

# Integration or Disintegration?

## The Spatial Effects of Foreign Direct Investment in China

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FROM 1991 to 1997 China's inflow of foreign direct investment (FDI) increased by an average of 20% per year. At the beginning of the 1990s China overtook the other ASEAN countries and, in 1996, became the number one destination for capital inflows amongst developing countries, ahead of Mexico (US\$28.1 billion), Indonesia (US\$17.9 billion) and Malaysia (US\$16 billion). Joint ventures, subsidiaries and international networks of subcontractors are now part of the economic scene in China. In 1996, foreign capital accounted for 12% of capital assets in industry and 17% of industrial production (1). In 1995, 120,000 foreign-funded companies employed 16.5 million workers, or nearly 10% of the total urban workforce (2). Far from playing a minor role, FDI stimulates Chinese foreign trade. In 1996, it accounted for 47.3% of foreign trade (3), whereas only ten years before, the figure was only 5.6%. This explains why any decrease in the inflow of foreign capital, particularly as a result of the Asian crisis, will have such an effect on China's export capacity.

This massive injection of foreign capital has not just provided China

with what it most lacked on the eve of its political opening, ie, advanced technology and management methods. By introducing new forms of organisation that have changed the way Chinese companies and institutions operate, foreign investment has also contributed to the development of a vigorous non-state sector and, in short, to economic growth. Finally, foreign investment plays an active part in remodelling China's economic geography along new dividing lines: coastal, central and western China. This partitioning of China's economic zones also focuses attention on certain geo-economic contradictions. While the coastal areas are more and more involved in intra-Asian trade, central and western China, with a few rare exceptions, are still very much characterised by a system where urbanisation is minimal and property is largely state-owned, resulting in a cellular structure in industry. Within this dual geo-economic structure, where can support for the diffusion of foreign direct investment be found, and where are the obstacles that may be encountered? This is our first question. Our second question, of a more political nature, is whether FDI aggravates the geo-

economic divides in China, or whether, on the contrary, it helps to break down the barriers. By formulating the question in this way, we return to the very debate over nationalism or economic sovereignty that divided historians of Chinese economy at the end of the 19th century (4): is FDI the only way to create a homogenous economic landscape in China? In short, will it have an integrating effect? But we can also turn the question round and ask: will foreign direct investment exacerbate existing fractures in the economic make-up of China and prevent the creation of a unified market? In other words, might we see China broken up into macro-regions or zones of influence created by foreign capital, with weak links to one another and depending not on central government, but on exterior and centrifugal forces? Would FDI then have a disintegrating effect?

### A COUNTRY INCREASINGLY DIVIDED INTO MACRO-REGIONS

Foreign direct investment, which is defined as the sum of all foreign capital invested in joint ventures with capital input (*hezi qiye*), co-operative

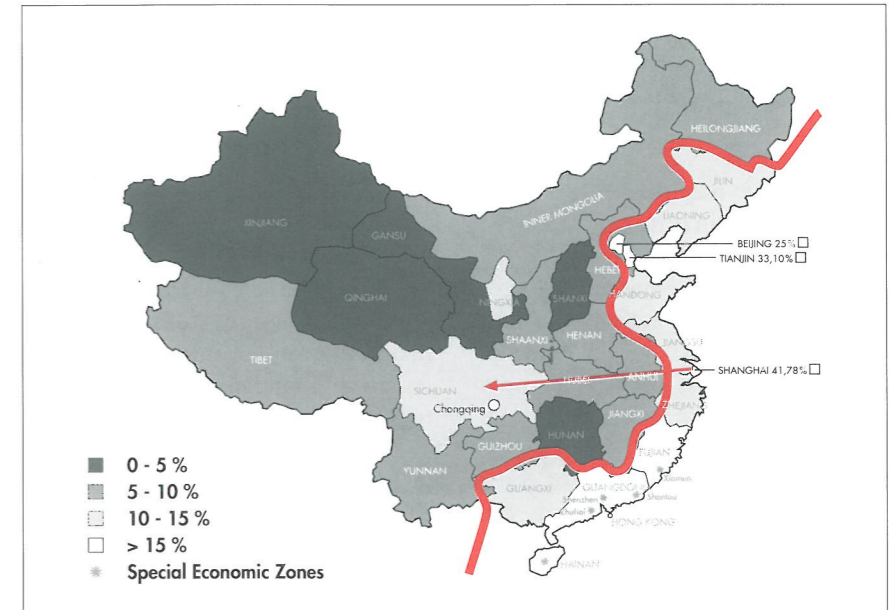
joint ventures (*hezuo qiye*), fully owned subsidiaries (*duzi qiye*) and joint exploitation (*zhongwai hezuo kaifa*), operates on types of industrial structures that are very diverse but are generally directed towards exports. In 1996, 80% of FDI originated in Asia (Hong Kong, Taiwan, Japan, Thailand, Korea and Singapore, for the most part) (5). It is largely dominated by small-scale projects (less than US\$30 million) in low-technology sectors (6). This no doubt explains why nearly 90% of FDI is concentrated in the coastal regions (7). Is this very uneven distribution likely to continue? To answer this question, let us try to define the geographical effects of foreign investment by analysing three of its aspects: its contribution to 1) gross industrial production, 2) industrial investment and 3) foreign trade.

1. Although foreign capital contributes to a large proportion of the coastal regions' industrial output (more than 60% in Guangdong, 40% in Hainan and Shanghai, 33% in Fujian), it remains at a very low level in the central regions—barely 3% in Shanghai, 4% in Hunan—and virtually negligible in western areas (Xinjiang, Qinghai and Gansu) [see Map 1]. The only exception is Sichuan, where foreign-funded companies already account for more than 10% of total industrial production (8).

2. Here again, the coastal provinces, with the exception of Liaoning, stand out from the rest of the country, with a level of investment in industry from foreign-funded companies surpassing 15% (10% in Jilian Province) [see Map 2]. Central and western China remain below this level. Anhui, Jiangxi and Hunan make up a "resistant" belt where FDI represents less than 5% of industrial investment. Beyond this border, only one exception: Hubei (12%), which is witness to a recent inflow of FDI in Wuhan—port infrastructures and manufacturing production in the automobile industry, amongst others.

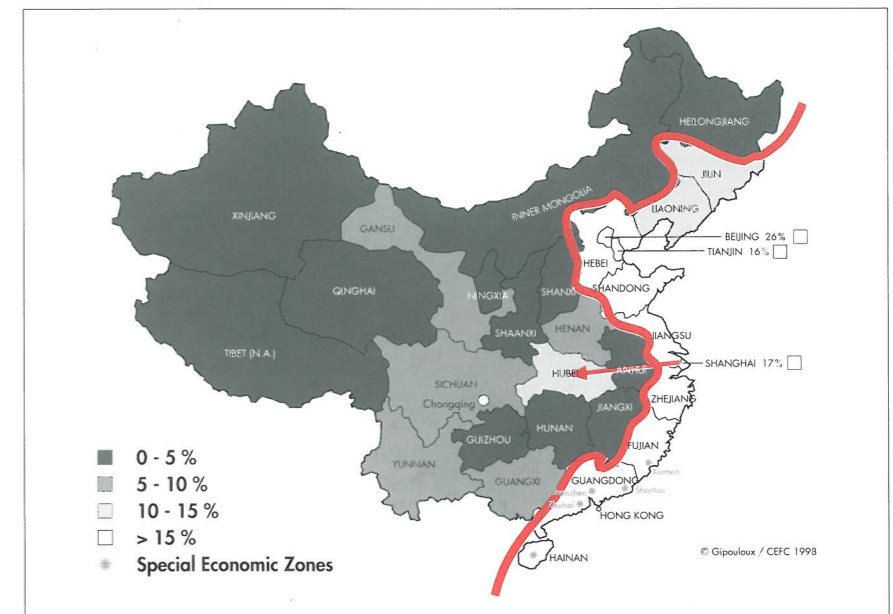
3. In this last case the division

Map 1 • Contribution of foreign-funded companies to gross industrial production, by province, 1996 (%)



Source: Zhongguo Tongji nianjian 1997

Map 2 • Investment contribution of foreign-funded companies to total fixed assets, 1996 (%)



Source: Zhongguo Tongji nianjian 1997

between coastal China and the rest of the country is again quite visible [see Map 3]. Here, the critical level for contributions to foreign trade by foreign-funded companies is around 30%. The highest rates are found in the town of Tianjin, with 70% of its foreign trade generated by foreign-

funded companies, with Guangdong (54%) and Shanghai (53%) at about the same level. Hubei, with a large proportion of its foreign trade handled by foreign-funded companies (36%), is once again the only example of an inland province in the same league as the coastal provinces (9).

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FDI espouses the separations arising from economic growth in China over the last 20 years and underlines the division between a coastal China that is very much oriented towards exportation, a central China that provides raw materials and manpower and the West, where assets such as raw materials and energy resources remain difficult to exploit. With a jolt, the opening up of the country and the dynamics of economic reform re-activated these divisions between coastal China and inland China, but they are simply the traces of very ancient geo-economic dividing lines, still visible after having been blurred for three decades (1949-1979), from the Communists' take-over to the beginning of the reforms. The 14 coastal cities that were opened in 1984 correspond essentially to the chain of ports opened under diplomatic and military pressure after the Opium Wars.

**AN INVISIBLE ECONOMIC BORDER**

These three maps have one thing in common: the clearly visible line that separates coastal China from inland China. There are, however, two notable exceptions: Sichuan (for the foreign-funded companies' contribution to industrial production) and Hubei (for the foreign-funded companies' contribution to industrial investment and foreign trade).

**Why this dividing line?**

A recent study carried out by the World Bank on the geographical distribution of foreign investment in China identifies four determining factors in the implantation of foreign direct investment: the GNP of a given province, the infrastructure development, the level of education of its population and its access to a port (10). It is true that this analysis explains the concentration of foreign investment in the coastal regions, for example, in spite of the ever-increasing costs (land, build-

ings, personnel). It also has the merit of demonstrating the marginal importance of policies offering fiscal or tariff incentives in the investment decisions taken by foreign operators; this point had already been demonstrated, for that matter, in the case of several developing countries (11).

On the other hand, the World Bank's approach does not allow us to explain the sizeable differences in the distribution of foreign investment between the inland provinces. Anhui and Jiangxi remain resistant to foreign investment, while in Hubei and Sichuan foreign capital inflows are by no means negligible. The GDP per capita and the network of infrastructures undoubtedly play a role here. But two factors of an institutional nature seem to have been neglected: the system of ownership and the degree of urbanisation. Yet these are determining factors for evaluating the future orientation of FDI.

**Questions of ownership**

In order to keep the two variables separate (FDI and the proportion of industrial output controlled by state companies), let us measure the weight of state enterprises in gross industrial production per province (1996) after we have deducted the contribution made by foreign-funded companies. The picture is more confusing, but the broad lines remain clear: in its geographical distribution, foreign investment appears to follow a line of least resistance, defined by the contours of public ownership in industry. FDI increases where there are fewer state-owned companies involved in industrial organisation.

The industrial system of central and western China is dominated by public enterprise. It was in these regions that, starting at the end of the 1960s and up to the middle of the 1970s, the so-called "smoke-stack" industries were ordered to be set up along the Xining - Xi'an - Chongqing - Guiyang axis. With a

high concentration of industries and centres of research linked to defence, this region is today the seat of many polluting and barely profitable companies, isolated from each other and handicapped by the lack of transport infrastructures. In this state planners' special reserve (Shaanxi, Guizhou, Yunnan, Qinghai, Ningxia and Xinjiang), state-owned companies control between 60% and 80% of total industrial output. The only exception is Sichuan (42%), a province where the public sector is decreasing noticeably.

It is true that, more and more, state enterprises are placed under the tutelage of the local authorities (provinces, municipalities and districts). Central government control over these companies, which are riddled with debts and dragged down by bad management and decreasing productivity, can only continue to decline. Nevertheless, the initiatives taken by local actors in favour of opening up capital to foreign investors runs up against an economic nationalism that should not be ignored: for many cadres, the dilemma is not maintaining "the property of all the people" versus privatisation, but rather Chinese versus foreign sovereignty over assets—particularly large and middle-sized companies—which are considered to be strategic (12).

On the other hand, in the coastal areas the proportion of industrial output controlled by the public sector is small: 12.15% in Zhejiang, 21.09% in Fujian, 22.77% in Jiangsu and 25% in Guangdong. Since 1994, it has been declining rapidly in Hubei (32.27%) and in Shandong (30.07%). Nevertheless, it remains high in old industrial zones such as Liaoning (38.94%), Peking (64%) and Shanghai (56.91%). For that matter, economic growth is less there than in the four centres of Guangdong, Zhejiang, Jiangsu and Shandong. Finally, in the central provinces such as Henan, Hubei and Shanxi, public ownership is beginning to erode [see Map 4].

The preponderance of public ownership is also demonstrated by a particularly predatory type of behaviour regarding the banking system that results in the drying up of financial resources, to the detriment of the collective and private sectors and joint ventures. Finally, the corollary of this is the inability to weave together the various strands (subcontracting, in particular) to create an industrial fabric, as most big public companies are highly integrated isolated units (large and complete factories, *da er quan*).

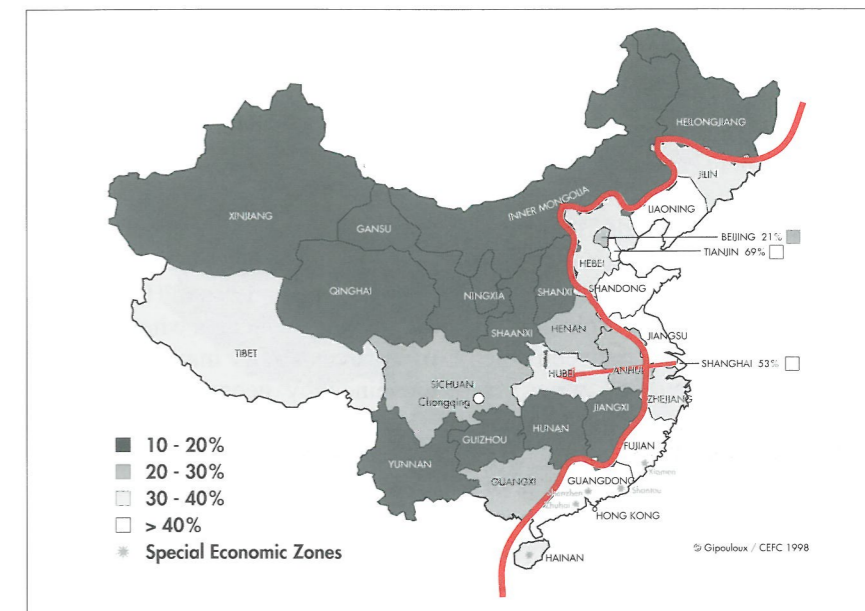
FDI requires a network of subcontracting that the state-owned companies cannot provide, because their management is so rigid and their territorial organisation so heavy and stifling. As a result, this type of investment both espouses and reinforces the dividing line between the regions where public enterprise is concentrated (centre and west) and those where ownership of industry has been considerably diversified—private companies, collective enterprise, private enterprise disguised under a collective label, international subcontracting or even "putting out"—in the rich countryside (now highly urbanised) of Guangdong, Zhejiang and Jiangsu.

**The degree of urbanisation**

Urbanisation is indeed another determining factor in tracing the border between the areas where foreign investment flows and those where it has difficulty penetrating. The decisive factor in this case is not just the rise of the urban population, and its corollary, a decrease in the active rural population. It is true that, at a time when foreign investment is also trying to satisfy the needs of the domestic market, the increase in urban population is a pertinent factor in deciding on site locations, since these numbers mean wider solvent markets. But what is most important is a diversified urban fabric, which results from a three-fold phenomenon:

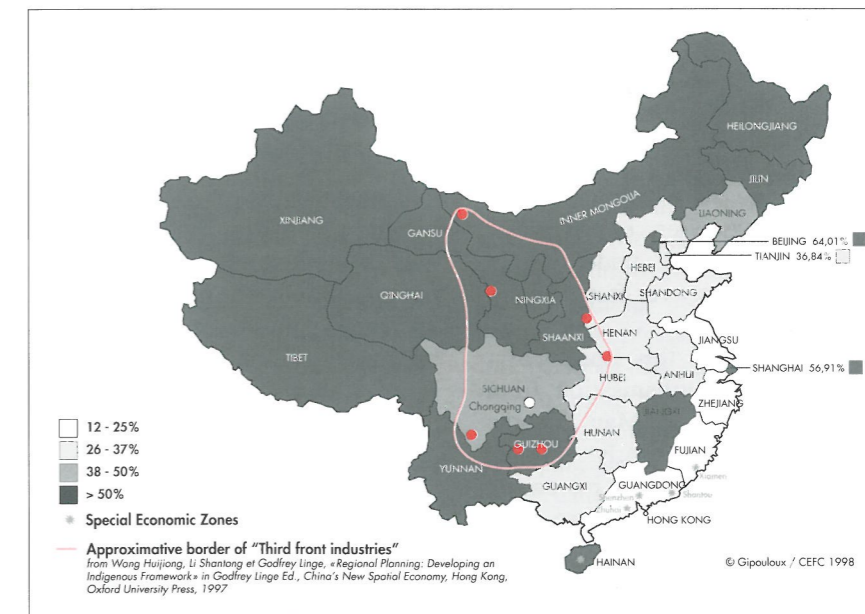
1. Increasing autonomy for towns

**Map 3 • Contribution of foreign-funded companies to foreign trade, by province, 1996 (imports + exports, %)**



Source: Zhongguo Tongji nianjian 1997

**Map 4 • The distribution of public ownership in industry (1996)**



Source: Zhongguo Tongji nianjian 1997

on the provincial level. In 1993, six towns (Qingdao, Dalian, Ningbo, Chongqing (13), Xiamen and Shenzhen) were considered provincial-level entities. For the approval of investment projects, emission of stocks and the disposal of public funds, as well as for tax purposes,

they are directly under central government. On the other hand, for administrative purposes they remain at the provincial level (14).

2. The decline of administrative functions and the (cautious) restoration of market forces traditionally associated with the city. Today,



unlike during the Maoist period, the city is no longer just the centre of industrial development under central planning, and the prime location for social control carried out through police registration of places of residence, rationing, administrated employment and a system of social security. The "encircling" effect of the countryside round the cities, which was so evident before the reforms, is beginning to relax, even if it has not been broken altogether. The border between the urban and peri-urban zones is becoming blurred, and to a certain extent, the city/country continuum that was the characteristic trait of Chinese economic development before 1949 is beginning to reappear (15) with municipal administration of the districts (*shi guan xian*).

3. The proliferation of small and middle-sized towns (less than 200,000 inhabitants - between 200,000 and 500,000 inhabitants). It is these towns, created fairly recently (16), that have seen the most obvious initiatives for reform and the highest growth rate over the last ten years. There is a very simple reason for this: their industrial fabric is a diverse weave of private enterprise, joint ventures, etc. Services have been restored; trade mechanisms have taken over from administrative procedures.

In considering this spectacular development of urbanisation from 1986 to 1996 [see Map 5]—the number of towns nearly doubled between 1986 and 1996, increasing from 347 to 640—there are three things that should be kept in mind:

1. The creation of towns in the Centre and the West, as a whole, has progressed at a very slow pace: six in Yunnan, four in Xinjiang and four in Inner Mongolia. It is true that these are provinces with very low population density. But in the more populated provinces like Guizhou (seven new towns) or Shaanxi (five), urbanisation is also marking time. Amongst the central provinces, Jiangxi and Anhui seem

particularly slow, with only seven new towns created in ten years.

2. The most dynamic provinces in this process of urbanisation have been those where the rural population has decreased the most rapidly, and where industrialisation has been carried out outside the state sector. All these provinces are located on the coast: Guangdong (+39), Jiangsu (+31), Shandong (+29), Zhejiang (+24). Fujian (+13) and Hainan (+6) are two atypical cases where the rate of urbanisation may be partly explained by geographical factors, but also by Fujian's historical heritage and strategic considerations—it is the province that faces Taiwan—and the fact that industrialisation has only recently come to Hainan.

3. Certain central provinces have succumbed to urban fever: Hubei (21 towns created), Sichuan (+18), as well as Henan (+20), but there are also two (densely populated) north-eastern provinces that must be added to this list: Jilin (+16) and Heilongjiang (+16).

#### Where has the border been crossed?

Whatever yardstick one uses (contribution of foreign-funded companies to industrial output, investment or foreign trade), FDI is following the east-west axis formed by the Yangzi, once the solid barrier of Anhui's industrial area has been cleared, and continues in the northeast towards Jilin.

Is this the beginning of a spread of economic growth from east to west, to the very heart of China? The country could hardly be defined in terms of a smooth and homogenous economic entity in which economic growth can thrive once the means of production are freed from the various shackles that now bind them. Indeed, it is important to keep in mind how heterogeneous the system of regulation is (17). Chinese investments from the coastal provinces in the inland provinces are confronted with a

fierce protectionism. Far from representing a unified market, China appears to be split into distinct macro-regions, each with its own distinct means of production, as well as different legal systems and rules (especially those aimed at attracting and protecting foreign investments). In short, it is a collection of regulation-bound mini-markets and "fiefs" (18).

Different economic forces are also involved. The central government maintains a decisive role in establishing industrial policy (as for example in the telecommunications and the automobile industries), and carrying out reforms in the banking system. To a certain extent, it can impose its economic choices on the provinces. Also, when it comes to attracting foreign direct investment, collecting taxes and retaining foreign currency, the local authorities have managed to gain a great deal of decision-making autonomy.

The hypothesis proposed here is that this border could become rigid and impermeable for the simple reason that it separates economic entities that are still very different. Chinese coastal cities, by absorbing FDI, continue to be integrated into the network of international economic exchange. Thus, it would seem logical that the ties between these coastal towns and other Asian ports would be stronger and have longer lasting effects than their ties with the hinterland. In a different context, Rhoads Murphey developed a similar hypothesis about China at the end of the 19th and beginning of the 20th century. He pointed out that Tianjin had closer ties with the outside world than with its own inland regions: "The foreigners remained outsiders" (19). But it was a period when foreign trade and investment in China still played a minor role in Chinese development (20). What is the situation today?

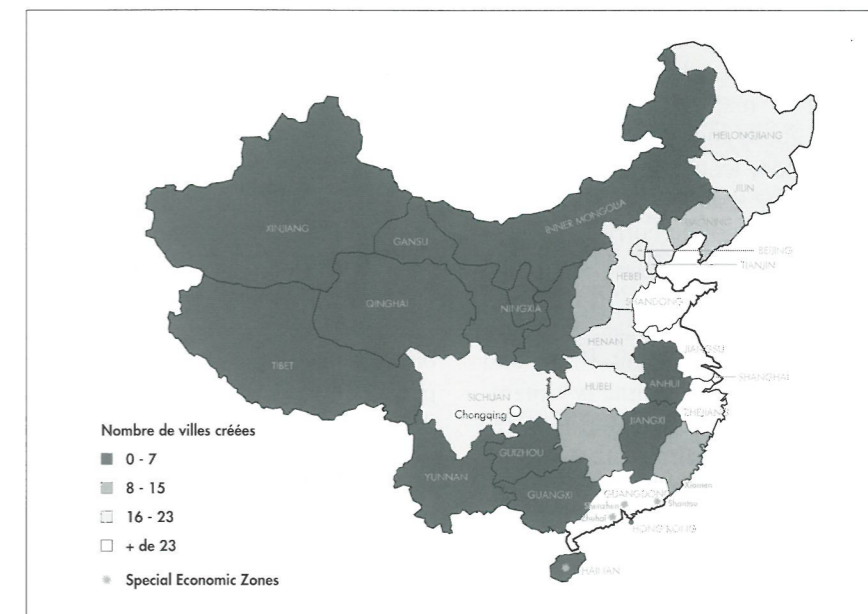
### INTEGRATING AND DISINTEGRATING EFFECTS ON CHINA'S TERRITORY OF AN "ASIAN MEDITERRANEAN"

As 80% of direct investment in China originates from countries in the region, we might wonder if, in the final analysis, the appearance of this boundary within the country might not be the result of outside influences rather than the consequence of the endogenous development of Chinese capitalism. If we look at it from another angle, focusing not on China, but on the East Asian economic corridor, the picture appears in a different light.

The border referred to earlier clearly divides China in two and underlines the relatively heterogeneous nature of the two economic situations. But this border also inserts China in a different economic zone, one that is more wide reaching, where intra-Asian exchange is the driving force. In short, this border integrates as well as separates. It is perhaps necessary to look at China from an outside perspective in order to interpret the dynamics at work on the Chinese mainland. And it is on the edge of this "Asian Mediterranean", whose forms and flows need to be identified, that we must look to find one of the sources of Chinese development.

"The Mediterranean" is not only the title of one of Fernand Braudel's most celebrated works (21), but also a concept which carries wider significance, providing its author with a means of illustrating the dynamics of European capitalism in the 16th century. Applying it to a completely different context, Denys Lombard provided a brilliant illustration of this concept in his study of the South China Sea (22). Braudel's attention was focused on the cities situated on the shores of the Mediterranean Sea, and we are no longer living in the sixteenth century. Nevertheless there are four aspects of the "Mediterranean" concept that deserve to be

Map 5 • Distribution of towns created from 1986 to 1996 (all levels, villages and townships excluded)



Source: Ministry of Civil Affairs, Outline of Administrative Units in China, 1987-1995; Zhongguo Chengshi Jianshe Tongji Nianjian 1994, 1995, 1996; Town Planning Bureau, Ministry of Construction, 1997.

highlighted inasmuch they may help us understand what is at stake and which economic forces are at work today in the corridor running from the strait of La Perouse to the strait of Malacca.

1. In spite of its etymology, "Mediterranean" does not define a closed space. That was not the case for the Mediterranean world in the era of Philip II, nor is it the case for the East Asian corridor today. Trade with North America, on the one hand and with Europe, on the other, are two fundamental dimensions that characterise the opening up of this zone. The massive re-locations that took place all through the 1990s, first in ASEAN countries and then in the Chinese coastal areas, resulted in a manufacturing crescent, the vocation of which was to reach out to the world and conquer distant markets.

2. A "Mediterranean" world is a melting pot for industrial undertakings, innovative activity and entrepreneurial initiatives. It is a laboratory for experimenting with new social norms and new ways.

3. As a consequence, a "Mediterranean"

world is a multi-faceted space in which the flows of capital, the concentration of trade, the network of infrastructures all produce specific forces that wrench the coastal zones from their continental heartland and reorganise the space in China according to other directions of power, blurring the tight lines of control defined by bureaucratic planning.

4. A "Mediterranean" world is a link between different areas of civilisation; more precisely, through the development of trade around the Sea of Japan, the Yellow Sea and the South China Sea, the obstacles created by very diverse economic and social systems have been neatly avoided (23) [see Map 6].

This view contains several implications for our perception of economy, space and territory, as well as international economic relations. However, we should avoid any form of geographic determinism. Here, the actors are more important than the structures. The entrepreneurs and their networks, and perhaps, in the final analysis, the structures providing informal dialogue for defining



technical norms, such as the Pacific Basin Economic Council (PBEC), carry more weight than governments. The port cities, which could also be defined as major platforms for the flow of goods and services, as well as information, count more than the shape of the space thus defined.

1. This economic corridor in East Asia has a *centrifugal effect* on China. The coastal zones are "sucked up", so to speak, by intra-Asian trade, investment flows and regional dynamics. China is violently split up by this corridor, then re-assembled by forces that partly escape the control of central government. The border between coastal China and inland China is also determined by this "Mediterranean" region, where it occupies a position at the western extremity and separates it from the Asian hinterland.

2. The corridor considerably changes the physiognomy of the coastal areas: Xiamen, in 1997, recorded a considerable inflow of investment, in particular in the area of port infrastructures (Hutchison Delta Ports) built in anticipation of establishing direct links with Taiwan. Likewise, Korean investments in Qingdao have transformed Shandong, as have Japanese investments in Dalian, by bringing these areas into the intra-Asian network. Not to mention the synergy between Hong Kong and the Pearl River Delta ports.

All in all, FDI in China has a three-fold effect on regional economic investment.

Firstly, it accelerates the differentiation of China's economic areas. We can reasonably predict that the future implantation of FDI will not be influenced solely by matters of cost or potential for a particular market, but will also be oriented according to the two forces working on the economic geography of China, of which it is a part: the extent of the dismantling of public ownership and the diversification of the urban fabric, or more precisely the revival of the city's role in trade.

Secondly, it underlines the invisible border that divides China into

two distinct macro-regions. Both work according to their own logic: open to exchange in one case; relatively autarchic in the other, primarily on account of the particular inertia that state ownership brings about.

Thirdly, it encourages integration of the coastal zones into a network of international subcontracting led by the "Four Dragons", Japan and, to a certain extent, American and European companies. These zones are clearly oriented towards exports: what is happening in the Pearl River Delta, the Shanghai-Nanjing-Hangzhou triangle

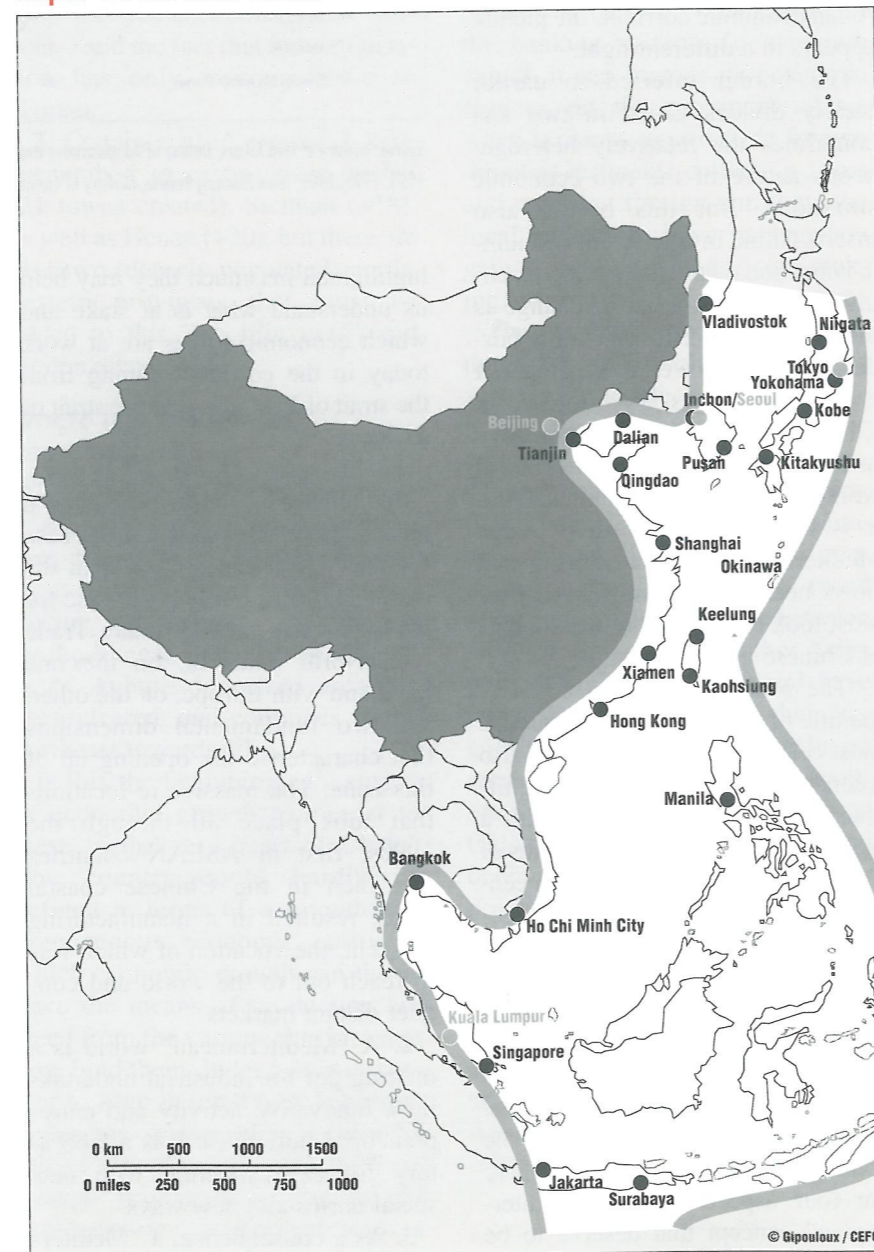
and, to a lesser extent, the Gulf of Bohai is the constitution of a manufacturing crescent aiming to conquer distant markets in Europe or the United States. Indeed, the role played by Dalian in Japanese re-exports is remarkable in this respect.

Seen in this light, the emergence of an "Asian Mediterranean" world confirms the reality of what many foreign companies practice today: direct investment is no longer a flow of capital enclosed in a purely bilateral dimension (for example,

between Japan and China), but rather part of a multilateral movement that includes several countries or trans-national regions.

A key question remains concerning the economic partition of China. It can be divided into two parts: the question of rising provincial protectionism and the closely related issue of burgeoning new macro-regions that will become the centres of gravity for tomorrow's China. The problem of Chi Ch'ao-ting (24)—the creation followed by the decline of key economic zones are major movements in the history of China—, as well as that of Skinner—the hierarchy of the trade centres in China determine the revival of a centre-periphery structure in each of the macro-regions in question (25)—have been turned upside down by the economic practices of the last 20 years. "Useful" China has moved to the east as a result of a transfer that undermines the Communist Party's nationalistic determination to establish or maintain central control over economic development. Paradoxically, in an age of opening up to the world, dynamics of this sort re-establish links with the imperial model and its fluctuating sovereignty, flexible networks, fluctuating boundaries, as well as its ambition to extend real geo-political and economic power beyond the confines of China. ■

Map 6. The East Asian corridor



1. *Zhongguo tongji nianjian*, hereafter referred to as ZGTJNJ, 1997.
2. Cf. Wang Luolin, "Zhongguo waishang touzi baogao: waishang touzi de hangye fenbu (Report on Foreign Direct Investment in China: Distribution by Sector) Jingjiguanli chubanshe, Peking 1997, p. 7.
3. ZGTJNJ, 1998, 1997.
4. Cf. Wang Fangshong, "1840-1894 nianjian waiguo zibenzhuoyi qinliu yu zhongguo guonei shichang tongyi chushi de fenjie" (Fragmentation of a National Market in the Making and the Invasion of Foreign Capitalism, 1840-1894), *Qingshi yanjiu ji* (Study of Qing History), 2, 1982, p. 177.
5. Over the period 1979-1996, Hong Kong, Macao, Taiwan, South Korea, the ASEAN countries and Japan represented 83.78% of the total stock of foreign investment in China. Calculated after Wang Luolin, "Zhongguo

waishang touzi baogao: waishang touzi de hangye fenbu" (Report on Foreign Direct Investment in China: Repartition by Sector) jingjiguanli chubanshe, Peking, 1997, p. 5.

6. At the present time the most complete study of foreign capital distribution by sector in China is by Wang Luolin, op. cit.
7. 89.9% of the total accumulated capital for the period 1979-1995 was invested in the coastal regions (Liaoning, Hebei, Shandong, Jiangsu, Zhejiang, Fujian, Guangdong, Hainan, Guangxi), 9.0% in the nine central provinces (Hunan, Hubei, Inner Mongolia, Heilongjiang, Jilin, Shanxi, Henan, Jiangxi, Anhui) and 4.1% in the nine western provinces (Tibet, Xinjiang, Sichuan, Ningxia, Qinghai, Gansu, Shaanxi, Guizhou, Yunnan) Wang Luolin, op. cit., p. 6.
8. The case of Ningxia (16.53%) seems too atypical to be seriously considered for this analysis. Industrial output for the province represents less than 3% of the national total, and the absolute value of foreign-funded production barely exceeds US\$400 million.
9. The same remark is valid for Tibet, although foreign-funded companies appear (if we can believe the statistics yearbook) to control a considerable part of foreign trade in the region (38%); although its level in absolute value remains very low (US\$166 million), or barely 0.05% of China's total foreign trade. Although it is difficult to evaluate the foreign economic presence, it can be said that it is dominated by Nepalese and Pakistani traders involved in heavy cross-border trade.
10. Harry G. Broadman, Xiaolun Sun, "The Distribution of Foreign Direct Investment in China", Policy Research Working Paper 1720, The World Bank, Washington D.C. 1997. Let us also point out, on the same subject, Tao Qu and Milford B. Green, *Chinese Foreign Direct Investment: a Sub-national Perspective on Location*, Ashgate, Aldershot, 1997.
11. Cf. Richard Caves, *Multinational Enterprises and Economic Analysis*, Cambridge, Cambridge University Press 1982; Louis Wells, "Investment Incentives, An Unnecessary Debate", *The Center on Transnational Corporations Reporter*, United Nations, 1986; Jack Mintz, "Corporate Tax Holidays and Investment", *World Bank Economic Review*, 1990.
12. Cf. Chen Bingcai, "Zhongguo bu xuyao ruci da guimo de waizi" (China Does Not Need Foreign Investment on Such a Large Scale), *Jingji yanjiu cankao*, no. 753, October 4th 1995. Also see Jiang Xiaojuan "Jiaru shijie maoyi zuzhi dui guoyou qiye de yingxiang: changtu yu duice" (The Impact of the Entry into the WTO on Chinese State Enterprises: Conflicts and Counter-measures), *Jingji yanjiu cankao*, October 4th 1997.
13. Chongqing became a municipality under direct central government control, like Peking, Tianjin and Shanghai in 1995.
14. Cf. Kam Wing Chan, "Urbanization and Urban Infrastructure Services in the PRC" in Christine P. Wong (ed.), *Financing Local Government in the People's Republic of China*, New York, Oxford University Press, 1997.
15. Cf. G.W. Skinner, "Marketing and Social structure in Rural China" *Journal of Asian Studies* 24 no.1, 1964; no. 2, 1965; no. 3, 1965.
16. A district with 120,000 inhabitants, whose rural population is at least 80,000 may be ranked as a city. A district whose non-rural population (150,000 people) represents 30% of the total population and whose industrial production has reached at least 1.5 billion yuan may also be ranked as a city. See Gu Chaolin, Qiu Youliang, Ye Shunzhan, "The Change of Designated Cities in China before and after 1949", *China City Planning Review*, 13, (2), 1997. One must not forget, however, the bureaucratic motives that govern the passage from the ranks of district to those of city. This promotion gives access to a number of administrative privileges, of which the proliferation of Economic and Technological Economic Zones—and the expropriation of peasants that this implies—furnishes a remarkable example.
17. Cf. Stanley Lubman, "Chinese-American Relations and China's Struggle for the Rule of Law", East Asian Institute, Institute Reports, Columbia University, October 1997.
18. On this theme, and in particular the "fief" economy (*zhuhou jingji*), see F. Gipouloux, "Les ambiguïtés de la décentralisation: les mutations de l'état local, nouvel acteur du capitalisme chinois", *Actuel Marx*, no. 22, Paris, PUF, 1997; and also F. Gipouloux, "Vers une fragmentation du marché" chinois", in *La Chine Aujourd'hui et Demain*, Paris, Mazarine, 1997.
19. Cf. Rhoads Murphey, *The Outsiders*, Ann Arbor, University of Michigan Press, 1977, especially Chapter 11.
20. Cf. Kwan Man-bun, "Mapping the Hinterland: Treaty Ports and Regional Analysis in Modern China" in Gail Hershatter, Emily Honig, Jonathan N. Lipman and Randall Ross (eds), *Remapping China: Fissures in Historical Terrain*, Stanford, Stanford University Press, 1997.
21. Fernand Braudel, *La Méditerranée et le monde méditerranéen à l'époque de Philippe II*, Paris, Armand Colin, 1949. On a more recent theme, see Thomas Rohlen, "A 'Mediterranean' Model for Asian Regionalism: Cosmopolitan Cities and Nation States in Asia", Working Paper, Asia Pacific Research Center, Stanford University, May 1995.
22. Cf. Denys Lombard and Jean Aubin, "Marchands et hommes d'affaires asiatiques dans l'océan indien et la mer de Chine du 13e au 20e siècle", Paris, Editions de l'EHESS, 1998.
23. Cf. the special edition of "L'Espace Géographique" devoted to the concept of the Mediterranean model, Montpellier, 1995.
24. Cf. Chi Ch'ao-ting, "China's Key Economic reas in Chinese History as Revealed in the development of Public Works for Water Control", London, Allen & Unwin, 1936.
25. Cf. G.W. Skinner (ed.), *The City in Late Imperial China*, Stanford, Stanford University Press, 1976.