Article

China’s Urban Transformation in the Shadow of Regulatory Centralism: The Revitalization of Old Industrial Cities as a Case

Jie Guo 1, Lixia Jin 1 and Yongchun Yang 2,*

1 Guangzhou Institute of Geography, Guangdong Academy of Sciences, Guangzhou 410070, China
2 College of Earth and Environmental Sciences, Lanzhou University, Lanzhou 730030, China
* Correspondence: yangych@lzu.edu.cn

Abstract: Recent research has focused on a dialectical examination of neoliberalism and China’s inherent authoritarian regulatory regime and the planned economy tradition. In the same vein, this study examines China’s institutional reform and emergent goal-oriented governance since the early 1980s. It argues that China’s four decades of marketization and decentralization reforms are not toward neoliberalism, but have been accompanied by increased authoritarian regulation and state intervention. The reform aimed at complementing rather than dismantling the socialist planned economy through the localization of marketization and the adoption of a “small government” logic. A survey on the revitalization of an old industrial base in Lanzhou detailed the flow of power and its operation under the post-reform regulatory centralism. By delegating the power to formulate planning, the right to intervene in the land market, and the autonomy of policy innovation to the local governments, the central government can achieve precise intervention in local governance and land development, thereby achieving the strategic goal of national accumulation.

Keywords: neoliberal decentralization; regulatory centralism; goal-oriented governance; urban renewal; China

1. Introduction

Political economists have reached a consensus that neoliberalism, the core components of which are marketization, decentralization, and deregulation, has flexibly adapted its market-centered restructuring to a wide range of contexts, including both liberal democratic and authoritarian societies [1–4], and generated various mess forms [5]. Harvey argues that China has been an active participant in global neoliberal reform over the past decades [6]. By introducing “neoliberalism with Chinese features,” he interprets China’s reforms since the 1980s as an ongoing neoliberal experiment on socialist soil. Despite differing from the “drastic changes in Eastern Europe,” China’s reforms do have distinctive neoliberal features, reflected in the rise of the market economy, fiscal and administrative decentralization, and the emergence of free trade enclaves. In sharp contrast to Harvey’s views, however, are Deng Xiaoping’s “Socialism with Chinese Characteristics” and “Xi Jinping Thought,” which emphasize the leading role of state regulation. Both claim that China’s insistence on Marxist ideology made reform fundamentally different from the neoliberal shift in the West. Thus, China’s reform comprises socialist self-improvement, with selective reference to market logic, and comprises a “groundbreaking” combination of state regulation and market economy.

Despite hostility to neoliberal ideology, the Chinese party-state has shown unprecedented favor for market mechanisms. Internationally, the Chinese government participates actively in global free trade. Domestically, it has launched market-oriented reforms
in many public fields (e.g., housing and healthcare) and conducted more thorough mar-
ketization, deregulation, and trade liberalization experiments in selected locations (e.g.,
free trade zones). Paradoxically, while promoting global trade freedom and domestic mar-
ket-oriented reforms, it has also formulated administrative and economic measures to
curb the spread of ideas about self-regulating “free” markets and political liberalization
in China. This dislocation of action and thought indicates that China’s system reforms are
not a move toward “pure” neoliberalism. While reform is obviously not a continuation of
socialism/communism, as Chinese governments and advocates of Chinese exceptionalism
believed, nor is it a variant of ideal neoliberalism. Additionally, local socio-economic dy-
namics in the post-reform era are not solely the consequence of neoliberalism [7].

Recent studies demonstrate that the Chinese central government has played a key
role in experimenting with neoliberal policies [8–11]. Unlike some historic core economies
that hollowed out the national state’s role, China’s central government and centralized
planning have not weakened under reform. Rather, marketization and deregulation not
only promoted rapid industrialization and urbanization, but also helped the party state
achieve strategic restructuring and consolidate its legitimacy [12]. Neoliberalism, similar
to the “state developmentalism” of Japan, South Korea, and Taiwan, is a mobile technol-
gy serving specific political rationalities in a specific period [11–13]. The ideas of market
competition and deregulation have been purposefully invoked and creatively interpreted
to resolve the crisis of “socialism” since the 1980s [9]. This serves the Communist Party’s
governance logic, i.e., to control the means of production and social relations in the name
of egalitarianism and collective ownership, so as to achieve refined management of society
[11,14].

This echoes recent calls by scholars such as Bruff and Tansel to investigate the au-
thoritarian dimensions of neoliberalism. They believe that the neoliberal turn is not a
spontaneous process dominated by some irresistible global force and moving towards a
totalizing form of convergence [4]; instead, neoliberalism is an emergent mode of regula-
tion based on different governance structures, and the state plays a constructive role and
has political rationality in reproducing neoliberalism. They also highlight the coercive
state practices that discipline oppositional social forces [4]. Not only does it emphasize the
key role of nation-state authority in driving neoliberal reforms, but the concept of author-
itarian neoliberalism also reminds us of how nation-states can leverage neoliberal policies
and ideas to enhance their regulatory authority and achieve their governance goals [1,4].

Much research has been conducted on how China initiated neoliberal reforms in re-
response to the socialist crisis of the 1980s [8,9,11,14]. However, we still know little about
how neoliberal policies can be employed by the government for effective control over the
means of production and social relations. Specifically, how can such policies supplement
state intervention in local development? Answering these questions will enrich our un-
derstanding of the authoritarian impetus behind China’s neoliberal turn and redress dan-
gerous tendencies to either simplify China’s case as a derivative of the global wave of
capitalism or see it as an “exception.” Furthermore, the Chinese case can help illustrate
the interdependence between neoliberalism and other political regulatory systems (i.e.,
authoritarian regimes). In other words, how can neoliberalism be built on established po-
litical regimes and use authoritarian tendencies to enrich capital accumulation when it is
invoked for particular political rationalities [2]?

Section 2 reviews China’s neoliberal reform as a national strategic project since the
1980s and illustrates how can the central government use neoliberal policies to improve
governance efficiency while developing a balancing strategy to maintain the authority of
central supervision. It proposes an emergent goal-oriented governance framework under
the tradition of administrative centralization and argues that this allows the central gov-
ernment not only to mobilize local governors’ enthusiasm, but also to achieve controllable
reforms. Section 3 examines the Reconstruction Plan for National Old Industrial Bases
(2013–2020) (RPNOIB) initiated by the State Council in 2011 and illustrates how the central
government can conduct remote monitoring through goal-oriented governance, with special attention to the means of mobilization and discipline of local governors. Sections 4 and 5 examine Lanzhou’s industrial area renewal and detail the capillaries of state power. They focus on the monopoly power of the Lanzhou Municipal Government in market supervision and planning formulation, and the (limited) flexibility in policy innovation that the central government deliberately decentralized, helping to materialize the national accumulation strategy.

Collecting information on the Chinese government and enterprises, especially the state-owned sector, can be challenging. We conducted the study primarily through semi-structured interviews with local officials, urban planners and corporate leadership, and union representatives. In August 2013, September 2016, and December 2021, we conducted a total of six in-depth interviews with officials from the Lanzhou Municipal Development and Reform Commission, the Municipal Bureau of Land and Resources, the Qilihe District Industrial and Information Technology Office, and the Urban Planning and Design Institute of Lanzhou University. The content of our interviews mainly involved the local government’s understanding of RPNOIB’s strategic intentions and development goals, local response actions, and governance tools adapted to local conditions. In particular, we questioned how local governments use devolved power and authority to materialize national strategic goals. In particular, we asked how local governments use decentralized authority and governance tools to promote the localization of national strategic goals. Between 2013 and 2016, we conducted interviews with five industrial enterprises involved in the Lanzhou urban renewal and industrial relocation program, including two large state-owned enterprises and two well-run and one private enterprise on the verge of bankruptcy. The interviews focused on the corporate leadership’s differentiated attitudes toward the municipal program, the cooperative or resisting actions they took, and their reasons. The aim was to reveal the competing tensions around urban renewal and industrial relocation.

In addition, we used publicly available materials, most of which are online. These data are critical to understanding the policy context in which the RPNOIB was enacted and the urban renewal of Lanzhou was initiated. These documents include various implementation and regulatory statistics and plans issued by the National Development and Reform Commission, the Lanzhou Municipal Development and Reform Commission, and sub-level government agencies.

2. Locating China in the Neoliberal Era

2.1. Authoritarian Tradition and the Limits of Neoliberalism

Peck and Zhang refer to post-Mao China system reform as a politically constructed trial-and-error process conditioned by the ongoing struggle between reformists and conservatives within the Communist Party and the capricious changes in the international political environment [15]. The socio-economic crisis that erupted in the 1980s shredded the party’s consensus that a planned economy would overcome the anarchy of the market and caused reflection among reformists [16]. Disagreeing with the conservatives for blaming the crisis on the political turmoil of the 1980s [14], reformists believed it to be more of a structural crisis, an inevitable result of the long-term implementation of concentrated allocation of resources [17]. They believed that although Marx had revealed the inevitable features of crisis outbreak under capitalism, the planned economy initially envisioned by the communist revolutionaries also failed to escape social contradictions [14]. In China, the call to restore economic rationality was accompanied by the rapid spread of the idea of “economic and efficiency determinism” [18].

The split in party opinion indicates that some reformers’ understanding of economic order came to resemble that of neoliberals. Moderates led by Deng Xiaoping proposed “seeking truth from facts,” and noted that “China should not accept Lenin’s thinking in its entirety but develop this line of thought from an appraisal of concrete circumstances
Land 2022, 11, 1945 4 of 18

and based on economic and other objective laws” [14]. Nonetheless, long-standing hostility to
foreign imperialism and the consensus to maintain social stability let them stand
with conservatives and firmly embrace the Communist ideology [11]. Ideological opposi-
tion forced reformers to seek countermeasures to strengthen the party’s authority and the
ability to handle various uncertainties while advancing reforms. They called for a power-
ful government capable of mitigating the negative effects of free markets, international
capital infiltration, and capitalist democracy [16]. The “unconscious” siding with neolib-
erals against the state socialist ideal of a planned economy and intentionally with Marx
against the neoliberal doctrine of an unrestrained market economy has led to contradic-
tions in China’s reform [14].

Wu forecasted that “China’s authoritarian control may not be a legacy of previous
institutional forms, rather a reaction to (neoliberal) reforms.” [17] Marketization and de-
regulation are not necessarily accompanied by state withdrawal. Rather, they are invoked
to strengthen the state’s ability to govern and assist it in more effective control of society
and the economy, thereby defusing crises that may shake the party’s authority. However,
ideological confrontation and mistrust of the self-regulating market have led the party-
state to seek countermeasures at the outset of reform to avoid a full shift to neoliberalism
and ensure the controllability of reforms. Therefore, China’s (neoliberal) reform is des-
tined to be incomplete. Opposition from conservatives makes the reform process more
turbulent, progressive, and variable [11,12], as reflected in the government’s alternate
tightening and loosening of market supervision and the constant reshuffling of central-
local relations through taxation and political means. In other words, the central-local re-
relationship is adjusted (balanced) by constantly alternating (sometimes even coexisting)
decentralization and centralization. The purpose is to seek controllable reforms and to
achieve effective intervention in the local development and flexible governance of the so-
ciety through strategic restructuring of the national regulatory system, without weaken-
ing its regulatory centripetal force; that is, to maintain the authority of centralized state
governance while improving governance efficiency. In addition, neoliberal-like reforms,
such as marketization, deregulation, and decentralization, were not initiated in all aspects
of politics, economy, and society, but were selectively implemented in some areas and
ignored in others, according to the actual needs of national governance in different peri-
ods. The aim is to improve governance efficiency without radical political upheaval [9].

The following discussion exemplifies land marketization and economic decentraliza-
tion to illustrate 1) how China’s central government used neoliberal-like policies to im-
prove governance efficiency on the one hand, and sought “balanced” strategies to consol-
itate its administrative centripetal power; and 2) how these balancing strategies reshaped
the governance framework between the central and local governments how they affected
local governance behavior, and the way of central government’s intervention in local de-
velopment.

2.2. Implementing Neoliberal Reforms while Maintaining Regulatory Centripetalism

2.2.1. The Coexistence of Market-Oriented Reform and Increased State Intervention

Inspired by the logic of market competition, i.e., the market mechanism is efficient in
terms of resource allocation, the Chinese central government hopes to implement a feas-
ible transition to compensate for the lack of a command economy. However, concerns that
radical market reforms could potentially weaken government control over the economy
and resources make its adoption of market mechanisms conservative. To encourage soci-
etal acceptance that market supervision should be subject to state supervision, the central
government has adopted a compromise interpretation of reform. On the one hand, it
acknowledges that the 1980s socialist crisis was an inherent feature of the planned econ-
omy and has declared that reasonable marketization should compensate for the inefficient
allocation of resources caused by excessive government intervention [14]. On the other
hand, it suggests the need to be alert to the flaws of the self-regulating market and avoid
interference from market determinism, and that “appropriate government intervention is necessary to protect social equity and justice.” [19] Therefore, the significance of market-oriented reform lies in reinvigorating the government’s role as an effective actor in resource allocation, instead of replacing it, and supplementing the centralized planning system with market mechanisms [20].

The establishment of the land market in 1984 was an important attempt at market-oriented reforms. To build the market, the central government separates land use rights from land ownership. The central government holds the latter in law and entrusts local governments to manage the market while allowing the use right to circulate on the market. Allowing the market circulation of land gives it a commodity attribute, and theoretically land can be freely distributed in accordance with market rules. However, this is not a market-oriented reform in the true sense, because state ownership of the land gives the government a legal name to regulate or interfere with the market. Particularly after the central government issued the Land Reserve and Management Act in 2007, most of the urban land to be developed and sold in the market had to be submitted to the local government. Only after the government’s unified reserve and initial development could such land be traded on government-run platforms.

The Act is nominally designed to maintain the market supply-demand balance and monitor transactions [21]. Furthermore, the unified planning and primary development of sporadic land are expected to improve the quality and market value of the land to be traded. However, careful observation reveals that administrative intervention still plays a dominant role in resource allocation, and local governments have monopolized the land supply market. They now directly control the land flow available for development and decide when, how much, and which land can be put on the market. Trading at market prices has become an auxiliary means of government-led distribution. The de facto state-owned nature of the land and the promulgated National Act not only maintain its monopoly of urban land, but make its intervention a necessary channel for the new field of resource allocation (i.e., market mechanism).

2.2.2 The Coexistence of Economic Decentralization and Political Centralization

Parallel with China’s market-oriented reform is fiscal and administrative decentralization. After the central government-initiated market-oriented reforms, local governments were required to assume responsibility for maintaining the local economy and market stability. To further mobilize local enthusiasm, the central government began a series of fiscal reforms in the 1980s. It decentralized the collection and expenditure of some taxes to the locality and also transferred economic decision-making and planning power downwards [22].

Fiscal reforms and economic decentralization have undoubtedly enhanced local governments’ autonomy and discretionary power in local development. They now have a high degree of freedom in disposing of local finances, setting development goals, and organizing economic production according to local needs, and have become subjects with special benefit structures and utility preferences that enable them to achieve administrative goals at will [22]. Nonetheless, there are substantial differences between Chinese local governments and Western entrepreneurial states [20,23]. The real purpose of fiscal redistribution and responsibility delegation since the 1980s is to establish a “principal-agent” model between central and local [22]. The weakening of central intervention and the increase of local discretion has inevitably led to differences between central and local governments on certain development issues. To curb localism and ensure that local authorities exercise limited rights to the extent allowed by the central government, and to maintain the prestige of the central government’s macro deployment, political decentralization is also underway.

A bottom-up responsibility mechanism, or so-called Cadre Appraisal System (CAS), was established in 1983, which strengthened top-down control over local primary officials
through personnel appointments. By developing evaluation criteria, superior governments can evaluate subordinates and their principal officials based on performance. The outstanding receive fast career promotions, while those who fail to meet the assessment criteria face penalties through dismissal or transfer from the position. Additionally, by continuously adjusting the assessment content and its weight, superiors can intervene in real-time in local decision-making and governance preferences. Obviously, CAS is not merely an aid for fiscal decentralization, motivating improved local administrative efficiency; it is more of a political instrument for real-time supervision of lower-level governments, allowing the central government to maintain exclusive control so that localities strictly obey high-level strategic arrangements [24]. It can be said that political centralization, as a strategy to balance economic decentralization, has helped to curb the localism that accompanies decentralization to a large extent.

Thus, China’s decentralization in the 1980s differed from neoliberalism. Economic decentralization and political concentration allowed the party-state to successfully implement remote monitoring of local governments. By drawing a beautiful career blueprint and indicating the channels for rapid promotion, it mobilized the enthusiasm of local officials to promote local economies according to central intentions [23]. Therefore, decentralization has not fundamentally changed the hierarchy of China’s administrative structure. Key decisions are still made at the center, and information flows downwards through vertical channels. In other words, local decision-making is inevitably in the shadow of administrative centralization [16], regardless of how innovative it is.

2.3. Goal-Oriented Governance under Regulatory Centralism

The asymmetric rescaling of the economic and political realms allows the central government to seek a short-lived balance between economic efficiency and political stability. It is this kind of “coexisting” reform or balancing act that enables the Chinese government to use neoliberal policies to improve governance efficiency while maintaining the stability of authoritarian regimes and achieving resilient governance under the authoritarian regime. In other words, while delegating local autonomy and mobilizing market vitality, local governance can be aligned with national strategies and the distribution of public resources can be centered on the central government’s politico-economic rationality [25]. Such rescaling can be read as the continuation of the socialist arts of government [13]. By “regrouping” instead of retreating, the Chinese central government remains authoritarian in a political and technocratic sense and its interventions rely on a strict hierarchy.

Despite the remaining administrative hierarchy, the central government’s governance philosophy has changed, as reflected in its “centralization at the macro-level and decentralization at the micro-level” (CMDM). The usual practice of uniformly formulating development plans, such as formulating comprehensive plans and setting subdivision goals for localities, was abolished. Instead, the central government began to formulate long-term strategic plans (i.e., five-year plans), establishing overall development goals, such as average GDP growth rates, and introducing corresponding policy incentives to influence local decision-making more indirectly. By decentralizing some powers, such as the management of public resource markets and the power to formulate urban plans, while disciplining local governors through CAS, the central government aims to foster local agents with strong execution and political reliability. With the help of local agents, it hopes to tailor a development agenda that suits local conditions and therefore achieve more precise interventions in local development. This is driven by its firm communist belief that the greatest possible control lies in the social relations of production and resource allocation. Essentially, decentralization strengthens the central government’s power at the grassroots level, to compensate for the lack of grassroots information under the top-down hierarchy and overcome the institutional shortcomings of the socialist governance regime.

The national five-year plan (NFYP, wunian guihua) plays a vital role in shaping the governance framework of CMDM. It is derived from the planned economy system but
was previously called *jihua*, which implies direct intervention by the central government in local matters. *Guihua* connotes strategic regularization of the conduct of social and bureaucratic activities. It is considered more suitable for the needs of the socialist market economy, since promulgating a plan in a phased and generalized manner helps the central government exert a continued managerial role while leaving space for local operations and market mechanisms.

The central government implements this top-down strategic guidance in four steps. First, it issues NFYP to announce phased development goals. Through political mobilization, it encourages local authorities to prepare sub-level plans and propose development goals according to local conditions, thereby making national goals more achievable. Second, according to the goals of NFYP, it provides incentives to localities. The central government’s commitment to state-sponsored projects and generous fiscal, land, and finance policies seduces local governments to prioritize national targets. Third, through an annual assessment of officials and a mid-term assessment of the local implementation of NFYP, the central government can understand the feasibility of its strategies and local development dynamics. It then either adjusts the goals and makes them feasible or issues strict laws and policies to pressurize local governors. For example, the Renewable Energy Law was introduced to force local implementation of the energy-saving and emission reduction targets in the 11th NFYP. Finally, the central government deliberately creates a competitive atmosphere among local governments by ranking their performance and promising policy subsidies and political incentives to the top performers [26]. This competition to achieve national goals is similar to neoliberal entrepreneurialism but is more of a state-led strategic competition [2].

The next section will exemplify the Reconstruction Plan for National Old Industrial Bases initiated since 2013 to illustrate how the central government can maintain top-down regulation through goal-oriented governance and strategic-led competition in the era of decentralization/deregulation, and how it can mobilize local agents and leverage their enhanced power and capabilities (particularly in market regulation and recourse allocations and planning formulation) to facilitate the materialization of national (accumulation) targets.

3. Reconstruction of Old Industrial Bases as a National Accumulation Scheme

3.1. Old Industrial Base as a State-Strategic Space in History

China’s industrial cities have been deployed as a national strategic space since the planned economy and have received much national investment in industrial projects and infrastructure [26]. The first and second rounds of investment occurred between the 1960s and 1970s. Considering the military strategy and development gap between inland and coastal areas, the central government deployed 156 military and heavy industrial projects in eight inland cities from 1953–1957 (the first five-year period). During the second five-year period (1958–1960) and the third-tier construction period (1964–1978), the central government further increased its support for these cities and their industries to promote rapid industrialization and modernization of infrastructure in inland cities and foster them as national industrial bases, thereby helping China catch up with Western countries.

Since 1978, the focus of national investment and policy support has shifted to light industry and export-oriented sectors and geographically from the western mountainous to the eastern coastal areas [23]. To enhance the competitiveness of the eastern coastal areas, inland industrial cities were given a new mission in the early stages of reform and opening up. The central government monopolized the domestic market for traditional industrial products, restricted exports, and deliberately pushed down product prices to force traditional industrial cities to provide cheap primary industrial products and labor to emerging industrial cities along the east coast, and to support their rapid growth as global competitive economies.
3.2. Eliminating “Obsolescence” for Accumulation in the 2000s

RPNOIB was proposed by the State Council in 2013 against changes in national accumulation targets. Since the 2008 global economic crisis, China’s foreign trade exports have been frustrated and its economic growth rate has plummeted. Simultaneously, a national policy tilt over the past 30 years has led to a huge development gap between coastal and inland areas, which is a stumbling block to China’s continued economic growth. Against this backdrop, inland traditional industrial cities were again incorporated into the national strategic blueprint, with the new task of attracting global and domestic excess capital and using injected capital to stimulate the country’s economic growth. According to RPNOIB, between 2013 and 2022, the State Council plans to allocate a budget to transform more than 120 traditional industrial cities. The specific programs involve urban renewal and infrastructure construction, as well as industrial upgrading and energy transition.

The return of state support indicates the central government’s eagerness to use domestic industrial upgrading and infrastructure investment to absorb domestic surplus capital, so as to maintain rapid circulation and continuous appreciation of national capital. At the regional level, RPNOIB is expected to boost domestic demand for labor and infrastructure products such as steel and cement and alleviate the pressure of overcapacity. Meanwhile, policy incentives for industrial upgrading and energy transition are designed to encourage old industrial cities to abandon low-productivity and energy-intensive industries and increase municipal investment in capital-intensive and labor-intensive sectors to foster new economies and reduce unemployment. Additionally, as eastern enterprises move inland, the entire coastal region will be forced to undergo industrial upgrading and restore economic vitality. At the city level, the State Council’s intention is also clear: upgrading “obsolescent” physical facilities to commercialize industrial land that has long been undervalued in the planned economy.

Obviously, the reconstruction of old industrial cities will stimulate the rapid flow of capital from non-profit sectors into those with higher returns, such as high-tech industries and real estate, and from coastal areas with frustrated exports to profitable inland areas with lower labor and material costs. This elimination of obsolescence can thus be viewed as a (neoliberal) alibi for creative destruction, and a key component in China’s process to protect the continuous appreciation of state capital [27].

3.3. Governance at a Distance with Target Control

To commence reconstruction as soon as possible, the State Council adopted a series of macro-regulation measures for remote intervention, involving two aspects: providing policy guidance to lower levels of government by developing national five-year plans (RPNOIB being the most crucial) and amending laws to impose behavioral and ethical constraints on local governors to ensure that national goals can be prioritized locally.

In RPNOIB, the State Council designated 118 key transition cities and 25 urban industrial plots for major remediation (Figure 1). It categorized cities by their dominant industries (e.g., equipment manufacturing, automobile manufacturing, chemical and raw material industries, resource mining, and processing industries), and specified the transformation path and future urban positioning for each category for more targeted control of the territory. Furthermore, in RPNOIB, national strategic goals are refined into (quantitative) sub-targets of sectors that are more likely to be measured. By setting annual assessment targets and minimum completion thresholds for each industry, there are not only clear guidelines for local government actions but superior departments can track progress in local implementation. For example, the State Council has established a medium-term goal, requiring all designated old industrial cities to optimize their industrial structure by the end of 2017. It also stipulates that the added value of cities’ high-tech and service industries cannot be lower than the national guidelines (17.8% and 45%, respectively). Additionally, it asks them to save energy and reduce emissions, and achieve a 32%
reduction in water consumption per unit of industrial added value and an 18% reduction in energy consumption per unit of GDP compared to 2012. Optimizing the industrial structure, energy-saving, and emission-reduction are the expected goals of RPNOIB, while industrial growth rate and consumption reduction rate are auxiliary indicators. The latter is a measure of completion of the former and is assigned to sub-departments of the State Council, such as the Development and Reform Commission, Ministry of Land and Resources, and Ministry of Industry and Information Technology, which are asked to review each goal’s implementation in each city [28].

![Figure 1. Key reconstruction cities in RPNOIB. Source: RPNOIB.](image)

Target decomposition is the first step in goal-oriented governance, followed by political mobilization [25]. At the National Working Conference in 2013, Premier Li Keqiang called on local governments to prepare sub-national 13th five-year plans by 2014, breaking down national indicators, formulating local agendas, and clarifying local responsible bodies. To further mobilize localities, the State Council released China’s Regional Industrial Map and National Land Remediation Plan (2016–2020) in 2014, which reaffirmed each city’s development direction and formulated strict land development standards. Local governments must introduce emerging industries in accordance with the Map, phase out backward industries within the prescribed time, accelerate the reuse of low-yielding land with national standards, and conduct ecological rehabilitation of heavily polluted land.

The third step is target evaluation and rewards. Since the 11th NFYP in 2006, the State Council has commenced a mid-term evaluation of the five-year plan that incorporates binding indicators into the cadre assessment mechanism and requires principal officials at all levels to submit progress reports on reconstruction to their superiors, introducing experience gained, problems encountered, and future work arrangements. The State Council also hired third-party agencies such as the Institute of Contemporary China at Tsinghua University to conduct professional assessments of local implementation, rank cities based on assessment results, and reward cities that had performed well or made breakthroughs in policy innovation [29]. For example, the State Council has been conducting an annual evaluation of “Industrial Transformation Demonstration Zones” since 2018 and promises generous incentives for the nominated model cities over the next three years.
Meanwhile, the reputation of pilot cities is tacitly regarded as an advantage for local officials in their end-of-term promotion. Affirming the effectiveness of local governance through political rewards has created a competitive atmosphere among local governments. By mobilizing locals’ desire for career advancement and policy incentives, the State Council has realized real-time monitoring and strategic guidance of local development.

Goal-oriented governance aims to guide local decision-making without weakening local governors’ initiative and creativity. Although actions and development goals have been clarified, RPNOIB deliberately does not specify how to achieve these [25]. Instead, given local fiscal bottlenecks and entanglement of interests in rebuilding existing land, it highly encourages policy innovations in land supply, land development methods, and ways to broaden financing channels [25]. Furthermore, to eliminate external resistance to local governments, particularly the buzz of centrally state-owned enterprises, the State Council has repeatedly called on all sectors of society to support local reconstruction projects.

In a sense, formulating development targets and spatial strategic plans is a new governance technique employed by the Chinese central government in the post-reform era. Subdividing its territorial space, categorizing zones, and setting differentiated development goals enables more precise territorial monitoring. The rewards it provides have mobilized local governors, thereby maintaining the effectiveness of its regulation. Finally, a deliberate gap in operation provides local governors with limited freedom to implement goals in conjunction with local conditions.

4. Lanzhou as a Study Case

Lanzhou was selected as a key transformation pilot in RPNOIB, given the city’s severe environmental problems and stagnant economic growth. As the second-largest industrial city in Northwest China, its development benefited from national investments in the 1960s and 1970s. Similar to cities that received national investment in the same period, great industrial investment and the centralized layout of factories brought rapid economic growth and induced serious urban problems.

In the State Council’s urban master plan issued in 1953, an industrial layout was prioritized over living and service facilities (Figure 2). As a result, the city was divided into four districts, and industrial factories were first laid out in each district, while welfare housing and auxiliary facilities such as hospitals, schools, canteens, etc., were built nearby as auxiliary facilities for the factory. Due to the lack of a reasonable functional division in space, factories were scattered throughout the city, intertwined with commercial and residential spaces. Additionally, given the zero-cost allocation of land and the relatively abundant land resources at that time, the land owned by factories often exceeded their actual needs. As the population grows and cities expand, the chaotic industrial layout highlights urban diseases such as inadequate living space and services, frequent industrial explosions, air and water pollution, and conflicts between industrial enterprises and surrounding neighborhoods [30]. The deteriorating living environment and dilapidated city image not only weaken the city’s attractiveness, but also accelerate the outflow of talent and capital, leading to an aging population and slow economic growth (City Master Plan, 2011–2020).
The second factor that makes Lanzhou a pilot city is its unique topographical conditions and fragile ecological environment. Restricted by its valley terrain, Lanzhou is sandwiched between mountains and has long lacked sufficient development space. Particularly since the 2000s, the shortage of land resources has been problematized by local officials as restricting development. In the latest municipal government Urban Master Plan (2011–2020), there is estimated to be “Less than 50 km² of non-construction land (including agricultural and undeveloped urban land) left in the valley basin, and by 2020, the urban population will be expected to increase by 5 million;... thus, there is an urgent need for a high-efficient utilization of the existing construction land of the city.” Facing domestic and international environmental protection appeals, building an ecological civilization has become a key task of the central government. The prominent issues of economic recession and human-land relations have made the city’s transformation more meaningful and attracted special attention from the central government, which expects Lanzhou to lead the way in industrial upgrading and spatial transformation.

Section 5 will explain how the Lanzhou Municipal Government can take advantage of its enhanced power in market regulation and planning formulation, as well as the flexibility in policy innovation to facilitate national strategies. Although central and local governance preferences are not always consistent and inevitable misalignments exist between central expectations and actual local action [23], the strict hierarchy makes the impact of central policy on local governance obvious. Furthermore, the potential common interest of central and local governments in the redevelopment of industrial land has prompted local governments to accept the national plan (discussed below). Based on this, we focus on three issues: 1) How the municipal government uses its authority to promote the transformation of old industrial areas; 2) What resistance is encountered; and 3) How it responds to resistance through flexible (innovative) but exclusive measures.

5. Renewing Industrial Areas in Lanzhou

5.1. Initiating Regeneration with Delegated Planning and Regulatory Authority

The Lanzhou City Government has been considering redevelopment of urban industrial land since 2008 due to the desire for land finance and the state’s land policy on protecting basic farmland. Redeveloping industrial areas is also seen as a way to free up space for mega-infrastructure projects and new urban economies, and a visual manifestation of local political achievements. However, opposition from local industrial enterprises and their employees, as well as entanglement of interests between local officials and business leaders, slowed reconstruction before 2014 (Interview, August 2016).

Lanzhou’s nomination as a national pilot has incentivized local governments to restart the project. The Lanzhou Municipal Government and its superior Gansu Provincial Government quickly initiated the revision of the Lanzhou 13th Five-Year Plan (hereinafter LFYP) in early 2014. After assessing Lanzhou’s conditions and referring to the new national guidelines on optimizing the industrial structure and promoting energy conservation, it proposed a local governance agenda for the next five years.
Abandoning its positioning as a traditional manufacturing center, the Lanzhou Municipal Government decided to build a new industrial center and logistics hub in the west, as well as a national pilot for energy conservation and a cultural upland for Yellow River tourism (Interview, December 2021). It conducted urban functional zoning to implement differentiated management of the spatial units within its jurisdiction. Similar to the central government’s approach, it divided the jurisdiction into multiple control areas based on the similarity of industrial structure and economic foundation, assigned distinct socioeconomic functions to each area, and set different evaluation indicators for each (Figure 3).

Combined with indicators in RPNOIB, it further refined the development indicators of each industrial sector in each area and formulated targets for environmental governance, energy conservation, and emission reduction, and proposed major construction projects in each area (Interview, August 2016). Through a comprehensive assessment of local socioeconomic conditions and a localized interpretation of national strategic intents, the Lanzhou Municipal Government has linked the upper-level targets with local development realities. This has not only rationalized the restoration of the municipal reconstruction plan but made national strategies practical locally. Furthermore, differentiated management of space, refinement of objectives, and downward assignment of tasks make subordinate authorities better aware of their responsibilities and provide a legal basis for their future actions (Interview, August 2016).

The urban master plan and detailed plans are auxiliary techniques for local governments to realize interventions. According to China’s Urban Planning Law, all enterprises, institutions, and individuals, must abide by the plans. The decentralized authority to formulate plans allows local governments to implement governance agendas and (re)arrange socioeconomic projects through land-use adjustments. By adjusting the land-use layout and specifying the development standards for individual plots, it can easily guide actions by sub-authorities and developers.

The Lanzhou Municipal Government asked the Lanzhou Urban and Rural Planning Bureau to revise the City Master Plan (2010–2020) with several planning institutes in 2014. Through technical calculations of local economic and ecological indicators, in the pre-planning report, industrial land in the city center was problematized as inefficient, with low economic output and severe industrial waste and sewage pollution. As a result, commercial and residential redevelopment was proposed to overcome the city’s economic decline and environmental degradation. By measuring the size of the population that can be...
accommodated after redevelopment and the potential employment opportunities, old industrial areas proved worthy of reconstruction, and also investable. In the plan, the total industrial area of the city decreased from 34 km² in 2014 to 24 km² in 2020, while the land for residential and public facilities increased by 30 km². More than 10 km² of industrial land was redefined for commercial and residential use in the following decade.

Spatially, the reduced industrial areas and their locations can be accurately labeled and visualized with professional cartography, and also legally supported. To make the intervention more precise, the municipality required the district and county governments to further revise the sub-detailed plan, to accurately calculate the land use and development intensity of each plot, and to specify building standards for ground attachments, such as floor area ratio, building density, and greening rate. Temporally, in the Lanzhou Urban Industrial Enterprise Relocation and Reconstruction Plan released in 2014, the municipal government classified the city’s industrial enterprises based on ownership and formulated strict relocation schedules and reward and punishment measures, to convey the urgency of relocation and their firm determination to advance reconstruction.

Obviously, planning and cartography are beyond prescriptive documents, comprising rather geospatial techniques. With them, the municipal government endows new functions to a given location and legalizes them. However, planning and mapping prioritize government interests and exclude the public, inevitably encountering resistance. The opposition mainly comes from the relocation enterprises and their employees. Dissatisfaction mainly involves the exclusion of enterprises from the formulation of planning schemes, and the unfairness of benefit sharing after land transformation. In fieldwork conducted in 2013, the leadership and employee representatives of the Lanzhou Petrochemical Group told us that “the relocation project is essentially a unilaterally initiated project by the government; from the very beginning, the opinions of enterprises and employees have not been widely solicited, and the loss of profits and risks that enterprises and employees may suffer are totally ignored”. In addition, some enterprises were aware of the potential huge land gains from the redevelopment of industrial land. However, the municipality’s ambiguous attitude towards land ownership after relocation and transformation, profit sharing after land use change, and source of relocation compensation have made enterprises and employees dissatisfied (Interview, September 2013). Dissatisfaction spreads in society. Except for a few provincial and municipal state-owned enterprises that responded positively, the vast majority of enterprises refused to cooperate on the pretext of unsatisfactory compensation and difficulty in personnel placement (Interview, August 2016). Land lease contracts signed with local governments offered a legal basis for enterprises’ non-cooperation (Interview, August 2016). Furthermore, the leaders of individual central-owned enterprises refused to follow the municipal arrangements because their administrative level was higher than that of the municipality. According to the municipality’s plan, 110 industrial enterprises in the city would formulate their relocation and reconstruction plans and complete the site selection of new factories by the end of 2014, while all inner-city industrial lands would be redeveloped by 2016. In fact, by 2014, less than 30% of enterprises on the list had completed their preliminary relocation plans (Interview, August 2016).

5.2. Governing Resistance with Discretion

The anti-relocation alliance among enterprises and their employees forced the Lanzhou municipal government to make concessions, given the implementation deadline stipulated by the RPNOIB on the one hand, and social stability on the other hand (Interview, August 2016). In response to the above dissatisfaction, the exclusion of the planning process and compensation policy formulation and the uneven distribution of potential land benefits, the government used its delegated autonomy and adopted a non-coercive approach to resolve resistance.
The first is to address grievances arising from participation exclusion. According to the Regulations on the Collection and Compensation of Houses on State-owned Land issued by the State Council in 2011, “If most of the requisitioned subjects involved in urban renewal have objections to the requisition and compensation scheme, the requisitioner should organize a public hearing to modify the scheme and conduct a social risk assessment.” However, the central government pointed out in RPNOIB that local governments can make policy innovations according to local conditions. This provision gave local governments operational flexibility. In order to avoid a direct collision with the anti-relocation alliance, the municipal government adopted a more flexible approach to lobbying. The government established the Municipal Demolition Supervision Office, led by Mayor Yuan Zhan ting. The Office then transferred officials from the municipal and district bureaus of industry and information technology and established steering groups in key local industrial enterprises to conduct negotiations with business leaders and employee representatives. The aim is to collect their opinions and suggestions and formulate personalized compensation schemes for their demands, disintegrate the anti-relocation alliance, and let the relocation project proceed on the right track as soon as possible (Interview, August 2016).

Under the supervision of the Municipal Demolition Supervision Office, “One Enterprise, One Policy” (OEOP) was proposed [31]. OEOP is an ambiguous negotiation framework, suggesting that there is no standard policy or timetable for redevelopment. It enables the municipal government to exercise more specific but very effective forms of power to supervise reconstruction while discovering the most appropriate way to balance different stakeholders’ interests.

Funding sources for new plant construction, employee placement compensation, and the distribution of income after land redevelopment are other considerations for business leaders and employees. With the mayor’s acquiescence, the steering groups made the huge appreciation potential of industrial land and benefit sharing the key to lobbying (Interview, August 2016). City officials used the media to release a key signal that the municipal government and planning department were considering upgrading the old industrial base in Qilihe District to a new city center and high-speed rail economic zone. The municipal government’s approach greatly stimulated public expectations of land appreciation and an emerging modern urban center. It not only strengthened public confidence in real estate investment, but also the government’s ability to negotiate with enterprises. With the autonomy of innovation in land supply and land use policies, the municipal government promised that after paying a one-time conversion tax and fee for land use, enterprises could retain the land use right. They can choose to commercialize the land themselves, or entrust a third-party developer with reconstruction and sell or lease out ground attachments in exchange for rent, according to their own situation. Although the State Council has explicitly banned land transfers through agreements since 2007, the “exception for innovation” has been at the core of China’s political ecology and central land relations since decentralization [24]. For enterprises unwilling to retain land use rights and conduct independent redevelopment, the municipal government promised to increase the compensation from 45% of the land transfer fee proposed in 2011 from 65% to 85%. In exchange, the enterprise promised to complete the relocation and construction of the new factory by the end of 2016 (Interview, September 2013). Other informal practices hailed as “innovations” continue to emerge in the negotiations between steering groups and relocated enterprises, such as modifying floor area ratio and building density standards that had been published in plans to benefit enterprises and their designated developers [32]. Innovation for the exception under the one-to-one framework made enterprises a major beneficiary of land appreciation and transformed those that retain land use rights from the dispossessed to the de facto landlord.

Because of differentiated and targeted compensation schemes, the anti-relocation alliance has been greatly disintegrated. For those companies that refuse to relocate, the government exerted economic pressure by raising the rates for industrial water and electricity
usage and increasing penalties for air and water pollution in inner cities. In addition, it cooperated with local media to expose polluting companies and exert pressure on public opinion. Under the intervention of carrots and sticks, by the middle of 2015, as many as 48 companies had signed agreements with the government (Interview, August 2016).

5.3. Innovating Market Tools to Accelerate the Relocation

Making land appreciation foreseeable mobilized enterprises’ enthusiasm for relocation and public investment desire. To deliver on its commitment, the government needs to act to promote the appreciation of industrial land in order to compensate enterprises and expand municipal funds. Due to the tight municipal finances and the need for central transfer payments annually to maintain local income and expenditure balances, the government cannot advance the full amount of relocation funds for enterprises (Interview, September 2013). Despite the attractive land value-added benefits and the government’s promised low purchase price of new plant land (some even at zero cost), unknown risks and financial difficulties make enterprises reluctant to initiate relocation (Interview, September 2013).

The government’s solution is to raise the first bucket of gold from the debt market to cover relocation compensation and primary land development, later using land appreciation and continuous investment in real estate to expand the city’s finances and realize the rolling development of industrial land in the city. This debt-investment model has been widely adopted by Chinese local governors [33]. Similar to most cities, the Lanzhou Municipal Government established a government-run financing platform, Lanzhou Industrial Development and Construction Co., Ltd. (LIDC), in 2013, and injected large-scale land and state-owned enterprise assets. LIDC was established to circumvent national regulations that “prohibit local governments from borrowing directly from the market and acting as guarantors.” [33]

LIDC is administratively affiliated with the municipal government, but in operation is legally independent and self-financing, just like a modern corporate entity. It takes over from government tasks such as relocation supervision, personal rearrangement, and compensation, and has some market functions, namely land acquisition and auction as well as land reserve and financing. It mortgages land assets and corporate fixed assets in the name of independent legal persons and raises funds from the market through bank borrowings and bond issuance. Although the government is the de facto guarantor, LIDC nominally bears the market risk [33]. At the beginning of its establishment, LIDC easily obtained Pudong Development Bank’s 1 billion RMB credit line with its assets and the government’s endorsement.

In a sense, LIDC was intentionally created by the municipal government to exercise greater freedom in the market without violating national rules [33]. Its role as a limited liability company enables the municipal government to extend from the land market to the financial market, and therefore initiate commercial development of industrial land. LIDC is also a safe haven, partially transferring the social risks of the municipality. By taking responsibility for land acquisition and compensation payments, it acts as an intermediary between the government and society, further avoiding confrontation between local officials and social forces.

With start-up funding, LIDC can speed up negotiations with companies and conduct initial development and public auctions on land acquisition or retain it for further financing. For enterprises that develop land independently, LIDC and the municipal government raise funds by mortgaging all or part of the land. With the land as collateral, LIDC successfully raised 1.3 billion RMB in startup capital for the relocated enterprises by the end of 2014, which did not include the funds raised by enterprises through their own mortgages. For example, Lanzhou Petroleum Machinery Co., Ltd., the largest manufacturer in Qilihe District, was given a good rating by financial institutions for the appreciation potential of the original land and its good reputation due to the expansion of production and industrial upgrading after relocation. With the help of LIDC, it obtained 19,357
billion RMB in credit lines from 15 commercial banks in 2014. After raising 9.266 billion RMB from the society in the same year, it redeveloped its 1 km² of original industrial land for commercial and residential uses and invested in a new factory in Lanzhou New District (Interview, August 2016).

6. Conclusions

Taking theoretical inspiration from the perspective of authoritarian neoliberalism [4,34], this study examines the strong government impetus behind China’s neoliberal experimentation and governance regime transformation, arguing that the neoliberal shift since the 1980s has not weakened the central government’s ability to govern. On the contrary, it uses market mechanisms and “small government” governance logic to improve resource distribution and supervision mechanisms of the planned economy system. However, in order to suppress radical reforms and maintain the authority of central governance, balanced strategies (such as political centralization) are introduced to maintain or even strengthen the central intervention capacity and legitimacy.

Arguably, neoliberal policies are purposefully selected and locally interpreted to improve rather than disintegrate China’s authoritarian regime [17]. Thus, the central government curbed a full neoliberal shift at the beginning of reform. Despite introducing the market logic into the allocation mechanism of public resources, it has retained ownership of key public resources and transferred market supervision to local governments in the form of decentralization of (land) resource ownership, to foster local agents with actual governance power. Furthermore, when the central government applied “small government” governance logic to reform central-local relations and empowered local governments’ financial and discretionary authority, it built a cadre evaluation mechanism to discipline local governors’ behaviors and inherited the existing five-year planning system to keep intervention in local governance. This goal-oriented governance gives local governments flexibility in operation while forcing local execution of national goals [25]. Through this framework, the central government can not only communicate its goals downwards but can also take advantage of the enhanced capacities of local governors to materialize its targets in accordance with local conditions, and therefore exercise more detailed regulation over local development. Lanzhou’s industrial area redevelopment under the State Council’s appeal in 2013 further details the power flow under the goal-oriented governance framework and the tradition of administrative centralism. The case study provides a detailed explanation of how, with top-down structural constraints, the municipal government leverages decentralized planning and regulatory authority to rationalize national plans and make them locally viable; and how, with delegated discretion and policy innovation licenses, to develop localized action plans, resolve conflicts of interest, and mobilize the whole society.

Focusing on the links between the central state’s political intentions and national spatial restructuring, the study reveals how down-and-out scaling acts as one of many state governance techniques, strengthening rather than weakening state power in China. The study enriches our understanding of the authoritarian impetus behind China’s neoliberal turn. It reminds us to focus on the specific institutional context in which the neoliberal turn takes place, the various efforts undertaken by states to achieve such a turn, and the diverse political considerations behind it, as we explore the all-encompassing concept of neoliberalism. It also reminds us that down-and-out scaling is not a one-way and overnight act, but is implemented selectively in many cases, and is often matched with a set of balanced strategies to improve governance efficiency while maintaining China’s tradition of regulatory centralism.
Author Contributions: Conceptualization, J.G. and Y.Y.; methodology, J.G.; formal analysis, J.G. and L.J.; investigation, J.G. and Y.Y.; writing—original draft preparation, J.G.; writing—review and editing, J.G., L.J. and Y.Y.; visualization, J.G.; supervision, Y.Y.; funding acquisition, J.G., L.J. and Y.Y. All authors have read and agreed to the published version of the manuscript.

Funding: This research was funded by the National Natural Science Foundation of China, No. 42101211 and 41971198; the GDAS Project of Science and Technology Development, No. 2020GDASYL-20200103013 and 2020GDASYL-20200102002; and the Natural Science Foundation of Guangdong Province, No. 2019A1515011120.

Data Availability Statement: No applicable.

Conflicts of Interest: The authors declare no conflict of interest.

References


