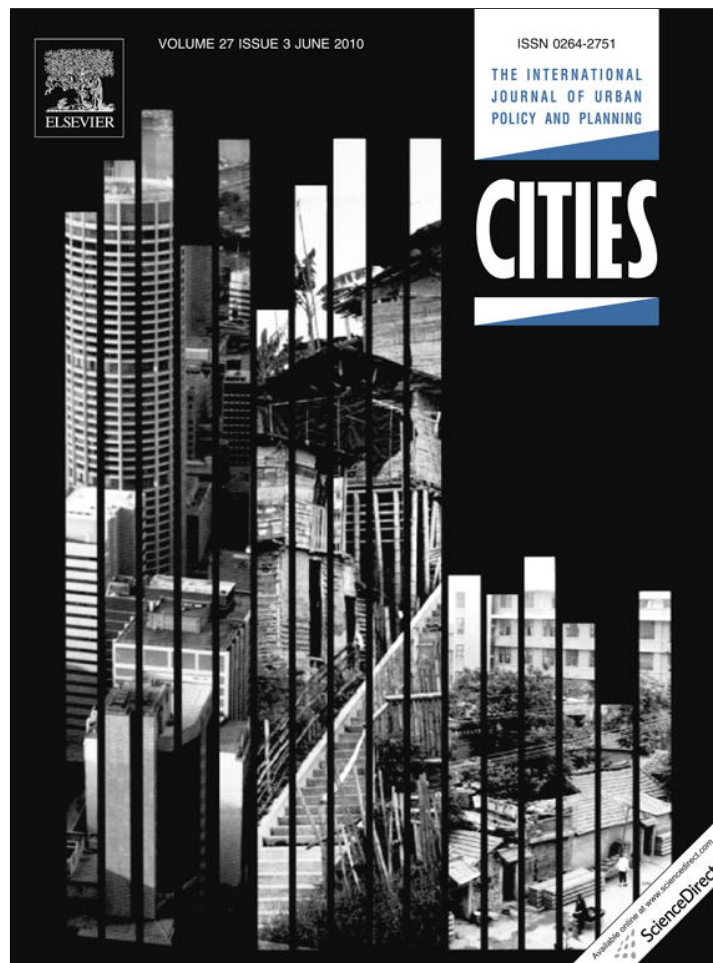


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Urban conservation in Lijiang, China: Power structure and funding systems

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ABSTRACT

Over recent decades, urban conservation has become an important strategy to improve urban competitiveness in the global economy. Insufficient attention has been paid to how urban conservation is governed and funded. Drawing on Lijiang Ancient Town, a Chinese World Heritage city, this study examines the power structure and funding systems of urban conservation, how social groups negotiate with the state in this process, and how this framework of governance and funding fits the general patterns of neoliberalism with Chinese characteristics. It argues that the framework turns urban heritage into a growth machine and strengthens the state's politico-economic power. It also reveals that the entrepreneurial governance strategies are implicated in the interaction between state institutions and social groups. This paper will unravel how different forces can influence the conservation of heritage, and will contribute to an understanding of urban governance in Chinese cities.

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Introduction

Urban conservation, as Orbasli (2000) points out, is not new. The aim is to enhance the historical built environment and “ensure its continuity as a desirable place to live” (Orbasli, 2000, p. 1). Rose (1974, cited in Larkham, 1996, p. 274) states the importance of urban conservation thus: “a city without old buildings is like a man without memory. ... The essential qualities of all towns require sensitive conservation of the building fabric and relationships which give positive character.” Unlike urban regeneration that redevelops an older inner-city neighbourhood through massive land re-use and demographic displacement (Güzey, 2009; Ley, 2000), successful urban conservation retains the aesthetic, cultural, and historical values embedded in the local built environment, and maintains economic viability and community coherence (Larkham, 1996; Orbasli, 2000). Over the last three decades, however, urban conservation has shared a similar function as urban regeneration and has become a neoliberal strategy to improve urban competitiveness in the global economy. This paper furthers an understanding of urban conservation through an analysis of its attendant power structures and funding systems.

This analysis builds upon theoretical developments in urban studies, notably, place making in an era of neoliberal economy. According to Harvey (2005, p. 2), the overarching claim in this era is that “human well-being can best be advanced by liberating individuals’ entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights,

free markets, and free trade.” This framework has profound impacts on economic restructuring and urban development in cities all over the world. As Brenner (1999) has pointed out, city governments have recently adopted entrepreneurial governance strategies to improve their competitiveness, attract external capital investment and tourist flows, and secure endogenous forms of capital accumulation within their territories. This observation generates two subsequent propositions. First, urban heritage, as a highlight of local uniqueness and cultural disposition, has been frequently conserved and promoted to help cities to “secure place-specific locational advantages” (Brenner, 1999, p. 440) so that urban competitiveness can be reinforced. Second, city governments’ entrepreneurial spirit plays a pivotal role in place making in general and urban conservation in particular. Indeed, urban conservation has become a strategy of place-making and economic development in many cities worldwide, such as Johannesburg in South Africa (Brenner, 2000), Penang in Malaysia (Lee et al., 2008), Singapore (Yuen and Hock, 2001), and Hong Kong (Henderson, 2008). The political-economic efforts expended in urban conservation thus commercialize urban heritage for the tourism market or real estate, reinforce the ubiquitous presence of global capitalism, and reflect the high profile trend of commodification within urban heritage (Ashworth and Tunbridge, 1990; Graham et al., 2000).

Recently, we have seen a wealth of literature on the conservation of heritage sites. Specific topics include heritage authenticity (Waite, 2000), selection and interpretation (Graham, 2002), social and spatial transformation (Yuen, 2006), and policy agendas and planning (Ashworth and Tunbridge, 1999; Nasser, 2003). While the literature illustrates the implementation of urban conservation

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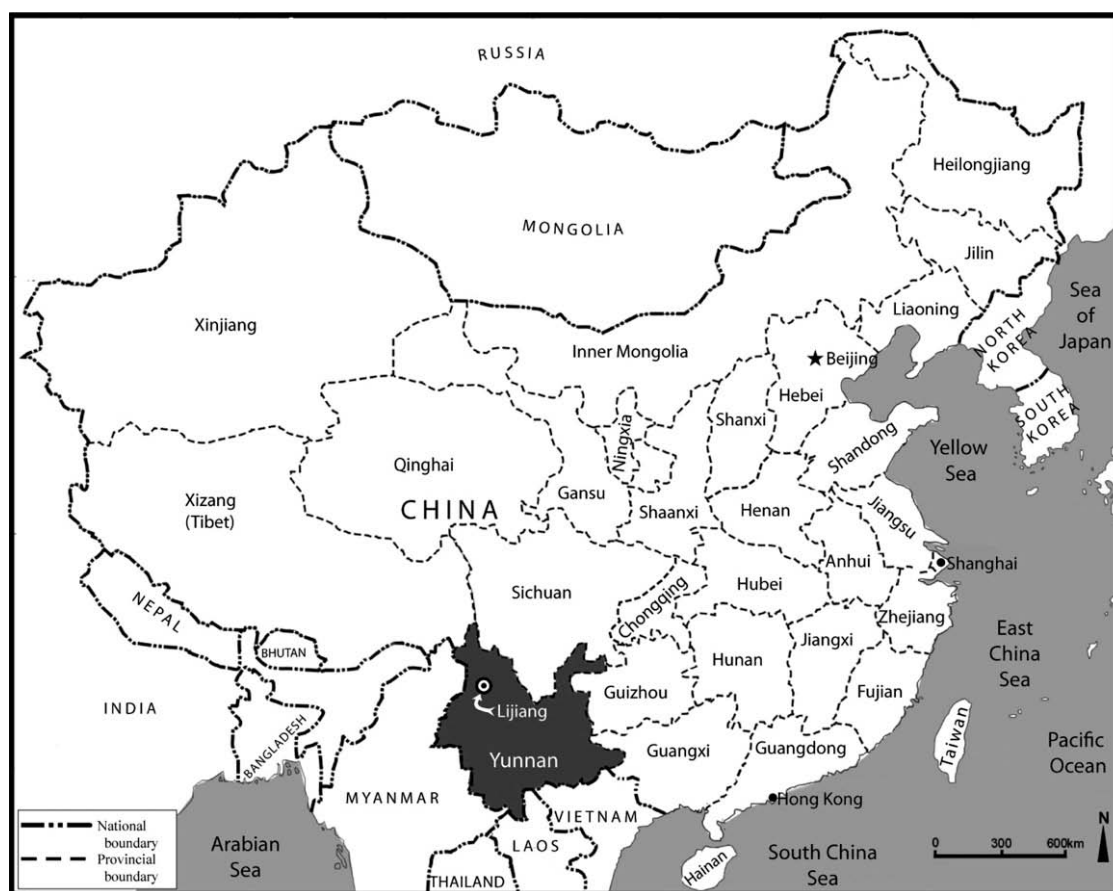


Fig. 1. Lijiang in China.

and various scenarios of sustainable use of urban heritage, it insufficiently examines the governance and funding of conservation. In only a few exceptional studies have scholars shown that where public finance is limited, heritage authorities ought to seek extra resources to fill in the financial gap, either through the quasi-public Heritage Lottery Fund in the United Kingdom (Clark, 2008), tourist admission revenues in Vietnam (Tuan and Navrud, 2008), or private capital in Ireland and Sweden (Negussie, 2006). As an important means of place-making, urban conservation largely depends on “who among the numerous stakeholders has the loudest voice” (Harrison, 2005, p. 7). This paper will show that tourist revenues can act as an important financial resource to support urban conservation.

In addition, we know little about the power structures within urban conservation and how different forces negotiate for the structure in transitional economies such as China. Yet in these countries, the state apparatus plays the most important roles in governing and funding urban conservation. This paper will address this gap to demonstrate the projects of urban conservation in the context of China through a casestudy of Lijiang Ancient Town. Built 800 years ago, it lies in northwest Yunnan province, in the southwest region of China. Han (the majority group in China) and Tibetan influences have shaped the local indigenous people—the Naxi minority—for centuries (Fig. 1). The town is characterized by such built forms as narrow streets and human-scale pedestrian public spaces, which are harmonious with the local natural environment. These features bestow on the town a value and integrity worthy of the greatest attention and protection (e.g. Pendlebury et al., 2009). Acknowledging these remarkable cultural assets, the United Nations Educational, Scientific and Cultural Organization (UNESCO) designated Lijiang Ancient Town as a World Heritage Site in

1997, an invaluable title which enhanced Lijiang’s urban competitiveness and turned the town into a lucrative commodity in China’s tourism industry. Lijiang is chosen for analysis partly because it has become a benchmark as many historical sites in China develop urban heritage tourism, and partly because Lijiang’s city government establishes powerful institutions to govern and fund urban conservation.¹ Particularly, this paper examines how urban conservation is governed and funded, how social groups negotiate with the state in this process, and how this framework of governance and funding fits the general patterns of what Harvey calls neoliberalism with Chinese characteristics. This neoliberalism, as he (2005, p. 120) elaborates, denotes a special kind of market economy that “increasingly incorporated neoliberal elements interdigitated with authoritarian centralized control.” The latter not only stems from the central government, reflecting upon local governments within an administrative hierarchy under the jurisdiction of the Chinese Communist Party (CCP), but also from local governments’ authoritarian power to exclude other social groups from decision making. The argument is that the framework of governing and funding urban conservation turns Lijiang’s urban heritage into part of a growth machine and strengthens the state’s political–economic power.

Before proceeding further, a brief note on data collection is offered. The fieldwork was conducted during the months of September–December 2004, June and July 2005, and July 2007. In-depth interviews were carried out with representatives of social groups who had been involved in governing and funding urban conservation in Lijiang. The respondents included five governmental offi-

¹ The City of Lijiang encompasses one Downtown District, Yulong County, and three other counties. Lijiang Ancient Town is located in a territory shared by the Downtown District and Yulong County.

cials, five conservation professionals, and 34 business managers. Tourists were not included, as the focus of inquiry was not on whether they wanted to pay for urban conservation, but rather on how their expenditures triggered negotiations among other social groups. Travel agents and hospitality managers were interviewed, as they were consigned by the local government to collect conservation funds from tourists. Respondents were identified by their background, including occupation, age, and ethnicity. While the interview transcripts generated substantial first-hand data, equally important was documentary research on local newspapers (*Lijiang Daily* from 1994 to 2008), local government documents (not publicly available), and conservation planning reports. Repeated visits to the field over a 4-year period provided abundant opportunities to establish rapport with interviewees and to depict the transformation of the power structure in Lijiang.

Power structure of urban conservation in Lijiang

Local-state discourses reveal that urban conservation in Lijiang is more a policy to propel economic development than a strategy to retain the town's heritage value. The Party secretary in Lijiang's CCP elucidated that Lijiang Ancient Town with a World Heritage title contributes tremendously to Lijiang's tourism industry boom, and to the sustainable development of the local society and economy (*Lijiang Daily* 26 December 2007). He also highlighted the importance of urban conservation as a strong driving force for Lijiang's development, a key strategy to make Lijiang a famous cultural tourism city, and an inevitable choice in building a harmonious Lijiang.² Similarly, an official respondent (Naxi, male, age 45) in the Lijiang Bureau of Tourism narrated the relation between development and conservation as follows:

Economic development is our major concern. Only after the economy is highly developed can we start talking about urban conservation. We need to synthesize development and conservation. That is to say, our main task is to develop the economy, but we cannot loosen our efforts in urban conservation.

The use of 'development' as a justification for policy making is widely adopted by China's city governments (Friedmann, 2007). Likewise, Lijiang's political elites entrench development as a principle to evaluate the significance of urban conservation. Some universal principles of urban conservation, such as authenticity and sustainability, are completely downgraded by these elites. The logic of development has penetrated the formulation of conservation plans and the power structure governing urban conservation. This section examines the power structure of urban conservation in Lijiang through two facets: conservation plans and institutional arrangements.

Conservation plans in Lijiang

Urban conservation in Lijiang did not draw much attention until the local government formulated a master urban plan in 1983, with the support of Yunnan Institute of Design. In 1992, Lijiang's People's Congress ratified the conservation plan for Lijiang Ancient Town after the State Council had designated it as a National Historic City in 1986. The plan basically demarcated the conserved area of Lijiang Ancient Town and set the tone for subsequent conservation projects. The core area of strict conservation consisted of 51.7 ha and was surrounded by a buffer zone which separates the old town and the new city (Fig. 2: *Lijiang County Government, 1992*). According to the plan, urban conservation is to retain the holistic value of the townscape

and protect material landscapes including urban form, canals, residential buildings, and lived ethnic culture from damage and deterioration. Recently, Lijiang's local government commissioned Tongji University in Shanghai to renew the conservation plan. Completed in 2003, the new plan inherited the spirit of the previous one and reiterated the importance of urban conservation to Lijiang's economic development through three principles: (1) Positive protection through community participation and the active involvement from tourists and migrant businesspeople. (2) Integrated preservation through synthesizing the built heritage, ecological system, and urban development into a comprehensive system. (3) Conservation as a development strategy.

Although both plans called for community participation in urban conservation, the planners themselves scarcely consulted the town residents and business managers when they conducted their fieldwork. Without such effective consultation, conservation plans in Lijiang, like urban plans across China, become an arbitrary use of professional wisdom to serve local elites. The motto that "planning follows power" has been reflected in the latest conservation plan, as the planners from Shanghai argue that urban conservation is successful only when it propels local economic development:

As a world heritage site, Lijiang should place conservation in the framework of development. It is necessary for local society to furnish the town with decent functions, adapt it to the society under rapid transition, and let it prompt a comprehensive development in Lijiang through properly conserving and reasonably using the town. (Shao et al., 2004, p. 53)

This argument resonates with those made by the local government. Here planners adopt a pragmatic approach to collaborate with the local government, and tactfully add their thoughts about urban conservation to the plan. What happened in Lijiang converged with Zhang's (2006) argument that in China, bureaucratic power, rather than professional expertise and skill, "ultimately determines urban planning."

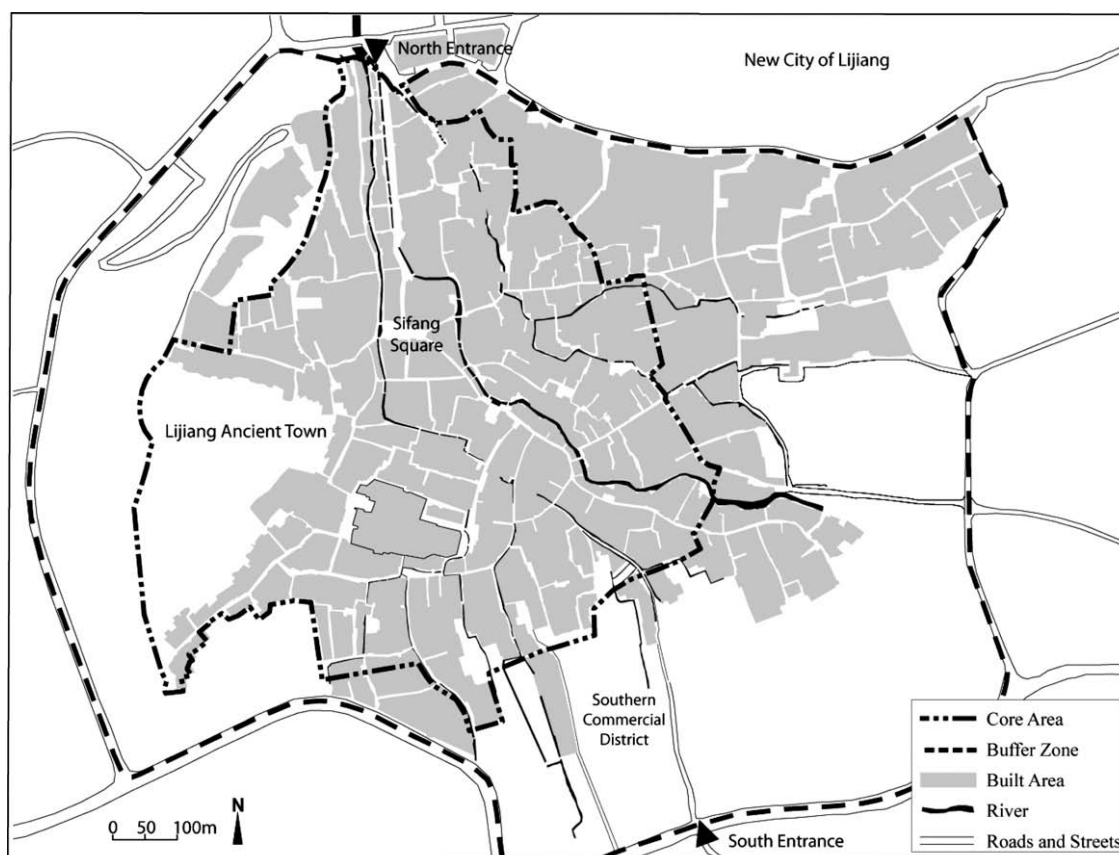
Institutional arrangement for urban conservation

In Lijiang, institutional arrangements for urban conservation entail a complex entanglement of forces that negotiate for best advantage. In 1996, Duan Songting, a local official supervising the town's urban conservation efforts, called for a comprehensive conservation agency that would include officials, professionals, and representatives of the local population (*Lijiang Daily, 5 July 1996*). For the first time, some officials realized the importance of social participation in urban conservation, since an agency with extensive representation could help to implement policies and be responsive to community needs. Without local CCP leaders' support, however, the proposal was rejected. After Lijiang became a World Heritage Site and the tourism industry boomed in 1997, urban conservation became more pressing. In June 2000, Lijiang's local government established a special conservation agency, which included only government officials, and later in 2001, expanded the agency to a heritage committee.

Theoretically, Lijiang's heritage committee included officials, professionals, and local representatives. Nevertheless, the non-official voices were too faint to be heard. An architectural scholar (male, Han, age 55) points out:

What we can do is to try to take on our responsibility. If possible, we want to provide our advice and assistance. Very helplessly! The current political mechanism is that the government leader makes the final decision. . . If he thinks your advice is compatible with his, he says the advice is professional; if incompatible, it becomes another story.

² The slogan of harmonious Lijiang resonates with President Hu Jintao's call for building a harmonious society in China.



Source: Redrawn from Lijiang County Government 1992

Fig. 2. Conserved area in Lijiang Ancient Town.

Here the scholar described an experience where he clearly felt uncomfortable and dismayed, despite the local government's praise for his great contribution to Lijiang's urban conservation. When professionals cannot influence the local government's decision, it is harder for business managers to participate in urban conservation. Unsurprisingly, all managers interviewed revealed that officials never consulted with them, although they would like to share their concerns with the government. One souvenir shop owner (female, Han, age 35) commented that the heritage committee always engaged in "passive management" and lacked "the ability of comprehensive deployment" that would incorporate the voices from residents and business managers.

Similar to professionals, the World Heritage Centre under UNESCO has no willingness or authority to shape Lijiang's urban conservation. Harrison (2005, p. 9) argues that the domination and supervision held by UNESCO's consultants would give rise to the belief that "UNESCO support is valued, prestigious and important, and in many respects UNESCO sets the agenda" for how to conserve heritage. While Harrison's argument is valuable, the reality on the ground is somewhat different. It is argued here that UNESCO's power in conserving urban heritage is largely conditioned and diluted by local heritage authorities, especially in China where the state can wield political-economic power to implement urban conservation at will. Only in the process of applying the World Heritage title can the World Heritage Centre and its consultants exert great influence on China's local heritage authorities. In Lijiang, for instance, local officials smashed dozens of concrete buildings within the town in order to make the townscape compatible with UNESCO's concern for authenticity. After designation, however,

this influence withers away for two reasons. First, UNESCO-affiliated cultural consultants cannot overtly intervene in domestic affairs in China; and second, they cannot wield adequate economic resources to entice local governments to follow their advice. A senior consultant of UNESCO's Bangkok office commented on the state's arbitrary power in Lijiang:

There is also another agenda which quite actually is part of (local) leadership concerning development and modernization which may conflict with some of UNESCO's issues. But we can't do more anyway because, after all, it is their town, it is their country. . . It is not for us to tell China what to do. The role of UNESCO is to offer advice. [If] people take it, that's great; [if] they don't want it, that's their decision.

The consultant expressed a sense of powerlessness, lamenting that her advice on urban conservation can be employed by Lijiang's government only if it is in accord with the local leaders' interests.

In 2005, the Yunnan provincial government approved upgrading the heritage committee to a place-specific agency, the Authority for Conserving Lijiang Ancient Town (ACLAT). According to the Protection Statute of Lijiang Ancient Town, approved by the People's Congress of Yunnan Province, ACLAT is responsible for: (1) implementing relevant statutes and laws of conservation; (2) actualizing conservation planning; (3) organizing activities to study, collect, and investigate traditional ethnic culture; (4) enhancing infrastructure and public utilities; (5) levying a specific charge for urban conservation; (6) marketing; (7) exercising administrative jurisdiction in urban conservation. Different from its predecessors, ACLAT is a governmental statutory unit. It exerts

exclusive authority on any aspect of urban conservation and management in the town, and holds administrative jurisdiction to punish any individual or organization that disobeys the Protection Statute and its own regulations.

Thus, what was originally proposed as participatory governance for urban conservation in Lijiang was transformed into an executive organ of authoritarian power under the control of Lijiang's ruling elites. The framework of governance for Lijiang's urban conservation epitomizes a process of building state power which is not once-and-for-all, but according to Jessop (1982, p. 268), is "constantly reiterated within specific but variable institutional limits." Negotiation with other groups is not strong enough to alter the power structure dominated by the local ruling elites. As scholars have observed the emergence of public-private partnership in handling affairs of urban conservation or urban regeneration, the case of Lijiang shows a different power structure through which the local city government excludes professionals, UNSCEO, and town residents from decision-making and builds authoritarian governance in urban conservation. This mode of governance, according to Swyngedouw (2000, p. 70), draws on "more autocratic, undemocratic, and authoritarian (quasi-)state apparatuses." The result, as far as urban conservation is concerned, is that urban heritage is not only the object of state regulation, but a means of production for profit-making. With this power structure in mind, the paper turns to explore ways to fund urban conservation and who really benefits from it.

Funding urban conservation in Lijiang

Urban conservation is not only about planning and designation, but also entails investment in restoring historical buildings and retaining valuable neighbourhoods. Securing sustained funding sources has become a priority in many heritage sites. Generally, funding for Lijiang's area-based urban conservation comes from two sources—tourists and commercial loans.

Funding from tourists

In China, tourist revenues have become a widely acceptable funding source for urban conservation, as public finance is limited. From 2000 to 2005, the Ministry of Finance annually assigned special funding of 189 million yuan³ to 112 national nature reserves and urban historic sites (*Xinhua News Agency*, 27 July 2007). The amount was far from meeting the soaring expenditures on conservation. Preoccupied with market solutions, city governments resorted to tourist expenditures. The assumption was that no one forces tourists to pay for conservation, so they pay, because they believe that they will gain something in exchange, such as travel experiences, memories, knowledge, or simply snapshots. Although historic sites and buildings in China are defined as public goods, and city governments act as the key trustee, most sites are gated by security guards and fenced in by high walls, with clear signage at their entrances reminding tourists to pay. This was the case with Lijiang as soon as the local government initiated urban conservation in the mid-1990s.

In 1999, Lijiang's local government started collecting a charge for urban conservation.⁴ The Bureau of Finance in Lijiang required

guesthouses and hotels to collect a charge of 20 yuan from tourists, and required all business managers in the town to hand in 1–2% of their overall receipts (*Southern Weekend*, 10 July 2003). This action encountered strong resistance when hospitality managers complained of the tedious process of collection and the extra burden on their customers. In October 2001, a proposal to have the town fenced to charge tourists an admission fee failed because of opposition from town residents who argued that the fence made them feel like monkeys in a zoo (*China Youth Daily*, 23 May 2002). The widespread non-cooperation negated the proposals so that Lijiang's local government had to use public finance to eke out funds for urban conservation.

In late 2001, the heritage committee, ACLAT's predecessor, merged a conservation charge of 40 yuan with the admission fee to Yulong Snow Mountain, a scenic spot some distance from the town. Using its administrative power, Lijiang's local government stipulated that all travel agencies operating businesses in Lijiang should bring tour groups to the mountain so that tourists would pay the charge. As one travel manager (Naxi, male, age 35) said, "it is the government that collects the conservation charge. The charge is not included in our quoted price for tour groups. It is like a government toll. All tour groups have to pay it and this is the government's forcible order." The manager points to the fact that all travel agencies should obey the order so that tour groups will pay conservation charge. Independent tourists, regardless of their nationality, have to pay the charge at the mountain's entrance upon their visit. By early 2006, the local government had succeeded in collecting 270 million yuan from tour groups (*Lijiang Daily*, 11 March 2006).

The story of collecting the conservation charge from tourists continues. Although tour groups are fully covered, independent tourists are not. The local elites believe that all tourists should be treated equally. From 1 July 2007 onward, ACLAT ordered all guesthouses in the town and the new city to collect the charge from their customers. It also increased the amount from 40 yuan to 80 yuan. To enforce its order, ACLAT distributed a delicately-crafted bulletin to every guesthouse and placed it on the guesthouse' reception counter where tourists and guesthouse owners could easily read it. ACLAT also endeavoured to justify its policy. On 28 May 2007, the city government of Lijiang issued the Interim Provisions and Regulations of Collecting the Conservation Charge, claiming that the collection was compatible with the Yunnan provincial government's decision and the State Council's ordinance. Thus, collecting a conservation charge is not an abuse of power by the local government, but is a collective political decision made by the state. In the bulletin, ACLAT further claimed that it would bring tourist money into Lijiang's public treasury for the exclusive purpose of urban conservation.

Except these claims, the local government seeks to quell any discontent from social groups. Learning from the previous failure, ACLAT uses mixed means of punishment and concession. It recruits dozens of agents to oversee collection of the conservation charge in Lijiang Ancient Town, giving them authority to enforce punishment upon guesthouse managers who dared not collect the charge from their customers. Punishment can include high fines, revoking business licenses, or even judicial investigation. As one travel manager (Naxi, female, age 50) describes, "if they [ACLAT agents] verify that a guesthouse does not collect the charge, they will order the manager to pay. Otherwise they will force the guesthouse to close its door and end its business. Now they employ very arbitrary means." In addition to punishment, ACLAT uses economic benefit—returning 5% of the collected conservation charge as a commission—to entice guesthouse managers to collect the conservation charge from independent tourists. Some active collectors would be awarded an extra 2%. All these actions, as defined by Jessop (1990, p. 210), original emphasis) as "material concessions to subor-

³ US\$1 is approximately Chinese yuan 6.825 at rates in May 2009.

⁴ It was a charge rather than a special tax because it was levied not by the tax administration or Customs, but by a local governmental agency. According to the Law of The People's Republic of China Concerning the Administration of Tax Collection, only the State Council and the National People's Congress have authority to formulate and enforce new taxes; local governmental and legal organs at any level are prohibited from doing so. Local governments can impose a charge for special purposes with the permission of the local legislature.

minated social forces,” do not impair the local government’s immediate economic interest, but enable it to collect money from tourists more smoothly.

Small business managers in Lijiang have a delicate relation with the local government. They benefit from the ACLAT-governed infrastructures for good tourism business and contribute to Lijiang’s tourism boom, but some of them are forced to help ACLAT collect the conservation charge from tourists. Basically, they have to avoid overt confrontation with the state. A guesthouse manager expressed his lament over such powerlessness:

When you are doing business here, you cannot oppose the local state. You cannot even overreact to the government’s policies. I know it [collection of the conservation charge] is an arbitrary clause. ACLAT even sends people to watch you, in every street. In the past two years, Lijiang cared too much about money. . . Now we are living in a harmonious society and the government should not be so arbitrary. ACLAT cannot put all the pressure upon the hundreds of small guesthouses. We cannot bear it. (Han, male, age 50)

This manager voiced a common concern among Lijiang’s business managers. Many respondents expressed that they were not a part of the state machinery and had no authority to force tourists to pay the conservation charge, but they cannot avert ACLAT’s order or work collectively to withstand the unreasonable duty assigned to them. By ordering business managers to collect the conservation charge from independent tourists, Lijiang’s elites manipulate state power to actualize their will of money making “through a combination of means that includes not only persuasion and moral compulsion, but also material inducements and bodily repression” (Jessop, 1982, p. 203).

Funding from commercial loans

In addition to procuring funding from tourists, ACLAT also seeks commercial loans. Since Chinese laws, such as the Budget Law and the Guaranty Law, prohibit local governments from directly obtaining bank loans or secured loans, ACLAT found a way to sidestep this economic morass. In 2005, it established a fully-affiliated corporation—Lijiang Ancient Town Management Co., Ltd.—in order to circumvent these laws and obtain money from banks and other sources. In early 2006, the corporation obtained a loan of 370 million yuan from the World Bank and other financial institutions. In return, ACLAT gave the corporation a monopoly privilege of running many tourism-related businesses in the town, such as horse riding, selling lanterns and goldfish, and leasing public houses, running restaurants, hotels, and souvenir shops. In addition, ACLAT authorized the corporation to collect and use conservation charges from tourists.

This ACLAT-authorized privilege encouraged the corporation to seek tourism-related rents for abnormal returns. Headed by one ACLAT vice director, the corporation has two main functions: managing the economic issues of urban conservation and exclusively running the ancient town as a tourist product. To fulfil these functions, the corporation consists of several subsidiaries, such as the Ethnic Cultural Development Company, the Resident Service Centre, and the Real Estate Management Company. As one ACLAT respondent (female, Han, age 35) explained:

The corporation is unique. It is not profit-driven. Its primary goal is to focus on conservation and reconstruction. It has two main functions. The first one is to get commercial loans and use the loans to improve the town’s infrastructure. ACLAT is prohibited from doing these things. The second one is to manage public houses in the town.

The improved infrastructure may favour tourism businesspeople rather than town residents. For instance, town residents are not permitted to build private toilets within their own houses even after the drainage system was greatly upgraded after 2003. Some residents constructed their own toilets at the risk of fines by ACLAT, as the agency argues that toilets can damage the historical buildings and burden the drainage system working at full capacity in the town. Without their private toilets, residents are inconvenienced. Moreover, town residents are charged 0.2–0.5 yuan per entry to use public toilets. Ironically, hotels and guesthouses in the town can build as many attached toilets as they like when they update their guestrooms.

Official data from Lijiang Bureau of Auditing further reveal the revenues from the conservation charge and how the revenues were distributed. As shown in Table 1, 2007 expenditures break out into three major categories: Lijiang local governments’ administrative costs (50.43 million yuan), ACLAT’s daily operation expenses (35.57 million yuan), and repayment of bank loans (70.35 million yuan). Together, 55% of all expenditures went to Lijiang’s local governments and ACLAT rather than to concrete projects of urban conservation or subsidies for town residents’ daily life and house maintenance. Even the army and police force departments, which have nothing to do with urban conservation, can share tourist revenues. The results appear to confirm that Lijiang’s local government and its ruling elites benefit more from tourist revenues than do town residents, who are actually marginalized in the process of benefit distribution.

Such an approach to handling the financing of urban conservation represents the local government’s entrepreneurial spirit in mobilizing urban space for economic ends—in this instance, to secure necessary financial resource to fund urban conservation projects. Indeed, the local government sells Lijiang Ancient Town to tourists, and then levies the conservation charge from them, and improves infrastructure for tourism businesses. At the same time, urban heritage is commercialized to the extent that its presence aims to attract tourists and its conservation is elevated to urban competitiveness for external investment. Commercialization is an ironic outcome in a paradoxical situation, in that urban conserva-

Table 1

Auditing report on Lijiang’s maintenance charge in 2007. Source: Lijiang Bureau of Auditing (2008)

	Amount (Chinese yuan, million)
<i>Revenues</i>	
Maintenance charge	168
Deposit interest	0.09
Subtotal	168.09
<i>Expenditures</i>	
Funds for revenue allocation by Lijiang city government	24.54
Funds for revenue allocation by DOWNTOWN District Government	3.5
Subsidy to Lijiang city government	4.57
Subsidy to DOWNTOWN District Government	9.65
Subsidy to Yulong County Government	1.92
Subsidy to the army, police force, and fire departments	3.21
Subsidy to private enterprises and social organization	3.04
Cost for ACLAT’s collecting maintenance charge	20.19
Tourism marketing and ACLAT’s daily operation expenses	15.38
Repayment of the World Bank loan	10
Reserve funds for repaying bank loans	60.35
Subtotal	156.35

tion is implemented to retain heritage value and avoid the fate of demolition, only with the support of tourist revenues. Commercialization, however, can reinforce “the fetishism that arises automatically in the course of market exchange” and ruin heritage value (Harvey, 1989, p. 102). To incorporate this fetishism into city management, the local government and its agencies haggle over every item of public service and exploit heritage resources for maximum political and economic returns. As one guesthouse manager (Naxi, female, age 50) said, the local government now “blindly seeks economic growth and only cares about GDP” so that “they [local ruling elites] treat urban heritage as a tourism resource and fully exploit it.” Similarly, utterances from the respondents revealed their doubt about the distribution of tourism revenues between the local government and town residents:

Look at those governmental officials. Their earnings cannot be imagined. They invent ways to collect money from us and tourists. How about our ordinary people? We didn't get anything. (A travel agent, Naxi, female, age 50)

The government is not poor. Those officials abuse the money to buy Mercedes-Benz cars and to buy luxury villas. Dare they publicize how they use the money they have collected from tourists these years? Do they have accounts? Don't mention a thorough audit! They cannot even show a rough account. (A guesthouse manager, Han, male, age 60)

These respondents' complaints are directed more towards the lack of transparency in the use of money than the businesspersons' own self-economic interests, resulting in distrust among social groups towards the local government. While the local government has persistently (and unreasonably) collected levies from businesspeople and tourists, the money has not been reliably used for urban conservation (see Table 1).

Situating the story of Lijiang in a larger comparative context helps to clarify the nature of authoritarian governance in urban China. While many historical sites have given way to high-rise buildings and commercial districts in Kunming, Shanghai, and many other cities, Lijiang Ancient Town luckily has been conserved, no matter how the outcomes are evaluated. As Zhang notes in Kunming, the capital of Yunnan Province, old city neighborhoods in the view of local city government become “a physical as well as a symbolic obstacle to development and progress” (2006, p. 466). In Shanghai's Xintiandi, old inner-city neighborhoods were forcefully displaced and most of the residential buildings were demolished, leaving only a small number of buildings to be conserved for boutiques, hotels, and cafés (Wang and Lau, 2009). The powerful groups, including business elites, enterprise managers, and high-ranking officials, displace neighbourhood residents and grapple with the power to reshape urban space for commercial returns and political ends. In this context, the value of Lijiang's urban conservation cannot be underestimated. The area-based conservation in Lijiang spells out the arduous struggle to withstand the large scale demolition and redevelopment in post-Mao China.

Yet, it does not mean that Lijiang's local elites are more morally responsible for urban conservation than their counterparts in other Chinese cities. In fact, the survival of Lijiang Ancient Town is attributed to a similar rational calculation in place-making for maximizing economic returns. In Lijiang, selling urban heritage to tourists and collecting tourist revenues can secure as many stable economic benefits as property-led redevelopment in Kunming and Xintiandi. Moreover, a well-conserved town adds much-needed political fame to Lijiang's ruling leaders. The rule of place-making is the following: as long as urban heritage resources can be brought under the government's control and their commercial value fulfilled in the market (tourism or real estate), city governments actively implement urban conservation and secure financial sources

through institutional innovation. Two interrelated and overarching goals are embedded in place-making: to enable the state to use market opportunities to enhance its governance capacity (Wu, 2002), and to promote localized territorial competitiveness within a national context (Brenner, 1999). These goals exemplify the kernel of what Harvey calls neoliberalism with Chinese characteristics.

Conclusion

This paper has examined urban conservation through a focus on power structure and funding system, arguing that urban conservation is not a public welfare undertaking, but an economic and political project firmly controlled and manipulated by the state. Indeed, urban conservation in China appears to be more “a matter of tourist promotion than a shared, deeply felt sense of place” as city governments eagerly develop “a historical trajectory of complete commodification” (Friedmann, 2007, p. 269). Concurring with this argument, the paper reveals the Chinese state's entrepreneurial spirit to claim capital and power in a project of urban conservation. To put the theoretical exploration in an empirical context, the case of Lijiang has been presented. Through legislation, planning, and institutional arrangement, Lijiang's heritage authorities have a strong entrepreneurial spirit for selling heritage resources in the tourism market for funding urban conservation and reaping economic profit. Funding from tourists and banks may lessen the financial exigencies of urban conservation, but actually reinforces the local state's power. The paper is consistent with recent literature on new urban space, where the state plays an important role in restoring, enhancing, intensifying, and restructuring its capacities as productive forces (Brenner, 1999). Thus, the case of Lijiang tallies with Cerny's (1995, p. 620) argument that “the state itself becomes an agent for the commodification of the collective, situated in a wider, market-dominated playing field.”

What, then, are the implications of these findings for recent literature on urban conservation and the nature of urban governance in China? First, urban studies addressing issues of conservation and preservation need not deal exclusively with questions of authenticity and planning, as hitherto. Scholars can develop an expanded approach by bringing power structures and funding systems into analysis of critical questions such as who should pay for urban conservation and who benefits from it. Except for private capital and property-led development, the tourism industry can contribute to urban conservation and protect built heritage from demolition. For instance, in Singapore, some historical shophouses are conserved by finding new uses for hotels (Chang and Teo, 2009). To understand fully urban conservation and tourism development we must study the funding systems and power structures that underpin the selling of urban heritage to tourists.

The implication for understanding urban governance in Chinese cities is that the ruling elites in China can mobilize the state apparatus to legitimize and naturalize their values, apply a mix of punishment and concession to strengthen power, and exclude other social groups from decision making and benefit sharing. City governments in China have very strong incentives to manage and develop businesses in order to increase local revenue sources and advance ruling elites' political careers (Wu, 2002; Zhang, 2006). China's local governments have become economic interest groups with their own entrepreneurial pursuit and policy agendas. Localized authoritarian governance premised on the commercialization of urban space has become imperative in place-making. Social groups' contestation is unable to alter the established power structure, but rather implies an effort to negotiate for an acceptable scenario. How much can city governments in China sustain their authoritarian governance? Are we observing a convergence

of authoritarianism and capitalism in urban China? These crucial questions require much more research.

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