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## **State Restructuring and Emerging Patterns of Subnational Policy-Making and Governance in China and India**

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Engaging with theory and comparative research, the papers in this theme issue set out to make sense of shifting state scales in China and India. The starting point is the observation that subnational states—local and provincial governments in China and state governments in India—assume distinctly more significant roles than in the past for regulating economic activities and shaping economic governance.<sup>1</sup> In both countries, the broad context for change is the gradual liberalization of trade and investment, ca. 1978 in China, ca. 1990 in India, which aims at greater integration with global markets. These macro-economic reforms have modified indisputably the role of the state in the economy and its relation to the private sector. Meanwhile, processes of state restructuring currently underway in each country are reconfiguring the spatial deployment of the state, or state territoriality, a development that has attracted considerably less academic attention than changing state-market relations.

State restructuring<sup>2</sup> is taking place not only through the formal devolution of power from the central state to subnational states, i.e., rescaling of state space ‘in the narrow sense’ (Brenner et al. 2003: 7), but also through a range of state strategies conceived at various spatial scales that seek not only to reshape geographies of production or innovation, e.g., through the creation of ‘competitive’ zones or districts, but also geographies of social relations, i.e., state space in the ‘integral sense’ (ibid). The papers in this issue focus specifically on subnational scales both as sites for policy-making and against which social dynamics are framed (contestation, political mobilisation, lobbying, labour organisation). This

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<sup>1</sup> Economic governance refers to the institutions and actors who shape the economic and political processes that coordinate economic activities (Campbell, Hollingsworth, Lindberg 1991: 3). Governance mechanisms include markets, bureaucracies, associations and informal networks of various kinds.

<sup>2</sup> In this text, state restructuring is used interchangeably with state (spatial) rescaling as it is primarily concerned with scalar restructuring. For a discussion of distinctions between the two terms, see Brenner (2009).

analytical focus neither precludes the continued relevance of the national state nor the increasing significance of transnational non-state networks.

A specific aim of this theme issue is to contribute to scholarship engaging with state rescaling theory in non-western societies (Park 2013), including so-called ‘transition economies’ (Ma 2005), as well as to on-going debates about the changing scalar dimensions of urban and regional development.<sup>3</sup> It will do so by examining scalar dynamics on the basis of empirical case studies in China and India, including fieldwork-based research. It will build on the still limited body of literature that has examined diverse aspects of state rescaling in China (see for instance Ma 2005; Ma, Wu 2005; Lin 2009; Wei 2010; Su 2011; Li, Wu 2012; Li, Xu, Yeh 2014) and India (see Grant, Nijman 2004, Kennedy 2014a; Ren, Weinstein 2013; Weinstein 2014). This literature has underscored the importance of situating these processes within the specific institutional arrangements and in relation to each region’s peculiar trajectory of development.

In both countries, economic reforms have been recognized as a key catalyst for scalar restructuring, and this collection of papers will take those explorations further, by bringing the Indian case more fully into the debates, and by going beyond the study of formal devolution of political and fiscal functions to subnational territorial units to examine more diffuse processes of delegation or jurisdictional reordering, which leave scope for subnational state strategies. These strategies give rise to overlapping, often competing, ‘jurisdictions’, and effectively give shape to new forms of governance.

Thus, this set of papers will contribute to on-going debates through a focus on subnational economic governance and strategic policy-making. They will show for instance that subnational political elites in both countries are developing similar ‘supply-side’ strategies in their respective territories, e.g., acquiring land to build up stock for potential

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<sup>3</sup> In this paper, ‘regional’ always refers to a subnational scale, located between national and local scales.

investors, promoting industrial upgrading and using zoning technologies to create export platforms. At the same time, subnational states are expected to implement ‘demand-side’ policies, to provide welfare in the form of subsidized food, health insurance and housing, to name a few. These social policies are also undergoing scalar transformations and have in some cases become the object of innovative subnational policies. By discussing within the same issue processes in China and India, the aim is to use a comparative lens as a heuristic device to advance hypotheses for explaining similar trends observed in both countries with regard to state restructuring, the conditions and consequences of which require careful empirical attention. In this way, a case for inductive theory building on the basis of fieldwork-based research can be carried forward.

This introductory article is organised as follows. The next section reviews the existing literature and sets out the theoretical and empirical objectives of the theme issue. The analytical distinction between ‘rescaling’ and ‘decentralisation’ is then discussed and situated in relation to each national context in order to sharpen the focus of the debate and facilitate comparison between the Indian and Chinese cases. Next, the specific aspects of state restructuring analysed in this set of papers are discussed in relation to the literature, in order to underscore their contribution.

## **Section 2. Reviewing the literature**

As mentioned above, one of the key objectives of this issue is to critically examine aspects of state rescaling theory in non-western contexts, building on a small but growing body of literature, but also charting a slightly different course. Rather than seeking to ‘apply’ the theory to India and China or validate its purchase, the primary aim here is to advance the research agenda including in areas outlined by the theory’s key proponents (Jessop, Brenner, Jones 2008; Brenner 2009), by investigating state scalar restructuring in two large “transition”

economies, characterized by distinct forms of state capitalism. The idea then is not to present Indian and Chinese ‘variations’ to an already elaborated theory, but rather to take inspiration from the scalar sensitive conceptual and methodological tools developed in this rich body of literature to offer an interpretation of processes of state restructuring in these large Asian countries in relation to their own particular historical and institutional contexts. Thus, we proceed on the assumption that a theoretical understanding of such scalar dynamics must be grounded contextually, just as rescaling theory is deeply grounded in European and North American experience. Yet this stance does not ignore the ‘context of the context’, i.e., the broader political and economic dimensions of “worldwide capitalist restructuring” (Brenner 2013: 92-3); it recognizes that social institutions mediate capitalist relations of production and reproduction, that social compromises are negotiated and that both conditions giving rise to state restructuring and outcomes of such processes are contingent on situated actors and institutions. It does not assume *a priori* the pre-eminence of the structural vis-à-vis the contingent in shaping outcomes.

State rescaling theory has been elaborated and debated so far primarily on the basis of European and North American contexts (Peck, Tickell 2002; Brenner, Theodore 2002; Brenner et al. 2003; Brenner 2004), specifically grounded on the ‘crisis’ of the North Atlantic capitalist system. This system, associated both with the Fordist production model and Keynesian inspired social policies, took shape in the wake of World War II and was the basis for several decades of strong growth before entering into crisis in the 1960s (in the US) and 1970s (in Europe).<sup>4</sup> Brenner, in particular, has elaborated the concept of state spatial rescaling to understand the transformation of statehood in this context of crisis, building on the work of other scholars.<sup>5</sup> Economic globalisation is generally interpreted as a neoliberal political project to overcome the crisis by facilitating the geographical expansion of production beyond

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<sup>4</sup> The French *régulation* school in particular has contributed to the study of the ‘Fordist’ crisis. See Aglietta (1979), and Boyer (1990) for an introduction to that body of theory.

<sup>5</sup> See for instance Harvey (1982, 1989), Jessop (2002) and Swyngedouw (1996, 1997).

national borders as well as capital movement across national borders. But although capital has become increasingly mobile, it still requires a 'spatial fix', i.e., "the production of relatively fixed and immobile spatial configurations" (Brenner 1998: 13, citing Harvey 1982). In Europe, this agenda has consisted in 'releasing' market forces but also, fundamentally, in rolling back the welfare state model and dismantling the 'social compromise' between labour and capital, the basis on which the gains from productivity and technological progress were distributed in society. Thus economic restructuring, involving for example the breaking up of vertically integrated 'Fordist' firms through offshoring and outsourcing, occurs simultaneously with political restructuring through the reorganisation of the state's internal territorial organisation. For so-called 'peripheral and semiperipheral states', the neoliberal agenda has been extended and institutionalised through the efforts of hegemonic actors like the IMF, the World Bank and the GATT, notably via structural adjustments programmes (Brenner and Theodore 2002: 350).

In an influential article published in the late 1980s, David Harvey identified a shift of socio-economic policy-making from the national scale to subnational scales, in particular cities, which then had to deal first-hand with the fall-out from the crisis of capitalism in the form of unemployment and economic stagnation; he signalled it as a paradigm shift in urban governance from a focus on managerialism to entrepreneurialism (1989), as a result of economic restructuring. In this interpretation, and others that have followed, cities and city-regions in particular have emerged as strategic arenas for neoliberal initiatives and for managing the fall-out from restructuring. Devolution has been a strategy deployed by the national state to shift responsibility to local scales. Brenner, for instance, has argued: "It is above all through their role in the mobilization of urban-regional territorial organization for purposes of accelerated global capital circulation that local and regional states, in particular,

are acquiring increasing structural significance within each territorial state's internal administrative-organizational hierarchy.” (1998:16).

As this brief review makes clear, the Fordist crisis is a critical starting point for this body of research, the catalyst for both economic and state restructuring. A first question then arises with regard to the logics of political and economic restructuring observed in contexts situated on the periphery of North Atlantic capitalism. What are the primary catalysts? How can state restructuring be characterised in each case? Scholars working in Asia have started to explore the relevance of this body of theory for understanding what appear to be broadly analogous processes of state rescaling, as well as the mobilization of policy instruments associated with neoliberalism, including supply-side and city-centric economic growth strategies.

In China, where rescaling theory has inspired relatively more research than in India, there emerges a complex and geographically diversified picture of state spatial restructuring arising from a combination of processes. These include: (i) formal decentralisation of responsibilities for economic development to local governments in the wake of economic reforms (Ma 2005); (ii) incentives framed by the central state in the direction of subnational political elites to ‘ignite’ growth (Lin 2009); and (iii) strategic initiatives undertaken by local governments to enhance economic performance in a context of intensive inter-city competition (Li, Wu 2012). The latter comprise for instance efforts to induce local capital accumulation through land development (Lin 2009; Xu, Yeh, Wu 2009), the reorganisation of territorial jurisdictions through merging to build city-regions, mega-project development (Ren, Weinstein 2013), and the organisation of mega-events (Shin 2014). These local initiatives may respond to central government injunctions, but an equally strong driving force is the motivation on the part of governing elites for material or symbolic gain. As Ngo, Yin, Tang point out in their paper in this issue, current forms of state restructuring in China have

created scope for local state actors to increase their control over political and economic resources by strategically navigating between multiple scales, resources that can be used “to improve officials’ performance for career development, to benefit crony enterprises, or as illicit exchanges for personal gain” (see Ngo, Yin, Tang, this issue).

Whereas initially the emphasis of much of this scholarship was on the scaling down of responsibilities and fiscal powers to promote economic development and spread industrialisation to rural areas, more recently examples of ‘scaling-up’ have started receiving attention.<sup>6</sup> For instance, specific examples of scaling-up through city-region building have been analysed in Guangdong province (Li, Xu, Yeh 2014; Li, Wu, Hay 2015) and the Yangtze River Delta (Li, Wu 2012, 2013). This research suggests a new round of state rescaling is currently underway in China in the form of ‘regionalisation’ initiatives that aim to strengthen economic governance mechanisms at the regional scale e.g., the Guangzhou-Foshan Metro project (Li, Xu, Yeh, 2014).

This scaling-up from the local level has been interpreted as a response to excessive administrative fragmentation, stemming from previous rounds of decentralisation, and the negative effects generated from the ensuing competition between localities for attracting capital investments (e.g., redundant construction, speculation) (Li, Wu 2012; Li, Xu, Yeh 2014). After decades of massive investments, often under ‘soft budget constraints’ the legitimacy of local state governance began to be questioned (Xu, Yeh 2005). As this scholarship makes abundantly clear, global pressures are not the only ones reconfiguring state power in China and shaping the policy environment; scalar politics responds to incentives generated within the Chinese state system and economy. Ngo, Yin and Tang argue that new patterns of scalar politics in China can be interpreted first and foremost as a strategy taken by sub-national actors to maximize parochial political and economic resources, rather than a

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<sup>6</sup> Processes of scaling up to supranational (or transnational) regions, for instance the Greater Mekong region (Su 2011, 2012), has also received attention of late, but will not be discussed in this issue.



direct functional response to globalization or the crisis of Fordist capitalism (cf. article in this issue). Likewise, Ren and Weinstein assert that although rescaling processes in China and India are similar to those in West, “[they] have not been pursued in the same manner or with the same sense of urgency in both contexts, or for the same reasons they have in the post-Fordist nations of the West” (2013: 112); and they maintain that the “historical and social contexts of post-independence China and India have produced different assemblages of state power” (ibid).

Among scholars of India, the rescaling literature has not received the same degree of attention, with a few exceptions, which are primarily focused on urban contexts (Grant, Nijman 2004; Ren and Weinstein 2013; Kennedy 2014; Shaktin 2014). Nevertheless, numerous accounts take note of scalar reconfigurations in state power within India’s federal democracy in the wake of economic reforms from the early 1990s. Jenkins (1999) demonstrated how federal politics and institutions mediated the implementation of market-oriented reforms, not only the degree to which new directives were applied but also the rhythm, which was critical for facilitating or obstructing the formation of coalitions to support or oppose the reforms. Moreover, the dismantling of the centralised management of the economy, and the gradual lifting of strict controls on international trade and investment opened policy space for India’s states, thereby unsettling existing patterns of economic governance and introducing more balance into India’s centralised federal model (Sáez 2002; Kennedy 2004, 2011, 2014; Sinha 2005). But greater scope to promote their own economic development strategies also led states to engage in a ‘bidding war’, in competition for infrastructure and industrial projects (Gupta & Sivaramakrishnan 2011: 7).

It is useful to recall here that India’s 1950 Constitution ensures a division of power between the Union and the 29 states through separate lists of responsibilities. Thus each regional state forms a discrete political space with its own executive, deliberative and judicial

branches of government. Notwithstanding this federal framework, before the adoption of economic reforms in the early 1990s, state governments had limited scope for devising a distinct economic development policy and were required to negotiate with New Delhi to secure a share of planned investments and other resources. Post-1990s, they began to enjoy a greater degree of autonomy to elaborate their own policies with regard to industrial and infrastructure development, responding for instance to new opportunities to enter into partnerships with private sector actors, including foreign investors, and to imagine new regulatory arrangements to accompany these partnerships (Jenkins 1999; Kennedy 2005; Sinha 2004). As a result, the political economy underpinning the “geography of investment opportunities” has been altered in the post-reform period both by changes in the central state, no longer committed to achieving balanced regional development through the reduction of inter-state economic disparities, and by “more active sub-national states competing in asymmetrical spatial structures shaped by colonialism, and subsequently nationalism, to capture new and different markets” (Chakravorty and Lall 2007: 20). Sinha notes the “zeal” of state governments and refers to a “reordering of state-market relations mediated by subnational re-regulation strategies and processes” (2004: 68).

Comparative studies indicate sharp variations in the policy response of India’s subnational states to the national reform agenda, depending on each state’s distinct subnational political economy, in particular the degree of social mobilisation and the support base of the ruling political party (Kennedy 2004; Sinha 2005). Political development, like economic development is uneven across space.<sup>7</sup> Very often these national and regional state strategies target urban areas, a common point with international examples. However, local governments are largely absent from this process, a point further discussed below.

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<sup>7</sup> Studies of individual states document strategies for creating new spaces of accumulation. See for instance Kennedy 2004, 2005; Sinha 2005; Sud 2012.

This emerging scholarship indicates that state scalar restructuring is underway in both India and China, and puts forward a growing body of evidence to show that subnational scales are gaining in autonomy vis-à-vis the national scale with regard to the governance of economic development. In both cases these processes are shaped by institutional legacies and distinct policy regimes, and respond to opportunities and constraints generated within each national political economy. At the same time, this review suggests important differences in patterns of state rescaling between India and China including with regard to the conditions under such scalar dynamics are occurring. These are further explored in the next section.

### **Section 3. Modalities of scalar restructuring, distinguishing ‘rescaling’ and ‘decentralisation’**

A major difference between China and India is the relative importance of local state scales in policy-making for economic development. In China, local governments were delegated early on with fiscal powers and important budgetary responsibilities. Large cities in particular such as Shanghai and Guangzhou have a great deal of autonomy in making economic policies and in pursuing local and regional development plans (infrastructure, transport, joint ventures). In contrast, India’s cities, even large metropolitan ones like Mumbai or Chennai do not have mandates for pursuing economic development and remain largely subordinate to provincial governments. Equally contrasting are the conditions under which subnational scales are emerging as significant policy-making scales for economic development. In the case of China, the empowerment of local governments has been an integral part of the national political economic strategy, and cannot be conceived as a separate process. In India, the growing importance of subnational state in a range of policy domains has arisen largely as a result of more indirect causes. Prior to discussing these conditions, it is important to distinguish formal devolution from more indirect processes both of which result in a reordering of jurisdictional spaces. Following Donahue, devolution can be conceptualised

as comprising three separate factors: legitimacy, the decentralisation of resources, and the decentralisation of authority (1997 cited by Rodríguez-Pose and Gill 2003: 334), the interaction of these factors is also important.

This process is complex and fraught with difficulty because of conflicting interests between the actors. “Although national governments would prefer, *ceteris paribus*, to devolve responsibilities (authority) to their regional or state governments with as few accompanying resources as possible, the subnational governments would prefer the opposite case. The balance between these extremes will depend upon the relative strength, or, in political terms, legitimacy, of the two tiers of government” (Rodríguez-Pose & Gill 2003: 334). Although it is problematic to discuss political legitimacy in comparative terms in democratic federal India and authoritarian (and in principle centralised) China, legitimacy remains a fundamental factor for qualifying the salience of subnational states, as several papers in this issue demonstrate. The aim here is not to compare the degree of devolution, but to discuss the processes that are shaping the emergence or affirmation of subnational state spaces. In both cases, subnational identities are strong, based on culture and language, and although these do not necessarily form the basis for claims, they may contribute to legitimacy.

As mentioned above, China witnessed several rounds of deliberate devolution of power from the central state to subnational states, and local authorities are expected to balance their budgets, promote local economic growth, and ensure social stability. Thus, the empowerment of local governments, at least initially, was an integral part of the national political economic strategy. Although accomplished through formal decentralisation of authority and resources, the process has not been uniform across national space and administrative categories are subject to change (Cartier 2015). As is well documented, economic reforms were first implemented from 1978 on an experimental basis in specific coastal regions of the country, via the constitution of special economic zones. Likewise, in the

reorganisation of the territorial administrative structure, special categories were created. Ma identifies three major strategies “designed to change the subnational administrative/spatial system” that have been deployed by the Chinese state: ‘converting entire counties to cities’, ‘city administering counties’ and ‘annexation of suburban counties by cities’ (Ma 2005: 481). Administrative rank is important for determining fiscal resources available to a given territorial unit as well as its capacity to make policy decisions; for instance, cities with the status of a province (Beijing, Shanghai, Tianjin and Chongqing) enjoy wide-ranging powers (Ma 2005: 485). As this suggests, this scale formation is more strongly shaped by the state, compared with that taking place under capitalism, where market forces are more critical (Ma 2005: 495).

The Chinese case indicates that decentralisation and rescaling can be mutually enforcing processes: as the effects of devolution play out, they give way to strategic actions on the part of subnational governments, which can be leveraged for creating new state spaces. This can lead to subsequent rounds of rescaling. That appears to be what transpired in Shanghai with building the metropolitan scale: as sole land owner, Shanghai authorities accumulated revenue by leasing land to private investors, then as they became more powerful, they orchestrated the scaling up of authority and resources from its hinterland in the Yangtze River Delta (Ren, Weinstein 2013:123). Currently, regionalisation initiatives to promote inter-city cooperation or to coordinate investments at the regional scale are indicative of changing state spatiality; they are emerging as a result of both top-down and bottom-up mechanisms, which are not necessarily institutionalised (Li, Wu 2012, 2013).

In India, the central government began efforts to empower urban local governments in the late 1980s. After a first failed attempt at decentralisation, the Indian parliament ratified in 1992 an amendment to the Constitution (74th), which expanded the mandates and strengthened the budgets of towns and cities. The amendment included the creation of

independent state level finance commissions, modelled on the national finance commission, to oversee the sharing of fiscal resources between state and local urban governments, and ensure the latter would avail a greater share than in the past. However, studies have shown that the 74th amendment did not lead to an effective devolution of authority or resources (Baud, de Wit 2008; Ruet, Tawa Lama-Rewal 2009; Sivaramakrishnan 2011), in large part because of resistance from state governments. State governments have constitutional authority over local government administration, and so it was up to each state to ensure that its municipal legislation translated effectively the provisions of the amendment. Although state finance commissions were formed, their recommendations were not necessarily followed. Thus, federal institutions, here the statutory powers of states laid down in the Constitution, have helped regional states to resist the central's state decentralisation efforts.

With regard to the metropolitan scale, which has emerged as a critical territorial scale in the world economy (Scott 2001) and within many national contexts including China (Vogel et al. 2010) and India (Shaw, Satish 2007), the 74th amendment recommended the creation of metropolitan planning committees, of which at least two-thirds of the members would be local elected representatives, to give greater legitimacy and regulatory teeth to metropolitan planning. But here too state governments have resisted devolving decision-making powers over urban land, infrastructure and housing to municipal or metropolitan authorities, in order to maintain their jurisdictional prerogatives.<sup>8</sup> Thus, with regard to Mumbai, it has been noted “inter-party competition and intergovernmental conflicts have prevented the scaling down of power from the regional state government” (Ren, Weinstein 2013: 122).

As this indicates, the reordering of jurisdictional spaces in India's polity has mainly involved the central and regional states, and not local governments. As mentioned above, processes of state rescaling are not primarily a consequence of formal administrative

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<sup>8</sup> Resistance to the creation of a new territorial entity at the metropolitan scale by existing governments is not surprising and has been observed also in Europe. See Lefèvre (1998).

decentralisation,<sup>9</sup> but have arisen rather as a result of more indirect causes (Kennedy 2014a). These include market reforms (delicensing, scaling back of public sector enterprises) and equally important, political development in the framework of democracy and competitive politics, which is a discrete process, not arising from central state strategy. Taken together, they have resulted in greater federalisation, characterised by the increasing autonomy of state-level politics from national politics (Yadav, Palshikar 2008). Increasingly the regional state and the regional economy are being ‘reconstituted’ to each other; the (regional) state is being built up through ‘discourses’ that redefines its relation to the national scale but also the global scale (Cameron, Palan 2003:181). Importantly, this has not resulted in a weakened central state, a useful reminder that rescaling is not a zero-sum game.

Notwithstanding, and in conjunction with these organic political processes, a gradual decentralising movement from the central state to regional states has been observed in India. It has involved responsibilities (e.g., implementation of reforms and national policies, pressure to restrict spending and observe budgetary discipline) more than resources, at least until recently.<sup>10</sup> Comparative studies of decentralisation have pointed out that in contrast to Chinese and Brazilian cases, the Indian central government “maintained its influence and managed devolutionary initiatives largely to its own advantage” (Rodríguez-Pose, Gill 2003: 341). In the case of China, at least initially, there was decentralisation of resources without decentralisation of authority, whereas in India there has been a growing delegation of responsibilities but without significant decentralisation of fiscal resources (Rodríguez-Pose, Gill 2003).

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<sup>9</sup> As mentioned above, formal decentralisation initiatives in the 1990s only targeted local governments and not regional states.

<sup>10</sup> In February 2015 the Finance Commission recommended a considerable increase in the share of tax revenue to the states, from 32% to 42%, offset in part by reduced central government assistance for state plans. As observers of fiscal federalism have pointed out, the gradual move towards cooperative federalisation has put pressure on the central government to devolve a larger proportion of funds to the states. See Bagchi 2003.

#### **Section 4.** Specific aspects of state restructuring examined in this theme issue

This final section discusses the policy domains and instruments examined in the papers, covering both economic development and social welfare, and highlights the insights they bring to the debate. Attention is given to changing geographies of socio-economic relations occurring as a result of subnational state strategies and social mobilisation, including protest movements against specific policies or state practices and ‘lobbying’ for specific types of public investments.

Several papers investigate the deployment by subnational states of supply-side instruments in the pursuit of economic development, a policy repertoire associated more broadly with neoliberalism (Harvey 1989; Peck, Tickell 2002) and globalisation (Ong 2006; Paul 2005). In theoretical terms, such instruments are deployed with a view to “financing, constructing and organizing the territorial infrastructures of capital accumulation” (Brenner 1998: 15, referencing Cerny 1995: 611). They take a variety of forms, including financial incentives in the form of tax holidays, simplified procedures or direct subsidies for setting up a business. A particularly common pattern relies on the concentration of public investments in particular places with a view to enticing firms to locate e.g., uninterrupted power supply, connectivity, dedicated infrastructures. Many such supply-side measures fall within the ambit of the policy attributes of local and regional governments, and subnational states scales have seized on them to pursue political goals which include but are not restricted to local economic development. In doing so, they participate in enhancing the saliency of subnational state scales, thereby creating or reinforcing ‘state space’. Notwithstanding, in both China and India the national state remains a dominant scalar reference for economic development strategies, even when these strategies recalibrate state space by increasingly targeting specific ‘competitive’ spaces. The example of economic zones provides a forceful illustration.



Both countries have developed free-trade zones as a major policy intended to put growth on a fast track by facilitating engagement with the global economy through trade and investment. In 2000 India modelled its Special Economic Zone policy on China's successful example, then further emphasized its strategic importance by voting it into law in 2005. Despite the explicit referencing to China, India's SEZ policy varies substantially with China's. To mention just two differences, the capital to develop India's zones were intended to come from the private sector, or via public-private partnerships, and not the state, and secondly, whereas China's zones covered large areas, comprising entire regions, the vast majority of SEZ proposals in India have been for very small zones, mainly in information technologies and IT-based services, not manufacturing. More than 60% of all notified zones (238 out of 388) are specialised in IT related production, many of which hardly differ in appearance from an IT business park.<sup>11</sup>

In both countries, the SEZ policy provides an emblematic example of a rescaling strategy in at least two respects.<sup>12</sup> It illustrates a shift from an economic development policy framed against national territory to one that targets specific spaces, which are assigned a kind of national mission consisting in the creation of new economic geographies more connected with international markets than ordinary spaces. At the same time, such zoning policies rescale statehood by redefining "state spaces", i.e., new coordinates in territorial organisation, governed under a distinct regulatory framework. Thus in India an elaborate set of SEZ rules has replaced ordinary procedures for setting up and conducting productive activities and trade, and in many cases informal state practices have gone a step further in interpreting policy objectives, notably with regard to securing land for SEZ promoters and curtailing

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<sup>11</sup> This outcome is a result of rules in India allowing for seven different types of zones (e.g., multi-product, single sector, etc.), the smallest of which is only 10 hectares. Official statistics are available at <http://sezindia.nic.in>, last consulted on 16 July 2015.

<sup>12</sup> This discussion draws on my analysis of India's SEZ policy. See Kennedy 2014a, especially chapter 5.

labour rights.<sup>13</sup> In Tamil Nadu, as Vijayabaskar argues in this issue, the subnational state facilitates the integration of local manufacturing clusters into global production networks by enabling informal work arrangements such as the use of contract labour in factories and outsourcing certain production processes to the informal sector (cf. this issue).

In the case of China the effectiveness of the SEZ policy experiment in stimulating growth—as well as enhancing specialised knowledge and technology transfer—made it a favourable model to replicate on a smaller scale, in the form of economic and technology development zones. Since then, such zoning technologies, to borrow Ong’s term (2006), have been abundantly deployed across the country including by state authorities situated at subnational levels, as Ngo, Yin and Tang document in their article, and zones now number in the thousands. They argue that beyond economic gains, zoning is appropriated by local state actors as a means by which to navigate between scales, allowing them to “shift the costs and benefits in and out of a zone and its hosting locale by manipulating their overlapping jurisdictions across different scales” (cf. this issue).

India has not experienced the same rhizomatous proliferation of zones as China, although it is significant to note that the principle of an *ad hoc* regulatory framework applied to designated areas to promote greenfield developments has inspired a number of policy initiatives in recent years. These include, for instance, the national investment and manufacturing zones (NIMZ) (Sood 2015), and more recently the announcement of 100 ‘smart cities’ (Mukhopadhyay 2015; Datta 2015), which are conceived as exclusive privately built and managed cities characterized by high tech service activities and state-of-the art urban infrastructures. As Sud points out, the aim of these policies is “to partner with, and respond to, the needs of the market. Targeted (not universal) infrastructure, and even welfare, are corollaries of this” (cf. this issue). The examples listed above are national policies

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<sup>13</sup> Although the government gave assurances that existing labour laws would apply, a condition for Left parties to approve the SEZ bill, many states have found means of circumventing them, for instance by declaring activities within SEZs as ‘essential services’ (cf. Mody 2010)

elaborated by the central state but since the liberalisation of India's investment and trade regime in the 1990s, regional governments too have seized on such space-based instruments notably in the form of special development areas and industrial townships. The southern state of Andhra Pradesh for example aggressively pursued a city-centric development policy centred on transforming Hyderabad into a hub for the IT industry as well as financial and BPO services, modelled on Asian examples (Kennedy 2007; Bunnell, Das 2010). Similarly, Haryana in northern India built a large "Model Industrial Township" (approximately 5000 acres) at Manesar on the outskirts of metropolitan Delhi (Kennedy 2009). Such initiatives, of which there are numerous examples, concentrate investments in well-connected spaces with an aim to create "world-class" enclaves.

Beyond documenting the incidence of zoning policies deriving from various state scales, recent studies undertake to examine their implications for governance, uneven development and state scalar dynamics. For instance in India, the industrial township model mentioned above, which usually combines a production area with commercial and residential zones, often relies on private companies for planning the lay-outs and providing infrastructure and services. Such "corporate urbanisation" as it has been called (Denis et al 2011), results in patterns of unplanned and under-provisioned growth around the core city, and promotes the exclusive consumption of collective goods or 'club provisioning' (Sood 2015), following in that respect similar trends in private city building in the West (Glasze, Webster, Frantz 2006). The rationale is to promote economic development (hence the name 'industrial' townships) by providing good quality infrastructure and connectivity to entice new productive capacities to locate there; the *ad hoc* regulatory framework is justified on grounds that private companies must be enticed into sinking their capital into such investments. But another equally compelling factor motivating state action is the opportunity afforded by zoning technologies to generate rents through property development (Denis 2011; Levien 2012). In exchange for

giving tender to private firms or by making strategic investments in property that will gain value as future developments take shape, ruling party cadres use such rents for their political parties or for personal gain.

Likewise in China, as Ngo, Yin and Tang argue in their article, the proliferation of zones can be explained by the motivation on the part of subnational elites to gain access to more political and economic resources; they use political knowledge and skills to navigate between different scalar hierarchies, ultimately wielding greater authority than officially permitted at their given ‘level’ (cf. this issue). Thus local authorities may decide to build and fit out industrial and technological parks in order to achieve industrial upgrading and higher innovation levels within their jurisdictions, in keeping with national policy goals. As Prodi, Nicolli, Frattini argue in this issue, such local state actions contribute to modifying entrenched patterns of economic geography with regard to the transition towards a firm-centred Science & Technology system, away from an innovation model dependent on public research institutions and in favour of greater regional dispersal. In this context, these authors make a compelling argument to suggest that innovative activities can be a source rather than just an outcome of state restructuring: by making demands on local governments for their innovation needs, firms confer legitimacy and saliency onto subnational scales (cf. this issue).

In terms of governance, to the extent that actors and institutions at subnational scales are in charge of running these zones, and through everyday management in direct contact with firms, they shape the local conditions for capital accumulation. In China’s development zones, subnational authorities are in charge of dissemination of technological innovation and the organisation of production and commodity chains, whereas “[t]he tasks of the central zone administration are basically concerned with publicity, compilation of statistics, public relations” (Ngo, Yin, Tang this issue).

In the case of India's SEZ policy, despite the efforts of the national government to put in place a centralised command structure, there is considerable variation in the modalities of implementation across India's States, reflecting distinct subnational strategies at work.<sup>14</sup> The concrete application of the (national) policy relies fundamentally on subnational state levels, which oversee land issues, connecting infrastructure, as well as numerous approvals required for establishing an SEZ. Even when a State government endorses the national policy, as Haryana enthusiastically did, its government chose to exercise discretionary power in interpreting key provisions, such as requiring SEZ promoters to pay development charges, and by entering into a joint venture with a large private corporation (Kennedy 2014b). Thus, in both China and India, the promotion of development and technology zones by subnational actors cannot be interpreted simply as a means to facilitate capital accumulation in a context of economic restructuring, rather it serves as a policy instrument for pursuing strategic goals, thereby participating in a larger process of state restructuring.

Equally significant, it falls on subnational states to manage the political fall-out on the ground from groups opposing zoning policies. India's SEZ policy has generated tremendous contestation, most notably with regard to expropriation as a result of using state machinery to forcibly acquire land for zone development, and State governments are the primary target of the protestors' anger (Jenkins, Kennedy, Mukhopadhyay 2014). In her paper in this issue, Ren examines the case of Singur in the Indian State of West Bengal, which has risen to national prominence as a site of contestation against the forcible acquisition of land for private industries. Here, the State government invoked eminent domain to acquire 1000 acres of agricultural land for a Tata Motors plant. The strong opposition by local farmers to the forced sale of their land provided impetus to subsequent mobilisation in the State, and ultimately to the defeat of the Left Front government after more than 30 years in power (Banerjee 2014).

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<sup>14</sup> This was the finding of a recent study of 11 states (Andhra Pradesh, Goa, Gujarat, Haryana, Karnataka, Maharashtra, Orissa, Punjab, Tamil Nadu, Uttar Pradesh, and West Bengal). See Jenkins, Kennedy, Mukhopadhyay 2014.

As Ren shows, protesters targeted the state government for its decision to expropriate as well as for excluding local authorities, more inclined to defend the interests of local stakeholders. Comparing the Singur case with Wukan in Guangdong province in China, Ren underscores both the striking similarities in state strategies promoting economic development, and the variations in how popular protests have targeted different levels of the state in their mobilisation efforts. In Wukan, protesters held village and municipal authorities responsible for acting against their interests by acquiring land at below market value to set up development zones and for leasing village land to outside investors. As Ren argues, the state scale to which mobilised groups pitch their claims depends on their goals, but is also indicative of the relative legitimacy of various state scales. These scalar points of reference are not fixed across time and shift as state spaces get redefined through the combined effect of devolution from above and assertion from below.

Land as a subnational state ‘resource’ for economic development policies is of particular relevance for this discussion, and several other papers in this issue also directly engage with the manner in which subnational state actors leverage land to promote growth and pursue their interests. In China, as mentioned above, decentralisation gave local governments significant power over land disposal (expropriation, conversion of land use, land income) (Wu 1999; Zhu 2004; Xu & Yeh 2005, 2009; Lin 2009), and this undoubtedly contributed to redefining state spatiality. Yet as local state practices have come under increasing criticism, in terms of redundancy, debt and social unrest, the Chinese state reacted to curtail local discretion on land disposal by recentralising land management (Li, Wu 2012: 73). This ‘upward rescaling’ of state power in land administration illustrates the contested nature of state rescaling processes currently underway and the will of the central state to reassert its authority: “State institutions at the central scale attempt to reassert regulatory control over local economic transactions and to introduce new forms of inter-scalar relations

(e.g. division of authorization power between central, provincial and municipal governments) in controlling space formation.” (Xu, Yeh & Wu 2009: 910). In India too, the federal state has sought to strengthen the regulatory environment for land acquisition, for instance by issuing directives to state governments not to use eminent domain to acquire land for SEZs (Kennedy 2014a: 87) and by pushing through new land acquisition legislation in 2013, replacing the 1894 law (Bedi, Tillin 2015). Thus, in both China and India land management has emerged as a contested site between state scales. However, in India, land is a state subject under the Constitution and consequently state governments wield control over land through various means: the right to acquire privately held land by invoking eminent domain; discretionary disposal of ‘government land’, i.e., lands under state stewardship either bequeathed from previous state regimes or not under private ownership (e.g., village commons); control over land use regulations and zoning, which heavily influences the market value of land. The opening up the economy to trade and investment has put regional states “on the frontline of demands for land per se, and demands for the opening up of land markets” (Sud 2014: 47).

Numerous studies in recent years have analysed the diverse measures used by regional governments to acquire land, including indirect ‘informal’ means of pressuring landowners into selling land (Vijayabaskar 2010). Sud’s paper in this issue compares the politics of land aggregation in three Indian states (Gujarat, Tamil Nadu, West Bengal), and highlights the ‘shadow’ dimensions of the state, notably how the ‘networked and pluralized’ state encompasses formal and informal practices, in conducting land deals. She shows how particular categories of actors, mainly property developers, benefit from business friendly policies and how land deals are contracted informally with handpicked businesses for mutual gain. This corroborates Roy’s point that, “informality lies within the scope of the state rather than outside it” and through informal practices, the Indian state “[gains] a territorialized

flexibility that it does not fully have with merely formal mechanisms of accumulation and legitimation” (2009: 826).

The above discussion has largely focused on economic development policies, but state restructuring can also be observed in relation to welfare policies and to actions that seek to reshape social relations (labour-capital relations) and to address inter-regional disparities. This relatively understudied research area is explored in several contributions in this issue, briefly introduced below.

Vijayabaskar’s paper investigates how policies pursued by the Indian state of Tamil Nadu have given rise to a particular regional labour regime, with deep implications for collective action within its territorial borders. He shows that while enhancing welfare measures, e.g., subsidized food and childcare, this regional state has simultaneously promoted a deregulated labour market, including measures to facilitate contract labour in factories, extend the employment of apprentices and trainees, and undermine trade union activity. In this way, it seeks to conciliate its economic objectives (growth) in an increasingly competitive environment within India, with the political imperatives dictated by its distinct regional political economy. Indeed, in the context of severe electoral competition premised on populist policies, subnational governments endeavour to secure political power through appeals to low-income labouring households. Using a multi-scalar perspective, Vijayabaskar argues that successive governments in Tamil Nadu have responded to this challenge by forging a new regional scale of labour governance that undermine labour’s ability to engage with spaces of collective action opened up by liberalisation, notably through global labour movements seeking to organise labour across dispersed workspaces (Merk 2009). Using Cox’s categories (1998), he demonstrates how this subnational welfare regime focused on ‘spaces of dependence’ effectively limits labour’s scope for accessing ‘spaces of engagement’, thereby shaping socioeconomic relations within its subnational territory.



Pursuing the issue of welfare, Landy examines the case of food security in India by analysing the evolution of the key institution in charge of providing subsidised food, i.e., the Public Distribution System. He identifies the various factors that have gradually led over the last two decades to the emergence of a more decentralised mode of implementation. He shows how this shift in state spatial scales reflects emerging ideological norms within the Indian state, which is increasingly tolerant of regional disparities and policy heterogeneity, linking India's current experience with wider neoliberal trends. Subnational authorities have greater scope for policy innovation, but the process is uneven across states. His study confirms that although the role of regional states has become more significant than in the past, the federal government maintains its prerogative to set national food policy, notably with regard to the international trade of foodgrains.<sup>15</sup> Thus Landy writes: "the recent rescaling of the food policy is not a zero-sum game at the expense of the national scale", thereby underscoring a trend observed in both China and India.

The last paper in this collection by Prodi, Nicolli and Frattini extends the theme of inter-regional disparities by examining links between subnational innovation policies and regional capabilities in industrial production. Exploiting very recent data, they advance a series of hypotheses to explain increasing heterogeneity across Chinese prefectures in patent applications. This paper represents an important contribution to the research agenda identified in this journal (Yang 2014), which consists in studying indigenous innovation capacity via regional innovation systems, in the context of China's current policy for technological upgrading. Their findings bring nuance to the more established understandings of innovation in China, which emphasize spatial concentration (Crescenzi, Rodríguez-Pose, Storper 2012), by suggesting that subnational policies and capacity are giving rise to more complex patterns of geographical distribution of innovation.

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<sup>15</sup> In Indian government also endeavours to influence policy at the global scale: in 2014, India blocked the conclusion of the Doha round arguing that developing countries had the right to subsidize food, for both producers and consumers.

## Conclusion

As China and India seek to engage more intensively with the global economy, they have initiated significant institutional change and policy reform, with far-reaching consequences on economic and social outcomes. The particular focus of this issue is on the ways that these processes are reconfiguring the spatial deployment of the state, or state territoriality, an under-investigated theme in the study of transition economies. This collection of papers sheds light on the politics of state restructuring and scale-building processes, and discusses their implications for economic governance. This approach recognises that a theoretical understanding of scalar dynamics must be grounded contextually, just as rescaling theory is firmly grounded in European and North American experience.

To facilitate the comparison between China and India and better situate the case material explored in the papers, this introductory article undertook to distinguish decentralisation and rescaling processes in each case. In China, the empowerment of local governments has been an integral part of the national economic policy; thus, a formal process of devolution resulted in substantial policy-making and budgetary powers for various subnational unities (towns, counties, cities, provinces). However, the central state has remained responsive to outcomes and subsequently sought to recentralise certain policy areas, such as land management. More recent developments post-2000 indicate a scaling up from the local to the regional level, a result both of top-down and bottom-up mechanisms (Li, Wu 2012). In India, attempts by the central state to empower local governments in the 1990s were essentially countered by state governments, which have constitutional authority over local mandates and finances. Still a largely indirect process of decentralisation has taken place from the central state to subnational states within the context of economic reforms, via the delegation of responsibilities, rather than resources. However, an equally determinant factor

that has contributed to conferring greater salience to the regional scale has been organic political development generated by competitive electoral politics, which has favoured a gradual federalisation process (Kennedy 2014a). The result in both China and India has been a reordering of jurisdictional spaces, giving rise to overlapping, often competing, policy jurisdictions. In conformity with rescaling theory, this dynamic is a contested process.

A review of the still limited body of literature on the topic indicates that rescaling has been identified as a distinctive process in China, whereas the Indian case is still relatively absent in academic debates. As this introductory article suggests, and the papers demonstrate in more detail, current restructuring processes can be interpreted first and foremost as a response to political conditions generated within each polity. In China localized policy experimentation driven by the central state generates particular outcomes and learning, which then inform successive policy decisions—extension, adjustment, suspension, as the case may be. But equally important, strategies on the part of subnational state actors responding to incentives generated within the state system and in relation to local socioeconomic conditions are seen to co-produce outcomes, which can include scale-building. The result has been successive rounds both of scaling down and scaling up. In a significant contribution to the existing literature, several papers demonstrate that non-state actors, such as science and technology firms lobbying local governments for specialised infrastructures or local residents protesting land expropriation, also contribute to current scalar dynamics by conferring or denying legitimacy on particular state scales.

In India the liberalisation of trade and investment and the dismantling of centralised mechanisms for managing the economy, such as industrial licensing, have resulted in greater scope for state governments to elaborate economic development strategies. Yet subnational states have responded differently to new policy space, depending on the constraints dictated by their specific regional political economies. In a context of increased competition between

states for attracting new investments, many have adopted policies aimed at marketing territorial-based resources, notably land, and political elites have seized previously unavailable opportunities for rent-seeking. The central state continues to express its will to shape economic governance across the country as illustrated by the policy creating free trade zones, but in doing so, it is confronted with more assertive subnational states. In practice, the SEZ law does not succeed in removing political oversight from regional-level bureaucracy, one of its implicit aims. Besides promoting economic development, regional governments are increasingly responsible for providing welfare and regulating industrial relations, although here again significant variations can be observed across states, indicative of a political environment increasingly tolerant of inter-state disparities. Several papers in this issue engage with this new research area exploring initiatives that aim to reconfigure geographies of social relations within subnational territorial jurisdictions.

Compared to advanced capitalist countries, rescaling processes in both India and China appear to be more strongly shaped by state strategies as opposed to market forces, corroborating Ma's assertion for China (2005: 495). Whilst the central state remains a key policy driver in both countries, subnational states spaces have gained substantial power in making policy and budgetary decisions. Central state action, intentions, and discourses must contend with those originating from regional and local scales, which are the expression of political strategies on the part of institutionally- and territorially-situated actors. As discussed, although economic growth and development remain important driving forces, other motivations (e.g., personal gain, social unrest, political promotion) also explain the accumulation strategies deployed by local political elites. The scholarship presented here demonstrates that economic governance is increasingly shaped by multi-scalar politics, playing out within each state system. In this respect, state restructuring does not appear primarily as a 'by-product' of globalisation processes (Paul 2005), but as an outcome of an

organic political process.

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