

INSTITUTE OF CURRENT WORLD AFFAIRS

**SUNAN: WHERE THE RURAL INDUSTRIAL  
REVOLUTION CHANGES CHINA'S LANDSCAPE**

**Part I**

**Sunan's Miracle: "Seeing is Believing"**

Shanghai, China  
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Dear Peter,

What strikes me first, and shocks me, is the prosperity of the rural area as our car is traveling through southern Jiangsu. Rows upon rows of newly-built peasant villas, in elegant colors and various shapes, stand on the two sides of the spacious boulevards. Woven into this rich countryside is a concentration of towns with modern factories and commercial centers. We pass by a town roughly every fifteen minutes. Most of these towns are newly built or rebuilt. They are clean and charming, and there seems no pollution, no noise and no traffic jam – the things that have driven me crazy in Shanghai.

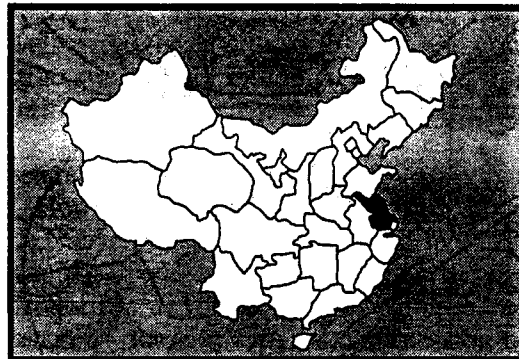
Southern Jiangsu, or *Sunan* 苏南 in Chinese, is situated in the middle of the Yangtze River Delta, neighboring Shanghai to the south and Nanjing to the north. The Sunan region, with a population of 13 million, covers 432 towns and 12 counties under the jurisdiction of three prefecture-level cities: Wuxi, Suzhou, and Changzhou.

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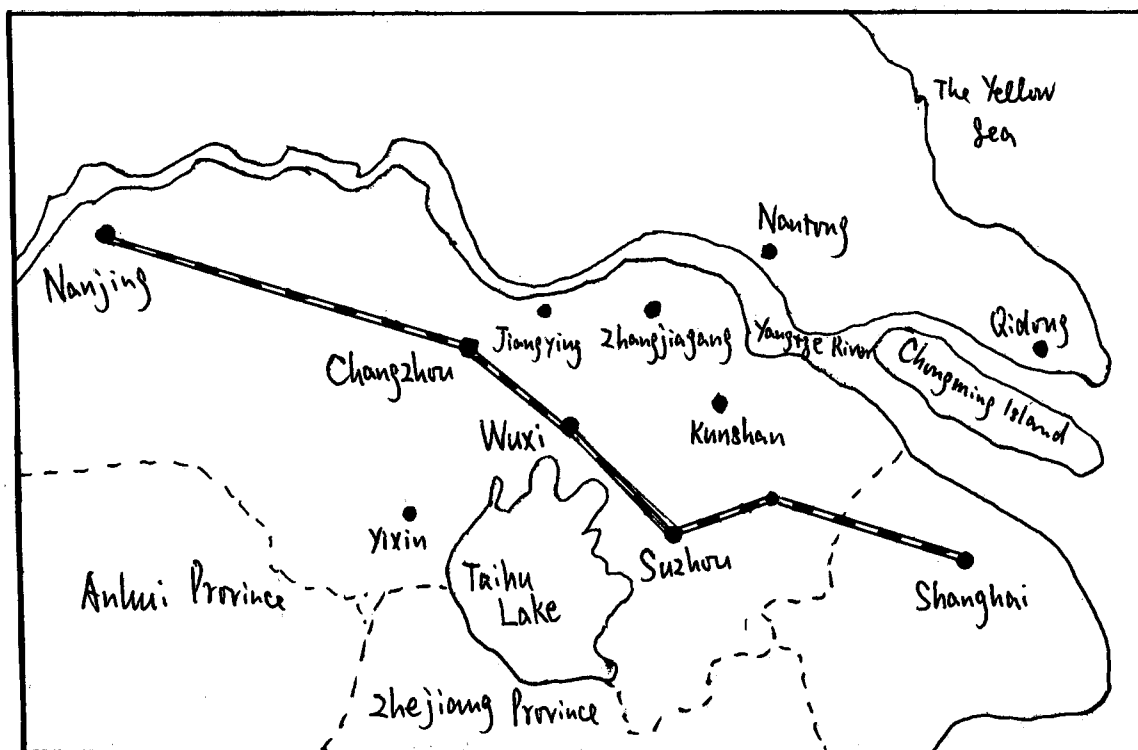
Cheng Li is a an ICWA fellow studying the political economy of the coast of China.

The vast land within these three cities is now often called "the Golden Triangle" (*jinsanjiao* 金三角), a booming economic zone in the country.

Sunan has long been known as the land of "fish and rice," which is symbolic of agricultural abundance. As a student of China, I of course know that Sunan has been one of the fastest growing areas in post-Mao China. In 1992, for example, Jiangsu province's gross national product (GNP) growth was 27% over the previous year, far ahead of other booming provinces such as Guangdong (18.7%), Zhejiang (17%), Shandong (16.9%), Fujian (16.3%), and Shanghai (14.4%).<sup>1</sup>



*Jiangsu province*



*A map of Sunan and its neighboring areas.*



*A row of newly-built peasant houses in Jiangyin county.*

Yet, I still cannot imagine that the region has made such marvelous progress in reshaping its landscape within a few years.

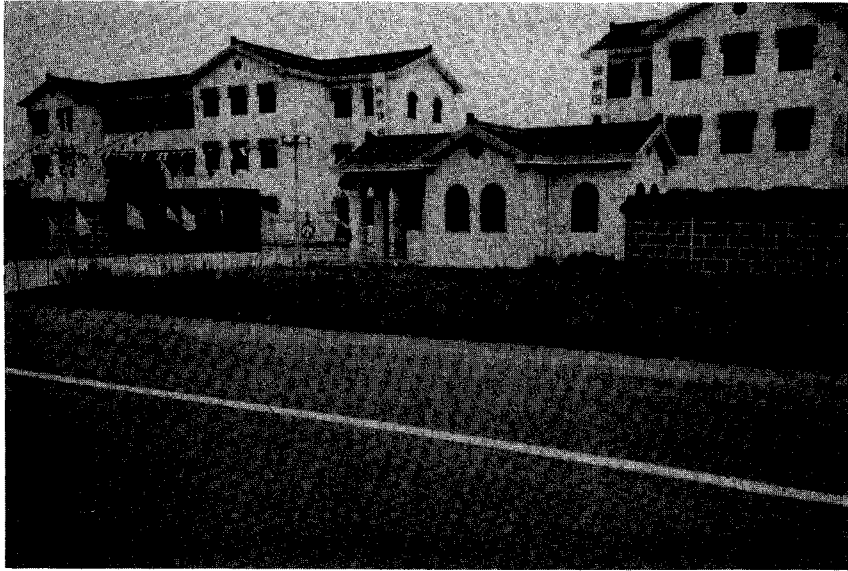
This is not of course my first trip to Sunan. I lived in a town near Suzhou for a month over ten years ago when I, as a medical student, was assigned to work temporarily in a rural clinic there. The economic condition of the town was terrible then. The clinic, for example, was located in the building that used to be a Buddhist temple. The building needed repair, but the local government could not afford it. The doctors in the clinic would cancel any surgical operation whenever it rained, because the roof of the operating room would leak in a heavy rain. During my stay in this so-called land of "fish and rice," I actually never had the chance to taste fish. In addition, rice was limited to one bowl a day per person.

During my last trip back to China in 1990, I visited Sunan briefly. The economic boom had already taken place in the region. The living standard of the people improved significantly. Most of the families in Sunan built new houses and had color television sets, refrigerators and motorized bicycles. But then I wouldn't call these peasants or rural entrepreneurs wealthy, because the things that they possessed were quite common by American standards. They were considered necessities of life in many places of the world.

But now things are quite different. When I see a number of BMWs and Merceds-Benzs parked at a Karaoke bar in a small town – and when a Hong Kong Jacuzzi dealer tells me that his company has sold dozens of Jacuzzi tubs to peasants' households in Sunan at a cost of 10,000US\$ each – I realize a profound historic change is really taking place in the region.



*You probably think that this big building must be located in the US because of its western style and American flags around it. But you are wrong! This is one of the many surprises that I encountered during my ride from Shanghai to Sunan. This is a yacht club for rich people, which has an unusual English name, "Fooke."*



*A scene of a village-owned factory in the rural area of Wuxi.  
Thousands of similar rural industrial enterprises have mushroomed  
throughout Sunan.*



*A rural entrepreneur's mansion is built right in the middle of his farm land.*

“Seeing is believing!” I told other people in the car. “I’m so glad that I took this trip.”

There were two other passengers in the car. Mr. Stanley Harris, Import Director of Roytex, Inc. a New York based dealer for Pierre Cardin, and my elder brother, Li Zifu, Chief Representative in Shanghai for a Hong Kong trading company. Both Mr. Harris and my brother know the region very well, because their companies have had business dealing with six garment factories in Sunan for almost a decade. They took this trip to the factories in Sunan, as they have done on a monthly basis for the past decade, to inspect the quality of garments before shipment to the US.



*Stanley Harris (on the right), my elder brother, Li Zifu (on the left), and Guo Jilie (a rural entrepreneur who owns several garment factories in Sunan), are inspecting the quality of garments in Changzhou before shipment to the US.*

“Every time I travel to Sunan,” my brother commented, “I always see a lot of new peasant villas under construction, or completed. You see hardly any shabby houses in the vast rural land of Sunan. The houses that were built in rural Sunan in the mid-1980s already look old and outdated; and many have been torn down and replaced.”

A study conducted in 1993 confirmed my brother’s observation – almost every family in rural Sunan has moved into a new house at least once since 1978.<sup>2</sup> In cities and towns of Jiangsu province, 8 million people, half of the urban population, have moved into new residents. The living space per capita has also doubled.<sup>3</sup>

"These luxury villas sometimes make me wonder if I am in southern Jiangsu or in the suburbs of New York City," Mr. Harris said.

"Yes," I responded. "Some of the nice towns in Sunan remind me of towns or cities in the US such as Lawrenceville in New Jersey or Mountain View in California." I lived in these two American towns while I studied in the nearby universities. The Sunan region, however, has more factories and commercial districts.

"It is more like the suburbs of Osaka in Japan," I added.

"I don't think that people in the US, including some China experts, really know the fascinating changes happening in Sunan," Mr. Harris continued. "There are many reports in Western media about the economic development in Shenzhen or in Shanghai. It seems to me that Western business people or China watchers seldom bother to take a two-hour car ride from Shanghai to visit the rural area of Sunan. For me, the changes in Sunan are even more impressive and profound, although Sunan has neither a World Trade Center like the one in Shenzhen nor a gigantic TV tower like the one that has recently been built in Shanghai."

I felt embarrassed because I took my first trip to Sunan after living in China for over eight months, though this area was always on the top of my travel list. Since this trip with Mr. Harris and my brother last May, however, I returned to Sunan a total of seven times. I travelled to many villages and towns in the area. All these visits were great openers for me.

I agree with Mr. Harris that what has taken place in Sunan deserves to receive more international attention. The changes there are impressive, not just because a few former peasants own BMWs and fancy villas with Jaccuzzis – not even because the living standard of the majority of people in the area has significantly improved. These changes are important because they reflect three broad trends in today's China: the rapid development of the market economy (市场化), rural industrialization (工业化), and urbanization (城市化).

Sunan's miracle represents the success of China's rural industrial revolution, which originated in this particular region. This rural industrial revolution has already reshaped China's economic structure. It will have an even stronger impact on the socio-economic life of the country in the years to come.

The other reports in this series on Sunan will examine a city, a village, a rural enterprise and an entrepreneur respectively, showing the various changes that the rural industrial revolution has brought to the region. This first report will provide an overview and background on Sunan's miracle.

### **"Venice of the East"**

With its fertile soil, mild climate, and abundant rainfall, Sunan is richly endowed by nature. Lake Taihu, the fourth largest fresh water lake in the country with a total area of 2,200 square km and an average depth of two meters, is just outside of Wuxi and Suzhou. The Yangtze River, the longest river in China, passes through Jiangsu and divides the province into Sunan and Subei (northern Jiangsu). Part of the south side of the Yangtze River in the territory of Jiangsu province,



including its capital Nanjing, is called Suzhong (central Jiangsu). The Grand Canal, the longest artificial waterway in the world, runs through each and every one of the three main cities in Sunan – Changzhou, Wuxi and Suzhou.

Because of the advantages of water transportation and other natural resources, the towns in the Sunan area flourished as centers of rice-marketing and ancient silk production over a thousand years ago. Suzhou, for example, with the completion of the Grand Canal in the Sui Dynasty (581-618), emerged as a center of shipping, silk production and trade, and grain storage.

Geographical features and natural resources also molded the characteristics of the people in the region – a diligent work ethic, a fondness for the arts and entertainment, a strong sense of entrepreneurship, and an inclination toward peace and tranquility.

The name of Wuxi means *tinless* in Chinese. The area used to have a tin mine, which was exhausted during the Han Dynasty. It was said that the locals were actually glad that no more tin could be found in the area. A stone tablet dug out of the region was engraved, *“Where there is tin, there is fighting; where there is no tin, there is tranquility.”* There indeed was tranquility in the region for a long period after the Han Dynasty.<sup>4</sup>



*Sunan, the land of “fish and rice,” is a maze of rivers and lakes.  
Shanghai Star photo/Zhang Yaojun.*

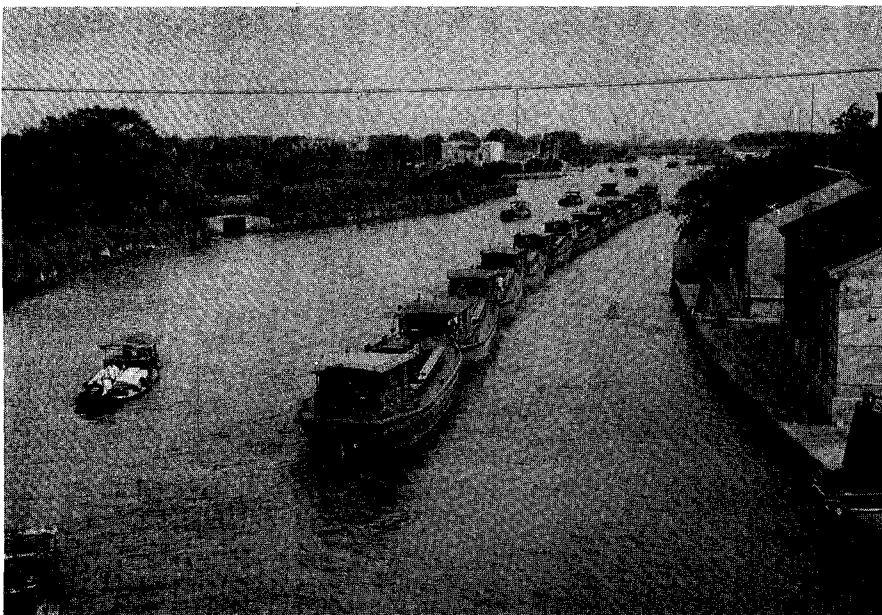


Sunan was home to scholars, painters, poets, calligraphers, storytellers, musicians, architects, cloth-designers, artisans and, of course, merchants. When Marco Polo came to Suzhou along the Grand Canal in 1276, he was amazed by the beauty of the “Garden city, Venice of the East” – whitewashed housing, decorated-roofs, cobbled roads, tree-lined avenues, stone-bridges, and zigzag rivers. What impressed him most, however, were the people – the talented and civilized people in the region.

Marco Polo mused that “if the inhabitants had turned their talents to the military arts, they would easily have overrun the whole province,” if not the whole country. But they hadn’t, because they were totally preoccupied with raising silkworms, manufacturing silk products, selling them in local markets, and exporting them to other regions.<sup>5</sup>



*Ciyunsi is a picturesque small town in Wujiang county. The beauty of the town seems to reflect the talents and characteristics of the people in the region – a diligent work ethic, a fondness for the arts and entertainment, a strong sense of entrepreneurship, and an inclination toward peace and tranquility.*



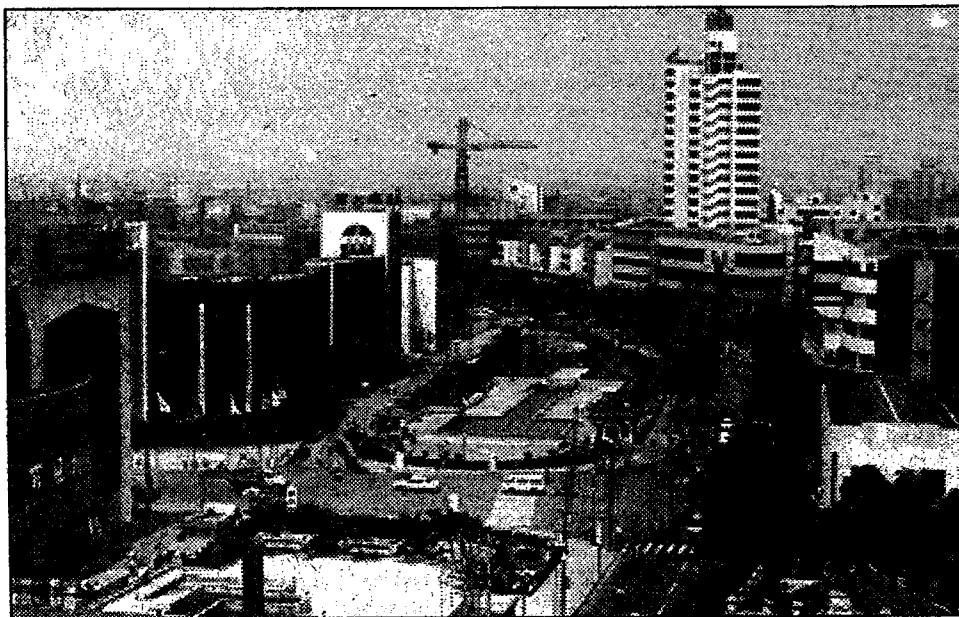
*The Grand Canal, along which Marco Polo came to Suzhou in 1276, is still running. The hustle and bustle of the boats on the canal reflect the economic boom in the region.*

But in this century, as some China experts observed, Sunan, especially its main cities such as Wuxi and Suzhou, “made up for the long sleep” and was often under the shadow of its neighbors. In the early decades of this century, foreign capitalists rushed to Shanghai and turned it into a booming port and industrial city. Meanwhile, Chinese Nationalists made Nanjing the capital – the center of China’s political power. The Sunan region lagged behind.

During the Mao era, both light industry and agricultural production, on which the strength of Sunan lay, were restricted, as was the market economy. Although Sunan was always a relatively well-off region in China, it didn’t differ much from the rest of the country. Under the repressive political environment and restricted economic structure, the advantages of Sunan were lost and the talents of the Sunan people were wasted.

### **China’s New Frontier of Economic Development**

Only after 1978, when China started its rural reform featuring the household contract responsibility system (农村家庭承包制), Sunan began to take the lead in agricultural modernization and the structural change of the Chinese economy.<sup>6</sup> Since 1978, the gross domestic production in Sunan has increased by 19.6% yearly. This growth rate has not only exceeded other regions in China, but has also surpassed that of Japan, Taiwan, and South Korea during peak periods of their economic development.



*A view of Jiangyin, which last year was ranked the second county in the country in terms of economic strength and social development. The agricultural and industrial output value of Jiangyin county has exceeded even that of an inland province like Gansu or Qinghai.*

*Shanghai Star  
photo/Sun Can*

Last year, China's State Statistics Bureau ranked "100 super counties (*baiqiangxian* 百强县)," in terms of social and economic strength, out of 2,100 counties in the entire country. This was the second time that the Chinese government conducted a comprehensive evaluation on the level of development in rural areas. The statistical norms included a 12-point index focusing on social, economic, educational, scientific and technological achievements, including factors such as the increase of output value, living space per capita, medical care, the expenditure on clothes, recreation, and other cultural activities. All 12 counties in Sunan were on the list of the super 100 counties in the country.

These 100 super counties accounted for less than 7.4% of the population, but contributed 24% of China's rural output and 27% of rural taxes. Their production rate was 1.9 times higher than the national average.<sup>7</sup>

Among the top ten counties, Sunan had seven. They were Wuxi (No. 1), Jiangyin (No. 2), Zhangjiagang (No. 4), Changshu (No. 6), Wuxian (No. 7), Wujin (No. 8), and Taicang (No. 9). Wuxi's agricultural and industrial output value was 34.4 billion yuan (\$3.95 billion) in 1992, four times its output value 12 years ago. The agricultural and industrial output value of Wuxi county has even exceeded that of an inland province like Gansu or Qinghai.

Table 1 A Comparison of Major Economic Indexes of Sunan, the Whole Jiangsu Province, and the Nation (1991)

	GNP		National income		Industrial output value		Agricultural output value		Revenue	
	¥10000/ Sq km	¥/ Person	¥10000/ Sq km	¥/ Person	¥10000/ Sq km	¥/ Person	¥10000/ Sq km	¥/ Person	¥10000/ Sq km	¥/ Person
Suzhou	277	4178	246	3717	777	11694	69	1040	24	351
Wuxi	397	4406	340	3774	1165	12866	63	693	43	468
Changzhou	234	3136	204	2745	692	9258	64	850	28	360
Suzhou/Wuxi/Changzhou	298	3978	261	3481	859	11464	66	881	30	400
Average in Jiangsu	142	2124	122	1825	308	4618	57	849	—	—
Average in the Country	21	1706	17	1392	29	2437	9	704	4	309

Source: Wu Liangyong, "Jinji fada diqu chengshihua jingchengzhong jianzhu huanjin de baofu yu fazhan" (Environmental protection and urbanization in economically developed regions), *Chengshi guihua* (City Planning), No. 5, 1994, p. 4).

Major economic indexes comparing Sunan with Jiangsu province and the national average in 1991 showed that Sunan was far ahead of other areas (see Table 1). The GNP per capita in Sunan was ¥3,978 while the Jiangsu average was ¥2,124 and the national average was ¥1,706. If it is calculated by ¥10,000 per square km, the difference between Sunan and the national average is even much striking.

In 1993, the GNP of Suzhou, Wuxi, and Changzhou grew 35% over the previous year, reaching 112 billion yuan, ahead of more well-known Chinese success

stories like Guangzhou, Shanghai, and Beijing. The industrial and agricultural output value in Sunan was 400 billion yuan. The revenue was 9 billion yuan. Foreign trade was 122 billion yuan and export was 2.4 billion US\$. Foreign investment in the region reached 6 billion US\$.<sup>8</sup>

"What has contributed to the economic miracle in Sunan?"

"How has Sunan, a region with only 0.88 percent of China's population, in less than 16 years, become an economic powerhouse which produces 16.8 percent of the output value of rural industries in the country?"

I always asked these two questions when I interviewed people in Sunan.

It seems as if history was dramatically accelerating in this small land, as if a geographical endowment such as oil was recently found in Sunan, as if God's invisible hand was pushing only this land forward, or as if Confucius was suddenly waking from a long sleep.

"The answer is simple," Chen Xiwen, an expert on rural economy and the author of China's Rural Reform, said, "The rapid development of township and village enterprises in Sunan has brought about all these achievements."

Virtually everyone whom I interviewed on the subject shared his view.

"The rural industrial revolution," a peasant-turned entrepreneur in Jiangyin said to me, "has remade Sunan."

Part II of this series on Sunan will describe how the rapid development of township and village enterprises has brought the economic miracle there.

Sincerely,



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**Notes:**

1. Ma Hong and Sun Shangqing, eds., Zhongguo jinji xinshi yu zhanwang (Economic situation and prospect of China), white paper 1992-93, (Beijing: The Chinese Development Press, 1993), p. 12.
2. Weishi (Truth), No. 8, 1993, p. 7.
3. Jiefang Daily, Dec. 10, 1994, p. 5.
4. Michael Buckley, Alan Samagalski, Robert Storey, Chris Taylor, Clem Lindenmayer, China, fourth edition, (Australia: Lonely Planet Publications, 1994), p. 518.
5. *Ibid.*, p. 525.
6. Under the household contract responsibility system, plots of collectively owned land were made available to peasants' households for a fixed period. Peasants were required to supply a share of production according to contracts, to pay agricultural taxes, and to contribute to collective service. At the same time, the household could dispose of the remaining output on the free market or by selling it to the state at the negotiated prices.
7. China Daily, Jan. 19, 1994, p. 3.
8. Wenhui Daily, Feb. 2, 1994, p. 1.

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