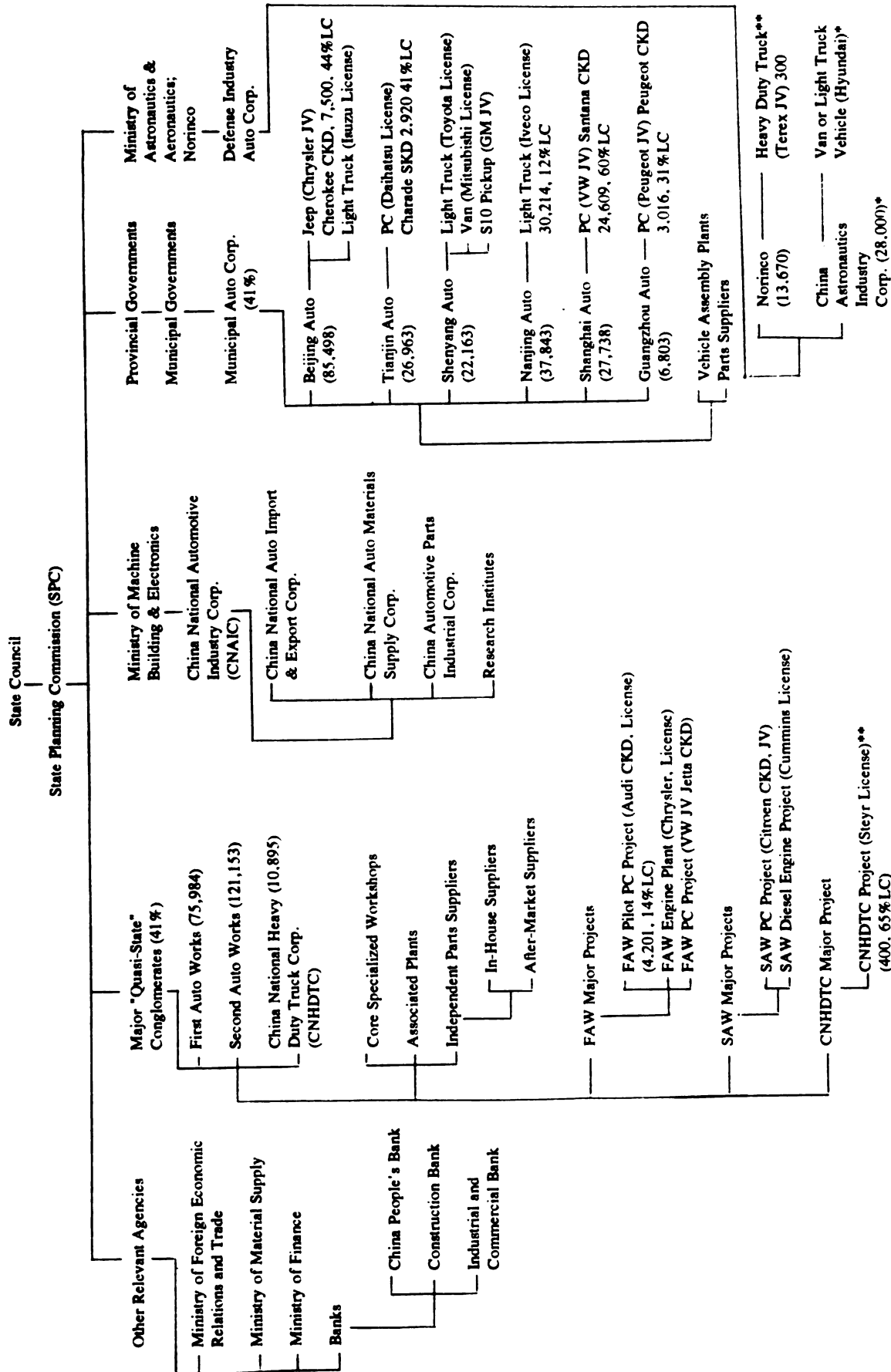


Figure 6.1. General Organizational and Production Structures of China's Automotive Industry, 1990

Figure 6.1. (cont'd)

Note: CKD = Completely knocked-down kit assembly; Corp. = Corporation; JV = Joint Venture; LC = Local content; Norinco = North Industrial Corporation; PC = Passenger car; SKD = Semi-knocked-down kit assembly

Figures within () represent annual output, percent to national output in 1990.

* Projected production capacity.

** 30 to 120 ton heavy duty truck.

*** China Astronautic Industry Corporation is undergoing negotiation with Hyundai Auto, GM, and an unidentified Japanese auto maker for van or light vehicle licensing or joint venture based on its Harbin Auto Group.

This figure describes the authority structure for planning, project approvals, annual output, and percent of local content. It does not describe the details of financing relationships or other relationships among these agencies. Note that neither the Ministry of Finance nor the banks are subordinated to the State Planning Commission.

Sources:

Automotive News, October 21, 1985, 2E; November 10, 1986, July 13, 1987; p. 46; November 12, 1990, pp. 1-2; December 25, 1989, p. 8; April 13, 1992, pp. 1-2.

Beijing Review, May 30 - June 2, 1988, p. 43; June 24, 1991, p. 40.

DeLashmit, Gail Gray (1988). "Chrysler Engine Equipment Sails for China." Downriver Profile, August/September, 1988, pp. 17-8.

The Detroit News, February 27, 1988, 1C.

"*Guanyu Jiefang, Dongfeng, Zhongxing qiche gongye qiye lianhe gongsi jihua danlei wenti de zanxing banfa*" (Temporary Regulations Concern with the Jiefang, Dongfeng, and Heavy Duty Automotive Industrial Conglomerates) (1987). Pp. 151-4 in Gufenzhi qiye jituan chanquan zhuanrang xilie ziliao huibian, edited by Zhongqing shi jingji tizhi gaige weiyuanhui gongjiao chengjian ju (1988).

Guowuyuan jingji jishu shuhui fazhan yanjiu zhongxin (1988). Yiqi zai gaige kaifang shiqi de jishu gaizao--laizi shengchan diyi xian de tiaocha baogao (Technological Modification of First Auto Works in the Openly Reform Period -- Investigation Report from the Production Front Line). Shenzhen: Zhongguo caizheng jingji chubanshe, pp. 71-2, 87-8, 93, and 109.

Kristof, Nicholas D. (1989). "China's Showcase Company," The New York Times, February 26, 1988, p.4.

Figure 6.1. (cont'd)

Leung, Julia (1989). "Pioneering Auto Plant's Licensing Project is Hampered by the Burden of Socialism." The Asian Wall Street Journal Weekly, April 10, 1989, pp. 6 and 26.

Renmin ribao (People's Daily), September 13, 1987, p. 1; February 28, 1988, p. 2; April 9, 1988, p. 4; April 18, 1988, p. 4; June 7, 1988, p. 2; August 5, 1988, p. 1; September 20, 1988, p. 3; and October 13, 1988, p. 2.

Renmin ribao-Overseas Edition, May 7, 1988, p. 3; June 20, 1988, p. 1; June 22, 1988, p. 1; August 12, 1988, p. 3; August 19, 1988, p. 3; September 20, 1988, p. 3; December 29, 1988, p. 3; and July 30, 1990, p. 3.

Kyoko News, August 10, 1993.

The Wall Street Journal, October 8, 1993.

Wen Wei Bao, October 20, 1993.

WuDunn, Sheryl (1992). "G.M. Sets Venture in China to Assembly Pickup Trucks." The New York Times, January 16, 1992, p. C1.

U.S.--China Automotive Industry Cooperation Project, Final Report Volume I (1989). Ann Arbor: The University of Michigan, Figure, 1.1.1.

Zhao Liping (1987). "China's Auto Industry Ready for Major Expansion," MOR China Letter, 1(8):3.

Zhongguo chengshi jingji shehui lianjian, 1986 (The Almanac of China's Urban Economic and Society). Beijing: Beijing xinhua caiyin chang, pp. 188-90, 824-5.

Zhongguo qiche gongye zong gongsi (1991). Zhongguo qiche gongye nianjian 1991 (China Automotive Industry Yearbook, 1991). Changchun: Jilin kexue jishu chubanshe, pp. 70-7, 83-4, 96-7, 161.

production.¹⁰ The role of the CNAIC has been changing overtime to explore an appropriate relationship with the big three conglomerates and the municipal groups.

A. Industrial Association—China National Automotive Industrial Corporation

The policy of establishing the CNAIC was originated from the 1964 thirteen national industrial "trust" (*tuolasì*) policy.¹¹ This policy was favored by the central planners who emphasized administrative control over the unleashed economic units. After two years of preparation, the CNAIC was established in 1982 as a national-level corporation with a deputy ministerial status. The CNAIC was endowed with the authority to reorganize the automotive sector and with broader responsibilities for the planning cycle, project approvals, and technology acquisition.¹² The difference between the CNAIC and the old system under the Ministry of Machine Building Industry was that the State Council wanted to form an intermediate institution which could assume a professional and economic leadership. Nevertheless, the CNAIC was not simply a supportive institution; it played also the role of directing restructuring process. In this regard, the CNAIC is not much different from the previous bureaucratic system. The CNAIC was assigned a tough job to restructure the fragmented automotive production system into efficient specialization. The key was to break departmental and regional barriers and bring local auto production facilities into specialized production systems. To do so, the CNAIC had to rely on administrative means to carry out the government decree to foster rationalization reform. The

¹⁰ *China Daily*, January 7, 1994, p. 2.

¹¹ *ibid*, p. 3.

¹² "Zhongguo qiche gongye gongsi zhangcheng" (Regulations of China National Automotive Industrial Corporation) (May 7, 1982). Pp. 55-57 in *Zhongguo qiche gongye nianjian 1983* (China Automotive Industry Yearbook 1983) (1984), edited by Zhongguo qiche gongye lianhehui. Beijing: Jixie gongye chubanshe, p. 55.

relationship between state and enterprise was basically unchanged. Centralized planning measures were adopted in restructuring the state enterprises.

The CNAIC's directive authority over local automotive units were resisted. As more economic authorities were decentralized to locality, the CNAIC found itself to be much less powerful. Although the CNAIC intended to reorganize the irrational number of auto production plants, the number of auto production assembly plants continued to rise from 58 in 1982 to 114 in 1985 (see Table 6.1). Other automobile related manufacturing factories have experienced the same growing tendency. The developmental tendency of automotive industry was contradictory to national policy of rationalization. The CNAIC's unsuccessful effort was partly due to the overheating automobile demand, which brought attractive profit margins to auto makers. Local governments and state departments reorganized their subordinate enterprises into local automotive corporations. Localities saw that rationalization policy implemented by the CNAIC was at the expense of their interests, and their resistance seriously hampered the CNAIC's rationalization effort.

The relationship between the CNAIC and local automotive units changed in 1984 when the centralized planning measure was reduced. Market reformers preferred to transform the CNAIC from the "quasi-state" administrative organization to a "quasi-state" industrial association. The CNAIC reduced its directive role and concentrated on supportive services for local auto makers,¹³ placing emphasis on guidance, inspection, and research. In the new structure, the CNAIC advocated a voluntary form of industrial integration in various degrees from loose to closely knitted relationships. Enterprises' autonomy was put in higher consideration. The CNAIC entered a

¹³ "Lui Dong tongzi gai quanguo qiche heye gongzuo huiyi kaimushi sheng de jianghua" (The Speech of Comrade Lui Dong in the Opening Ceremony of the National Automotive Industrial Conference) (November 24, 1984). Pp. 3-4 in Zhongguo qiche gongye nianjian 1986 (China Automotive Industry Yearbook 1986) (1987), edited by Zhongguo qiche gongye lianhehui. Beijing: Jixie gongye chubanshe.

Table 6.1. The Numbers of Automobile Related Manufactory Factories during the Market Socialist Reform Period, 1978-90

Year	Automobile Manufactory Plant	Vehicle Refitting Factory	Spare Parts Manufactory Factory
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1978	55	178	1,870
1979	55	185	2,008
1980	56	192	2,076
1981	57	196	2,114
1982	58	202	2,136
1983	65	207	2,371
1984	82	248	2,385
1985	114	314	2,366
1986	99	338	1,877
1987	116	347	1,777
1988	115	386	1,864
1989	119	464	1,885
1990	117	459	1,894

Source:

Zhongguo qiche zong gongsi (1991). *Zhongguo qiche gongye nianjian 1991* (The Yearbook of China's Automotive Industry 1991). Changchun: Jilin kexue jishu chubanshe, p. 111.

"professional relationship" (*yewu guanxi*) (i.e. no decision-making power but served as technical advisor) with the big three national conglomerates and with some of the larger municipal automotive corporations, such as Shanghai, Beijing, and Shenyang. To some small municipal automotive corporations, the CNAIC still maintained the "leadership relationship" (*lingdao guanxi*) with its approval authority. Again, the CNAIC did not totally divorce from the directive role. As a "quasi-state" industrial association, it lacked representation of local auto production units' interests. Consequently, the number of automotive related manufacturing factories rose sharply from 82 in 1984 to 114 in 1985.

B. Automotive Power Houses--The Big Three Automotive Conglomerates

The three largest state automotive industrial plants performed an important role in the restructuring of China's automotive industry. The FAW, SAW, and China National Heavy Duty Truck Corporation (CNHDTCT) are the backbone automotive industrial facilities in China. The China National Heavy Duty Truck Corporation loosely integrated several heavy duty truck plants in different locations. The FAW and the SAW, located in Changchun and Shiyan production bases, respectively, expanded across regions. The State Council regarded the FAW and the SAW as crucial national industry for economic reform. As shown in Figure 6.1 (pp. 240-242), the big three companies are under the direct administration of the State Planning Commission (SPC). The SPC is the most powerful agency responsible for national economic planning. It reviewed the big three companies' annual plans, approving all capital authorizations, signing contracts for profit and tax remittance, including the approval of overall foreign exchange spending limits. The big three companies are authorized to deal directly with foreign companies. Each of them also has in-house trading company that authorized to import equipment and export products. The CNAIC, however, retained the authority

to appoint the presidents of the big three companies. Other than that, it maintained only professional leadership.

Given the high administrative status and their size, the big three companies have substantial impacts on localities. Local governments have been searching for economic opportunities when the big three companies expanded their production scale. Although the big three companies are not under the jurisdiction control of the municipalities, they usually maintain cooperative relationship with local authorities. In order to win subcontracts from the big three companies, local governments may request needed infrastructure and utility, i.e., road, electric power, water supply, in the order of higher priority. The big three companies may in turn intercede the central government on behalf of the province or municipality to promote the interests of local auto suppliers in the national market or to gain the approval of needed infrastructure.¹⁴

The organization of the SAW in mid-1988 is shown in Figure 6.2. The management structure of the big three companies are various for they have been experimenting on their own. Generally speaking, the management systems consist of top management level. This level, composed of president, vice president, and chief engineer, jointly makes important decisions for company strategy. Functional divisions report directly to vice presidents or the chief engineer. They carry out the staff functions, which are increasingly important in a growing market competition. The workshop level is broken into 1) production plants and workshops, 2) support plants and workshops, and 3) associated plants that are indirectly controlled by the parent plant.¹⁵

¹⁴ U.S.-China Automotive Industry Cooperation Project: Final Report, Volume I. Ann Arbor: The University of Michigan, March 1989, P. 37.

¹⁵ *ibid*, p. 36.

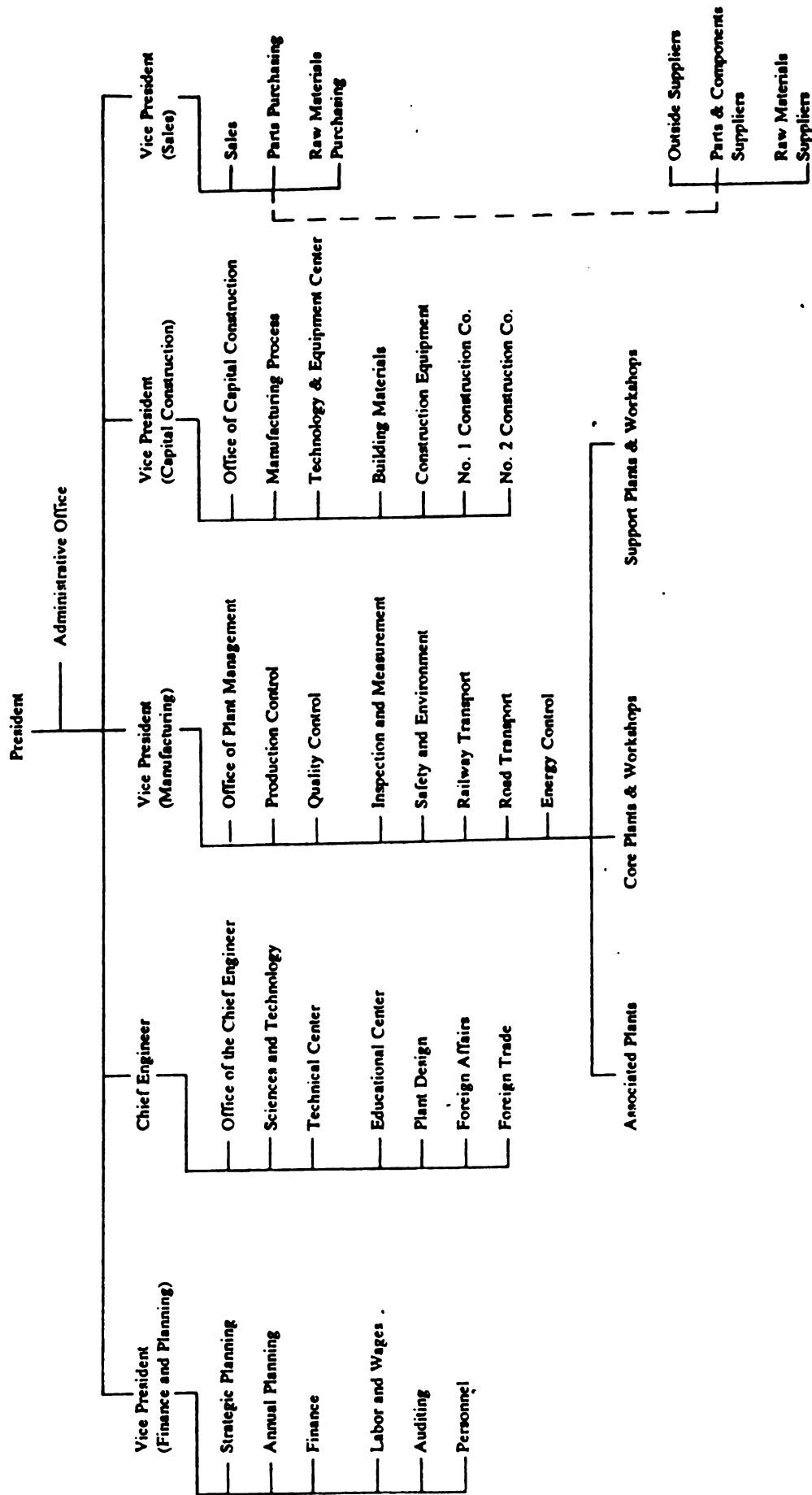


Figure 6.2. Organization of the SAW in the Late 1980s

Figure 6.2. (cont'd)

U.S. -- China Automotive Industry Cooperation Project: Final Report (Volume I). (1989). Ann Arbor: The University of Michigan, Figure 1.1.2.

C. Automotive New Players--The Municipal Automotive Groups

Other important automotive manufacturers are controlled by municipalities. During Mao era, municipalities were encouraged to develop self-reliant automotive facilities. Most of the municipal assembling plants were small-scale inefficient production units. In the economic reform, municipalities search for profitable opportunities to increase revenue. Their existing automotive production facilities and the attractive profit margin jointly affected municipalities to form a local automotive corporation. Some provinces have seven to eight different automotive corporations.

The major municipal automotive groups include Beijing, Tianjin, Shenyang, Nanjing, Shanghai, and Guangzhou. Except Guangzhou, the fastest growing region under the economic reform, most of the cities had relatively good industrial infrastructure and history of specialized automotive production. These cities share common characteristics: 1) they are big cities with a population more than two million; 2) have substantial foreign trade activities and access to foreign exchange; 3) formed partnership with foreign auto makers; 4) relatively autonomous from the central government. In short, these cities enjoy more economic and administrative autonomy, and they possess substantial industrial power to form automotive corporation, as well.

As automobile is a key industry for local economy, the city government closely monitors the operation of municipal auto groups. In the case of Shenyang, the mayor appointed the former municipal machinery bureau chief, a close friend of the then-Premier Zhao Ziyang, to head the Gold Cup Automotive Manufacturing Corporation. The Gold Cup was one of the first state enterprises that experimented share holding system. The mayor of Shenyang strongly backed the Gold Cup operation. The relationship like that of Shenyang's municipality and auto groups is not uncommon in other cities. One of the problems related with municipal system is the strong local protectionism. It was estimated that 70 to 80 percent of parts and components used by

vehicle assembly in municipal auto groups were locally supplied.¹⁶ Most of the final products were sold in local markets. For instance, over 90 percent of the Gold Cup trucks were sold in Liaoning province.¹⁷

Local protectionism of municipal auto groups creates an obstacle for the CNAIC's rationalization effort. In the 1984 automotive industrial reform, the CNAIC maintained a leadership relationship to the municipal groups. However, the relationships were complicated with the interference of municipality. In general, in municipalities that had a higher administrative status, such as Shenyang, Beijing, Tianjin, and Shanghai, their auto groups had a looser relationship with the CNAIC.

¹⁶ *ibid*, p. 43.

¹⁷ Shenyang qiche zhizao changzhi bianzuan weiyuanhui (1986). *Shenyang qiche zhizao changzhi: 1958-1985, diyi juan* (Gazetter of Shenyang Automobile Manufacturing Plant: 1958-1985, Volume One). Shenyang: Shenyang shi dijiu yinshua chang, p. 100.

Enterprise City: Urban Transformation of Shiyang during the Market Socialist Reform, 1978-90

Shiyang's dispersed industrial production patterns hindered an economic scale of production. The situation was acute in the early stage of production in the late 1970s. The Second Auto Works (SAW) and Shiyang city depended heavily on the state funds and resources. Under this state redistribution system, there was little change in Shiyang. Workshops continued to be isolated, and the city was still dispersed. Drastic change was introduced in 1980 when the paramount leader Deng Xiaoping instructed the State Council to use the SAW to experiment reform policy on state enterprises. Reform policy significantly changed the structural problems left behind by the old system, forming a new relationship between state and enterprise. As the SAW entered an economic scale of production, the plant as well as the city has been restructuring in the directions of expansion and concentration.

This chapter suggests that market socialist reform policy established a state-enterprise relation by creating new economic institutions, such as "quasi-state" conglomerate, marketized enterprise, private business, joint venture, and relatively autonomous local government. The economic institutions transformed the state mode of production. The role of state redistributive system was significantly reduced in order to give way to market system. The SAW was reorganized to be a "quasi-state" enterprise with more authority to determine its restructuring process. The Shiyang municipality has been substantially strengthened by retaining more financial and decision-making power. As a result, the dispersed city pattern was quickly filled with new development that helped the city emerge as a concentrated enterprise city.

Part I describes the problems of historical legacy of Shiyang and the SAW

transitions caused by the Third Front Industrialization. Part II studies the organizational transformation of the SAW into a "quasi-state" enterprise. Part III details the changing relationship of the SAW and Shiyan municipality, which created a more sophisticated auto production system. Part IV discusses the transformation of Shiyan from a spatially dispersed city into a concentrated enterprise city. During the market socialist reform, Shiyan experienced unprecedented urban development. But it is clear that Shiyan's urban development pattern followed similar political logic of the work unit collective consumption mechanism.

I. Historical Legacy--Transitional Problems

The first and foremost task of the SAW in the transitional period was to deal with its historical legacy. Most of the structural problems of the SAW were related with the mass-line strategy. The SAW authority had to overcome the dispersed layout and military oriented production system. In 1978, the SAW was battling with problems ranging from stockpiles of unmarketable military trucks to financial constraints as it was dropped out from the central state plan. All these problems created a gloomy future for the SAW in the early stage of economic reform.

A. Stockpiling of Unmarketable Military Trucks

After a long construction period, the SAW authority was under tremendous pressure from the central government in 1975 to enter a full scale production. When the SAW finally completed the first assembly line for the two-and-a-half-tons military trucks in June 1975, the SAW found that they were producing unmarketable vehicles. The SAW's only customer, the PLA, no longer needed a large number of military trucks. The SAW production system was hastily altered in 1972 by military commanders during the militarization period. The PLA intended to draw the SAW

away from the civilian FMMB system to their own. In doing so, half of the 100,000 projected annual production capacity was aimed at producing high gas consumption military trucks. After Lin Biao's unsuccessful coup d'état, the military development was suppressed and military budget was substantially cut. Having lost the sole customer, the SAW experienced a heavy blow in its start. The shifting of state policy from war preparation to economic development led the SAW to stockpile the unwanted military trucks.

Although the State Council wanted the SAW to enter a full scale operation, the stockpiling situation put the state in a difficult position. Table 7.1 reveals that the SAW was restrained in production. The 1977 annual production volume dropped below the previous year's production mark. This production trend indicated that the central state drastically reduced the mandatory production target (*zhilingxing zhibiao*) for the SAW in 1977. The stockpiling problem made the state government hesitate to keep the SAW in operation. From 1975 to 1977, the SAW's gross profit before "income tax" (*suode shui*) was negative. It lost 25.4 million yuan in 1975, 50.7 million yuan in 1976, and 37.5 million yuan in 1977. The industrial productivity was so poor that the more it produced, the more it lost. Before 1975, the state invested 1.33 billion yuan in the SAW.¹ The runaway cost and huge losses led the SAW to be known as "spending chasm" (*faqian wudidong*).²

The solution to reverse the losing trend of the SAW was to shift the production line to civilian products. At that very moment, there was a leadership change in the SAW. The former chairman of the SAW Preparation Group, then-SAW president, Rao Bin, was reassigned to be the vice-minister of the FMMB in 1977.³ The SAW

¹ Remin ribao (haiweiban) (People Daily [Overseas Edition]), February 22, 1988, p. 7.

² *San quanmian fenceng jingying chengbao zeren zhi -- lilun yu shijian* ("Three Comprehensives" Level Management Contract Responsibility System: Theory and Practice) (1985). Shiyan: Dier qiche zhizao chang shehui kexue xuehui, p. 21.

³ Zhongguo qiche gongye lianhehui (1984), p. 425.

Table 7.1. The SAW's Annual Production Volume, Gross Value, Profit and Productivity, 1970-90

Year	Total Production Volume	Gross Value of Auto Industrial Output (in Million Yuan, 1980 Price)	Gross Profit Before Income Tax (<i>Suode shui</i>) (in Million Yuan)	Auto Industrial Productivity Gross Profit Per 100 Yuan Output (in Yuan)
-----	-----	-----	-----	-----
1970	(30)	7.63	-1.48	-19.40
1971	(63)	16.96	-5.70	-33.61
1972	(89)	11.34	-9.92	-87.45
1973	(21)	18.25	-9.41	-51.57
1974	(38)+55	19.97	-9.14	-45.77
1975	(13)+1,502	49.48	-25.44	-51.42
1976	(207)+2,185	59.72	-50.66	-84.83
1977	1,450	40.71	-37.50	-92.12
1978	5,120	159.85	1.31	0.82
1979	14,541	399.50	73.24	18.33
1980	31,500	837.56	161.47	19.28
1981	39,028	1,007.28	126.78	12.59
1982	53,601	1,355.90	219.13	16.16
1983	62,500	1,598.34	280.45	17.55
1984	70,173	1,973.06	352.72	17.88
1985	83,431	2,375.12	620.91	26.14
1986	95,452	2,445.25	466.10	19.06
1987	133,723	2,919.59	684.16	23.43
1988	126,463	3,331.75	804.02	24.13
1989	135,457	3,652.48	604.47	16.55
1990	104,517	3,305.71	422.75	12.79

Note: Number in () represents batch assembled trucks produced under the "political vehicle" (*zhengzhi che*) campaign. The campaign was motivated by the revolutionary spirit to overcome the physical condition by human will. Ironically, the "*zhengzhi che*" campaign had brought a negative image to the SAW products in China until the early 1980s.

Table 7.1 (cont'd)**Sources:**

William A. Byrd (1992). "The Second Motor Vehicle Manufacturing Plant". Pp. 371-426 in Chinese Industrial Firms under Reform, edited by William A. Byrd. New York: Oxford University Press, Tables, 9.3, 9.4, 9.8.

Dier qiche zhizao chang (1990). Dier qiche zhizao chang jianjie (A Brief Introduction of the Number Two Automobile Plant), p.2.

Dier qiche zhizao chang changzhi bianzuan weiyuanhui bangongshi (1986). Erqi dashi ji (1953-1984). (Chronicle of the Number Two Automobile Plant [1953-1984]), Table 2.

Zhongguo qiche gongye lianhehui (1991). Zhongguo qiche gongye nianjian 1991 (Yearbook of China's Automobile industry, 1991). Changchun: Jilin kexue jishu chubanshe, pp. 159, 658-9.

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leaderships were taken up by Huang Zhengxia, a younger and Qinghua University trained automotive engineer, and Wang Zhaoguo, a rising political star praised by Deng Xiaoping and Hu Yaobang. The new SAW leadership sought approval from the FMMB to reduce the mandatory production target of military trucks. At the same time, they demanded further state investment to shift the assembly line from the two-and-a-half-tons military trucks to the five-tons popular civilian trucks. The state invested 350 million yuan to achieve the first stage of the projected 50,000 vehicle production capacity from 1975 to 1980.

The SAW's problems also caught the attention of Vice-Premier Li Xiannian. Li, an influential figure among the CCP top leadership, had been a staunch supporter of the SAW project. He led a group of ministers to Shiyan in January 1978 to inspect the transformation process. In June, the five-ton truck assembly line was completed. The SPC issued a 2,000 vehicle mandatory production target to the SAW for the remaining year. But the SAW authority negotiated with the FMMB and Hubei Provincial authorities so that they would guarantee raw material supplies for a much higher 5,000 production target.⁴ Note that the reason the SAW got a full support from the FMMB was partly because the minister Zhou Zhijian and vice-minister Rao Bin were former members of the SAW Preparation Group. Such personal connections were vital in the SAW transformation process. The SAW's enthusiasm was very fruitful as the above-target production led the SAW out of loss for the first time. It turned in 2.79 million yuan to the state government in 1978.⁵

B. Withdrawal of Central Support

The SAW transformation was affected by the shift of state policy. In 1979, the State Council restructured the national economy by readjusting the proportion of state

⁴ *San quanmian fenceng jingying chengbao zeren zhi -- lilun yu shijian* (1985), p. 14.

⁵ RMRBH (People Daily [Overseas Edition]), February 22, 1988, p. 7.

investments between industry and agriculture, light industry and heavy industry, accumulation and consumption.⁶ State investment in heavy industry was substantially reduced as a result of placing emphasis on the improvement of consumption, agriculture, and light industry. Another factor was the weakening of state financial capacity due to the aftermath of the unsuccessful "western leap forward" and the unconcluded Chinese-Vietnam war in February 1979. Fiscal constraints forced the State Council to cut back investments of many capital constructions. The plan was revealed in the Provincial First Party Secretary Forum on October 4, 1979 in Beijing. Li Xiannian represented the Politburo to express the state determination to cut hundreds of large and medium projects in order to control capital construction investment to 20 billion yuan.⁷

The SAW was on the list of withdrawal of state investment. According to the original plan, the central state required to invest 400 million yuan for the upgrading of the projected production capacity. Even though the SAW was making 73 million profit in 1979, much of the profit was due to heavy subsidies of the cheap state supplies. The State Council did not believe that the SAW could survive without the state support. In order to prevent further loss, the State Council notified the SAW authority in January 1980 that the SAW was listed as a "project for postponement" (*ting, huan, jian, xiangmu*), but that the state would continue to pay workers' salary and 17 million yuan of maintenance fee each year.⁸

In the old state redistributive system, withdrawal of state investment would mean bankruptcy of a state enterprise. But in July 1979, the State Council decreed the

⁶ Chen Yulong (ed.) (1989). *Zhonghua renmin gongheguo caizheng dashiji (1949-1985)* (Chronicle of Finance of People's Republic of China [1949-1985]). Beijing: Zhongguo caizheng jingji chubanshe, p. 403.

⁷ *ibid*, p. 399.

⁸ *Renmin ribao (haiwaiban)* (People Daily [Overseas Edition]), February 22, 1988, p. 7.

"Regulations for State Enterprise Profit Retention Scheme." Central ministries were instructed to choose suitable state enterprises for experiments. The new regulations gave the SAW authority a clue to reverse the fate of being shut down. The president of SAW, Huang Zhengxia, lobbied vigorously in Beijing that the SAW might be granted the profit retention policy for self-financed development. In the first proposal, the SAW suggested to use enterprise's profits to finance the unfinished investments. Although the proposal was approved by the State Planning Commission (SPC), State Economic Commission (SEC), and State Capital Construction Commission (SCCC), the Ministry of Finance (MOF) rejected the plan. The minister of MOF, Wang Bingqian, who was called "iron abacus" (*tie suanpan*) by local officials,⁹ was dealing with the 17.06 billion yuan 1979 deficit, the largest in the CCP history.¹⁰ It was clear that the enterprises' profit retention scheme was contradictory to the MOF mission. For the same reason, MOF rejected the SAW's second proposal to retain half, instead of all profits, for self-financed development. MOF's refusal to relinquish the SAW's financial autonomy led the SAW authority to seek help from Li Xiannian. On March 22, 1980, Li chaired a special meeting in the State Council attended by nine vice premiers, six commissioners, and ministers; they jointly approved a package of self-finance specifically for the SAW. The package included enterprise retention of 40 percent of profits, 60 percent of "depreciation funds" (*zhejiu jijin*), and 50 percent of its "major repair fund" (*daxiu jijin*) to form "enterprise self-raised fund" (*zichou jijin*) for the SAW. In addition, energy conservation loans and equipment loans from the People's Bank of China were also used for construction.¹¹ The SAW's successful

⁹ Each year, local officials would argue with Wang Bingqian about annual budget.

¹⁰ Chen Yulong (1989), p. 403.

¹¹ William A. Byrd (1992). "The Second Motor Vehicle Manufacturing Plant." Pp. 371-426 in Chinese Industrial Firms Under Reform, edited by William A Byrd. New York: Oxford University Press, pp. 386-7.

overturn of MOF decision led it to emerge as one of the leading state enterprises in reform.

II. Organizational Transformation of the SAW during Market Socialist Reform— "Quasi-State" Enterprise

The self-financing mechanism installed greater flexibility, autonomy, and market involvement in the SAW. Institutionally, the SAW had been transformed from a dependent self-reliant state enterprise into a self-motivated, relatively independent "quasi-state" enterprise. It pursued an efficient production system which could bring more self-retained profit for the enterprise. The key for such a transformation was reform of the internal management of the historically dispersed workshop system into an efficient auto production system.

A. Self-Financing Mechanism

Profit sharing was the central mechanism for production units' initiative. There are many forms of profit sharing scheme developed by the state over the years. They range from a fixed proportion of profit sharing to an increasing rate of profit remittance. The SAW was put under a "profit retention scheme" (*lirun liucheng*) from 1979 to 1981. The SAW retained a fixed proportion of above target profits. In 1979, the SAW retained 21 percent of the enterprise profits; 22 percent in 1980, 27 percent in 1981. This scheme induced the SAW's production sharply. As Table 7.1 (p. 255-256) shows, 1980 annual production volume reached 31,500 vehicles, which was more than 100 percent growth to the previous year. The sharp production growth brought a rise of profit from 73 million yuan to about 162 million between 1979 to 1980.

The SAW's financial restructuring was intensified in 1980 when the State Council approved another improved comprehensive package. The SAW retained not

only profit but also "depreciation fund" and "major repair fund." In late 1980, Deng Xiaoping inspected the SAW showing his support of financial restructuring. Deng's support removed obstacles for the SAW development. In October 1982, Vice-Premier Wan Li headed a central delegation to inspect the SAW. Wan's visit conveyed the State Council's intention to grant the SAW the sophisticated "profit-increase responsibility system" (*lirun dizeng baogan*).¹² The "profit increase responsibility system" was first experimented in the Capital Steel in 1981.¹³ The SAW's vigorous growth in the past couple of years had brought the SAW to be one of the pioneer state enterprises of reform. Under the "profit-increase responsibility system," the SAW was required to increase the absolute amount of the remittance profit to the state by seven percent a year. Negotiation between the SAW and MOF decided the "base of remittance profit" (*lirun shangjiao jishu*) to be 140 million yuan. The base figure was fixed for three years. In 1983, the then-Premier Zhao Ziyang approved during his inspection that the "profit increase responsibility system" would be extended to 1990.

The "profit increase responsibility system" gave enterprises much more flexibility and advantages. In contrast to the former "profit retention system," the "profit increase responsibility system" has a fixed "base of remittance profit" with an annual increase rate. This system would fix the amount of profit the state could receive from the enterprise, and leave whatever remaining profit to the SAW. The "profit retention system", however, did not give such advantage to the SAW, because the SAW's profit was determined by a fixed proportion. The State Council reserved the

¹² Dier qiche zhizao chang changzhi bianzuan weiyuanhui bangongsi (1986). *Erqi dashizhi (1953-1984)* (Chronicle of Second Auto Works (1953-1984). Shiyan: Dier qiche zhizao chang, p. 90.

¹³ Anthony Y.C. Koo (1990). "The Contract Responsibility System: Transition from a Planned to a Market Economy." *Economic Development and Cultural Changes*, 38(4):797-820.

"profit increase responsibility system" only to certain important enterprises that had stable production and profit.¹⁴

Table 7.2 indicates that for the ten-year period 1979-89, the estimated profit remittance and profit retention of the SAW rose rapidly. The percentage of profit retention by the SAW in 1982 was 36 percent. The profit retention rate increased abruptly to 72 percent in 1985. Despite the huge profit retention, the SAW also had more financial responsibilities. In the old system, the SAW did not have to repay state investment. Under the new economic reform policy, most of state investment went through banking system and enterprises had to repay the interest-bearing bank loans. For instance, although the SAW retained 940 million yuan of profits from 1980 to 1985, only 42 percent was actually added to the "enterprise self-raised fund."¹⁵ Fifty-eight percent of the retained profit was spent in repaying bank loans, interests, taxes and other miscellaneous items. In 1986, MOF increased the "base of remittance profit" to 200 million yuan from 140 million yuan.¹⁶

During the 1980s, the self-financing mechanism of the SAW brought mixed results. The SAW had been complaining instability of state policies. As many of state policies were temporary and experimental in nature, the SAW hardly anticipated its projected income. In addition, as more local governments and enterprises entered "profit responsibility contracts" with the central government, growing numbers of fees and taxes were added to local enterprises. Furthermore, the SAW had to overcome the inflated prices of raw materials that would add production cost substantially. The SAW transformation underwent in the midst of unstable economic environment.

¹⁴ Chen Yulong (1989), pp. 482-3.

¹⁵ Hubei sheng jihua weiyuanhui / Hubei sheng chengxiang jianshe ting (1987). *Dangdai Hubei jiben jianshe* (Contemporary Hubei Capital Constructions). Wuhan: Hubei renmin chubanshe, p. 169. From 1981 to 1985, the total capital investments was 518.5 million yuan. Therefore SAW needed to borrow 125.5 million yuan to finance the project.

¹⁶ Willim A. Byrd (1992), p. 387-8.

Table 7.2. The SAW's Profit, Estimated Profit Remittance to the Central State, and Estimated Profit Retention, 1979-90 (in Million Yuan)

Year	Gross Profit Before Income Tax	Estimated Profit Remittance to the Central State	Estimated Profit Retention	Percent of Profit Retention to Gross Profit
----	-----	-----	-----	-----
----	-----	-----	-----	-----
1978	1.31	2.79*	0.00	0.00
1979	73.24	52.72	20.52	28.00
1980	161.47	127.64	33.83	21.00
1981	126.78	72.00	54.78	43.20
1982	219.13	178.61**	79.10**	36.10**
1983	280.45	149.80	130.70	46.60
1984	352.72	160.39	192.33	54.50
1985	620.91	171.50	449.40	72.40
1986	466.10	200.00	266.10	57.10
1987	684.16	214.00	470.20	68.70
1988	804.02	229.00	575.00	71.50
1989	604.45	245.03	359.50	59.50
1990	422.75	262.18	160.57	38.00

Note: * This figure may include the previous year's unfinished target.

** Although the Ministry of Finance approved the 140 million yuan as the base of remittance profit in 1982, 38.61 million yuan from the extra profit of the 1981's 20,000 self-marketed vehicles were remitted to the state in 1982 (Dier qiche chang changzhi bianzuan weiyuanhui (1986), Table 2, footnote). Therefore the total profit remitted in 1982 was 178.61 million yuan. Excluding the 38.6 million yuan of the previous years' profit, the 1982 profit retention was 79.1million yuan and the percentage to total gross profit 36.1.

Table 7.2 (cont'd)**Sources:**

William A. Byrd (1992). "The Second Motor Vehicle Manufacturing Plant". Pp. 371-426 in Chinese Industrial Firms under Reform, edited by William A. Byrd. New York: Oxford University Press, pp. 387-388

Dier qiche zhizao chang (1990). Dier qiche zhizao chang jianjie (A Brief Introduction of the Number Two Automobile Plant), p.2.

Dier qiche zhizao chang changzhi bianzuan weiyuanhui (1986). Erqi dashi ji (1953-1984) (Chronicle of the Number Two Automobile Plant [1953-1984]). Shiyan: Dier qiche zhizao chang yinshua chang, p.91 and Table 2.

Zhongguo qiche gongye lianhehui (1991). Zhongguo qiche gongye nianjian 1991 (Yearbook of China's Automobile Industry, 1991). Changchun: Jilin kexue jishu chubanshe, p. 159.

The SAW's self-financing mechanism was greatly affected by the involvement of direct marketing. The successful agricultural reform created increasing demand of vehicles for transportation. As the SAW equipped the latest Chinese machinery, the SAW's trucks were the newest model available in China market. Dongfeng trucks quickly captured part of the growing market that had been occupied by the FAW's Jiefang trucks and locally made vehicles. However, in the old system, the SAW's production target was assigned by the SPC's annual mandatory production target and the final products were turned in to various central agencies. The self-financing mechanism allowed the SAW to have a greater market involvement. The SPC gradually reduced mandatory production target to make a way for the SAW to directly market Dongfeng trucks. At the same time, the SAW also had to secure the required material supplies by themselves through non-state channels. When the state relaxed price control of vehicles in 1984, direct marketing was the major source of income for the SAW.

The SAW took the opportunity of direct marketing in 1981 when the central government suddenly cutback funding for buyers, who were under the planned allocations for trucks. In 1981, relaxation of bank loans and excessive monetary supplies alarmed the State Council; the State Council instructed China's banking system to strictly control loans for purchasing.¹⁷ Furthermore, agricultural and industrial growth aggravated shortage of energy and raw materials. For this reason, the SPC reduced 50 percent of the 37,000 mandatory production target.¹⁸ However, the Material Supply Bureau (MSB) had already allocated raw materials for the original mandatory production target to the SAW, and the SAW produced 39,000 vehicles. About a half of these vehicles was turned in to the MSB and the other half was directly

¹⁷ Chen Yulong (1989), p. 433-4. In 1980, the banking system issued 7.6 billion yuan banknote.

¹⁸ William A. Byrd (1992), p. 389.

marketed by the SAW. With the state intervention in December 1981, the People's Bank of China was instructed to provide 7,000 seller credit for Dongfeng truck users in order to help the SAW's direct marketing.¹⁹

Although direct marketing was constrained again by the state in 1982 and 1983, there was a tendency of relaxation. Table 7.3 shows that the share of directly marketed output gradually increased from 16 percent in 1982 to 70 percent in 1989. The rate of direct marketing was accelerated when under the state plan, the SAW gained an independent administrative status (*jihua danlie*), equivalent to the provincial government with more autonomy to market its own products.²⁰ As the SAW's total production volume increased about 12,000 units a year, the absolute number of directly marketed vehicles rose from 10,000 units in 1983 to 94,847 units in 1989. The rapid increase in output allowed the SAW to reach efficient scale of production, which could lead to reduction of production cost. Secondly, the rise of direct marketing demanded the establishment of national marketing network and maintaining system. Finally, the SAW needed to swiftly restructure the auto production system to guarantee quality, diversity, and production growth.

Reduction of production cost was vital to the survival of the SAW during the influx of economic reform. Production cost of Dongfeng truck declined sharply from 1978 to 1983. During this period, the unit cost fell eight percent per year. The ex-factory prices were as follows: 1979 - 27,000 yuan, 1980 - 25,000 yuan, 1981 - 23,000 yuan, 1982 - 19,500 yuan.²¹ However, when the State Council relaxed price control in the mid-1980s, the SAW suffered from rapid increase of input cost. As compared to 1983, most of the cost of raw materials in 1988 increased two to four times. For some materials, such as thin steel plate and nonferrous metal, the price increased as high as

¹⁹ Dier qiche zhizao chang changzhi bianzuan weiyuanhui bangongsi (1986), p. 80.

²⁰ Zhao Jianzheng (1989). "Erqi jituan jihua danlie fenxi" (Second Auto Works Conglomerate Planning Unit Analysis). *Qiyue daokan*, 5:9-11, p. 9.

²¹ William A. Byrd (1992), p. 399.

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Table 7.3. Mandatory Production Target and Direct Marketing for the SAW, 1980-90

Year	Total Production Volume (Units)	State Mandatory Production Target (Units)	SAW's Directly Marketed Output (Units)	Share of Directly Marketed Output in Total Output (Percent)
----	-----	-----	-----	-----
1980	31,500	31,500	0	0.0
1981	39,028	19,028	20,000	51.2
1982	53,601	45,000	8,601	16.1
1983	62,500	52,500	10,000	16.0
1984	70,173	55,000	15,173	21.6
1985	83,431	55,000	28,431	34.0
1986	95,452	62,900	32,552	34.1
1987	133,723	68,867	64,856	48.5
1988	126,463	58,679	67,784	53.6
1989	135,457	40,600	94,857	70.0
1990	104,517	37,800*	66,717	63.8

Note: After the SAW became a planning unit in 1986, the mandatory production target has declined significantly each year. In 1986, the mandatory production target was 65.9% of the SAW's total production volume, 51.5% in 1987, 46.4% in 1988, and 30% in 1989 (Zhao Jiazheng (1989), p.9)

* Informants indicated that the mandatory production target in 1990 and 1991 was dropped to about 27% to 28% of the SAW's total production.

Sources:

William A. Byrd (1992). "The Second Motor Vehicle Manufacturing Plant". Pp. 371-426 in Chinese Industrial Firms under Reform, edited by William A. Byrd. New York: Oxford University Press, p. 390 and Table 9.9.

Dier qiche zhizao chang changzhi bianzuan weiyuanhui bangongshi (1986). Erqi dashi ji (1953-1984). (Chronicle of the Number Two Automobile Plant (1953-1984)), Table 2.

Table 7.3 (cont'd)

Fieldnote, November 28, 1991.

Zhao Jiazheng (1989). "Erqi jituan jihua danlie fenxi" (The Second Auto Works Conglomerate Planning Unit Analysis). *Jiye daokan*, 5, p.5

Zhongguo qiche gongye lianhehui (1991). *Zhongguo qiche gongye nianjian 1991* (Yearbook on China's Automobile Industry, 1991). Changchun: Jilin kexue jishu chubanshe, pp. 658-9.

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16 times.²² At the same time, the prices for Dongfeng truck rose less than two times.²³ In other words, most of the costs of inflated materials, tax, fee impositions, and interests were absorbed by the economic scale of production.

B. Regrouping the Enterprise

The SAW's self-financing mechanism was based upon an efficient auto production system. During the 1980s, the SAW headquarters had been trying to restructure the auto production system according to the principle of specialization. Shiyang's dispersed workshop layout was reorganized into the "profit responsibility system" through which the 27 workshops retained substantial portion of profits. At the same time, the State Council, based on the SAW model, intended to organize an automotive conglomerate and thus form a national auto production system. The central government perceived conglomerates as a centralized business institution. This form of organization was preferred by the conservative central planners, because it allowed the central state to control local enterprises via the SAW umbrella.

After years of reform, the SAW's self-financing mechanism was fairly successful to achieve efficient auto production systems. One important factor that contributed to the SAW's success was that the automobile industry was a very profitable business. Throughout the 1980s, automobile market was a seller market. For that reason, the local governments refused to join the SAW conglomerate and kept their profitable factories. Therefore, the SAW conglomerate had never consolidated its control over the associated firms. In the same way, the central government had been

²² Dong Jian (1990). "*Danqian jingji yunxing jizhi wenluan de chengjin ji diuce*" (The Cause and Strategy of the Current Chaotic Economic Mechanism). *Qiye daokan*, 9:7-11, pp. 9-10.

²³ Chen Binbo (1989). "*Qiche yuancailiao jiage bodong de fenxi yu diuce*" (The Analysis of Price Fluctuation of Automotive Raw Materials and its Strategy). *Qiye daokan*, 3:24-27, p. 24.

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losing power to the SAW, as the SAW was growing bigger and more powerful. The SAW repeatedly overrode the decisions of central agencies. As a result, a strong local economic power emerged at the expense of the central state.

The relationship between the SAW headquarters and the 27 workshops resembled that of the central government and the SAW. The performance of the SAW was dependent on the initiative of 27 workshops. During the 1980s, the SAW experienced 14 percent annual growth rate in production. Such a remarkable achievement was the result of increased productivity of workshops and of the growing associated firms. Historically, the SAW headquarters and the workshops were organized in decentralized fashion. There was a strong internal resistance to the headquarters' leadership in the early development. Workshops were reluctant to go along with the painful restructuring.²⁴ After the State Council approved the "profit-increase responsibility system," the SAW headquarters vigorously implemented profit sharing scheme with the workshops. The SAW introduced "two comprehensive contract responsibility systems" (*shuangquan chengbao*) to the 27 production workshops (*shengchan chang*) and other functional departments (*zhuan ye bu*) in April 1983.²⁵ The headquarters assigned targets for economic and quality indicators to its subordinates. In turn, the subordinates could retain a portion of profits and participate in other profit making activities.

In June 1984, the SAW introduced "three comprehensive responsibility systems" (*san quanmian chengbao*) to its subordinates. The new system evaluated each workshop according to a scale combined of quality control, technological improvement, and economic efficiency. For instance, if a workshop fulfilled 100 percent in profit remittance, 90 percent in quality control, and 70 percent in technological improvement, its average performance would be about 87 percent. There are various types of profit

²⁴ Dier qiche zhizao chang changzhi bianzuan weiyuanhui bangongshi (1986), p. 81.

²⁵ *San quanmian fenceng jingying chengbao zeren zhi -- lilun yu shijian* (1985), p. 96.

sharing relationship between headquarters and subordinates. Subordinates were required to increase profit remittance to the SAW headquarters by 13 to 15 percent a year, which was much higher than seven percent--the SAW's increased rate of profit remittance to the MOF. Subordinates had authority to invest the retained profits according to the proportion decided by the headquarters. The subordinates can spend 70 percent of the retained profit for production development, 20 percent for workers' welfare, and 10 percent for workers' bonus.²⁶

In this system, subordinates had a lot of independent authority. After fulfilling the mandatory targets, they can develop sideline business to increase workshop profits. For instance, workshops could engage in assembling specialized vehicles, which had good profit margins, 8,000 to 10,000 yuan per vehicle. Others may participate in foreign trade, selling spare parts, or running service business including restaurant, hotel, and food processing factory.²⁷ These sideline activities, however, distracted the workers from normal production assignment. In the first nine months in 1988, only 70 percent of the assembled trucks met the quality standard. The SAW lost 10 million yuan because of the sloppy jobs.²⁸ This led the SAW headquarters to impose stronger hold on the subordinate workshops to reorganize the auto production system in a more concentrated and centralized fashion.

The SAW pursued expansion integrating automotive spare parts firms and special vehicle assembly plants throughout the country. Such a merge not only expanded the scale of production, but also helped the SAW penetrate local markets with its products. However, merging was considered by local governments as a hostile takeover of local industrial facilities by a central state enterprise. Resistance was strong

²⁶ Wang Xiangdong (1989). "Gaizao gongchang zhidu jianli gongsi tizhi" (Reform and Establish Factory and Company Systems). *Qiyue daokan*, 1:35-38, p. 36.

²⁷ *San quanmian fenceng jingying chengbao zeren zhi -- lilun yu shijian* (1985), pp. 35 and 102.

²⁸ Dong Jian (1990), p. 17.

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in refusing to give up local automotive firms to the SAW. Despite the institutional conflict, merging could have mutual benefits to both parties. In April 8, 1981, the Dongfeng Conglomerate was established, one of the five state conglomerates at that time.²⁹ Dongfeng Conglomerate was given the authority to set production targets, buy raw materials, conduct foreign trade and sign joint venture contracts with foreign companies. Few corporations in China have such a wide-ranging power.³⁰

The Dongfeng Conglomerate was loosely organized. The headquarters maintained three different types of relationship with its associated firms: "loosely knitted" type, "half-knitted" type, and "closely knitted" type. The "loosely knitted" affiliation means that Dongfeng did not have equity holdings in its associated firms, but it had the power to set production targets and to recommend management changes. In the "half-knitted" affiliation, Dongfeng held some shares with its associated firms, usually in terms of machinery transfers.³¹ Dongfeng and the local government had a joint control over the associated firms. Finally, the "closely knitted" affiliation means Dongfeng wholly owned its associated firms. In 1987, there were five wholly owned factories, 29 half-knitted affiliated firms, and 134 loosely knitted factories.³² Before the merge, most of the wholly and half-owned factories usually failed to make profits. However, as the automobile industry had good profit margins, almost all the associated firms turned loss into profit.

The Dongfeng Conglomerate helped the SAW to diversify its product line and penetrate local market easier. During the early stage of economic reform, there was a high demand for various types of vehicles. The five-ton Dongfeng truck was unable to

²⁹ Li Yongzeng (1987). "Rise of Horizontal Business Associations." Beijing Review, 15(April 13, 1987):23-5.

³⁰ Vigor Fung (1987). "Hubei Auto Company Sets the Standard of China's Drive to Form Conglomerates." The Asian Wall Street Journal Weekly, April 27, 1987, p. 2.

³¹ "Xinjiang Automobile Factory." Beijing Review, January 26, 1987, 30(4):25-26.

³² Vigor Fung (1987), p. 2.

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fit in the new markets. The Dongfeng Conglomerate played an important role in organizing specialized vehicle assembly plants that were operated locally for refitting vehicles. Specialized vehicles include refrigerate truck, fire engine, garbage collection truck, and mobile kitchen, etc. These items were sold locally according to the local needs. Local assembly plants welcomed the opportunities because the SAW provided them engine-and-chassis kit sets at a bargain price. In 1983, each set was sold for 14,000 yuan. With this low price, the SAW profit margin was only 1,400 yuan; however, for a complete conventional truck, the profit margin was as much as 5,000 to 6,000 yuan. The profit of specialized vehicle for the SAW associates could go up to 8,000 to 10,000 yuan. It was estimated that the SAW's financial sacrifice amounted to 5,000 yuan per vehicle in 1983. The SAW's short-term sacrifice had a longer-term effect. The SAW directed marketing relied more on local connections than advertising, trade fairs, or even sales promotion by agents. Dongfeng associate plants were more effective marketing agents for the local market. Penetration of local markets through local assembly plants could receive support and protection of local governments. Such a production relationship was important in an unstable economic environment of the transitional period.

C. Expansion of Auto Production System

During the process of SAW transformation, the Shiyan auto production base played a vital role in generating developmental funds for the entire conglomerate. However, the SAW's rapid growth in output was confined by the dispersed workshops' layout in Shiyan. There was little potential of expansion in the Shiyan area. Thereby, after the consolidation of the Shiyan's auto production base, a stretch-out strategy was employed by the SAW headquarters to establish the second and the third automotive production bases outside the Shiyan region. Expansion of the SAW's huge production

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system over other regions did align local governments with the SAW. Local governments welcomed the SAW's investment in their own regions, yet they were cautious not to be taken over by the SAW.

1. Home Base Expansion Strategy

When the SAW escaped the shutdown fate in 1980, the SAW took up a big responsibility to achieve the 100,000 vehicles projected production target by generating its own developmental funds. The SAW had to complete the unfinished construction and consolidate an effective relationship with its 27 dispersed workshops. Based on the "self-raised fund" package, the SAW generated 330 million yuan for the five-year period 1980-85.³³ Table 7.4 shows that the total investment in the SAW Shiyan production base during the Sixth FYP period (1980-1985) was 390 million yuan. A number of projects were under construction in order to guarantee the attainment of 100,000 production target. Construction projects included: power plant, foundry plant, technical center, automotive institute, water system, telephone line, road, and transportation.³⁴ The power plant, which cost more than 100 million yuan, received 40 million yuan of bank loans in order to help finance the project.³⁵ Although the initial production system was based on indigenous technology, the SAW started to acquire foreign technology since the early 1980s. The SAW licensed cab, chassis, and

³³ Huang Qingxia (1984). "Zongjie jingyan chengsheng qianjin: dier qiche zhizao chang dangwei diyi shuji Huang Qingxia gai jianchang shiwu zhounian qingzhu dahui sheng de jianghua" (Conclude the Experience, Moving Forward in Victory: The Speech of the First Secretary of the Party Committee of the SAW, Huang Qinghua, in the Fifteenth Anniversary Celebration Meeting) (1985). Pp. 1-29 in *Dier qiche zhizao chang jingying yu guanli* (The Operation and Management of the Second Auto Works), edited by Dier qiche zhizao chang shehui kexue xuehui. Beijing: jiqi gongye chubanshe, pp. 14-15.

³⁴ *Renmin ribao (haiwai ban)*, February 22, 1988, p. 7; and Hubei sheng jihua weiyuanhui/Hubei sheng chengxiang jianshe ting (1987), p. 169.

³⁵ *San quanmian fenceng jingying chengbao zeren zhi -- lilun yu shijian* (1985), p. 103.

Table 7.4. Estimated Total Investment for the Expansion of the SAW's Production System, 1980-95

Nature of Project	Amount of Investment (Million Yuan)
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The Sixth Five-Year-Plan (1980-85):	
Dongfeng Truck 100,000 Production Capacity and the Related Projects	390.00
The Seventh Five-Year-Plan (1986-90):	
1) Technological Renewal and Capital Construction in Shiyan	611.28
2) Xiangfan 65,000 Eight-Ton Diesel Truck	651.48
The Eighth Five-Year-Plan (1991-95):	
1) Shiyan and Xiangfan Renewal	1,237.00
2) SAW-Citroën Car Project	4,200.00
Total:	7,089.76

Sources:

Automotive News, November 12, 1990, pp. 1-2; December 25, 1989, p. 8; April 13, 1992, pp. 1-2.

Fieldnotes, November 25, 1991; November 30, 1991.

C. Shamus Mok, and Richard Child Hill (1989). "Regionalism and Industrial Restructuring in China: The Case of Automobile Industry." Paper presented at the Midwest Conference on Asian Affairs, East Lansing, Michigan.

transmission technology from Nissan, power steering technology from the TRW, and diesel engine technology from Cummins.³⁶ The central government financed 160 million yuan, part of which was foreign exchange to upgrade the quality and productivity of assembly line.

The SAW experienced a rapid growth of output. The five-ton Dongfeng truck assembly line began to operate on July 15, 1978; it was initially designed for 55,000 units production capacity. It took the SAW four and a half years to reach the designed limit.³⁷ This occurred two years after they granted the SAW "self-raised fund" package. After 1982, the SAW targeted 100,000 vehicle production capacity. A study shows that the productivity of the SAW in 1984 was 2.1 times higher than the national average.³⁸ The SAW was awarded as one of the ten distinguished state enterprises in 1983.³⁹

The SAW's impressive achievement was made in the midst of unstable institutional and economic environments. The plant authority had to rely not only on management and marketing method, but also on their political capital. For instance, in the period 1981-82 the sudden cutback in the administrative sanctioned user loans for vehicle purchase led the SAW to directly market 20,000 vehicles. After the apparently successful marketing, the State Material Supply Bureau (SMSB) demanded the return of 8,700 Dongfeng trucks profits because they were produced with raw materials supplied through mandatory plan. After a long argument, the SAW made up only 2,000 vehicles for the SMSB.⁴⁰ For a time, the CNAIC intended to exercise its influence in

³⁶ Andrew Tank (1986). "The Battle Begins for Untapped China." *Automotive News*, November 10, 1986, and *Renmin ribao*, October 13, 1988, p. 2; and November 26, 1988, p. 1; Huang Qingxia (1984), p. 20.

³⁷ Dier qiche zhizao chang changzhi (1986), p. 93.

³⁸ Su Lian (1987). "Lun qiche gongye de diwei he zuoyong" (The Role and Function of Automobile Industry). *Gongye jingji guanli congkan*, September 1987, pp. 12-9.

³⁹ Zhongguo qiche gongye lianhehui (1984), p. 431.

⁴⁰ William A. Byrd (1992), pp. 389-90.

order to control the SAW's Dongfeng truck sells and the right to appoint functional department heads. The SAW fought back and successfully retained its own authorities; nevertheless, the SAW compromised to pay 1.6 million yuan management fee to the CNAIC out of its depreciation funds and sales revenue.⁴¹ During the transition of economic reform, social institutions that acquired new authorities were jostling positions in the new political economic environment. The SAW showed sufficient political capital in the new battle field.

2. Stretch-Out Strategy—Out of the Mountain

When the SAW's authority was expanded in 1983 after being granted the "increased profit responsibility system" contract, the SPC instructed the SAW authority to formulate strategy for expansion in certain demanded items. In alignment with the then-Premier Zhao Ziyang's instruction to list the automobile industry as a "mainstay industry" (*zhizhu gongye*), the SAW authority combined the newly given authority and opportunity to expand its production system. On September 2, 1983, the SAW submitted a proposal to the CNAIC, Ministry of Machinery, SPC, and Ministry of Foreign Trade. The SAW sought the central government's approval of a 200,000 vehicle production target around 1990. The proposal included allowing the SAW to form a joint venture with foreign company, a new heavy truck production base, and a light truck production base.⁴² The then-Premier Zhao visited the SAW in October showing his appreciation of the SAW's new leading role in automobile industrial reform.⁴³ The new proposal, however, would lead the SAW to open a new page for its development. The SAW's development had been confined by the isolated Shiyang

⁴¹ *ibid*, p. 385.

⁴² Dier qiche zhizao chang changzhi bianzuan weiyuanhui bangongshi (1986), pp. 101-2.

⁴³ *ibid*, p. 103.

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region. Transportation bottleneck and limited land were two major problems. Although the SAW authority had no intention to leave Shiyan, building new production facilities beyond the Shiyan region could diversify production lines and less dependent on the Shiyan production base for future growth.

The SAW was not a complete autonomous plant. Its development direction was strongly influenced by the SPC. The relatively successful rural reform had brought about a large demand of agricultural transportation vehicles. The SPC intended to use the SAW to organize a light truck (three-ton) production base by organizing automotive groups in Henan, Hunan, and Yunnan provinces. From March 1983 to October 1984, the SAW headquarters engaged in negotiations with the concerned authorities.⁴⁴ Apparently, local governments were not enthusiastic to merge with the SAW and the project was abandoned in 1985.⁴⁵ In fact, the SAW was more enthusiastic to start a new project by its own than fighting with local authorities for the old industrial facilities. In 1986, the SAW's authority was further expanded to have an independent status in the state planning system (*jihua danlei*), equivalent to provincial authority. The State Council intentionally granted the SAW high authority in order to curb the uncontrollable car import operations. In 1985 alone, China imported 354,000 vehicles, mostly from Japan.⁴⁶ The State Council wanted the SAW to manufacture national passenger cars with a foreign partner in order to check China's draining of foreign exchange on imported cars.

In this expansion scheme, the new heavy truck plant in Xiangfan, the passenger car plant in Wuhan, and the old Shiyan medium truck production base formed an "automobile corridor" (*qiche changlang*) in Hubei province, that stretched from the

⁴⁴ *ibid*, pp. 97, 118-9, 122-3, and Zhongguo qiche gongye lianhehui (1987), pp. 3-4.

⁴⁵ Zhongguo qiche gongye lianhehui (1989), pp. 3-4.

⁴⁶ Zhongguo qiche gongye zong gongsi (1991). *Zhongguo qiche gongye nianjian 1991* (China Automotive Industry Yearbook 1991). Changchun: Jilin kexue jishu chubanshe, p. 536.

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northwest to the middle of the province. During the Seventh FYP (1986-90), the SAW planned to invest 1.55 billion yuan in the new projects financed by the self-raised fund. The investment scale was later reduced to about 1.25 billion yuan when the State Council imposed austerity policy in the fourth quarter of 1988.⁴⁷ In the first half of the Seventh FYP, the SAW focused on upgrading the production capacity in the Shiyan base from 80,000 to 140,000 vehicles annual production capacities. As shown in Table 7.4 (p. 276), Shiyan's technological renewal and capital construction cost 611 million yuan.

a. Xiangfang Second Production Base

The preparation stage of Xiangfan project began on August 21, 1983.⁴⁸ The project was part of the state plan to diversify transportation trucks. Xiangfan was located 300 kilometers northwest of Wuhan and 200 kilometers southeast of Shiyan. Since October 1983, Xiangfan has been the pilot city for the comprehensive urban reform in Hubei province.⁴⁹ The decision to choose Xiangfan as the location of the second production base may be more political than geographical. The Hubei provincial government had been forbidding the SAW to subcontract with other spare parts firms in other provinces. Between 1981 and 1982, provincial banks refused to finance the SAW's payments to suppliers located in other provinces.⁵⁰ The location of the second production base was believed to be under heavy influence from the octogenarian leader, Li Xiannian, and the Hubei provincial government.

⁴⁷ Rao Huiren (1990). "*Erqi '75' jianshe chengjiu zhuzhu*" (The Remarkable Achievements of Second Auto Works During Seventh FYP). *Qiye daokan*, 10:4-9, p. 4.

⁴⁸ Dier qiche zhizao chang changzhi bianzuan weiyuanhui bangongshi (1986), p. 100.

⁴⁹ *Zhongguo chengshi jingji shehui nianjian 1986* (The Almanac of China's Urban Economy and Society 1986). Beijing: Zhongguo chengshi jingji shehui chubanshe, p. 822.

⁵⁰ William A. Byrd (1992), p. 423.

The Xiangfan production base consisted of several workshops concentrated in a 70 hectares of land located in northeast of Xiangfan city (see Map 7.1).⁵¹ In a directive issued by the Hubei provincial government to the Xiangfan municipality on August 27, 1984, the provincial government instructed Xiangfan to reserve as large as 10,000 mu (667 hectares or 6.67 square kilometers) of land for the project. The provincial government exempted the land development fee (*tudi kaifa fei*). The land expropriation fee (*zheng ti fei*) was set to 5,700 yuan per mu plus seedling compensation and houses relocation fee. From 1984 to 1993, the SAW sold 200 trucks to the Xiangfan municipality per year at the state price for construction and compensation purposes.⁵² In addition, the municipality supplied local resources such as electricity to the construction site. The total expenditure for tax rebate would cost the Xiangfan municipality 200 million yuan.⁵³ The plant was expected to be in full operation before 1995 and the total investment will amount to approximately 2.5 billion yuan.

b. Wuhan Third Production Base

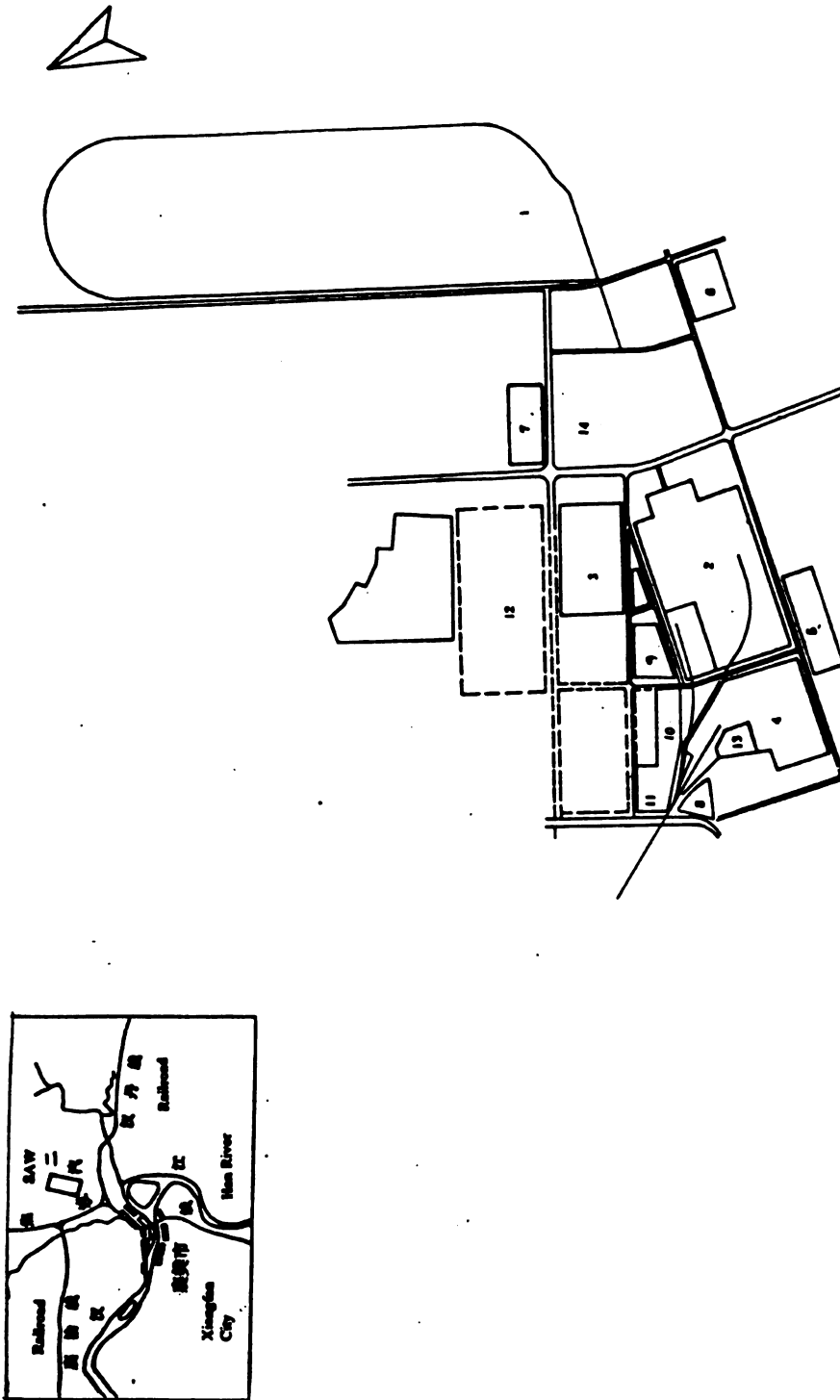
After the Beidahe Automotive Industrial Conference in summer of 1987, the State Council announced the SAW as one of the major passenger car production bases in China. In 1988, the SAW engaged in a joint venture with the French automobile company, Citroën, to assemble Citroën's 2X subcompact. Citroën merged with Peugeot in 1975 and became the second largest auto maker in Europe.⁵⁴ In the mid-

⁵¹ Fieldnote, November 30, 1991.

⁵² Hubei sheng jihua weiyuanhui (1989). *Hubei sheng jingji dashiji* (Chronicle of Hubei Economy). Wuhan: Hubei renmin chubanshe, p. 479.

⁵³ Yang Binqing (1991). "*Zhuazhu jiyu, yingjie tiaozhan*" (Take the Opportunity, Welcome Challenge). *Qiyue daokan*, 1:9-12.

⁵⁴ Peter Dicken (1992). *Global Shift--The Internationalization of Economic Activity*. Second Edition. New York: The Guilford Press, Pp. 303-4.



Map 7.1.1. The Xiangfan Second Production Base of the SA W in the Mid-1980s

Map 7.1. (cont'd)**Second Auto Works Xiangfan Second Production Base's Workshops**

1 = Vehicle Testing Ground; 2 = Foundry No. Three Shop; 3 = Diesel Engine Shop; 4 = Power Plant; 5 = Water Plant; 6 = Passenger Car CKD Assembly Shop; 7 = Hospital; 8 = Wasted Water Processing Plant; 9 = Transportation Fleet; 10 = Raw Materials Warehouse; 11 = Supplies Warehouse; 12 = Passenger Car Engine Shop; 13 = Gas Plant; 14 = Residential Area

Source:

Dier qiche zhizao chang (1990). *Dier qiche zhizao chang jianjie* (A Brief Introduction of the Second Auto Works), Map 2.

1980s Peugeot entered a joint venture in Guangzhou city.⁵⁵ The SAW-Citroën joint venture was located in the Hanyang district of Wuhan City, the capital of Hubei province." The total area of the production base was 1.5 square kilometer, and there was another two square kilometers subcontracting production area. The projected production capacity was 300,000 units per year.⁵⁶ The French government agreed to provide \$ 400 million loan to China to finance the 4.2 billion yuan (\$ 1.129 billion in 1990 official exchange rate).⁵⁷ The SAW holds 70 percent of the total share, Citroën 25 percent, and two French banks own the balance. The production of engine, gear boxes, suspensions, aluminum foundry would be located in the Xiangfan production base.

It was expected that the joint venture would start assembling cars in 1993. Since the crackdown of the 1989 pro-democracy movement, the French government had held back her supports in compliance with the European Community agreement to suspend all aids to China.⁵⁸ Beginning in April 1992, the French government resumed the project;⁵⁹ nevertheless, the project did not seem to pick up a pace in development. Until late 1991, the construction site still remained idle.⁶⁰

c. Dongfeng Group Network

The formation of the Dongfeng Conglomerate was crucial for the fast growth of the SAW. The conglomerate brought hundreds of scattered automotive production facilities over the nation under its umbrella. The Dongfeng Conglomerate made several contributions to the SAW: 1) it enhanced high rate of specialization of production; 2)

⁵⁵ Vigor Fung (1987). "Squabble over Prices Stalls Peugeot's Venture in China." The Asian Wall Street Journal Weekly, Feb. 2, 1987, p. 1.

⁵⁶ Fieldnotes, November 25, 1991; November 30, 1991.

⁵⁷ Automotive News, November 12, 1990, p. 6.

⁵⁸ Automotive News, December 25, 1989, p. 8.

⁵⁹ Automotive News, April 13, 1992, pp. 1-2.

⁶⁰ Fieldnote, July 15, 1992.

achieved high growth rate of output; 3) enabled penetration of local market; 4) allowed diversification of Dongfeng products; 5) established national service network; and 6) reduced investment. The Dongfeng Conglomerate remained to be loosely organized because of the enormous local resistance to its takeover. But as the economic reform unfolded, the demand of automobiles in China market increased. Many local governments, unable to form a coordinated local automotive production system, wanted to join the Dongfeng Conglomerate in a loose relationship. By doing so, local governments could maintain control over their automotive subordinates while sharing the profitable production with the Dongfeng Conglomerate. As a result, the number of associate firms in the Dongfeng Conglomerate has been growing steadily. Each year, there are many local factories applying for cooperation with the SAW. Until 1990, Dongfeng had 306 associate firms scattered in 29 provinces and cities. There were about 290,000 employees under the Dongfeng umbrella.

The SAW had been experiencing 14 percent annual production growth for its five-ton Dongfeng truck model throughout the 1980s. Rapid growth output compelled the SAW to allocate its auto production to outside subcontractors in order to keep the 27 workshops in Shiyan for their specialization in major production process. The SAW subcontracted 671 items of spare parts of the five-ton truck with the Dongfeng associate firms. The rate of specialization has arisen 25 percent, saving 200 million yuan of investment for the expansion of production.

The Dongfeng Conglomerate also helped the SAW to diversify its monotonous five-ton Dongfeng truck model. The Dongfeng's specialized vehicle assembly plants helped the SAW to convert the three basic models of chassis into 245 types of specialized vehicles. Such a small-scale assembling effectively helped the Dongfeng trucks to regain share in the diversified market. There were about 100 specialized vehicle assembly plants, manufacturing 25,000 to 35,000 vehicles a year.

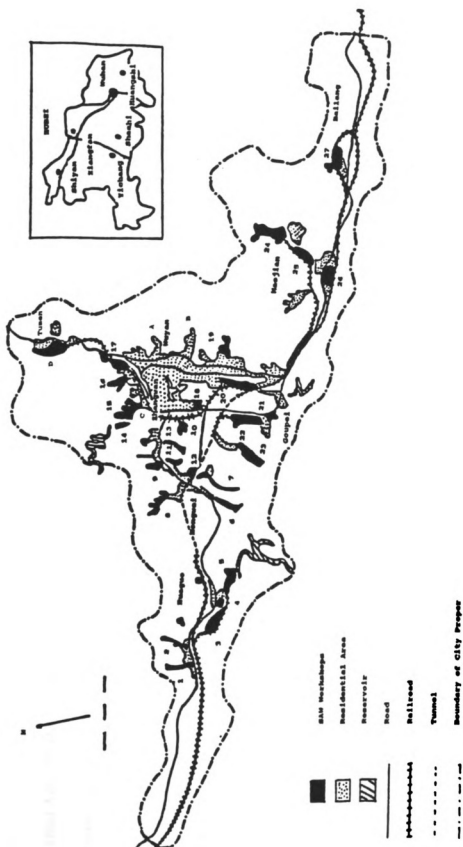
As the SAW production has increased sharply since 1981, about one million Dongfeng trucks were on the road. Based on the Dongfeng Conglomerate network, a Dongfeng repair station system was established throughout the country. Until 1990, there were about 270 technical service stations in China. Each province established a center to coordinate the province's technical service. It was estimated that there was one repair station for every 150 to 200 kilometers. Improving after-sale service could win reliability from the public.

III. Relationship between the SAW and Shiyan—Breakup of Social Egalitarianism

The transformation of the SAW from a self-reliant state enterprise to an efficient "quasi-state" enterprise brought about a revolutionary change in Shiyan city. The "quasi-state" enterprise brought in new principles of organization, placing emphasis on specialized division of labor. Such principles reorganized the dispersed auto production system into a closer production relationship. The transformation process led the SAW and the city of Shiyan to restructure themselves for expansion and economic concentration, which was totally opposite to the previous strategies of dispersal and self-reliance. As a result, Shiyan, which had been made up of scattered rural industrial communities, was transformed into a modern enterprise city (see Map 7.2). Dispersed industrial communities have been merging in the trend of forming urban concentration. As opposed to Shiyan's urban growth, its agricultural land, previously reserved for the local peasants under the egalitarian policy, dwindled rapidly.

A. Strengthening of the Shiyan Municipality

The Shiyan municipality had been suppressed during the Third Front Industrialization. Under the egalitarian policy of integrating enterprises and



Map 7.2. Shiyao City's Urban Form in 1988

Map 7.2. (cont'd)

Second Auto Works' Workshops

Engine District:

1 = Carburetor Shop, 2 = Bearing Shop, 3 = Foundry No. One Shop, 4 = Gearbox Shop, 5 = Engine Shop

Rear Production District:

6 = Cutter and Gauge Shop, 7 = Machine Repair Shop, 8 = Electric Facilities Maintenance Shop, 9 = General Casting and Forging Shop, 10 = Stamping Die Making Shop, 11 = Power Plant, 12 = Gas Plant, 13 = Radiator Shop, 14 = Leaf Spring Shop, 15 = Fastener Shop, 16 = Machine Tool Building Shop, 17 = Wheel Shop, 18 = Chassis Shop

Final Assembly District:

19 = Propeller Shaft Shop, 20 = Truck Body Shop, 21 = Frame Shop, 22 = Final Assembly Shop, 23 = Cab Shop

Axle District:

24 = Axle Shop, 25 = Forging Shop, 26 = Timber Processing Shop, 27 = Foundry No. Two Shop

Others Administrations:

A = Municipal Administration, B = Yuyang Region Administration, C = Second Auto Works Headquarters, D = Dongfeng Tire Plant

Sources:

Dier qiche zhizao chang (1990). *Dier qiche zhizao chang jianjie* (A Brief Introduction of the Second Auto Works), pp. 6-7, 9-10, and Map 1.

Shiyan shi renmin zhengfu (1980). *1980 nian Shiyan shi chengshi zongti guihua* (Master City Plan of Shiyan 1980), Map 1.

governments, industry and agriculture, workers and peasants, city and village, the SAW was put in charge of Shiyan city affairs. The division of labor between the SAW and Shiyan municipality was minimized for the sake of simplification of the state administrative system. However, this system overburdened the administrative load of the SAW, which made things worse when the SAW headquarters maintained only a loose relationship with the 27 workshops. Most of the reproduction services were in fact organized and provided by the workshops themselves. The egalitarian principle of organization providing a production place, a living place for workers or a hiding place for war preparation confused the organizational goal of the SAW.

The structural problems of egalitarianism was tackled in the early 1970s. Hubei provincial officials realized that division between municipality and enterprise was necessary. In 1970, the Shiyan municipality was formed under the jurisdiction of the Yunyang Special Region Government. But the municipality did not function properly because it was totally dominated by the military controlled administration from 1970-72. However, the administrative status of the Shiyan municipality was promoted to the provincial administrative city (*shengxia shi*) in 1973; the municipality could escape the fate of being dominated by the SAW bureaucracy this time. When the political climate changed in 1975, the egalitarian principle of Daqing style was reintroduced. The Shiyan municipality was then merged into the SAW administration under the "enterprise-city integration" (*changshi heyi*) model.⁶¹ The president of the SAW was naturally to be the mayor of Shiyan.

The Shiyan municipality has been gradually consolidating its power since 1980 as a means to strengthen the leadership to provide urban services to the SAW. The Shiyan municipality, subordinated to the Hubei provincial government, performed its function as a local agency that sought economic opportunity as the SAW expanded its

⁶¹ Dier qiche zhizao chang changzhi bianzuan weiyuanhui (1986), p. 39.

production. On the whole, the municipality performed as a political as well as economic institution.

Usually, the Hubei provincial government appointed a city mayor who was closely related with the SAW. Before 1989, all mayors used to be former department heads or workshop managers of the SAW.⁶² Such an arrangement was supposed to build a personal link between the SAW and Shiyan municipality, in order to minimize the potential competition and to enhance mutual cooperation. However, the problems related to these two institutions were more than personal connections could solve. Institutional conflicts were basically concerned with the expectation gap and differences between these two agencies' abilities. The SAW expected the Shiyan municipality to fulfill its role in providing adequate urban service and necessary urban infrastructure especially during the SAW expansion. However, the Shiyan municipality had its own developmental agenda. For most of the local governments in China, their number one priority was to develop municipal economic system, whereas urban infrastructure was at best the second priority--because the municipal economic system contributed most of city's revenues. The SAW had complained about the inability of the Shiyan municipality in fulfilling its role. The SAW put pressure to the Hubei provincial government, which led to frequent changes of mayors.

It is clear that the role of local governments did not change much because the local governments are still confused about the relationship between economy and government. Under the profit-sharing mechanism, municipality focuses on diverting local resources to establish municipal economic system. Municipal economic endeavor prevents the local government from concentrating wholeheartedly on city development. As a result, the Shiyan municipality runs business, the SAW runs the city. That is,

⁶² *Zhongguo chengshi jingji shehui nianjian 1985*, p. 857; and *Zhongguo chengshi jingji shehui nianjian 1988*, p. 761.

while the SAW provides social services or infrastructures for itself, the Shiyan municipality can concentrate on establishing its own economic bases.

The city revenue of Shiyan has been increasing steadily since 1978. When the Shiyan municipality was separated from the SAW in 1982, the total revenue was about 71 million yuan, 2.4 times of the 1978 revenue. The increase of city revenue was due to economic reform policy, which installed more channels of income and number of tax items for the local government. In 1985, the central government implemented "tax for profit" (*ligaishui*) system. On September 15, 1984, the Hubei provincial government issued a directive to Shiyan, Huangshi, and Yichuang cities to notify an enlargement of municipal power on financial management. This directive was vital to Shiyan's financial reform as it allowed the municipality more autonomy and authority on financial decision-making. The content of this reform was as follows:

- 1) provincial administered enterprises would be decentralized to the administration of municipality;
- 2) the municipality has more decision-making power on local tax system;
- 3) after fulfilling provincial mandatory target for foreign trade, the municipality has the authority to export their own products abroad;
- 4) the municipality has the authority to negotiate importation of foreign machinery or technology the value of which is below \$ 1.5 million;
- 5) the municipality has the authority to approve capital construction with foreign capital the value of which is below \$ 1.5 million;
- 6) the municipality has the authority to approve capital constructions the value of which is below 5 million yuan;
- 7) the municipality has the authority to approve short or medium term loans the value of which is below 1.5 million yuan;

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8) the municipality has the authority to approve expropriation of land the size of which is 20 mu or below.⁶³

In short, the Shiyan municipality was granted a series of authority ranging from administrating provincial state enterprises, tax system, foreign trade, importation of foreign technology, capital construction, use of foreign exchange, approval of loan, and expropriation of land. By setting up a limit, the municipality could freely engage in economic development. Thereby, the institutional goal of the Shiyan municipality was not much different from the SAW.

As a result of 1984 financial liberation, Shiyan's city revenue was sharply increased from 113 million yuan in 1984 to 223 million yuan 1985, almost 100 percent increase within a year (Table 7.5). Among the new authorities, decentralizing the jurisdiction of the Dongfeng Tire Plant, the largest in China, to the Shiyan municipality substantially strengthened municipal income of revenue. The Shiyan municipality entered "profit responsibility contract" with the Hubei provincial government. In 1985, the Hubei provincial government readjusted the revenue sharing system. In addition to the fixed amount of profit remittance to Hubei province, the Shiyan municipality could retain 40 percent of the above-target revenue and the rest 60 percent for the province.⁶⁴ Since the contract between the Hubei provincial government and Shiyan municipality was not a "profit-increased responsibility system," as was the SAW, the revenue submitted to the Hubei provincial government was increased in slower rate. According to Table 7.5, Shiyan submitted 99 million yuan in 1985 as compared to 116 million

⁶³ Hubei sheng jihua weiyuanhui (1989), p. 481.

⁶⁴ "Hubei sheng dui caizheng guanli tizhi de guiding" (The Regulation of Financial Management System in Hubei Province) [Hubei Provincial Government Document no. 33]. Pp. 40-5 in *Xianxing caizheng guanli tizhi [zhuanji]* (Special Edition of the Current Financial Management System), edited by Caizheng bu yusuan guanli si, 1985. Beijing: Beijing 4229 chang, p. 43.

Table 7.5. Shiyan Municipal Revenue, Revenue Submittance to the State, and Revenue Retention, 1978-89 (in million *yuan*)

Year	Total Revenue	Revenue Submitted to the State	Municipal Expenses
---	-----	-----	-----
---	-----	-----	-----
1978	29.54	8.79	12.72
1979	48.08	23.13	48.03
1980	44.96	13.60	23.02
1981	43.75	17.62	43.75
1982	71.38	0.41	22.55
1983	90.21	8.55	50.66
1984	112.61	14.62	52.81
1985	223.00	99.16	101.48
1986	215.75	95.06	104.75
1987	237.53	107.31	100.50
1988	243.80	104.34	109.64
1989	262.63	116.17	121.82

Sources:

Shiyan shi tongji ju (1979). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1978*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1978).

(1980). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1979*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1979).

(1981). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1980*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1980).

(1982). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1981*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1981).

(1983). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1982*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1982).

Table 7.5 (cont'd)

(1984). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1983.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1983).

(1985). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1984.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1984).

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(Statistical Yearbook of State Economy in Shiyan, Hubei, 1985).

(1987). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1986.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1986).

(1988). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1987.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1987).

(1989). Hubei sheng shiyan shi guomin jingji tongji nianjian 1988,
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1988).

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yuan in 1989, a 4.25 percent annual growth rate of revenue remittance to provincial government in the four-year period.

B. Conflict of Institutional Collective Consumption

As the Shiyan municipality was separated from the SAW, the municipality became the second largest work unit that determined the development of Shiyan city. With its new financial ability, the Shiyan municipality has been increasingly involved in collective consumption in the city area; new infrastructure has been constructed; modern factories have been built for the city's economic growth. Shiyan city has been benefited by investments from the municipal system as well as from the financial giant, the SAW. Under this institutional development trend, Shiyan has been transformed from a dispersed city to a concentrated enterprise city.

The city capital construction is an indicator to measure the amount of investment in productive facilities in the Shiyan region. Table 7.6 shows the amount of investments in capital construction made by the Shiyan municipality and SAW from 1978 to 1989. Investment ratio indicates that the SAW has been the major investing agent in Shiyan. As compared to the SAW, the Shiyan municipal financial power is much smaller. It indicates that the "profit retention scheme" (*lirun liucheng*) restricts the municipality's revenue. Thus, the amount of municipal revenue is not as high as the SAW. However, the SAW involved much more projects outside the Shiyan region, which in turn limited its scale of investment in Shiyan. In contrast, although the Shiyan municipality had a weaker financial capability, the municipality could concentrate its investment in the Shiyan area. The investment ratio also shows that the Shiyan municipality has been catching up since 1979. Not surprisingly, the Shiyan municipality was narrowing the gap especially in 1985 and 1986. The Shiyan municipal investment surged to 89.85 million yuan in 1986 from 53.57 million yuan of

Table 7.6. Investments of Capital Construction by the SAW and Shiyan Municipality, 1978-89 (in Million *Yuan*)

Year	Shiyan Municipality Investment	Second Auto Works Investment	Investment Ratio (Shiyan: SAW)	Total Investment in Shiyan
-----	-----	-----	-----	-----
-----	-----	-----	-----	-----
1978	6.02	93.61	1:15.6	99.63
1979	8.81	50.61	1:5.8	59.42
1980	21.16	69.42	1:3.3	90.58
1981	9.43	68.59	1:7.3	78.02
1982	23.75	64.52	1:2.7	88.27
1983	29.47	87.66	1:3.0	117.13
1984	25.20	70.55	1:2.8	95.75
1985	89.85	152.01	1:1.7	241.86
1986	53.57	101.29	1:1.9	154.86
1987	52.48	141.64	1:2.7	194.12
1988	44.42	143.53	1:3.2	187.95
1989	35.19	123.99	1:3.5	159.18

Sources:

Shiyan shi tongji ju (1979). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1978*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1978).

(1980). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1979*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1979).

(1981). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1980*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1980).

(1982). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1981*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1981).

(1983). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1982*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1982).

(1984). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1983*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1983).

Table 7.6 (cont'd)

- (1985). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1984.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1984).
- (1986). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1985.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1985).
- (1987). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1986.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1986).
- (1988). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1987.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1987).
- (1989). Hubei sheng shiyan shi guomin jingji tongji nianjian 1988,
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1988).
- (1990). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1989.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1989).

1985. Apparently, the Shiyan municipality overly invested in these two years. Although the Hubei provincial government reregulated the runaway local expense in the late 1980s, the city expense on capital construction investment maintained at about 30 percent of the SAW's total investment. This proportion of investment allows Shiyan to be constructed as a supporting base of the SAW production system.

Table 7.7 reveals the major capital construction invested by the Shiyan municipality in the period 1985 through 1994. Among the seven projects, six of them were related with the municipal industrial system. The 30 million yuan Shiyan Automotive Wheel Cap Factory project and the 140 million yuan two phases of Dongfeng Tire Plant expansion project were among the most important industrial projects for the Shiyan municipality in the 1980s. The largest investment in urban infrastructure was the 66 million yuan Shiyan No. 2 Water Plant project. Shiyan had been suffering unreliable water supplies for decades. Water shortage in winter season always threatens the normal production process.⁶⁵

The disproportionate municipal investment in industrial projects triggered a new conflict between the SAW and Shiyan municipality. As the SAW experienced 14 percent of production growth per year, the SAW production districts required considerable investments in urban infrastructure, such as road system, water supply, electricity supply, gas pipeline, flood prevention, sewage system, and transportation system. For instance, the dispersed workshop pattern depended heavily on road transformation. It was necessary to improve the linkage of Shiyan road system among different production districts. The SAW made a complaint to the Hubei provincial government that the Shiyan municipality was not enthusiastic about underlying the urban infrastructure.⁶⁶

⁶⁵ Fieldnote, November 26, 1991. There was water ration among different production districts in 1991 winter.

⁶⁶ Fieldnote, August 8, 1991.

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Table 7.7. The Shiyan Municipality's Major Capital Construction Investments, 1985-94

City Project	Project Beginning Date	Estimated Investment (Million yuan)	Investment Until End of 1990 (Million yuan)
----- -----	----- -----	----- -----	----- -----
Shiyan No.2 Water Plant	August 1989	66.0	16.71
Shiyan Automotive Wheel Cap Factory	August 1985 - Dec. 1988	30.16	
Shiyan Automotive Priston Plant	1991-94	15.0	
Shiyan Automotive Refitting Plant	1986-90	27.37	
Shiyan No.1 Knitting Plant	1987 - May 1988	21.54	
Dongfeng Tire Plant, Phrase I (100,000 Sets Assembly Line)	1986 - Dec. 1988	33.38	
Dongfeng Tire Plant, Phrase II (300,000 Sets Assembly Line)	Oct. 1990	107.05	4.4

Sources:

Hubei sheng tongji ju (1992). *Hubei tongji nianjian 1991* (Statistical Yearbook of Hubei 1991). Wuhan: Zhongguo tongji chubanshe, pp. 153-4, 161-3.

Zhang, Jinhua and Chunlan Wang (1991). *Tengfei de Shiyan* (Shiyan Taking Off). Shiyan shi renmin zhengfu waisi bangongsi, pp. 25, 29 and 31.

On the other hand, the Shiyan municipality was not happy with the SAW either. The city government complained that the SAW contributed too little to the city revenue. According to the new financial arrangement in 1985, 20 percent of the SAW's taxes, such as "product tax" (*chanpin shui*), "appreciation tax" (*zengzhi shui*), "business tax" (*yingye shui*), and "bonus tax" (*jiangjin shui*), were collected by the Shiyan municipality.⁶⁷ Part of these incomes was paid for food subsidy of the huge SAW working population. The Shiyan municipality felt that the city revenue was draining into the SAW system. But the SAW defended that the auto plant's subcontracting spare parts production and assembling specialized vehicles to the municipal factories was a direct contribution to the city revenue.

C. Deepening Social Division of Labor

In spite of the conflict between the SAW and Shiyan municipality, they have a fairly long history of industrial production relationship. Table 7.8 shows that the number of municipal industrial factories have been growing since 1969. When the SAW was engaged in production in 1975, most of the city industries were small-scale light industries, such as food processing, handicraft, woodworks, and machinery shops. Until 1979, the Shiyan Machinery Industrial Bureau planned to expand the city industrial system, taking aim at the automotive subcontracting.⁶⁸ However, the weak municipal industrial system made it unable to engage in quality mass production with the SAW. Nevertheless, the merge of the SAW and Shiyan municipality allowed the most simple auto spare parts to be allocated to the city industry. In 1980, only 17

⁶⁷ "Hubei sheng dui caizheng guanli tizhi de guiding" (1985), p. 42.

⁶⁸ Hubei sheng tífāngzhī biānzhuān wéiyuánhui (1990). *Hubei sheng zhi -- gongye zhigao: jixie* (Gazetteer of Hubei Province -- Industrial Gazetteer: Machinery). Wuhan: Wuhan daxue chubanshe, p. 64.

Table 7.8. Comparing Shiyan and the SAW's Annual Industrial Production

Date	No. of City's Industrial Firms	City's Annual Industrial Production (Million Yuan)	SAW's Annual Industrial Production (Million Yuan)	City's Auto Subcontracting (Percent of City Production)	Percent of SAW's Annual Industrial Production to Shiyan City Total Industrial Production
----	-----	-----	-----	-----	-----
1969	39	2.84	---	---	---
1975	84	23.75	49.50	---	67.6%
1980	127	98.67	895.10	17%	90.07%
1984	172*	390.66	1,973.05	---	---
1985	173*	492.00	2,375.10	70.53%	82.8%
1988	---	884.29	3,331.75	---	---
1989	235	1,058.50	3,652.50	77%	77.5%
1990	232	1,050.00	3,345.90	above 80%	---

* These figure included township enterprises

Sources:

Deng Guozheng (1989). *"Chexing shixing xin xin xiangrong, shichang tongxin xieshou qianjin"* (Prosperous Together, City and Enterprise Progress Together). *Qiye daokan*, 10:12-14.

Dier qiche zhizao chang (1990). *Dier qiche zhizao chang jianjie*. (A Brief Introduction of the Number Two Automobile Plant). Shiyan shi, p.2.

Dier qiche zhizao chang changzhi bianzuan weiyuanhui hangongshi (1986). *Erqi dashi ji (1953-1984)* (Chronicle of the Number Two Automobile Plant (1953-1984)). Shiyan shi: dier qiche zhizao chang yinshua chang yinshua, table 2.

Hubei sheng jihua weiyuanhui / Hubei sheng chengxiang jianshe ting (1981). *Dangdai Hubei jiben jianshe* (Contemporary Hubei Basic Construction). Wuhan: Hubei renmin chubanshe, p. 248.

Table 7.8 (cont'd)

Zhang Jinhua and Wang Chunlan (1991). Tengfei de Shiyan. (Shiyan Taking Off). Shiyan shi renmin zhengfu waishi bangongshi, (October 1991), p.2

Zhongguo chengshi guihua sheji yanjiuyuan / Shiyan shi guihua ju bianli. Shiyan shi chengshi zongti guihua -- 1990-2010. (Master City Plan of Shiyan --- 1990-2010). Shiyan shi: Shiyan shi renmin zhengfu, (August 1989), p.45.

Zhongguo qiche gongye lianhehui (1991). Zhongguo qiche gongye nianjian 1991 (Yearbook of China's Automobile Industry, 1991). Changchun: Jilin kexue jishu chubanshe, pp. 159, 658-9.

percent of the city industrial output was actually related with the automotive subcontracting.

The growth of Shiyan industrial production increased quickly during the Sixth FYP (1981-85). As the Shiyan municipality was separated from the SAW in 1982 and with the subsequent restructuring of financial management system, Shiyan city experienced substantial growth. In 1985, the municipal gross value of industrial output (GVIO) increased by 26 percent (492 million yuan) compared with 390.66 million yuan in 1984. The rapid growth was closely related with the closer subcontracting relationship with the SAW. The percentage of Shiyan city's automotive subcontracting to the city's GVIO rose from 17 percent to 70.5 percent in 1980-85. The remarkable municipal industrial performance increased 400 percent from 98.67 million yuan in 1980 to 492 million yuan in 1985. The city's GVIO increased by another 100 percent from 492 million yuan in 1985 to 1,050 million yuan in 1990.

The production growth in the 1980s was mainly due to the heavy investment of capital construction in municipal industry. Many of the municipal automotive subcontractors have achieved technological renewal by 1991.⁶⁹ Table 7.7 (p. 298) shows that four municipal industrial enterprises completed transformation during the Seventh FYP (1986-90). Among them the Shiyan No. 1 Knitting Plant was aimed at providing jobs for female workers, which was part of municipal plans to balance male and female work forces.⁷⁰ While Shiyan has been more dependent on the SAW subcontracting, Shiyan's industrial output grew rapidly, providing an opportunity for

⁶⁹ I visited four municipal automotive subcontracting factories in 1991. Most of them had new buildings and new machinery. Except the Shiyan Refitting Plant which was still in transition, the rest were said to be able to achieve quality and efficient production. Fieldnote, November 27, 1991.

⁷⁰ Zhang Jinhua and Wang Chunlan (1991). *Tengfei de Shiyan* (Shiyan Taking Off). Shiyan shi renmin zhengfu waishi bangongshi, pp. 25, 29, and 31.

the municipal industrial system to develop into efficient system. Thus, Shiyan's economy has steadily merged into the SAW auto production system.

The Yunyang regional government is another important work unit in Shiyan city. The administrative territory of the Yunyang region encircles the Shiyan city boundary. Because the Yunyang region is composed of county seats without major cities in its territory, the Yunyang government is located in Shiyan city. Like its neighbor Shiyan municipality, the Yunyang government has been pursuing a subcontracting opportunity with the SAW. Unlike the Shiyan municipality, however, the Yunyang regional government does not have an institutional conflict in regard to the allocation of local investment funds.⁷¹ In general, the relationship between the Yunyang regional government and SAW was fairly good.

The SAW helped Yunyang's former agricultural machinery factories to transform into automotive spare parts firms. Most of these firms were controlled by the county governments and were organized as rural collective enterprises or so-called "rural enterprises." The counties were former people communes which had been used to maintain agricultural support for the SAW's workshops. Given the historical relationship, the rural enterprises could receive spare parts subcontracting order from the SAW workshops. Until 1989, the Yunyang regional government invested 80 million yuan to complete technological renovation for the 18 spare parts factories that were subcontracted to the SAW. The total subcontracting production value for the whole region was 162 million yuan in 1988.⁷² For instance, the Hubei Yunyang Automotive Vessel Plant was actively launching an advertisement on national television to market the Dongfeng truck spare parts.⁷³

⁷¹ Fieldnote, August 3, 1991.

⁷² Wang Qigang (1989). "'Dongfeng' wanli xie chunlai" ('East Wind' Brings the Spring Over Thousands Miles Away). *Qiye daokan*, 10:15-17, p. 16.

⁷³ Fieldnote, August 5, 1991.

There has been a discussion in the Hubei provincial government that the Yunyang regional government may be eliminated and be transferred under the Shiyan municipality jurisdiction. One major consideration has been whether the Shiyan municipality has such an administrative capacity to control a large piece of land. The SAW may have been uncomfortable with such an administrative change, for it could aggravate the existing institutional conflict.

D. Social Impacts during Urban Transformation

Restructuring of the SAW and Shiyan city in the direction of expansion and concentration has brought about fundamental changes in Shiyan. Urbanization has been taking place in the process of merging the dispersed production districts. A direct impact on Shiyan is the growth of urban population. In China, the number of non-agricultural population is an indicator of urban growth. Table 7.9 shows that there had been declines of non-agricultural population in 1979, 1981, and 1982. These tendencies were due to the departure of construction teams. Except these three years, the non-agricultural population has been experiencing growth while the agricultural population has been shrinking. This development trends indicate that growth of urban population in Shiyan was keeping up with the pace of growth of industrial output.

Growth of the non-agricultural population in Shiyan was not solely the consequence of industrialization. Historical legacy of former social mobilization policy in part contributed to urban growth. Most of the lower rank workers that migrated to Shiyan in the 1970s came alone. In the mid-1980s, the SAW approved that family members of these workers could move to Shiyan for reunion.⁷⁴ Thereby, it added non-agricultural population to Shiyan.

⁷⁴ *Shiyan shi chengshi zongti guihua -- 1990-2010 -- zhuanli yanjiu baogao* (The Master City Plan of Shiyan -- 1990-2010 Special Study Report) (1989). Shiyan shi: Shiyan shi renmin zhengfu, p. 26.

Table 7.9. Population Changes in Shiyan, 1970-89

Year	Total City Population	Non-agricultural Population	Agricultural Population
-----	-----	-----	-----
1970	173,764	70,314	103,450
1971	206,318	100,960	105,358
1972	220,554	111,754	108,809
1973	222,802	109,901	112,901
1974	234,704	116,455	118,249
1975	257,643	135,218	122,425
1976	274,169	148,133	126,036
1977	281,830	152,617	129,213
1978	292,013	162,319	129,694
1979	300,116	173,390	126,726
1980	306,044	181,560	124,394
1981	293,573	170,949	122,624
1982	297,231	175,185	122,046
1983	301,757	182,528	119,226
1984	314,966	203,920	111,046
1985	332,554	227,301	105,253
1986	338,492	235,753	102,739
1987	354,291	251,571	102,720
1988	361,100	259,700	101,400
1989	378,345	266,276	112,069

Sources:

Shiyan shi chengshi zongti guihua -- 1990-2010 -- zhuanli yanjiu baogao (Master City Plan of Shiyan, 1990-2010: Special Study Report). Shiyan shi: Shiyan shi renmin zhengfu, Table 1.

Tan Chongtai (ed.) (1988). Zhongguo rekou -- Hubei fence (China's Population--Hubei Volume). Beijing: Zhongguo caizheng jingji chubanshe, pp. 68;70;158.

Zhongguo chengshi jingji shehui nianjian 1988 (Almanac of China's Urban Economy and Society). Beijing: Zhongguo chengshi jingji shehui nianjian chubanshe, p. 831.

Zhongguo chengshi tonji nianjian 1989 (Statistical Yearbook of City in China, 1989). Beijing: Zhongguo chengshi jingji shehui chubanshe, p.32.

As Shiyan city is developing toward a modern industrial city, social relationships have been changing accordingly. The former self-reliant urban life has been transformed into emphasis on consumption. Contrary to the notion of "producer city," Shiyan city created more servicing jobs. While the average standard of living in Shiyan has been improving, social inequality between the urban and rural population has been also widening.

The occupational structure in Shiyan is divided along the line of "work unit" (*danwei*), i.e., the SAW and Shiyan municipal system.⁷⁵ These two systems provide most of the industrial jobs for the Shiyan non-agricultural population. Table 7.10 shows that the work forces in the SAW have been growing by six percent per year from 1979 to 1989 while GVIO in Shiyan industrial system has been experiencing 8.3 percent annual growth from 1980 to 1989. The size of Shiyan industrial work forces was only about 20 percent of the SAW. Urban reform in Shiyan has created new servicing jobs in the booming commercial and service sectors. Servicing jobs have experienced seven percent growth per year in the period 1983-88.

The occupational structure of Shiyan indicates that the urban function of city in the 1980s has been shifting from the Maoist "producer city" to a "productive-consumption city." For instance, the number of jobs provided in Shiyan in 1987 is ranked in the following order: 1) industry; 2) agriculture; 3) restaurant and retail; 4) education; 5) party and government; 6) construction; 7) real estate and residential service; 8) transportation; 9) hygiene and social welfare; 10) finance and insurance; and 11) scientific research and technology.⁷⁶ According to this order, industry provided most jobs in Shiyan. Although agriculture was ranked second, the number of

⁷⁵ The other two work units in Shiyan are Yunyang region industrial system and Hubei provincial industrial system. But their workforces employed in Shiyan are relatively small.

⁷⁶ Zhongguo chengshi guihua sheji yanjiuyuan / Shiyan shi guihua ju (1989). *Shiyan shi chengshi zongti guihua, 1990-2010*. Shiyan: Shiyan shi renmin zhengfu, p. 49.

Table 7.10. Number of Industrial and Non-Industrial Workers in the SAW and Shiyan City's Industrial System

Year	Industrial Workers in Shiyan Municipal Industrial System	Non-Industrial Workers	SAW Workers
----	-----	-----	-----
----	-----	-----	-----
1978			47,144
1979			44,536
1980	9,581		47,885
1981	9,943	38,566	50,875
1982	10,785	39,865	53,062
1983	12,024	27,265	54,367
1984	13,642	29,014	58,646
1985	15,703	31,617	62,430
1986	16,651	33,892	64,565
1987	18,660	38,167	67,638
1988	19,942	37,369	77,035
1989	19,432		79,154

Note: The growth rate of the SAW work forces from 1979 to 1989 is 6% and the growth rate of the work forces in Shiyan industrial system from 1980 to 1989 8.3%.

Sources:

Shiyan shi tongji ju (1979). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1978*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1978).

(1980). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1979*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1979).

(1981). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1980*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1980).

(1982). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1981*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1981).

Table 7.10 (cont'd)

(1983). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1982.
Statistical Yearbook of National Economy of Shiyan, Hubei 1982).

(1984). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1983.
Statistical Yearbook of National Economy of Shiyan, Hubei 1983).

(1985). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1984.
Statistical Yearbook of National Economy of Shiyan, Hubei 1984).

(1986). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1985.
Statistical Yearbook of National Economy of Shiyan, Hubei 1985).

(1987). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1986.
(Statistical Yearbook of State Economy Shiyan, Hubei, 1986).

(1988). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1987.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1987).

(1989). Hubei sheng shiyan shi guomin jingji tongji nianjian 1988,
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1988).

(1990). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1989.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1989).

agricultural population and farmland has been declining since the SAW was in full operation. Restaurant and retail sectors are expanding as a result of improvement of consumption power of general public. The number of construction and of real estate employment indicates that housing construction was the fourth important economic sector in Shiyan.

The occupational structure in 1987 showed that Shiyan had been involved in industrial, commercial, and constructional activities, whereas agricultural activity declined. As a result of the emergence of rural enterprises, the agricultural population also has the opportunity to be involved in industrial production. This picture tells us that Shiyan is emerging as an automotive industrial city, where the industrial and agricultural egalitarian relationship is substituted by the automotive subcontracting relationship.

Since 1978, the average standard of living of the working population in the Shiyan region has been improving substantially. Table 7.11 indicates that the annual income of the SAW workers and Shiyan municipal industrial workers' annual growth rate from 1978 to 1989 were 15 percent and 16 percent, respectively. Although the Shiyan municipal workers received higher growth rate than the SAW workers, the SAW workers enjoyed 28 percent more annual income in 1989 than the Shiyan municipal workers.

The annual income of rural population in Shiyan has long fallen below the average level of rural population in Hubei Province. Since 1973, the rural population has been mobilized to shift from growing grain to growing vegetables. Such a change brought Shiyan peasants better incomes. During the 1980s, rural enterprises grew rapidly. In 1985, for example, there were 529 rural enterprises in the Shiyan region,

Table 7.11. Comparing the Annual Income of Shiyan Municipal Industrial Workers, Non-Industrial Workers, and SAW Workers, 1987 (in Yuan)

Year	Non-Industrial Workers	Municipal Industrial Workers	SAW Workers
-----	-----	-----	-----
1978		466.00	605.00
1979		735.30	782.20
1980		778.50	823.90
1981	782.90	749.20	818.20
1982	792.45	738.20	852.60
1983	734.00	892.50	962.90
1984	886.68	952.72	1,335.00
1985	1,121.00	1,144.43	1,416.20
1986	1,237.10	1,249.29	1,702.30
1987		1,272.94	1,864.47
1988	1,787.00	1,900.50	2,192.56
1989		2,153.25	2,758.00

Note: The growth rate of annual income of Shiyan city's industrial workers from 1978 to 89 is 16.4% and the growth rate of annual income of SAW workers from 1978 to 1989 15.3%.

Sources:

Byrd, William A. (1992). "The Second Motor Vehicle Manufacturing Plant." Pp. 371-426 in *Chinese Industrial Firms Under Reform*, edited by William A. Byrd. New York: Oxford University Press, p. 384, Tables 7 and 9.

Shiyan shi tongji ju (1979). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1978*. (Statistical Yearbook of National Economy of Shiyan, Hubei, 1978).

(1980). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1979*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1979).

(1981). *Hubei sheng Shiyan shi guomin jingji tongji nianjian 1980*. (Statistical Yearbook of State Economy in Shiyan, Hubei, 1980).

Table 7.11 (cont'd)

(1982). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1981.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1981).

(1983). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1982.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1982).

(1984). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1983.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1983).

(1985). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1984.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1984).

(1986). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1985.
(Statistical Yearbook of State Economy in Shiyan, Hubei 1985).

(1987). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1986.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1986).

(1988). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1987.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1987).

(1989). Hubei sheng shiyan shi guomin jingji tongji nianjian 1988,
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1988).

(1990). Hubei sheng Shiyan shi guomin jingji tongji nianjian 1989.
(Statistical Yearbook of State Economy in Shiyan, Hubei, 1989).

providing non-agricultural jobs for the surplus rural labor.⁷⁷ All these changes in Shiyan's rural suburbs improved the income level of the rural population. During the 1980s, the annual income of rural population increased from 111 yuan in 1980, to 229 yuan in 1983, 277 yuan in 1984, 354 yuan in 1985, 437 yuan in 1988, and 525 yuan in 1989.⁷⁸ Although the Shiyan peasants' income level had improved, they still lagged behind the Shiyan municipal workers and SAW workers in real terms. This created a widening gap of urban-rural inequality.⁷⁹

There were substantial changes in the consumption structure of the Shiyan population during the 1980s. Comparing the consumption power of 1985 with that of 1984, each 100 urban household who possessed color television sets increased from 8 to 33 (highest in Hubei); electrical fans from 74 to 98, bicycles from 48 to 69, washing machines from 46 to 73, cassette recorders from 28 to 55, and refrigerators from 6 to 26 (highest in Hubei).⁸⁰

The consumption power of each household increased substantially as most of the households have more than one bread winner who can bring in 500 to 800 yuan a month. In general, the SAW workers earned more money than the FAW workers. The SAW workers received special subsidy (*jinsan fei*) for coming to the remote Shiyan. In addition, the SAW workshops and functional departments always received gifts from the subcontractors.⁸¹ Households of the SAW workers possessed more and

⁷⁷ Yu Youqing (1987). "Dui Shiyan shi jingji fazhen zhanlue de tantao" (Seaching for Economic Development Strategy for Shiyan). *Wuhan daxue xuebao shehui kexue luncong: jingjixue zhuanhao*, 1:95-101.

⁷⁸ *Zhongguo chengshi jingji shehui nianjian 1990*, p. 831.

⁷⁹ Hubei sheng tongji ju (1992). *Hubei tongji nianjian 1991* (Statistical Yearbook of Hubei 1991). Wuhan: Zhongguo tongji chubanshe, p. 422.

⁸⁰ Hubei sheng tongji ju (1987). *Hubei shengqing* (The Conditions of Hubei Province). Wuhan: Hubei renmin chubanshe, p. 421.

⁸¹ I witnessed during my fieldwork that personnel in the office were dividing pork and calendars. Fieldnote, November 30, 1991.

higher quality of electrical appliances.⁸² As the SAW workers traveled more often to Wuhan and Beijing, they acquired a higher taste for consumer goods. Many of them complained that the city department stores could not provide quality goods that fit their consumption needs.⁸³ The mayor office admitted that the function of Shiyan is to fulfill the purchasing needs of general public.

IV. Formation of Enterprise City--Breakup of Spatial Egalitarianism

Urbanization of Shiyan in the 1980s had transformed the former self-reliant, dispersed urban system into a more concentrated city. The changes of industrial organization and the municipality's separation from the SAW have transformed the land use pattern in Shiyan. Farmland was occupied by industries and other urban facilities. The central city emerged while the former isolated workshops were regrouped and formed urban communities. The construction of residential housings was in high priority. There has been a big improvement in the urban residential space.

A. Spatial Transformation: Expansion and Concentration

When industrial and urban constructions were expanded in Shiyan, a large area of farmland was transformed for non-agricultural purposes. It was estimated that one third of the farmlands was lost between 1970 and 1983. Table 7.12 shows that the total area of farmland dropped from 77.37 square kilometers in 1970 to 50.69 square kilometers in 1983. This figure indicates that the loss of farmland was minimized because of the "dispersal to mountain and cave" strategy. The SAW workshops were built inside valley and hillside. Most of the lost 27 square kilometers farmland was transformed to roads and other production related facilities. As Shiyan developed

⁸² Fieldnote, November 29, 1991.

⁸³ Fieldnote, August 8, 1991.

Table 7.12. Total Area of Farm Land: Grain and Vegetable Productions in Shiyan City

Year	Farm Land (sqkm)	Grain Production (10,000 ton)	Vegetable Production (10,000 ton)
---	-----	-----	-----
---	-----	-----	-----
1970	77.372	2.541	
1983	50.692	2.723	4.100
1985	39.687	1.957	5.235
1987	38.019		
1988	40.000*	1.300	6.200

* This figure may include 3000 mu or 200 hectares of vegetable land in the Yunxian's vegetable co-op.

Sources:

Hubei sheng tífāngzhì biānzāo wéiyuánhui (1984). *Hubei shìxiān gāikuāng* (A Brief Account of Hubei City and County). Wuchang: Hubei sheng xīshuǐ xiān yīnshuā chāng, p.39-40.

Hubei sheng tóngjì jú (1987). *Hubei shèngqíng* (The Conditions of Hubei Province). Wuhan: Hubei rénmin chubānshe, p.420.

Zhōngguó chéngshì jìhuà shèzhì yánjiūyuán and Shìyān shì guìhuà jú (1989). *Shìyān shì chéngshì zōngtǐ guìhuà -- 1990-2010* (Master City Plan of Shiyan, 1990-2010). Shiyan shì: Shiyan shì rénmin zhèngfǔ, p.29.

Zhōngguó chéngshì tóngjì niánjiān 1989 (Statistical Yearbook of City in China). Beijing: Zhōngguó chéngshì jìngjì shèhuì chubānshe, pp. 42, and 132.

quickly, another 20 percent or 10 square kilometers of farmland was transferred to urban land from 1983 to 1988.

The policy for the farmland reduction was: "occupy farmland but do not reduce agricultural production" (*zhanti bu jianchan*). Agricultural production had been restructured by shifting grain production to vegetable production. Table 7.12 (p. 314) shows that the grain production was reduced from 25,410 tons in 1970 to 13,000 tons in 1988, while the vegetable production rose from 41,000 tons to 62,000 tons from 1983 to 1988.

The urban construction area was expanded 140 percent during 1978-1988. The urban construction area increased from 11.1 square kilometers in 1978 to 26.6 square kilometers in 1988.⁸⁴ Most of the land expanded along the main road and the workshop area. Such a development pattern connected many of the former isolated workshops and formed the Central District (see Map 7.2, pp. 286-287). At the same time, the isolated workshop districts in Tumen, Hongwei, Huaguo, Baili, Maojian, and Bailang are expanding around the workshop area. Due to the long distance from the Central District, these districts still cannot be connected together.

A survey conducted by the China's Academy of Urban Planning and Design in 1987 shows that the degree of convenience and the grade of land were rated. This survey provided information for a proposal about the reform of levying land usage fee in Shiyan. The degree of convenience of Shiyan districts was rated from one to ten. The Central District that has most urban facilities was the most convenient place in Shiyan. This area was concentrated with the headquarters of the SAW, Shiyan municipality, and Yunyang regional government. These work units put up new buildings within their territories. As a result, the land in this area was rated to be the

⁸⁴ Hubei sheng tífāngzhì biānzào wéiyuánhui (1984). *Hubei shíxiān gāikuāng*. Wuchang: Hubei sheng xishui xian yinshua chang, p. 34; and *Zhongguo chengshi tongji nianjian 1989* (1990). Beijing: Zhongguo chengshi jingji shehui chubanshe, p. 32.

first and second grade. Hongwei is the second convenient place because of its closeness to the Central District. As the Central District and Hongwei have very little land for further investment, future development is heading toward the suburban area. Although the proposed land usage fee was relatively low in suburbs, the outskirts of the city had very little urban infrastructure.⁸⁵

In the early 1980s, there was a substantial number of construction of residential apartments. Both the Shiyan municipality and SAW workshops built living quarters for their workers in their own territory. The total residential area increased from one million square meters in 1984 to 1.6 million square meters in 1988, a 47 percent increase in four years. The living area per individual improved from 5.25 square meters to 6.0 square meters in the same period.⁸⁶ The SAW workers enjoyed less living space than the municipal workers. As the municipality controlled the land of the city, the municipal units could have a easier access to the limited urban land. However, most of the workshops were still confined in their own territory; most of the expansion projects had to be built on the hillside.

B. Transformation of City Management

The organization of city districts in Shiyan has been undergoing different stages of development since 1982. The change stemmed from the expansion of urban construction area and urban functions. Shiyan has been transformed from a dispersed city into a enterprise city since the 1980s. A new organization of city districts has

⁸⁵ Zhongguo chengshi guihua sheji yanjiuyuan, and Shiyan shi guihua ju (1989), pp. 50, 53. and 54.

⁸⁶ *Zhongguo chengshi jingji shehui nianjian 1985* (1986). Beijing: Zhongguo chengshi jingji shehui nianjian chubanshe, pp. 868, 1250, 1251, and 1252; *Zhongguo chengshi jingji shehui nianjian 1988* (1989). Beijing: Zhongguo chengshi jingji shehui nianjian chubanshe, pp. 113, and 762.

emerged to fit the increasingly complicated urban functions. The transformation also shows the change of conception of city in China.

In 1982, Shiyang was organized into urban and suburban districts. As shown in Figure 7.1, the urban area consisted of four street offices (*jiedao banshichu*). In a small size of "no district city" (*bushe qu de shi*), the street offices were established to administer municipal policies.⁸⁷ Under the four street offices, there were 66 residential committees (*jumin weiyuanhui*). Each residential committee administers 100 to 600 households depending on the size of the city. Because of disintegrated urban structure, the residential committees in Shiyang were usually based on the system of the SAW workshops.⁸⁸ The suburban district was still based on the eight people communes. Under the people communes were 145 production brigades and 860 production teams. Some of the people communes, such as Shiyang, Huaguo, Tumen, and Maojian, were located in the territory of urban district. This is a legacy of enterprise-city integration (*changshi heyi*).

From 1982 to 1986, the non-agricultural population is estimated to have grown at about 8.5 % per annum from 175,185 to 235,753. About 34 percent of the increased non-agricultural population was transferred from the previous agricultural population when the people communes were dismantled. Much of the land that belonged to the Maojian, Shiyang, Tumen, and Huaguo people communes were turned into urban land. Figure 7.2 shows that the former urban area was divided into Zhangwan and Maojian districts. Under these districts were five street offices: Wuyan, Eryang, Motor City Avenue, Tumen, and Maojian. The first three street offices are located in the Central District. The organization of these street offices reveal the

⁸⁷ Xu Chongde (1988). *Chengshi zhengzhixue*. (The Study of Urban Politics). Beijing: Guangming ribao chubanshe, p. 252-3.

⁸⁸ I saw the sign boards residential committees of the General Assembly Shop and Stamping Die Making Shop during my field research. Fieldnotes: November 24, 1991 and November 28, 1991.

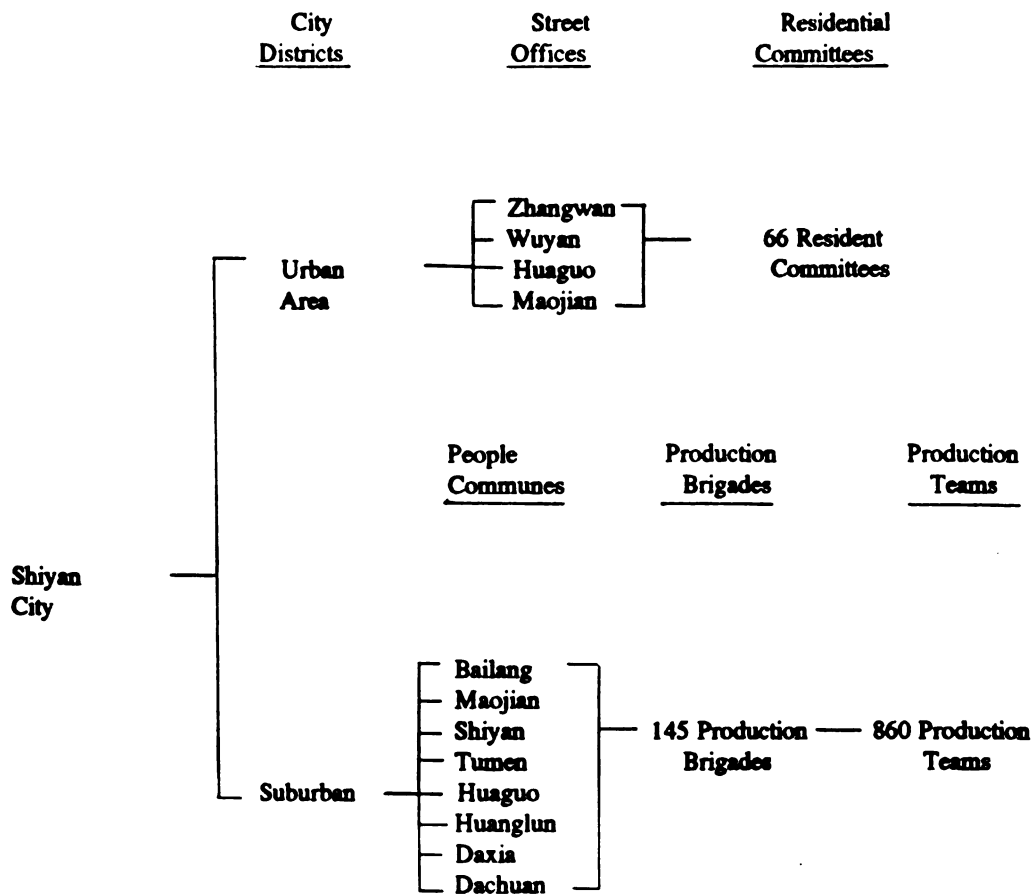


Figure 7.1. City Districts in Shiyen, 1982

Source:

Hubei sheng tífāngzhì biānzào wéiyuánhui (1984). *Hubei shì xiān gāikuāng* (The General Conditions of Hubei Cities and Counties). Wuhan: Hubei sheng tífāngzhì biānzào wéiyuánhui, pp. 34-5.

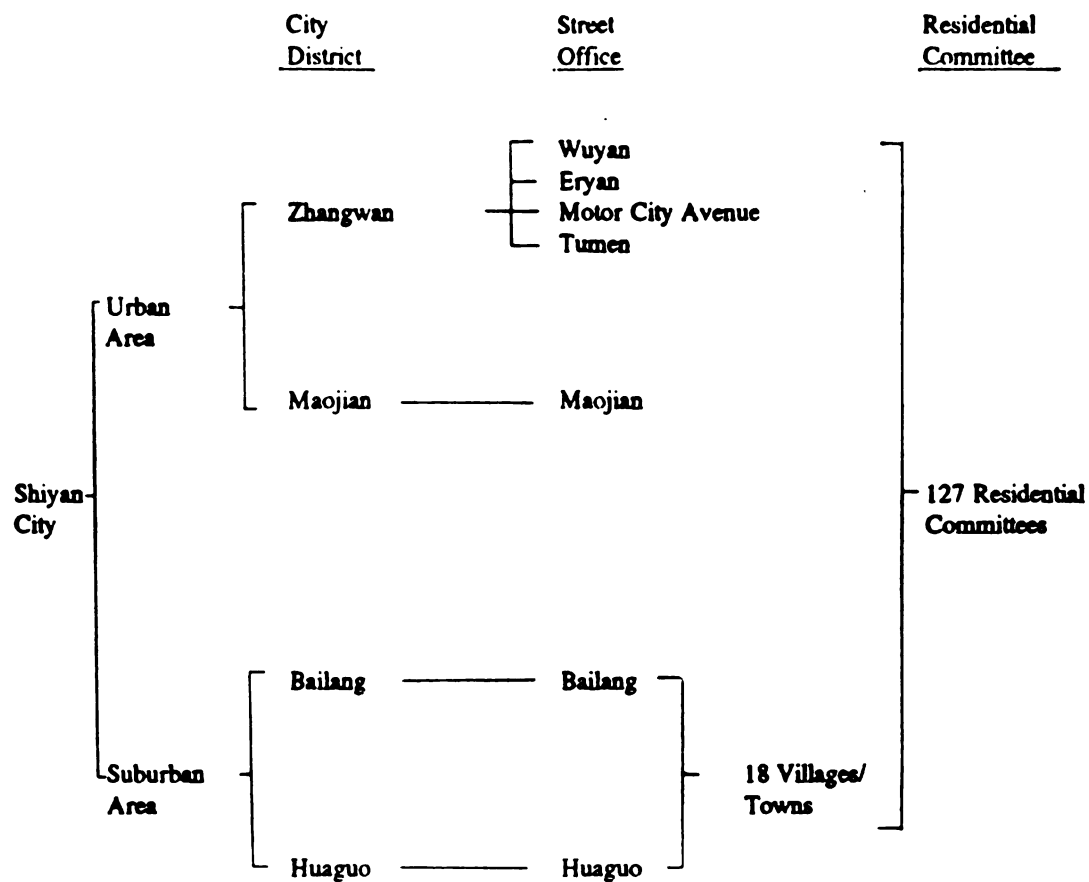


Figure 7.2. City Districts in Shiyen, 1986

Source:

Hubei sheng tongji ju (1987). *Hubei shengqing* (The Conditions of Hubei Province).
 Wuhan: Hubei renmin chubanshe, p. 419.

growth of the Shiyan municipality. The Wuyan and Eryan street districts belong to the municipality. The city government turned the former farmland along the Renmin Road into urban land. The newly established Eryan street district indicates the expansion of municipal system. The suburban area became two street offices: Bailang and Huaguo. As many of the agricultural population in production brigades turned to non-agricultural population, the number of residential committees increased from 66 in 1982 to 127 in 1986.

Figure 7.3 shows the relation between the street offices and plant/city districts. The location of each of the street districts is shown in Map 7.2 (pp. 286-287). The municipal system expanded from Wuyan, Eryan to Wudang, Bailang, and Baili. The last three street districts were transformed from agricultural land to urban land in the mid-1980s. Many of the municipal auto subcontracting factories are located along the Wudang Road. Bailang, however, is preparing to be the special economic and technological development zone. Baili is planned to prepare residential land for the city population.

The SAW has encountered land shortage for expansion. The SAW's territory has not been expanded as much as the Shiyan municipality. Most of the 27 workshops and supporting facilities in 1989 were located in the Motor City Avenue, Hongwei, Maojian, and Huaguo street districts. The workshops' expansion construction and living quarters had to be built along the hillside.

Historically, Shiyan had been disintegrated into production district communities. The "workshop-commune integration" (*changshe heyi*) led each workshop to develop its own self-reliant reproductive system. The workers' living quarters and reproductive facilities were located in the vicinity of workshops.⁸⁹ There was little coordination for

⁸⁹ Yi Ming (1989), p. 13.

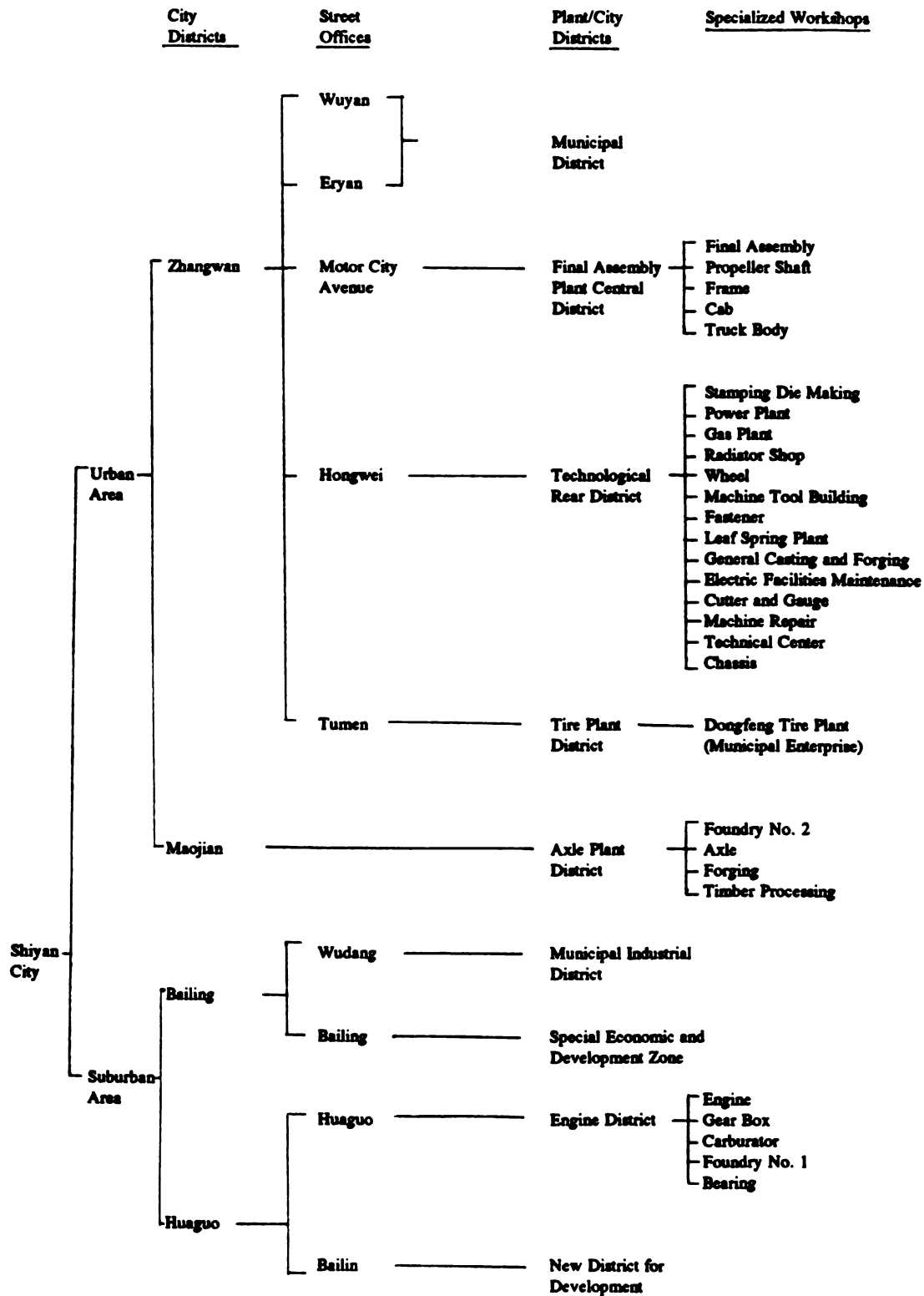


Figure 7.3. City and Plant Districts in Shiyang, 1989

Figure 7.3 (cont'd)

Sources:

Hubei sheng jihua weiyuanhui / Hubei sheng chengxiang jianshe ting (eds.) (1987). *Dangdai Hubei jiben jianshe* (Contemporary Hubei Basic Constructions). Wuhan: Hubei renmin chubanshe, pp. 247-8.

Shiyan shi guihua ju (1980). *1980 nian Shiyan shi chengshi zongti guihua* (Master City Plan of Shiyan, 1980). Shiyan shi: Shiyan shi renmin zhengfu.

Zhongguo chengshi guihua sheji yanjiuyuan / Shiyan shi guihua ju (1988). *Shiyan shi chengshi zongti guihua -- 1990-2010* (Master City Plan of Shiyan, 1990- 2010). Shiyan shi: Shiyan shi renmin zhengfu, pp. 16-17.

development among each workshops. The lack of coordination created confusion and contradiction in the use of urban facilities.⁹⁰

During the economic reform period, the decentralization tradition has continued under the "Three Comprehensives" policy. Each subordinate workshops entered "profit increase responsibility system" with the SAW headquarters. The new contract confined the workshops' usage of retained profit to 70 percent for workshop renewal, 20 percent for workers' collective welfare, and 10 percent for bonus.⁹¹ Many of the retained profit was used for construction and improvement of living environment.

The workshops built new auditoriums, parks, grocery stores, living quarters in the valley that stretched out toward the main road.⁹² It helped each district to form a community. There are seven districts emerged during the 1980s. Among them, the Central District has become a high density construction area along the Renmin Road and Motor City Road (see Map 7.2, pp. 286-287). In the very far east, the Maojian and Bailang districts are two separated communities but they are planned to merge together. In the north, Tumen district is a fairly isolated community. In the west, there are Hongwei, Huaguo and Baili districts. These districts are fairly isolated. In this urban pattern, except the Central District, all the community districts are independent and isolated. As to the distribution of urban facilities in each of the districts in 1987, we can predict that the Central District has most of the recreational facilities. Maojin and Bailang districts have the second best in Shiyan. In fact, most of the facilities are along the main road of Maojin. Bailang is still an underdeveloped district. Each district has some sort of parks, auditoriums, clubs, stadiums and hospitals for local residents. However, many of these recreational facilities belong to particular workshops. Therefore, they are not open to other people in the same

⁹⁰ Dier qiche zhizao chang changzhi bianzuan weiyuanhui bangongshi (1986), p. 19.

⁹¹ William A. Byrd (1992), pp. 404-5.

⁹² Fieldnote: November 24, 1991, and November 28, 1991.

location. Many of these facilities are therefore duplicated and at a low usage rate. The continuation of decentralized self-reliant development during the early stage of economic reform aggravated the duplication and waste of developmental fund. This pattern of development also occupied many of the agricultural and urban land.

The urban form of Shiyan is determined by the layout of production workshops. The distribution of population and employment in each district in 1987 is in proportion. It indicates the early stage of self-reliant settlement. Fifty percent of the city population lived in the Central District, and 49.2 percent of city employed population is also located in this area. The Central District (*Zhangwan*) consisted of seven workshops of final assembly plant production region. The Shiyan municipality and Yunyang Regional government are also located in this area. Furthermore, most of the city recreational facilities and retail shops are concentrated in this area. In short, it has most of the urban population.

Maojian and Bailang districts have the second largest population. In addition to the Axle Plant District located in Maojian, many of the municipal auto subcontracting factories are located along the Wudang Road. Bailang is designed to attract outside capital and develop into an economic and technological zone. It is clear that the future development of Shiyan is heading eastward.

V. Conclusion

During the market socialist reform, the social and spatial structures of Shiyan has changed from a dispersed city into a more concentrated enterprise city. This chapter demonstrates that the market socialist reform has made a series of major institutional changes. New economic institutions emerged in cities and suburbs engaging in economic division of labor with the SAW. Automotive industry was one of the mainstay businesses as the central state wanted to focus on building a national

industry out of it. Under such circumstances, China's motor city played an important role in facilitating the restructuring process of auto production systems. Municipalities once again assumed the supporting role for automotive development. However, by this time, municipalities became much more powerful than during the First FYP or the Third Front period. The municipalities retained more decentralized authorities as well as substantial financial power to launch urban and economic development. Their vigorous economic activities have led China's motor cities to experience unprecedented urban development, restructuring the previous spatial patterns into a new concentrated urban form.

The historical legacy inherited from the mass-line construction created tremendous constraints on the Shiyuan urban restructuring in the 1980s. The dispersed workshops system had limited the formation of coordinated auto production system. The highly dependent SAW auto production system was threatened when the state changed its development strategy by cutting central support. But the SAW's younger leadership and some of the high CCP officials managed to bring back state supports to the SAW. They, in fact, succeeded in getting more state resources, as well as more autonomous authorities for the SAW. The SAW's latest Chinese technology and relatively young work force enabled the SAW to get back into the track and experience rapid economic growth.

Part II in this chapter illustrates organizational transformation of the SAW from a mass-line enterprise into a "quasi-state" enterprise. The major characteristics of "quasi-state" enterprise was that the central state partly relinquished its control over the SAW, allowing the SAW to retain part of its profit for its own self-financed development. Such policy was fairly successful in installing a self-financing mechanism within the SAW. The self-financing mechanism transformed the organization and auto production system. To illustrate, the SAW consolidated Shiyuan production base and formed the Dongfeng Conglomerate to engage in merge with local

automotive factories across the countries. As a result, the SAW experienced a rapid growth in production, penetrating local markets through the influence of Dongfeng associate factories. Such operations could generate part of the developmental funds for the SAW's second, and third auto production bases located outside the Shiyan region. Despite the apparent successful restructuring, the SAW, like other Chinese enterprises, experienced the uncertain and volatile course of economic reform. Most of the SAW's economic efficiency in production was offset by the inflated raw materials and imposition of new taxes.

Part III deals with the relationship between the SAW and Shiyan municipality. The role of municipality was reinstated during the reform policy. The Shiyan municipality, separated from the SAW, has been expanding quickly. The Hubei Provincial government has decentralized authorities and engaged in revenue sharing contract with the Shiyan municipality. This policy substantially strengthened the Shiyan municipality's financial power for urban and economic development. Despite receiving considerable authorities for local development, the Shiyan municipality was unable to facilitate effective coordination for the urban development. For one thing, the Shiyan municipality was preoccupied with establishing municipal industrial system upon which the city revenue was based. Apparently, the self-financing mechanism has turned the local government into a business unit. The Shiyan municipality was competing for the SAW subcontracting opportunity, leaving the coordination of urban development in each work unit's hand. The Shiyan municipality's economic orientation has triggered institutional conflict with the SAW. The SAW complained the Shiyan municipality failed to provide favorable urban facilities for the SAW's rapid production growth. The point to note is that the SAW and Shiyan municipality were linked together by the need for enterprise management and rules of operation surrounding the expanding subcontracting auto production system but not for the urban development. Thus, their relationship has changed from that of the social organization

with a highly egalitarian character into one that practices the economic division of labor.

The changes of social structure are also reflected in space. The farmland between the dispersed workshops were quickly filled with productive and reproductive facilities. This allowed Shiyang to restructure itself from a dispersed city into a growing central city with several small communities. The Shiyang agricultural land was controlled by the newly established Shiyang municipality. The municipality launched vigorous industrial and urban development since the mid-1980s, which led many of the farmland disappear in and around the central city. The SAW, however, began to build workers' living quarters around the workshops' valley area. Since the SAW occupied the hilly area, most of the farmland was left untouched. This created a favorable condition for the Shiyang municipality to capture the best land of the city. Despite the SAW's unfavorable location, the city has been growing in many directions surrounding the SAW's gigantic auto production system. The outcome of this development is the emergence of an enterprise city.

Did the new enterprise city alter the political logic of urban development followed during the Mao's era? This case study shows there was little change in the logic of urban development. Although China's economic reform was fairly successful in generating local resources and in enhancing social division of labor, the institutional behavior did not change much. Municipality behaved as an economic enterprise aimed to generate more revenues through the subordinate municipal industrial system. Each work unit was eager to invest in its own territories, building up an independent community. Thereby, urban development was still dependent on work unit's collective consumption. Municipality had neither effective administrative nor legal authorities to regulate urban development. On the whole, rapid urban development resulted from each work unit's vigorous investments in its own territories.

Enterprise City: Urban Transformation of Changchun during the Market Socialist Reform, 1978-1990

The First Auto Works (FAW) is a prototype automobile plant in China. It had been playing a leading role in the national planning of automobile industry development. In the China's state administration system, the FAW was the base of production, innovation, training, and provision of foreign aid. Given this special function, the FAW has been closely maneuvered by the central state, even though it was decentralized to the Jilin Provincial government since the late 1960s. The FAW was provided with annual mandatory production target, raw materials, and funding by the central state. Since the First Five Year Plan (FYP), automobiles had been considered as one of the "centrally controlled materials" (*tongpei wuzi*). The FAW products were purchased by the state, which left the FAW no more than a machine of turning out automobiles.

This chapter suggests that the FAW has transformed into "quasi-state" enterprise under the market socialist reform. The FAW engaged in a new profit sharing relationship with the central government, allowing the FAW to self-finance the ambitious expansion projects. Part I describes the structural obstacles of the FAW inherited from the previous development. Part II argues that the operation of the "quasi-state" enterprise (FAW) was heavily hindered by the inherited structural problems that the FAW depended on vertical supports from the State Council to receive grants for investment funding and special policy. Part III details the growing social division of labor between the FAW and the Changchun municipality, which led to narrow the previous dual developmental differences in Changchun. Part IV discusses

the spatial restructuring within Changchun, which created a rapid expansion of the FAW production district and a more integrated commercial and production system.

I. Historical Legacy--Transitional Problems

A. Aging Machinery and Infrastructure

The FAW auto production system has been aging after two decades of operation. One main reason for this aging phenomena stemmed from the inability of self-renewal and innovation. The FAW stressed expansion of capital construction and speed of growth without paying attention to technical renovation and efficiency. The increase of production volume was the result of the expansion of the production facilities not of the increase of productivity. The limited development capital was used not in renewing machinery but to invest in new projects. As a result, the automotive plant has been getting bigger and bigger, but the production system has been deteriorating without replacement. One of the main problems is that the products lack technological innovations. After two decades of practicing this system, the structural problems have been deeply rooted into the production system, which put tremendous obstacles for reform. The average age of the 20,000 FAW machinery was 21 years old.¹ Most of them were bought from the Soviet Union during the 1950s. Some of the machines were broken down or were short of parts to keep them running. Even the operational machines have been rebuilt many times.

¹ Guowuyuan jingji jishu shehui fazhan yanjiu zhongxin (1988). Yiqi zai gaige kaifang shiqi de jishu gaizao--laizi shengchan diyi xian de tiaocha baogao (Technological Transformation of First Auto Works in the Openly Reform Period -- Research Report from the Production Front Line). Shenzhen: Zhongguo caizheng jingji chubanshe, p.12.

B. Overburdened in Aiding the Second Auto Works Construction

The design of the FAW was similar to that of the Moscow Stalin Automotive Plant, the major Russian contractor for the construction of the FAW in the 1950s. The FAW had the Automotive Research Institute and other mechanical departments that were capable of designing new machines for automotive industry. The nearby Number Ninth Design Institute administered by the First Ministry of Machine Building (FMMB) had a relatively strong industrial plant design ability. Most of this design and manufacturing capacity were diverted to fulfill the state assigned projects for national and foreign aids.

In 1966, one third of the FAW cadres and technicians were transferred to Shiyan, and they were responsible for building 17 workshops.² The FAW also turned over the 4E140 new model truck, which was originally used to replace the old Jiefang truck to the SAW. The central state also assigned contracts to the FAW to build auto parts factories in North Korea, Romania, and Albania.³

The limited state investment was diverted to the other national automotive factories. The FAW received very little state investment since its establishment in 1957. The rate of state investment in the FAW and in the national automotive industry had been dropping. In 1957, the year of completion of the FAW, 74 percent of the state investment in automotive industry went to the FAW.⁴ Since then, the state investment had been diverted away from the FAW to other automotive industries. For instance, the Second Auto Works, was constructed between 1966 and 1976. The costly project, due to the remote and mountainous conditions, took most of the state investment from other automotive plants, such as the FAW.

² *Renmin ribao*, July 19, 1987, p.1.

³ Diyi qiche zhizaochang shizhi bianzuanshi (1989?). *Chuangye de licheng* (The Journey of Establishment). Changchun: Jilin kexue jishu chubanshe, p. 37.

⁴ Guowuyuan jingji jishu shehui fazhan yanjiu zhongxin (1988), p. 248, Table 1.

In short, the reasons the FAW encountered deteriorating infrastructure and machinery were due in part to 1) the inefficient development strategy that drew most of the precious capital to the remote area, 2) the inefficient use of funds by expanding the scale of production instead of renewing the machinery and bringing innovation, and 3) the lack of autonomous authority and of incentives for enterprises to restructure the production system. These problems are revealed in one of the FAW cadre writings:

Regrettably, the production line had not been corrected in the past twenty some years. The development process had followed vicious circles. For example, they may follow the sequence of design-manufacture process and successfully turn out a new product but they did not put it into mass production, or they were compelled to produce new products under the 'four simultaneous strategy,' which completely ignored the scientific manufacturing process.⁵

C. State Reassurance Support

Under the market socialist economy, the FAW played a somewhat different role under the state plan. The FAW has been granted more autonomy by the central state to transform itself to become a "quasi-state" enterprise, i.e. the FAW has more decision-making authority on economic matters. According to the master plan of the central government, the state intended to revitalize the economic capacity of major state enterprises, such as the FAW or the SAW, and regroup the fragmented local automotive production facilities under its umbrella, in order to rationalize the scattered automotive industrial forces for national car development. Thus, the FAW's technical renovation and passenger car project are listed in the Sixth FYP, which means the projects are guaranteed supplies of raw materials and funds. In addition, the multi-financial sources created extrabudgetary funds that are growingly significant for the

⁵ Fang Ao (1988). *"Chanpin xi wo shengming"* (Product is my Life). Pp. 76-8 in *Zhongguo qiche gongye de yaolan--diyi qiche zhizao chang sanshi zhou nian jinian wenji (1953-1983)*, (hereafter ZQGY) edited by Diye qiche zhizao chang qiye yanjiu zhongxin, p. 77.

FAW development. The funds, however, depend very much on the state policy. In many cases, the FAW received favorable terms from the superordinates during the restructuring process.

II. Organizational Transformation of the First Auto Works during the Market Socialist Reform—"Quasi-State" Enterprise

Restructuring of the FAW was constrained by the development of the SAW in the early stage of economic reform. As the state poured most of the developmental funds into the completion of the SAW in the late 1970s, the FAW was instructed by the State Planning Commission (SPC) to delay product renewal. As a big brother in China's automobile industry, the FAW continued to sacrifice funding allocation from the state and kept manufacturing the outdated Jiefang trucks,⁶ while the SAW was trying out its more modern model.

After the historical Third Plenary Session of the Eleventh Party Central Committee in December 1978, the FAW Party Committee summoned an Extended Meeting to refocus the production target. It called for an expansion of the production volume from 60,000 to 80,000 units. At the same time, the FAW was preparing for production line renovation and reorganized its work force into a good quality team.⁷ However, restructuring of the auto production system led the FAW to get stuck in the transformation process. While the old Jiefang trucks were stockpiling, the new model assembly line was not completed yet. This seriously damaged the FAW's self-raising fund ability and quickly lost market share to the SAW.

⁶ Changchun shi tífāng shì zhī biānzuan wéiyuánhui / Changchun niánjiān biānzuan wéiyuánhui (1988). *Changchun niánjiān 1988* (Changchun Yearbook 1988). Changchun: Changchun shì diwú yīnshuā chāng, p. 50.

⁷ Dìyī qìchē zhìzāochāng shì zhī biānzhuānshì (1991). *Dìyī qìchē zhìzāochāng chāngzhī, 1950-1986* (The Gazetteer of First Auto Works, 1950-1986). Changchun: Jilin kēxué jìshù chūbānshe, p. 69.

China's hybrid economic reform creates a dual dependence in "quasi-state" enterprise. The FAW is vertically dependent on the state protection on the one hand, and it is horizontally dependent on direct marketing in order to generate investment funds on the other hand. Organizational transformation for the new production order has been slow and encountered internal resistance. Nevertheless, with special state policy, the FAW was able to expand its production lines, in part with local supports. This allowed the FAW to remedy the market share that was lost to the SAW during the FAW transformation. However, the FAW entered a race with the SAW when production cost soared as a result of state's relaxation of price control on raw materials beginning in 1984. Lower profit margin and unstable market demands⁸ created tight cash flow for the FAW's ambitious expansion project.

Introduction of the market socialist economic reform since 1978 has brought substantial changes to state enterprises. The enterprises, which used to respond solely to the central state's mandatory production target, are now given more autonomy to become "quasi-state" enterprises. The enterprises are endowed with more financial power and self-market portion of their own product. Thereby, the "quasi-state" enterprises behave differently in the new profit sharing, and risk sharing mechanisms.

A. Self-Financing Mechanism

The first and foremost reform of state enterprises is the restructuring of financial system. Financial reform of the FAW began in early 1980 after the SAW successfully lobbied in Beijing for a profit retention scheme in March 1980.⁹ The

⁸ It has always been a seller market for China's automobile industry. However the strong demand for automobile has been repeatedly intervened by state's austerity policy.

⁹ William A. Byrd (1992). "The Second Motor Vehicle Manufacturing Plant." Pp. 371-426 in Chinese Industrial Firms Under Reform, edited by William A. Byrd. New York: Oxford University Press, pp. 386-7.

SAW's new financial system was soon applied to the FAW as well. The FAW Sixth Party Congress in May 1980 concluded: "Increase Production and Income; Self-Raised Fund; and Product Transformation." The Party Congress assumed that the FAW could generate development funds for the product transformation without depending on the state investment. This gave the FAW a lot of vitality to act independently and led the FAW out of the state budget constraints. In December 1981, the FAW's proposal for product transformation was approved by the State Council and the proposal was listed in the Sixth FYP in July 1982.¹⁰

A financing package was drafted when the State Council approved the FAW product transformation. The FAW was granted "profit increase responsibility" contract (*lirun dizeng baogan*) from the central government in February 1982. According to the new plan, the FAW, based on 1983's 137 million yuan as a base of profit remittance (*lirun luicheng jishu*), was required to increase remittance profit by 2.5 percent yearly from 1983 to 1990. Table 8.1 shows the estimated profit remittance and estimated profit retention by the FAW. Although the contract stated that the 1983 remittance profit was 137 million yuan and annual increase 2.5 percent, the figures from 1983 to 1986 did not follow this agreement. The 1983 and 1984 figures might include profits or taxes brought forward from 1982. During 1985 and 1986, the FAW suffered a serious financial setback due to product transformation and sluggish truck market. The FAW renegotiated with the central government to come up with a refinance package, i.e. waive part of the profit remittance, grant tax breaks, and pouring in public funds through central and local banks. The FAW experience revealed

¹⁰ Zhongguo qiche gongye lianhehui (1987). *Zhongguo qiche gongye nianjian 1986* (China Automotive Industry Yearbook 1986). Beijing: Jixie gongye chubanshe, p. 51.

Table 8.1. Profit, Estimated Profit Remittance to the Central State, and Estimated Profit Retention of the FAW, 1982-90 (Million Yuan)

Year	Gross Profit before Income Tax	Estimated Profit Remittance to the Central State	Estimated Profit Retained By the FAW*	Rate of Profit Retention to Gross Profit (Percent)
-----	-----	-----	-----	-----
-----	-----	-----	-----	-----
1982	163.8	144.29	19.51	11.9
1983	198.3	141.98	56.32	28.4
1984	349.5	143.94	205.56	58.8
1985	450.6	91.17	359.43	79.8
1986	86.0	15.00	71.00	82.6
1987	209.0	151.20	57.80	27.7
1988	360.0	155.00	205.00	56.9
1989	300.0	158.90	141.10	47.0
1990	55.0	162.90	-107.90	-196.2

Note: According to the profit increase responsibility system granted to the FAW by the State Council, the FAW based the 1983's 137 million yuan as the basic figure of profit remittance. The FAW was required to increase its profit remittance by 2.5 percent yearly from 1983 to 1990. The 1983 and 1984 figures include some tax or fee of these years. The 1985 and 1986 figures, well below the contracted remittance value, indicated that the central state waived some of them in order to help solve the FAW's financial difficulty during the technological transformation.

* Unknown portion of the retained profit was used to repay the bank loan and interest.

Sources:

Diyi Qiche zhizaochang shi zhi bianzuanshi (1991). *Diyi qiche zhizaochang changzhi, 1950-1986* (The Gazetteer of the First Auto Works, 1950-1986). Changchun: Jilin kexue jishu chubanshe, pp. 27, 30, 32, 35-6, 38, 40, 42, 44, 47, 50, 52-7, 59, 60-2, 64-5, 68, 70, 73-4, 77, 80, 84, 88, and 95.

Guowuyuan jingji jishu shehui fazhan yanjiu zhongxin (1988). *Yiqi zai gaige kaifang shiqi de jishu gaizao--laizi shengchan diyi xian de tiaocha baogao*

Table 8.1 (cont'd)

(Technological Renovation of the First Auto Works in the Open Reform Period -- Investigation Report from the Production Front Line). Shenzhen: Zhongguo caizheng jingji chubanshe, pp. 4, 84-5, 105 and 129.

Jingji ribao (Economic Daily), November 1, 1986. Pp. 289-99 in Yiqi zai gaige kaifang shiqi de jishu gaizao--laizi shengchan diyi xian de tiaocha baogao, (1988), edited by Guowuyuan jingji jishu shehui fazhan yanjiu zhongxin. Shenzhen: Zhongguo caizheng jingji chubanshe, p. 299.

Zhongguo qiche gongye lianhehui (1987). Zhongguo qiche gongye nianjian 1986 (China Automotive Industry Yearbook, 1986). Beijing: Jixie gongye chubanshe, pp. 604-4.

(1989). Zhongguo qiche gongye nianjian 1988 (China Automotive Industry Yearbook, 1988). Beijing: Jixie gongye chubanshe, pp. 153-4, 642-3.

Zhongguo qiche gongye zonggongsi (1991). Zhongguo qiche gongye nianjian 1991 (China Automotive Industry Yearbook, 1991). Changchun: Jilin kexue jishu chubanshe, pp. 158-9, 634-5.

that the "profit increase responsibility system" was arbitrary. Compared to the SAW, the FAW remitted much lower profit to the state. Later in 1986, the SAW's basic figure of profit remittance was 200 million yuan whereas the FAW's was 137 million yuan. The annual increase rate for the SAW was seven percent compared with the FAW's 2.5 percent. These differences created an unfair competition between the FAW and the SAW. The SAW complained that the state penalized its profit making performance but rewarded the FAW for its failure to generate profits.

The profit increase responsibility contract assumed that the FAW products were marketable and were able to generate profits. The FAW expanded production volume vigorously in order to accumulate more profits for the development. Table 8.2 shows that after the sluggish sales of 1980 and 1981, the FAW began to pick up sales' growth from 1983 to 1985. In 1983 and 1984, the state implemented price reform and allowed floating price for vehicles. The price of self-marketed vehicles could be sold 20 percent above or below the procurement price. Although there was a strong market demand in 1985, the market was flooded with imported vehicles. As a result, the FAW experienced five percent sale's drop. Nonetheless, owing to the 40 percent shot-up in sale's price, the FAW could still earn 30 percent more than 1983. In 1986, the FAW entered a deep crisis, and the total sales downed 40 percent and the profits dropped 82 percent compared with the previous year.¹¹

The FAW's ability to accumulate profits was strictly influenced by the market demands and state policy. It was estimated that during the Seventh FYP (1986-90), the FAW could retain 200 million yuan each year. According to Table 8.1 (pp. 335-6), the FAW could accomplish only half of its target. The main problems the FAW faced during the product transformation was the sluggish automotive market in 1986 and the unmarketable old Jiefang trucks. The new market condition and the unstable state

¹¹ Guowuyuan jingji jishu shehui fazhan yanjiu zhongxin (1988), p. 106.

Table 8.2. The FAW Annual Production Volume, Production Value, and Annual Profit.

Year	Annual Production Volume	GVIO (Million Yuan)	Annual Profit (Million Yuan)
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1955	61	7.6	
1956	1,654	47.6	
1957	7,904	161.0	34.1
1958	14,922	305.3	127.8
1959	16,469	333.1	99.3
1960	17,407	356.4	119.6
1961	1,146	45.0	-21.1
1962	7,602	173.8	35.4
1963	17,665	375.0	119.9
1964	24,251	409.6	162.9
1965	34,155	591.7	122.3
1966	46,605	743.8	167.1
1967	15,068	262.7	17.9
1968	16,698	284.8	4.8
1969	37,267	600.6	95.3
1970	50,302	801.3	130.5
1971	60,010	976.0	167.6
1972	58,005	914.5	159.4
1973	57,800	919.5	245.7
1974	40,101	659.1	154.7
1975	60,205	936.1	221.5
1976	56,200	871.0	199.4
1977	41,648	649.0	132.8
1978	58,227	886.9	203.2
1979	63,002	958.4	238.2
1980	66,000	1,020.8	267.1
1981	60,002	964.5	211.4
1982	60,507	962.3	163.8
1983	67,200	1,099.7	198.3
1984	78,461	1,328.8	349.5
1985	85,003	1,484.0	450.6
1986	61,607	1,183.9	86.0
1987*	71,569	2,178.6	209.0
1988**	96,000**	2,900.0**	360.0**
1989**	78,453	2,700.0**	300.0**
1990	72,087	2,790.6	55.0**

Table 8.2 (cont'd)

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Total			5,589.0

Note: Until the end of 1985, the accumulated profit and depreciation fund to the state was 6.5 billion yuan.

* Since 1987, the FAW figure includes the FAW Changchun Mini-Truck Plant and FAW Jilin Mini-Truck Plant figures.

** These figures are estimated based on the Jilin Province's figures.

Sources:

Changchun shi tífāng shì zhī biānzhuān wéiyuánhui / Changchun niánjiān biānzhuān wéiyuánhui (1988). *Changchun niánjiān 1988* (Changchun Yearbook 1988). Changchun: Changchun shì dìwú yīnshuā chāng, p. 214.

Changchun shì tóngjī jù (1991). *Changchun tóngjī niánjiān 1991* (Statistical Yearbook of Changchun 1991). Changchun: Zhongguó biāozhūn chūbānshe, p. 65.

Dìyī Qìchē zhìzāochāng shì zhī biānzhuānshì (1991). *Dìyī qìchē zhìzāochāng chāngzhì, 1950-1986* (The Gazetteer of the First Auto Works, 1950-1986). Changchun: Jilin kēxué jìshù chūbānshe, pp. 27, 30, 32, 35-6, 38, 40, 42, 44, 47, 50, 52-7, 59, 60-2, 64-5, 68, 70, 73-4, 77, 80, 84, 88, and 95.

Guowuyuan jīngjì jìshù shèhuì fāzhān yánjiū zhōngxīn (1988). *Yìqī zài gāigé kāifāng shíqī de jìshù gāizào--lǎizì shēngchǎn dìyī xiàn de tiāocha bàogào* (Technological Renovation of the First Auto Works in the Open Reform Period -- Research Report from the Production Front Line). Shenzhen: Zhongguó cǎizhèng jīngjì chūbānshe, p. 4.

Zhongguó qìchē gōngyè liánhehuì (1987). *Zhongguó qìchē gōngyè niánjiān 1986* (China Automotive Industry Yearbook 1986). Beijing: Jìxié gōngyè chūbānshe, pp. 604-4.

(1989). *Zhongguó qìchē gōngyè niánjiān 1988* (China Automotive Industry Yearbook 1988). Beijing: Jìxié gōngyè chūbānshe, pp. 642-3.

Zhongguó qìchē gōngyè zōnggōngsī (1991). *Zhongguó qìchē gōngyè niánjiān 1991* (China Automotive Industry Yearbook 1991). Changchun: Jilin kēxué jìshù chūbānshe, pp. 634-5.

policy led the FAW to expose its weaknesses: the aging production system and old product line. During the first half of the 1980s, the SAW had swiftly controlled the domestic market, which in turn pushed the FAW out of the market. From time to time, the state stepped in to support the FAW. In 1986, the state and Jilin provincial government provided 650 million yuan of bank loans to the FAW.¹²

Each year the state issued mandatory production target for the FAW. As the state reduced its scope of planning, the mandatory production target has been shrinking. The FAW was allowed to market directly their above-plan output with a floating price. This measure is supposed to be the main sources of the FAW's self-raised fund. In August 1984, the Extended Meeting of the Central Financial Leading Group concluded that the FAW would be granted more authority in direct marketing, foreign trade, imported technology, self-raised fund, and plant development.¹³

Granting direct marketing to an automotive plant is beneficial only when the plant is competitive in the market. But the old Jiefang trucks no longer maintained competitiveness in the automotive market in the early 1980s. The FAW was allowed to have a 10 percent direct marketing in 1983;¹⁴ however, in the end of 1985, the FAW's monthly sale dropped from 6,000/7,000 units to 200/300 units. Until 1986, 30,000 units of Jiefang truck were stockpiled. The FAW's failure to stay in the competitive market took up 800 million yuan of circulation funds and suffered 100 million yuan of debt.¹⁵ In July 1986, the State Planning Commission, State Economic Commission,

¹² *Jingji ribao* (Economic Daily), November 1, 1986.

¹³ Guowuyuan jingji jishu shehui fazhan yanjiu zhongxin (1988), p. 105; and Diyi qiche zhizaochang shi zhi bianzuanshi (1991), p. 82-3.

¹⁴ Li Gang (1983). "Zong jingli Li Gang gai Zhongguo qiche gongye gongsi shoujie dongshihui dier ci huiyi sheng de gongzuo baogao" (The Working Report of General Manager Li Gang in the Second Session of the First Board of Directors Meeting) (February 25, 1983). Pp. 19-36 in *Zhongguo qiche gongye nianjian 1983* (China Automotive Industry Yearbook 1983), edited by Zhongguo qiche gongye gongsi, 1984. Beijing: Jixie gongye chubanshe, p. 20.

¹⁵ *Renmin ribao* (People's Daily), August 17, 1987, p. 2.

Ministry of Finance, and People's Bank of China jointly issued a package of financial assistance measures including cancellation of 20,000 vehicles planned mandatory production target.¹⁶ The state intentionally maintained a higher vehicle procurement target in order to help the FAW to sell the unmarketable old Jiefang trucks. When the new model successfully rolled off in 1987, the self-market rate has been gradually increasing. In 1990, it was estimated that the FAW's self-market rate shot up to 70 percent of the total production volume.¹⁷

B. Regrouping the Enterprise

The operation of self-financing mechanism would not be efficient if there was no organizational reform in the FAW. The FAW's bureaucratic enterprise resembled its Russian model plant. It was a centrally controlled administration system. Each workshop carried out the mandatory production target issued by the headquarters. The Russian system maintained a rigid but scientific management system. During the economic reform, the FAW generally followed this style of management. Unlike the SAW, there were very few discussions in the FAW about management reform. By and large, the state policies shifted after 1978 had made the FAW headquarters place more emphasis on quality control, efficiency, and conscious in market demands. In 1983, economic responsibility system was implemented between headquarters and workshops.¹⁸ In 1984 and 1985, each workshop imposed a contract responsibility system on each worker. Through this policy, it tied productivity to each workshops and individuals.

However, contract responsibility system only had superficial result in the FAW. The FAW organizational reform had been constrained by the inherited structure. Since

¹⁶ *Jingji ribao* (Economic Daily), November 1, 1986.

¹⁷ Fieldnote, September 29, 1991.

¹⁸ *Diyi qiche zhizaochang shi zhi bianzuanshi* (1991), p. 191.

the state disbanded the rustication policy in 1978, the send-down youngsters were allowed to return from villages to the cities. The FAW was responsible for the children of its workers. Creating tens of thousand of new jobs for the returned youngsters had been burdensome to the FAW. Nevertheless, each workshops were encouraged by the headquarters to form workers' collectives (*zhiqing chang*) in order to create more jobs. The FAW had a policy to give workers' collective first priority in subcontracting auto parts manufactory. In 1982, there were 38 workers' collectives engaged in subcontracting production and servicing business. Until 1986, 54 workers' collectives were subcontracted for 2,100 items of auto parts. The total investment of the FAW workshops in collectives between 1983 and 1986 was 16 million yuan.¹⁹ There were about 19,000 returned youths worked in the FAW's collectives during 1978 to 1986.

The FAW product transformation gave the workers' collectives a good opportunity to grow. In compare to the FAW workshops, the workers' collectives were more flexible in controlling their finance. There was a tendency that the worker's collectives were more efficient than the workshops. The most successful collective was the Radiator Factory, which was located in the northern part of the First Production Region. The workers' collectives turned out radiator parts and exported them to General Motors in the United States. In 1990, they earned four million US dollars of foreign exchange, which was half of the FAW's total foreign trade earnings.²⁰

It was estimated that 80 percent of the FAW work force were involved in unrelated automotive production. As Table 8.3 indicates, the number of workers increased from 2,000 to 4,000 a year. The workers all enjoy similar welfare benefits

¹⁹ *ibid*, p. 288.

²⁰ Fieldnote, September 29, 1991.

Table 8.3. Number of Workers in the FAW, 1956-90

Year	Number of Workers in the FAW
-----	-----
-----	-----
1956	6,616
1957	13,173
1958	12,435
1959	18,288
1960	19,341
1961	11,460
1962	12,670
1963	14,721
1964	17,322
1965	19,974
1966	25,329
1967	23,544
1968	25,689
1969	28,020
1970	29,942
1971	31,751
1972	34,527
1973	36,352
1974	35,805
1975	39,094
1976	39,578
1977	39,291
1978	40,718
1979	40,910
1980	40,994
1981	40,542
1982	48,796
1983	52,913
1984	54,868
1985	57,435
1986	56,006
1987	62,867
1990	73,629

Table 8.3 (cont'd)**Sources:**

Changchun shi tífāng shì zhī biānzhuān wéiyuánhui / Changchun niánjiān biānzhuān wéiyuánhui (1988). Changchun niánjiān 1988 (Yearbook of Changchun, 1988). Changchun: Changchun shì dìwú yīnshuā chāng, p. 216.

Dìyī qìchē zhìzāochāng shì zhī biānzhuānshì (1991). Dìyī qìchē zhìzāochāng chāngzhī, 1950-1986 (The Gazetteer of the First Auto Works, 1950-1986). Changchun: Jilin kēxué jìshù chūbānshe, pp. 30, 32, 34, 36, 38, 40, 42, 45, 47, 50, 52-7, 59, 60-2, 64-5, 68, 70, 73-4, 77, 80, and 84.

Zhōngguó qìchē gōngyè liánhéhui (1989). Zhōngguó qìchē gōngyè niánjiān 1988 (China Automotive Industry Yearbook, 1988). Beijing: Jìxié gōngyè chūbānshe, pp. 642-3.

Zhōngguó qìchē gōngyè zōnggōngsī (1991). Zhōngguó qìchē gōngyè niánjiān 1991 (China Automotive Industry Yearbook, 1991). Changchun: Jilin kēxué jìshù chūbānshe, pp. 634-5.

from their own factories. Each year, the headquarters has to worry about housings for roughly 2,000 newly wedded couples and new born babies.²¹ The overstaff phenomenon brought low working spirits. Workers roam about inside the work floors aimlessly. Auto parts are dumped outside to rust in the cold.²² My field trip to the FAW also supported that it was common to see groups of workers chatting and smoking in the back doors of each workshop.²³ Some workers simply make use of good connections to transfer from the dirty production job to the clerical or servicing jobs.²⁴

While the FAW was struggling for its redundant organization, the FAW was expanding external connections across the country. In 1980, the FAW found a preliminary conglomerate system after the paramount leader Deng Xiaoping expressed the need of creating automotive conglomerates.²⁵ The FAW cooperated with 1) 57 suppliers to produce auto parts; 2) 38 automotive factories to manufacture refitting vehicles; and 3) 28 repair shops to provide special services for the Jiefang trucks.²⁶ The relationship between the FAW headquarters and the 123 associates was loosely connected.

On the basis of the 1980 conglomerate system, the FAW recruited more local automotive factories in 1982 and formed the Jiefang Automotive Industrial Corporate Company. The FAW provided technical assistance and Jiefang chassis to the refitting

²¹ Julia Leung (1989). "Imitating Iacocca: Pioneering Auto Plant's Licencing Project is Hampered by the Burden of Socialism. " The Asian Wall Street Journal Weekly, April 10, 1989, p. 6.

²² *ibid.*

²³ Fieldnote, September 21, 1991; and Julia Leung (1989).

²⁴ Fieldnote, August 20, 1991.

²⁵ Zhongguo qiche gongye lianhehui (1984). Zhongguo qiche gongye nianjian 1983 (China Automotive Industry Yearbook 1983). Beijing: Jixie gongye chubanshe, p. 426

²⁶ Huang Zhaoluan (1984). "Guanyu Jiefang qiche gongye luanying gongsi choubi gongzuo qingkuang de huibao, 1982 nian 12 yue 20 ri" (Report the Preparation of the Jiefang Automotive Industrial Corporation Company, December 20, 1982). Pp. 77-9 in Zhongguo qiche gongye nianjian 1983, p. 78.

factories to manufacture specialized trucks for localities. But the corporate development was restricted by the old technology of the Jiefang trucks. When the FAW entered product transformation in 1983, the FAW workshops underwent major renovations. During this period, the auto production system was restructured to be less self-contained. It outsourced more auto parts manufacturing to the local machinery factories. It was estimated that 200 auto parts were subcontracted to 16 local suppliers. The annual production value was estimated to be 50 million yuan.²⁷ As the product transformation was about to be completed in 1986, 10 percent of the new Jiefang trucks were outsourced to about 100 subcontractors. Twenty of them were located in Changchun and the surrounding counties. Another 15 percent of the auto parts were subcontracted to the FAW workers' collectives. The FAW's auto parts in-house production rate fell from 60 to 50 percent.²⁸

The status of FAW conglomerate was strengthened when it was granted "independent planning status" (*jihua dalei*) by the State Planning Commission in 1987. Such a reform promoted the status of the FAW conglomerate to be equivalent to a ministry or a provincial government. It meant that the FAW conglomerate was subordinated only to the State Council. This allowed the FAW to have greater authorities in determining foreign trade, joint venture, self-marketing and production within the boundaries set by the State Council.²⁹ After the FAW was endowed with greater authorities, increasing number of local automotive factories wanted to be under

²⁷ "Jiefang qiche gongye lianying gongsi de jingying guanli" (The Management of Jiefang Automotive Industrial Corporate Company). Pp. 318-29, in *Qiye jituan de zuzhi yu guanli* (1988), edited by Guojia jingji tizhi gaige weiyuanhui shengchan tishiju. Hangzhou: Zhejiang renmin chubanshe, p 320.

²⁸ Guowuyuan jingji jishu shehui fazhan yanjiu zhongxin (1988), pp. 9 and 14.

²⁹ "Guanyu Jiefang, Dongfeng, Chongxing qiche gongye qiye lianhe gongsi jihua danlie wenti de zanxing banfa" (Temporary Measures for the Planned Units of Jiefang, Dongfeng, and Heavy Truck Industrial Corporations). Pp. 151-9 in *Gufenzhi qiye jituan chanquan zhuanrang xilie ziliao huibian* (1988), edited by Chongqing shi jingji tizhi gaige weiyuanhui gongjiao chengjian ju, pp. 132-3.

the FAW umbrella, for the associate subcontractors could attain advanced technology more easily. The local governments also competed for cooperation opportunity.

C. Expansion of Auto Production System

The market socialist reform in China since 1978 has stimulated a rapid national economic growth. Vehicle transportation is greatly demanded both in the urban and rural areas. In 1984, the then Premier Zhao Ziyang pointed out that automobile industry, food processing industry, electrical appliance industry, and construction material industry were the four main industries in the economic reform. Two meetings were summoned by Zhao in 1984 to discuss strategy to restructure the automotive industry. The meeting concluded that the industry should 1) be developed under a master plan; 2) undergo technical renovation; 3) increase production and diversify production line; and 4) form conglomerates.³⁰ Later in August 1987, the State Council met in Beidahe to discuss a master plan for the development of passenger cars. In the meeting, the State Council concluded that based on the FAW, SAW, and Shanghai Automotive Plant, China would manufacture passenger cars.³¹

The FAW encountered a wave of challenges and opportunities for growth in the 1980s. According to the state plan, the FAW was required to continue its performance as a nationally leading automotive manufactory base. The FAW needed to undergo technical renovation not only to maintain its status but to compete with the SAW and the imported vehicles as well. After the Beidahe Meeting in 1987, the FAW was preparing to establish the passenger car production base. Furthermore, the FAW and Jilin province agreed in 1985 to develop a light truck production base. The major

³⁰ "Lu Dong tongzhi zai quanguo qiche hangye gongzuo huiyi kaimu shang de jianghua 1984 nian 11 yue 24 ri" (The Speech of Comrade Lu Dong in the Opening of the National Conference of Automotive Industry, November 24, 1984). Pp. 3-4 in *Zhongguo qiche gongye nianjian 1986*, pp. 3-4.

³¹ *Renmin ribao* (People Daily), June 20, 1988, p. 1.

finance of these projects was based on self-raised fund and bank loans. The central and FAW authorities planned, based on the profit accumulation of the old production system, to generate the development capital for the passenger cars and light truck projects. Therefore, it was important for the Jiefang truck production base to maintain the competitive edge and make profits.

The FAW expansion project included 1) technological renovation of the old auto production system; and 2) formation of new auto production lines. The expansion plan was ambitious and the SPC chose the FAW to be the major automotive production center of national car. As the location of the FAW was more preferable than that of the SAW, the SPC intentionally placed more emphasis on the FAW. As a result, the FAW's new auto production system included: a light truck assembly line, a mini-van assembly line, and two assembly lines (two models) of passenger cars. The passenger car project enabled the FAW to remain in the leading position in China's national automotive industry.

The FAW transformation depended very much on profit sharing mechanism. Profit generation of the FAW was solely dependent on the Jiefang truck production. For this reason, success of technological renovation in the first production base was vital for the rest of the FAW's expansion plan.

1. Renewal of the First Production Base

While the SAW and other local automotive corporations were rolling off modified model from their assembly lines, the FAW's technological renovation proposal was set aside due to the state's financial difficulty. When technological renovation was finally approved by the SPC in 1983, the Jiefang trucks have been less popular for the SAW's Dongfeng trucks became available in the market. All of a

sudden, a competition emerged from other auto makers; especially the SAW alarmed the FAW headquarters to be responsive to the new economic environment.

The new rules of the game compelled the FAW to be more cost-conscious. Although the contractual relationship between the SPC and FAW was soft, there were pressures already built up from all sides as the FAW was losing its market shares. The FAW was obligated to fulfill the schedule of technical renovation, meet the mounting needs of workers, self-market the increasing portion of Jiefang trucks, and plan for the future development. The new economic authority given by the state put pressure on the FAW headquarters to take up new responsibilities. The profit sharing policy brought a risk sharing mechanism in the FAW authority. To be sure, the FAW's risk sharing mechanism has softened because of the FAW's expectation of state intervention whenever the situation got out of control.

The FAW's technical renovation was connected to its self-raised fund. In order to minimize investment capital and at the same time generate investment funds, the technical renovation and production were operated simultaneously in each workshops. It was reported that construction workers did their job in one side of the building while the assembly line was in operation to roll off the old Jiefang trucks in the other side. The total cost of Jiefang truck transformation amounted to 444 million yuan until 1987. Table 8.4 shows that only 28 percent of the total investment was financed by self-raised fund; bank loans accounted for 62 percent of the total finance.

The self-raised fund of the FAW was much lower than expected. Despite the remodeling construction in the workshops, the annual production increased from 67,000 units in 1983 to 85,000 units in 1985 (see Table 8.2, pp. 338-339), a 27 percent increase in two years. However, the growth of production output only brought the FAW disastrous result. Most of these trucks were stockpiled as they were not marketable. In 1986, 30,000 Jiefang trucks were idled in the parking lot; consequently, the 800 million yuan of product value was at stake.

Table 8.4. Financing Sources of Jiefang Truck Transformation of the FAW, 1987

Source -----	Amount (Million Yuan) -----	Share (Percent) -----
Self Raised Fund	122.10	27.5
Bank Loan:		
Construction Bank Capital Construction Loan	100.00	22.5
Constuction Bank Turnover Loan	80.00	18.0
Industrial and Commerical Bank Loan	96.46	21.7
State Fund:		
State Energy Conservation Fund	45.50	10.3
-----	-----	-----
Total:	444.06	100.0

Source:

"Diyi qiche zhizaochang chanpin huanxing jishu gaizao jianshe gongcheng jungong jianshou jianding shu (1987 nian 7 yue 15 ri)" (The Certified Document for the Completion of Product Line Transformation and Technological Renewal of the First Auto Works [July 15, 1987]) (1988). Pp. 273-9 in *Yiqi zai gaige kaifang shiqi de jishu gaizao--laizi shengchan diyi xian de tiaocha baogao*, edited by Guowuyuan jingji jishu shehui fazhan yanjiu zhongxin. Shenzhen: Zhongguo caizheng jingji chubanshe, p. 274.

After the FAW headquarters lobbied in Beijing, the State Council stepped in to provide a series of bank loans to save the FAW's financial crisis. Table 8.5 indicates that 650 million yuan of bank loans were provided by different banks. The Jilin province also poured in 20 million yuan of loans to the FAW in 1986. Furthermore, the State Council waived part of the remittance profit of the FAW. From 1990 to 1991, the central state repeatedly intervened to help the FAW to clear the hundreds of millions yuan of debts partly owned by the Anshan Iron and Steel Complex.³² As Table 8.1 (pp. 335-336) points out, between 1985 and 1986 the FAW submitted only 106 million yuan to the state, which was about 30 percent of the total amount of the profit increase responsibility contract.

In order to stimulate the automotive market, an automotive conference was held in Fuzhou in July 1986 and decided to launch a national sale campaign. Obsolete vehicles that ran for 500,000 kilometers or served over 12 years were encouraged to be replaced. It was estimated that 800,000 units or 25 percent of the vehicles on the road were in this category. The Industrial and Commercial Bank of China provided an installment plan and the state allocated low interest loans to auto makers to expand production.³³

The new CA141 Jiefang truck was officially in full scale of operation in 1987. The new product had a lot of technological improvement and was regarded as compatible as the SAW truck. In 1987, the FAW turned out 62,000 units, which was about 78 percent of the designated production capacity. Nine years after the economic reform, the Jiefang truck had been widely perceived by the public as inferior. The new Jiefang model required the FAW authority to launch an aggressive marketing strategy

³² China Daily, March 27, 1990, p.2.

³³ China Daily, July 18, 1986.

Table 8.5. Sources of Central and Provincial Supports for the Financial Crisis during the Jiefang Truck Transformation of the FAW, 1986

Source	Amount (Million <i>Yuan</i>)	Share (Percent)
-----	-----	-----
-----	-----	-----
State Bank Loans:		97.0
Construction Bank Turnover Loan	80	
Industrial and Commercial Bank Seller Loan	200	
People's Bank of China	200	
People's Bank of China Circulation Fund Loan	150	
Provincial Bank Loan:		3.0
Construction Bank (Jilin Branch)	20	
-----	---	---
Total:	650	100.0

Source:

Jingji ribao (Economics Daily), November 1, 1986. Pp. 289-99 in *Yiqi zai gaige kaifang shiqi de jishu gaizao --laizi shengchan diyi xian de tiaocha baogao*, edited by Guowuyuan jingji jishu shehui fazhan yanjiu zhongxin. Shenzhen: Zhongguo caizheng jingji chubanshe, pp, 298-9.

in order to reclaim the market share. The FAW cut the price as low as 10,000 yuan cheaper than the SAW truck.³⁴ Until 1990, the FAW occupied 50 percent of the China's truck market. It took only two years for the FAW to reach its full production capacity.

The FAW dumped the new Jiefang truck in China's automotive market, which was not congruent with the self-raised fund policy. Table 8.1 (pp. 335-336) shows that the profit retention from 1987 to 1990 was far below the 200 million yuan annual target. In 1988, the FAW reached the designated production capacity and turned out 96,000 units (including the light truck output). That year, the FAW retained 205 million yuan profit. But the sale was heavily affected by the volatile economic reform. The surge of raw material cost and new taxes and fees have drawn a large portion of the capital from the self-raised fund. In the period 1987 to 1990, the FAW could retain only 37 percent of the planned profits, which severely hurt the FAW's self-financing ability for its ambitious expansion.

2. Construction of the Second Production Base

The volatile economic reform and rapid changes of market demands stimulated waves of importation of foreign vehicles. The slow responsive state policy on automotive industry had a substantial revision in 1987 during the Beidahe Conference. A survey revealed that by the turn of the century, China will need 3.8 to 4.6 million passenger cars, that would make an average of 3.1 to 3.8 cars per 1,000 Chinese.³⁵ The government expected to produce one million passenger cars by the year 2000.³⁶

³⁴ Fieldnote, November 25, 1991.

³⁵ "Opinion on China's Car Industry." Beijing Review, no. 35, August 31, 1987, p. 27.

³⁶ Ward's Automotive International, September 1988, p. 1.

The Beidahe Conference concluded that the FAW would be one of the three passenger car production centers.

The FAW has the experience of producing passenger cars. Back in 1958, the FAW successfully manufactured the Dongfeng sedan, which was later developed into the Redflag (*Hongqi*) limousine. In 1975, the state invested 36 million yuan to expand the *Hongqi* assembly line, but the annual production volume was only 300.³⁷ The production was terminated in 1980 because of the poor quality; however, the production was resumed in 1986 after the introduction of a Ford engine.³⁸

It was believed that among the three designated passenger car production bases, the FAW and Shanghai Volkswagens are the most favorite by the state. The state may want to balance the FAW's weak developmental dynamics by granting it the seemingly promising project. The SAW, however, lacking the state support, has been in trouble getting the passenger car project off the ground.

After the FAW was granted the passenger car project, one of the perplexing problems for the FAW authority was how to raise the huge development funds. The FAW proposed a general contract responsibility measures. A pilot project was planned to be built during the Seventh FYP (1985-90) to assemble 30,000 CKD (Completely Knock-down) kit a year in the Hongqi production complex; this pilot project would be used for the FAW to strengthen the self-raised fund ability as well as the Jiefang truck and light truck productions; the ultimate goal is to build a passenger car plant with an annual capacity of 150,000 in the adjacent old production region. This proposal was supported by a group of Jilin People Congress representatives and the proposal with

³⁷ David Scott (1974). "China Opens Doors for Rare View of Auto Production." Automotive Engineering, August 1974, 82(8):30-3.

³⁸ China Daily, July 18, 1986.

their signatures was submitted to the State Council.³⁹ The proposal was approved by the SPC on November 13, 1987.⁴⁰

The passenger car project depended very much on the foreign technology. The FAW negotiated with Volkswagen,⁴¹ Chrysler,⁴² and Citorēn⁴³ from 1988 to 1990. The FAW bought the used engine assembly line from Chrysler for \$14 million in 1988.⁴⁴ On May 17, 1988, Volkswagen signed technological transfer contract with the FAW to assemble CKD kit of Audi 100 sedan.⁴⁵ The Audi 100 would be used for the model of the pilot project. It was said that the FAW solely made the decision on the joint venture partner without the state interference.⁴⁶ In late 1990, the FAW and Volkswagen concluded a joint venture contract for the second stage passenger car project and was approved by the State Council. Volkswagen would provide technology for the production of Golf/Jetta subcompacts with an annual production capacity of 150,000. Volkswagen was expected to invest about 511 million marks (\$334 million) in the joint venture mostly in terms of technology, equipment, and human resources.⁴⁷

China was eager to attract foreign investment in her market in order to ease the shortage of developmental funds. But foreign auto makers were quite skeptical about China's political and economic stability. Although China offered foreign auto makers up to 80 percent ownership of some Chinese ventures, the foreign auto makers

³⁹ *Renmin ribao* (People's Daily), April 2, 1988, p.1.

⁴⁰ Zhongguo qiche gongye lianhehui (1989). *Zhongguo qiche gongye nianjian 1988* (China Automotive Industry Yearbook 1988). Beijing: Jixie gongye chubanshe, p. 51.

⁴¹ *Automotive News*, February 19, 1990, p. 4.

⁴² *The Detroit News*, February 27, 1988, p. C1.

⁴³ *Diyi qiche zhizaochang shi zhi bianzuanshi* (1989), p. 95.

⁴⁴ Gail Gray DeLashmit (1988). "Chrysler Engine Equipment Sails for China." *Downriver Profile*, August/September, 1988:17-8.

⁴⁵ *Renmin ribao* (People's Daily), June 20, 1988, p.1.

⁴⁶ *U.S.-China Automotive Industry Cooperation Project -- Final Report Volume I*. Ann Arbor: The University of Michigan, March 1989, p. 37.

⁴⁷ *Automotive News*, October 22, 1990, pp. 6 and 41.

preferred 50/50 split.⁴⁸ Table 8.6 provides that the total cost for the Audi pilot project is about 257 million yuan (\$68 million).⁴⁹ Part of this investment was paid in foreign exchange for the technological transfer from Volkswagen. The total investment for the Golf/Jetta project was about 4.2 billion yuan (\$1.114 billion). The FAW held 60 percent of the shares and invested more than 2.5 billion yuan including land, building, and human resources. The construction should be completed by 1994-5.⁵⁰

One of the reasons why China could enter a joint venture with Volkswagen was that the Shanghai-Volkswagen joint venture was relatively successful. Other automotive joint venture projects did not always have a happy ending.⁵¹ Consequently, the Chinese government had a confidence in Volkswagen. On the other hand, the State Planning Commission intends to make use of some of the auto parts subcontractors of the Shanghai-Volkswagen venture for the Golf/Jetta project,⁵² which may help reduce the cost of the project.

The Golf/Jetta production complex was built four kilometers west of the old production region. The land of the second production region was claimed in 1984 when the FAW authority planned to build a light truck factory there.⁵³ As Map 8.1 shows, the First Production Region and Second Production Region were located adjacent to each other. The workers who live in the residential district could easily commute to both districts.

The German partner asked the FAW that they should raise the salaries of workers in order to ensure efficient production. It was estimated that the salary of the

⁴⁸ Paul, Lienert (1985). "China Pursues Automobile Revolution." Detroit Free Press, September 8, 1985.

⁴⁹ Guowuyuan jingji jishu shehui fazhan yanjiu zhongxin (1988), p. 72.

⁵⁰ Fieldnote, September 29, 1991.

⁵¹ Jim Mann (1990). Beijing Jeep: The Short, Unhappy Romance of American Business in China. New York: A Touchstone Book.

⁵² Renmin ribao-haiwaiban (People's Daily-Overseas Edition) February 22, 1989, p. 1.

⁵³ Renmin ribao (People's Daily), June 20, 1988, p. 1.

Table 8.6. Total Investment for the Expansion of the FAW's Production and Reproduction Systems in the 1980s

Name of Project	Amount of investment (Million <i>Yuan</i>)
-----	-----
-----	-----
1) Expansion of the FAW Production System:	
Jiefang Truck Renewal Project (80,000 Unit/Year)	444.0
Chrysler 2.2 Litre Engine Production Line (300,000 units/ year)	52.1 * (U.S. \$14 million)
Audi Passeng Car Pilot Project (30,000 Unit/Year)	257.0
Jilin Mini-Van Project (60,000 Unit/Year)	200.0
Golf Passenger Car Project (150,000 Unit/Year)	2,500.0**
2. Technical Renovation:	
Machinery Renewal	110.0
3. Other Fees and Taxes:	
Construction Tax	20.0
Land Expropriation Fee	25.0
State Treasury Bond	11.0
Newly Levied Fees and Taxes	200.0

Table 8.6 (cont'd)

4. Workers' Housing

Living Quarters	120.0
-----	-----
Total Investment:	3,939.1

* The official average exchange rates of *yuan* per U.S. dollar in 1988 was 3.72 *yuan* per \$ 1.0.

** This amount will be divided into phases and will be extended to the 1990s.

Sources:

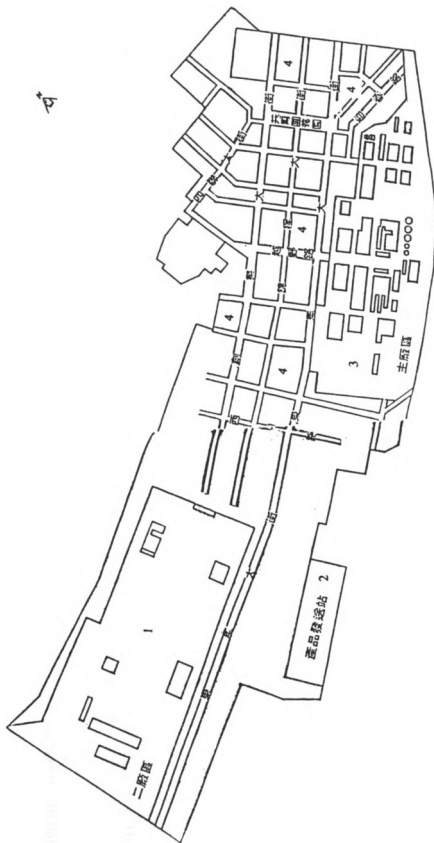
DeLashmit, Gail Gray (1988). "Chrysler Engine Equipment Sails for China." Downriver Profile, August/September, 1988:17-8

Guowuyuan jingji jishu shehui fazhan yanjiu zhongxin (1988). Yiqi zai gaige kaifang shiqi de jishu gaizao--laizi shengchan diyi xian de tiaocha baogao (Technological Renovation of the First Auto Works in the Open Reform Period -- Investigation Report from the Production Front Line). Shenzhen: Zhongguo caizheng jingji chubanshe, pp. 71-2, 87-8, 93, 109.

Fieldnote, September 29, 1991.

Leung, Julia (1989). "Pioneering Auto Plant's Licensing Project is Hampered by the Burden of Socialism." The Asian Wall Street Journal Weekly, April 10, 1989, pp. 6 and 26.

Renmin ribao [haiwaiiban] (People's Daily [Overseas Edition]), July 30, 1990, p.3.



Map 8.1. The FAW Production Districts in the late 1980s

The FAW Production Districts

1 = Second Production District; 2 = Vehicle Delivery Station; 3 = First Production District; 4 = Residential Districts

Map 8.1.1. (cont'd)

Source:

Diyi qiche zhizaochang shi zhi bianzuanshi (1991). *Diyi qiche zhizaochang changzhi, 1950-1986* (The Gazetteer of the First Auto Works, 1950-1986). Changchun: Jilin kexue jishu chubanshe, Map 2.

joint venture plant was about 20 percent higher than that of the First Production Region. Workers were trying hard to use special personal connections in order to transfer to the joint venture plant. The FAW authority was caught in a difficult situation for the competition of quality workers between the First and Second Production Region.⁵⁴ On the one hand, the FAW headquarters needed to guarantee availability of quality workers to the joint venture partner. On the other hand, the FAW authority ensured that the First Production Region would not be affected. Nevertheless, the joint venture project exerted competitive pressure on the domestic production system for local resources. The joint venture project, more efficiency conscious, would draw the best resources to the Second Production District whereas the FAW either imposed bureaucratic intervention on the SAW or openly competed with the joint venture plant.

3. Setting up the Third Production Chain

In the early stage of economic reform, the focus was given on restructuring agricultural development. There was an urgent need of light vehicles for transporting agricultural products. During the Sixth FYP (1981-5), many local governments made use of their decentralized financial power to invest in the local automotive production facility and engage in a small-scale production of light trucks. In 1984, the China Automotive Industrial Corporation submitted a report to the State Council, recommending to put the light truck production under the state policy.⁵⁵ As a nationally leading automobile plant, the FAW was preparing for expansion. In

⁵⁴ Fieldnote, September 29, 1991.

⁵⁵ *"Rao Bin tongzhi zai Zhongguo qiche gongye gongsi shoujie wuci ji erjie yici dongshihui shang de jianhua 1985 nian 11 yue 8 ri"* (The Speech of Comrade Rao Bin in the Fifth Plenary Session of the First China's Automotive Industrial Corporation Meeting and the Second Plenary Session of the First Board of Trustee Meeting, November 8, 1985). Pp. 13-5 in *Zhongguo qiche gongye lianhehui* (1986), p. 14

November 1984, the FAW and Changchun municipality reached an agreement⁵⁶ in claiming 323 hectares of land adjacent to the old production region to develop a light truck production base.⁵⁷ However, when the state policy changed in 1985, instead of building up a large-scale light truck production base, the attention was shifted to passenger cars.⁵⁸

When the FAW's plan for the light truck production base was suspended, the Jilin City Automotive Industrial General Company, a Jilin municipal subordinate established during the Sixth FYP period (1980-5), has invested 130 million yuan in new automotive facilities for the production of light trucks. But it encountered a serious technical problem and also lacked competitiveness. In May 1987, the governor of Jilin Province negotiated on behalf of the Jilin City and Changchun City to engage in a closely knitted cooperation with the FAW.⁵⁹ The Jilin Province's Planning Commission included the project into the Seventh FYP (1986-90) and planned to invest 500 million yuan.⁶⁰ It was estimated that the merge could save 25 to 50 percent of the 800 million yuan project. The Jilin Province invested 130 million yuan, the Changchun municipality committed 154 million yuan, and the Jilin City pledged 100 million yuan. Moreover, the merge shortened the time for the completion of project to one and a half to two years.⁶¹

⁵⁶ Diyi qiche zhizaochang shi zhi bianzuanshi (1991), p. 84.

⁵⁷ *Renmin ribao* (People's Daily), June 20, 1988, p. 1.

⁵⁸ "Guanyu qiche gongye fazhan guihua he guanli tizhi gaige ruogan wenti de tongzhi" (Notice Concerned With the Development Plan and Reform of Management System of Automotive Industry) [State Planning Commission and Ministry of Mechanical Industry, 1985, Document no. 850]. Pp. 32-4 in *Zhongguo qiche gongye lianhehui* (1989), p. 32-3.

⁵⁹ Diyi qiche zhizaochang shi zhi bianzuanshi (1991), p. 90.

⁶⁰ Liu Xing (1988). *Dongbei qiche gongyequ yanjiu* (The Study of Northeast Automotive Region). Shuozhi yanjiusheng xuewei lunwen. Changchun: Dongbei shifan daxue xuewei pingding weiyuanhui bangongshi, p. 55.

⁶¹ Guowuyuan jingji jishu shehui fazhan yanjiu zhongxin (1988), p. 93.

During the negotiation, the FAW insisted that the Jilin associate factories needed to be transferred under the full control of the FAW. Nevertheless, the FAW guaranteed that normal profits would be submitted to the local governments. The fixed assets of each factories would be accessed and become the investment of the governments. In the end of each financial year, profits would be divided according to the share each government holds. After the division of profits, each of the factories needed to levy tax and fees to the concerned local governments.⁶² In this system, the FAW had a control over personnel, finance, material, production, supply, and marketing of the associates. The local governments were also benefited from the merge by collecting tax and retaining profit from the FAW associates.⁶³

III. Relationship between the FAW and Changchun—Narrowing Dual Developmental Differences

After the Liberation in 1948, Changchun city was systematically transformed into a producer city. The major function of the city was its supportive role in industrial development. Since 1978, the role of Changchun city has substantially expanded. Increases of consumption power in all walks of lives induced expansion of commercial activities. The landscape of the city changed rapidly when financial reform unleashed the autonomy of enterprises and government units to invest in urban facilities.

A. Strengthening of the Changchun Municipality

Before the economic reform, Changchun depended very much on the developmental funds from the central state. Most of the funds allocated by the state to Changchun were used for industrial development. The urban development had been

⁶² "Jiefang qiche gongye lianying gongsi de jingying guanli" (1988), pp. 324-5.

⁶³ See also *Renmin ribao*, January 29, 1994, pp. 1-2.

seriously under-financed. But the vertical dependency on central finance has been changed during the economic reform. Based on the revenue responsibility system, the central state and local governments share local revenues. The local government also becomes an importance agent for diffusing city economic influence to the surrounding areas.

The Changchun municipal revenue increased quickly after 1978. In 1980, the Changchun municipality entered the revenue responsibility contract with Jilin Province. The amount of remittance to the Jilin Province was determined through negotiation between the Changchun municipality and Jilin government every year. During the negotiation, the municipality tried to get a higher expenditure target in order to turn in less revenue to Jilin Province. This system was implemented between 1980 and 1984. As indicated in Table 8.7, the municipal revenue increased almost 100 percent from 425 million yuan in 1980 to 749 million yuan in 1984. The Changchun municipality submitted about 600 million yuan in the period 1980-84. However, the revenue sharing was based on the result of yearly negotiation, for it was subject to interruption whenever the state policy changed.

Under the "Tax for Profit" policy from the central state, Jilin Province launched a financial reform in the Changchun municipality in 1985. Based on the directive issued by the provincial government in 1985, Changchun entered a five year contract with Jilin. Changchun was granted more authority in managing and in levying more tax.⁶⁴ After being granted a five-year contract with Jilin Province, the Changchun municipality was able to make a longer plan for the city development.

⁶⁴ *"Jilin sheng dui caizheng guanli tizhi de guiding"* (The Regulation for the Financial Management System in Jilin Province). (1985). [Jilin Provincial People Government Document no. 67]. Pp. 68-71 in *Xianxing caizheng guanli tizhi [zhuanji]* (Special Edition of the Current Financial Management System), edited by Caizheng bu yusuan guanli si. Beijing: Beijing 4229 chang.

Table 8.7. Changchun Municipal Revenue, Revenue Remittance to the Jilin Provincial Government, 1978-90 (Million Yuan)

Year	Changchun Municipal Revenue	Revenue Remittance
-----	-----	-----
-----	-----	-----
1978	383.73	--
1979	382.71	--
1980	424.78	182.85
1981	391.41	--
1982	525.58	112.70
1983	590.47	302.39
1984	749.35	--
1985	1,063.93	424.33
1986	1,197.85	347.92
1987	1,253.92	411.01
1988	1,470.72	474.07
1989	1,597.55	516.02
1990	1,524.77	441.60

Sources:

Changchun shi tongji ju (1989). *Fenjin de sishi nian* (Vigorous Progress for 40 Years). Changchun: Changchun xinhua yinshua chang, pp. 676-9.

(1990). *Changchun shi tongji nianjian 1989* (Statistical Yearbook of Changchun 1989). Changchun: Zhongguo biao zhun chubanshe, p.155.

(1991). *Changchun tongji nianjian 1991* (Statistical Yearbook of Changchun 1991). Changchun: Zhongguo biao zhun chubanshe, p. 235.

The Changchun municipality was also eager to create more new taxes in order to increase the revenue base. In 1987, the Changchun municipality started to levy taxes, such as product tax (*chanpin shui*), surcharges on inventories (*zengzhi shui*), business tax (*yingye shui*), construction tax (*jianzhu shui*), slaughter tax (*tuzai shui*), urban maintenance and construction tax (*chengshi weihu jianshe shui*), building construction tax (*jianzhu shui*). By comparison with 1986, the revenue of the Changchun municipality increased 125 million yuan in 1987.⁶⁵ In the period 1984 to 1989, the municipal revenue doubled under the new financial system. The Changchun Internal Revenue Bureau was praised for opening these new revenue sources.

The tax collection system was organized according to the urban district. Since 1977, the Changchun Internal Revenue Bureau has expanded the number of personnel substantially. In 1982, the bureau was expanded to ten sections. It was subdivided into Nanguan, Kuancheng, Chaoyang, Erdao Hezi and FAW Production District branches. The first four branches were subordinated to the correspondent district governments. The Changchun municipality entered the revenue responsibility system with the four district governments. Like the relationship between the Changchun municipality and Jilin government, the district governments could retain part of the revenue and levy new taxes and fees. The FAW and Changchun Cigarette Factory were the biggest tax contributors in Changchun. They contribute 30 percent of the industrial and commercial tax, the most important tax in Changchun. The industrial and commercial tax contributes 60 percent of the municipal revenue. In 1985, the Changchun Internal Revenue Bureau established an office within the two factories to enhance the efficiency.⁶⁶

⁶⁵ Changchun shi tifang shi zhi bianzuan weiyuanhui / Changchun nianjian bianzuan weiyuanhui (1988), p. 403.

⁶⁶ *ibid*, p. 402.

Financial reforms in the municipality and the FAW brought interest conflicts to these two important institutions. The creation of new tax and fee by the Changchun municipality and district governments added unexpected tax burdens on the FAW. During the period 1983 to 1987, the FAW levied additional 202 million yuan of tax and fee.⁶⁷ The FAW expressed a grievance that when it entered the profit increase responsibility contract with the central government in 1983, the base of profit remittance was set to be 137 million yuan per year with 2.5 percent annual increase. But the financial reforms of the central and local governments that induced waves of new taxes and fees substantially weakened the self-raised fund capacity of the FAW. As a result, the FAW had to turn to banks to borrow money, which aggravated the financial burden. It was estimated that the interest paid by the FAW increased from three million yuan in 1985 to 60 million yuan in 1988.⁶⁸ On account of this, the Changchun municipality was instructed to eliminate the proposed new tax items, such as property tax (*fangchan shui*) and usage tax for vehicle and ship (*chechuan shiyong shui*) in 1984.⁶⁹

B. Deepening Social Division of Labor

The city of Changchun has been changing rapidly since 1978. One of the major changes in Changchun is the emergence of new city functions. The city has transformed from a dual city during the pre-reform era to an enterprise city after 1978. The enterprise city performed multiple functions, ranging from engaging in industrial production to satisfying the consumption needs of people. Thus, new urban systems were created to cope with the urban functions.

⁶⁷ Guowuyuan jingji jishu shehui fazhan yanjiu zhongxin (1988), pp. 87-8.

⁶⁸ *ibid*, p. 106.

⁶⁹ Changchun shi tifang shi zhi bianzuan weiyuanhui / Changchun nianjian bianzuan weiyuanhui (1988), p. 403.

Changchun as well as other localities in China had strong initiatives for economic growth. According to the Seventh FYP (1986-90), the target of gross value of industrial output (GVIO) for Changchun was 7.3 percent annual growth or 10 billion yuan by 1990. But Changchun surpassed the targets and finished at 16 billion yuan, experiencing 10.5 percent growth of GVIO in 1990. In fact, the growth would have been much higher than 10.5 percent if the central government had not imposed austerity policy during the period 1988 to 1990. Nevertheless, the economic reform policy strengthened the industrial production growth in Changchun.⁷⁰

Municipal industrial system was a major source of revenue for Changchun. Under the municipality, there were many industrial bureaus, such as machinery, automotive, first light industry, second light industry, electronic, textiles, and so forth. Each of these bureaus controlled a number of subordinated factories, which in turn remitted profits and taxes to the Changchun municipality. As the municipality regained more financial power, there was a strong initiative to expand and invest in industries.

During the Sixth FYP period (1980-5), the State Council instructed localities to direct their effort to improve the living standards of people. According to the Changchun's Sixth FYP, the municipality focused on the light industry in order to produce more consumption goods. Other targeted industries were auto parts industry aimed at subcontracting for the Changchun Tractor Plant.⁷¹ In 1980, in order to reduce the proportion of heavy industry and increase light industry, the Changchun Urban Construction Bureau planned to convert the Dongfeng Automotive Factory and Jilin

⁷⁰ "Jilin Provincial Government Work Report Delivered by Wang Zhonggyu, Governor of Jilin Province, at the Second Session of the Seventh Provincial People's Congress on March 9, 1989." *Jilin ribao*, March 19, 1989, pp. 1-3 in JPRS-CAR-89-046 (May 16, 1989): 27-43.

⁷¹ "Changchun shi gongye '65' qijian guihua yijian (chong gongye bufen)" (The Opinion of Changchun Industrial Planning During Sixth Five-Year-Plan, [Heavy Industry]). Changchun shi chengjian ju, 1980, p.4.

Province Road Construction Machinery Maintenance Factory into textile factories.⁷² Apparently, this municipal policy was not carried out because the Changchun municipality ignored the comparative advantage of Changchun's automotive facilities. Developing textile industry in Changchun could lead to a self-contained industrial system, but Changchun was not a favorable location in compare to the coastal region and south China. This indicated that the old developmental principle still governed the municipal policy in the early stage of reform.

Since 1978, the automotive industry has been a profitable item. Changchun and many other local governments in Jilin Province invested heavily in the municipal automotive factories. This so-called national "automobile fever" (*cheqi re*) made many local automotive production systems engage in a small-scale low quality production. In 1980, the Changchun municipality suspended the plan to convert the Dongfeng Automotive Factory into a textile factory. Instead, the Changchun municipality planned to expand the Dongfeng Automotive Factory, Changchun Engine Factory, and Changchun Gearbox Factory into a production system for light truck production facilities.⁷³ The total investment in these automotive facilities was about 100 million yuan. Later in 1987, these factories were merged with the FAW.

In 1987, the Changchun Municipal Automotive Industrial Bureau decentralized authorities to the 22 subordinates. There were 36 municipal factories subcontracted with the FAW. The total production value in 1987 was 90 million yuan, 30 percent up from 1986.⁷⁴ The Changchun municipality and Jilin government constantly put pressure on the FAW to allocate more auto parts to the local machinery factories.

⁷² "Liyong Changchun shi Dongfeng qiche chang, Jilin sheng zhulu jixie xiuzaochang fajian wei si wan dong huaxian fangzhi chang (*chubu fangan*)". (Transform the Changchun Dongfeng Automotive Factory and the Jilin Road Construction Machinery Manufactory Factory to a 40,000 Spindles Chemical Fabre and Textile Factory [A Preliminary Plan]) (1980), p. 1.

⁷³ Guojia jingji tizhi gaige weiyuanhui shengchan tizhiju (1988), p. 324.

⁷⁴ Changchun shi tongzhi ju (1989), p. 215.

Especially, they were very interested in the passenger car project. In 1990, the Jilin provincial government organized a Revitalization of Jilin Automotive Industry Forum to discuss with the FAW and seek subcontracting opportunity. Although the Changchun municipality offered to turn township enterprises to be the FAW subcontractors, the FAW refused its offer by saying that the local production quality did not meet the standard of the high quality car project.⁷⁵

It was clear that Changchun's GVIO was greatly affected by the FAW's GVIO. Table 8.8 indicates that about 20 to 30 percent of the Changchun GVIO came from the FAW. After the completion of the 150,000 annual production capacity of passenger car project, the annual GVIO of the FAW will sharply increase from the current three billion yuan to 20 billion yuan a year. The FAW's GVIO to that of Changchun will increase from the current 30 percent to 60 percent.⁷⁶ As the FAW expansion remains in Changchun, the Changchun's economy will be increasingly dependent on the FAW.⁷⁷

Another important structural change of the Changchun municipal industrial system was the shifting of state ownership to the non-state ownership. Table 8.9 shows that the rate of state sector's GVIO to that of Changchun has been steadily declining from 80 percent in 1980 to 61 percent in 1990. In contrast, after a decade of development, the non-state sectors, which include collective enterprises, private enterprises, township enterprises, foreign and China's joint venture, and so on,⁷⁸ were very lively and easily adapt to the changing market. Unlike the state enterprises that were affected by soft-budget constraint, the non-state enterprises were adaptable to a hard budget operation. This has already created pressure to the state enterprises. For

⁷⁵ Fieldnote, September 29, 1991.

⁷⁶ Fieldnote, September 1, 1991.

⁷⁷ Changchun shi tongzhi ju (1989), p. 207.

⁷⁸ Others refer to the combination of the mentioned ownerships.

Table 8.8. Percentage of the FAW's Annual Productive Value to the Changchun Annual Industrial Productive Value, 1955-90

Year	Changchun Gross Value of Industrial Output (GVIO) (Million <i>Yuan</i>)	FAW Gross Value of Industrial Output (GVIO) (Million <i>Yuan</i>)	Rate of FAW GVIO to Changchun GVIO (Percent)
----	-----	-----	-----
----	-----	-----	-----
1955	366.0	7.6	2.0
1956	527.7	47.6	9.0
1957	640.1	161.0	25.0
1958	1,023.9	305.3	29.8
1959	1,337.4	333.1	24.9
1960	1,833.8	356.4	19.4
1961	762.5	45.0	5.9
1962	774.8	173.8	22.4
1963	1,058.6	375.0	35.4
1964	1,205.9	409.6	34.0
1965	1,537.9	591.7	38.5
1966	1,830.1	743.8	40.6
1967	1,053.2	262.7	24.9
1968	1,017.4	284.8	28.0
1969	1,867.8	600.6	32.2
1970	2,321.8	801.3	34.5
1971	2,435.0	976.0	40.1
1972	2,490.3	914.5	36.7
1973	2,647.1	919.5	34.7
1974	2,448.3	659.1	26.9
1975	2,996.8	936.1	31.2
1976	3,005.3	871.0	29.0
1977	2,860.6	649.0	22.7
1978	3,294.0	886.9	26.9
1979	3,590.6	958.4	26.7
1980	3,878.4	1,020.8	26.3
1981	3,864.5	964.5	25.0
1982	4,088.8	962.3	23.5
1983	4,542.8	1,099.7	24.2
1984	5,398.9	1,328.8	24.6
1985	7,014.0	1,484.0	21.2
1986	7,188.9	1,183.9	16.5
1987	9,055.32	2,178.6	24.1

Table 8.8 (cont'd)

1988	10,952.42	2,900.0	26.5
1989	11,543.96	2,700.0	23.4
1990	11,550.89	2,790.6	24.2

Note: Since 1985, Changchun's GVIO includes township enterprises, urban collectives, and private enterprises.

Sources:

Changchun shi tongji ju (1991). Changchun tongji nianjian 1991 (Statistical Yearbook of Changchun, 1991). Changchun: Zhongguo biao zhun chubanshe, pp. 24 and 84.

Diyi Qiche zhizaochang shi zhi bianzuanshi (1991). Diyi qiche zhizaochang changzhi, 1950-1986 (The Gazetteer of the First Auto Works, 1950-1986). Changchun: Jilin kexue jishu chubanshe, pp. 27, 30, 32, 35-6, 38, 40, 42, 44, 47, 50, 52-7, 59, 60-2, 64-5, 68, 70, 73-4, 77, 80, 84, 88, and 95.

Fenjin de shishi nian (Forty Years of Vigorous Progress) (1989). Changchun: Changchun shi tongji ju, Pp. 340 and 354.

Table 8.9. Changchun's GVIO in State Sector and Non-State Sector, 1980-90 (in 1980 Price)

Year	Total GVIO (Million Yuan)	State Sector GVIO (Million Yuan	State Sector Rate (Percent)	Non-State Sector GVIO	Non-State Sector Rate (Percent)
----	-----	-----	-----	-----	-----
----	-----	-----	-----	-----	-----
1980	3,830.2	3,067.6	80	762.6	20
1981	3,864.5	3,061.1	79	800.3	21
1982	4,088.8	3,195.2	78	890.2	22
1983	4,547.8	3,466.1	76	1,074.2	24
1984	5,398.9	4,072.4	75	1,323.0	25
1985	7,014.0	4,733.7	68	2,280.3	32
1986	7,188.9	4,590.2	64	2,598.7	36
1987	9,055.3	5,914.7	65	3,140.6	35
1988	10,952.4	7,229.3	66	3,743.1	34
1989	11,544.0	7,430.7	64	4,113.3	36
1990	11,550.9	7,074.8	61	4,427.4	39

Sources:

Changchun shi tongji ju (1989). *Fenjin de shishi nian* (Fourty Years of Vigorous Progress) (1989). Changchun: Changchun shi tongji ju, pp. 340 and 354.

(1991). *Changchun tongji nianjian 1991* (Statistical Yearbook of Changchun, 1991). Changchun: Zhongguo biao zhun chubanshe, pp. 24, 84-85.

instances, the FAW-Volkswagen joint venture created competitive pressure to the First Production District. Furthermore, the local governments were losing influences on the society as before because of the autonomy of non-state ownership. I witnessed about 200 people's sit-in in front of the municipality building in the central city of Changchun in September 1991. Later I found out that these people were private vendors from the Guangfulu Market to protest against the removal of the market for redevelopment.⁷⁹

The investment pattern of municipality has also changed since 1978; its main emphasis was on improving the living standards. The rate of investment in the heavy industry has steadily declined since 1978. But the tendency has been reversed in 1987 when the passenger car project of the FAW started developing. Majority of the investment, however, was diverted to the non-productive construction and light industry.

C. Social Impacts during Urban Transformation

Another major change of Changchun city was the increase of consumption activities. Such changes were due to the reform policy which focused on the improvement of the standard of living of all walks of lives. The reform policy fundamentally transformed the nature of the city from a productive oriented city to a productive consumption city. Changchun has been gradually moving away from the spartan type socialist city, resembling other Chinese cities in the capital world.

The increase of workers' income had direct effects on the improvement of consumption power of the general public. Such a change was due to the decentralization of financial power through the contract responsibility system. Industrial enterprises could retain more profit and a portion of it was distributed among

⁷⁹ Fieldnote, September 2, 1991. Of course, the sit-in was not reported in local newspapers nor any sources of mass media. One needs to depend on personal network to find out what was happening.

workers as bonus. Over the period 1978 to 1987, the average basic annual salary of workers increased 1.7 time from 815 yuan to 1,377 yuan. The annual growth rate of workers' salaries was 8.4 percent.

The consumption structure of the people have changed from basic necessity items to quality and diversified consumer goods. According to a household sample survey in 1987, Changchun households consumed more varieties of meat, fish, egg, dairy products, and vegetables for their daily meals. Types of clothing have shifted to more stylish and good quality materials. Electrical appliances, such as color television set, refrigerator, and washing machine, have been widely demanded.⁸⁰ The sharp increase in savings of Changchun people showed the potential of consumption ability. In 1990, Changchun people saved 5.35 billion yuan, which was 2.3 times of the 1987 and 27 times of the 1978 figure.⁸¹

In 1981, the Changchun municipality established the Changchun City Commercial Network Leading Group to coordinate the development and levy taxes from the service sector. Many industrial enterprises, government units, schools, military units and street offices were engaged in the service sector. A directive issued by the Changchun municipality on September 24, 1987 indicates that the city government encouraged the street offices to organize collective enterprises. The newly established collective could be exempted from paying taxes for the first year.⁸² The city government planned to establish commercial centers in each district so that local residents can get their daily necessities.

Table 8.10 shows that the number of commercial units was sharply reduced since 1949. Until 1978, Changchun retained only 20 percent of the total number of

⁸⁰ Changchun shi tífāng shì zhī biānzhuān wéiyuánhui / Changchun niánjiān biānzhuān wéiyuánhui (1988), pp. 572-4.

⁸¹ *ibid*, p. 574 and Changchun shi tóngjī jù (1991), p. 6.

⁸² Changchun shi tífāng shì zhī biānzhuān wéiyuánhui / Changchun niánjiān biānzhuān wéiyuánhui (1988), p. 650.

Table 8.10. Number of Commercial Units in Changchun, 1949-1987

Year	Number of Commercial Unit	Ratio of Number of Commercial Unit to 1949 (Percent)	Work force in Commercial Unit	Ratio of Work force to 1949 (Percent)	Total Retail Sales (Million Yuan)	Ratio of Retail Sales to 1949 (Percent)
-----	-----	-----	-----	-----	-----	-----
-----	-----	-----	-----	-----	-----	-----
1949	18,054	100.0	33,692	100.0	37.51	100.0
1978	3,673	20.3	67,677	200.9	615.48	1,640.8
1986	20,413	113.0	182,964	543.1	2,417.57	6,445.1
1987	17,830	98.8	200,900	596.3	2,799.20	7,462.5

Source:

Changchun shi tífāng shì zhī biānzuan wēiyuánhui / Changchun niánjiān biānzuan wēiyuánhui (1988). *Changchun niánjiān 1988* (Changchun Yearbook, 1988). Changchun: Changchun shì dìwú yīnshuā chāng, p.374.

1949, which created inconvenient conditions to the general public. There were too few commercial units to provide necessary services such as food, haircut, bathing, lodging, and grocery, etc. Changchun residents had to spend long hours to buy daily necessities. But the situation has been changing rapidly since 1978. The number of commercial units increased from 3,700 in 1978 to 18,000 in 1987. There was a drop in 1987 because of the elimination of the poorly operated units. The Changchun municipality moved the non-commercial units away from the central city in order to reserve space for commercial activities. In 1987, there were 24 streets blocked out for private vendors. New commercial buildings were constructed for comprehensive commercial purposes. Former air-raid underground shelters in downtown were renovated to be shopping centers. Problems still arose because of the uneven distribution of commercial centers in Changchun. Peripheral city districts were still inconvenient for shopping.

IV. Formation of Enterprise City--Narrowing Spatial Segregation

A. Institutional Disintegration--Historical Legacy of Dual City

The rapid development of industrial production as well as commercialization have fundamentally changed the face of Changchun city. Many high-rise buildings emerged in some parts of the city. Newly built housing projects replaced the former shanty Old Town buildings. The former air raid bunkers under the Stalin Boulevard were filled with shopping customers. The People Square, which was once a political center of Changchun, was now transformed as a commercial center of the city. All these changes indicate that the economic reform since 1978 has transformed the dual producer city into a multi-purpose industrial and commercial city.

Despite all these changes, the legacies of the colonial city and dual city by no means disappeared even after a decade of economic reform. On the contrary, the

historical legacies exerted constraints on the urban development. The urban problem in Changchun during the economic reform was directly related with administrations. Under the market socialist developmental policy, the decentralization of authority to the work units has triggered waves of development incentives. Yet, neither the immature market mechanism nor the weak Urban Planning Bureau was able to control the unleashed incentives. By and large, compartmentalization was still a central problem in the urban development of Changchun. The problems were clearly revealed in urban planning, housing, and land use.⁸³

The compartmentalized social structure in Changchun constructed a fragmented urban system. The Changchun municipality controlled only 24 percent of the city's total building space in 1988. The rest of 76 percent of the city housing was not under the jurisdiction of the Changchun municipality. In other words, Changchun city planning and city regulation could only influence one fourth of the city housing whereas the three quarters of the city housing practically did not abide by the city regulation and planning.⁸⁴

In January 1981, the Changchun Real Estate Management Bureau was established to recentralize the control of city housing and land development. The bureau assumed business relationship (*yewu guanxi*) to the state enterprises such as the FAW. Under this relationship, the Changchun Real Estate Management Bureau was supposed to supervise, provide service and documentation, and issue license to the state enterprise housings.⁸⁵ However, the bureau authority was only a non-binding directive to the state enterprises. While recognizing the bureau's directive authority, the state

⁸³ "Changchun shi zongti guihua weibao tigan" (Report Outline of Changchun City Master Plan) (1980).

⁸⁴ *Changchun ribao* (Changchun Daily), August 26, 1991, p.1.

⁸⁵ Changchun shi fangchan ju chanquan chu (1989). "Qianghua guanli jizhi buduan gaige jinqu" (Strengthen Management Mechanism, Continuously Reform). *Chengxiang jianshe*, 12:30.

enterprises could modify or neglect the bureau supervision. Officially speaking, the state enterprises were to take the bureau authority seriously; nonetheless, through lack of legal ground, the success of implementing city plans largely depended on the relationship between the bureau and enterprises. Grievances have been expressed by the Changchun Urban Planning Bureau to the FAW for the FAW's failure to heed the supervision of the bureau.⁸⁶ The FAW, a much higher rank state administrative enterprise, was not taking the low ranking bureau seriously and the bureau could in fact do nothing about it.

The fragmentation of Changchun's land use system was caused by the compartmentalization of land administration structure. Since the Liberation on October 16, 1948, the Changchun municipality established a land administration bureau to control the real estates in the city and rural area. The urban land was administered by the Changchun Real Estate Management Bureau. However, the Changchun Urban Planning Bureau also claimed the authority to allocate urban land. The rural area was controlled by the Land Management Section of the Municipal Agricultural Bureau and the Agricultural Region Planning Office. All these departments, one way or another, had authority to issue policy and authorize land. It has been criticized that these departments authorized their subordinate work units to occupy large areas of land than they should.⁸⁷

During the period 1948 to 1987, about 1.7 million mu (or 1,100 square kilometers) of agricultural land were diminished. It was estimated that every year about 28 square kilometers of agricultural land disappeared in Changchun. Many of these lands were lost due to the mismanagement of the compartmentalized land administration system.⁸⁸

⁸⁶ Fieldnote, September 1, 1991.

⁸⁷ Changchun shi tífāng shì zhì biānzuan wēiyuánhui / Changchun niánjiān biānzuan wēiyuánhui (1988), p. 423.

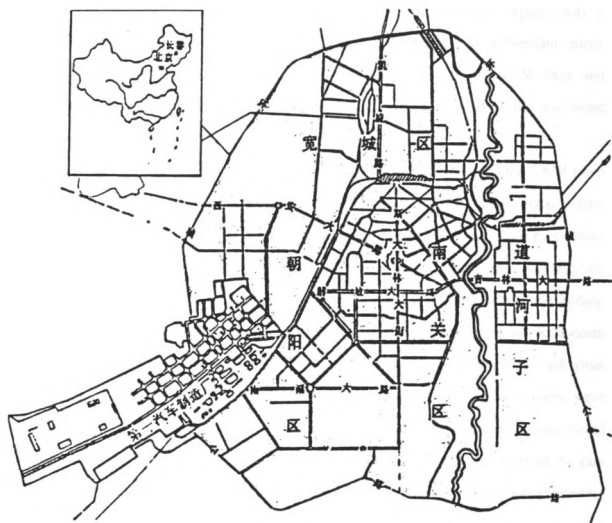
⁸⁸ *ibid.*

On June 25, 1986, the State Council passed a provisional land administration law in order to provide legal base for future development. Based on this framework, the Jilin People's Congress issued the "Jilin Province Land Administration Regulations" on July 21, 1988.⁸⁹ The new regulations required the Changchun municipality to regulate the land use practice of the city. Under the Changchun Land Administration Bureau system, each level of governments, such as city, county, town, and village, established a correspondent land administration department to enforce the land administration regulations in their territories. There were about 2,000 personnel in this new administration system. The new regulations require the land administration departments to implement systematic land administration, such as documentation, planning, construction supervision, legal administration, development, economic research, and application of modern technology. It was questionable, however, whether the 2,000 new staffs could handle the new administrative system. The municipality launched a series of workshops and published pamphlets to distribute in the city. However, the land administration regulations were not congruent with the interest of local governments. Since the local revenue was very much dependent on the profit and tax from the local industries, the local government had a strong incentive to development local industries. Much of the Chinese development was based on new development instead of renewing old industrial facilities. Therefore, industrial development involved claiming land from the rural area and constructing new buildings. If the land administration regulation were to limit the amount of land use, the local governments might lack incentives to implement the regulation, and they would most likely protect their own industries by easily granting land to themselves.

⁸⁹ "Jilin sheng tudi guanli tiaoli" (The Regulations of Land Administration in Jilin Province) (1990). Pp. 320-7 in *Tudifa quanshu*, edited by Wang Xianjin. Changchun: Jilin jiaoyu chubanshe.

In 1987, the Jilin provincial government set a land use target for Changchun city, which was 9.5 square kilometers. Of 9.5 square kilometers about four square kilometers was used for the state enterprise construction purposes and the rest was prepared for the rural enterprises and personal usage. By the end of the year, only 8.8 square kilometers was used. This type of land management saved eight percent of the annual target of land use. The problem of land waste was closely related with the public ownership of land. According to the China Constitution, all land was owned by the state and the land was used without paying a price. The nationalization of land system induced hoarding behavior as land was precious, yet users did not have to pay. The enterprises that were built earlier tended to retain more land than the newly established enterprises.

Apparently the FAW did not have a problem in acquiring land for development. As the FAW has been already protruding outside the southwest boundary of city proper, the FAW's expansion will further help develop the area way beyond the Changchun city boundary. Between 1980 and 1991, the FAW acquired 10 square kilometers of land or 56 percent of land for expansion. Map 8.2 indicates the protruding plant in the location of Changchun city. The city officials expressed their dissatisfaction for the central state's protection of the FAW. The expansion pattern violated the balance design of Changchun urban plan. Although the land administration regulation of Jilin province stated all the development had to follow the urban plan, the FAW case indicates that the urban plan had little binding power in the local development. Legal system such as land use was always overridden by the administration power.



Map 8.2. The Protruding FAW District in Changchun

Source:

Diyi qiche zhizaochang shi zhi bianzuanshi (1991). *Diyi qiche zhizaochang changzhi. 1950-1986* (The Gazetteer of the First Auto Works, 1950-1986). Changchun: Jilin kexue jishu chubanshe, Map 1.

B. Spatial Integration—Expansion of Institutional Collective Consumption

1. Restructuring of the FAW Production District

The FAW's development strategy adopted by the Russian experts was a company town model. The FAW town is a self-contained and self-reliant entity separated from the city of Changchun. The road network between the FAW town and Changchun city had been poorly linked. The FAW town, located in the southwest suburb of the city, was physically separated by the railroad.

When the construction was completed in 1957, the total area of the FAW town was only 150 hectares (1.5 square kilometers).⁹⁰ The town was expanded considerably during the 1960s and 1970s. Table 8.11 shows that there were three major expansions during the period 1962 to 1973. The cross-country truck project in 1962 was targeted for military purpose vehicles. The production facility was built right next to the Jiefang truck production base. In 1965, the Jiefang truck reached its maximum production capacity after eight years of production. The State Council approved a 92 million yuan expansion project in the original production base. A number of auto parts were allocated to Changchun and its nearby city. The 151,000 square meters of constructed space was built. In 1973, the show-case Hongqi limousine project was built on the east side of the Jiefang truck base. Up to that time, the production district was expanding east and westward within the Jiefang truck base.⁹¹

The development of the FAW has been suppressed in the early stage of economic reform. The SPC delayed their support of the FAW product transformation and other development. In 1980, when the Changchun Urban Planning Bureau

⁹⁰ Diyi qiche zhizao chang shizhi bianzuanshi (1991), p. 106.

⁹¹ Diyi qiche zhizao chang shizhi bianzuanshi (1989?), pp. 16, 26, 37, 40, 42, 47-54, 59, 85, 90-7.

Table 8.11. Expansion Project and Space Occupied by the FAW, 1962-91.

Year	Expansion Project	Space	Investment (Million <i>yuan</i>)
----	-----	----	-----
1962	Cross Country Truck	28,506 (sqm)	19.81
1965	Upgrading 60,000 Production Capacity	151,437 (sqm)	92.00
1973	Hongqi Limousine	60,280 (sqm)	36.15
1980	Upgrading 80,000 Production Capacity	100 hectare	
1984	Light Truck Region	573 hectare	4,200.00
1991	Spare Parts Production Region	300 hectare	

Sources:

Diyi Qiche zhizaochang shi zhi bianzuanshi (1991). *Diyi qiche zhizaochang changzhi, 1950-1986* (The Gazetteer of the First Auto Works, 1950-1986). Changchun: Jilin kexue jishu chubanshe, pp. 107-9, 112-3.

Fieldnote, September 1, 1991.

prepared for a city master plan, the bureau asked the FAW whether they needed to reserve land for development. Despite the fact that there was no definite development plan from the state, the FAW demanded for 100 hectares (one square kilometer) of land.⁹²

In the period 1983 through 1990, the FAW entered contract with the central government for profit increase responsibility system. Since then, the FAW had more financial ability to have a longer-term plan for development. The State Council and other commissions and ministers approved the FAW's Seventh FYP development plan in August 1984. Following the central approval the FAW sought supports from the Jilin Province and Changchun authorities.⁹³ In November, the Changchun municipality summoned a special meeting with the FAW authority and decided to approve a 573 hectare (5.73 square kilometers) land for the future development. The land included the 293 hectare Second Production District⁹⁴ and 225 hectare of Second Residential District.⁹⁵ The Second Production District was originally planned in 1984 for a light truck production base. As the developmental direction shifted in 1985, the light truck production base project was not in the first priority. The Second Production District was targeted for a joint venture passenger car base. The 573 hectare land, which cost 20 million yuan for land expropriation fee, was later used for asset investment in the joint venture. After years of preparation, the central government decided to build a parts production base right next to the Second Production District. In July 1991, the central government informed the Changchun municipality to grant the FAW 300 hectares of land. Thereby, between 1980 and 1991 the FAW claimed 973 hectares (9.73 square kilometers) of land for development.

⁹² Fieldnote, September 1, 1991.

⁹³ *Diyi qiche zhizaochang shi zhi bianzuanshi* (1991), pp. 82-3.

⁹⁴ *ibid*, p. 113.

⁹⁵ *ibid*, p. 115.

Despite the municipality's superficial support for the FAW development, city officials privately expressed their grievance to the FAW and the central government. The central government's prompt decision to grant land to the FAW showed that the well-being of Changchun was again sacrificed for the FAW development. Jilin Province and the Changchun municipality wanted to develop their own industrial facilities to subcontract the FAW's passenger car production. But the central government's decision to develop a self-contained auto parts production district was contradictory to the interests of local governments. The State Council, therefore, urged the FAW, local governments, and central ministry to engage in more communication in order to solve the institutional conflicts.⁹⁶

As the FAW entered a new stage of development in the 1980s, the FAW claimed more land and built more buildings in the FAW town. The total number of building space put up each year is presented in Table 8.11 (p. 384). Since 1983, the year the FAW entered the profit increase responsibility system, there has been an increasing number of building space built in the FAW town. The increase was the result of growing construction in the production and residential area. Between 1983 and 1986, about 120,000 square meters of building space was constructed mainly for the product transformation. The productive building space constructed in 1987-90 mainly took place in the Second Production District for the passenger car project. About 302,000 square meters of productive building space was erected in the last four years of the 1980s.

Another fast growing construction in the FAW town was the workers' living quarter. During the Sixth FYP period (1981-5), the FAW invested in reproductive facilities, mostly in living quarters. The investment in the reproductive facilities was faster than the investment in the production projects. It was estimated that 60 percent

⁹⁶ Fieldnote, September 1, 1991.

of investment during this period was put in for the reproductive projects.⁹⁷ Although the FAW generally received more developmental funds for reproductive development, the number of workers almost doubled from 41,000 in 1978 to 74,000 in 1990. The FAW also created 19,000 new jobs in the collective enterprises from 1978 to 1986. Beginning in April 1983, the FAW began to build the Second Residential District located in the southwest side of the city. Between 1983 and 1990, about 1.6 million square meters of workers' living quarters were erected in the Second Residential District. The total area for this district was 225 hectares. Until 1986, there were 1,045 workers' living quarter buildings located in the FAW town. In the early stage of development, many of the new buildings were completed without water, heat, electricity, gas and sewage systems.⁹⁸

The FAW authority set up an urban planning department responsible for the development in the FAW town. The FAW Urban Planning Department always ran into conflict with the Changchun Urban Planning Bureau. During the construction of the living quarters, the municipal Urban Planning Bureau complained that the FAW did not seek approval from them. The municipal Urban Planning Bureau insisted that as long as the FAW was located in Changchun city boundary, all construction plan must abide by the city master plan, and that the municipality had final authority on land use.⁹⁹ The FAW often ignored the municipality's complaint and sought approval from Beijing and the State Council, or from the SPC. Although Beijing encouraged the FAW and local governments to have more communications to increase mutual understanding and support, the tension between the FAW and the municipality could be easily discerned during my field work in 1991.

⁹⁷ Guowuyuan jingji jishu shehui fazhan yanjiu zhongxin (1988), p. 110.

⁹⁸ Fieldnote, September 1, 1991.

⁹⁹ Fieldnote, September 1, 1991.

2. Renewal of Central City

The underdevelopment of Changchun city before 1978 had created problems to the urban dwellers. In 1980, the Changchun Urban Planning Bureau prepared a city master plan for the redevelopment of the city proper. Since 1981, the city government has been redeveloping housing projects in the old town districts. The number of building space in the 1980s outnumbered the past three decades of development. The total residential space constructed from 1980 to 1987 accounted for 38 percent of the total residential space constructed under the 39 years of socialist regime.¹⁰⁰ Many of the new spaces were constructed on the land that was cleared up by the city renewal program. Some of the residential buildings, however, were built in the suburbs of Changchun.

The legacy of fragmentation in Changchun urban form was aggravated when industrial enterprises retained more financial resources for the redevelopment of their workers' living quarters. As presented in Table 8.12, the Changchun Municipal Housing Administration Bureau controlled 24 percent of the city's housing in 1987. State enterprises, however, occupied majority of the city's housing, which accounted for 61 percent. The new owners of private house absorbed 11 percent of Changchun housing. The private house owners were a class that recently emerged. They were benefited by the private business and the suburban agricultural population.¹⁰¹ The biggest enterprise residential housing owners were the FAW and the Changchun Train Plant.

Since 1981, the Changchun municipality has attempted to implement a small zone comprehensive development (*xiaoqu zonghe kaifa*), a new administrative method for redeveloping old districts. Each year, the government authorized a certain amount

¹⁰⁰ Changchun shi difang shi zhi bianzuan weiyuanhui/Changchun nianjian bianzuan weiyuanhui (1988), p. 576.

¹⁰¹ Fieldnote, September 1, 1991.

Table 8.12. Ownership of Changchun's Residential Building, 1987

Units Owned the Building	Total Area (10,000 sqm)	Rate (Percent)
-----	-----	-----
-----	-----	-----
Municipal Housing Administration Bureau	397.0	23.50
State Enterprises	1,032.3	61.20
Collective Enterprises	12.6	0.75
Privately Owned	187.6	11.10
Military Owned and Others	56.4	3.40
-----	-----	-----
Total:	1,686.0	100.00

Source:

Changchun shi tífāng shì zhī biānzuan wēiyuánhui / Changchun niánjiān biānzuan wēiyuánhui (1988). *Changchun niánjiān 1988* (Changchun Yearbook, 1988). Changchun: Changchun shì dìwù yīnshuā chāng, p.576.

of construction target and the city development companies that were "quasi-state" enterprises bid for the projects.¹⁰² The development companies were responsible for clearing up the land, construction, resettlement of the former residents and selling the units. The development companies could make profits out of it. Between 1979 and 1988, Changchun city had 2.1 billion yuan investment in residential housing. It was estimated that about 900,000 square meters of new residential space was completed each year. The average living space for each person has risen from 3.62 square meters in 1978 to 5.57 square meters in 1988.¹⁰³

The 1980 Changchun master city plan divided the city into seven zones. Within the seven zones, the plan designed 95 residential districts. Each of these districts was planned to have supportive infrastructures such as schools and shops.¹⁰⁴ In the period 1978 to 1987, all the Old Town redevelopment projects were located in the Chaoyang District and Nanguan District. There were at least 17 housing projects that could be identified. The fact that the municipality redevelopment projects during the period 1978 through 1987 all fell into the central city indicated that the central city was the most preferable and profitable place for redevelopment. Not surprisingly, the Erdao Hezi district, traditionally a flood ridden area and located in the peripheral district, had no redevelopment projects during the nine-year period. The Kuanchengzi district, however, had some development in the Changchun Train Plant.

Table 8.13 reveals the 17 projects in the Chaoyang and Nanguan districts. There was 354 million yuan investment in the Nanguan district compared with 284

¹⁰² Changchun shi fangchan jingying gongsi (1989). "*Shenfa fangchan jingying de gaige*" (The Reform of Deepening the Real Estate Business). *Chengxiang jianshe*, 12:31.

¹⁰³ Lu Shengwu (1989). "*Changchun shi zhuzhai jianshe fazhan 40 nian*" (Fourty Years Development of the Construction of the Changchun Residential Housing). *Chengxiang jianshe*, 12:28-9.

¹⁰⁴ Jiang Wanli (1989). "*Jiehe Changchun shi jiucheng gaizao tan chengshi guihua de shenhua*" (Integrate Changchun Old Town Redevelopment and the Deepening of City Planning). *Chengshi guihua*, 70:57-60.

Table 8.13. Location and Description of Housing Projects Constructed in Changchun, 1978-1987

Location and Name of Project	Total Area of Land (Hectare)	Total Residen- tial Area (10,000 sqm)	Total Invest- ment (Million Yuan)	No. of Household Relocated	No. of Household Accommod- -ate	Living Space Per Person (sqm/ person)
Chaoyang District						
Anda Phase I	2.20	3.20	13.00	353	618	7.0
Anda Phase II	10.50	13.11	70.00	1,762	2,610	7.0
Qinghua	2.70	2.19	6.18	18	304	9.7
Luyuan	39.00	25.20	78.66	441	6,133	5.6
Qingjiao	19.72	12.10	42.33	1,038	2,320	7.0
Chongzhi	2.50	1.42	55.48	125	257	7.5
Xinhua	2.70	1.90	7.29	175	345	7.4
Hongqi	1.60	2.20	11.00	150	309	
Sub-total:	80.92	61.32	283.94	4,062	12,896	
Nanguan District						
Taoyuan Phase I	1.30	1.80	3.25	375	392	6.2
Taoyuan Phase II	2.70	1.90	7.29	175	345	7.4
Yuandong	6.01	6.43	28.64	575	1,118	7.8
Anquan	8.68	10.20	58.95	1,127	1,963	7.0
Xisi	18.00	19.68	90.00	1,800	4,339	
Siwu	8.60	16.00	86.00	1,681	2,680	
Pingjun	1.90	3.65	21.50	395	600	
Ersan	3.90	6.30	26.00	700	900	
Zhishan	2.80	4.30	31.00	450	473	
Sub-total:	53.89	70.26	353.63	7,278	12,810	

Table 8.13 (cont'd)**Sources:**

Changchun shi tífāng shì zhī biānzuan wéiyuánhui / Changchun niánjīnā biānzuan wéiyuánhui (1988). *Changchun niánjiān 1988* (Changchun Yearbook, 1988). Changchun: Changchun shì dìwú yīnshuā chāng, pp. 298-302.

Dāngdài Chāngchūn chéngshì jiānshe biānjībù (1988). *Dāngdài Chāngchūn chéngshì jiānshe* (Contemporary Changchun City Construction). Beijing: Běijīng shì chāoyāngjū hóngwēi jiāoyīn chāng, pp. 44-5.

million yuan in the Chaoyang district. As the Nanguan district has been traditionally a densely populated area, there were 7,300 households required for resettlement compared to 4,100 households in the Chaoyang district. In terms of the total area of land for redevelopment, the Nanguan district had 54 hectares while the Chaoyang district had 81 hectares.

3. Transformation of City Management

Changchun city was organized into five city districts. Each district forms a district government. The district government was supervised by the elected District People's Congress. Under the district government were street offices that broke down into neighborhood committees. The total area, population and GVIO of each district were presented in Table 8.14. The Changchun municipality administers five counties. Most of the counties were involved in agriculture. The economic reform helped the growth of rural enterprises. Increasing numbers of rural enterprises were formed in the county seats or in the suburbs of Changchun. Table 8.14 shows that except the Shuangyang county, the rest of them have exceeded 100 million yuan GVIO.

The city district governments have been targeting establishment of local industrial system. Street collectives and state-owned enterprises generate the revenue for the local governments. As the commercial activities have been flourishing, the city district governments were granted the authority to collect taxes for the Changchun municipality. According to GVIO, the Nanguan district and Kuancheng district were the most productive. The northern part of the Nanguan district was the Old Town district. Since 1978, the northern Nanguan has been the busiest commercial district in Changchun. In addition to the 219 million yuan GVIO, the Nanguan district has become the second richest district in Changchun, only second to the FAW district. It explained why most of the redevelopment housing projects were located in this area.

Table 8.14. Population, Total Area, and GVIO of Districts and Counties in Changchun, 1987

Districts	Total Area (sqkm)	Population	Gross Value of Industrial Output (Million <i>Yuan</i>)
-----	-----	-----	-----
-----	-----	-----	-----
City District:			
Kuancheng	130.00	339,073	196.46
Chaoyang	225.00	680,676	125.51
Nanguan	135.00	441,799	219.65
Erdao Hezi	81.00	228,772	135.44
Suburbs	1,223.00	297,362	130.09
County:			
Yushu	4,720.00	1,122,600	173.75
Nongan	5,191.00	980,190	187.35
Jiutai	3,282.00	750,876	143.70
Shuangyang	2,004.00	380,446	68.42
Dehui	3,405.00	791,016	132.91
FAW District	14.24	200,000	1,980.00

Sources:

Changchun shi tífāng shì zhī biānzhuān wéiyuánhui / Changchun niánjiān biānzhuān wéiyuánhui (1988). *Changchun niánjiān 1988* (Changchun Yearbook, 1988). Changchun: Changchun shì dìwú yīnshuā chāng, pp. 42-3, 208, 214, 216.

In contrast, the Erdao Hezi still lacked dynamics to generate revenue. The housing condition in this district still remained poor.¹⁰⁵

Until 1987, the richest district in terms of GVIO was the FAW district. Within the 14 square kilometers, the 70,000 workers produced about two billion yuan GVIO, which accounted for 33 percent of the Changchun GVIO. Although the FAW was located in the Chaoyang district, the Chaoyang district government had no authority to interfere the development within the FAW district. The Chaoyang government established two street offices in the FAW district. But the street offices were most likely administered by the FAW authority. The expansion of the FAW district signified that the FAW development would continue to occupy more farmland for industrial and residential purposes. The city within a city pattern was strengthening, which resulted in the FAW's gradual divorce from the Changchun city proper. The Changchun municipality, however, had to provide supporting services such as water, electricity, gas and land. Conflict arose as the local resources were drained away from the municipal system to the FAW. When the Changchun municipality failed to win the subcontracting contract for the passenger cars, the Changchun city received little benefit from the FAW expansion. Commercially speaking, the FAW workers would still be attracted by the commercial districts in the central city. In this respect, Changchun city might strengthen the service sector in order to gather more taxes and profits for its revenue.

V. Conclusion

The urban transformation of Changchun during the market socialist reform period has drawn a closer relationship between the city and the FAW. In the new economic environment, the city's social division of labor has been encouraged as the

¹⁰⁵ Fieldnote, September 18, 1991.

result of the self-financing mechanism. The former dual city developmental pattern has been reduced when the non-FAW district governments retained more revenue for local development. This Chapter demonstrates that Changchun has been transforming into an enterprise city with more integrated sociospatial patterns. Given the significant role of automotive industry in China's national economy, the FAW, once again performing a leading role in Changchun development, gave Changchun a second chance to restructure itself.

The historical legacy inherited from the bureaucratic institutional development during the First FYP has left tremendous obstacles for the market socialist economic reform. After two decades of manufacturing, the infrastructures of Changchun as well as the FAW have become obsolete. The old system of Mao's era was not able to renew the aging facilities. Constant political campaigns and inefficient production system drained state resources. As the political and economic leaderships were preoccupied in merely maintaining the status quo, little attention was thus actually paid to the renewal of facilities. When the market socialist economic reform started, the aging facilities became the first issues the FAW and Changchun municipality had to tackle. However, such important tasks were carried out by the same bureaucracies that had worked under the state bureaucratic system for the last two decades. How could the FAW and Changchun municipality solve the organizational and physical constraints? The answer was simply to increase state interventions by granting more favorable policies and state funds for the FAW transformation.

Unlike the SAW, the FAW organizational transformation from a bureaucratic enterprise to the "quasi-state" enterprise has undergone a twisty journey. The FAW "quasi-state" enterprise status was jeopardized by the weak self-financing ability. Unlike the SAW's successful home-based expansion strategy, the FAW's home base encountered a difficult time to rejuvenate itself. To make things worse, before the FAW completed the home-based technical renovation, the FAW launched a series of

major expansions. After the technical renovation, the FAW trucks had to lower the price substantially in order to recapture part of the national market. Thereby, the FAW's self-financing ability was further weakened. This study reveals that the FAW encountered cash flow problems from time to time. The central state and provincial government had to intervene by pouring in capital to ease the financial crises. The FAW's case shows that state protection was essential to maintain the momentum of reform. This created an unfair competition between the SAW and FAW, for the FAW was granted more state funds despite its poor performance.

The relationship between the FAW and Changchun municipality has been restructured during the urban transformations. In contrast to the uneven development during the First FYP and the rest of Mao's era, Changchun city experienced a more vigorous urban development in all districts during the economic reform. The Changchun municipality and Changchun district governments retained much more revenues to make these government units act more aggressively. This study demonstrates that these local government units would tend to overly involve in building their local industrial systems instead of enforcing balanced urban development. This phenomenon created a business-like governments that resembled a real business enterprise. Such governmental enthusiasm promoted the merge of Changchun and Jilin municipal automotive facilities with the FAW to form a light truck assembly line. Such merge was significant because of the willingness of local governments to give up part of the administrative control over the municipal factories to the FAW. Compared with Shiyan, Changchun apparently had much more industrial abilities to provide outsourcing production to the FAW. On the other hand, the Changchun local governments were unable to assume an effective regulatory role to impose the city master plan.

The changes of the FAW and Changchun municipality in their relationship has narrowed the dual spatial pattern. Since the local governments were unable to assume a regulatory role to coordinate urban development, Changchun development has been

facilitated by work units themselves. Most of the work units were in profit responsibility contract with their superordinates and were able to use their self-raised funds for enterprise renovations. This development tendency has created booming construction industry in the city where many old districts were redeveloped. It rapidly changed the built environment of Changchun. However, this development pattern resembled the work units collective consumption tendency during Mao's era. Although the self-financing mechanism has changed the channels of state redistribution system, it was unable to reform the political logic of urban development. Apparently, the hierarchical administrative rank still determined the bargaining power of work units with their superordinates for special state policy and state funds. On the other hand, the market socialist reform strategy failed to alter the local government behavior. In fact, the self-financing mechanism was partially contradictory to the regulatory role of local governments. As a result, the local governments selectively imposed the urban development regulations and city master plan while they ignored those that would hinder local economic development.

Part Four

Sociospatial Structure in Chinese State Socialism

Concluding Reflections: Institutional Arrangements and Urban Form in Chinese Socialist Transition, 1953-90

This dissertation focused on the social production of urban space in China's motor cities during the volatile Chinese socialist transitions. This historical comparative study suggests that the Changchun and Shiyang motor cities have been heavily shaped by the state development strategies the Chinese communist state pursued over the four decades of socialist transitions. Each state development strategy constituted a different institutional arrangement, determining the relationships among the central state, provincial government, municipality, automotive plant, army, and the masses. It was these institutional arrangements that structured the social organizations of the Chinese socialist society. It has been argued here that the varying organizations of automotive plants and their relationships with the municipality determined the spatial arrangements of China's motor city.

What does this dissertation add to our understanding of the Chinese socialist city and the development of Chinese state socialism? Firstly, as we have seen, the Chinese socialist society was basically immobile partly due to the vigorous population control policy of China's leadership. The social organization of China's motor city was in fact based upon the social controls and welfare provisions of the automotive plants to their workers. This type of social control had a far reaching effect, for the problem of immobility led not only to the underdevelopment of the automobile industry, but also of the urban infrastructure. Secondly, we have argued that there was a political logic operated in socialist cities, in which the automotive plants (or any work units) and the municipalities competed for limited state resources and controls over local development. The outcome of this power struggle was determined by the work unit's

administrative rank and the scale of its industrial production. This study employs the concept of "work units collective consumption" to explain the institutional distribution of resources in an immobile socialist city. Thirdly, this study documented the volatile course of Chinese socialist transition and the transformation of institutional arrangements, and urban forms of the motor city. We have seen that despite the rapid changes, the underlying political logic of urban development has been recurring since the early 1950s.

This concluding chapter focuses on few questions connected to the theme of this historical comparative study. Firstly, we ask in what way did the political logic operate in the institutional arrangements revealed in the various patterns of motor city? Secondly, what was the relationship between political logic and the state mode of production? Thirdly, what social goals did the varying spatial arrangements of motor city achieve? Finally, what urban questions did the varying motor city create? In order to address the aforementioned questions, this section compares the structural characteristics of the motor cities. It highlights the differences and similarities of the cases, to reveal a general picture of socio-spatial structure of the Chinese socialist cities.

I. Institutional Arrangements

Institutional arrangement was one of the most critical issues in China's politics. It determined the balance of power in the Chinese communist state as well as the attainment of socialist ideology. The Chinese communist state has been experimenting centralized bureaucratic, egalitarian, and decentralized bureaucratic systems over four decades. The major difference among these systems was the role of governments played during the industrialization process. It is clear that the building of the FAW

project was benefited by the centralized bureaucratic system. The system was able to direct the best national resources and human power to the project.

Despite the impressive achievement, the Chinese communist state turned the socialist course to an egalitarian system during the Third Front Industrialization. This system was fed by the mass line momentum, intended to replace the domination of state bureaucratic system. This institutional arrangement brought about the debilitation of the state redistributive system, in which the central state, provincial government, and municipality had a great difficulty in distributing state resources into the SAW project. Although the state mobilized the best work forces for the SAW from across the nation, these work forces also brought in political conflict which resulted in intensive power struggle in Shiyan. The institutional environment was not favorable for the construction of large-scale industrial projects.

The transformation of the FAW and SAW during the market socialist period was characterized as a decentralized bureaucratic arrangement. Leadership of the automotive plants was reinstated. More decentralized authorities were transferred from the central government to the automotive plants and municipalities. These social institutions engaged in profit (or revenue) responsibility contracts with their superordinates. A self-financing mechanism was therefore installed during the organizational transformation. Findings in this study revealed that there was substantial growth in industrial production. But the transformation process was also heavily constrained by the inherited structure.

II. Ownership System

The institutional arrangements in these motor cities were closely related with the state ownership system. The varying arrangements constituted different methods of channeling of state resources through the redistribution systems. These systems

determined the institutional behavior and relationships in urban development. The urban system of Changchun and Shiyang were shaped by the heavy state investments on the FAW and SAIC. Under the state administration system, the automotive plants, acting as a mere receiver of state supports, have been described as redundant and inefficient state enterprises (Chapters 4 and 5). However, heavy state investment had turned them into big owners of state resources in the motor city. On the other hand, the municipalities' efforts to develop their own local industry have been neglected by the central government. The municipalities had to depend on their bargaining skill, hoarding, and other means to increase the municipal portion of state resources in the city. Therefore, in the state ownership system, state properties were, in fact, owned by the subordinate state bureaucratic units. In a motor city, the automotive plants became a wealthy institution whereas the local municipalities had to fight for survival. The larger the city size, the more state properties the municipality could control, and the automotive enterprise would become less dominant. This situation did not change much in Changchun and Shiyang during the market socialist reform even though there were more resources available in the cities. Unlike the coastal cities, the motor cities were preoccupied with the state ownership system (60 percent in Changchun and much higher in Shiyang in the late 1980s). Thereby the motor cities were still in the same old system of dividing state properties between the automotive plants and municipalities. The result was dependent on the size of city, administrative rank, and scale of industrial production.

III. The Role of Municipality

The institutional arrangement and state ownership system determined the institutional behavior of municipality. Socialist municipality had the tendency of expanding bureaucratic control over local resources. In the socialist city, municipalities

acted like city corporations, overseeing the municipal industrial facilities within their territory. In the Chinese socialist cities, superordinates assessed the performance of municipality not in terms of urban development, but rather based upon the municipal industrial growth. This situation was illustrated in Changchun during the First FYP. The Changchun municipality was eager to develop a municipal industrial system upon which the municipal revenue was based. In Shiyan, because the municipality was eliminated in the name of egalitarianism, the SAW assumed the role of municipality. As a result, the non-SAW districts were totally underdeveloped. During the market socialist reform, however, resource restriction on municipalities was unleashed in order to develop municipal industrial base.

Under the state ownership system, the municipalities had emphasized too much on controlling local state properties without balancing their role as coordinators of urban development. Municipalities behaved like a business enterprise, competing with their local state enterprises, i.e., the FAW and SAW, for developmental opportunities in localities. Under this system, the socialist cities lacked a social institution that could assume the role of creating favorable institutional environment for economic development. Since the municipalities were neither effective coordinators nor enthusiastic legal enforcers for the city zoning and other land use regulations set by the city master plan, there was a long-term negative impact on economic and urban development in the Chinese socialist cities.

IV. Political Logic

In general, urban development in motor cities has been under way under constant institutional conflicts between automotive plants and municipalities. For example, in the dual city of Changchun, the Changchun municipality was caught in the dilemma of showing enthusiasm to the central state to provide supports for the FAW

construction, and at the same time not overly channel local resources to the FAW, which would weaken Changchun's municipal development. In fact, the Changchun municipality wanted to make use of the FAW project to increase its bargaining power with superordinates to attract more state resources. In the Shiyan case, the political logic of urban development was overshadowed by the power seizure of revolutionary masses. It resulted in a situation where a constant shift of power from one institution to the other took place, creating an unstable situation and inconsistent policy during the decade long construction period. Although the market socialist reform unleashed the growth of municipal authority, the municipalities and automotive plants still competed for developmental opportunities and control of local resources. Thereby, despite the varying institutional arrangements, the political logic has been recurring in the Chinese urban transformations in the form of the institutional role conflicts of local government between being governing agency and business corporation. The political logic was basically rooted in such institutional role conflicts. Under such conditions, the urban development was left to the collective consumption of individual work units.

V. Spatial Pattern

The spatial patterns of motor city revealed the social structures of the corresponding institutional arrangements. The dual city represented the disparity between the FAW district and non-FAW districts in Changchun. The disparity indicated that the Changchun municipality had much less resources for its territory while the FAW district had more. The dispersed city pattern disclosed a loosely connected social system in which workshops were built with less coordination. Although the Shiyan urban form did not show the dual structure as seen in Changchun, the SAW auto production system was almost in a state of inertia. The auto production system could not function before the major reconstruction in 1977. The enterprise city

revealed the urban concentration pattern, in which the automotive plant district and non-automotive plant districts received more chances of development. There has been more social division of labor between these districts, and this helped to form a more integrated urban system.

VI. Urban Questions

What social goals did the institutional arrangements achieve, and were there any questions raised about the urban forms associated with motor cities? The centralized bureaucratic arrangement was very effective in directing national resources and human power to complete the complicated FAW project within three short years. However, the construction process also created a dual structured motor city, which segregated the FAW district from the non-FAW districts. Did the spatial segregation in Changchun create any social problems in the city? First of all, there was no indication of widespread social discontent due to the dual social structure. On the contrary, there was a tendency of mass supports nationally motivated by the post-war patriotic sentiment. Youngsters who lived in coastal regions or studied abroad were willing to go to the FAW and help to build the first national automotive plant. In this sense, the dual city pattern was considered as a form of self-sacrifice for the temporary socialist transitions. However, as the transitions lasted for a long time, the Changchun urban infrastructure had been overly used without reinvestment, creating a series of structural and spatial problems within Changchun. Therefore, the urban question of the Changchun dual city pattern rather lay in the problem of uneven development.

If the dual city pattern was not a real threat to the people's social discontent, why then was there an egalitarian movement during the Third Front Industrialization, which seemed to be a counteraction to the dual city? This study has demonstrated that the Third Front Industrialization had political goals of eliminating the internal enemies,

i.e. the state bureaucratic system, and the external enemies such as the United States, Soviet Union, India, and Taiwan. To be sure, the formation of the Shiyang dispersed city had a goal of social reform, as well. Industrialization without urbanization was an innovative method of development. But the result of constructing the dispersed city had proved to be a very costly and inefficient method for industrialization. The urban question of Shiyang was related to the underdevelopment conditions. We have seen (Chapter 5) that there had been growing grievances since the mid-1970s among workers concerning the spartan living conditions. Workers' morale was low because they lived in shabby shacks for years, separated from family members. But again, there was no open expression of workers' grievances. The major problem Shiyang encountered was the underdevelopment conditions, which heavily affected the operation of the SAW.

Unlike the Third Front Industrialization, the market socialist reform was a direct response to the structural problems inherited from the Mao's era. The enterprise city revealed in Chapter 7 and 8 indicated that the urban development in Changchun and Shiyang was booming. The built-in profit sharing mechanism allowed more state resources to be controlled by the subordinate units. The automotive plants and municipalities were able to focus on local development. This situation partly solved the uneven development and underdevelopment conditions in Changchun and Shiyang. Despite the rapid development, the major problem in the enterprise cities was lack of coordination. More structural reform in the Chinese socialist state mode of production should be put forward. The economic boom in China has led the Chinese socialist cities on the brink of urban explosion. Thus, many efforts are needed from municipalities to exert their effective governing leadership in order not to jeopardize the phenomenal urban development that takes place at the present moment.

Glossary

Glossary of Chinese Terms

<i>badabu</i>	Eight Big Ministries (in Changchun)
<i>baochan daohu</i>	household responsibility system
<i>baojian</i>	contract construction
<i>(bu, si, ju,</i>	ministry, department, bureau,
<i>chu, ke, xi)</i>	office, section, department (in university)
<i>buguan wuzi</i>	ministerial controlled materials
<i>(buzhan liangtian,</i>	don't occupy good agricultural land, occupy less
<i>xiaozhan nongtian)</i>	agricultural land
<i>caigouyuan</i>	procuring agent
<i>cankaoxing zhibiao</i>	reference targets
<i>caopang</i>	straw shack/thatched shack
<i>chanpin shui</i>	product tax
<i>(Changchun tebieshi-</i>	Changchun Special City's Military
<i>junguanzhi weiyuanhui)</i>	Control Committee
<i>changshe heyi</i>	workshop-commune integration
<i>changshi heyi</i>	enterprise-city integration
<i>chечuan shiyong shui</i>	surcharge for vehicle and ship
<i>chengbao zhi</i>	contract responsibility system
<i>chengshi weihu jianshe shui</i>	urban maintenance and construction tax
<i>dachang heli</i>	large factory rationale
<i>dada</i>	full scale war
<i>dafensan, xiaojizhong</i>	big dispersal, small concentration
<i>dajungong</i>	National Defense Industrial Construction Plan
<i>danwei</i>	workunit
<i>(daquan dulan,</i>	centralize the major authority,
<i>xiaoquan fensan)</i>	decentralize the minor authority
<i>dasanxian</i>	big third-front project
<i>daxiu jijin</i>	major repair fund
<i>(da xingzheng qu -</i>	Big Administrative Regional People's Government
<i>-renmin zhengfu)</i>	
<i>dazheng fangzhen</i>	great policy
<i>disan chanye</i>	tertiary sector (production)
<i>ducao</i>	poison weeds
<i>Erqi geming zaofan dajun</i>	the SAW Revolutionary Rebellious Great Army
<i>fangchan guanli weiyuanhui</i>	Real Estate Management Committee

<i>fangchan shui</i>	property tax
<i>faqian wudidong</i>	spending chasm
<i>fensan zhuyi</i>	scatterism/decentralism
<i>gandalei</i>	pounded earth wall
<i>Geming zaofan zong zhihuibu</i>	Revolutionary Rebellious General Headquarters
<i>Gongnong tuanjie hui</i>	Workers--Peasants Alliance Association
<i>gongyou fangchan</i>	public owned real estate
<i>Guomindang</i>	Nationalist government
<i>gutou</i>	bone (refers to industrial facility)
<i>hong</i>	redness (revolutionary)
<i>hukou</i>	household registration
<i>huizhu honggqi fan hongqi</i>	waving red flags to oppose red flags
<i>Jiangong bu</i>	Ministry of Construcion Engineering
<i>jianzhu shui</i>	construction tax
<i>Jianzhu wushi</i>	Fifth Construction Division
<i>jiangjin shui</i>	bonus tax
<i>jiben jianshe</i>	capital construction
<i>jiedao banshichu</i>	street offices
<i>jihua danlie</i>	independent status under the state plan
<i>jihua renwu shu</i>	planned assignment certificate
<i>jinku</i>	coffer
<i>jumin weiyuanhui</i>	residential committees
<i>(jun, shi, tuan, lian,</i>	corps, division, brigade/regiment
<i>ying, pai, dui)</i>	battalian, company, platoon, squad
<i>jueduey lingdao guanxi</i>	absolute leadership relationship
<i>Junwei banshizu</i>	Military Commission Administrative Group (late 1960s)
<i>laodong</i>	labor
<i>ligaishui</i>	tax for profit
<i>lingdao guanxi</i>	leadership relations
<i>lirun dizeng baogan</i>	profit-increase responsibility system
<i>lirun liucheng</i>	profit retention scheme
<i>lirun liucheng jishu</i>	base of profit retention
<i>lirun shangjiao jishu</i>	base of remittance profit
<i>maiban</i>	comprador
<i>mangmu maojin</i>	unchecked rash advance
<i>niulashi</i>	cow dung pattern
<i>penghu</i>	shanty
<i>quantong quanbao</i>	completely centralized and inclusive
<i>qiche changlang</i>	automobile corridor
<i>qiche chuanhuan</i>	sales vehicles in exchange for input
<i>qiche re</i>	automobile fever
<i>quantong quanbao</i>	completely centralized and inclusive
<i>qunzhong luxian</i>	mass line strategy
<i>paxing zhuyi</i>	servility orientedness or servitude ideology

<i>rou</i>	flesh (refers to urban infrastructure)
<i>santong yiping</i>	three circulation, one leveling
<i>san quanmian</i>	three comprehensive responsibility system
<i>sanxian jianshe</i>	third-front construction
<i>shan, san, dong</i>	dispersal to mountain and cave
<i>shangshan xiexiang</i>	up the mountains, and down the valleys
<i>shaojiang</i>	major-general
<i>shehui dongyuan luxian</i>	social mobilization strategy
<i>sheji geming</i>	design revolution
<i>sheji renwu shu</i>	design assignment certificate
<i>shengchan chang</i>	production workshops
<i>shengchan fazhan jijin</i>	production developmental fund
<i>shengxia shi</i>	provincial administrative city
<i>shichang caiguo wuzi</i>	market material
<i>Shi renfang bangongshi</i>	City Air Defense Office
<i>shisi tiao</i>	the Fourteen Principles
<i>shuangquan chengbao</i>	double comprehensive contract responsibility system
<i>suoda shui</i>	income tax
<i>tanpai</i>	fee imposition (imposition of various fees on enterprises in addition to formal tax obligations).
<i>(tiaozheng, gonggu, chongshi, tigao)</i>	readjustment, consolidation, strengthening, upgrading (1961)
<i>tiao</i>	vertical branch principle
<i>(tiaozheng, gaige, zhengdun, tigao)</i>	readjustment, reform, rectification (streamlining), upgrading (1979)
<i>tie suanpan</i>	iron abacus
<i>ting, huan, jian, xiangmu</i>	project for postponement or stop
<i>tifang wuzi</i>	local material
<i>ting, huan, jian xiangmu</i>	stop, postpone construction project
<i>tongpei wuzi</i>	centralized material
<i>tudi kaifa fei</i>	land development fee
<i>tuolasi</i>	trust organization
<i>tuzai shui</i>	slaughter tax
<i>wuqi dangxiao</i>	May Seventh Cadre School
<i>Wuzi fenpei ju</i>	Material Allocation Bureau
<i>xiafang</i>	youth rustication program
<i>xian é yi shang</i>	above investment norm (1953)
<i>xian tuan</i>	county brigade
<i>xiang qian kan</i>	money fetishism
<i>xiaosanxian</i>	small third-front project
<i>xiaoqu zonghe kaifa</i>	small zone comprehensive development
<i>xitong</i>	state bureaucratic system
<i>yanglashi</i>	sheep dung pattern
<i>yangnu zhexue</i>	western slave philosophy

<i>yewu guanxi</i>	professional relationship
<i>yibiandao</i>	lean to one side diplomatic policy
<i>yichang daishu</i>	factory led people commune
<i>yi tiao long</i>	a coordinated production process (system)
<i>yingye shui</i>	business tax
<i>zaoda</i>	imminent war
<i>zengzhi shui</i>	appreciation tax
<i>zichou jijin</i>	enterprise self-raised fund
<i>zhandi bu jianchan</i>	occupy farmland but do not reduce production
<i>zhejiu jijin</i>	depreciation fund
<i>zheng ti fei</i>	land expropriation fee
<i>Zhengwuyuan</i>	State Administrative Council
<i>zhengzhiche</i>	political vehicles
<i>zhengzhi quxiang</i>	political orientation
<i>zhidaoxing zhibiao</i>	guidance targets (non-binding directive plan)
<i>zhilingxing zhibiao</i>	mandatory targets (mandatory state plan)
<i>zhiguan gongfang</i>	directly managed public real estate
<i>zhiqing chang</i>	"intellectual youth" collectives factory
<i>zhixia shi</i>	directly governed city
<i>zhizhu gongye</i>	mainstay industry
<i>zhizuo</i>	support "the revolutionary left"
<i>(Zhongyang caizheng- weiyuanhui)</i>	Central Financial Commission
<i>Zhongyang zuzhi bu</i>	Ministry of Central Organization
<i>zhuan</i>	expertise
<i>zhuan ye bu</i>	functional departments
<i>zichou jijin</i>	enterprise self-raised fund
<i>ziguang gongfang</i>	self managed public real estate
<i>Ziyuan jun</i>	Volunteer Army
<i>Zong canmoubu</i>	General Chief of Staff Bureau
<i>zong luxian</i>	general strategic line
<i>zhongdongyuan luxian</i>	social mobilization strategy

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