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“Villages-in-the-City” and Urbanization in Guangzhou, China

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Abstract

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This dissertation examines the relationship between urbanization and the dual structure in China by focusing on “villages-in-the-city” (*chengzhongcun*). The dual structure of rural-urban divide is the foundation of Chinese urbanization. It is the *hukou*, dual land ownership, and the dual structure of housing ownership that fundamentally shapes the rural-urban divide and sets Chinese urbanization apart from other countries. At the local level, city governments have shown characteristics of “local growth politics” and use a “land-revenue” strategy to stimulate local economic development. There were “half-urban-and-half-rural” hybrid outcomes in state-led and multi-dimensional urbanization process; migrant workers and “villages-in-the-city” are one of the hybrids. Without the essential reforms of the dual structure, though, Chinese attempts to eliminate the dual structure will not succeed as new *chengzhongcun* may emerge.

This dissertation examines Guangzhou, a municipality with about 138 *chengzhongcun*, and investigates the dual structures of *hukou*, land, housing, administrative system and local governance in relation to *chengzhongcun* since 2000. Two *chengzhongcun*, Liede and Yangji,

were examined. They have displayed different outcomes in response to the rapid urbanization and the radical redevelopment project of the Guangzhou Municipal Government. Liede was completely demolished and redeveloped while the redevelopment of Yangji was halted because of resistance from local villagers. The dissertation also examines the social stratification within *chengzhongcun* that stems from the interplay between the dual structure and urbanization. The case study reveals that both formal institutions, such as *hukou*, land, local governance and public finance, and informal institutions, like clans, traditions, and other local historically rooted cultural factors and social relations, have influenced the process of redevelopment of *chengzhongcun* in Guangzhou. The dissertation bridges gaps in the urbanization literature by analyzing *chengzhongcun* from the lens of China's dual structure. The study on institutional reforms, physical redevelopment, and the roles played by different actors including local governments, village committees, native villagers, and migrants in *chengzhongcun* opens a new path to examine urbanization in China.

TABLE OF CONTENTS

	Page
List of Figures	<i>iv</i>
List of Tables	<i>v</i>
Glossary	<i>vi</i>
Preface	<i>viii</i>
Introduction	1
Chapter I: Literature Review	18
1.1 Introduction	18
1.2 Urbanization	20
1.2.1 Socialist Urbanization	20
1.2.2 Rural-Urban Relation.....	22
1.2.3 <i>Hukou</i> Policy and the Incomplete Urbanization	26
1.2.4 The McGee-Ginsburg Model: “ <i>Desakota</i> ”	32
1.3 Central-local Relation	33
1.3.1 Decentralization	35
1.3.2 The Changing Local Governance	37
1.4 Ownerships and Collectivization in Rural China	42
1.4.1 Property Rights and the “Common-Property Resource”	42
1.4.2 Collectivization of Land Ownership in Rural China	45
1.4.3 The Ambiguity of Collective Ownerships in Rural China	47
1.5 <i>Chengzhongcun</i> : Villages-in-the-City	51
1.6 Summary	55
Chapter II: Analytical Framework and Research Methodology	58
2.1 Research Objectives	59
2.2 The Formation of Chinese Rural-urban Divide	59
2.2.1 <i>Hukou</i> : the Dualist Structure of Population	60
2.2.2 Land: the Intentional “Ambiguity” of Land Price	63
2.2.3 Housing Market: the Exclusion of Peasants	69
2.2.4 Fiscal Reforms in Urban and Rural Areas	72
2.2.5 Local Governance in Urban and Rural Areas	77
2.2.6 The Relationships between Dual Structure and <i>Chengzhongcun</i>	83
2.3 Research Questions	86
2.4 Analytical Framework	87
2.4.1 The “Big” and “Small” Dual Structures	88
2.4.2 The Four Dimensions of Chinese Urbanization	90
2.4.3 The Matrix of Analyzing the Rural-Urban Divide and Chinese Urbanization	91
2.5 Study Area	94
2.6 Definition	100
2.6.1 Guangzhou Urban Area, Guangzhou Districts, and Guangzhou Municipality	100
2.6.2 <i>Chengzhongcun</i>	105
2.6.3 Native Villagers	105
2.6.4 Zhujiang New Town	106
2.7 Data Sources and Methodology	106
Chapter III: Urbanization in Guangzhou Municipality	111
3.1 The Economy of Guangzhou Municipality.....	112

3.2 Urbanization in Guangzhou Municipality.....	115
3.2.1 Institutional Reforms in the <i>hukou</i> System	116
3.2.2 The Interplay of Population Growth, Land and Housing Development.....	120
Population Growth.....	120
Increase of Land Development and Generation of Land Revenue	125
Establishment of Land Market	130
Housing Development	134
3.3 Retrospect and Summary	140
Chapter IV: Formation and Redevelopment of <i>Chengzhongcun</i>	142
4.1 The Formation of CZC	143
4.2 Redevelopment of CZC	148
4.2.1 The 138 Officially Designated CZC.....	148
4.2.2 The “ <i>Laissez-faire</i> ” Phase in the Late 1990s	149
4.2.3 The Stressing of Dominant Role of Government (2000 to 2006)	153
4.2.4 The New Redevelopment Stage since 2007	156
4.3 Redevelopment of CZC and the “Three Old Transformations”	161
4.4 Retrospect and Summary	170
Chapter V: A Tale of Two <i>Chengzhongcun</i> in Guangzhou	173
5.1 Liede	174
5.1.1 Development of Liede	174
5.1.2 Institutional Reforms in 2002	179
5.1.3 The Redevelopment of Liede	181
The Roles of Various Actors	183
“Nail Houses” vs. Collective Interest	186
5.1.4 The Reborn of Liede New Village	189
The New “Urban Space”	189
The New “Urban Life”	194
Relationship between Native Villagers and Village Leadership	196
5.2 Yangji	197
5.2.1 Development of Yangji	197
Economic Development	198
Social Space	199
5.2.2 Institution Reforms	201
Shareholding Reform in 1987	201
Institutional Reforms in 1999	201
5.2.3 The Redevelopment of Yangji	203
Nail Households and Various Lawsuits	207
Landlord, Migrants, and the Reason of Social Problem	209
5.3 Discussion and Findings	212
5.3.1 Redevelopment of CZC and the Various Actors	214
5.3.2 Redevelopment of CZC, Dual Structure, and Urbanization	220
5.4 Summary	224
Chapter VI: Conclusion: Urbanization with “Chinese Characteristics”	228
6.1 A Comparison of Redevelopment of CZC in Beijing, Shenzhen, and Guangzhou	229
6.1.1 Redevelopment of CZC in BMA	230
6.1.2 Redevelopment of CZC in SEZS	232

Institutional Reforms of Rural Villages	232
Redevelopment of CZC in SEZS	234
6.1.3 Comparisons of Three Areas: BMA, SEZS, and GUA.....	235
6.2 Concluding Remarks	238
6.3 Research Contribution	247
6.4 Limitations of Research	249
6.5 Areas for Further Research	251
Bibliography	253
Appendix A: Interview Questions	295
Appendix B: Personal Experience of Getting a Guangzhou <i>hukou</i> as An Outsider	299
Appendix C: Chronological Events of Liede Redevelopment	301
Appendix D: Chronological Events of Yangji Redevelopment	302

LIST OF FIGURES

Figure 1.1 China’s Dual Structure of Rural-Urban Divide in 1963	24
Figure 1.2 Chan’s Dual Structure of China’s Society	29
Figure 1.3 Administrative Hierarchies in China since 1958	35
Figure 2.1 CZC as an Outcome of Dual Structure Institutions	85
Figure 2.2 The Interplay of CZC, Dual Structure and Urbanization in China	86
Figure 2.3 The Rural-Urban Divide Matrix in China	92
Figure 2.4 A Map of Guangzhou Municipality and Study Area	95
Figure 2.5 The Location and Land Area of Liede, Yangji, and other 136 CZC in the Guangzhou Urban Area in 1996	97
Figure 2.7 A Map of Spatial Relationships between CZC and Zhujiang New Town	107
Figure 2.6 Definitions of “Guangzhou Municipality,” “Guangzhou Districts,” and “Guangzhou Urban Area”	104
Figure 3.1 The Changes of Built-up Area of GUA.....	127
Figure 3.2 Changes of Housing Prices in Guangzhou Districts, 2001-2008	139
Figure 3.3 Changes of Average Costs of Constructing Private Residential Buildings in Guangzhou’s Urban Districts, 1983 to 2005	139
Figure 5.1 A Map of Liede and Yangji in 2012	178
Figure 5.2 Ancestral Halls and Memorial Archway Gate at the West Entrance of Liede New Village	191
Figure 5.3 Rental Apartments in Liede New Village	193
Figure 5.4 Rental Advertisement Posters on Trees, Fences, and at Store Entrance in Liede New Village	193
Figure 5.5 Signs in Yangji Reminding Caution of Crime and Theft	200
Figure 5.6 Yangji under Demolition	206
Figure 5.7 Empty Houses in Yangji Waiting for Demolition	206
Figure 5.8 Relationships and Profits of Main Actors in the Course of CZC Redevelopment	219
Figure 5.9 The Evolution of Dual Structure in Guangzhou Urban Area	223
Figure 6.1 The Nominal Change of Social Stratification in Liede after the Intuitional Reforms in 2002	245

LIST OF TABLES

Table 1.1 Existing Literature of China’s Local Governance at Different Administrative Levels	41
Table 2.1 Liede and Yangji	102
Table 2.2 Administrative Areas and Population of Guangzhou Municipality in 2010	103
Table 3.1 Population Growth in Relation to <i>Hukou</i> Registration from 1978 to 2010 in Guangzhou Municipality and GUA	122
Table 3.2 Differences of Land Prices through Compensatory Conveyance, First Bidding, and First Five Auctions in GUA (1980-2000)	133
Table 3.3 Changes of per capita Disposable Income in Guangzhou Municipality, 2003-2011	137
Table 4.1 Categories of Natural Villages in GUA in 2000	146
Table 4.2 Name List of 138 <i>Chengzhongcun</i> in GUA	151
Table 4.3 Name List of 52 <i>Chengzhongcun</i> Demolished by 2015 in GUA	164
Table 4.4 Land Area (sq.km) of TOT and Number of CZC in Ten Districts of Guangzhou Municipality	167
Table 5.1 Institutional Structures after Redevelopment of Liede and Yangji	221
Table 5.2 The Interplay of <i>Chengzhongcun</i> , Dual Structure, and Urbanization in GUA since the 1990s	227
Table 6.1 The Definition of BMA, SEZS, and GUA.....	230
Table 6.2 Institutional Outcomes of Urbanization and Redevelopment of <i>Chengzhongcun</i> in BMA, SEZS, and GUA.....	237
Appendix Table 1 Chronological Events of Liede Redevelopment	301
Appendix Table 2 Chronological Events of Yangji Redevelopment	302

GLOSSARY

ARL	Assigned Residential Land, <i>zhajjidi</i>
Beijing Government	Beijing Municipal Government
BMA	Beijing Metropolitan Area
CCP	Chinese Communist Party
CCTV	China Central Television
CEDL	Collective economic development land
COP	Collectively-owned property
CZC	Villages-in-the-City, <i>chengzhongcun</i>
GSB	Guangzhou Statistical Bureau
GUA	Guangzhou Urban Area
Guangzhou Government	Guangzhou Municipal Government
NBSC	National Bureau of Statistics of China
OVOP	One Village One Policy, <i>yi cun yi ce</i>
PCDI	per capita disposable income
SEZ	Special Economic Zone
SEZS	Special Economic Zone of Shenzhen
Sq. m.	Square meter
Sq. km.	Square kilometer
Shenzhen Government	Shenzhen Municipal Government
TOT	Three Old Transformation
TOTP	Three Old Transformation Plan
TVE	Town and Village Enterprise

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Preface

An inspiration for my graduate studies is my personal connection with *chengzhongcun*, a Chinese term that means literally, “villages-in-the-city” (hereafter, CZC). My memories of living in a CZC for two years have provided me with valuable first-hand experience with and a profound understanding of Guangzhou, where I lived and worked for more than 10 years. In the summer of 1998, I graduated from college and began my first job as an intern-planner in a work unit. The job initially paid very little, about one thousand *yuan* (about U.S.\$120) every month for the first year, which was increased in subsequent working years. The most important thing the job offered me was a Guangzhou urban *hukou*. This *hukou* provided me access to the municipal welfare and pension programs such as health insurance and a retirement plan, although housing was excluded due to the launch of housing monetization policy reform in Guangzhou in 1998. My work unit was a pioneer in privatizing urban housing, and had already sold all of its dormitories to its employees. As the work unit had no dormitory space to offer me, I had to rent a room or buy an apartment in order to live in Guangzhou. Working for such low wages, I obviously could not afford to purchase commodity housing in this city, so I had to rent a room after moving out of my university dormitory.

I tried to find a rental apartment near my workplace, which was located on Dongfeng Road, Yuexiu District, in the prosperous center of the municipality where the Guangdong provincial government, the Guangzhou municipal government, and numerous work units with service facilities and public housing were located. The average monthly rent for a 40-square meter one-bedroom apartment in this area was over one thousand *yuan*, which I could not afford. So I had to stay in a suburban apartment with a monthly rent of four hundred *yuan* (about US\$50), and commute every day by bus, a two-hour round trip. After several months, I was tired of spending so much time commuting, and decided move back to the city center. I had a friend who lived in Xiatang Village, a CZC located within 20 minutes walking distance of my office. Hearing that I wanted to rent a room near the office with a limit budget, she suggested I search inside Xiatang or other CZC in the municipality.

There were more than 138 CZC that came into being in Guangzhou in the late 1990s. I chose three of these, and went to see whether or not they were suitable for me. First I went to Xiatang village, since it was the closest to my workplace. It has been 13 years, but I still remember the uneasy feeling I had when I first went through the entrance of the village, a memorial arch bearing the name “Xiatang”. The only streets I saw were narrow alleys, dark and wet, with only enough space for two pedestrians to walk side by side. When I looked up through the overcrowded buildings, the sky was reduced to a barely-seen thread. Guided by a middle-aged woman in the village, I looked over three apartments with monthly rents of US\$50. The rooms were spacious but they were also damp, and so dark that it was necessary to keep the lights on even during the daytime. In addition, the rooms, soundproofing was poor and the construction was shoddy. All sorts of noises from passing pedestrians and neighbors living in adjacent rooms fell gratingly on the ears. I tried to open the windows in the rooms. Some of them had broken latches and failed to open, and if I put my hand out those that did, I could touch the opposite building. These were so-called “handshake buildings” (*woshou lou*). Even though there were various problems with these rooms, they were in high demand. “You must decide within two days if you want to rent one of these rooms,” the woman told me, “otherwise I will rent them to

someone else.” I finally turned all of these rooms down, and fled Xiatang Village.

Then I went to Yangji, another CZC that was 15 minutes from my office by bus. Yangji was a village larger than Xiatang, but it had similar problems. Tenants were mostly migrant workers from Hunan, Hubei, Sichuan and Henan provinces. A two-stories commercial building consisting of a farmers market, grocery stores and restaurants stood at the north entrance of the village. Shahe Creek, a small creek running through the village, had become a drainage canal. As the dank smell of the river wafted through the air, I heard stories about fights and the deaths of thieves and hookers in the village. Although it provided much cheaper housing costs than the other villages, I was frightened by the stories about crime. Finally, I turned to the third CZC.

The third CZC, Xiadu, was about a 30-minute bus ride from my office. It was the CZC most familiar to me since I began living in Guangzhou in 1994. It was located adjacent to *Sun Yat-sen* University, my alma mater. When I was a college student between 1994 and 1998, I visited the village stores and snack bars hundreds of times due to the good prices available there. The village did not become a housing rental hot spot until 1997 when a new section was developed into a grid of 22 alleys that consisted of 88 four- or five-stories apartment houses. The tenants mostly consisted of college students or fresh graduates. Since I had several good friends (who, like me, had graduated from *Sun Yat-sen* University around the same time) living in this village, I stayed in Xiadu for two years until I was able to purchase a small apartment with the government’s public housing provident fund (*gongji jin*) and installments in 2002.

My personal story is one of those of millions of migrants to a municipality such as Guangzhou. About 1.2 million people (including tenants and indigenous villagers) lived in Guangzhou’s 138 CZC in 2001 (Tian, 2008). I, like the other low-income migrants in this municipality, in spite of having a local *hukou*, was one of these 1.2 million. The rental market in the CZC was superheated, with low vacancy rates and dozens of applicants for each room. CZC are places that simultaneously contain elements of the urban central district and the village, chaos and order, and poverty and affluence.

Notwithstanding their positive role in housing low-income migrants, CZC are officially regarded as a problem and have come to be seen as symbols of backwardness by the local government, because of their associations with chaotic land use, dilapidated housing construction, severe infrastructure deficiencies, intensified social disorder, and the deterioration of urban scenery. Since 2000, the Guangzhou Municipal Government (hereafter, Guangzhou Government) has launched a series of redevelopment policies and plans attempting to assimilate the CZC and their villagers into urban systems. These include initiatives such as converting all villagers’ *hukou* from agricultural to non-agricultural registrations, converting village committees to urban neighborhood committees, and redevelopment planning projects incorporating CZC into urban comprehensive plans that remove and replace CZC with modern urban neighborhoods or luxury residential districts. My concern at that time was, “Where would I, my friends, and other low-income workers live if they remove Xiadu?”

But ten years later, when I began to prepare my research project following two informal return visits to Guangzhou in 2010-2011, I found that some CZC such as Xiadu were still, as in 2000, concentrations of housing for fresh graduates, migrant workers, and centers of various

informal economic activities. Others, represented by Liede and Yangji, have been or are being demolished so that they can be replaced by modern high-rise buildings. What factors have caused the municipal government to treat different CZC in different ways?

The Guangzhou Government announced in 2009 a ten-year redevelopment plan which would attempt to demolish Guangzhou's 138 CZC by 2020. Such a radical "elimination" plan aroused great indignation from the local villagers. Widespread dissatisfaction, petitions to the government and even protests against unfair compensation and against official corruption in the villages took place in the CZC. Having made such observations in my fieldwork, I posed additional questions: what special role have CZC played in Guangzhou's urbanization process? Why is the Guangzhou Government carrying out such a radical urban renewal plan on CZC, despite the increasing number of petitions and protests? What role has the Guangzhou Government played in the process of urbanization in Guangzhou? Are the government's policies leading to sustainable urbanization in Guangzhou?

While the Chinese state views CZC as "backward," my previous experience and observations suggest that these villages do actively create their own modernity. I believe that institutions are the heart of the problem, not the CZC entities themselves, which have provided benefits for various groups in the municipality. Housing in the CZC has created an alternative source of income, in the form of apartment renting, for local villages in lieu of agricultural activities, and has provided affordable living conditions for low-income migrant workers while minimizing compensation, management and infrastructure fees for the local government. However, as CZC have been excluded from urban public good provisions and urban planning for years, the provision of infrastructure and housing in CZC has not been able to match infrastructure and facilities provided by the municipal government. The dense mix of residential uses and the various formal and informal economic activities in CZC communities has inevitably raised public concerns about health and safety hazards. To solve the problems caused by CZC, we cannot ignore the factors that resulted in their formation. Furthermore, CZC are a key point of interaction between rural and urban areas as well as an arena of collective and state governance that is crucial to understanding the nature of Chinese urbanization. So far, this topic has been insufficiently investigated, and therefore this dissertation attempts to address the complexity of the issues of CZC and to explain how the institutional design of the rural-urban divide has shaped Chinese urbanization.

Introduction

China is undergoing tremendous urban growth. In 2011, more than half China's population, about 691 million people, lived in cities and towns while in 1982, only 206 million people lived in towns and cities (NBSC, 1982; 2012). It is forecast that another 200 million rural residents will move into the urban workforce between 2015 and 2030 (Chen, 2012). Urbanization in China is superficially similar to the Western experience: both involve large numbers of migrants from rural to urban areas, extensive conversion of agricultural land to non-agricultural uses, and vigorous concentration of capital and investments in urban areas. As an outcome of productive activities of the three factors of production -- labor, land, and capital, urbanization is often viewed as a necessary component and driver of economic development in Western economic theory. The study of the urbanization process has been examined from the theoretical perspectives of rural-urban migration, modes of production, and social behavior changes in developed Western countries (Johnston, et.al, 2000). Related studies on Chinese urbanization have concentrated on population growth or *hukou* system, urban physical expansion, and land use pattern changes (e.g. Murphey, 1976; Chan, 1994a; Ho and Lin, 2004; etc.).

However, Chinese urbanization is quite distinct from the Western experience as it is a process determined primarily by government policies, based on a foundation of an institutionalized, two-tiered, rural-urban divide in Chinese society (e.g. Chan, 1994b; Naughton, 2007) that is not common elsewhere. The state-led process of urbanization is fundamentally related to a development strategy that accelerated industrialization at the expense of agriculture and placed harsh restrictions on migration (Chan, 1994b; Lin, Cai, and Li, 1996; Chan, et al,

2008). To facilitate rapid urbanization process and control the three factors of production, the Chinese governments adopted a set of policies on labor, land, and capital that was implemented in systematically different ways in rural and urban areas. The corresponding institutions including household registration (*hukou*), land ownership, housing market, and fiscal policy, etc. play a primary role in shaping the process of Chinese urbanization.

Before 1978, urban residents were organized by the place of their employment, that is, the state-owned work unit (*danwei*), which provided a suite of social benefits and entitlements including secure jobs, heavily subsidized housing as a wage good, training and education, medical care and health service, rationed allotments of food and consumer goods, and other benefits such as paid maternity leave, disability pay, and retirement pensions (Naughton, 2007; Whyte, 2010). Village residents, in contrast, were not part of the state budget and lived without any of the guarantees enjoyed by those urban residents. They were members of agricultural collectives without entitlements. What social services and public goods were provided by collective committees and relied on the surplus and revenue from the sale of agricultural produce that was devalued by the “scissors gap” pricing policy since the 1950s. Therefore, rural residents were poorer and had fewer privileges than urban residents (Naughton, 2007; Whyte, 2010). With a strict *hukou* household registration system to control labor mobility (particularly urban-bound migration) a situation came into being in which many rural communities remained mired in poverty in Mao’s era.

In the reform era, the state has “freed” peasant labor by removing restrictions on migrant employment to encourage peasants to work in cities without providing any corresponding urban

welfare, privileges, or social security (Chan, 2012b). Since the late 1980s, the process of rural-urban migration has accelerated. The proportion of urban population has rapidly increased from 26.41 percent in 1990, to 36.22 percent in 2000, to 49.48 percent in 2010, and 51.3 percent in 2011 (NBSC, 1991a; 2001a; 2011; 2012). Among the newly added population in Chinese cities, about 140 millions were rural migrants as of 2008 (Chan, 2012b).

People may imagine that Chinese peasants enjoy improved housing conditions, higher incomes, better health care and increased educational opportunities upon becoming workers in the municipalities. However, the truth is rural migrants frequently live in cramped and dilapidated housing, work at extremely low wages, are excluded from urban public goods including medical insurance and education because of their rural *hukou* status. Though rural migrants have become *de facto* urban residents, they do not have urban rights (Chan, 2009). The amount of the population with full access to urban welfare and security is much lower than the total population living in Chinese cities (Chan, 2011a). Therefore, the proportion of urban population is not an accurate measurement of the “urbanization” level in China.

Furthermore, the institutional design of land and *hukou* policy created low cost conditions for Chinese urbanization (Chen, 2011; 2012). The strategy that ignores the urbanization of peasants and excludes them from urban benefits and welfare through institutional restriction has been called an “incomplete urbanization” approach similar to the phenomenon of “under-urbanization” in many countries pursuing a Soviet-type economic growth strategy (Chan, 2010a). This approach economizes on the costs of urbanization in the process of rapid industrialization so that the Chinese government does not pay the “full bill” of providing

migrants' access to urban welfare and many other benefits (Chan, 2010a). As a result, recent urbanization in China is not full in “legal,” institutional, or socioeconomic terms but only demographic when measuring the *de facto* urban population (Chan, 2010a). Rural migrants have become the most important source of an almost infinite supply of cheap labor, making China the “world’s factory” in Chinese cities (Chan, 2009). This possible because China, through its *hukou* system, has created a disfranchised and unprivileged underclass.

Therefore, Chinese urbanization is a more complicated phenomenon than in the West because Chinese urbanization is built on the foundation of an institutionalized two-tier, rural-urban divide (Chan, 2010a). In the West, the urbanization is centered on cities that uproot the rural population, create supporting institutions to attract investments and finance investments in constructing urban infrastructure, and develops a legal framework and market institutions to replace the social mechanisms of traditional rural societies (Chan, 2010a; Chan, et.al, 2008). Typically, elsewhere city limits denote the boundaries of truly urban area. However, in China, the term “city” refers to an area administered by the municipal government. This extensive area is much larger than the central “urbanized entity”. It may include multiple urbanized cores, surrounding suburbs, numerous scattered towns, and large stretches of rural territory. The variety of spaces in Chinese "cities" simultaneously contains both agricultural and non-agricultural populations, agricultural and non-agricultural land uses, modern urban communities and rural societies, modern institutions and rural traditional ideology, and formal and informal economic activities. Therefore, Chinese cities are essentially “regions,” not the simply urban places as cities that are understood in the West (Chan, 2011 b). Because of that, institutions in Chinese “cities” include both urban and rural social mechanisms. This distinctive definition has

consequently differentiated the Chinese urbanization process from that in the West, because the process of urbanization occurs not only as expansion of cities into an external countryside, but also occurs within the “city” as changing relations between urban and rural areas within the municipal boundary.

A vast body of literature has studied Chinese urbanization from a variety of perspectives including transitional economy, urban population structure, rural-urban migration, urban spatial reorganization, urban land-use change, housing development, urban form, the administrative systems, decentralization and fiscal reform, globalization, and suburbanization (e.g. Chan, 2006; Huang, 2004; Lin, 2007; Ma, 1981). However, many scholars ignore the essential foundation of the institutionalized, two-tiered rural-urban divide and the supporting dual-structures. Moreover, with the exception of Chan (1994; 2009), the different meanings of “urban area” and “city” in China do not arouse other scholars’ attention as differentiating Chinese and Western urbanization.

Broadly, Chinese urbanization is a state-led project realized via a dual-structure of divergent governance and institutional structures set in place in rural and urban areas. The creation of two classes of citizenship, one rural and one urban, have generated two different worlds between China’s municipality and countryside with different landscapes, different technologies, different economic systems, different administrative organizations, and different living standards (e.g. Chan, 1994, 2009; Naughton, 2007).

In the study of China, one can delineate four dimensions of “urbanization”: first, it is a

demographic process of population growth in urban areas with a relative decrease in the rural population. Second, it is a spatial expansion of non-agricultural land use spreading from urban to rural areas. These are familiar and standard definitions common to urbanization processes throughout the globe.

Third, there is an institutional transformation that changes rural peasants into urban citizens. In the context of China, however, there is great difference between a complete and incomplete institutional urbanization process. There are two categories of migrants in China depending on individual change of *hukou* registration status: one is the “*hukou* migration” where *hukou* registration status is changed from outside to “local;” and “non-*hukou* migration” where residency status is not changed (Chan, 2012b). A completely urbanized citizen is a person holding a local urban *hukou* with full access to urban social security and welfare.¹

Finally, from the administrative dimension, Chinese urbanization can be divided into two categories: urbanization outside the municipal boundaries and urbanization within the municipal boundaries. More traditional concepts of urbanization describe a process where the urban core diffuses ideology and culture outwards to surrounding areas and attracts population and investment, eventually incorporating them into the urban sphere. In China's present-day spatial administration, however, municipalities contain both urban and rural areas. Chinese urbanization, then, is about the changing spatial relationships between formally urban and rural units of space, but also transformation within urban units. Existing studies of Chinese urbanization focus on the process outside of the municipal boundary and equate it with Western-

¹ Recently, holding a local urban *hukou* does not guarantee a full access to local welfare and social security. Therefore, an “incomplete institutional urbanization” may exist in China if a person holds a local urban *hukou* but

style urbanization. Urbanization of *de facto* rural spaces within the Chinese municipality is largely ignored.

Recent Chinese urbanization is characterized not only by a large number of peasants migrating to big cities but also by massive infrastructure construction and real estate development through the frenzied encroachment of rural land by the local governments. The country adopted a series of new policies to release labor from rural areas, collect taxes, and control land conversions. In response to institutional reforms, local governments have changed their role from managing economic production and providing welfare to become “entrepreneurial managers” (e.g. Duckett, 1998; Wu, 2003; Zhang, 2002). On one hand, Chinese cities created a "land-revenue" development strategy to pursue economic growth. On the other hand, cities have increasingly concentrated on constructing lavish vanity projects such as monumental buildings, nightscape projects, and flagship plazas, and accelerating the demolition and redevelopment of old neighborhoods in the inner city (e.g. Abramson, 2006; Wu, 2002; 2003; 2009).

As a consequence of rapid urbanization bounded by a dichotomous rural and urban land system, a new spatial form, “villages-in-the-city”, came into being in Chinese cities. (e.g. Zhang, 2005; Zhang, Zhao, and Tian, 2003; Tian, 2008). "Villages-in-the-city" are administratively rural, but are located within a city's municipal boundary. For example, between Hong Kong and the provincial capital of Guangzhou, on the eastern side of the Pearl River Delta (PRD) in Guangdong Province, a 120-kilometer stretch of land has changed from entirely rural to predominantly urban since the late 1980s. This pattern of an “urbanized countryside” containing multiple “villages-in-the-city” has also occurred in the Yangtze Delta region and elsewhere since

the early 1990s (Lin, 2001; Naughton, 2007).

The Chinese word for “villages-in-the-city” (*chengzhongcun*) is often translated as “urban village” but they are different from the “urban village” in the West which refers to a residential district containing people with a common cultural background and forming an urban community. A famous example is the Italian community documented by Gans (1982) in inner Boston characterized by chain migration and community assistance with assimilation into the host society while defend the migrants’ culture, and ensuring the provision of services (such as grocery stores) oriented to their market alone. However, “villages-in-the-city” in China are basically rural in institutional and administrative terms based on China’s rural-urban divide.

The “Village-in-the-city” is a distinctive phenomenon in China. It is a half-urban-and-half-rural entity characterized by the maintenance of collective land ownership and a landscape of self-built multi-story buildings that house millions of rural migrants throughout China's cities. Therefore, this dissertation adopts the Chinese word, *chengzhongcun* (CZC) to describe what is a specific outcome of Chinese urbanization. CZC were rural villages outside of the city before 1978 but have since been swallowed up by rapid urbanization since the late 1980s. Farmland in the villages was involuntarily expropriated for urban use by municipal governments (e.g. Zhang, Zhao, and Tian, 2003; Zhang, 2005; Tian, 2008). The “assigned residential land” (*zhaijidi*, hereafter, ARL), usually 80-100 sq. m. per plot for one rural household, were left for the construction of native villagers' private homes. In some areas, particularly in the PRD region, 8-12 percent of expropriated land was returned to the village committee as compensations for collective businesses and economic development. Villages’ committees and native villagers

used the ARL and returned land to build inexpensive residential and commercial space to make a living on rent. The inexpensive housing attracted thousands of low-income workers in the municipality (Zhang, Zhao, and Tian, 2003; Zhang, 2005; Tian, 2008). Meanwhile, the village collectives remained financially self-sufficient in public services within their jurisdictions, responsible for their own provision of infrastructure, sanitation, police, social welfare and even education which consequently segregated the village communities from the surrounding urban neighborhoods (Po, 2008).

With the increasing inflows of migrant tenants since the later 1990s, residential density in CZC frequently grows beyond the capacity of local infrastructure. As a result, CZC displayed chaotic land use, dilapidated housing construction, and severe infrastructure deficiencies. In addition, there were potential problems in building safety and fire control as well as social problems such as violence, pornographic activities, burglary and robbery (Zhang, 2005). To some extent, the Chinese government has come to see CZC as symbols of backwardness and the deterioration of the city image. Thus, since the 1990s, many municipal governments, including the cities of Beijing, Guangzhou, and Shenzhen, have launched redevelopment plans, characterized by “demolition and redevelopment,” to remove or replace CZC with modern urban neighborhoods or luxury residential districts (e.g. Tian, 2008; Zhang, 2001).

Though few scholars would dispute that "institutions matter", the examination of the link between Chinese urbanization and a deliberate institutional design for its economy and society remains limited. Most existing urbanization research related to hukou policy and migrants' flows. A handful of scholars, mainly Chan, have explicitly examined the relationship between

the dual-structure, especially regarding the *hukou* system, and Chinese urbanization (e.g. Chan, 1994; 2009; Yang and Fang, 2003; Wang, 2005; 2004). Few studies focus on the relationships between the dual-structure of other institutions (such as land ownership and the housing system) and Chinese urbanization. In the place of CZC, native villagers and migrants intertwine, but have also created a variety of migrant enclaves that create a new field of problems in Chinese urbanization. Though scholars have suggested that the study of CZC can lead to an investigation of property and development rights, community formation and identity, and the developmental context of local governance (e.g. Leaf, 2007), the existing literature does not connect CZC with the relationship between urbanization and institutional design. Therefore, a study of Chinese urbanization through the lens of the dual-structure that examines the *hukou* system, land ownership, land conversion, and housing system in CZC can provide a new window on the relationships between institutions and Chinese urbanization.

To paint a more complete picture of Chinese urbanization in relation to CZC, this dissertation asks, “What is the nature of urbanization in China?” and fills the void in the existing literature by examining the interplay of urbanization and institutional reforms to land and housing. This dissertation addresses the relationships among Chinese urbanization, the dual-structure of different institutions, the rural-urban divide, changing local governance, and the creation and redevelopment of CZC. First, this dissertation examines the demographic, spatial, institutional, and administrative dimensions of “urbanization” in China.

Second, this dissertation states that the dual-structure and rural-urban divide is the conceptual and material foundation that sets China’s urbanization apart from the rest of the world. To

clarify this point, this dissertation distinguishes two types of dual-structure in Chinese society. First, there is a “big” dual structure of different incomes, development levels, education standards, and living conditions in China’s society. By this, I refer to the rural-urban divide characterized by two societies: a rapidly growing modern, urban society and a slowly developing traditional, rural society. Second, there are a variety of “small” dual-structures established by the Chinese government that segregates the country into two communities such as the agricultural and non-agricultural *hukou* registration system, the division between state-owned and collectively-owned land ownership, the rural and urban housing systems, and the rural and urban administrative systems. This dissertation examines both levels of the dual-structure.

Third, this dissertation investigates the various roles played by different actors in the course of Chinese urbanization. The state-led urbanization in China is interwoven with diverse actors including Chinese governments and officials at different levels, urban *hukou* residents, the collective committee cadres, native villagers, developers, and migrants. Unlike the centralized fiscal administration system prior to 1978, the state has decentralized much of its formal decision-making mechanisms to local governments. Though the state continues to rely on hierarchical administration, cellular organization of communities, and ideological domination of public space to maintain social order and assert its legitimacy, Chinese local governments have shown characteristics of “local growth politics” – the cooperation between the public and private sector to foster local economic growth –occurring in Western cities since the 1970s. With the enforcement of land and tax reforms under China’s constitution, the monopoly right over land has provided municipal governments a chance to make windfall profit from land transactions. Local governments at different levels in cooperation with private developers, state-owned

enterprises, and other actors have created a “land-revenue” development strategy based on informal coalitions to stimulate local economic development. The study of the diverse actors, particularly local governments, can help us understand how the active players operate in the course of Chinese urbanization.

Finally, to explicate China's urbanization is different from other countries, this dissertation conducts a case study on CZC and affirms the landscape of CZC as a distinctively spatial outcome of the interplay of the dual-structure, rural-urban divide and Chinese urbanization. The study of CZC can provide further understanding of the process of Chinese urbanization within the municipal boundary in which the creation of CZC is driven by a dual structure of household registration (*hukou*), land ownership, housing market, employments, public finance, social services, and local governance.

I have selected Guangzhou (hereafter referred to as GZ), a municipality with more than 277 natural villages as a study site. In September 2000, the GZ Government convened a conference for urban construction and management, the first time the GZ government developed a general plan to define, classify, and reconstruct Guangzhou's 138 CZC (Lan and Lan, 2010). A decade later, most of the 138 CZC have stubbornly persisted despite increasing pressure for their reform and redevelopment. The GZ government has generated various inefficient regulatory policies that I will detail in this dissertation.

According to the GZ government, a breakthrough was made with the demolition of Liede village in 2007, the first village to be completely pulled down and redeveloped as an urban

tourist spot and modern high-rise residential district in 2010. Following the accomplishment of Liede's demolition, in the end of 2009, the GZ government announced a ten-year demolition and redevelopment plan intended to remove the remaining 137 CZC by 2020 in three steps: seeking to demolish and redevelop 9 villages in 2010; 43 more by 2013, and the remaining 84 by 2020. According to the plan, all CZC in Guangzhou are to be replaced with modern high-rise apartment buildings that would eradicate existing low-income migrant communities. Such a radical “demolition” plan has aroused a great indignation from native villagers and migrants in the municipality. Public dissatisfaction, appeals and even protests against unfair compensation and village official corruption have taken place in Guangzhou's CZC.

As of 2012, the target of redeveloping 9 villages in one year failed. Liede is still the only wholly redeveloped village, while the redevelopment project of Yangji, one of the nine-targeted villages in the year of 2010, was halted because of resistance from nail houses (holdout buildings) since May 2010. Therefore, this dissertation selected the villages of Liede and Yangji to draw a more detailed picture of Guangzhou's urbanization. The stories of Liede and Yangji present possible outcomes of CZC redevelopment in the course of urbanization in Guangzhou.

Four specific objectives are accomplished in this dissertation: (1) to shed light on the changes of the dual structure over time in CZC; (2) to explicate the actors roles in the course of redevelopment of CZC; (3) to investigate the interplay of the dual-structure, CZC and China's urbanization; and (4) to provide a more complete understanding of the nature of Chinese urbanization. To reach these four objectives, this dissertation asks an overarching question, “What is the nature of Chinese urbanization?” In order to answer this question, four sub-

questions are examined: (1) what is the dual structure in CZC? (2) What are the roles of actors in the course of formation and redevelopment of CZC? (3) What are the relationships among the changing local governance, the formation and redevelopment of CZC, and Chinese urbanization? (4) What does the story of CZC tell us about the nature of Chinese urbanization?

The dissertation relies on integrating information from both quantitative and qualitative data sources, including government statistics and reports, censuses and surveys, written documents on state laws and government regulations, reports in both Chinese and English newspapers, Internet sources, and research findings from both the Chinese and English literature. Supplementary information is drawn from field observations in various periods since 2000 and semi-structured interviews conducted from 2010 to 2011. The anonymous and voluntary interviews were based on a snowballing strategy including 29 interviewees from local academics, local government and their agencies, private entrepreneurs, local urban planning institutes, and the inhabitants of CZC (native villagers and migrant tenants) in Guangzhou Municipality.

Dissertation Structure

The first chapter provides a literature review of Chinese urbanization, central-local relations of the Chinese government, changing practices of local governance, rural collectivization, and CZC. I find that though land ownership and housing are two important factors of Chinese urbanization, little has been done to link them with the rural-urban divide and urbanization. In addition, literature investigating the relationship among changing local governance, collective

land ownership and the formation of CZC in the course of Chinese urbanization is limited.

Chapter Two first examines how the institutions of *hukou*, land ownership, housing policies, and fiscal structure were created to form the dual-structure of China's rural-urban divide, and provides an analytical framework to understand Chinese urbanization through the analysis of the dual-structure and rural-urban divide in CZC. Finally, research design and methodologies are introduced in Chapter Two.

The main empirical study starts in Chapter Three which first introduces the urbanization process and institutional reforms to the *hukou* system that attract wealthy and talented migrants, and then examines the establishment of land markets and local land revenue in association with the changes of the built-up area and land prices in Guangzhou Municipality. The chapter also studies local housing development in terms of housing prices and different costs of constructing self-built house between rural and urban in the municipality. The dissertation reveals one of the reasons for CZC formation in Guangzhou Municipality is that the construction cost of self-built houses in rural areas is much cheaper than that of other houses in urban areas. The low-cost buildings in CZC have housed thousands of migrants resulting in a landscape of migrant enclaves in Guangzhou Municipality. Finally, the chapter briefly analyzes the economic development in Guangzhou since 1978 and emphasizes that the institutional design of the dual structure is the foundation of Chinese urbanization.

Chapter Four is an empirical study concentrating on the redevelopment of Guangzhou CZC. The chapter first reviews the formation of CZC and then examines the changing policies and different roles of local governments in the course of renovating CZC since the late 1990s.

Finally, the chapter investigates an ongoing urban renewal project, the “Three Old Transformations,” implemented by the GZ government since 2009 intended to redevelop all *CZC* by a certain time. The chapter suggests that the renovation of *CZC* is closely linked with land development. It is a state-led and top-down process. The GZ Government failed to demolish most *CZC* according to the plans issued since 2000.

In Chapter Five, two *CZC* in Guangzhou, the villages of Liede and Yangji, are examined respectively. To supplement the investigation of sub-questions, Chapter Five also investigates the following questions: What is the role of the GZ government in the process of urbanization in Guangzhou? Why is the GZ government carrying out a radical urban renewal plan on *CZC*, despite increasing resistance and protests? What happened in the cases of Liede and Yangji redevelopment? Why was the case of Liede regarded as a breakthrough by the GZ government and set as a redevelopment example? Why does Yangji have a different story? To explore these differences, I conducted interviews in each of the two villages in addition to drawing from Internet sources and local newspapers. The two *CZC* have displayed different outcomes in response to the rapid urbanization and the radical redevelopment project. Liede was set as a “successful” model to redevelop *CZC* in the municipality while Yangji is “a piece of bone hard to chew” (*nan ken de gutou*) for the GZ government. The chapter reveals that not only formal institutions of *hukou*, land, local governance and public finance policies play a key role in the redevelopment of *CZC*, informal institutions such as clans, traditions, and other local historically rooted culture and relations have influenced the process of renovation, particularly in Liede.

Chapter Six further explicates the relationship between *CZC* and Chinese urbanization by

providing a summary of *CZC* renovation projects in different Chinese cities including Beijing and Shenzhen. The comparative analysis of different projects by different municipal governments in China supports the argument that the dual-structure is the foundation of Chinese urbanization. Furthermore, the comparison also reveals that informal institutions do not play a significant role in Beijing and Shenzhen as I have found in Guangzhou. Therefore, further studies in different cases in relation to *CZC* with urbanization are needed. Finally, the concluding Chapter Six summarizes the research contributions and outlines further research agendas.

The study on redevelopment of *CZC* and Chinese urbanization is a massive field of inquiry that offers numerous possibilities. The six chapters here represent only a limited effort to tackle some of the issues within this vast subject. I hope they will improve our understanding of the dual structure and rural-urban divide in the urbanization of China in this period and stimulate further intellectual pursuits.

Chapter One Urbanization, Rural-Urban Divide, and *Chengzhongcun*

1.1 Introduction

China is undergoing continued rapid growth of its urban population with a striking increase of its urbanization level from 26.41 percent in 1990, to 36.22 percent in 2000 and to 51.3 percent in 2011 (NBSC, 1991a; 2001a; 2012). In 2011, there were about 665 million people living in municipalities, over half the total population (NBSC, 2012). As of 2008, about 140 million of the newly added population in Chinese cities are migrants from rural areas (Chan, 2012 b). According to a forecasting by McKinsey & Co., another 300 million rural residents will move into the urban workforce between 2015 and 2030 (McKinsey Global Institute, 2008). In the 12th Five-year plan (2011-2015) issued by the Central Committee of the Chinese Communist Party (CCP) on March 14, 2011, the ruling party stressed that accelerating urbanization would be an important mission for China from 2011 to 2015 (National People's Congress, 2011).

The process of urbanization in China is a complicated phenomenon that involves demographic transition process, land-use changes, economic-structural changes, behavioral modification and diffusion, spatial transformation, and institutional constraints and adjustments. To maintain the dynamism and sustainability of economic growth, China has adopted a set of institutions to accelerate urban growth while controlling labor mobility, land ownership and investment allocation. The urbanization process from 1949 to 1978 was characterized by stringent controls on migration that limited rural-urban mobility and placed strict limitations on

the expansion of the service sector resulting in a high level of “segregation” of urban residents and rural peasants (e.g. Chan, 1994a). Reforms since 1978 to labor, land, housing, and fiscal policy that are the subjects of the chapters that follow have changed many aspects of economic and social life in China’s village and cities, altering the nature of Chinese urbanization.

The current trend of urbanization since the 1990s is characterized not only by a large number of peasants migrating to big cities but also by dramatic new spatial changes, infrastructure construction, and immense urban renewal development projects. A massive amount of land has been converted from agricultural use for active development of new residential and commercial high-rises, industrial parks, and mega transportation projects. Rapid urban sprawl has encroached on thousands of villages on the urban fringe. Due to a lagging intuitional response to rapid urbanization, a new spatial form has emerged in Chinese cities: the “villages-in-the city,” in Chinese language, the *chengzhongcun* (CZC), where modern skyscrapers surround "backward" countryside architecture.

In an attempt to understand the nature of Chinese urbanization, this chapter starts with a literature review that focuses on five major aspects of urbanization. First, it examines the socialist urbanization model that leads to "incomplete urbanization." Next, it explores the rural-urban relationship and *desakota* model focusing on socialist urbanization and “incomplete urbanization.” It then focuses on the rural-urban relationship and the Asian *desakota* model. Third, it investigates existing studies on China's changing local governance, especially regarding decentralization policies since 1978. Fourth, the chapter examines the legacies of collective land ownership intentionally designed to deprive peasants of private ownership since 1949. Finally,

the chapter provides a review on existing studies of CZC. The literature review is followed by some introspection on China's rural-urban relations, and a statement of three research objectives.

1.2 Urbanization

1.2.1 Socialist Urbanization

Urbanization can occur in a variety of contexts in different social and economic systems. Generally, urbanization is a spatial process that reorganizes human society: first, population gradually concentrates in cities, urban areas achieve agglomerative development, and finally, the urban lifestyle, social structure and technology diffuse into the countryside (Enyedi, 1996). In capitalist and socialist countries, the distinctive forms of economic organization, class formation and political structures have respectively shaped the urbanization processes. Despite sharing some common characteristics (such as population growth and changes in social values, attitudes and behavior patterns), there are significant differences between capitalist and socialist urbanization.

Johnston, et al (2000) propose a three-part model of urbanization² that views demographic growth in cities as a necessary feature of industrialization that is particularly suited to analysis of capitalist urbanization (Johnston, et. al., 2000). Capitalist urbanization is led by market competition, private property, real-estate profitability, local decision-making, and physical planning on a city-by-city basis. In contrast, socialist urbanization is different because of

² The three-part model of urbanization: with population increase in towns and cities, the structural changes of production and agglomeration will lead to behavioral changes of societies and diffusion from urban areas to the countryside (Johnston, et. al., 2000).

collective and state ownership of urban land and infrastructure, the centrally planned allocation of development funds, and the existence of comprehensive strategies for the development of the national settlement network (Enyedi, 1996). Socialist urbanization, born with the Soviet system, is an immediate outcome of an urban-biased policy that emphasized industrialization under the control of a centralized one-party state (Harloe, 1996).

There are three features of socialist urbanization in Eastern Europe. The most widely recognized outcome of socialist urbanization is the phenomenon of “under-urbanization”: the failure of investment in urban housing and services to keep pace with the creation of urban jobs, resulting in maximum investments in industrial productivity whilst large sections of the blue-collar working class live in miserable settlements and the dominance of workplace-based, rather than residential, communities in cities (Enyedi, 1996; Szelenyi, 1996). Additionally, socialist cities are perceived as having "less urbanism" represented by relatively low inner-city density and poorly developed urban services (Szelenyi, 1996; Lin, 2004). Furthermore, the urban-bias in socialist policy deepens the cleavages between rural and urban areas. Whereas, in capitalist countries, an urban-rural continuum has replaced the earlier dichotomy between urban and rural areas, in socialist countries, the dichotomy is reproduced and even enlarged as a rigid segmentation.

Urbanization in China before the 1980s was similar to other socialist countries in the world (Chan, 1994a). Tremendous pressures existed in China for town-ward migration. There was a huge degree of inequality in income, living standards, social welfare, and social status between rural and urban areas. However, with the collapse of the socialist governments in the Soviet

system and its Eastern European satellites between 1989 and 1991, these countries moved toward a transitional “post-socialist” economy that reestablished private property rights, free market economies, and pluralist political life (Harloe, 1996). However, China after 1978 is moving in a different way combining market reforms with the preservation of the one-party state (Yang, 2004; Lin, 2006). Instead of a market-driven outcome, reform in China is a state-controlled process that is consequently different from both Eastern European post-socialism and the historical development of Western capitalist countries (e.g. Chan, 1994a; Blecher, 1988; Solinger and Chan, 2002).

1.2.2 Rural-Urban Divide: the Urban-biased and Industrialization Imperative Strategy

Undoubtedly, interactions between rural and urban areas are the key to understanding processes of social and economic change in developing countries (Potter and Unwin, 1995). Scholars have pointed out that imperial China³ demonstrated a continuum of rural and urban form characterized by the harmonious integration of villages and townships (e.g. Murphey, 1972; Wang, 2005; Lu, 2010). Though all rural areas were administered from a county-level urban center (Abramson, 2006),⁴ there was no discrepancy between the city and countryside, “particularly in the social and cultural realms,” (Lu, 2010: 29). There were two kinds of hierarchical system in traditional Chinese society: “one is a regional system set and adjusted by imperial bureaucrats for regional administration; the other is a regional system derived from [an] economic trading system ... dominated by retired officials, non-official gentry and rich

³ The period was from 221 BC to AD 1912.

⁴ The county-level urban centers were administered by either a prefectural-level city or directly by a provincial government (Abramson, 2006). The higher the city is in the administrative hierarchy, the larger the city is (Abramson, 2006; Chan, 2010a).

merchants and a world of informal politics and concealed subculture⁵ (Skinner, 1978: 78).”

These heritable structures laid a foundation for the modern spatial relationship between China's villages and cities.

State-led industrialization since the 1950s broke the traditional hierarchies of Chinese society (Murphey, 1972). After attaining power, the PRC adopted a strategy of "primary socialist accumulation" centered on a heavily urban-biased, industrial imperative policy. Under this accumulation regime, the government strictly controlled urbanization through the *hukou* system, an institution restricting labor mobility, particularly spontaneous outflows from the rural to urban sector (Chan, 1994b, 1996a). In order to achieve maximum industrial output and to protect the privileges of urbanites while simultaneously maintaining the existing urban manageability and minimizing urban costs, the state also established a set of policies and institutions to maximize control over the other factors of production (capital and land) that I will examine in detail later.

Before the government established control over labor mobility between the rural and urban sector, it created institutional adjustments to the sectoral flow of “capital.” In 1953, the state adopted a “scissors gap” pricing system⁶ to suppress agricultural products’ prices (Yang and Cai,

⁵ In Skinner’s account, the spatial layout of Chinese rural society is a dual-ring structure of hexagons: an inner ring around a market town will include six villages while the outer ring includes 12 villages (Skinner, 1978). Skinner adopted central-place theory to analyze the relations among villages, market towns and cities in imperial China (1978). Central place theory, developed by Christaller and Losch, is based on the concepts of transportation cost and demand intensity of goods. The theory suggests that shop owners locate their establishments as close to customers as possible to minimize travelling costs and maximize both shop turnover and consumer satisfaction. Shops are located centrally within their hinterlands. If population is uniformly distributed across an area where movement in all directions is unimpeded, then meeting this centrality requirement produces a hexagonal network of shop locations in central places (Johnston, et. al., 2000: 72).

⁶ In 1953, a monopoly price policy was adopted on main agricultural products. On one hand, the unified procurement and sale of agricultural commodities suppressed agricultural prices and controlled the distribution of

2003). Through “unif[y]ing] the procurement and sale of agricultural commodities,” agriculture was devalued while the government invested intensive capital in heavy industry to protect industrial production. As most industries were located in urban areas while agriculture was in rural areas, the pricing discrepancy between agriculture and industry laid the first cornerstone of urban-rural division in China (Figure 1.1).

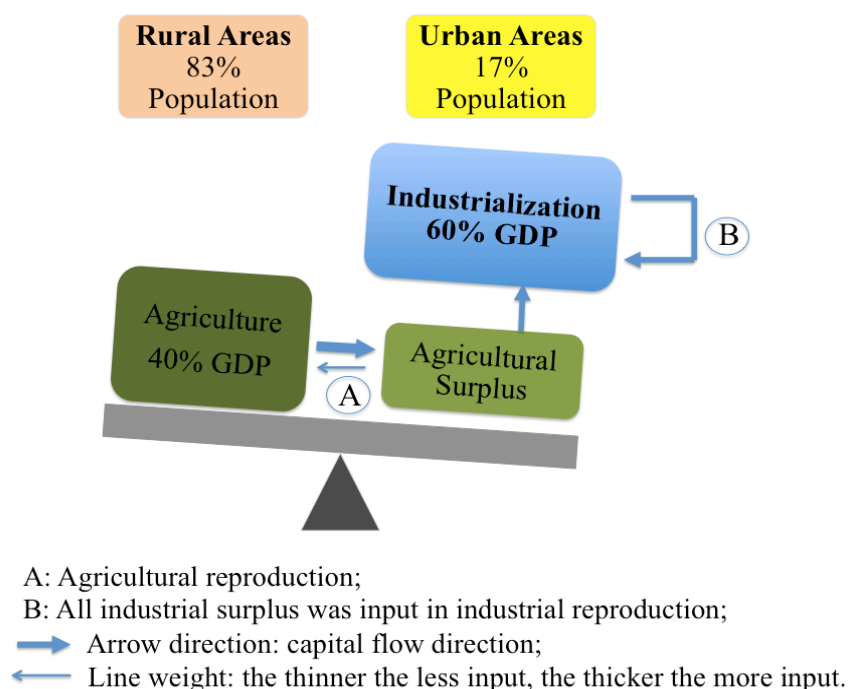


Figure 1.1 China’s Dual Structure of Rural-Urban Divide in 1963
 (Source: NBSC, 1984; adapted from Cheng, 2006)

Functioning simultaneously with the *hukou* system and "scissors gap" pricing, the Chinese government instituted state-owned and collective land ownership that forbade individual (i.e., private) land transactions. Finally, urban housing policy allowed urban workers to apply for low-rent or free apartments in cities while peasants were required to build their own homes (self-

food and other agricultural products through rationing in the cities. On the other hand, intensive capital investments were concentrated in urban areas to facilitate heavy industry development (Yang and Cai, 2003).

built houses) in rural areas. These policies successfully helped the Chinese state control capital, labor, and land in the course of production while segregating rural peasants from the urban population, and maintaining gaps in incomes, living standards, social status, and social security. Lipton (1977) argued that while an urban-bias policy might promote temporary economic growth in poor countries or in a shortage economy, it would not produce long-term, equitable development. Therefore, the examination of China's dual structure and rural-urban divide will provide an understanding of the impacts of urban-biased and industrialization imperative policy on Chinese urbanization with significant implications for development policy.

While detailed studies have been conducted on the dual-structure's effects on labor, little has been done to connect land ownership and housing policy to Chinese urbanization. This dissertation argues that differential-land ownership and housing policy in rural and urban areas are two of the most important and fundamental institutions that set China's urbanization apart from other countries. However, to understand the sources of land ownership and housing policy in China, we must first explore in greater detail the foundational institutions of the dual-structure: the *hukou* system and rural collectivization. The rural-urban divide is an outcome of the urban-bias in China's institutional design, creating divisions in the Chinese population, land, and housing systems. The sharp rural-urban cleavages arising from the dual-structure have created a “dual-society” of “one country, two worlds (rural world and urban world) (Whyte, 2010).” Furthermore, scholars argue that, the key to understanding China is to recognize the existence of two “Chinas”: a “collective” rural China and a state-controlled urban China (e.g. Huang, 2008). How the *hukou* policy shapes Chinese society and urbanization is examined in the following section. The process of rural collectivization will be discussed later in this chapter.

Further examination of how institutions of land ownership and housing policies created the “small” dual-structure and the “big” rural-urban divide will be examined in Chapter 2.

1.2.3 *Hukou* Policy and “Incomplete Urbanization”

China has adopted a strict household registration policy (*hukou*) to control its labor mobility since 1958 (Chan, 1994). A *hukou* is a residency permit that officially identifies a person as a resident of an area. The *hukou* book maintains information such as births, deaths, married status, and migration records of all members in the family. Each Chinese citizen is required to register in one and only one place of regular residence: urban or rural (Chan and Zhang, 1999:821). An urban *hukou* will provide accessibility to state-provided welfare and benefits such as health care, education, and urban job opportunities while a rural *hukou* resident has rights to the collectively-owned land located in the rural area.

Initially, the major purposes of *hukou* restrictions have been to keep peasants away from urban labor, housing, and commodity markets. Peasants were forbidden from entering cities in Mao’s era. Rural people were not allowed to find a job in cities during the time of 1958-1980. Through the restrictive “converting agricultural *hukou* to non-agricultural *hukou*” (*nongzhuanfei*) policy,⁷ quota controls,⁸ and other administrative mechanisms, the state almost completely froze

⁷ By law, individuals could move voluntarily downward to a smaller city or to a rural place, or horizontally such as when rural brides moved into other villages of their grooms, but not upward (Whyte, 2010). Anyone seeking to migrate to a city had to secure the approval of one of the public security bureaus, which restricted mobility and rarely granted permits (Chan, 2007; Whyte, 2010). In order to be eligible for *nongzhuanfei*, that is, convert agricultural status to non-agricultural *hukou*, a person needed to satisfy the conditions set out in the policy-control criteria and at the same time obtain a space under quota control (Chan and Zhang, 1999). Special conditions for granting urban *hukou* included admission to an urban university, service in the army, or compensation for rural land expropriation by a state-owned factory for plant expansion (Whyte, 2010).

rural-urban migration and decided where people should work and reside (Chan and Zhang, 1999: 830). If the mother of a newborn child happened to have a rural *hukou*, the child automatically had rights to land belonging to the mother's production team (collectives).⁹ The income and welfare of rural residents depended on the collective's available resources, the level of local agricultural land rents, and the opportunities to develop rural industrial enterprises. Hence, differences in the incomes of rural residents were relatively large (Kelly, 2007). These rights would at the same time stamp the child with the lowest social status and exclude the child from the beneficiaries of China's urban system (Chan and Zhang, 1999; Kelly, 2007).

According to Chan (2009, 2010a; 2012), Chinese urbanization is an "incomplete" process in which a dual structure of society has come into being. The *hukou* system first divided rural peasants from urban populations and then in the reform era, has converted rural population into an abundant source of cheap labor. After the 1950s, as the price of agricultural products are cheaper than industrial goods, there has been a huge income cleavage existing between peasants and urban residents. Thus, rural labor is much cheaper than urban workers. With the lack of mobility and the geographical separation of the rural and urban sectors, the huge inequality between the agricultural and non-agricultural *hukou* population was not visible to either group.

However, after city doors were opened to peasants, social disparities and societal stratification based on the *hukou* divide have become more visible and concrete in terms of the accessibility to urban benefits and opportunities (Chan and Zhang, 1999: 843). Though rural

⁸ To determine a person's entitlement to state-subsidized food grain and other prerogatives, there are two types of *hukou* categories: agricultural and non-agricultural *hukou*. The conversion of *hukou* status is subject to "policy" and "quota" (Chan and Zhang, 1999: 823).

⁹ Before 1998, the *hukou* registration place and status were inherited from a person's mother. After 1998 it a child may inherit either parent's *hukou* status (Chan and Zhang, 1999: 822).

workers leave the countryside and work in cities, they are excluded from the urban welfare and social security system, and most of them have to work for low wages in cities. Ownership shares of collective land in their rural hometown, which are retained after non-hukou migration, are the *de facto* replacement for urban social security.

The “incomplete urbanization” approach that ignores the urbanization of peasants and excludes them from the urban benefits and welfare by institutional restriction is similar to the phenomenon of “under-urbanization” in many countries pursuing a Soviet-type economic growth strategy (Chan, 2010a). The approach is to economize on the costs of urbanization in the process of rapid industrialization by setting up a dual-society. China is able to achieve rapid industrialization without paying the “full bill” for urban welfare by denying “temporary” migrants (“floating population”) access to most benefits (Chan, 2010a). In a public forum on Chinese urbanization and development strategy in 2012, a senior Chinese official, Chen Xiwen stated that as there were 935 million rural *hukou* population registered in China in 2011, the urbanization level was lower than the published value of 51.3 percent. About one-third of the “urban population” is actually rural migrant workers who need to be “urbanized” in order to enjoy full access to urban citizenship. Migrants who do not have local urban *hukou* in Chinese cities are “in the city but not of the city” and have become the lowest class in the pyramid of Chinese urban society (Chan, 2009; 2011a). Chan (2010a) argues that the incomplete urbanization approach is not a viable long-term solution. Figure 1.2 from Chan (2012) clearly presents such dual structure of China’s society.

Incomplete urbanization in China is also highlighted by the differential policies that favor large metropolises over small cities, unclear urban population statistics caused by the *hukou* system, and the confusing definitions of “urban area” and “city”. First, since the 1950s, there has been a strong correlation between rank in China's administrative hierarchy and the individual cities’ population growth rate: the higher the rank, the faster the population growth rate. As China's political-administrative system and policies favor higher ranked cities for the allocation of fiscal resources, foreign investment, transportation facilities, advanced educational and health care facilities, and other services, most of these facilities and institutions are located in major cities and administrative centers (Chan, 2010a). Cities at lower hierarchies lack the necessary investments in facilities and infrastructures to have agglomeration development (Chan, 2010a).

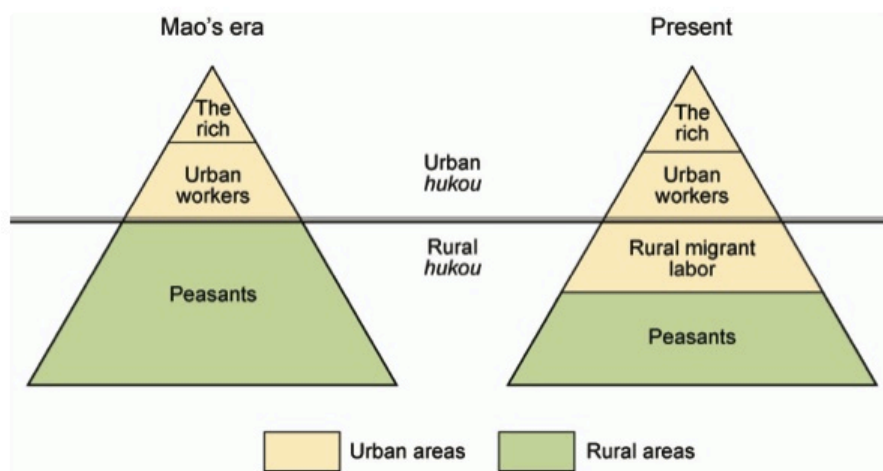


Figure 1.2 Chan's Dual Structure of China's Society
(Source: Chan, 2012; page 68, Fig1)

Second, China probably has the world's most complex system of defining urban population that has caused some confusion for statistical measurement of China's rate of urbanization (Chan, 1994a, 2007, 2012a). In general, urban population refers to the resident population in urban areas (Chan and Hu, 2003). However, the complexity of measuring China's urban population is

significantly compounded by the *hukou* system because one's *hukou* remains unchanged no matter where the individual moves, unless he effects a formal *hukou* conversion (e.g. Chan, 1994; 2012). The regular counts of urban population generally exclude migrants who do not have local *hukou* in the city (Chan, 2007). Thus there are two sources of urban population in Chinese statistical publications: the urban *hukou* population and the *de facto* urban population (Chan, 2012).

In addition, the confusing definition of “urban area” is another obstruction in obtaining a clear count of China's *de facto* urban population. In China, “urban area” refers to the administrative boundary of a “city” that also includes rural counties. As a result, a “city” refers to an administrative area that is much larger than its real “urbanized entity” (Chan, 2007; 2010a; 2012). Therefore, Chan (2011 b) suggests that a “city” in China can be viewed as a “region” as the Chinese municipalities typically administer an extensive area that includes an urbanized core, the surrounding suburbs, numerous scattered towns, and large stretches of rural territory with both agricultural and non-agricultural populations.

Therefore, it is not easy to get accurate statistics of China's urbanization level. If we calculate the urban “*hukou*” population that excludes the migrants in a municipality, the outcome of urbanization level would be lower than the *de facto* rate. If we count the migrants as urban population, the urbanization level is still problematic because this includes population in the rural area within the administrative boundary of the municipality. Such statistical problems have caused mismatches between population distribution and economic development. For example, the state and its representatives at different levels still formulate economic and social

development agendas and long-range objectives every year, but the capacity of public services and supporting facilities is based on the urban *hukou* population. This falls short of the demand for public services from the *de facto* urban population. Clear statistical methods that accurately measure China's urban population are needed.

Furthermore, the *hukou* conversion restrictions and the lack of access to urban benefits have limited the ability of rural laborers to move from low-productivity locations to settle permanently in higher-productivity ones, and limited the ability of the population to agglomerate at different points in space. An obvious result of conversion restrictions is that a dual-track education structure has been created: on one hand, cities have seen rapid growth of education institutions, the educated population and technological sophistication, while on the other, the countryside lacks educational and training institutions (Wang, 2005). Consequently, there is often an oversupply of educated and skilled labor, especially professionals, in major urban centers while a chronic shortage of such labor plagues the small cities, remote regions, and, especially, rural areas (Wang, 2005:127).

Educated and skilled laborers without local *hukou* have better opportunities to convert their *hukou* status and access local welfare and security networks than less educated and unskilled labor migrants (Whyte, 2010). Generally, municipal governments in China use various preferential policies to attract high-skilled labor. One of the most important policies is to grant local urban *hukou*, which is bound with full access to welfare and social security. However, low-income migrants, particularly those from rural areas with less education, are mostly excluded from these policies. As a result, a vicious circle has formed in China where highly educated

laborers concentrate in major urban centers while few laborers stay in rural areas. The low-income rural migrants make up the majority of China's "floating population". Though China "is not abolishing the *hukou* system" (Chan and Buckingham, 2008) right away, whether and how to provide social security to the massive amount of "incompletely urbanized" migrants has been debated in academia. The situation of floating population and how to improve their social status calls for further research.

A group of scholars, mainly Chan and Wang, have explicitly examined the relationship between the *hukou* system and Chinese urbanization (e.g. Chan, 1994; 2009; Yang and Fang, 2003; Wang, 2005). Chan (2010a) particularly has examined two fundamental aspects of China's urbanization including the administrative hierarchy of Chinese cities and the restriction of population mobility. However, other institutional determinants affecting interactions between rural and urban areas such as land, housing, and tax policy remain understudied and call for further study.

1.2.4 The McGee-Ginsburg Model: "desakota"

Many scholars have applied the McGee–Ginsburg model to explain China's rural-urban relationship. McGee coined the term "desakota" following studies of Southeast Asian urbanization since 1970 to describe spaces characterized by an intense mix of agricultural and non-agricultural activities stretching along corridors between large urban cores.¹⁰ Additionally,

¹⁰ *Desakota* refers to a combination of two Indonesian words: "*desa*" for village, "*kota*" for town) regions (McGee, 1991). There are five main regions of the spatial economy identified in the McGee–Ginsburg model: a) major cities; b) peri-urban regions within a daily commuting reach (maybe 30 kilometers away from the city core); c) *desakota*, the regions of an intense mixture of agriculture and nonagricultural activities characterized by dense populations

the *desakota* studied by McGee faced no rigorous institutional control of population mobility or markets, allowing the intense movement of people and goods facilitated by relatively cheap transport (McGee, 1991).” McGee argued that the landscape of contemporary China's rural-urban fringe is one kind of “*desakota*.” He enumerated four regions including Hong Kong-Guangzhou-Macau, Nanjing-Shanghai-Hangzhou, Beijing-Tianjin-Tangshan, and Shenyang-Dalian and asserted that these regions “have exhibited all features of *desakota*” and have “remarkably” fit the model. However, McGee neglected the institutional policies of the *hukou* system that do not allow “extreme fluidity and mobility of the population,” as well as land policies that do not allow individual property rights and land transactions. Due to the impacts of the dual-structure on urbanization in China, the mixed areas of city and countryside in China are not representative of “*desakota*”, but of *CZC*. The *CZC* is an iconic feature of China's urban landscape since the 1980s. Arising from the dual structure *CZC* have emerged on the rural-urban fringe as a unique spatial form that differentiates Chinese urbanization. More detailed exploration of the *CZC* as a unique spatial form will be examined later, but they should not be conflated with the “*desakota*”.

1.3 Central-Local Relations

China has developed and retains a powerful central government with a constitutionally unitary state that subordinates all local governments to central authority (Zheng, 2006). The

engaged in agriculture but not exclusively dominated by wet-rice. It is a mixed rural-urban land use region; d) densely populated rural regions; and e) the sparsely populated frontier regions that offer opportunities for land colonization schemes and various forms of agricultural development (McGee, 1991: 6-7). Administratively, the *desakota* is defined as a “rural area” and to some extent is “invisible” or “grey” to state authorities, as urban regulations may not apply in these “rural areas.” As the peri-urban region is located within a daily commuting distance, in a same household, “one person may commute to the city to work as a clerk, another engage in farming, a third work in industry, and another find employment in retailing in the “*desakota*” zone,” (McGee, 1991:17).

central government has imposed strong authority over financial control and centralized redistribution in Chinese administrative system since 1949 (Xi, 1990). There is a five-tier spatial administrative hierarchy consisting of the central government at the top, followed by provincial-level units, prefecture-level units, and county-level units in the middle, and towns and townships at the bottom (Figure 1.3).¹¹

Rural villages are at the lowest level in the spatial hierarchy, but are not technically a part of government.¹² The higher ranks not only reflect political/administrative power but also are important in the distribution of fiscal resources in the formal budgetary system and for local economic development. Prior to 1978, through a consolidated national budgetary plan, the central government had centralized the fiscal administration and controlled financial revenues and expenditures. Local governments had limited autonomy and capacity in planning and supporting economic development due to the constraints of the national budgetary plan. To control local officials and solicit their compliance the central government applied a target responsibility system to assess local cadres as a performance evaluation in accordance with the

¹¹ Figure 1.2 is a simplified structure of China's administrative hierarchy. According to Abramson (2006), as of 2004, , under the Central government, there are 22 provinces, 5 autonomous regions, and 4 provincial-level municipalities at the provincial level of the hierarchy; there are 17 prefectures, 32 autonomous prefectures and 283 prefectural-level municipalities at the prefectural level; there are 1,464 counties, 172 autonomous counties, 374 county-level municipalities, and 852 municipal districts at the county level; there are 17,451 townships (*xiang*), 19,883 towns (*zhen*), and 5,904 streets at the township and town level. And finally, there are 644,000 villages in China in 2004. Rural jurisdictions include villages and the 17 prefecture, 32 autonomous prefectures, 1,464 counties, 172 autonomous counties, 17,451 townships and 19,883 towns (Abramson, 2006: pp.200, Figure 1).

¹² According to Article 2 of Organic Law of Village Committees of China promulgated in 1998, a village committee is a mass organization of self-government at the grassroots level, in which the villagers administer their own affairs, educate themselves and serve their own needs. Decision-making, administration, supervision, and elections in the village are exercised by democratic means (National People's Congress, 1998)."

important tasks and corresponding targets (e.g. Tsui and Wang, 2004; Chan, 2006a; Zheng, 2006).¹³

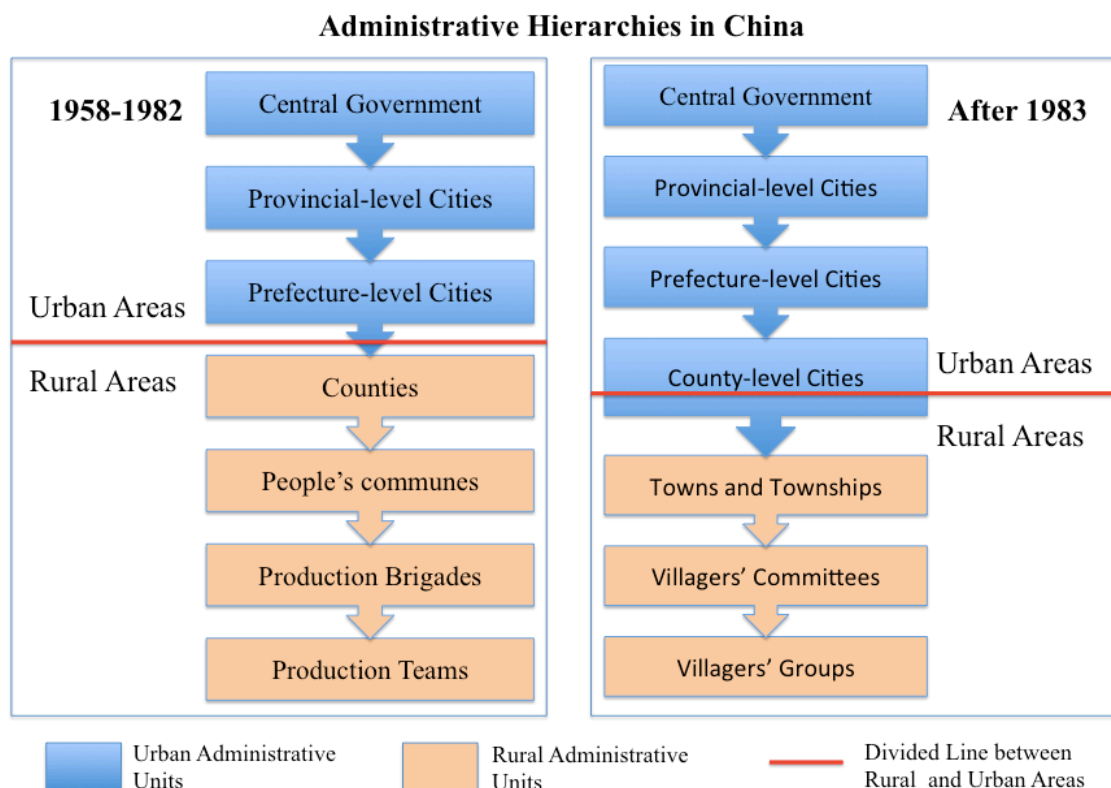


Figure 1.3 Administrative Hierarchies in China since 1958.

1.3.1 Decentralization

Since the 1980s, adjustment of the fiscal system has been the primary mechanism of change in Chinese central-local relations. Following a series of reforms, China's fiscal system is now characterized as multilayered and decentralized (Fock and Wong, 2008). Fiscal reforms in 1980, 1985, and 1988 vested local governments with greater autonomy to retain tax revenues, but the

¹³ As upper-level governments control the appointments of key personnel of their subordinate units, local jurisdictions always have incentives to “climb” up the administrative ladder to a higher administrative rank (Chan, 2006a).

central government has faced greater challenges in fulfilling its tax collection tasks. Further details about the fiscal reforms will be provided in Chapter 2.

The central-local relations since the fiscal reform in the 1980s can be summarized by a traditional Chinese idiom, “the mountains are high and the Emperor is far away” (*shan gao huangdi yuan*). Local governments may neglect to carry out policies that do not directly maximize the interests of localities. However, local officials also began to pay more attention to the policies that directly contribute to their political credits in the target responsibility system, increasing their chance to “climb” up the administrative hierarchy (Zhu, 2007). The former authoritarian method of one-way directives from the central government has been replaced with interactive and adaptive cooperation, negotiation, and compromise with local governments.¹⁴ Consequently, the central government is not always able to bring local governments in line with national interests (Zheng, 2006).

A new tax-sharing system introduced in 1994 helped the central government retake its share of tax revenue, but has forced local governments to raise revenues through extra-budgetary channels. One of the most important methods for generating "extra-budgetary revenues" has been agricultural land conversion, a subject that I will discuss later (Zheng, 2006; Zhu, 2007). Along with decentralized fiscal reforms, the national government has decentralized controls over public finance, material allocations, foreign trade, and personnel management to local government (Duckett, 1998). To attract increasing foreign investment, domestic private

¹⁴ On one hand, some provinces have resisted revenue submission to the central government. The richer the province is, the stronger resistances it has. On the other hand, economic decentralization has widened uneven development and diversities among the provinces and regions. Poor and rich provinces are also reluctant to cooperate. As a result, the central government was unable to bring local governments in line with the national interest (Zheng, 2006).

entrepreneurs now commonly collude with government officials to create a web of bureaucracy-business alliances (Zhu, 2007). Such alliances will be discussed in the following section.

1.3.2 Changing Local Governance

In the era of globalization, the local state has played an active role in forging the uneven development of new social, economic and cultural relations at both the local and global level (Hall and Hubbard, 1998). The period from the 1930s to the 1970s was the high point of social Keynesianism,¹⁵ which aimed at full employment, eradicating poverty and inequality, and the creation of a balanced space-economy in the capitalist world (Short and Kim, 1999).

Since the early 1970s, the advanced capitalist countries began to shift from the Keynesian State to a Competitive State model for solving the economic problems (Short and Kim, 1999). To attract more investment and pursue economic growth, local governments have gained importance by adapting their roles and functions for proactive development, taking entrepreneurial approaches to cooperate with private actors and capital, and in the process, have become more risk-taking, inventive, and profit motivated. Hall and Hubbard (1998:8) have pointed out that the manipulation of city images has become one of the most important aspects of urban governance in the entrepreneurial era. Urban politicians seek to promote growth through image-enhancing projects, revitalizing the city with civic centers, convention complexes, mass

¹⁵ Before the 1970s, American cities advocated social Keynesianism aimed at full employment, eradication of poverty and inequality, and the creation of a balanced space economy in the Western world (Short and Kim, 1999). Since the early 1970s, strategies have shifted from the “Keynesian state” to the “competitive state” for solving the economic problems (Short and Kim, 1999). Urban governments have increasingly collaborated with market forces (especially business leaders and the business community) in shaping policy in such cities as Detroit, Toronto, Vancouver and Baltimore (Logan and Molotch, 1987). Across the Atlantic, the British central government encouraged local governments to focus on economic growth for improving the efficiency, competitiveness, and profitability of British industry (Rees and Lambert, 1985:179).

transit systems, sports stadiums, riverfront development, and festival markets to create more jobs, erect new economic structures, and attract more manufacturers (Clark, Green, and Grenell, 2001). However, many of the image-enhancing schemes have turned out to be loss making (Hall and Hubbard, 1998).

The term, “governance,” refers to the involvement of a wide range of institutions and actors in the production of policy outcomes coordinated through networks and partnerships (Johnson, et. al., 2000). In mainstream studies, scholars have developed various terms such as “growth machine¹⁶” (Harding, 1994), “new urban politics¹⁷” (Cox, 1993) and “urban entrepreneurialism¹⁸” (Harvey, 1989a; Hall and Hubbard, 1998) to describe changing local governance in Western cities. Harvey defined such trends¹⁹ as “neo-liberalization,” referring to the “corporation, commodification, and privatization of public assets” and an ideology of government that maintains that “interventions of [the] state in a created neo-liberal market must be kept to a bare minimum,” (Harvey, 2007:36). Furthermore, although these changes in local governance may succeed in attracting investment, scholars have pointed out that it induces many social and economic problems such as social inequalities and uneven development (e.g. Logan and Molotch, 1987; Harvey, 1989a; Smith, 1990; Fitzgerald, Ely and Cox, 1990). Though the

¹⁶ “Growth machine” refers to a coalition of local interests led by property renters, united through a commitment to economic growth (Harding, 1994).

¹⁷ Cox (1993) coins the term “new urban politics” to describe the entrepreneurial government use of hypermobile investment capital in the context of immobile urban communities. The new urban politics emphasizes market forces that stress the demand from hypermobile capital and the “territorial organization of the state” (Cox, 1993). Cox (1993) states that the new urban politics is a peculiarly North American concern while the local economic development coalition in Britain is relatively weak as state-owned business and networks have reduced the economic dependence on the market (Cox, 1993).

¹⁸ Urban entrepreneurialism is a public-private partnership where urban governments cooperate with private capital and unions (Hall and Hubbard, 1998). During the promotion of local economic development, public money is used as leverage to attract private investment to urban areas. However, this is encouraged not only by local government but also by national governments as in the UK (Hall and Hubbard, 1998).

¹⁹ Harvey has viewed the state as “a prime agent of redistributive policies, reversing the flow from upper to lower classes (Harvey, 2007:38).”

goal of cooperation between local government and the private sector is to achieve economic growth, most urban entrepreneurial projects have failed (Jessop, 1998). In sum, much of Western scholarship argues that entrepreneurial policies are problematic and limited.

Some scholars view China as a “neo-liberal” state, and have adapted neoliberal terminology and theory to explain the emergence of new local governance in China. Examples in the existing literature include the “local developmental state”²⁰ (Blecher, 1991), “local state corporatism”²¹ (Oi, 1992), “state entrepreneurialism”²² (Duckett, 1998; Wu, 2003; Zhang, 2002), and “local growth coalition (Zhu, 1999b)”²³. Table 1.1 shows the examples of existing studies at different levels in China’s administrative hierarchy.

Although the state continues to rely on hierarchical administration, cellular organization of communities, and ideological domination of public space to maintain social order and assert its

²⁰ Blecher (1991) coins the term “local developmental state” to describe the local governments in China that have played a key and positive role in promoting local economic growth through cooperating with local collective enterprises and upper level governments. This analysis is done at the county level.

²¹ “Local state corporatism” is focused on development at the township level where local governments used a combination of inducements and administrative constraints to manage and promote local economic growth (Oi, 1992, 1995, 1999). The enterprises formed by local governments were initially collectively-owned. Some of them may have been converted to private-ownership for official’s individual purpose. Local governments will favor these enterprises within their administrative purview in local economic development. For her study, Oi conducted interviews in two counties in Shandong province, one county outside Tianjin; and a few counties and villages in Liaoning and Sichuan Provinces.

²² Following Duckett’s study of state entrepreneurialism, Wu (2003) and Zhang (2002) suggested that regime theory and regulation theory provide two perspectives for understanding the emergence of new local governance in China. They argue that the new urban politics in Shanghai is a phenomenon that can be explained by regime and regulation theory. Local governance in Shanghai is characterized by successful government intervention, active business cooperation, limited community participation, and uneven distribution of benefits and costs of new development (Wu, 2003; Zhang, 2002). However, as regimes and modes of regulation are fundamentally established in capitalist history and the socio-political dynamics of particular locations (Johnston, et al, 2000: 691), the appropriateness and premises of these theoretical applications are limited. Therefore, this dissertation argues that regime theory and regulation theory limit our ability to paint the whole picture of local governance in China. Wu and Zhang’s studies focused on the provincial level (as Shanghai is a municipality directly under the Central Government).

²³ In Zhu Jieming’s account, “local growth coalitions” are informal coalitions at local levels which consist of local governments, enterprises and foreign capital pursuing economic growth, cooperating in order to deal with increasing regional competition and to circumvent central pressure for revenue submission (Zhu, 1999). Zhu’s analysis is done above the prefectural level as Shenzhen is a city of Special Economic Zone status in China.

legitimacy, local governments in China have shown similar characteristics of “local growth politics” – particularly in the cooperation between public and private sector actors to foster local economic growth – that occurred in Western cities since the 1970s. As discussed above, local states have promoted local developmental projects not only because of economic incentives for local cadres to maximize revenue, but also due to political incentives generated from the target responsibility system.

Though the central government has made no attempt to integrate rural areas into its government system (Naughton, 2007), Chinese municipal governments were given enhanced authority over their rural hinterlands and some formerly rural counties were promoted to “county-level cities” since the early 1980s (Chan, 1997; Abramson, 2006). With the enforcement of land and tax reforms under China’s constitution, municipal government is the only legal representative of the state to expropriate land from rural areas. This monopoly right has provided local government a chance to make windfall profits from land transactions (e.g. Lin and Ho, 2005). On one hand, to pursue sustained growth in local revenue through land conversion income, a “land-revenue” development strategy has been created to stimulate local economic development in Chinese cities. Local governments at different levels have cooperated with other actors including private developers and state-owned enterprises to form informal coalitions (e.g. Abramson, 2006; Hsing, 2005; 2006; Zhu, 2004). On the other hand, municipal governments have given priority to constructing image-enhancing projects such as monumental buildings, nightscape projects, and flagship plazas that have made the demolition of old neighborhoods, displacement of inner city residents, and redevelopment of *CZC* everyday concerns of municipal governments (e.g. Abramson, 2006; Wu, 2002; 2003; 2009).

Table 1.1 Existing Literature of China's Local Governance at Different Administrative Levels

Terms (Researchers & Year)	Studied Areas	Involved Administrative Levels				
		Provincial -level	Prefecture -level	County -level	Town and Townships	Villages
State Entrepreneurialism (Duckett, 1998; Wu, 2003; Zhang, 2002)	Tianjin, Shanghai	✓				
Local Growth Coalition (Zhu, 1999)	Shenzhen		✓			
Local Developmental State (Blecher, 1991)	Xinji Municipality, Guanghan County			✓		
Local State Corporatism (Oi, 1992)	Tianjin; Shandong, Liaoning, and Sichuan provinces.			✓	✓	✓

Scholars have pointed out that such “alliances” often have objectives and priorities at odds with the local community or broader interests, and the tendency toward profit-incentives has driven local governments to behave like a profit-oriented corporation competing with other social groups in China (Chan and Su, 2008). Local governments tend to make use of their administrative power to strengthen the local bureaucratic system in which some individual officials are able to abuse power for their own benefit and monopolize unique resources (Xi, 1990; Duckett, 1998). By using their official position and administrative resources, local officials formed state-owned or collectively-owned enterprises that could be gradually transformed into businesses under officials' private ownership (Oi, 1993). The resulting bureaucratic corruption has infiltrated various state agencies at different levels in China and has undermined the political system (Xi, 1990).

However, existing studies are descriptive and tend to be focused on the administrative levels above villages. In addition, as the state remains dominant in Chinese economy and society, this dissertation argues that the wholesale application of Western terminology to China is problematic. Rather than mechanically employing Western frameworks, this dissertation suggests that studies in response to the emergence of new local governance between rural and urban areas in China require further theoretical and empirical studies. The investigation of changing local governance of CZC in this dissertation will fill the research gap.

1.4 Ownerships and Collectivization in Rural China

1.4.1 Property Rights and the “Common-Property Resource”

Property rights are one of the formal institutions that rulers devised to create order and reduce uncertainty in political, economic and social interaction in their countries (North, 1990; 1991; 1993).²⁴ The major role of institutions (including formal institutions such as regulations, laws, property rights and informal institutions such as customs and traditions) in a society is not to provide efficiency but to reduce uncertainty by establishing a stable structure for human interaction (North, 1990). Institutions provide the incentive structure for an economy, pointing economic change towards growth, stagnation, or decline as that structure evolves (North, 1991). The role of secure property rights in fostering good governance, robust economics, and strong civil societies is very important, and land tenure reform was at the core of successful reforms in

²⁴ According to North (1990, 1991, 1993), institutions are the humanly devised constraints that structure political, economic and social interaction; and consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights). The institutions in North’s account are similar to the *institution-as-norms* and the *institution-as-rules* approaches in Crawford and Ostrom’s account.

Japan, Taiwan, South Korea and Singapore after World War II (McLaughlin and McKenna: 1998).

In general, property rights as a social institution reflect a system of relations between individuals involving rights, duties, powers, privileges, and forbearance. It is an enforceable claim made against others over the use or benefit of something (such as land) and consists of three elements: the right to use the asset, the right to appropriate returns from the asset, and the right to change the asset's form or substance (Williamson, 1991). Thus property rights define the uses which are legitimately viewed as exclusive and who has these exclusive rights.²⁵ Property rights, then, are a bundle of exclusivity, inheritability, transferability, and enforcement mechanisms (Alchian and Demsetz 1973; Johnston, et. al, 2000). There are four categories of property rights: open access (no property rights arrangements at all),²⁶ private property, common property, and public property (e.g. Feeny et al., 1990; McKean, 1998). The four-way taxonomy creates an impression that the four different ownership resources should be mutually exclusive. However, only private property establishes clarity, specificity, and exclusivity of rights while there may be conflict or overlap among the other three (Feeny, et al., 1990; McKean, 1998).

Schlager and Ostrom (1992) coined the term “common-property resource” to describe the three overlapping categories of rights that includes (1) property owned by a government, (2) property owned by no one, and (3) property owned and defended by a community of resource

²⁵ Such a definition of property rights is an important class of institutional arrangement that include both formal procedures and the social customs and attitudes concerning the legitimacy and recognition of those rights (Feder and Feeny, 1991).

²⁶ Open access is the absence of well-defined property rights. Access to the resource is unregulated and is free and open to everyone. Many offshore ocean fisheries before the 20th century, or the global atmosphere provide examples (Feeny, et al., 1990).

users. Schlager and Ostrom (1992) point out that the development of effective property rights systems to manage common-property resources (inshore fisheries in Maine in their example) is extraordinarily difficult no matter what type of property-rights regime is adopted. However, assigning full ownership rights does not guarantee an avoidance of common-property resource degradation and overinvestment.

Land in China fits the definition of “common property resource” described above as collective and state ownership of land have coexisted since 1949. While ownership of housing units, other fixed assets, and land use rights may be private, in China land belongs either to the state or to collectives according to China’s constitution.²⁷ However, while state ownership is clearly defined by China’s constitution and land regulations, collective ownerships remains legally undefined (Ho, 2001). Due to their unclear definition, however, the “common” property structure in China is totally different from that in Western countries. Scholars argue that the central government upholds deliberate institutional ambiguity of “collective land ownership” to facilitate land transactions and urban construction while avoiding large-scale social conflict (Ho, 2001; Li, 2010). To some degree, scholars viewed collectively-owned resources as public property owned by the state while the ambiguity of “collective” ownership has opened up large opportunities for local officials’ corruption (e.g. Oi, 1998; Ho, 2001; Li, 2010). The following section traces the origin of rural collectivization from the 1950s and explicates how the state established collective ownership.

1.4.2 Collectivization of Land Ownership in Rural China

²⁷ See Article 6 and Article 10 in the Constitution of the PRC (National People’s Congress, 2004 a).

Land reform and collectivization are historically important and fascinating episodes in the annals of institutional change in China (Putterman, 1993). Land redistribution had been an effective strategy for the CCP to gain massive support from poor peasants as early as 1927 (Marshall, 1985).²⁸ On June 30, 1950, the communist government launched the first Land Law in order to facilitate industrialization, end the “feudal agrarian system,”²⁹ abolish the landlord class, and transfer rural land ownership to peasants. The result was a substantial turnover of social stratification and power in rural China. The reform gave the new government a high level of approval among Chinese peasants and resulted in increased agricultural output (Marshall, 1985; Cheng, 2006). In 1952, national agricultural output value was 43 percent higher than in 1949; the average annual growth rates of food and cotton output rose from 13 percent to 61 percent from 1949-1952 (Cheng, 2006). By 1960, about 92 percent of total arable land was possessed by the poor peasants and middle peasants, while 8 percent possessed by former landlords and rich peasants (Marshall, 1985). In this period, about 300 million landless peasants received free land, holding property rights for three years (Cheng, 2006).

However, land reform ended after 1952. Following in the footsteps of the Soviet Union, the state ended private land ownership. In order to construct a socialist country and develop heavy industry, beginning in 1953, the state nationalized urban land and collectivized rural land. According to the new land policy, the village production brigade was the legal owner of rural

²⁸ See details in Mao (1927).

²⁹ According to the CCP, there were five tiers in Chinese rural society in the feudal agrarian system. The landlord class comprised the highest strata of rural society. Landlords and rich peasants, accounting for 10 percent of the population in the late 1940s owned 70-80 percent of total land in Chinese rural society. Rent and interest collection were the landlords' main sources of income. Rich peasants worked in their fields, but were fortunate enough to have surplus property, implements, and income. The middle peasants and poor peasants held 20-30 percent of rural land. The lowest strata is hired labor who owned no land or implements and relied on selling their labor power to maintain a living (Hinton, 1966, “Appendix A: Basic program on Chinese Agrarian Law Promulgated by the Central Committee of the Chinese Communist Party”).

land, while the municipal government was the legal owner of urban land. Agricultural producers' cooperatives were first set up nationwide to merge small mutual aid teams and individual peasants in 1953, followed in 1958 by the creation of People's Communes³⁰ intended to promote rural industrialization with the goal of "surpassing England and catching up with America (*chao ying gan mei*)" (Marshall, 1985; Cheng, 2006). In the course of collectivization, peasants gradually lost control of land to the collective ownership (Li, 2010).

The establishment of People's Communes in 1958 was a centralized "public" ownership system, replacing production brigade ownership at a larger scale in which all primary producer goods such as land and large tools belonged to the commune. Each member of a commune was required to hand over all producer goods, including cultivated land and private houses to the commune while the commune was responsible for providing welfare facilities such as dining halls, nurseries, tailoring teams, and other services. The township governments and commune party committee held the real power in operating the commune. Many of the powers previously held by the townships and counties were taken over by the communes (Marshall, 1985).³¹ The commune authority became the main unit of ownership and distribution of resources in rural China including labor and land (Marshall, 1985). As a result, rural China was organized in three tiers: after 1958: the people's commune, the production brigade, and production team with the production team as the fundamental unit organizing individual peasants directly for production and resource distribution (Cheng, 2006).

³⁰ The people's communes were formally established nationwide to accelerate the movement of the Great Leap Forward (GLF) in 1958 and abolished in 1983, replaced by townships. The rural industrialization did not result in economic growth but did enhance public services. During the GLF period from 1958 to 1961, rural collectives built a number of houses, roads, hospitals, irrigation projects, and rural education facilities (Cheng, 2006).

³¹ In the beginning, the original form of the commune was like a large agricultural enterprise, averaging 4000 to 5000 households. In some areas a commune might even be composed of an entire county including 10,000 to 20,000 households (Marshall, 1985).

Because of severe famines from 1959 to 1961, the state downsized the communes and decentralized the power and authority of allocation and distribution to the production team in 1962 (Marshall, 1985). The commune was responsible for managing its own industrial enterprises³² while the production team was responsible for crop management and production (Marshall, 1985). Following these changes, production teams owned their land, tools, animals, trees, and other producer goods. With the production team as the primary accounting unit and owner of collective land, a strong foundation for collective ownership in rural China was established.³³

1.4.3 The Ambiguity of Collective Ownerships in Rural China

However, collective ownership has been questioned from its inception. Through investigating the ownership and control of rangeland in Ningxia Autonomous Region, Ho (1998) shows that from 1956-1966:

“The attempts to effect ‘collective maintenance, collective management and collective usage’ by the production team (and the possible grassland management groups) conflicting with the existing property rights structure. In principal, the direct users of the natural resource (the members of the production team) were generally not the owners of the grassland, as this was the commune. Thus, the term ‘collective’ did not refer to merely one institutional level, but three: the production team, the production brigade and the commune. The ownership of the grassland was vested in the commune, the ownership of livestock in the brigade, while the team was only charged with the herding of the flock (Ho, 1998: p.208).”

³² The commune’s industrial enterprises were the original form of the township and village enterprises (TVEs) that emerged later in the 1970s (Marshall, 1985; Cheng, 2006).

³³ The Eighth National Party Congress in September 1962 adopted the revised draft of the Work Regulations for the Rural People’s Communes (popularly known as the 60 Articles). According to the 60 Articles, “all land within the limits of the production team is owned by the production team.... Collective forest, water resources, and grassland are all owned by the production team.” (Ho, 2001: 405).

Similar problems exist regarding collective ownership of farmland (Li, 2010). Critical scholars argue that collectivization deprived peasants of private land ownership while avoiding any eruption of large-scale social conflict (Ho, 2001; Li, 2010). Li (2010) further argues that the collectivization of land was not an institutional design to clarify ownership but to create ambiguity that would facilitate Chinese industrialization. Although the law stipulates that the collective is the owner of land, it does not define the organization or structure that represents the village collective. By law, the village collective economic organization and the village committee have only managerial and administrative rights over land, but there is no legal foundation for them to legally exercise ownership. As the collective economic organizations and the village committees have not been established as legal owners, they lack the power to represent the farmers' collective ownership (Ho, 2001; Li, 2010). Therefore, there is no single entity that can represent or exercise real ownership of collective land in China (Ho, 2001; Li, 2010).

The ambiguity of collective ownership has been further complicated by the post-Mao reforms, particularly with the adoption of Household Contract Responsibility System (HCRS).³⁴ The adoption of HCRS has restored peasants' property use right to land, allowing rural households to contract collective land for individual cultivation and led to the dissolution of people's communes in 1983 (Cheng, 2006). The initial state allowance of a contracted lease period of 5 years was extended to 15 years in 1984, and to 30 years in 1992 (Selden, 1998; Ho,

³⁴ In the early spring of 1979, 18 peasants at the Xiaogang Production Team of Fengyang County in Anhui Province, the smallest and poorest team countywide, spontaneously signed a secret agreement to divide communally owned farmland into individual plots. The contract system did not go nationwide until 1980.

2001). Contracts are held between households and the village committee, and village cadres retain the authority to redistribute village land to adjust for population shifts.

Though peasant households can individually cultivate rural land, the land ownership remains “collectively-owned.” Peasants are authorized to rent out their contracted land for the duration of the contract, but not to sell it. In addition, under the current regime of collective land ownership, village committees have direct power over land use rights and development control while villagers are allowed to build private houses on the ARL (*zhaijidi*). Such a land system has resulted in a number of problems. Some peasants still believe that the assigned rural residential land belongs to them instead of the collective while collective committees can redistribute contracted land “whenever deemed necessary,” (Ho, 2001). The ambiguity of ownership has been an explosive source of social conflict when opportunities arise to convert land to higher-valued industrial or commercial uses (Ho, 2001; Naughton, 2007).

The ambiguity of collective ownership has also provided municipal-level governments convenience to expropriate massive land from rural areas (e.g. Chan, 2006; Guo, 2001; Ho, 2001; Ho and Lin, 2005). The primary concern of villagers today is questions on how to fairly redistribute land, how to generate a fair compensation, and how to define “collective ownership.” Whoever holds the reins of power in a given village often acts as the *de facto* owner of collective property? As the representative of the collective, the village head argues that it is up to him to decide how to manage land within the village boundaries (Naughton, 2007). Village cadres, government officials, and developers negotiate the sale price, and arrange compensation or relocation for displaced farmers. In the course of land transactions, many officials find ways to

enrich themselves. Village members react with anger particularly when compensation is unfair (Naughton, 2007). The largest cause of social conflicts in China today is disputes over land deals with rural residents demanding more secure property rights to land than the existing system provides them (Naughton, 2007). To protect villagers' interests, it is therefore imperative that the central government articulates the legal nature of collective ownership (Ho, 2001).

Surprisingly, though land ownership is a deeply geographical issue to the extent that property owners and users engage in conflicts over the meanings and uses of space, geographic writing on land ownership, particularly farmland ownership in China, is extremely undeveloped. Scholars in the fields of economics and political science have raised some issues related to farmland property rights (e.g. Ho, 2001; Whiting, 2001) and urban planners have studied urban property rights in Chinese cities (e.g. Abramson, 2011). However, with the exception of Po (2008), few geographers have paid attention to the rural land regime and rural shareholding reforms. Instead, geographers have focused on assessments of farmland lost in the course of state expropriation (e.g. Cartier, 2001; Ho and Lin, 2004; Wu and Yeh, 1999), the cooperative politics between various actors in the course of land conversion (e.g. Cartier, 2001; Hsing, 2006; Zhu, 1994), and the disparity in price between rural and urban areas (e.g. Ho and Lin, 2004; Li, Xu, and Li, 2010; Wu and Yeh, 1999). Further studies on collective farmland property rights within geography are needed.

Furthermore, academics show little interest in studying the policy and law-making process that led to the current layout of China's land rights system (Ho, 2001). With the first Property Rights Law of China promulgated in 2007, the Chinese media has given an unprecedented level

of attention to private ownership (Abramson, 2011). However, the new law left the legal nature of collective ownership untouched. Though some scholars deem private property rights as part and parcel of the “the rule of law” and preconditions for stable economic growth, China’s impressive economic growth since 1978 has defied the need for privatization of land ownership (Ho, 2001). However, this dissertation will not discuss whether China needs to privatize land ownership, but instead focuses on the nature of collective land and collective property rights in CZC, a topic that has been largely ignored by geographers. The relationship between land, property rights, and Chinese urbanization will be investigated further in Chapter Two.

1.5 Chengzhongcun: Villages-in-the-City

The Chinese term “*chengzhongcun*,” literally translated as “villages-in-the-city,” is a distinct geographical entity that appears in either the inner city or the city's outskirts that retain “collective” properties.³⁵ Kinship networks typically dominate community relationships in these villages. These villages were “rural” settlements where peasants engaged in agricultural activities and held rural *hukou* since the 1950s. Since the 1980s, however, the fast expansion of cities has blurred the boundaries of urban and rural (Naughton, 2007). Many villages have been engulfed by the expanding municipal boundary under a period of rapid urbanization.

In the course of converting rural land for urban uses, municipal governments adopted a

³⁵ With a heterogeneous population and land ownership, CZC are different from what geographers call 'urban villages' in Western countries where residents share common cultural or racial characteristics. The urban village in Johnston and et. al's account refers to a residential district in either the inner city or the zone in transition of the zonal model, containing people with a common cultural background and forming a community (Johnston and et.al., 2000). A typical example is the Italian community that Gans found in inner Boston in 1962 characterized by chain migration and remaining to assist with assimilation into the host society, to defend the migrants' culture, and to ensure the provision of services-such as food shops-oriented to their market alone (Johnston and et.al, 2000: 883).

circumventive policy to acquire farmland while leaving rural housing land to village collectives in order to minimize compensation costs. In some areas, particularly in the Pearl River Delta region (PRD), 8-12 percent of expropriated land was returned to the village committee as compensation for collective businesses while ARL plots (*zhaijidi*) were maintained for native villagers to construct their private houses.³⁶ CZC are characterized by low-rise housing, decayed and narrow passageways, and unplanned residential land surrounded by high-rise “modern” buildings (Tian, 2008).

CZC are also an embodiment of the “incomplete urbanization” process as most villagers holding urban *hukou* do not take part in the urban job market, but make a living by renting rooms for migrant tenants. The resulting land-use model in *CZC* is a mix of peasants’ privately owned residential houses, collectively-owned commercial buildings, and informal economic activities in rental houses. Administratively, *CZC* are rural places outside the urban administration system and are not considered in urban planning and development control regulations.

However, most *CZC* do not contain agricultural land to cultivate. Villagers instead are forced to change their role from traditional peasants to urban residents. Unfortunately, most of them cannot find comfortable jobs in the municipality, but the remaindered housing land redistributed to village members has provided them with a valuable income source. Under the regime of collective land ownership, village committees have direct power over land use rights and development control. Villagers are allowed to build private houses on the assigned rural residential land. Without any land use fee, the cost of constructing a private house in *CZC* is much less than that of a house built outside the village.

³⁶ Housing plots are usually 80-100 square meters per plot for one household.

The self-built houses are mostly low-rise multi-story buildings (normally three or more stories in height) of concrete blocks in simple rectangular shapes. Usually native villagers keep one story³⁷ for their own use, and rent out the other floors to migrant workers at a lower rental rate compared with the municipal average. Households located on main streets and alleys often rent out the first floor for commercial uses such as barbershops, grocery stores, and snack bars at a higher price. Though these houses are plagued by dilapidated housing construction, aged facilities with poor maintenance, and narrow alleys, they have provided inexpensive housing and have attracted thousands of low-income workers in the municipality. Consequently, rent has replaced farming as the main source of villagers' income (Zheng, Long, Fan and Gu, 2009

Chinese literature on *CZC* is mostly descriptive and lacks a theoretical framework. Chinese academic research on *CZC* traces back to the late 1990s (e.g. Zhang, 1998; Tian, 1998; Li, 2001). Since then, Chinese literature is focused on questions such as how to explicitly define the concept of *CZC*, reasons for the formation of *CZC*, land-use patterns in *CZC*, and how to develop and transform *CZC* (Tong and Feng, 2009). Though Chinese scholars have recognized that *CZC* are the outcome of rapid urbanization and the institutional dual-system of the *hukou*, they have not focused on the impact of other institutions such as land ownership, local governance, and fiscal policy.

Existing literature on *CZC* in English has mostly focused on a rather ad hoc set of explanations concerning the roles of *CZC* in accommodating low-income migrants and

³⁷ In my own field observations, I found out that villagers liked to keep the second floor for their own use and rent out other floors for tenants.

criticizing the consequent problems that jeopardize sustainable development of Chinese cities, such as dilapidated housing construction, disintegration of public security, severe infrastructure deficiencies, intensified social disorder, and the deterioration of the cityscape (Zhang *et al.*, 2003; Leaf, 2007; Song *et al.*, 2007; Tian, 2008; Fan, 2009). Scholars have acknowledged that CZC have freed municipal governments from instituting costly programs to house migrants in China's urbanization process (e.g. Zhang *et al.*, 2003). Siu (2012) is one of the few scholars to examine the relationships between redevelopment of CZC and the change of village life. Though noting the importance of retaining collective property ownership in CZC, she does not examine the role of collective property ownership in this relationship. Generally, the existing literature on CZC has neglected the argument that their nature stems from the dual-structure of land ownership, *hukou* policy, housing, and administration.

Furthermore, both Chinese and English-language scholars have neglected the reform of collective committees in CZC. Though the municipalities have administratively annexed villages, collectives remained financially self-sufficient and independently responsible for public services including infrastructure, sanitation, policing, social welfare and even education within their jurisdictions. Since the 1990s, a set of shareholding collective companies have replaced the traditional rural village committees to manage collectively-owned property, to construct roads, sewers and other public infrastructure service, to provide employment opportunities and compulsory education for committee members, and to guarantee social welfare in CZC. With the increasing inflow of migrant tenants, the residential density is often beyond the capacity of villages' infrastructure resulting in chaotic land use, dilapidated housing construction, and severe infrastructure deficiencies. In addition, CZC have become a source for potential problems of

building safety and fire control as well as social problems such as violence, pornographic activities, burglary and robbery (Zhang, 2005).

CZC, native villagers, and migrants are intertwining subjects that have created a new field of problem in Chinese urbanization. To some extent, *CZC* have come to be seen as symbols of backwardness and deterioration of the city image. Thus, since 2000, the municipal governments of Beijing, Guangzhou, and Shenzhen have launched a set of redevelopment plans, characterized by “demolition and redevelopment,” to remove or replace *CZC* with modern urban neighborhoods or luxury residential districts.

This dissertation agrees that the study of *CZC* can lead to questions of property and development rights, community formation and identity, and the developmental context of local governance (Leaf, 2007). The study of *CZC* can also provide a further understanding of Chinese urbanization in which the creation of *CZC* has involved a dual structure of household registration (*hukou*), land ownership, housing markets, employment, public finance, and social services. This dissertation seeks to contribute to greater understanding of the relationship between Chinese urbanization, institutional policies of the dual structure and the rural-urban divide, and the creation of *CZC* that has been underdeveloped in the academic community.

1.6 Summary

With the ongoing development of market-oriented reforms and the maintenance of a one-party system, China is undergoing a state-led urbanization process with “distinctly Chinese

characteristics” that differs from other parts of the world. The *hukou* system, a part of the dual structure, has divided China into a dual society in which urban residents are on the top of a spatial hierarchy with rural people at the bottom (Chan, 2009). Since the mid-1980s, there is a community of peasants, the "mobile population", dissociated from their farmland but excluded from urban citizenship (Chan, 2009). Meanwhile, villages on the urban periphery have lost their agricultural land in order to feed the insatiable demand of rapid urbanization, becoming CZC: villages within municipal boundaries. Like the rural migrants in Chinese cities, native villagers in CZC are dissociated from agricultural production but excluded from urban welfare and social security. Because of the institutional restrictions, the CZC is not a truly urban or a truly rural entity; the native villagers and rural migrants in Chinese cities are not truly urban residents and truly rural villagers. These three kinds of half-urban and half-rural hybrids have intertwined with each other in which has formed a new feature of Chinese urbanization.

Further investigation into the interplay of China's dual-structure, rural-urban divide, and urbanization is required. The intentionally ambiguous land ownership design, exclusive housing markets, and *hukou*-based restrictions still exist in China, so the process of Chinese state-led urbanization cannot be understood without accounting for the dual structure, rural-urban divide and changing role of local governance. The *hukou* is the fundamental constraint on rural migrant labor while dual-track land ownership and housing policy are the institutional foundations for the formation of CZC. While existing research on Chinese urbanization has focused mainly on population, there is a need to apply a two-sector approach that incorporates the existing land and housing system. By conceptualizing Chinese urbanization from multiple perspectives that examine the institutions of *hukou*, land, and housing in the entity of the CZC and explores

changing governance at different levels of the state, this dissertation intends to provide a framework that fosters a better understanding of Chinese urbanization and suggests possible policy implications.

Chapter Two Analytical Framework of Dual Structure, Study Area, Data Sources and Methodology

To understand the nature of urbanization in China, it is important to have an analytical framework linking the Chinese dual structures with empirical historical and geographical specifics. However, such analysis is absent from the existing literature. Therefore, an attempt in this dissertation is made to explore the changing roles of local governments in the course of urbanization under the rural-urban divide, especially for municipal governments and collective committees in CZC.

This dissertation argues that the nature of Chinese urbanization is related to the institutional design of the rural-urban divide, and that the dual structure is a major conceptual and material foundation of Chinese urbanization. To contribute to a better understanding of China's institutional reform and explicate the institutional rural-urban divide, this chapter first states three research objectives, and then provides an explanatory framework for the logic of Chinese urbanization focusing on the formation of China's rural-urban divide. Through examining the dual-structure of China's population, land system, housing market, fiscal policy and local governance of rural and urban areas, this chapter also explicates the relationship between the dual-structure and the creation of CZC. Corresponding to the research objectives, the chapter defines an overarching research question with four sub-questions and eight further detailed questions. Following that, the chapter introduces an analytical framework to illustrate the approach to the research questions in organizing the entire project. Finally, the chapter introduces the project's study area, data sources and methodology.

2.1 Research Objectives

This dissertation conceptualizes Chinese urbanization from multiple perspectives through an examination of the relationships among the dual-structures, *CZC*, and the process of urbanization. In particular, the research examines the changing institutions of *hukou*, land, housing, public finance and local governance in *CZC* in the course of China's rapid urbanization. In this dissertation I have four specific objectives:

- (1) To shed light on the changes in the dual structures over time in relation to *CZC*;
- (2) To explicate different actors' roles in the course of *CZC* redevelopment;
- (3) To investigate the interplay of the dual-structure, the dual structures, *CZC*, and China's urbanization;
- (4) To provide a more complete understanding of the nature of Chinese urbanization.

2.2 The Explanatory Framework: the Formation of the Dual-Structure in China

To contribute to a better understanding of China's institutional reform, this section first explicates the institutional design of the rural-urban divide- the "big" dual structure- in China by examining the "small" dual-structures that regulate Chinese population, property, housing markets, and local government in rural and urban areas. The "big" dual structure is the rural-urban divide between the rapidly growing urban modern societies and the slowly developing rural traditional society in China's society. There are a variety of "small" dual structures set by Chinese government, such as the agricultural and non-agricultural *hukou* registration system, the state-owned and collectively-owned land ownerships, the rural and urban housing systems, and

the rural and urban administrative systems, and so on, to segregate the country into two communities. In the later part of this section, the dissertation examines the relationship between the small dual-structures and *CZC*.

2.2.1 *Hukou*: the Dual-Structure of Population

A group of scholars, mainly led by Chan, have explicitly examined the relationship between the *hukou* system and Chinese urbanization (e.g. Chan, 1994; 2009; Yang and Fang, 2003; Wang, 2004; 2005). First, the *hukou* system has played a key role in Chinese urbanization and industrialization (Chan, 2009). In the Maoist era, it divided rural peasants from urban populations; in the reform era, it has converted rural populations into an abundant source of cheap labor.

After the 1950s, as the price of agricultural products are cheaper than industrial goods, there has been a huge income cleavage existing between peasants and urban residents. Thus, rural labor is much cheaper than urban workers. With the lack of mobility and the geographical separation of the rural and urban sectors, the huge inequality between the agricultural and non-agricultural *hukou* population was not visible to either group. However, after city doors were opened to peasants, social disparities and societal stratification based on the *hukou* divide have become more visible and concrete in terms of the accessibility to urban benefits and opportunities (Chan and Zhang, 1999: 843).

The advent of economic reform in the late 1970s raised the demand for cheap labor for sweatshops producing for the global market (Chan, 2009). In coastal cities, municipal governments first granted temporary residence permits to a limited number of peasants, later opening the door to the whole of rural society with the easing of restrictions on movements of rural labor to work in cities beginning in 1985. Millions of rural migrant laborers entered cities to work in labor-intensive, low-end and unskilled sectors as construction workers, dustbin men, nannies, or garment workers, albeit without eligibility for urban social services and education (Chan, 2009). Migrants are generally younger and more educated than the population they leave behind in the countryside. Their income and social status is higher than that of non-migrant peasants, but rank much lower than urban workers (Chan, 2009).

The *hukou* system has enabled a stratified structure of Chinese population in pre-reform China and formed a highly divided society. The highest class included party and government leaders at all levels, directors of various public academic and professional institutions, and managers of large state enterprises. These people were the key decision makers in pre-reform China. The second highest class consisted of other lower government officials, managers, professionals and academics, and the working-class consisting of industrial workers. Service workers formed the third class. The fourth class was the urban “underclass” that existed outside of state-owned sectors. At the bottom of the hierarchy were peasants, food producers burdened with coercive quotas and entitled only to residual food. As peasants had no freedom of movement to the city, they were deprived of rights to share in the benefits and opportunities provided by the state (Kelly, 2007; Wang, 2004; Yang and Fang, 2003).

It is estimated that there were 8 million migrant workers, ("floating population") in the eleven largest cities between 1988 and 1990 (Chan, 1994a: 267). At the end of 2010, the number of floating population in China had reached 160 million (NBSC, 2011). Although they leave the countryside and have a job in cities, they maintain their rights to a share in collective land in their home village. However, because of *hukou* restrictions, most of them have become *de facto* residents without full urban citizenship even after many years (Chan, 2009). Though they work in low-income jobs, the lack of local urban *hukou* deprives them of eligibility for low-cost public housing in Chinese cities (Zhang, 2005). Many rural migrants have to live in the dormitories provided by their employers. However, dormitories are for single migrants: married couples have to find a low-rent apartment to house their families in the municipality.³⁸ The rural migrants, characterized by poorly paid, low skilled and temporary employment and low-quality and cramped living conditions have left the bottom rungs of Chinese society consisting of rural peasants only to form a new underclass in Chinese cities (Chan, 2012a, Fig.1).

However, urbanization has been affected by a complex series of socioeconomic reforms in China that have involved other institutional modifications including to land, taxes, capital, and housing. The impacts of institutions other than the *hukou* on Chinese urbanization remain unclear. Therefore, this dissertation will not reexamine the role of *hukou* in creating the institutional division between urban and rural areas, but fill the gaps by concentrating on the dual structure of land, housing, and public financial institutions that have run on separate tracks in China's CZC. The following section first investigates the dual-structures of the land system, housing market, fiscal policy, and local governance that shape the characteristics of China's

³⁸ Most of the low-rent apartments available to migrants are located in the "CZC" that I will examine later in this chapter.

rural-urban divide, and then examines the relationship between the dual-structure and the creation of *CZC*.

2.2.2 Land: the “Ambiguity” of Land Ownership and Price

Land price has been an enigma in China. Before the founding of the People’s Republic of China (PRC) in 1949, Chinese proprietors had freedom to use land for any purpose and derive income from those uses; they could also alienate, transfer, subdivide or agglomerate land rights (Lai, 1995). However, as most proprietors passed their land or rights to family members, and as most transfers were for agricultural purposes or for the construction of houses, the occurrence of land transfer within markets was not common in imperial China. Therefore, even though land rights and ownership were clear³⁹, the price of land was not widely recognized and became unclear to the public.

The Chinese communist government promulgated the first land reform law in 1950. As mentioned in Chapter One, the reform increased the CCP’s popularity among Chinese peasants and resulted in increased agricultural output (Cheng, 2006). However, beginning in 1953, the state nationalized urban land and collectivized rural land. According to the new land policy, the village production brigade was the legal owner of rural land, while the municipal government was the legal owner of urban land. In 1954, the state financial agencies abolished land rent.⁴⁰

³⁹ According to the CCP’s definition of “feudal agrarian system,” land was privately-owned in both Chinese cities and the countryside.

⁴⁰ On April 4th, 1954, the National Ministry of Finance announced, “state-owned enterprises should not submit any rent or users’ fees to the government for the land they occupy with government permission. The land becomes enterprise property regardless of whether it is offered as a public property or bought with money. Land occupied by government agencies, the armed forces, and educational institutions with government permission is not to be taxed or charged with users’ fees (IFTE and IPA, 1992: 294).”

Since then, land was not considered as a commodity or an asset and was not allowed in market transactions (Ding, 2003; Lin and Ho, 2005). Its use was free of charge, and its disposition or allocation was handled administratively by the state (Lin and Ho, 2005). Local governments, acted as state representatives in local level, were responsible for land allocation. Municipal governments allocated urban land virtually for free while production brigades (later became people's communes) allocated rural land freely to village members. In this way, the country fully established a dual-structure of land ownership by 1958 (Ding, 2003). With the establishment of the dual-land ownership regime, the concepts of land profits, rents, prices, and even land markets were abandoned in the Chinese economy in Mao's era. There has been a call to articulate the legal nature of collective ownership and set up an efficient system to allocate and use land (Ho, 2001). Lin and Ho (2003) have reasoned that the intentional lack of clear rights in Mao's era allowed local governments to rent land at free or low prices, resulting in poor or inefficient land-use in urban areas and land degradation in rural areas.

A set of different policies was adopted respectively in urban and rural areas since 1978. First, in rural areas, HCRS was adopted to increase agricultural productivity and land-use efficiency. HCRS allowed farm households to subcontract agricultural land through exchange or transfer to non-native "outsiders" since the mid-1980s. This has created a "secondary" land market in rural areas that was illegal until 1998 when the revised Land Management Law explicitly allowed the contracting of agricultural land to non-members of the collective or to another collective unit if at least two-thirds of the collective members agree (Lin, 2009: p81).⁴¹ Therefore, the contracted agricultural land could be further sub-contracted or circulated in the

⁴¹ The circulation of agricultural land in the secondary market was further legitimized with the adoption of the Rural Land Contract Law in 2003 and the first Property Law in 2007.

secondary market within the rural collective sector for agricultural production, but cannot be sold or converted for non-agricultural uses without state expropriation beforehand (Lin, 2009).

Second, the inflow of foreign investment and corporations has raised the demand for non-agricultural land-use since 1978. To allow foreign investors the ability to lease land, a new fee was introduced to the Chinese land system. The land-use fee was first implemented in the Special Economic Zones (SEZ)⁴² and then spread to other areas (Zhu, 1999). Later in 1988, the Law of Land Administration (LLA)⁴³ set up urban land as a special commodity that can be leased by separating land use rights from land ownership. Ownership of land in cities now remains in the hands of the state but land use rights are tradable (lease, transfer, assign, bequeath, or mortgage) by auction, tender, negotiation and private treaty for a certain number of years⁴⁴ (Abramson, 2006; Ho and Lin, 2003; Zhu, 1999).

⁴² A Special economic zone (SEZ) is a geographical region with special economic and other laws. To increase foreign direct investment in SEZs, the regulations and laws issued there are more market-oriented than that of laws applied nationwide. The word "Special" mainly means special economic systems and policies. That is, the central government gives SEZs special policies and flexible measures, allowing SEZs to utilize a special economic management system. The first four SEZs are Shenzhen, Xiamen, Shantou, and Zhuhai, set up in the early 1980s. Shenzhen and Zhuhai are close to Guangzhou (News Guangdong, 2004).

⁴³ The LLA was revised at the 4th Meeting of the Standing Committee of the Ninth National People's Congress on August 29, 1998. The newly revised one is enacted in accordance with the Constitution for the purpose of strengthening the land administration, protecting and developing land resources, making better use of land, effectively protecting cultivated land, and promoting sustainable development of the society and economy. Moreover, illegal land use was included in the revised Criminal Law of the People's Republic of China issued in 1997 (MLR, 2007).

⁴⁴ According the Article 37 of LLA, "whereas the land used to be owned by peasant collectives, it should be turned over to original rural collective economic organizations for re-cultivation. Idle land that is laying within the urban plan areas and whose use right has been leased for real estate development shall be handled according to the 'Urban Property Administration Law of the People's Republic of China' (MLR, 2007)." The lease terms are typically 40 years for commercial use, 50 years for industrial use, and 70 years for residential use (Abramson, 2006).

In addition, collective land in rural areas can only be converted to non-agricultural uses if it has been transformed through land expropriation by the state⁴⁵ (Lin and Ho, 2005; Zhu, 2005). Only after the nature of land is changed from rural, collective, agricultural land to state-owned urban land by the state can its use rights be traded in the market. During the requisition process, peasants and the collective committee receive compensation fees settled according to the standard of agricultural output. Because agricultural output has been devalued since the 1950s, the price of agricultural land remains considerably lower than non-agricultural land (Ho and Lin, 2003).⁴⁶ The end result of this process is that China has not abandoned the principle of state and collective land ownership, claiming an alternative model of development by defying the belief that private land ownership is the only means to ensure economic growth (Ho, 2001).

According to the LLA, the ARL is not eligible to be transferred or sold in the public market, a policy that runs counter to China's Constitution (Wang and Cai, 2010). Article 10 of the Constitution states that "[l]and in the cities is owned by the state. Land in rural and suburban areas is owned by collectives except for those portions which belong to the state in accordance with the law; house sites and private plots of cropland and hilly land are also owned by collectives." Literally, collectively owned land and state-owned land are equal under the law (Wang and Cai, 2010). Furthermore, the Amendment Act of the Constitution approved on April 12, 1988 states that amended to Article 10, the right to the use of land may be transferred according to the Constitution (State Council, 2004, English Version). Therefore, land-use rights should be legitimately transferred in the market, regardless of whether for agricultural or non-

⁴⁵ There are three ways to acquire rural land: first, land can be used for agricultural production on a fixed term contract; second, land can be assigned to all members for housing (*zhaijidi*: assigned residential land plot); third, land can be transferred to TVEs for local economic development as industrial/commercial uses (Zhu, 2005).

⁴⁶ The calculation of rural land prices and compensation fees will be examined in Chapter Three

agricultural uses, or whether it is collectively or state-owned. However, China has instead set up a dual-track land regime where collectively owned land cannot enter land markets until it is expropriated by the urban state. The LLA has created a land system in China based on unequal exchange and the exclusion of peasants from land markets.

The Ministry of Land and Resources (MLR) and its agencies are responsible for pricing land, approving conversion of rural to urban land uses, and allocating land to work units (Ho, 2001; Lin and Ho, 2005). The land pricing system set up by the MLR includes some negotiable factors that allow “secretly negotiated fees” to exist in both legal and illegal transactions of land use rights in Chinese cities (Ho and Lin, 2003). Though the primary responsibilities of the MLR and its agencies is to regulate and maintain national food security in the course of converting agricultural land to other uses, Abramson (2006) points out that as most of China’s prosperous cities are located where the most arable land is, preserving farmland conflicts directly with rapid urban growth’s sweeping demand for land rapid urban growth. On one hand, the ambiguity of collective-owned land in rural China and the discrepancy of land prices between agricultural land and constructive land have provided rural cadres opportunities for personal profit through the conversion of agricultural land into urban uses at a tremendous rate. These conversions have involved legal and illegal expropriation and many problematic transactions (Guo, 2001; Ho and Lin, 2005; Chan, 2006). A significant black market in land has also emerged (Ho and Lin, 2003).

According to Xiwen Chen (2003), as a result of the below-market compensation for land expropriations, Chinese governments have taken an estimated 2 trillion *yuan* (about 241.35

billion US dollars)⁴⁷ from peasants. Zhou (2004) further figures that the total value of land requisitioned from rural areas since 1978 is about 4 trillion yuan (about 482.71 billion US dollars)⁴⁸ but less than 500 billion yuan was returned to peasants as compensation. In a survey conducted by Wen and Zhu (1996) in Zhejiang Province, local governments above the county level acquired 20-30 percent of the total value of land requisition fees, collective committees acquired 25-30 percent, and peasants received only 5-10 percent as compensation.

On the other hand, in the absence of a straightforward land taxation system, agricultural land transactions for urban uses have been a major source of local revenue and loan capital for local governments (Abramson, 2006; McGee, et al., 2007). With a strong incentive to develop land quickly, local governments, acting as the local representative of the state, have seized land and made it available for various forms of development to pursue economic growth and profits. For example, the municipality can obtain more land from nearby counties through an "urban annexation" order from the central government (Chan, 2006). As a result, municipal boundaries have encroached on suburban rural land (Cartier, 2001; Chan, 2006). Under rapid urbanization, thousands of rural villages in urban peripheral areas have been forced to become *CZC*.

Furthermore, the demand for massive rural land has stimulated the emergence of a variety of new forms of land-based shareholding corporations established to clarify villagers' property rights within current structures of collective ownership (Guo, 2001; Po, 2008). Indeed, these land-based shareholding corporations, in collaboration with municipal governments, have become the primary agent of resource allocation in village collectives (Po, 2008). Cooperation

⁴⁷ On December 30, 2003, 1 US dollar = 8.2869 yuan (Oanda Currency Converter, 2003).

⁴⁸ On December 30, 2004, 1 US dollar = 8.2865 yuan (Oanda Currency Converter, 2004).

between these shareholding corporations and municipal governments, bundled with their changing behaviors and impacts on local development, will be discussed in greater detail later in this chapter.

The socioeconomic mechanisms underlying the conversion of rural land to non-agricultural uses and the resulting impacts on rural communities remain understudied (Po, 2008). From my own conversations with villagers, I understand that their primary concerns today are questions on how to fairly compensate for requisitioned land and how to define “collective ownership.” More details of these conversations will be discussed later in Chapter Three and Four. The following section will review Chinese housing reform and elucidate how housing policy has prevented peasants from engaging in rural housing transactions and accessing urban low-cost housing.

2.2.3 Housing Market: the Exclusion of Peasants

The Chinese housing market, affiliated with the institutional dual structure of *hukou* registration and land ownership, represents the foremost source of inequality and cause of segregation in the rural-urban divide. According to Chinese law, only peasants who hold local agricultural *hukou* have the right to build houses on ARL in the Chinese countryside. The transfer of rural housing to individuals who do not have local rural *hukou* is illegal in China, while “public housing” is only built in urban areas for residents with urban *hukou*. In addition, rural ARL cannot be traded in land markets unless ownership has been converted from collective to state-owned through state requisition. Though peasants can rent their houses to outsiders, they

cannot sell them on the market. Therefore, there is no active exchange in the rural housing market. What housing market that does exist in China is, to some extent, limited to housing transactions in the municipalities.

Prior to reform, urban housing was controlled by the state in China. In this period, urban housing was not a commodity but a “wage good” provided to urban workers. All urban housing was constructed with government investment and then bureaucratically allocated to work-units (*danwei*) but the state maintained ownership. Allocation of public housing was based on urban *hukou* registration and was controlled by work-units. Dwellers of public housing paid nominal rent that in most cases was not enough to cover construction costs or building maintenance and repairs (Wang, 2001). The prevailing philosophy combining work and residential space in socialist urban planning resulted in a cellular, homogenous residential landscape dominated by work-unit compounds built next to centers of employment encompassing a variety of facilities and services to support residents' daily needs (Ma, 1981; Huang, 2005). The socialist, welfare-oriented, and work-unit based system of housing provision functioned until the late 1990s, but it created a variety of social problems such as housing shortages, a poor living environment, housing inequality, residential segregation in Chinese cities (Huang, 2005).

The driving principle behind housing reform since 1979 is that the state's distribution of housing through work-units and deliberate neglect of housing has failed to deliver housing efficiently and equitably. Only through the commodification of housing can the problem ultimately be resolved (Wang, 2001; Huang, 2005). Market mechanisms were introduced to the welfare-oriented housing system beginning in the 1980s, allowing an influx of private

developers. The long-standing welfare housing system was finally eliminated with the launch of the housing monetization policy in 1998⁴⁹. Housing is no longer allocated, but individually purchased at different prices.

Privatization reforms have widened the gap between rich and poor, increased the degree of housing inequality and segregation, and has resulted in the coexistence of wealthy “gated communities” and dilapidated “migrant enclaves” in Chinese cities (Huang, 2005). While the state has developed a set of programs to improve affordable housing provision in cities,⁵⁰ access to these programs is limited by many requirements including *hukou* status, income, and property ownership.⁵¹ The most important limitation to the program is that it requires local urban *hukou* status, thus excluding all migrants in Chinese cities. “Migrant enclaves” have housed millions of low-income migrants excluded⁵² from the urban housing system (e.g. Wang, 2001; Huang, 2005; Zhang, 2005). CZC are one type of migrant enclave in China discussed in the following section (Chan, Yao and Zhao, 2003; Zhang, 2005).

There is a large body of literature on China's urban housing. However, the appearance of migrant enclaves is new to Chinese scholars, and limited studies on this topic have resulted in controversies and disagreement with the findings of Western migrant settlement studies. For example, studies on migrant settlements in Western countries have shown that the spatial

⁴⁹ The privatization of urban housing has resulted in two kinds of housing coexisting in the market, private housing (also called “commodity housing”) and public housing. Thus, there were two housing prices in the market: the subsidized prices for those who want to purchase their occupied public dwellings and the market prices for commodity housing. Only employees in work units are allowed to purchase subsidized public housing. Though commodity housing in general has better quality than public housing, their prices are much higher (Huang, 2005).

⁵⁰ The programs include economical and comfortable housing (*jingji shiyong fang*), low-rent housing (*lianzu fang*), and housing provident fund (*zhufang gongji jin*).

⁵¹ On March 27, 2007, the first law on property was launched in China. The law does not challenge the essential public ownership of land. Its impacts on China's housing market needs further study.

⁵² Rich migrants are not excluded because they can offer the higher price for commodity housing.

distribution of migrant settlements is a reflection of migrants' human capital and cultural pluralism. Settlement location decisions are homogenous and linked to economic, social, and cultural institutions, for example, employment location, income, kinship and friendship ties, and place of origin (Wu, 2005). However, studies on Chinese migrant enclaves take a different view, showing that migrants in specific urban villages are not always homogeneous in terms of their social origin (Chan, Yao and Zhao, 2003; Zhang, 2005). Wu (2005) also found that in Shanghai, migrant residential distribution coincided with local residents moving from the central city to suburbs. Therefore, further study of China's migrant settlement patterns is needed. An objective of this dissertation is to contribute to the study of one type of migrant enclave, the *CZC*, to better understand the nature of China's housing market.

2.2.4 Fiscal Reforms

China has a two-tiered fiscal structure: the development of Chinese cities depends on the state budget while rural collectives are self-financing and excluded from the state budget. Since the early 1980s, China has launched a set of fiscal reforms "to make localities fiscally self-sufficient, to reduce the central state's own fiscal burden, and to provide incentives for local authorities to promote economic development," (Oi, 1992). The following section discusses the diverging approach to fiscal reform in urban and rural areas.

Urban Fiscal Reforms

A foremost policy of fiscal reforms in urban areas is the tax responsibility system that follows the administrative hierarchy down to the township level. It is a bottom-up revenue-sharing system that requires localities at the provincial, municipal, prefectural, county, and township level to sign a contract,⁵³ promising to submit a portion of their revenues to higher levels and retaining most of the remainder. This contract-responsibility system⁵⁴ has conferred localities with enhanced autonomy and has made them independent fiscal entities (Oi, 1992). The fiscal reforms in 1980, 1985, and 1988 significantly increased revenues for local governments and have successfully accelerated local economic growth.

However, the tax reforms in the 1980s vested local governments with excessive autonomy to retain tax revenue but the central government faced greater challenges in fulfilling its tax collection tasks. Central-local relations after fiscal reform in the 1980s can be described as “regulations from above, maneuvers from below (*shang you zhengce, xia you duice*)” (Zhu, 2007). Local governments may neglect policies that do not directly maximize the interests of localities.⁵⁵ The former authoritarian method of one-way directives from the central government has been replaced with interactive and adaptive cooperation, negotiation, and compromise with local governments.⁵⁶

⁵³ This revenue sharing was formalized in fiscal contracts signed between the central state and each of its provinces, between each province and its prefectures, between each prefecture and its counties, and between each county and its townships. An overall ratio, 70:30, where the locality keeps 70 percent and 30 percent is sent to the next higher level. Unlike previous revenue-sharing arrangements that change annually, these contracts run from three to five years (Oi, 1992).

⁵⁴ The contract-responsibility system includes both responsibility for local expenditures and “within-budget revenues (*yusuan nei zijin*)” and the unprecedented right to use the remainder and “extra-budgetary revenues (*yusuan wai zijin*)” (Oi, 1992). The latter revenues are allowed to be maintained locally.

⁵⁵ Meanwhile, local officials pay more attention to the policies that can contribute to their political credits on the target responsibility system so they can “climb” up to a higher administrative rank (Zhu, 2007).

⁵⁶ On one hand, some provinces have resisted revenue submission to the central government. The richer the province is, the stronger resistance it can muster. On the other hand, economic decentralization has widened uneven development and diversity among the provinces and regions. Poor and rich provinces are also reluctant to

Therefore, a new tax-sharing system⁵⁷ was introduced in 1994 that sets the foundation for China's current taxation system. This new tax-sharing system⁵⁸ has helped the central government to increase its share of revenue while decreasing local government revenue and tax sources. Therefore, local governments have increasingly turned to "extra budgetary revenues" to fulfill their budgetary obligations. One way local governments increase their own fiscal coffers is through the collection of land conversion fees (converting arable land to non-arable usages).

Furthermore, along with the decentralizing fiscal reforms, control over public finance, material allocations, foreign trade, and personnel management have been decentralized from the national government to local governments (Duckett, 1998). To attract increasing foreign investment, domestic private entrepreneurs now commonly collude with government officials in China to create a web of bureaucracy-business alliances (Zhu, 2007). Such alliances will be discussed later in the chapter.

Rural Fiscal Reforms

cooperate. As a result, the central government was unable to bring local governments in line with the national interest (Zheng, 2006).

⁵⁷ The system was introduced with a few shared taxes- the value added tax (75 percent central and 25 percent local) and the resource tax (assigned to either central or local government by type of resource) (Fock and Wong, 2008).

⁵⁸ The principle of the 1994 tax reform is to unify tax law, to simplify the tax system, to achieve revenue growth, and to set an appropriate fiscal distribution between the central and local government. The 1994 tax system has been revised several times and now consists of 7 categories and 26 types of taxes. The reform has also involved changing the methods of collecting tax from the so-called, "one person in charge of all system (*shuishou zhuanguanyuan zhidu*)" to the "concentrated administration system (*jizhong zhengguan zhidu*)" and then to the tax administrator system (*shuishou guanliyuan zhidu*) that centralizes the procedures of tax collection in tax administrative departments by setting up a new unit of tax inspection teams (*shuishou jicha dadui*) (State Administration of Taxation of China, 2007).

Sources of revenues in China's villages are very limited.⁵⁹ Scholars have shown that village revenues are mostly from fees and rental incomes from collective assets (Fock and Wong, 2008) while Chinese peasants are subject to a wide array of taxes and fees (Tao and Qin, 2007). Therefore, fiscal reforms in rural China focus on lightening peasants' tax burden (Tao and Qin, 2007).

The rural tax system in China in the 1990s was complicated with significant regional variation. Though rural collectives are self-organizing, provinces and municipalities used high taxes and fees charged on counties and townships after the 1994 tax reform as a form of rent seeking (Fock and Wong, 2008). In addition to formal taxes collected by the central government, local governments charged exorbitant levies and fees⁶⁰ on rural households for the delivery of higher-level governments' assigned services. The accumulated tax rate on agricultural production and peasants' income in rural areas could be as high as 30 percent in the 1990s (Tao and Qin, 2007). The excessive taxes and fees on peasants became a major source of grievance in rural China resulting in a rise in rural demonstrations and protests (O'Brien and Li, 2005).

⁵⁹ The sources of village revenue before the reform included 7 categories: fee assessments (*tiliu*), surcharges on agricultural tax, contract payments for land, contract payments for enterprises, land and asset sales, other revenues and transfers from above (Fock and Wong, 2008). The in-budget revenues include transfers and the surcharges on agricultural tax while the non-budgetary revenues include regular fee assessments, and other fees and rental incomes from collective assets. The village fee assessment (*tiliu*) was abolished in 2000.

⁶⁰ The rural tax system in China before 2006 was complicated and based on significant regional variation. The possible taxes included: first, the state agricultural taxes; second, the so-called "five township-pooling funds" (for township governments in providing public service such as education, public security, administrative and civil service, the expenditure to carry out family planning and grain procurement, and to support village committee for collecting collective capital accumulation, collective welfare funds, and village cadres' salaries); third, the rural compulsory labor taxes that are obtained by multiplying farmers' working days by the local daily wages; fourth, local miscellaneous fees such as fundraising, fines, or other administrative charges beyond government regulations and legislation (Tao and Qin, 2007).

To maintain social stability, since 2000, the central government launched a set of tax reforms. The state first removed legitimate levies and fees from local governments but maintained one tax category, the unified agricultural tax. The sources of township revenue include nine categories (Fock and Wong, 2008).⁶¹ Of these, the agricultural tax contributes about 20 percent of total income of township revenue in China (Fock and Wong, 2008). With an emphasis on the “three rural problems” (*sannong wenti*--relating to peasants, rural society, and agriculture)⁶² in China’s eleventh five-year plan, the state abolished the agricultural tax nation-wide in 2006 (Day and Hale, 2007; Fock and Wong, 2008). This abolition has decreased the township share of revenues nationwide but has relieved the peasants’ burden.

As the state has made no attempt to integrate rural areas into the governmental system, rural collectives maintain their self-governance and self-financing status (Naughton, 2007). However, since they do not have enough financial resources to subsidize a large range of goods and services in rural areas, peasants are more likely to pay full cost for public services (Naughton, 2007). Along with the townships, county, municipal, and provincial revenue also declined under the bottom-up revenue-sharing system. Therefore, to maintain revenue growth, local governments have changed their managerial roles in the welfare state into more entrepreneurial forms of “governance”.

⁶¹ The sources of township revenue before the reform included value-added tax, business tax, income tax for enterprises, individual income tax, agricultural tax, agricultural specialty products tax, occupied land tax, and other income taxes, as well as township-to-county transfers (Fock and Wong, 2008).

⁶² The “three rural problems” are the problems of peasantry, rural areas and agriculture that have been a major concern of the state since the 1990s. The subjects were first raised by a Chinese scholar, Tiejun Wen in 1996 and were especially highlighted in the report by China’s Premier Wen Jiabao at the 2006 National People’s Congress (Day and Hale, 2007).

However, there is a lack of investigation into connections between the changing roles of local governments and the rural-urban divide in Chinese urbanization. To fill the gap, this dissertation will look at how local governments adjusted their behaviors in the course of Chinese urbanization. The following section introduces the divergence of local governance practices in urban and rural areas.

2.2.5 Local Governance

There is a dual-structure in the administrative management system of urban and rural areas in China. In Chinese cities, the basic organizational units of government are street/neighborhood offices and neighborhoods' residents' communities. For rural areas, the basic organizations for management are towns (townships) and village committees (Chen, et al., 2008). In terms of their positions in the governmental hierarchy, rights, and responsibilities, these four units are totally different organizations. As China has applied different fiscal policies in urban and rural areas, cities and villages have different capacities for generating revenue and obligations for expenditures. Urban development, management, and planning are under state controls and depend on the state budget, while rural committees are self-financing and independent organizations excluded from the state plan. Following decentralizing reforms, local governments in China have changed their roles from managerial to entrepreneurial. The following section discusses the two diverging practices of governance at the local level in China: urban governance and rural self-governance.

Urban Governance

Generally, mayors in Chinese cities act as the chief executive officers (CEOs) provincial-level cities, provincial capitals, other prefecture-level cities, and county-level cities. Higher levels of government assign plans including development standards and objectives to lower levels of government. Though the defined role of urban government is to serve residents by providing public services, even under central planning in the Maoist era, most mayors paid more attention to economic growth and development issues they were accountable for under the target responsibility system (e.g. Oi, 1995; Henderson, 2009).

As mentioned above, rapid urbanization since the 1990s has caused great demand for land development. Municipalities, acting as local representatives of the state, have seized land in the pursuit of economic growth, with land seizures becoming a major source of urban revenue (McGee, et al., 2007). Rapid urban change and the public revenues generated by land expropriation have combined with the dual-land market to produce challenges for local governance. First, the central government's response to uncontrolled development has been to call on local governments to provide "city master plans" along with long-term social and economic objectives (Abramson, 2006).⁶³ In addition, new planning types have been carried out in Chinese cities. For example, the state requires each municipality to prepare a sub-municipal "detailed development control plan" to regulate its population density, land use, building height and density, and ground coverage for each parcel of urban land since 1989. There have also been various non-mandated "strategic" plans at different scales such as municipal concept plans,

⁶³ In China, a city master plan is more like a spatial plan for defining land use and function. It is different from a social or economic plan that provide economic/social development strategies.

“half- hour (radius) metro-area plans,” sector-specific development plans and a variety of other urban designs (Abramson, 2006).

Second, local government and its agencies have reserved most land in city centers for housing government officials, employees, staffs and workers since the 1960s (e.g. Abramson, 2006; Lo, 1994; Ma, 1981). In the post-reform era, the location of old state and government agency-owned apartment buildings on centrally-located land has allowed local governments to profit from inner city renewal by evicting local residents and transferring these land rights to developers (Abramson, 2006). Finally, through “urban annexation,” municipal governments gain control of more land and other resources from the surrounding rural area (Cartier, 2001; Chan, 2006). As a result, “zone fever,” “real estate fever”, and a new wave of “enclosure movements” have all increased the conversion of farmland and legal and illegal expropriations of rural land by Chinese cities since the 1990s (Chan, 2006). One of the most unique and problematic results of the “enclosure movement”, that land in municipalities were divided into large tracks first and then sold to private developers for real estate development, closely associated with shifts in land development and government behavior under rapid urbanization, is the phenomenon of *CZC*.

Rural Governance

Research on rural development in China has focused on village elections, land reform and rural industrialization (e.g. Oi, 1993; Wang, 1998; Oi and Rozelle, 2000; Cheng, 2006).

According to China’s Organic Law of Village Committees promulgated in 1998, the villagers’

committee⁶⁴ is not a government agent but an integration of the administrative and self-governing collective organization of villagers (Pei, 1998). Two key cadres in the village are the village head (*cunzhang*), the villagers' committee chairman⁶⁵; and the party secretary (*shuji*) appointed by the CCP.⁶⁶ Before 1987 when rural elections were implemented, all village cadres were appointed by a higher level of government such as the people's communes or county governments (Wong, 1998). After 1987, the locus of power in China's villages could be the CCP-appointed Party secretary, the popularly elected villagers' committee chairman, or the villagers' assembly or representative assembly (Oi and Rozelle, 2000).

Within rural collectives, there are various actors. As theoretically autonomous organizations, villages have their own village assembly, village councils, and elected village cadres. The rural collective committee (*cunmin weiyuanhui*), the village economic cooperative (*cunjiti jingji hezuoshe*), or the township collective economic entity (*xiangji jiti jingji zhuti*) have the authority to allocate existing rural construction land within the rural collective section for public welfare uses, township and village enterprise development, and its members housing construction. But allocation and construction must comply with the "overall land utilization plan (*tudi zongti guihua*)" and an "annual land utilization plan (*tudi liyong niandu jihua*)" drawn by the land planning institutes in municipal land bureau. Furthermore, each household is allowed to possess only one assigned residential plot (*zhaijidi*).

⁶⁴ Villagers' committees took the place of production brigades after the abolition of people's communes in 1983 and makes up the lowest level of China's administrative divisions.

⁶⁵ The village head has been replaced by the chairman of villagers' committee (*cunweihui zhuren*), elected by the villagers' assembly since the adoption of election in rural areas in 1987. The party secretary is still appointed by the higher level of governments. Some village cadres may receive a salary from the upper level government and may be promoted to a formal government position, while other village cadres get a little compensation but will not be selected to be a formal official (Kung, Cai, and Sun, 2009).

⁶⁶ From my fieldwork observation, sometimes the party secretary takes greater control over village affairs than the village head.

The two roles of public administration and economic management are combined in the persons of village cadres (Pei, 1998). On one hand, they need to fulfill the state plan and set targets⁶⁷ through collecting taxes and levying fees, implementing family planning, fulfilling grain procurement quotas, and providing local goods and services such as the construction and maintenance of roads, drainage systems, irrigation works, sanitation and trash disposal services, primary school facilities and community recreational facilities within the village (Tsai, 2002). On the other hand, village cadres are members of their own villages. As villages are self-financing organizations, to meet local expenditures and increase member's income, village cadres need to act as chief executive officer (CEO) leading the village to pursue economic growth (Pei, 1998; Po, 2008; Tao and Qin, 2007).

Agricultural activities have been the main source of rural revenue since the 1950s. According to the assigned role of "agriculture priority and supporting large industry,⁶⁸" industry was not allowed in the countryside until 1958 (Cheng, 2006). However, with the establishment of people's communes nationwide, some small industrial enterprises emerged in the countryside. Encouraging communes to develop rural industry has contributed to economic growth in the countryside. According to Cheng (2006), by 1978, there were 1.5 million rural enterprises that

⁶⁷ The state used punishments and inducements to make the village leader fulfill the state plan and set objectives. If the village leader could fulfill the set objectives, he would be promoted to a higher position, for example, the township (previously is people's commune) leader. If not, he would be removed from the village office and lose the related benefits. This was the general picture before reform, but the principle still works today (Pei, 1998: 121).

⁶⁸ "Agriculture priority" with no rural industry was Mao's basic tentative idea for rural development based on the "National Program for Agricultural Development (Draft) 1956-27" promulgated in 1956 (Cheng, 2006). The role of the countryside in industrialization was to supply agricultural products and rural resources for urban and large-scale industry development. The support was carried out through developing agriculture and providing agricultural products for the industry (Cheng, 2006: 35).

contributed about 21 percent of the total rural social output value⁶⁹ in China. Since the 1970s, rural industry has become an important source of national tax revenues as well as making many peasants rich (Cheng, 2006; Pei, 1998). The adoption of HCRS in 1978 restored peasants' property rights to land and has led to the emergence of farmer entrepreneurs and rural private enterprises. The promotion of HCRS in the whole country led to the overall closure of people's communes in 1983.

Though collective ownership is unclearly defined in China, rural industrialization has succeeded in accelerating rural economic growth. To further accelerate rural industrialization, China has adopted a set of reforms. In 1984, the central government changed the name of rural enterprises from "commune and production brigade-owned enterprises" to "township and village enterprises" (TVEs).⁷⁰ In 1992, the share-cooperative system⁷¹ was promoted and supported as a new socialist collective economy by the Ministry of Agriculture (Cheng, 2006). The first shareholding system, which will be examined in Chapter Four in detail, was introduced in Guangdong province to redefine collective property rights by securitizing collective assets and converting villages into shareholders (Po, 2008). Finally in 1996, the state started to construct industrial zones to concentrate rural industry in order to "improve TVEs' efficiency" and

⁶⁹ Source: China's Township and Village Enterprise Yearbook (CTVEY, 1978).

⁷⁰ Source: the Central Committee of China's Communist Party and the State Council, "Notice on the 'report of creating new prospect of commune and brigade-run enterprise' made by the Ministry of Agriculture," March 1, 1984.

⁷¹ See the Ministry of Agriculture, December 24, 1992, "Notice on Promoting and Consummating TVE Stock-cooperative System."

“accelerate rural industrialization, urbanization and modernization.⁷²” These policies have increased peasants’ income and have changed the rural landscape (Cheng, 2006).⁷³

Such economic success under China's Leninist system characterized by a regime of unclear ownership and property rights has challenged economic orthodoxy which states that secure property rights are vital for economic development⁷⁴ (North and Weingast, 1989). There are a variety of explanations that have emerged to explain how economic development has continued without secure property rights. Oi (1992) argues that as central control has loosened and decentralized, rural collectives began to act as a business corporation, with cadres acting as the equivalent of CEO. Scholars have also shown that village cadres rely greatly on community institutions such as temple and lineage groups to fund and manage public services (Tsai, 2002). Informal organizations, such as village elders associations, lineage groups, and religious groups, have also continued to play an important role in rural Chinese society (Tsai, 2002).

2.2.6 The Relationship between the Dual-Structure and CZC

The five institutions mentioned above, working with a variety of other institutions⁷⁵ have shaped the dual-structure that characterizes the division between China's rural and urban sectors. First, among these institutions, the *hukou* is the central and fundamental constraint that divides China's population into two groups that enjoy different policy preferences regarding social

⁷² See the Ministry of Agriculture, January 12, 1996, “Some Suggestions on Guiding TVEs to Concentrate to Develop and Accelerating the Construction of TVE Zones.”

⁷³ However, in the course of privatizing collective-owned TVEs, bureaucratic interference, unfair redistribution of land and revenues, and even corruption have caused disputes between villagers and cadres (Oi, 1993).

⁷⁴ The discussion has been limited to a large extent to market economics, with a focus on individuals as entrepreneurs – those who own and operate firms within a market economy (Oi, 1992).

⁷⁵ According to Wang and Cai (2010), there are at least 14 institutions working together to shape China’s dual society (page 12).

welfare, education, employment, etc. Just as global manufacturers were seeking low-cost labor, the *hukou* divide created plentiful and cheap workers from rural areas who have flowed into urban areas to fuel China's economic boom. Second, a set of policies including the dual-land system, the "price scissors" gap between agricultural and industrial products, and the regulation of compensation prices for requisitioned farmland⁷⁶ intertwined to create two tiers of value in the Chinese land "market" in which agricultural land is cheaper than non-agricultural land. Meanwhile, the Chinese land "market" has excluded peasant participation due to the ambiguous definition of collective ownership, state control of land markets, and restrictions on ARL transactions.

Closely related with *hukou* and land systems, housing policy in China puts severe constraints on rural housing transactions while simultaneously excluding rural migrants from urban low-cost public housing, deepening inequality and between rural and urban populations. Under the dual-structure of fiscal revenues, though millions of peasants move to cities for employment, local urban governments do not provide any affordable housing for the new comers as local governments are only fiscally responsible for the housing of residents with local urban *hukou*. Finally, the retention of self-built housing, collective land ownership, independent governance, and self-sufficient revenue of *CZC* creates a low-rent housing supply to meet the demand for affordable housing from rural migrants. The interplay of institutions of *hukou*, land,

⁷⁶ During the course of farmland requisition, there is limited room for peasants to negotiate on the compensation terms. The affected collectives and individual peasants have to comply with the standard codified in the 1988 Land Administration Law (updated in 1998). According to Article 47, compensation of farmland requisition is calculated as 6 to 10 times the average annual output of the farmland in the previously three years. If there is construction on the land, such as buildings on ARL (*zhajijidi*), fishponds, water irrigation projects, the compensation rate depends on the relocation and property cost (Tian, 2008).

housing, fiscal revenue, and local governance is the foundation for the formation of CZC (Figure 2.1).

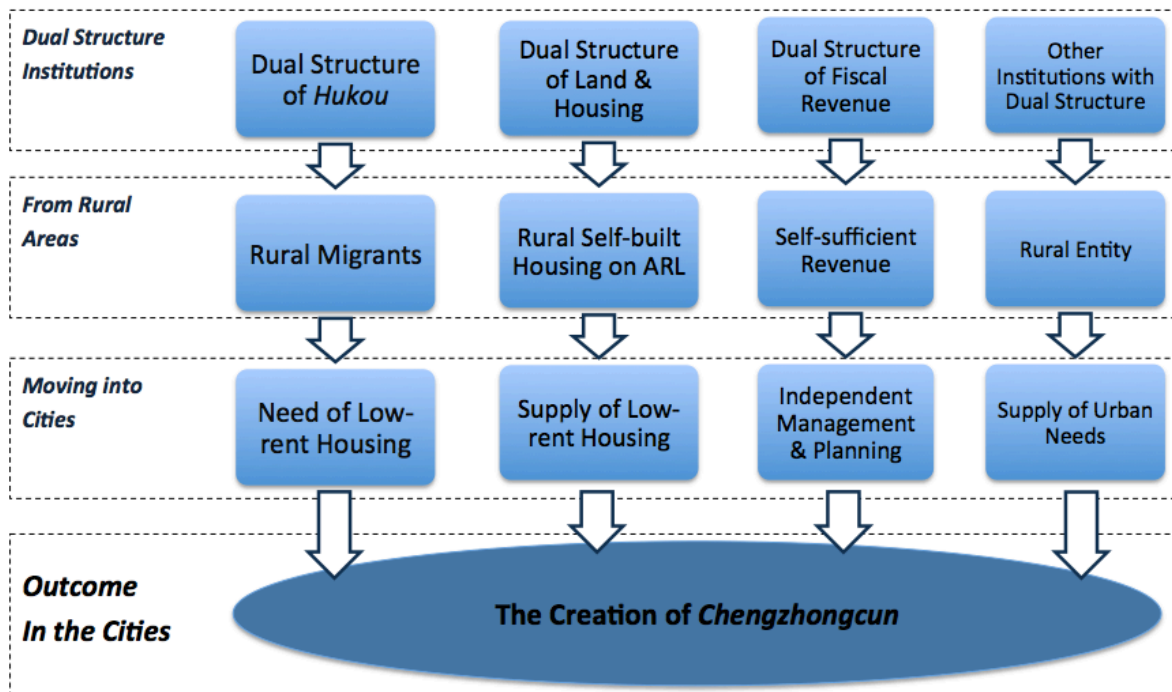


Figure 2.1 CZC as an Outcome of Dual Structure Institutions

CZC are an outcome of the interplay between the dual-structure and the rural-urban divide in the course of China's urbanization (Figure 2.2). The *hukou* system is the fundamental constraint on people living under China's dual structure and rural-urban divide, while the land system, housing policy, fiscal policy and changing practices of local governance are the institutional foundations for the formation of CZC. As such, an examination of institutions of the dual-structure as they operate in CZC provides an empirical, historical, and geographical study of Chinese urbanization.

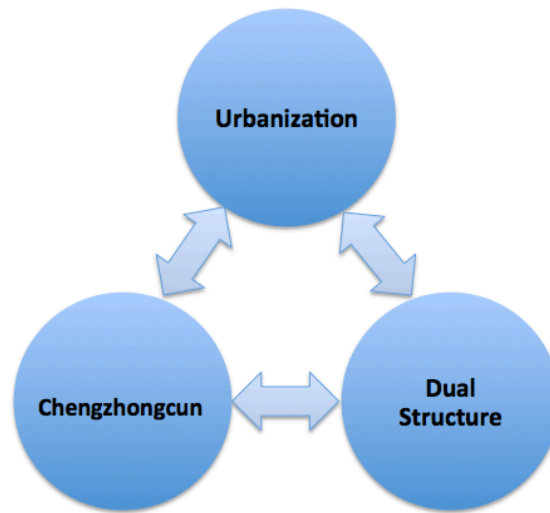


Figure 2.2 The Interplay of CZC, Dual Structure and Urbanization in China

2.3 Research Questions

To pursue my research objectives, this dissertation asks an overarching question, “What is the nature of Chinese urbanization?” In order to answer this question, the research examines four sub-questions through a case study of CZC, a distinctive, half-urban and half-rural entity in Chinese cities. The four sub-questions are:

- (1) What is the dual structure in CZC?
- (2) What are the roles of different actors in the course of CZC formation and redevelopment?
- (3) What are the relationships among the dual-structure, the formation and redevelopment of CZC, and Chinese urbanization?
- (4) What does the story of CZC tell us about the nature of urbanization?

To supplement the investigation of these questions, this dissertation investigates further

questions from the perspective of the dual-structure (and other institutions) through a case study of Guangzhou:

- a. What are the characteristics of different phases of urbanization in Guangzhou?
- b. What are the characteristics *CZC* in Guangzhou?
- c. What special role have *CZC* played in Guangzhou's urbanization process?
- d. Why is the Guangzhou Government carrying out such a radical urban renewal plan on *CZC*, despite increasing appeals and?
- e. How has local government affected the process of urbanization in Guangzhou?
- f. How has the dual structure evolved over the course of *CZC* formation and redevelopment in Guangzhou Municipality?
- g. How have the roles of collective committees and shareholding co-operatives in *CZC* changed in response to specific phases of Guangzhou's urbanization, especially in relation to land conversion?
- h. What are the roles of villagers and migrants in responding to the redevelopment project of *CZC* in Guangzhou?

2.4 Analytical Framework

The process of urbanization cannot be understood without accounting for the interaction between urban and rural areas. From the standpoint of a state-led urbanization process with “Chinese characteristics,” my explanatory approach regarding China's urbanization proposes an examination of the institutional design of the rural-urban divide. It emphasizes the investigation

of rural-urban relationships in terms of governance, migrants, land, and housing in connection with the urbanization process.

2.4.1 The “Big” and “Small” Dual Structures

In this dissertation, the term “rural-urban divide ” refers to the different institutions implemented in rural and urban areas respectively that resulted in the formation of a dual-structure regulating Chinese societal, political, economic, cultural, and spatial entities. There is an assumption in this dissertation that urbanization in China has closely related to institutions enforced in rural and urban spheres. I identify two levels of the dual-structure. The first level is a “big” dual-structure that shapes the segregation of urban and rural society in China. The second level is the “small” dual-structures, that is, the variety of institutions established by the Chinese government, such as the agricultural and non-agricultural *hukou* registration system, the state and collectively-owned land system, the rural and urban housing system, and the rural and urban administrative system.

This dissertation adopts the framework of “dual-structure (*eryuan zhi*)” from Chan’s rural-urban divide model that has also been employed by Chinese scholars (Chan, 2012a). In Chan’s account, the *hukou* system is a form of large-scale legalized discrimination served to create a social and spatial hierarchy of the privileged urban areas and the exploited rural areas where the urban class has basic social welfare and full citizenship while the rural underclass possesses neither (Chan, 2009; 2012). When peasants have been allowed to enter the “city” to find jobs,

they still maintain their rural-*hukou* status, excluding them from urban social security and preventing their membership in the urban citizenry (Chan, 2009; 2012).

The "small dual structures" I describe in previous sections present the institutionalized system under the state-centered hierarchy that has resulted in administrative, social, political and economic discrepancies between the rural and urban spheres in China. All of these institutions, including *hukou*, land ownership, administrative policy, and fiscal revenue have shaped a rural-urban divide that is represented by the status of rural migrant workers, *CZC*, and rural "autonomy" in the course of Chinese urbanization. On the one hand, the division shaping the stratified structure of population, ambiguous land ownership, discriminatory barriers of housing purchase, a two-track system of taxation, and polarized governance between urban and rural areas has created severe inequality and social injustice in Chinese society.

On the other hand, it has generated various by-products in its spatial economy. *CZC* are such a unique spatial outcome of China's rural-urban divide. Located in Chinese cities and housing millions of migrants, they maintain self-governance and financing, and, as with any rural collective, remain excluded from the urban administrative, planning, welfare, and public service system. Therefore, similar to the rural migrant labor in Chinese cities whose wages are kept at artificially depressed prices through institutional exclusion from the urban welfare system, *CZC* have been half-urban, half-rural hybrid.

Theoretically, *CZC* can be assimilated in the course of Chinese urbanization. Once the institutional transformation (*gaizhi*) of labor, land, and capital in *CZC* are unified with other

urban sectors, the dual-structure will be abolished and China's urban sphere will be unified. This process proceeds until villagers are urban *hukou* holders with full access to social welfare, collectively-owned land is transferred to the urban state, the price of collective land (including ARL) in CZC is raised to parity with other urban land, and, finally, the services and public good provision in CZC is integrated with the local state's budget.

2.4.2 The Four Dimensions of Chinese Urbanization

In the study of China, there are four dimensions of “urbanization”: first, it is a demographic process of population growth in urban areas with a relative decrease in the rural population. Second, it is a spatial expansion of non-agricultural land use spreading from urban to rural areas. These are familiar and standard definitions common to urbanization processes throughout the globe. Third, there is an institutional transformation that changes rural peasants into urban citizens. In the context of China, however, there is great difference between a complete and incomplete institutional urbanization process. There are two categories of migrants in China depending on individual change of *hukou* registration status: one is the “*hukou* migration” where *hukou* registration status is changed from outside to “local;” and “non-*hukou* migration” where residency status is not changed (Chan, 2012b). A completely urbanized citizen is a person holding a local urban *hukou* with full access to urban social security and welfare. The incomplete institutional urbanization for China's population: first, a migrant who does not have a local *hukou* would not be counted in the statistics of “local population”. Second, after the reforms in China, holding a local urban *hukou* does not guarantee full access to local welfare and social security. I will explain how this can be in Chapter 5.

Last but not least, urbanization in China is the spatial expansion of an urban area into surrounding areas, but also the process of change of administratively urban but *de facto* rural places into truly urban areas. First, administratively, a Chinese "city" is actually a region (that includes suburban and even rural areas outside the urban core). Urbanization from this perspective is the process where the region as a whole diffuses ideology and culture outwards and attracts population and investment from surrounding areas. This is the expansion of urban areas into the surrounding region. The second meaning of urbanization at the administrative level is the process where villages and other rural areas within existing municipal boundaries become "truly urban".

Academics studies of Chinese urbanization have mostly focused on the first administrative category of urbanization, but ignored the second process. This dissertation fills this gap and intends to investigate the urbanization within the administrative boundary through the lens of CZC.

2.4.3 The Matrix for Analyzing the Rural-Urban Divide and Urbanization

This dissertation uses an institutional perspective to analyze Chinese urbanization. Figure 2.3, adapted from Chan (2012), presents a matrix of China's dual structure and rural-urban divide. Like the rural migrant labor in Chan's model, native villagers in CZC are dissociated from agricultural production but excluded from urban welfare and social security. As collective committees in CZC maintain their self-governance and self-financing status for providing public

service, welfare and social security to their members, the villages and their native villagers are excluded from full participation in the urban citizenry. CZC, like rural migrant labor, is marked with a grey color and placed adjacent to both urban and rural areas in the matrix.

Names of Institutions	<i>Hukou</i>	Land Ownership	Other Institutions
Representative Sphere	Society	Spatial Configuration	Other Configurations
Structures/ Hierarchies of Representations	Urbanites	State-owned Land	Truly Urban
	Rural Migrant Labor	Collective-owned Land in <i>chengzhongcun</i>	Hybrid, such as TVE
	Peasants	Collective-owned Land	Truly Rural

 In blue, truly urban;
 In grey, half urban, half rural entity;
 In red, truly rural.

Figure 2.3 The Rural-Urban Divide Matrix in China
(Source: adapted from Chan, 2012)

The analytical framework is based mainly on institutional perspectives on the interaction between the role of local governments and underlying property relations of land and housing. If the deliberate design of a rural-urban division of property rights is the rule of the game, local governments, collective committees, native villagers, and migrants are the players in the matrix. The constraints imposed by the institutional framework of the dual-structure define the opportunity set available to local governments and collective committees for incentives of profit maximization, regulating migrants, and compensating native villagers for land expropriation in the institutional matrix. The matrix, derived from the rural-urban divide of *hukou* status and land

ownership, accounts for most of the differences in performance between rural and urban areas in China, and so it is applicable to other Chinese institutions as well. For example, this matrix could explain the emergence, perpetuation, and change of economic institutions acting on rural industries (such as TVEs), the *hukou* system and other alternative formal and informal institutions governing labor, and the impact of urbanization on the conventions of traditional culture in CZC.

Hence, the institutional complex of the dual-structure and rural-urban divide is not a static, optimal response to the needs of urban-biased policy or economic growth. Rather, it is a reflection of an historical process in which past economic, political, social, cultural, and spatial features interrelate and have a lasting impact on the nature of Chinese urbanization. More broadly, it indicates the importance of examining the intentionally designed institutions as products of an historical process in which past institutional, economic, political, social, cultural, and spatial features interact in shaping the nature of the rural-urban divide and its evolution. It also provides the basis for examining the interrelations among local governments, past institutions, and the evolving environment in which they interact in Chinese cities.

This approach requires that the analysis not only identify changes in quantitative, qualitative, and spatial dimensions of the rural-urban divide, but also explores the specific mechanisms of the urbanization process and their social, political, and spatial consequences. This dissertation is an effort to highlight the major mechanisms necessary to the construction of a framework for institutional analysis of urbanization and its consequences. Considering China's special political economic context as well as the practical constraints on data acquisition that I

will explicate later, this dissertation examines the rural-urban divide by investigating its main attributes: changing practices of local governance regarding the regulation of migrant populations, land transactions, and housing provision, the functional composition of property rights, land and housing prices, collective organization, and the spatial structure of *CZC* and the municipality as a whole.

The main analysis of the study is organized in an inductive-deductive sequence. Chapter Three outlines the social, economic, and policy shifts of the Guangzhou Government in municipal administrative adjustment, migrant control, the creation and transformation of land and housing markets in the municipality, and the different phases of urbanization. Chapter 4 analyzes the creation and transformation of *CZC* in Guangzhou, and explores the patterns of *CZC* and redevelopment policies adopted by the Guangzhou Government. Chapter 5 explicates the different reactions to the redevelopment project in two villages in the municipality, and discusses how *CZC* interact with the changing local governance and urbanization process. Chapter 6, following an interpretation of the general role of *CZC* in Chinese cities, summarizes different patterns of *CZC* redevelopment projects in cities other than Guangzhou.

2.5 Study Area

This case study aims to illuminate the general process of urbanization in China by looking at the particular case of Guangzhou. The case study investigates a variety of data from official documents, news, interviews, and observations to study the interconnected and interrelated processes of urbanization take place in particular social settings. The real value of the case study

in this dissertation is that it offers the opportunity to explain not only “what” outcomes occur for Chinese people during urbanization, but also “why” they might happen.

Guangzhou is selected as the study area not only because of my own personal familiarity with the city, but because the municipality has a large number of CZC (hereafter referred to as CZC) and is undergoing rapid urbanization with insatiable demand for development land.



Figure 2.4 A Map of Guangzhou Municipality and the Study Area, Guangzhou Urban Area

There are ten districts and two county-level cities within the jurisdiction of Guangzhou's government. The ten districts are: Liwan, Yuexiu, Haizhu, Tianhe, Baiyun, Huangpu, Panyu, Nansha, Luogang and Huadu, and the two county-level cities are Zengcheng and Conghua (Figure 2.4).⁷⁷ In 2000, the built-up area was about 297.5 sq. km. within the ten districts (not including the county-level cities), which was approximately 4 times of that in 1980 (GSB, 2001). Over 98 percent of the developed land was converted from agricultural land from 1979 to 1987 (Wu and Yeh, 1997). However, as mentioned in Chapter One, a Chinese “city” or municipality is an administrative unit that contains an urbanized core, suburban area and numerous scattered towns, townships, and villages (Chan, 2011b). Therefore, a more precise definition for the urban area of Guangzhou is needed and will be provided in next section.

Rapid urban sprawl has encroached on 138 rural villages in the region, turning them into CZC (Figure 2.5). It is estimated that there were 2.5 million migrant tenants living in these CZC as of 2007 (GZUPDSRI, 2007). The dilapidated construction and the dense-mixed land use of residential and commercial activities in CZC communities have inevitably raised public concerns about health and safety hazards. The Guangzhou Government has viewed CZC as “backward” areas destructive of the city image, and, therefore, potentially harmful to city officials' performance in the political accountability system. Thus redevelopment of CZC has been a main target for the Guangzhou Government. Since 2000, many plans, projects, and policy strategies have been implemented for this purpose including *hukou* reforms, administrative reorganization, land transaction and ownership transfers, transformation of collective organizations, housing upgrading and even relocating native villagers.

⁷⁷ Among these ten districts, the names of Yuexiu, Haizhu, Liwan and Huangpu have been used since the 1960s though their jurisdictional boundaries were changed over time while the names of Panyu and Huadu referred to two county-level cities before 2000.

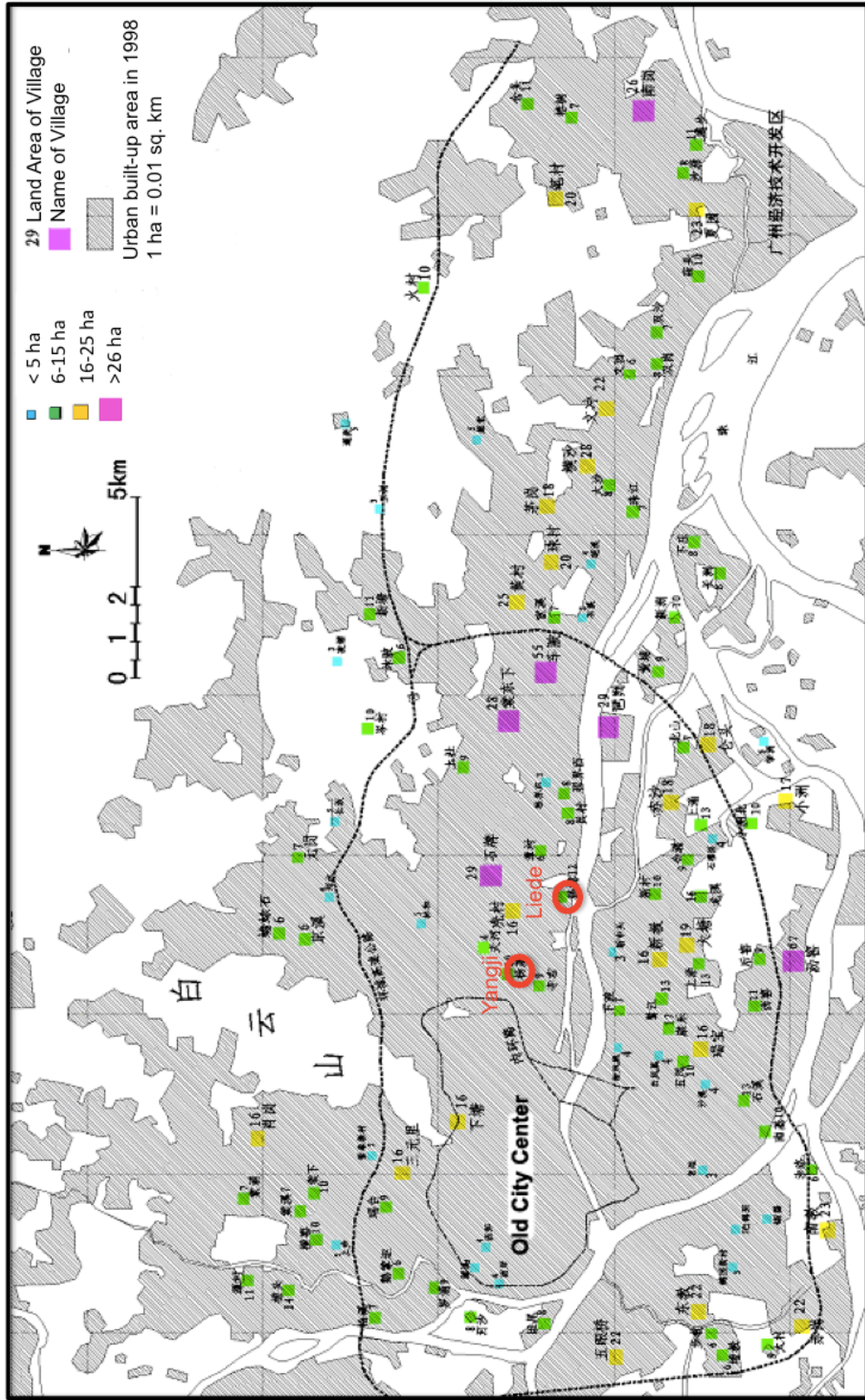


Figure 2.5 The Location and Land Area of Liede, Yangji, and other 136 CZC in Guangzhou Urban Built-up Area, 1996 (Source: adapted from Guangzhou Urban Planning Bureau, 2000, and Zheng, 2005)

Furthermore, to solve the shortage of redevelopment money, the Guangzhou Government has invited private developers from Hong Kong to participate in the process of *CZC* redevelopment. The interactions among local governments, collective organizations, private developers, native villagers, and migrant tenants have provided a fertile soil for the study of the relationship between *CZC* and urbanization in Guangzhou's institutional reforms. Through the investigation of Guangzhou's *CZC*, I hope to discover how municipal or sub-municipal (district level) governments respond to the needs and demands native villagers and village committees, and the role of increasingly important urban property developers in the course of rapid urbanization.

In 2007, more than about a decade after the first plan to define, classify, and reconstruct Guangzhou's *CZC* drawn up by Guangzhou's government, the municipality tore down an entire *CZC*, *Liede* village, adjacent to the municipality's new CBD, Zhujiang New Town (hereafter refers to New Town). This was the first *CZC* to complete redevelopment in Guangzhou. As a result of the redevelopment, about 18,000 people were relocated (7,865 were native villagers and about 10,000 migrant tenants). About 31.69 hectares (78.32 acres) of village land was leveled by demolition crews and redistributed into three parts: roughly one-third was reserved for relocated apartments, one-third for *Liede*'s collective economic development construction, and the rest sold to private developers (outsiders) for the construction of a five-star hotel (UPRCTD, 2008; Southern Metropolis News, 2007a).

In October 2010, 37 high-rise residential buildings stood on the old village site, and about 2,000 households moved back to “Liede”, now a village only in name after its total reconstruction. With the “accomplishment” of Liede redevelopment, the Guangzhou Government announced a ten-year demolition and redevelopment plan for the entire municipality that plans to remove the remaining 137 *CZC* by 2020. Such a radical “demolition” plan has aroused great indignation from native villagers and migrants in the municipality. Public appeals and even protests against unfair compensation and officials corruption have occurred in *CZC* throughout the municipality.

Liede is, so far, the only *CZC* to be totally redeveloped. The radical redevelopment project has encountered problems and resistance when carried out in other *CZC* since 2009. One extreme example of resistance occurred in Yangji, a village located about two and half kilometers away from Liede, to the northwest of New Town. The demolition project is a duplication of the “Liede Model,” carried out in April 2010 and expected to be finished in April 2014. About 15,000 people (5,000 native villagers and 10,000 migrant tenants) are to be relocated. The demolition project would tear down all “rural” houses and buildings on a land area of 11.83 hectares (about 29.23 acres). However, as of March 2012, there were still 15 households refusing to sign the demolition and relocation contract (Sina Estate, April 5th, 2012). The redevelopment plan has stood idle for almost two years, as the whole site could not be leveled. While some villagers complained about the holdouts because they now have to wait much longer than expected to move back to the old site, dissatisfaction with the redevelopment plan is so prevalent among some villagers that a Yangji woman jumped off a remaining building in the village, allegedly to protest the demolition of her house (Caijing, 2012).

Undoubtedly, Yangji's experience with redevelopment is a different story from that of Liede. Despite such different outcomes in the response to rapid urbanization and the radical redevelopment project in the two *CZC*, the reasons for this difference remain unexplored in academic research. According to the Guangzhou Government, Liede is set as a “successful” model to redevelop *CZC* in the municipality while Yangji is “a piece of bone hard to chew” (*nan ken de gutou*). The investigation of these two *CZC* will foster our understanding of the interaction among different institutions, the roles of different actors, the entity of *CZC*, and the rapid urbanization in the municipality of Guangzhou. Therefore, aside from the general investigation of Guangzhou's *CZC*, this dissertation also focuses on these two *CZC* for further examination of Chinese urbanization. Some statistical details of the two villages are listed in Table 2.1 and their locations within the municipality are shown in Figure 2.5.

2.6 Definition

2.6.1 Guangzhou Urban Area, Guangzhou Districts, and Guangzhou Municipality

Before 2000, there were eight districts and four county-level cities in Guangzhou Municipality. The eight districts were Yuexiu, Dongshan, Liwan, Haizhu, Tianhe, Fangcun, Huangpu and Baiyun. Scholars studying Guangzhou used to view the four Districts of Yuexiu, Dongshan, Liwan and Haizhu as “city proper” or “old city center (e.g. Xu, 1985; Lo, 1994; Yeh and Hu, 1995). However, in the 2005 administrative adjustment, the space of these four districts was reorganized (see more details in Guangzhou Government, 2006). For example, Dongshan District was annexed to Yuexiu, while the jurisdiction of Liwan District was expanded to

Fangcun, which is not part of the historical sphere of the “city proper” or “old city center.” Since then, though the total area, 7434.4 sq. km. remained unchanged, Guangzhou Municipality comprises ten districts and two county-level cities. With the new administrative boundary, it is difficult to define a city proper.

In addition, based on data from government policies, plans, and other documents issued in the late 2000s, the redevelopment of CZC was mostly concentrated in the seven districts of Liwan, Yuexiu, Haizhou, Tianhe, Huangpu, Luogang, and Baiyun, all formed after the administrative adjustment in 2005. To narrow down the study area, this dissertation defines an area termed the “Guangzhou Urban Area (GUA),” which consists of these seven districts with a total land area of 1559.6 sq. km. (Figure 2.4).

With this definition, Guangzhou Municipality comprises the GUA, three other districts and two county-level cities (Table 2.2). The term, “Guangzhou Districts,” includes the GUA and the three other districts (Figure 2.6). In terms of land area, the GUA is much smaller than the “Guangzhou Districts” and “Guangzhou Municipality” but has the highest population density (Table 2.2).

Within the whole municipality, Yuexiu District is the only completely urbanized area, and administrative size is the smallest but population density is the highest in 2010 (Table 2.2). With the exception of Yuexiu, there is still agricultural activity within the other nine districts and two county-level cities. Therefore, the definitions of “GUA,” “Guangzhou Districts” and “Guangzhou Municipality” are not equivalent to the concept of the fully urban “city proper” as understood in the United States.

Table 2.1 Liede and Yangji

	Spatial Relationship with the New Town	Total Land Area (Hectares)	Native villagers* (Persons)	Migrant tenants* (Persons)	When did it become a CZC	Date of Demolition	History
Liede	Mid-south of New Town	31.4	7,802	9,000-10,000	Late 1990s	October 2007	800
Yangji	Northwest to New Town	11.83	5,163	10,000-35,000	Mid 1990s	July 2010	960
Total	----	----	13,000	19,000-45,000	----	----	----

Source: compiled by the author from various sources from Chinese newspapers and planning reports.

Notes: The values of both native villagers and migrant tenants are estimated numbers. The sources are newspaper reports and interviews.

Table 2.2 Administrative Areas and Population of Guangzhou Municipality in 2010

Names	Land Area (sq. km.)	<i>De facto</i> Population (persons)	Population (%)	Population Density (persons/sq.km)
Guangzhou Municipality	7,434.4	12,700,800	100	1,708
Guangzhou Districts	3,843.43	11,070,654	87.17	2,880
Guangzhou Urban Area (GUA)	1,559.59	8,100,833	63.78	5,194
Liwan	59.10	898,204	7.07	15,198
Yuexiu	33.80	1,157,277	9.11	34,239
Haizhu	90.40	1,558,663	12.27	17,242
Tianhe	96.33	1,432,431	11.28	14,870
Baiyun	795.79	2,222,658	17.5	2,793
Huangpu	90.95	457,930	3.61	5,035
Luogang	393.22	373,670	2.94	950
Other Districts	2,283.84	2,969,821	23.38	1,300
Panyu	786.15	1,764,869	13.9	2,245
Huadu	970.04	945,053	7.44	974
Nansha	527.65	259,899	2.05	493
County-level Cities	3,590.97	1,630,146	12.83	454
Zengcheng	1,616.47	1,036,731	8.16	641
Conghua	1,974.50	593,415	4.67	301

Source: compiled from Guangzhou 2010 Census and the GZ Government (2011).

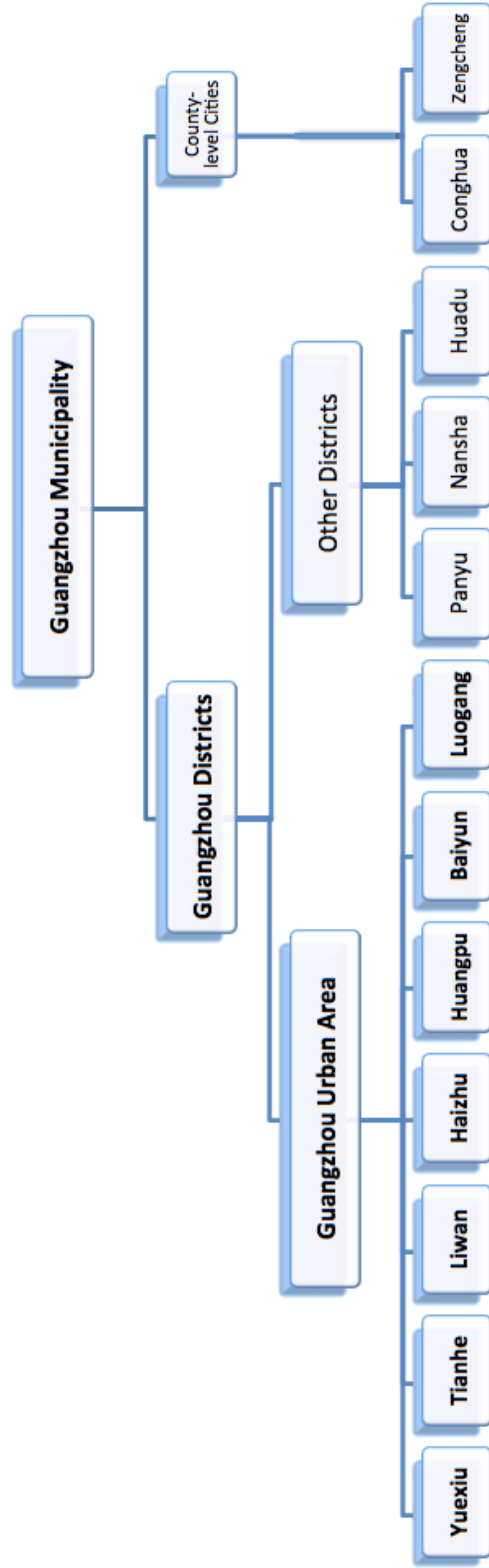


Figure 2.6 Definitions of “Guangzhou Municipality,” “Guangzhou Districts,” and “Guangzhou Urban Area (GUA).”

2.6.2 Chengzhongcun (CZC)

According to the Guangzhou Government, there are 138 officially designated CZC (ODCZC) within the boundary of the GUA (Guangzhou Government, 2000; L Li, 2001). In 2000, the total land area under the jurisdiction of these ODCZC was 80.6 sq.km (Yan, Wei, and Zhou, 2004).⁷⁸ Both Yangji, located in Yuexiu District and Liede in Tianhe District (just two-and-a-half kilometers from the Yuexiu boundary) are located within the most populous area of the GUA. The categories and distribution of these 138 ODCZC is further examined in Chapter 4.

2.6.3 Native Villagers

Native villagers refer to village committees' members whose households' status is registered under the name of village. Normally, native villagers are born in the village, have voting rights in rural committees, and share in collective-owned property. In Liede and Yangji, for example, there are 7,801 and 5,163 native villagers, respectively who can vote to approve or reject redevelopment plans and shared in compensation and relocation fees. Usually, the category of native villagers does not include two kinds of married women (“waijia nü”): the first category refers to those born in the village but married to “outsiders” from a different village; the second category refers to “outsiders” married to male members of the village. These women do not have voting rights in the CZC or hold shares in collective assets. They are also excluded from the compensation plan of expropriated land in CZC.

⁷⁸ In 2000, the total built-up area of urban districts in Guangzhou was 297.5 sq. km. (Yao and Tan, 2004).

2.6.4 Zhujiang New Town

The term “New Town” refers to Zhujiang New Town. It is a nationally designated central business district approved by the State Council in 1993 located in Tianhe District adjacent to Yuexiu District with an area of 6.5 sq. km. (Yuan, 2003).⁷⁹ Liede is located within the New Town and Yangji is adjacent to its western edge. The spatial relationship between the New Town and two villages is shown in Figure 2.7. Though the agricultural land of both villages has been totally expropriated by the Guangzhou Government before 1994, in 1995, there was still some farmland (green field in Figure 2.7) left around Liede. Why was there farmland left in Liede but none in Yangji? What are the relationships between the two villages and the development of New Town? These issues will be examined in Chapter 5.

2.7 Data Sources and Methodology

Analysis in this dissertation mainly consists of three phases: developing plausible scenarios for the interplay of local governments in the process of urbanization in Guangzhou; empirically investigating institutional changes and corresponding outcomes in *CZC* of Guangzhou with further interpretation based on two typical examples of *CZC*; and comparing different patterns of *CZC* redevelopment projects in other Chinese cities to provide further explanation on the relationship between *CZC* and Chinese urbanization.

⁷⁹ With approval by the State Council in 1993, New Town was planned as the third national CBD with Chaoyang in Beijing and Pudong in Shanghai (163 House News, 2012). There are differences among them, however. Unlike Chaoyang and Pudong where the central government took the leading role in providing both financial and policy supports, the development of New Town in Guangzhou was undertaken by Guangzhou Government while the central government provided policies but no money.

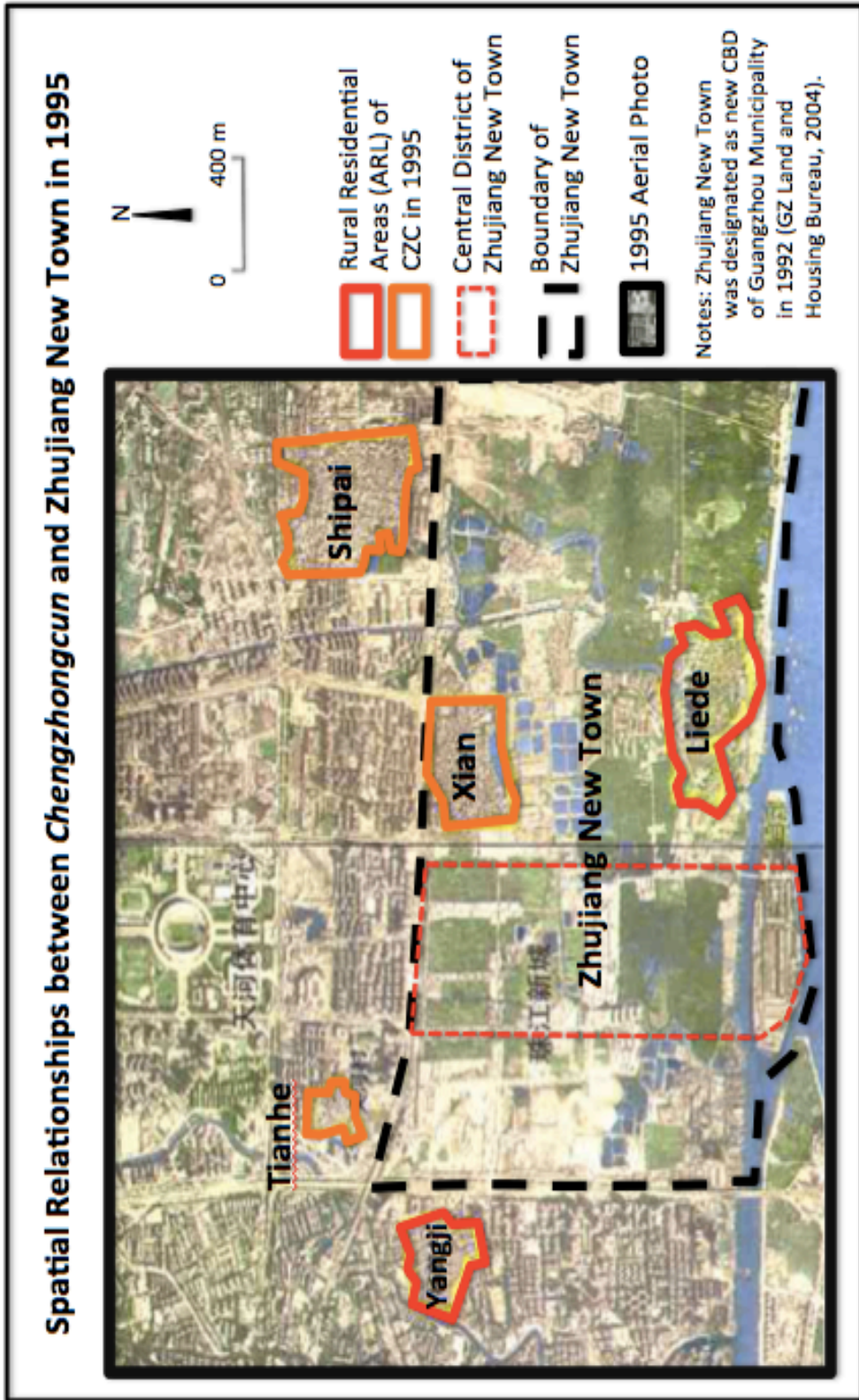


Figure 2.7 Spatial Relationships between CZC and Zhujiang New Town
 Source: 1995 Aerial Photo adapted from L Li (2001).

The dissertation relies on integrating information from both quantitative and qualitative data sources, including government statistics and reports, censuses and surveys, written documents on state laws and government regulations, reports in both Chinese and English newspapers, research findings from both Chinese and English literatures, data and information gained from internet sources, field observations, and semi-structured and unstructured interviews with people in Guangzhou. Some data on population, land, and real estate are collected from Chinese land use surveys, statistical yearbooks, and population censuses including Chinese statistical yearbooks such as Guangzhou Estate Year-book, Guangzhou Statistical Yearbook, Guangzhou Construction Yearbook, Guangdong Land Resource Yearbook, China's Statistical Yearbook, and China Urban Statistical Yearbook.

This study relies more on carefully studied and triangulated qualitative analysis. According to Chan (e.g. 2010b, 2011a), there are some issues in China's statistical data. For example, the national census did not begin to collect sufficient variables of migrants in Chinese cities such as original hometown, educational background, ages, and other details until 2010. As mentioned in Chapter 1, China's urban and city statistical data are extremely complex and often confusing, with multiple indicators of city/urban population and a complicated administrative system. In addition, to attain better political performance reviews, Chinese officials have frequently manipulated "data" for their own purposes (Chan, 2011b).

The data and information in this dissertation are mainly from local Chinese newspapers, governmental documents, and Internet sources that provide a window for observing the changes in Chinese society. Particularly, as the CCP has utilized mass media as conduits for regime

propaganda, local media and the popularization of the internet have provided tremendous information including not only updated news, state propaganda, and laws and regulation, but also millions of Chinese blogs and micro blogs (*weibo*) that voice dissent and offer valuable details that cannot be found in the mainstream media or governmental documents. Therefore, an emphasis on qualitative analysis can provide a better understanding of institutional changes and impacts in China.

Besides Internet data and government documents, supplementary information is also drawn from field observations in various periods since 2000 and semi-structured interviews conducted from 2010 to 2011. My own experiences living in Guangzhou for about ten years (two of which, 1999-2001, were spent living in a CZC) have been valuable in shaping my thinking about Chinese cities. The knowledge gained from several informal field visits to the municipality from June 2009 to September 2010 has helped me to get a good vantage point on all that was happening in Guangzhou's CZC, and has shaped my general thoughts on Chinese urbanization. Finally, I made two formal research trips to the municipality in December 2010 and in September 2011⁸⁰ and conducted semi-structured interviews

The interviews with local "insiders" used a totally oral consent process and employed a snowballing strategy. Interviewees were kept anonymous and voluntarily introduced other interview subjects whom they knew. I successfully interviewed 29 subjects including local academics, local government and their agency officials as well as private entrepreneurs

⁸⁰ I stayed in Guangzhou for about one month for each trip.

(developers), urban planners, native villagers, and migrants in the municipality.⁸¹ The interviews provided vivid first-hand data and information. The questions used in the interview are in Appendix A.

Generally, the analysis of the changing relationship between urbanization and *CZC* in Guangzhou in Chapter 3 and 4 is based on a mix of quantitative and qualitative analysis of published statistical data sources, including government statistics, state laws and government documents, newspapers, Internet BBS, research findings from literature, and other secondary data sources. In addition, the chapters also involve some first-hand information from field observation and interviews, as well as some of my personal experiences obtaining local *hukou* and buying a commercial apartment. The investigation of two *CZC*, Liede and Yangji in Chapter 5 relies on analysis of materials from both fieldwork and published sources. The analysis also uses government documents, planning reports, research findings from (mostly Chinese) literature, newspapers, and Internet data, as well as semi-structured interviews and field notes. In Chapter 6, the comparison of *CZC* redevelopment projects in different Chinese cities is mainly based on planning reports and research findings from the existing literature.

⁸¹ There were three subjects that I approached unsuccessfully. One was a developer who did not want to talk in detail. One was a planner who referred me to his underling. The last one was a manager who worked in a real estate development company.

Chapter Three Urbanization in Guangzhou Municipality

Guangzhou is a much more market-oriented and open city compared with other Chinese cities. Any person, regardless of whether he is rich or poor, can find a way to live, consume, and stay in the city.

-- Male interviewee, field notes, 2010

A foot of land is worth an inch of gold in Guangzhou. The inner-city *chengzhongcun*, particularly those located within or around Zhujiang New Town, occupy the best locations. The inferior peasants' housing has damaged the city image and devalued the property prices in the area. The redevelopment of *chengzhongcun* is imperative.

-- Male interviewee, field notes, 2010

This chapter argues that the institutional design of the rural-urban divide is the foundation of urbanization in Guangzhou Municipality. There are five sections in this chapter. It starts with a brief historical review of the socio-economic development of Guangzhou Municipality, and then investigates urbanization from the perspectives of *hukou* reforms, demographic distribution and the processes involved with the historical change of built-up areas, land and housing development. An examination of the establishment of the real estate market, land prices, and land revenue in relation to ownerships transferred from rural collectives to the state, suggests that in order to rebuild its dominant role in the regional development of the Pearl River Delta, the Guangzhou Government has shifted its pursuit of economic growth towards a land revenue-based approach, as described by Tsui (2011). A further examination of urbanization sheds light on the establishment of a dual housing market in GUA with a comparison of construction costs in rural and urban areas, and states that escalating urban housing prices have excluded low-income workers, including most rural migrants. Last but not least, the third section reexamines previous research in this area, and explains how institutional reforms regarding the *hukou*

system, land ownership, and housing have shaped the characteristics of urbanization in the Guangzhou Municipality.

3.1 The Economy of Guangzhou Municipality

Guangzhou Municipality is located at the mouth of Pearl River Delta with an administrative area of about 7,434.4 square kilometers with a total population of 12.7 million in 2010 (Guangzhou Government, 2012). Because of its geographical proximity to Hong Kong, with which it shares Cantonese culture and linguistic connections,⁸² Guangdong has become the largest recipient of Hong Kong's manufacturing investments and has taken the lead in a process of export-led industrialization since the 1980s (e.g. Sit and Yang, 1997; McGee, et. al, 2007). As the capital of Guangdong province,⁸³ Guangzhou is often considered to be the heart of South China, and it has become the "southern gateway" of commerce and international trade as well as a center of ideological exchange between Mainland China and the world.⁸⁴ It is one of the first Chinese cities to play a major role in opening up China to the outside world, resulting in strong ties with overseas Chinese communities that have existed since the Qing Dynasty (Ho, 2005).⁸⁵

⁸² Cantonese is the common dialect in these two areas. Hong Kong was a British colony from 1842 until it was returned to China in July 1997. The province of Guangdong is adjacent to the boundary of Mainland China and Hong Kong, and is the main supply of fresh water and farm produce for Hong Kong (even in Mao's era) (McGee, et. al, 2007). Guangzhou is located 120 kilometers away from Hong Kong.

⁸³ Guangdong in Chinese literally means "broad east" and has been in the forefront of virtually every major reform and revolutionary movement in China since 1839. It was the site of the first Opium War (1839-1842). Hong Xiuquan, the leader of the Taiping Rebellion (1850-1864), was also Cantonese. The leaders of the 1898 Reform Movement, Liang Qichao and Kang Youwei, were Cantonese. The leader of the 1911 Revolution that set up the Republic of China, Sun Yat-sen, was Cantonese (Vogel, 1969).

⁸⁴ For example, when the state-run China Central Television (CCTV) dominated the whole country's television channels in the late 1980s, the Guangzhou people could access the news and Western/capitalist ideas from the Hong Kong satellite television providers.

⁸⁵ The Qing Dynasty lasted from 1644 to 1911. With total population of 6.3 million in 1990, according to the 4th National Census, there were 1 million Cantonese with overseas relations.⁸⁵ By 1993, there were about 1.4 million overseas Chinese around the world originally from the municipality (Fu, 1994: 63).

The municipality has been praised for its commitment to market-oriented reform (e.g. Lo, 1994; Yusuf and Wu, 1997; Lin, 2004) and was the second-largest recipient of foreign direct investment (FDI) among Mainland Chinese cities in 2000 (Lin, 2004). Factories owned or managed by manufacturers from Hong Kong, Taiwan, Korea and Japan have provided steady employment for tens of millions of migrant workers, technicians, and small traders (Siu, 2011). According to NBSC (2010a), the gross regional product of Guangzhou ranked third among Chinese cities in 2009.⁸⁶ The Canton Fair held biannually in the spring and autumn since 1957, is the largest international trade fair in China⁸⁷ with “the longest history, the highest level, ...the broadest distribution of overseas buyers and the greatest business turnover” (Xinhua Net, 2008).

The opening-up of Guangdong beginning in 1978 coincided with a time when Hong Kong manufacturers were seeking locations for low-price production (cheap land and labor) outlets. The integration of Hong Kong and Guangdong has resulted in an extended urban-rural region bordered by Hong Kong-Guangzhou-Macau⁸⁸ in the Pearl River Delta (McGee, et. al, 2007). Within this urban-rural area, Hong Kong and Macau are the two special administrative regions of China that are administered under the “one country, two systems” economic and political system;⁸⁹ all other regions, including Guangzhou Municipality, are governed under a socialist

⁸⁶ Cities in China are “regions” including urban and rural areas. The top three “cities” are Shanghai (1504.7 billion *yuan*, about US\$ 220 billion), Beijing (1215.3 billion *yuan*, about US\$ 177.7 billion), and Guangzhou (913.8 billion *yuan*, about US\$ 133.6 billion) in 2009 (NBSC, 2010a: Table 11-3, “Main Social and Economic Indicators of Provincial Capitals and Cities Specially Designated in the State Plan”).

⁸⁷ The full name of this trade fair was originally The Chinese Export Commodities Fair, and in 2007 it was renamed The China Import and Export Fair. It is hosted by the Ministry of Commerce and the Government of Guangdong Province, and is organized by the China Foreign Trade Centre in Guangzhou. The total business turnover of the 104th Canton Fair in 2008 was over 16.5 billion US dollars and the fair had attracted more than 4.7 million overseas buyers by 2009 (Luo and Zhang, 2010).

⁸⁸ Macau had been a Portugal colony since 1557 before it was returned to China in December 1999.

⁸⁹ The “one country, two systems” policy is an idea formally proposed by Deng Xiaoping in 1984. He suggested that there would be only one China, but independent Chinese regions such as Hong Kong, Macau and Taiwan, could maintain the capitalist economic and political systems, while the rest of China would maintain a socialist system. Under the policy of “one country, two systems,” Hong Kong and Macau now maintain their own legal system,

system. However, the new spatial configuration together with the remarkable economic growth of two SEZs - Shenzhen and Zhuhai - as well as changing Central Government policies that have begun to favor Shanghai, Beijing-Tianjin, and other interior mainland regions since the late 1990s, has weakened the dominance of Guangzhou. Consequently, the Guangzhou's ranking in terms of FDI among Chinese "cities" has dropped from second place in 2000 to sixth in 2006 (NBSC, 2007b).⁹⁰

In order to gain more direct control over local resources, pursue further economic growth, and reassert its central function in southern China, the Guangzhou Government has modified its policies in various ways and adopted a set of new policies and reforms including administrative adjustments through "withdrawing counties and setting up districts" (*chexian bingqu*), a set of *hukou* reforms involving the conversion of wealthy or well-educated migrants to local citizens, and cooperation with various capitals in developing land and housing. With the enforcement of land and tax reforms, the monopoly right of expropriating rural land has provided the Guangzhou Government a chance to make windfall profits from land transactions. The privatization of housing, and the development of real estate as a pillar industry in Guangzhou Municipality have in return stimulated the process of land conversion from rural areas. In the course of land and housing development in the GUA, the Guangzhou Government and developers have cooperated in various initiatives, particularly in projects related to urban renewal and the redevelopment of CZC.

police forces, monetary systems, customs policies, and immigration policies, and have operated with a high degree of autonomy for fifty years. The central government of China is responsible for the defense of all of territory (China.org, 1984).

⁹⁰ The top six cities for foreign direct investment in 2006 were Shanghai (US\$ 7.1 billion), Beijing (US\$ 4.6 billion), Tianjin (US\$ 4.1 billion), Qingdao (US\$ 3.7 billion), Shenzhen (US\$ 3.3 billion), and Guangzhou (US\$ 2.9 billion) (NBSC, 2007b: Table 2-24, "Foreign Direct Investment").

3.2 Urbanization in Guangzhou Municipality

“Urbanization” in Guangzhou Municipality is a complicated process that involves demographic changes, spatial, administrative and institutional transformation in relation to population growth, land and housing development, and institutional adjustments. The population density was 1,708 persons per sq. km. in Guangzhou Municipality and reached 5,194 in GUA in 2006. Comparing land area, total population, proportion of population, and population density with Other Districts and County-level Cities, the GUA has the smallest land area but houses over half of the total population (Table 2.2). Furthermore, population distribution is uneven among the seven districts of the GUA. Luogang District has the least population and the lowest population density (less than 1,000 per sq.km.), while the completely urbanized Yuexiu District was the most populous area in 2010, with the highest population density (34,239 persons per sq.km.). Not counting Luogang, the other six districts accounted for more than 60 percent of the total population (Table 2.2). Haizhu District was the second most populous area with 17,242 persons per sq.km, containing about 12.27 percent of the total population by 2010. Liwan and Tianhe were the third and fourth most populous, with population densities of 15,198 per sq.km., and 14,870 persons per sq.km. respectively (Table 2.2).

The following section first examines the institutional reforms of the *hukou* policy, and then investigates how the changes of de facto population, *hukou* population and “non-agricultural” *hukou* population affected “urbanization levels”. The final section examines how institutional

reforms have interplayed with the spatial changes of land development and the housing market in Guangzhou Municipality during the last three decades.

3.2.1 Institutional Reforms in the *Hukou* System

In 1984, the State Council first allowed Chinese peasants and their dependents to move to “towns” for permanent settlement (State Council, 1984). Since then, there have been two categories of migration in China in accordance with the changes in *hukou* registration status: (1) *hukou* migration, where one changes one’s *hukou* registration status from outside to “local;” and (2) non-*hukou* migration where one’s residency status does not change (Chan, 2012b). In China, the official meaning of “urbanization” refers to the first category, in institutional terms “*hukou* migration” (Chan, 2012b).

Therefore, the urbanization of peasants in China is divided into two phases: the first phase is a “physical process” of migration where peasants are allowed to work and live in cities without changing their *hukou* status; and the second phase is an “institutional process” where peasants are able to change their *hukou* status from agricultural to non-agricultural status and take part in the urban welfare and social security system. Since social welfare is not automatically bundled with the *hukou* status change, the second phase is sometimes further divided into two sub-divisions: a nominal change of *hukou* status and a real change with full access to urban welfare programs. This means that the change from an agricultural to a nonagricultural *hukou* does not guarantee access to urban welfare programs. For example, based on what I observed in Guangzhou CZC, the change of villagers’ household registration status from agricultural to

nonagricultural *hukou* in the early 2000s did not entitle them to urban welfare. Instead, the pre-existing collective organizations remained self-financing and were responsible for members' social welfare.⁹¹

Being the manager of a forefront “city” of China’s reforms, the Guangzhou Government has adopted a set of regulations and reforms to manage migrants and allow a limited number of them to acquire a Guangzhou *hukou*. To manage all migrants, temporary residence permits (*zanzhuzheng*) are required if migrants want to work in Guangzhou Municipality. If migrants want to convert their household registration status to Guangzhou agricultural *hukou*, they can apply to do so if they meet certain requirements or pass a threshold in a new point system (that I will detail later) by working in “relevant” jobs, owning property, investing in the municipality, etc. On one hand, highly educated and talented migrants can get a Guangzhou *hukou* through finding a job in a government unit or other work units. Appendix B explains a typical approach to get full Guangzhou citizenship through becoming a student, getting a good job, settling down, buying real estate, and transferring *hukou* status. However, for migrants without money or “talent,” such as rural migrants working in low-paid positions, it is much harder - if not almost impossible - to get a Guangzhou *hukou*.

On the other hand, before 2004, wealthy migrants could buy private homes or invest a certain amount of funds in Guangzhou to get a “blue-seal” *hukou*, a special *hukou* status that allowed holders to apply for a local *hukou* after a certain period of residency. Since 1984, to attract more investment, the Guangzhou Government has introduced a set of policies that gives overseas Chinese an option to “convert a rural *hukou* to an urban *hukou*” (*nongzhuanfei*) if they

⁹¹ Details and further analysis about such nominal change of *hukou* can be found in Chan (2012a).

invest a certain amount of money in Guangzhou Municipality (Fu, 1994).⁹² In 1999, the Guangzhou Government also promulgated a so-called blue-seal *hukou* policy that allowed migrants who purchased 50 sq. m. or more of housing in specific districts to have a blue seal *hukou*, which could be converted to a Guangzhou *hukou* after five years of residency (Guangzhou Government, 1999).⁹³ This is similar to the “business immigration” programs in countries such as Canada before 2008, where wealthy migrants who invested a certain sum in real estate or enterprises were granted immigrant status (Whyte, 2010). In general, these regulations were targeted at rich migrants and attracting more investments that would not create a financial burden for the municipal government.

In 2010, Guangzhou Government adopted three important new policies regarding *hukou* reforms. First, on January 1, 2010 the Guangzhou Government ceased the temporary residence permit by instating a new “residence permit” (*juzhu zheng*). Eligible migrants can apply for a Guangzhou *hukou* after seven years of residence in Guangzhou (Guangzhou *hukou* Net, 2010). Migrants holding the residence permit in Guangzhou Municipality can apply for driver’s licenses, apply for travel permits to go to Hong Kong and Macau, and are allowed to purchase public medical insurance in the municipality. Before the residence permit was instituted, all migrants needed to go back to their original *hukou* registration area to apply for these permits (China.org, 2011).

⁹² It was the Provisional Measures of Guangzhou Municipality on Preferential Treatment for Overseas Chinese and Hong Kong and Macao Investors, promulgated on October 24, 1984 and expired on April 25, 2002 (Fu, 1994); the required investment was between US\$ 300,000-600,000 (Fu, 1994). Later in 1988, the “*Interim Regulations of Hukou Provisions for Overseas Chinese Relatives Buying Urban Housing in Guangdong Province* (*Guangdong Sheng huaqiao yong qiaohui zai chengzhen goumai zhuzhai zhaogu qinshu ruhu zanxing guiding*) allowed overseas Chinese relatives get a Guangzhou *hukou* space if they purchased a 50-70 sq. m. urban apartment in Guangdong Province (Fu, 1994).

⁹³ The blue-seal system was operated since 1999 and ceased in 2004 (Nanfang Daily, 2009).

Second, in November 2010, the Guangzhou Government launched a point system that allows migrants to apply for Guangzhou *hukou* once they accumulate a total of 85 points (Guangzhou Government, 2010). An applicant can obtain points through various methods, such as acquiring education and skills, having no record of violating the family-planning policy, and participating in volunteer activities such as donating blood. This point system provides alternatives for rural residents who cannot afford to buy homes or make investments, and was put into effect on Jan 1, 2011.

However, the point system is skewed in favor of migrants with higher levels of education rather than rural migrants, who generally lack education and professional experience. For example, someone who has graduated from senior high school will receive 20 points, while a university graduate will receive 80 points. As rural migrants generally do not have college degrees, the vast majority of them cannot reach the threshold score of 85. Thus the point system has essentially excluded rural migrants (Huaxia News, 2011). Qualified rural migrants are still hesitant to have an urban *hukou*, as they may need to surrender collective ownership of farmland in their hometown if they do. If they own farmland, they can always return home to farm and make a living in the countryside if they fail to find work in the city (China News, 2011). Furthermore, not only is the point system threshold high, there is a quota limit of 3,000 spaces annually (Nanfang Daily, 2011b). This means that it would take at least 2,000 years to convert all of the 7 million migrants in Guangzhou who do not hold Guangzhou *hukou* via the present point system.⁹⁴

⁹⁴ The number of 7 million includes migrants who live in the municipality for less than six months in 2010 (China.org, 2011); another datum is about 4.76 million migrants according to the 2010 census (Nanfang Daily, 2011a), which will take about 1,587 years to be converted.

Finally, there was a unified reform affecting local *hukou* residents that went into effect on May 1st, 2010. Both local agricultural and non-agricultural households are required to renew their *hukou* registrations as a long-term residence certificates (*jumin zheng*). There were no longer any non-agricultural households in Guangzhou Districts once this *hukou* unification was fully implemented (Guangzhou Daily, 2010).⁹⁵ The distinction between agricultural and non-agricultural *hukou*, would be finally abolished, at least in name. However, Chan (2012a) commented that it was a “nominal” change in many cases, as most conversions to the *jumin zheng* did not involve giving up rural residential land or gaining urban social security.

3.2.2 The Interplay of Population Growth, Land, and Housing Development

This section examines population growth in relation to the changes of built-up area, land development, and housing reform from 1978 to 2010.

Population Growth

Until 20 years ago, China’s annual population statistics were based mainly on its *hukou* (*de jure*) population figures, and Chinese governments officially calculated the rate of “urbanization” based on the urban *hukou* (non-agricultural) population (Chan, 2007; 2012b). In 2010, there were 7.94 million residents with local *hukou* in Guangzhou (New Rural Commercial News, 2011). But the most recent census held in 2010 also collected data for *de facto* residents. There

⁹⁵ In light of this reform, Guangzhou Government announced that ID cards would gradually become the core identity certificate substituting the *hukou* registration booklet that records various details of personal information including employment, marriage, credit and social security (Guangzhou Daily, 2010).

were 12.7 million *de facto* residents in Guangzhou Municipality (Guangzhou Statistical News, 2011c).

In the 2010 census, the figure for *de facto* residents was generated by counting in the locale the following residents: (1) those who have local *hukou* and are physically present in the locale at the time of the Census;⁹⁶ (2) those who do not have local *hukou* but have stayed in the locale for more than six months; (3) those who have local *hukou* but are not present in the locale and have been out of town for less than six months; and (4) those who have local *hukou* but work or study abroad (Guangzhou Statistical News, 2011c).

If we compare the proportional changes of the non-agricultural *hukou* population and the *de facto* population from 1978 to 2010 in different geographical spheres, the “urbanization” rates are different. Table 3.1 shows the different dimensions of the “urbanization” level in Guangzhou Municipality, Guangzhou Districts, and the GUA.

First, in terms of the *de jure* population, the GUA and Guangzhou districts had a much higher rate of urbanization than that of Guangzhou Municipality. There has been no “agricultural *hukou*” population in the GUA since 2005. It was in 2009 that Guangzhou districts first had zero “agricultural *hukou*” population, while in Guangzhou Municipality 10.18 percent of the population still held “agricultural *hukou*” in 2010 (Table 3.1). From 2005 to 2009, the annual increase in the “non-agricultural *hukou*” population in Guangzhou Districts was over 5 percent, and there was a big jump in the non-agricultural proportion of the population, which increased from 78.17 percent in 2005 to 100 percent in 2009.

⁹⁶ The census period is at 12:00 am on November 1st, 2010.

Table 3.1 Population Growth in Relation to *Hukou* Registration from 1978 to 2010
in Guangzhou Municipality and the GUA (unit: millions persons)

Year	Guangzhou Municipality					Guangzhou Districts					Guangzhou Urban Area										
	Area (sq.km)	D	L	N	%	Area (sq.km)	D	L	N	%	Built-up Area (sq.km.)	D	L	N	%	Area (sq.km)	D	L	N	%	
1978	n/a		4.83	2.31	47.94	250					89		2.83	2.01	72.85	250					
1980	n/a		5.02	2.56	50.93	250					170		3.03	2.29	75.50	250					
1985	n/a		5.45	2.96	54.24	401					183		3.29	2.57	78.13	401					
1990	7,434	6.3	5.95	3.41	57.45	1,444					187	3.94	3.58	2.91	81.42	1,444	3.94		3.58	2.91	81.42
1995	7,434		6.47	3.95	61.12	1,444					259		3.85	3.17	82.17	1,444			3.85	3.17	82.17
2000*	7,434		7.01	4.36	62.24	1,444					298		4.14	3.44	83.08	1,444			4.14	3.44	83.08
2000**	7,434	9.94	7.07	4.22	59.69	3,843					526***	8.52	6.88	4.08	59.3	1,560	6.18		5.6	3.61	64.46
2005	7,434	9.49	7.51	6.71	89.46	3,843					735		6.17	4.83	78.17	1,560			4.47	4.47	100.00
2009	7,434		7.95	7.14	89.85	3,843					844****		6.55	6.55	100.00	1,560			4.74	4.74	100.00
2010	7,434	12.7	8.06	7.24	89.82	3,843					952	11.07	6.64	6.64	100.00	1,560	8.1		4.82	4.82	100.00

Source: Compiled by the author mainly from the Guangzhou Statistical Yearbook (1990-2007), National Statistical Data of County and County-level Populations (2000-2011), and National Census data (1987-2010).

Notes: "D" refers to de facto population;

"L" refers to local *hukou* population;

"N" refers to non-agricultural *hukou* population;

"%" is the value of $N/L * 100$;

2000* presents the eight districts' data in 2000;

2000** presents the ten districts' data in 2000 after the annex of tow-county level cities; from the 2000 national census;

*** is the value of built-up area in 2001;

**** is the value of the built-up area in 2007.

The reason for such a growth is not due to an increase in migrants' household registrations transferring to local *hukou*, but because of the previously mentioned unified *hukou* reform that focused on local *hukou* residents. It implies that most villagers' *hukou* in CZC have been converted from rural to urban since 2005. Again, we have noted that the “zero” figure for “agricultural *hukou*” does not indicate an increase of truly “urban” residents, as newly converted “urban” residents still lack social security benefits, similar to what has been noted in Wuhan (Chan, 2012a).

Secondly, compared to the changes of the population in different years between 1990 and 2010 as shown in Table 3.1, the increase of the *de facto* population is also remarkable. The total increase was generally more than 27 percent with an annual average increase of 5.08 percent from 1990 to 2010 in Guangzhou Municipality, 9.05 percent in Guangzhou Districts, and 5.28 in GUA, respectively. Table 3.1 shows the changes of *de facto* population from 1990 to 2010. However, the *de facto* population includes residents living in both urban and rural areas within Guangzhou Municipality, Guangzhou Districts, and GUA. In addition, *de facto* residents include migrants who do not have local *hukou* as well as most native villagers in CZC who do not participate in urban social security programs. Therefore, the increase of the *de facto* population is not a true indicator of an increased rate of urbanization.⁹⁷

The dual structure of the *hukou* system has complicated the understanding of Chinese urbanization. Chan (2007, 2012a) has examined the complicated and multiple systems of population statistics in China for prefecture-level cities, including Guangzhou Municipality. He

⁹⁷ Similar finding can be found in Chan (2010).

criticized population statistics in China for being difficult to understand, because the statistical method for enumerating population is based on *hukou* registration in a dual-structure administrative system (Chan, 2007). The improper use of population statistics has led to significant misunderstandings in the evaluation of the success or failure of Chinese urbanization (Chan, 2007). To alleviate confusion, Chan (2012a) concluded that substantive rather than nominal changes in urban *hukou* conversion policy are needed if the country wants to produce continuous economic growth, in particular growth fueled by demand generated by migrant workers:

“They [migrant workers] will need to have the same equal access, as other urban residents do, to public housing and the social-welfare systems of cities, and to be able to send their children to schools in cities without having to pay additional fees. In essence, China will need to open its urban *hukou* door to those working migrants, or abolish the *hukou* system altogether, a proposal that has been voiced hundreds of times, but appears to be unheeded. ... When the day of equal rights and opportunity—at least in *de jure* terms—arrives in the cities where migrants work, one can then begin to envision a country, China, urbanizing its way to prosperity (Chan, 2012a: p82).”

Examinations of both the *de jure* and *de facto* populations in Guangzhou Municipality have supported Chan’s arguments. This dissertation further suggests that the number of actual urban *hukou* conversions granting full access to urban social-welfare systems should not only include migrant workers but also the native villagers in CZC. Only when China has allows substantial changes to urban *hukou* conversions for both native villagers in CZC and migrants in Chinese cities, or abolishes the *hukou* system, will population statistics finally reveal accurate changes in the level of urbanization and geographers and economists be able to generate answers to many

important questions, for example, how to obtain meaningful per-capita statistics for GDP or other measures of economic development.⁹⁸

However, achieving a substantive urban *hukou* conversion is not easy for native villagers and rural migrants, as they are required to have valuable land to exchange, which involves China's dual-structure land system. In addition, urban housing needs to provide sufficient space for native villagers and migrants. The following section examines land development, land conversion and land revenue as well as housing development in Guangzhou Municipality.

Increase of Land Development and Generation of Land Revenue

The open-door policy and economic reforms that began in 1978 have profoundly influenced land development in Guangzhou. Various infrastructure projects, urban renewal, housing development, and other economic activities are taking place at an unprecedented pace and scale, resulting in a tremendous demand for land. There have been serious problems with Chinese land use statistics,⁹⁹ such as underreporting of cultivated areas, and little or no information on non-agricultural land use, so it is difficult to give a precise estimation of land use and price changes in the country (Lin, 2007). However, the available evidence from Guangzhou does suggest an enormous expansion in urban land at the expense of agricultural land, and, at the same time, that land development has contributed to the growth of local revenues.

⁹⁸ Similar finds can be found in Chan (2010d).

⁹⁹ In 2000, China first published the results of its first national land survey conducted in 1996. It is an important source of land information in China (Lin, 2007).

Generally speaking, there are three phases of land urbanization in Guangzhou: first, there was a stagnant period from 1949 to 1979 when the built-up area of the old city center doubled its size from 36.2 sq.km to 71.8 sq.km; Second, there was an extremely rapid growth phase from 1979 to 1999 that encroached on a large amount of farmland. The introduction of a land market opened a new source of revenue for the Guangzhou Government through the lease of land. Cooperation among local governments, developers, and the public resulted in a reconstruction of urban space whereby new commercial and residential buildings have been built to replace aged industrial sites and dilapidated neighborhoods by relocating industries from inner city to the periphery areas (Xu and Yeh, 2003). In only 20 years, built-up area expanded by nearly four-fold from 71.8 sq.km in 1979 to 284.6 sq.km in 1999, and over 98 percent of this land was converted from agricultural uses to urban construction from 1979 to 1987 (Wu and Yeh, 1997).

The outward expansion of built-up area has involved the large-scale conversion of farmland. From 1990 to 1999, about 94.5 percent of the decrease of farmland was related to urban construction (Ouyang and et.al, 2002, Chinese journal paper). The changes in built-up area from 1979 to 1998 can be viewed in Figure 3.1.

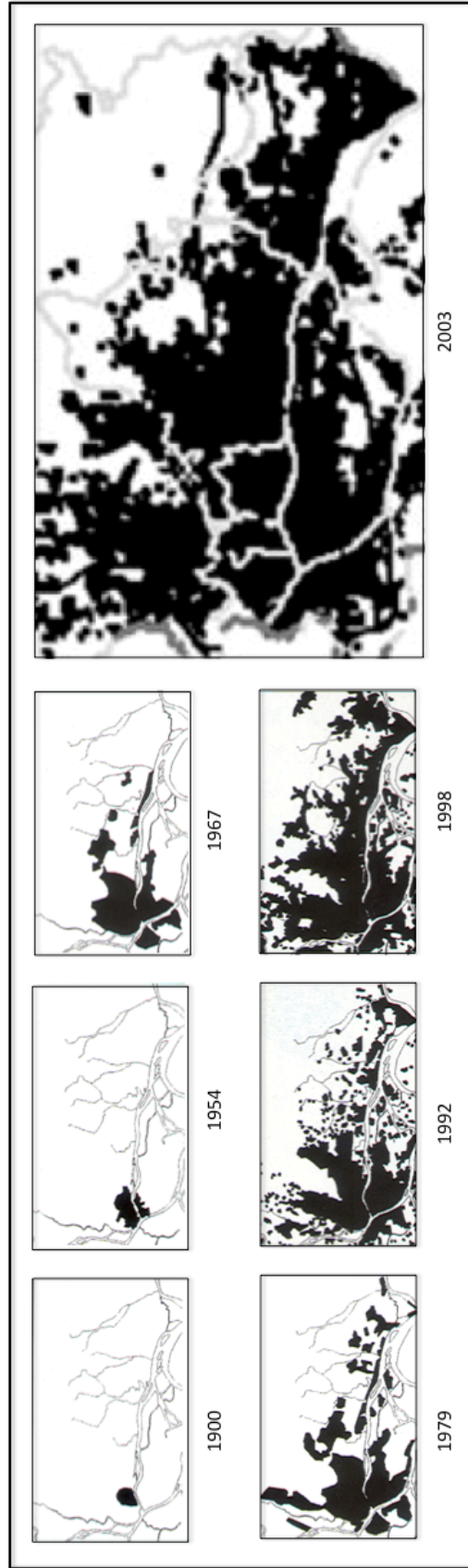


Figure 3.1 The Changes of Built-up Area of GUA
 Source: adapted from Li, et. al. (2002) and Tian (2008).

The third phase of land development in Guangzhou Municipality is an adjustment period, as the municipality got an “extra” 2,200 sq. km. of land development space through the administrative adjustment in 2000.¹⁰⁰ “Turning county-level cities into urban districts” (*cheshi bingqu*) was one effective measure used to get more space for land development while strengthening municipal administrative authorities by depriving county-level governments of independent decision-making power in approving urban planning, construction projects, land supply and land-related projects, as well as foreign trade (Chung and Lam, 2004).¹⁰¹ Since then, the Guangzhou Government has adopted a new spatial development policy called “expansion in the south,¹⁰² optimization in the north, advance in the east, and linkage in the west (*nan tuo, bei you, dong jin, xi lian*)” (Li, et.al, 2002, Chinese document; Xu and Yeh, 2003). The built-up area of Guangzhou Municipality was increased from 431 sq.km in 2000 (NBSC, 2001b) to 843.7

¹⁰⁰ It was in June 2000 that the two former county-level cities, Panyu and Huadu were first converted into urban districts of Guangzhou by the State Council. The adjustment has added about 2,200 sq. km to the total land area under the Guangzhou Government’s direct jurisdiction. The state has carried out over 20 administrative adjustments of Guangzhou’s jurisdiction regarding the best way to administer and facilitate industrialization since 1949. Since 1978, there have been 10 adjustments made to the municipality. Except for the latest jurisdictional adjustment involving large-scale change within urban central districts in 2005, the other 9 adjustments were made on suburban counties (Guangzhou Government, 2012). For example, the initial establishment of the Guangzhou municipality was carried out during the fourth administrative adjustment since 1978. There were eight districts and four counties in Guangzhou in 1988: the eight districts of Yuexiu, Dongshan, Liwan, Haizhu, Tianhe, Fangcun, Huangpu and Baiyun; and the four counties of Conghua, Huadu, Panyu, and Zengcheng. Later on, the counties of Panyu, Huadu, Conghua and Zengcheng were converted to county-level cities respectively in May 1992, June 1993, December 1993, and March 1994 (Fu, 1994, page 64; Guangzhou Government, 2012).

¹⁰¹ According to the Article 17 of the Constitution, county-level cities and counties have independent decision-making powers in urban planning, construction projects approval, land supply and foreign exchange management, particularly with regards to land-related decision-making powers. Districts do not have such authority. Some provinces even allow county-level cities to approve foreign-invested projects worth up to US\$30, million while capping districts at US\$10. Therefore, not every county would prefer to be converted to a district (Chung and Lam, 2004).

¹⁰² The southern annex, Panyu District, is abundant in land resources and has formed a significant growth pole led by flagship projects such as University Town, Asian Games Town, and Guangzhou New Town. Land use in the north should be optimized to preserve Baiyun Mountain and the region’s source of drinking water. In the east, land development will continue. Focus will be given to move the municipality’s CBD away from the inner city. In the west, the emphasis is to develop cooperative links with Foshan Municipality. See more details in Li, et. al, (2002, in Chinese), Xu and Yeh (2003).

sq.km. in 2007 (Urban Planning Online, 2008). In other words, the total built-up area of Guangzhou Municipality has doubled within seven years.

In addition, the Guangzhou Government has expanded its financing channels to include collecting urban construction fees and land use fees, and utilizing foreign capital and loans (Fu, 1994). Since 1979, Guangzhou has leased land use rights to outsiders, turning land into a source of revenue in order to lessen the fiscal burden of urban construction. From 1952 to 1978, the municipality's construction fund mainly relied on state grants with an annual average appropriation of 30 million *yuan* (Fu, 1994). In 1981, a survey conducted by the Guangdong Provincial Government and Guangzhou Government stated that in order to improve the municipality's transportation system, water supply, housing and environment by 1990, the total construction fund would need to be 4 billion *yuan* (Fu, 1994). This meant that the Guangzhou Government would need 400 million *yuan* every year from 1981 to 1990 in order to meet the demands of urban development, which was more than ten times the state appropriation provided by the Central Government. Therefore, since the reform since 1978, the Guangzhou Government has not depended on state appropriations, but has dealt with its fiscal burdens through the leasing of land to other users, in particular developers, in order to collect land use fees (Fu, 1994).

The Guangzhou Government has viewed land development as the most effective way to generate revenue (*yi di sheng cai*) (Fu, 1994). For example, in 1988, the Guangzhou Government transferred a piece of land (1,070 thousand sq. m.) to a developer for real estate development at a price of 280 million *yuan* (Fu, 1994; H Li, 2002).¹⁰³ The income was used to build the Zhujiang River Tunnel and other infrastructure projects in the municipality (H Li,

¹⁰³ It was a state-owned real estate company (Hongwei Li, 2002b, Chinese book).

2002). Since the 1990s, the Guangzhou Government has made huge amounts of revenue through selling, leasing, and transferring land use rights. According to H Li (2002), from 1992 to 1999, the percentage of municipal revenue derived from land conveyance was fluctuated between 16 percent and 19 percent, while the total land revenue contributed between 24 percent and 36 percent of total municipal revenue. Land has become one of the key revenue sources for the Guangzhou Government (H Li, 2002; Tsui, 2011).

The Establishment of the Land Market

Unlike Western societies where there is a single integrated land market with a variety of transactions, there is a dual-land market in China that comprises leased and administratively allocated land (Yeh, 2005). Chinese municipal governments first expropriated land from peasants and converted its style of ownership from collectively-owned to state-owned. As opposed to the high leasing fees charged for 50-70 years of use rights in the case of state-owned urban land, land belonging to rural collectives could be leased on a variety of terms, from free to relatively low compensatory costs, catering to the different demands of different enterprises (Po, 2008). In the process of expropriation, land ownership was converted by paying a compensation fee for land acquisition. Generally, the compensation price of rural land is much lower than that of urban land (Lin and Ho, 2005; Po, 2008).

Therefore, China's land market can be classified into two tiers, (IFTE and IPA, 1992; Lin and Ho, 2005). The first of these is the primary land market where municipal governments convey land use rights to a land user. There are two transaction methods: free administrative

allocation and compensatory conveyance¹⁰⁴. These two transactions constitute the primary market for land in China. The transactions do not transfer the ownership of land, but a lease of land use rights for a certain time (State Council, 1990).¹⁰⁵ The cost of using land in a primary market is determined by administrative rules from the 1980s rules regarding compensation through not only negotiation but also bidding or auction; free allocation was halted in the late 1990s (Lin and Ho, 2005). The secondary market consists of the transfer of land use-rights between various land users. The transaction price is determined by negotiation between the two parties, or by bidding or by auction, a competitive process involving many participants (Lin and Ho, 2005).

At present, the price of land in China is represented in a variety of forms. In the multi-structured land price, land acquisition fees and relocation fees are the fundamental composition of urban land price. Land acquisition fees are measured based on an estimation of the profit that could be negotiated and judged between the municipal government serving as the state's representative at the local level, and the leaseholders (IFTE and IPA, 1992; Lin and Ho, 2005). "Black box" negotiations sometimes cause land acquisition fees and conveyance fees to be far lower than the real value of land (Lin and Ho, 2005).

Since the late 1990s, the Guangzhou Government has halted private negotiations on land conveyance fees. All land is required to be transferred through public bidding or auction (H Li,

¹⁰⁴ See more details in Lin and Ho (2005).

¹⁰⁵ According to the Article 12 of the *Interim Regulations of the People's Republic of China Concerning the Assignment and Transfer of the Right to the Use of the State-owned Land in the Urban Areas*: the maximum term for the assigned right to the use of land shall be determined respectively in the light of the purposes listed below: (1) 70 years for residential purposes; (2) 50 years for industrial purposes; (3) 50 years for the purposes of education, science, culture, public health and physical education; (4) 40 years for commercial, tourist and recreational purposes; and (5) 50 years for comprehensive utilization or other purposes. Here the term "other purposes" is not clearly defined (State Council, 1990).

2002). Table 3.2 records different land prices through varied transaction approaches including the negotiation style of compensatory conveyance, bidding and auction. In terms of average land prices, land plots located in Yuexiu and Tianhe Districts were the most expensive, while in Haizhu District, where for decades mostly industrial factories have been located, land prices and construction costs are extremely low (Table 3.2).

With a “foot of land” in either Yuexiu or Tianhe worth “an inch of gold,” an old saying in Guangzhou states that, “people would rather have a bed to the north of Pearl River (where Yuexiu District is located) than house to the south of the river (in Haizhu District)” (*ning yao hebei yi zhang chuang, bu yao henan yi jian fang*). However, beginning in the late 1990s, the Guangzhou Government has adopted a spatial policy replacing industrial factories in Haizhu District with new commercial and residential buildings. Housing in Haizhu is much cheaper than in Yuexiu and Tianhe. More and more people are choosing Haizhu as their home. As a result, Haizhu has become the second most populous district in the municipality (Table 2.2). The housing development of the municipality is examined in the following section.

In summary, land development in Guangzhou has involved the dramatic growth of built-up area following plentiful land conversion from rural area. Selling land has become the main source of revenue for the Guangzhou Government (Fu, 1994; Li, 2002b). Because of the dual structure of land ownership, the compensation price of rural land based on agricultural products is much lower than that of urban land. Though the price of urban land is generally higher, there are price gaps among the seven urban districts in which land price of Yuexiu and Tianhe, where the villages, Yangji and Liede are located, ranks the highest within GUA.

Table 3.2 Differences in Land Prices through Compensatory Conveyance, First Bidding, and First Five Auctions in Guangzhou (1980-2000)

Transaction of Land (Date or Year)	District Location	Land Area (sq.m)	Total Price (1,000 yuan)	Average Land Price (yuan/sq.m.)	Planning Construction Area (sq.m.)	Estimated Average Construction Price (yuan/sq.m.)
Compensatory Conveyance (1988)	Liwan	1,017,000	280,000	275	—	—
First Bidding (November 20 1997)	Yuexiu	3,944	87,980	22,307	31,552	2,788
First Auction (June 23 1998)	Haizhu	53,225	134,000	2,518	195,335	686
	Baiyun	10,918	73,500	6,732	32,000	2,297
	Baiyun	8,258	55,500	6,721	26,800	2,071
Second Auction (December 1998)	Tianhe	8,070	147,000	18,216	52,453	2,803
	Baiyun	7,715	76,500	9,916	35,790	2,137
	Baiyun	6,616	69,500	10,505	34,650	2,006
Third Auction (March 31 1999)	Yuexiu	3,725	40,000	10,738	21,556	1,856
	Yuexiu	5,743	40,000	6,965	39,569	1,011
	Yuexiu	5,340	40,000	7,491	32,040	1,248
Fourth Auction (July 1999)	Haizhu	38,473	120,000	3,119	110,432	1,087
Fifth Auction (January 2000)	Haizhu	106,693	480,000	4,499	352,310	1,362
	Haizhu	53,417	148,000	2,771	160,251	924

Source: the data from 1988 to 2000 is adapted from H Li (2002); the author compiles data for the other years.

Housing Development

Housing privatization is one of key features of Chinese reform since 1978. In Guangzhou, like the other cities in China, the government's administrative allocation of residential units dominated the housing sector from 1949 till the late 1980s. Housing was linked with employment and was viewed as a social necessity and welfare provided by the government, represented by work units.

Guangzhou was one of the first cities to open its door to developers for housing privatization. In 1979, the first commercial property district, Donghu Xincun, was developed through a cooperation between a Hong Kong developer and a housing construction department of the Guangzhou Government at the district level.¹⁰⁶ One third of the apartments in Donghu Xincun were sold to overseas Chinese in Hong Kong, one third were sold to local people, and one third were used by the Guangzhou Government as replacement housing (Fu, 1994). The estate sales of Donghu Xincun opened the municipality's door to the real estate market and the process of housing privatization. According to the Guangzhou Government's documents, there were 7,703 cases of private housing transactions in the municipality from 1979 to 1992 with an average number of 550 transactions occurring every year.¹⁰⁷

¹⁰⁶ The name of the government department was "Dongshan Housing Construction Headquarter for Introduction of Foreign Capital" and was later renamed the "East China Co., Ltd. (Fu, 1994)." The Hong Kong Po River Development Co., Ltd invested 10.8 million Chinese yuan to construct apartments on the 31,000 sq. m. of land, with supporting infrastructure completed by the Guangzhou Government.

¹⁰⁷ Many transactions were transferred as "gifts", and were not recorded in the government's archives. So the actual number of private housing transactions is much higher than 7703 (Fu, 1994).

Housing prices in Guangzhou districts rose rapidly in the early 1990s and then declined from 1995 to 2005. First, the average price was raised from 38.9 *yuan* per sq. m. in 1979 to 982 *yuan* per sq. m. in 1989 (Fu, 1994). It then reached nearly 1,500 *yuan* in 1992 and then escalated to 6,872 *yuan* per sq. m. in 1994 (Fu, 1994). The property market then ebbed from 1995 to 2005, with the average price per sq. m. fluctuating in a narrow range just below 5,000 *yuan* (Cai, 2009). In 2003, the price fell to 3,888 *yuan* per sq. m. (Cai, 2009).

Although private transfer of commercial housing has occurred in the municipality since 1979, the housing market was not completely established until 1998 after the state introduced the housing monetization policy (H Li, 2002). With the privatization of the housing market completed, second-hand housing transactions occurred in the municipality. The price of second-hand housing is much lower than that of first-hand real estate (Figure 3.2).

In addition, since the early 2000s, the Chinese government has set real estate as a national pillar industry by providing various preferential policies and assistance (Xinhua Net, 2005). With robust support from government, the average yearly rate of increase for housing prices in 2003-2008 reached over 30 percent, while the yearly rate of increase for per capita disposable income (PCDI) in Guangzhou hovered around 10 percent (Table 3.3). How could people with low incomes afford rising housing prices? The question remained unanswered while the low-income population, particularly low-income rural migrants forming the new urban poor in Chinese cities, were marginalized and excluded from urban public housing programs.

At the end of 2007, the price of first-hand housing in the municipality hovered at an

extremely high level and never dropped down lower than 10,000 *yuan* per sq. m. Although since 2008 the media has continuously reported that China's real estate market is facing a "bubble" and residential housing prices are expected to fall,¹⁰⁸ the average housing price in the ten urban districts of Guangzhou was 13,889 *yuan* per sq. m. for sales in September 2011.¹⁰⁹ The reasons for the rise in housing prices in Guangzhou during a decade when per capita income increased at a lower rate remain unclear and call for further study

Furthermore, all of the above housing prices refer to the urban housing market. However, the commercialization of urban housing has basically provided no homes for the vast majority of rural migrants who are employed in low-paid jobs (Wang, 2000). As migrants without local urban *hukou* are excluded from formal urban systems including the social security and welfare, housing, education¹¹⁰ and health care systems, and are expected to return to their hometown after the completion of temporary employment, they are not expected by the Guangzhou Government to become permanent residents. Finding a place to live temporarily at an affordable price has been the biggest concern for low-income migrants looking for jobs in Chinese cities.

¹⁰⁸ See reports and comments from China Daily(2010), FT.com (2011), Globalpropertyguide.com (2011), and the Telegraph (2012).

¹⁰⁹ The monthly average housing price was about 13,810 *yuan* per square meter in December 2009, 14,242 in January 2010, and 13,384 in September 2010 (Guangzhou Land and Housing Bureau, 2009-2010, varied dates).

¹¹⁰ In China, local governments are responsible for expenditures on compulsory education for all children from the ages of 6 to 15 with local *hukou*. Without local *hukou*, migrant children, particularly the second generation of rural migrants, are not able (or need to pay more expensive tuition) to access education in public schools in the municipality.

Table 3.3 Changes of per capita Disposable Income in Guangzhou, 2003-2011

	Average Housing Price (<i>yuan</i> /sq.m.)	Average Growth Rate (%)	PCDI of Urban Households (<i>yuan</i>)	Average Growth Rate (%)	PCDI of Rural Households (<i>yuan</i>)	Average Growth Rate (%)
2003	3888	-6.15	15,003	12.1	6,130	5.1
2004	4618	18.78	16,884	10.7	6,625	2.9
2005	5114	10.74	18,287	6.7	7,080	3.1
2006	6149	20.24	19,851	6.1	7,788	8.3
2007	7993	29.99	22,469	9.5	8,613	7.3
2008	8502	6.37	25,317	6.4	9,828	4.3
2009	13810*	62.43	27,610	11.9	11,067	15.4
2010	14242*	3.13	30,658	7.6	12,676	11.0
2011	13889*	-2.48	34,438	6.5	14,818	10.6

Sources: Statistical Report of Guangzhou Economic and Social Development for various years (GZ Statistical News, 2003-2012a).

Notes: * the values of housing prices for the year of 2009, 2010, and 2011 are the average prices of December 2009, January 2010, and September 2011, respectively.

To reveal the difference in housing prices between rural and urban areas, this study compares the different construction costs in relation to self-built houses in both rural and urban areas by looking at the statistics of “average construction cost of private residential construction” from 1983 to 2005 in Guangzhou districts (GSB, 1981-2007a). According to the Guangzhou Statistical Yearbook, there were three categories of private residential construction in Guangzhou districts: the first kind of private housing is completed by work-units in urban areas to allocate to their staff and employees (blue line shown in Figure 3.3); the second kind of private real estate is administered by rural collectives on urban land as compensation for relocated village members after their land was completely expropriated by the state (green line in Figure 3.3); the last category of private houses is administered by native villagers on ARL which refers to the so call self-built houses in CZC (red line in Figure 3.3).¹¹¹

Before 1996, within Guangzhou districts, there was not a huge difference between urban and rural areas regarding the construction costs of private residential buildings, while after 1996, the construction costs of relocated collective-owned houses and rural self-built houses became much cheaper than those built by work units (Figure 3.3). After the introduction of the housing monetization policy in 1998, housing allocations were generally halted, but work units are still allowed to construct houses to sell to their employees.¹¹² As the housing built by work units is built mostly on land allocated by the Guangzhou Government, most of it is free to use.

¹¹¹ The related statistics include “floor area of private residential buildings completed in urban districts (sq.m),” “value of residential buildings completed in urban districts (10,000 *yuan*),” “floor area of private residential buildings completed in urban districts by rural households (sq.m),” value of private residential buildings completed in urban districts by rural households (10,000 *yuan*),” “floor area of private residential buildings completed in rural areas of urban districts (sq.m),” and “value of private investment in residential buildings in rural areas of urban districts (10000 *yuan*)” from the Guangzhou Statistical Yearbook in for various years.

¹¹² The price of housing built by work units and sold to their employees is cheaper than commercial housing built by developers. However, the houses built by work units are not allowed to be publically transferred. More details can be found in Ding and Song (2004), Huang (2004), and Y Wang (2000, 2001).

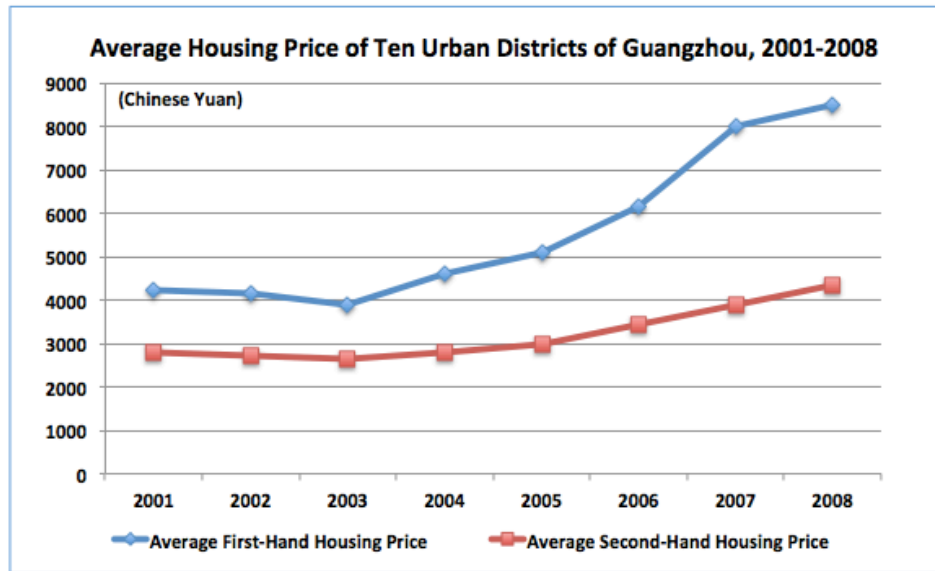


Figure 3.2 Changes of Housing Prices in Guangzhou Districts, 2001-2008
Source: Cai (2009).

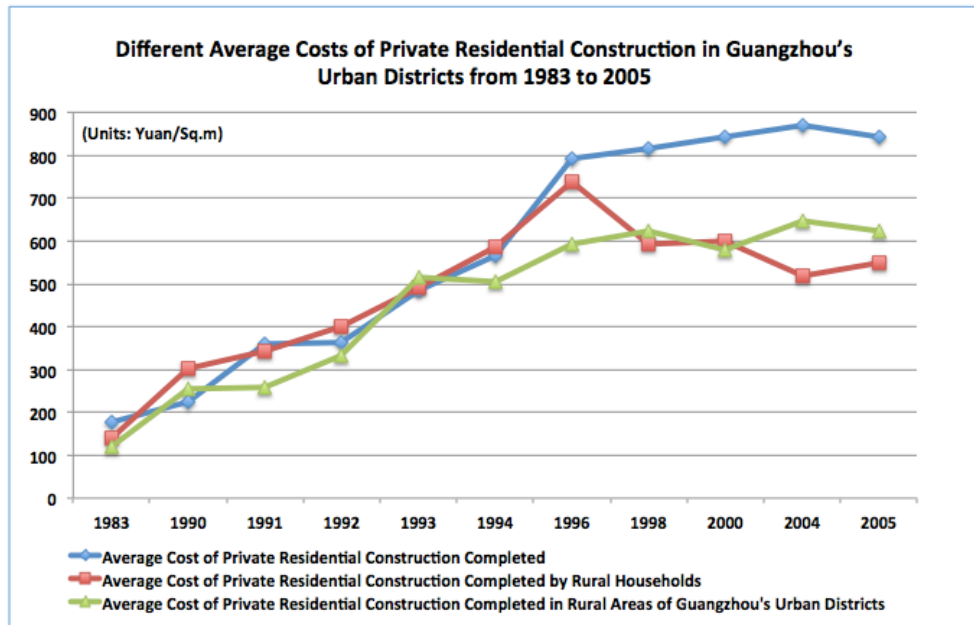


Figure 3.3 Changes of Average Costs of Construction Private Residential Buildings in Guangzhou's Urban Districts, 1983 to 2005
Source: compiled by author based on the related statistics from Guangzhou Statistical Yearbook for varied years.

Although some tenants may need to pay extra fees, in the 1990s, the prices were much cheaper than the commercial housing provided by developers. However, rural self-built houses are the cheapest to build, as they are not required to pay any planning or design fees, urban construction fees, inspection fees, or transaction taxes. The independence of rural self-built housing has resulted in lower rental prices in CZC and has provided low-income migrants a means to stay in GUA. The details of this are examined later in Chapter 5.

3.3 Retrospect and Summary

The Guangzhou Government is a pioneer in using a land revenue approach to accelerate its economic growth and urbanization process (Fu, 1994). Tsui (2011) has revealed the intricate relationship between the land revenue-based local fiscal system, cadre evaluation system, banking system and investment in infrastructure construction and flagship projects in Chinese cities. In Tsui's account, the recent investment boom will result in "bubbles" of infrastructure and mega-projects. The reason for this is not simply a one-time aberration triggered by the global financial crisis of 2008, but closely related to China's unique institutional sphere of land revenue, public finance, and the administrative system (Tsui, 2011). As Chinese local officials are not immune to ramping up debt-financed infrastructure investments, and the state-controlled banking system often accommodates their wishes, China's economy is caught in a "chronic cycle of sporadic surges" in investment, financed at the first sign of easy credit, converting massive amounts of rural land (including ARL) for urban uses, constructing booming real-estate, and finally aggravating local debt. If there are no significant changes in China's institutional reforms, the cycle will ultimately lead to the bankruptcy of the economy (Tsui, 2011). Therefore,

institutional reforms are imperative in China. Guangzhou is not exceptional in this regard.

As high-speed state-led urbanization encroached on large tracts of farmland, many rural villages within GUA were engulfed and been forced to become *CZC* in the early 1990s. The expansion of GUA has been built on the acquisition of large amounts of farmland and on the forceful dispossession of native villagers and inner-city residents. The process has been facilitated by policy priorities and decentralization, and a general liberalization of the economy. A variety of actors have involved in the course of converting land from villages to land for urban expansion, including legislators, regulators, planners, profiteering developers, villagers, migrants, and consumers of urban housing, etc.

As rural collective entities, *CZC* share similarities with other rural collectives. But they have played a key role in various ways to facilitate urbanization in Guangzhou Municipality through the maintenance of their self-reliant development and continuous support in providing land stock and housing to low-income migrants. However, the relationship between *CZC*, land conversion, local land revenue-based fiscal systems, housing, and the changing roles of different actors in the course of urbanization including local governments, developers, collective committees, native villagers, and migrants, remains uninvestigated. An examination of the interplay of *CZC* and urbanization in relation to the dual structures of land ownership and housing ownership, and institutional reforms is addressed in Chapters 4 and 5.

Chapter Four Formation and Redevelopment of *Chengzhongcun*

The government would not be able to expropriate land from natural villages if they did not provide an 8-12 percent retention policy in the Pearl River Delta area. But to be honest, that's the reason why *chengzhongcun* came into being.

-- Male interviewee, field notes, 2010

Lower-income migrant tenants? I don't care where they will live if the government evacuates them from the *chengzhongcun*. The market will solve the problem. They can move to suburban areas for lower rent. Or they can return to where they came from. This is not the local government's responsibility.

-- Male interviewee, field notes, 2010

This chapter examines the general relationships among dual structure, urbanization, and CZC in Guangzhou. It focuses on the redevelopment of CZC in Guangzhou with an investigation into strategies and policies that the Guangzhou Government has applied to redevelop CZC since the late 1990s, particularly the “Three Old Transformation (TOT)” project, initiated in 2009 that would redevelop the “old towns, old villages, and old factories” within the boundaries of the Guangzhou Urban Area (GUA), covering a total land area of 318 sq. km., by 2020 (Guangzhou Government, 2009).

Since the reform, Guangzhou Municipality has adopted a set of strategies and policies to accelerate the process of urbanization and economic growth through *hukou* reforms, dramatic land development and urban renewal projects. In the latest urban renewal project, the TOT, about 168 sq. km. of the land area is located in “old villages,” including the 138 CZC, comprising 52.9 percent of the total land in the project within the GUA. An examination of the relationships between Guangzhou's urbanization and the redevelopment of “old villages” by the TOT project provides a foundation for understanding the nature of Chinese urbanization.

4.1 The Formation of CZC

In 1998, there were more than 277 natural villages (*ziran cun*)¹¹³ under rural administration in the GUA, including more than 60 distributed within Yuexiu and Tianhe Districts (L Li, 2001) where the urban land value ranked the highest. Based on land use, demographic structures, and economic activities, the Guangzhou Government categorized these villages into three types (L Li, 2001). Type A refers to villages that have completely lost their farmland and have been surrounded by modern-style buildings. There is no agricultural activity in these villages, but there is dynamic informal economic activity. The inflow of migrant tenants has resulted in a tremendous growth in population within the villages with migrants greatly outnumbering native villagers. Renting out property and non-agricultural production have replaced farming as the key sources of income in the villages. Liede and Yangji are categorized as Type A villages in the GUA.

Type B villages are those that retain a certain amount of farmland and agricultural activity, while at the same time the growth of rental income from the inflows of migrants and non-agricultural activities have provided supplemental sources of income. Type C refers to villages that retain a large amount of farmland and active agricultural production. In Type C villages, there is industrial production growth and only a few migrants (L Li, 2001). Geographically, the Type B and C villages are located on the periphery or outermost edge of the GUA. The

¹¹³ The term “natural village” refers to villages that exist and grow spontaneously and naturally. An administrative village may have jurisdiction over more than one natural village. According to Li Lixun, there were 277 “central villages,” which refers to a definition in the Chinese planning sphere that covers more than one natural village, in Guangzhou by 1998. Therefore, there are more than 277 natural villages within the boundary of GUA (L Li, 2001).

categories of natural villages in GUA are shown in Table 4.1.

Amidst the rapid urbanization that has taken place since 1978, most of these villages have been engulfed by urban expansion and have become CZC. In 1995, the Guangzhou Government issued the “Regulations on Land Management in Guangzhou,”¹¹⁴ in which Article 14 stated that farmland could be requisitioned for urban use with a certain amount of compensation paid to farmers, while Article 16 stated that village committees could retain 8–12 percent of the expropriated farmland area for “collective economic development” and Article 34-38 stated that native villagers could retain their ARL (Guangzhou Government, 1995).¹¹⁵ One of my interviewees pointed out, “The government would not be able to expropriate land from natural villages if they did not provide the policy of returning 8-12 percent of expropriated in the Pearl River Delta area. But to be honest, this is the reason why CZC came into being.”

Meanwhile, native villagers have maintained their identity status as peasants who enjoy certain rural preferential treatment such as being able to have two children per family, and receiving dividends from rural land leasing shares (Tian, 2008). In addition, the inherited administrative systems and operating mechanisms of rural collectives still remain within CZC, leading to a dual structure of urban and rural administration in the GUA.¹¹⁶ As a consequence, the dual structure of land, housing, administrative systems, and the economic system have shaped the formation of CZC in Guangzhou Municipality since the 1990s.

¹¹⁴ The regulation was issued in 1995 and abolished in 2000.

¹¹⁵ The Collective Economic Development Land (CEDL) is not allowed to be further transferred or traded, but can be used for profitable purposes operated by village collectives to build up commercial building, office or residential apartment. Sometimes, village collectives just simply rented out to developers with shares held. The use of CEDL and the collective *zhajidi* parcels by village committees and individual villager are not required to pay any land lease fee to either the state or the collectives (Tian, 2008).

¹¹⁶ Similar policies have been adopted in Shenzhen, Zhuhai and Foshan in Pearl River Delta region (Tian, 2008).

On the one hand, because rural migrants lack local *hukou*, the Guangzhou Government has excluded them from urban low-cost housing provision plans. Housing in CZC built by native villagers has basic essential facilities such as tap water, electricity, private kitchens, flush toilets and sewers that offer better living conditions than those in distant and isolated rural areas. Due to its lower rent, CZC housing has provided indispensable shelter for low-income migrants. For example, the monthly rent for a self-built one-bedroom room in Shipai, a CZC located one kilometer to the north of Liede (See Map 3.1), was 800 *yuan*, while people would need to pay more than 1,500 *yuan* for a similar room in the urban neighborhoods in a similar location (Lan and Lan, 2010). Due to an inflow of low-income migrants, the number of migrant tenants has exceeded the number of native villagers in CZC. In 2000, there were about 30,000 migrant tenants in Shipai village while the native villagers numbered only 11,500 (Tian, 2008). The rent has provided a steady source of income for native villagers (e.g. L Li, 2001; Tian, 2008).

On the other hand, because of the dual land system, “returned land” (*liuyong di*) in CZC has remained collectively owned, and is excluded from the urban planning sphere, which focuses only on state-owned land. Although CZC are geographically located within the municipal boundaries, and native villagers in CZC were converted (legally) to urban *hukou* residents in the late 1990s, the municipal government never took administrative responsibility for them. All of the development agendas provided by the Guangzhou Government for urban public services and infrastructure have been based on the forecasted growth of the local *hukou* population without considering either local villagers in CZC or migrants in the municipality.

Table 4.1 Categories of Natural Villages in Guangzhou Urban Area (GUA) in 2000

Type	Location	Spatial Characteristics	Economic Characteristics	Demographic Characteristics	Examples
A	Built-up area of the GUA	Expansion of self-built housing has stopped, surrounded by urban buildings, mixed land uses.	No agriculture, but vibrant non-agricultural activities, particularly informal economic activities, and frequent land transactions; main source of income is from rent and land transaction fees.	Attracting thousands of migrants as tenants, the number of migrants was more than that of native villagers; some native villagers moved out from the villages.	Yangji, Liede, Shipai, and etc.
B	Periphery area of the built-up area of the GUA	Continuous expanding of self-built housing, encroached by urban land uses.	Experienced a decrease of agricultural productivity with increasingly non-agricultural activities and land transactions.	Inflows of migrants	Huangcun, Tangxi, and etc.
C	Close to the outermost edge of the GUA	Less degree of expansion, and no obvious increase of urban land uses	Agricultural activities remained dominant, with a rapid industrial development.	A few migrant tenants	Chajiao, Bigang, etc.

Source: adapted mainly from L Li (2001).

As a consequence, the construction of self-built houses and public services within CZC is only subject to approval by CZC collective committees instead of the Urban Planning Bureau of Guangzhou Municipality (Guangzhou Planning Bureau). The weakness of regulations and management of land, housing, and the population by CZC committees led to chaotic land use and dilapidated settlements that later caused potential environmental and security problems in CZC (Zhang, 2005; Tian, 2008). Though the self-built houses are of good quality with sanitary sewage systems, public infrastructure facilities including water and gas pipelines, drains, electricity, and telecommunication wires are in disarray or blocked. The most serious problem is that there is not enough space left between the adjacent houses for fire escapes due to overlapping land use. Zheng (2005) stated that in 1998 more than 20 persons died in fires that happened in CZC, CZC have been viewed as “cancerous” or “backwards” areas in the city.

In 2003, there were two incidents relating to CZC that prompted the Guangzhou Government to speed up the process of CZC redevelopment. In March 2003, a college graduate migrant from Hubei Province, Sun Zhigang, was detained by local policemen in Huangcun, a CZC in Tianhe District, and was found dead three days later after being brutal beaten by several security guards in a detention and repatriation shelter (*shourongsuo*) where the Guangzhou Government used to detain and punish vagrant and petty offenders without a job, ID card, or proof of temporary residence in Guangzhou Municipality. Sun’s death was not revealed until a journalist broke the news in a popular paper, *Southern Metropolitan News (Nan fang dushibao)* in late April (Siu, 2007). The incident triggered unprecedented public attention to the issues of severe abuse of migrants, migrants’ rights and migrants’ living situations. It resulted in the

abrupt abolishment of such detention centers nationwide. The Guangzhou Government began to rethink how to improve the problematic administration and management system of migrants, particularly those staying in CZC (Nanfang Weekly, 2010).

In the early morning of June 14, 2003, around 4 AM, a house built by local villagers in Xian, a CZC located 500 meters to the northwest of Liede, caught on a fire, ultimately causing eight deaths and injuring thirty-two people (Southern Metropolis News, 2003). Local news revealed that the fire spurred the Guangzhou Government to speed up the process of redevelopment (Southern Metropolis News, 2003). One of my interviewees also mentioned that the fire in Xian triggered a new round of complete redevelopment of ODCZC in the late 2000s.

To provide a better understanding of Guangzhou's CZC, the following section examines the phases of redevelopment of CZC in relation to different policies and strategies adopted by the Guangzhou Government since the late 1990s.

4.2 Redevelopment of CZC

4.2.1 The 138 Officially Designated CZC

In September 2000, the Guangzhou Government designated 138 natural villages within the boundary of GUA as officially designated CZC (ODCZC), consisting of 43 natural villages of Type A, 57 of Type B, and 38 of Type C (Lan and Lan, 2010; Li, 2001).¹¹⁷ 27 of these 138

¹¹⁷ The 138 villages are located in the "Planning Development District" with a total area of 385 sq. km. defined by urban planning sphere (L Li, 2001).

ODCZC, including Yangji and Liede, are located in the Yuexiu and Tianhe districts where the most expensive land is located. The distribution and location of these ODCZC can be found on Figure 2.5 (in Chapter 2) with their names listed in Table 4.2.

In terms of the changes of government policies and regulations regarding CZC, there have been three distinct stages in the redevelopment process of ODCZC in GUA, the first being the “laissez-faire” phase in the late 1990s, characterized by no direct interference from the local governments. This resulted in local governments playing a dominant role in redevelopment by excluding developers’ involvement in the process of institutional reforms from 2000 to 2006, and a new redevelopment stage beginning in 2007 that has encouraged direct cooperation between developers and collective organizations regarding a set of radical elimination plans for CZC.

4.2.2 The “*Laissez-faire*” Phase in the Late 1990s

The “laissez-faire” phase of development of CZC in Guangzhou Municipality that was characterized by a high degree of autonomy in villages without any interference from local governments due to the dual land structure and dual administrative system. Some CZC, for example, Yangji, took the lead in initiating rural shareholding reforms in 1999, while some CZC including Liede at that time remained in the old system of institutions as their villagers voted against a reform plan (L Li, 2001). The rural shareholding reforms will be examined in Chapter 5 in detail.

Self-built constructions in rural areas were not governed until 1995 when the Guangzhou

Government issued the “Interim Provisions of Land Management of Residential Construction by Rural Residents in Guangzhou,” which restricted ARL plot to a range of 40-80 sq. m. (Guangzhou Government, 1995).¹¹⁸ The restriction was changed to a new range of 80-150 sq. m. in 2001.¹¹⁹ Though the land use of residential housing is controllable, the floor area of self-built houses constructed on ARL is ungovernable. According to the rural construction regulations of Guangzhou Municipality, the height of a single rural self-built house should never exceed three floors, nor should the total floor space be over 250 sq. m. (L Li, 2001). However, villagers in CZC who had ties through relatives and friends in Hong Kong and who had watched Hong Kong television for decades were aware of land values and the market dynamics of rental housing. They already realized that more floor area in their houses could raise their income through from renting out space to migrants. Therefore, although it is illegal, residential buildings with five or six stories are not uncommon in CZC. In Liede, for example, some eight stories houses could be found in 2000 (L Li, 2001).

My interviewees, some of them government officials involved in the process of redeveloping CZC in Guangzhou Municipality, pointed that there are problems in the system of villages’ self-governance regarding the lack of inspection by cadres in collective committees. When they have investigated CZC in Guangzhou Municipality, they have found the houses owned by the cadres are generally located in the best locations in the village. And it was not uncommon to find that cadres had the largest houses and made the most every month from rentals. Indeed, from my observation there are no poor cadres in Guangzhou CZC. Along with the leading cadres,

¹¹⁸ The Guangzhou Government abolished this limit in 2001 with a new issue of “Regulations on Land Management of Rural Residential Construction by Villagers in Guangzhou” which came into force in October 2001 (Guangzhou Government, 2001).

¹¹⁹ According to the new Regulation on Land Management of Rural Residential Construction by Villagers in Guangzhou, the limitation of ARL area in level regions is 80 sq. m or less, in hilly region is 120 sq. m or less, and in mountainous regions, 150 sq. m. or less (Guangzhou Government, 2001).

Table 4.2 List of the 138 *Chengzhongcun* in the Guangzhou Urban Area

District (Numbers of CZC)	Names of <i>Chengzhongcun</i>
Yuexiu (4)	Yangji , Dengfeng, Xikeng, and Yaotai.
Liwan (20)	Shancun, Wuyuanqiao, Huadi, Chajiao, Kengkou, Hedong, Xilang, Donglang, Hainan, HaiBei, Haizhong, Dongjiao, Nanjiao, Zengjiao, Shaluo, Longxi, Kuipeng, Tanwei, Hesha, and Xjiao.
Tianhe (23)	Liede , Yuangang, Changbing, Chencun, Longdong, Yushatan, Kemulang, Tangdong, Chebei, Huangcun, Qianjin, Zhucun, Gushan, Lingtang, Xiao Xintang, Mubei, Shipai, Linhe, Yinhe, Shadong, Shidong, Tangxia, and Xian.
Haizhu (20)	Lianxing, Shixi, Sanjiao, Lijiao, Dongfeng, Ruibao, Wufeng, Fenghe, Hongwei, Luntou, Longtan, Shiji, Xiaozhou, Huangpu, Tuhua, Guitian, Guanzhou, Cisha, Pazhou, and Beishan.
Huangpu (16)	Miaotou, Nanji, Xiayuan, Shabu, Nangang, Changlian, Bigang, Xiasha, Hengsha, Shuangsha, Wenchong, Jitang, Maogang, Jiusha, Shenjing, and Changzhou.
Baiyun (42)	Sanyuanli, Tongde, Luoxi, Jiangxia, Chentian, Tangxi, Tangxia, Tangcong, Xiaogang, Hebian, Lianbian, Wanggang, Xinke, Changhong, Luogang, Pingsha, Shima, Qinghu, Huangbian, Hengsha, Shafeng, Tangang, Jielong, Zhangcun, Mawu, Xiaoping, Dagang, Qingfeng, Huanjiao, Xiamao, Hongxing, Chaoyang, Jiaoxin, Dalang, Yagang, Longhu, Tangge, Tonghe, Jingxi, Dongping, Yongtai, and Keziling.
Luogang (13)	Huocun, Liucun, Qiangang, Luogang, Shuixi, Luofeng, Changping, Huangma, Huangdeng, Huangbei, Badou, Huasha, and Yushu.

Source: L Li (2001).

Notes: the names of the *chengzhongcun* were from the official list announced by the GZ Government in 2000 (L Li, 2001). As of the jurisdiction adjustment in 2005, the boundaries of urban districts have been changed. For example, the jurisdiction of Yangji was administratively changed from Tianhe to Yuexiu District.

common villagers started to build unauthorized building space on their assigned land. Without any control or inspection in the 1990s, unauthorized constructions resulted in narrow and dark alleyways between buildings lacking open space, public services, and fire escape routes.

Another thing the Guangzhou Government was involved with in CZC in the late 1990s was monitoring migrants in CZC in order to combat crime. Research has pointed out that with the inflow of migrant tenants, salons and hostels in CZC were code words for “houses of ill repute” and the number of drug abuse cases and crimes kept increasing (e.g. L Li, 2001; Zhang, Zhao, and Tian, 2003; Tian, 2008). However, the Guangzhou Government had no way to intervene in CZC, as there were no legal administrative regulations on rental housing in CZC. Guangzhou Government’s authority was limited to state-owned land. Although the first regulation on rental housing was issued in 1986, it was focused on suburban areas of Guangzhou Municipality (Guangzhou Government, 1986). With rapid urbanization, most CZC were already located in central areas rather than suburban areas. Therefore, CZC were not in the scope of legal restrictions. New regulations were needed. Hence, the first public security management regulation of temporary residents in rental housing was issued in 1995 (Guangzhou Government, 1995c).

With the promulgation of a set of new regulations in 1995, including regulations on land management,¹²⁰ officials of the Guangzhou Government started intervening in the administration of migrants and land management (particularly on ARL) in CZC. In addition, the Guangzhou Government viewed the dilapidated environment and rural landscape of CZC as damaging to the

¹²⁰ Related regulations include Regulation on Land Management in Guangzhou Municipality (Guangzhou Government, 1995a) and Interim Provisions on Land Management of Residential Construction by Rural Residents in Guangzhou Municipality (Guangzhou Government, 1995b).

city image (Nanfang Daily, 2000). Therefore, the Guangzhou Government decided to initiate a set of policies and institutional reforms to redevelop CZC (Nanfang Daily, 2000; L Li, 2001).

4.2.3 The Stressing of the Dominant Role of the Guangzhou Government (2000-2006)

Since 2000, the Guangzhou Government has invited scholars and experts to study possible approaches to redeveloping CZC (Guangzhou Government, 2000). Professor Lixun Li was one of the key scholars who participated in the investigation of and research in CZC at that time (Xinhua Net, 2007). His dissertation (in Chinese), “*A Study on the Creation and Transformation of CZC in Guangzhou*,” recorded many details of the redevelopment strategies that the Guangzhou Government intended to implement during the period of 1999-2001. The most critical contribution of his dissertation is that he pointed out dual-structure rural/urban divide is fundamental to CZC formation. To redevelop CZC in Guangzhou, broader institutional reforms are needed (L Li, 2001; Guangzhou Government, 2000).

The “Suggestions on Institutional Reforms of CZC” issued in 2002 outlined a framework for tackling the critical institutional issues associated with CZC, such as converting natural villagers’ household registrations from rural to urban *hukou*, converting collectively-owned land to state ownership, and dividing the social and economic administrative functions of collective committees through rural shareholding reforms (Guangzhou Government, 2002). As it was the 17th document issued by the Guangzhou Government in 2002, this study refers to it as File 17.

File 17 is an important document providing general targets for CZC redevelopment. First, it

suggests a strategy of “One Village One Policy (*yi cun yi ce*, hereafter, OVOP)” in which each village would have a different set of redevelopment policies that takes into account its local conditions.¹²¹ Second, it was expected that such initiatives would resolve the institutional problems stemming from the dual structure. The *hukou* conversion processed smoothly as the Guangzhou Government promised native villagers that they could still enjoy a two-child birthing policy for the next four years (Guangzhou Government, 2002); shareholding reform also went well as native villagers were allowed to transfer their shares to their offspring (Guangzhou Government, 2002). In addition, after the serious fire in Xian in 2003, a series of actions and policies were taken in effect in the name of fire control, including the launch of a large-scale fire safety inspection and an initiative to remove hazardous constructions in CZC, a licensing system to maintain records of rental houses in CZC (Guangzhou Government, 2005a), a strict registration system on migrant tenants (Guangzhou Government, 2003a), and a new land registration system (Guangzhou Government, 2003b).

However, there were problems when the Guangzhou Government tried to convert all of the collective economic development land and ARL to state ownership in accordance with File 17, as compensation was too high. Professor Lixun Li has used Liede as an example to conduct a compensation plan. After a set of calculations, he found out the total cost of redevelopment in Liede including residential relocation was over 2 billion *yuan* (L Li, 2001). This huge cost has hindered the Guangzhou Government from proceeding with redevelopment projects of CZC.

Though scholars such as Li (2001) have suggested that in order to reduce the financial burden of local governments, the Guangzhou Government should invite property developers to

¹²¹ See details in Chung and Zhou (2011).

be involved in CZC redevelopment projects. However, in 1999, the Guangzhou Government made an explicit decision to rule out the involvement of property developers in the process of CZC redevelopment (e.g. L Li, 2001, Lan and Lan, 2010). The leadership of the Guangzhou Government from 1999 to 2006 did not trust developers at all and was in charge of all aspects of renovating CZC, including providing plans, negotiating with village committees, and allocating money and resources, etc. The official reason for this was to protect native villagers (Transformation Service News, 2012). One of my interviewees mentioned that during the process of inner city renewal in the mid-1990s, participatory property developers had produced unauthorized high-density residential buildings with over-standard floor area ratios in Liwan District, which was contrary to the Guangzhou Government's original intentions in decentralizing Liwan's population. As a result, the Guangzhou Government had to pay more attention and money to build more infrastructure and routes to support the over-concentration of residents in Liwan District.

The exclusion of developers from the process of CZC redevelopment made the pooling of redevelopment funds extremely difficult, as neither the Guangzhou Government nor individual collective committees had enough money for the projects. However, another explanation of slowly redeveloping CZC in the early 2000s provided by one of my interviewees was that the Guangzhou Government had no immediate need for the land stock within CZC during 2000-2006. The administrative boundary adjustments carried out in 2000 placed about 2,200 square kilometers of additional land under the authority of the Guangzhou Government, providing immense land stock for urban development and selling. Chung and Zhou (2011) also supported this argument. Consequently, the collective economic development land and ARL in CZC

remained collectively-owned while the rest of the land including farmland was converted to state-ownership for urban use. Land ownership in the GUA consequently maintained its dual structure after the implementation of redevelopment.

4.2.4 The New Redevelopment Stage since 2007

There was a dramatic change in 2007 when the Guangzhou Government allowed property developers to become involved in CZC redevelopment projects (Xinhua Net, 2007). Since the municipal leadership election in early 2007, the new generation of leaders in Guangzhou Municipality has not insisted on developers being excluded from participation in Guangzhou's urban renewal projects (GZ CZC Transformation Service News, 2012). The mayor of Guangzhou Municipality, Mr. Guangning Zhang, at the Annual Urban Construction Working Conference of Guangzhou Municipality in January 2007, announced that the Guangzhou Government would allow developers to be involved in inner-city renewal projects if rational plans and agendas including reasonable housing density and floor area ratios were provided and audited beforehand. Meanwhile, the mayor clarified that CZC redevelopment needed to be speeded up in order to improve the city's image and villagers' living standards (New Express Daily, 2007a). However, there was no news about opening CZC redevelopment projects to developers until late 2007.

The milestone event was the public auction of the planned commercial development area, about 114,176 sq. m. in land area located in west of Liede village (Liede Commercial District), held by the Guangzhou Municipal Land Resources and Housing Administrative Bureau

(hereafter refers Guangzhou Land and Housing Bureau) on September 29, 2007 (21cn Housing News, 2007; Xinhua Net, 2007). Two local real estate companies, Guangzhou R&F Property and KWG Properties¹²² jointly won the land bid at a price of ¥ 4.6 billion (New Express Daily, 2007b).¹²³ The ¥ 4.6 billion was first transferred directly from the developers to the Guangzhou Government's account and then allocated to Liede's villagers in installments as compensation payments for collective land expropriation. Unlike the other auctions where the Guangzhou Government would get a share the money from selling land to developers, it did not get a cent from the auction of Liede Commercial District. The Guangzhou Government emphasized publicly that it did not make any revenue from the auction because the government's aim was to supervise the bidding, to protect villagers' profits, and to facilitate the direct cooperation between developers and villagers. This is examined further in Chapter 5.

Although the bidding created huge compensation payments for Liede villagers, some of my interviewees still hold suspicions about this. One of my interviewees doubts whether the bidding was legal. According to Chinese land law and regulations, all collectively-owned land must be expropriated by the state and converted to state ownership before being sold on the market. However, in this land sale, the certificate of state land ownership was stamped after the auction. Was it legal to bid on collectively-owned land in 2007? How did the dual land structure affect the redevelopment of Guangzhou CZC? How did local governments, developers, villagers interplay with each other during the course of redeveloping Liede? These questions about the auction and redevelopment process of Liede will be examined in detail later in Chapter 5.

¹²²The Chinese names of R&F Property and KWG Properties are Guangzhou Fuli Dichan and Hejing Taifu Dichan in Chinese respectively.

¹²³ Later on December 10, 2007, Sun Hung Kai Properties (SHKP) from Hong Kong announced that it would collaborate with the two Guangzhou developers on the joint-venture development of Liede Commercial District in office buildings, shopping mall, luxury hotels and apartment buildings (SHKP, 2007).

Regardless, the success of bidding on Liede Commercial District inspired the Guangzhou Government to find a new approach to finance the redevelopment of CZC. The Guangzhou Government started to play down its role from a dominant one to one of guiding and overseeing in the process of redeveloping CZC. The approach of “developers pay the bill, governments issue preferential policies, and village committees provide assistance” was summarized as the “Liede Redevelopment Model” (GZ CZC Transformation Service News, 2012).

Although File 17 suggested an OVOP strategy, the Guangzhou Government planned to duplicate the “Liede Model” with other CZC. But four years later in 2012, Liede is the only case that had been completely redeveloped (GZ CZC Transformation Service News, 2012). Why did Liede become a unique model in the process of redeveloping Guangzhou CZC? The question is examined later in Chapter 5.

The redevelopment of CZC in GUA has been met with widespread resistance whenever the Guangzhou Government has tried to evict the villagers. As discussed previously, the dual structure has separated rural villages from municipalities. There were no laws to follow in the course of eviction of CZC in GUA, as rules on evictions and compensation in China were concentrated on state-owned land rather than collectively-owned land and properties until the promulgation of the Property Law in 2007. According to Article 42 of the Property Law, “for the purpose of public interest, the collectively-owned land, houses and other real property owned by institutes or individuals may be expropriated in line with the procedures and within the

authority provided by laws (National People's Congress, 2007)."¹²⁴ However, there is no clear definition of "public interest" in Chinese laws. Local governments can expropriate any land from rural areas as long as it is "for the purpose of public interest."

In addition, peasants have doubted local officials because of their poor implementation, distortion, or violation of central policies (such as unapproved taxes and fees) (O'Brien and Li, 2005). Native villagers did not believe that the local officials and village cadres would not get any benefits from land expropriation. Therefore, native villagers refused or asked for extremely high compensation and relocation fees when the Guangzhou Government tried to convert the collectively-owned ARL and demolish self-built houses (interview notes). One of my interviewees mentioned that the redevelopment of CZC since 2000 in GUA would have been much easier if there had been supporting documents from the Central Government.

On February 4, 2009, the Ministry of Land and Resources and the Guangdong Provincial Government (Guangdong Government) jointly issued a working plan, named the "Three Old Transformation Plan (TOTP)," to set Guangdong Province as a pilot demonstration province for national economic intensive land development (Guangdong Government, 2009a). To "efficiently use the existing construction land," and to "revitalize urban land," municipal governments in Guangdong Province are required to redevelop all "old towns (*jiu cheng*), old

¹²⁴ Full text of Article 42 also includes, "for expropriation of collectively-owned land, such fees shall be paid as compensations for the land expropriated, subsidies for resettlement, compensations for the fixtures and the young crops on land, and the premiums for social security of the farmers whose land is expropriated shall be allocated in full, in order to guarantee their normal lives and safeguard their lawful rights and interests. Where houses and other real properties of institutes and individuals are expropriated, compensations for demolition and resettlement shall be paid according to law in order to maintain the legal rights and interests of the expropriated; where individual residential house is expropriated, the residential conditions of the expropriated shall be guaranteed. No institution or individual shall withhold, misappropriate, embezzle or privately divide the compensation for expropriation (National People's Congress, 2007)."

factories (*jiu changfang*), and old villages (*jiu cunzhuang*)¹²⁵ within a certain period (Guangdong Government, 2009a).” With the promulgation of TOTP, the redevelopment of CZC has become a necessity. Municipal governments in Guangdong do not have to answer questions from villagers such as “why my village?” or “Why my house?” The questions remaining in the negotiations between municipal governments and villagers are “When to do it?” and “How to do it?” The Guangzhou Government has been expecting to accelerate the progress of redevelopment of CZC in GUA with the implementation of TOTP since 2009.

In summary, since 1995, redevelopment of CZC in GUA has been a top-down and state-led process. It first experienced an independent role played by rural committees and villagers. The autonomy of rural committees in the uncontrolled construction of self-built houses resulted in shabby houses and crowded land use within CZC; in the name of improving the city image and public security, and to circumvent the dual structure restrictions, new regulations were promulgated to enhance the role and interference of local governments in CZC. And then from 2000 to 2006, the Guangzhou Government clarified its intention to redevelop CZC while the huge cost of compensation and relocation fees, the shortage of financing, and the exclusion of developers’ involvement caused slow progress in the transformation of CZC. Since 2007, the new leaders of the Guangzhou Government have implemented new policies regarding CZC redevelopment projects that have opened the door to developers. The role of the Guangzhou Government has been changed from a dominant to an “assisting” role. To some extent, redevelopment of CZC in GUA has entered a new stage as villagers have more autonomy to choose their favored approach and plan to redevelop their villages and to cooperate with any

¹²⁵ The No. 56 File defines these three old as “old factories, old houses and old buildings in GUA, and old villages before June 30, 2007” (Guangzhou Government, 2009). However, no further details, standards or codes were provided. Some of my interviewees have questioned the ambiguity of “three old.”

developers directly in generating acceptable compensation.

In 2009, the TOT plan jointly issued by the Ministry of Land and Resources and the Guangdong Government laid a legal foundation for redevelopment of CZC. The TOT campaign in all municipalities within Guangdong Province since 2009 has changed peasants' views on redevelopment from opposition to accepting its legitimacy. More details are analyzed later.

The following section examines how the TOT project “facilitates” the process of redeveloping CZC in GUA.

4.3 Redevelopment of CZC and the Three Old Transformations

With the issue of implementation opinions on TOTP by the Guangdong Government on November 23, 2009, the Guangzhou Government issued “Suggestions on Accelerating TOT” in December 2009 (Guangzhou Government, 2009). As it was the 56th document that Guangzhou Government issued in 2009, this study refers to it as “File 56.” Unlike File 17, which was a document of suggested reforms, File 56 provides an ambitious agenda and a set of guidelines that intends to redevelop all 138 CZC in GUA in 10 years; In 3-5 years, 52 CZC including Liede and Yangji will be completely redeveloped. This means that means the 52 CZC will be completely eliminated by 2015 in GUA (Table 4.3).

File 56 is an important regulation for Guangzhou CZC redevelopment. Besides the redevelopment schedule it introduces, there are five major principles being emphasized: first, it

clarifies that district governments rather than the Guangzhou Government will play a key role in the process of TOT projects. Second, it sets up a new office at the municipal level, named the Office of “Three Old Transformation” (the TOT Office), which has independent authority to review, approve, and initiate redevelopment projects in relation to land, housing, planning and construction. Third, it requires that the TOT Office prepare a rational plan of transformation, a clear plan of relocation compensation and replacement, and related implementation plans for each CZC. Fourth, it emphasizes villagers’ autonomy and requires consent of at least 80 percent of village members to start any project. Otherwise, redevelopment will not be initiated in the CZC. In addition, with the consent of at least 80 percent of village members, village committees can raise funds directly in public or cooperate with developers. Fifth, it clarifies that the compensation policy is to “demolish one, compensate one” (*chai yi bu yi*), meaning that each village household will get new housing with the same floor area as their former legal construction in the relocated building as compensation (Guangzhou Government, 2009).

Scholars have commented that File 56 provides a “thoughtful framework” for CZC redevelopment in the GUA (Chung and Zhou, 2011). However, there are several problems that remain unsolved. The latest release of “Additional Suggestions on Accelerating TOT (Amendment to File 56)” in 2012 is a proof that File 56 is not sufficient. For example, according to the Amendment of File 56, the threshold of consent to start a redevelopment project in CZC was raised from 80 percent to 90 percent, and redevelopment plans must be agreed to by at least 90 percent of village members (Guangzhou Government, 2012b). In addition, there were no detailed plans or feasibility study reports generated regarding the affected population, the affected locations, financing arrangements, etc. In particular, there are no detailed plans for the

so-called overall transformation of 52 CZC expected to be completed in 3-5 years. Several questions, such as how many people will be affected by the elimination of 52 CZC in 5 years, remained unanswered. What are the impacts from social, political, and economic perspectives? How do these radical projects affect urbanization in Guangzhou Municipality? The answers to these questions call for further study.

Table 4.3 provides a list of the 52 CZC that will be demolished in the GUA by 2015 according to File 56. On February 25, 2010, the Guangzhou Government announced that 9 of the 52 CZC would be first demolished before November of 2010 when the 16th Asian Games would be held in Guangzhou Municipality (New Express Daily, 2010b).¹²⁶ Liede and Yangji were on the top of the list.¹²⁷ Two years have passed and only three years are left according to the schedule of File 56, but only Liede has been completely removed and partially rebuilt. The other 51 villages, represented by Yangji, are still undergoing a slow process of demolition due to various reasons including the “nail houses”¹²⁸ of a small group of native villagers or opposition from a majority of villagers.¹²⁹ Usually the owners of the “nail houses” are asking for a higher rate of compensation than that of the majority of village members. Their houses have created a similar image in China to that of Edith Masefield’s house in Seattle. Unlike Ms. Masefield’s house, which was able to stay unchanged in Seattle for years, all “nail houses” in China are

¹²⁶ On July 1, 2004, the Olympic Council of Asia selected Guangzhou to host the 2010 Asian Games. The Games was celebrated in Guangzhou from November 12th to 27th in 2010. It was the second Chinese city to host the Games, after Beijing in 1990. According to Guangzhou Government, the total cost of the host of the Games in Guangzhou was about ¥ 122.6 billion (about \$17 billion) (Xinhua Net, 2010b).

¹²⁷ The other 7 villages are: Xian, Xiaogang, Xiaoxintang, Sanyuanli, Linhe, Pazhou and Tangxia (New Express Daily, 2010b).

¹²⁸ “Nail house” is a Chinese neologism. The owner of the “nail house” refuses to make room for a large development, so Chinese developers view the nail houses as “stubborn nails” that are stuck in wood and cannot be pounded down without a hammer. It is similar to the meaning of “holdout” property in the USA. Generally, the owners of these houses are people who are not satisfied with the compensation and/or relocation plans that they have been offered, and consequently did not sign the compensation agreement.

¹²⁹ For example, the redevelopment of Xiaogang village had to be ceased because of the opposition from more than 90 % of native villagers (Yangcheng Evening News, 2012).

Table 4.3 List of 52 *Chengzhongcun* to be Demolished by 2015 in the GUA

Districts (Numbers)	Names of <i>Chengzhongcun</i>
Yuexiu (4)	Yangji , Dengfeng, Xikeng, and Yaotai.
Liwan (18)	Wuyanqiao, Huadi, Chajiao, Kengkou, Xilang, Donglang, Hainan, HaiBei, Haizhong, Dongjiao, Nanjiao, Zengjiao, Shaluo, Longxi, Kuipeng, Tanwei, Hesha, and Xijiao.
Haizhu (6)	Sanjiao, Lijiao, Dongfeng, Hongwei, Guanzhou, and Pazhou
Tianhe (8)	Liede , Tangdong, Xiao Xintang, Shipai, Linhe, Shidong, Tangxia, and Xian.
Huangpu (7)	Nangang, Xiasha, Hengsha, Wenchong, Maogang, Shenjing, and Changzhou.
Baiyun (5)	Sanyuanli, Jiangxia, Chentian, Tangxia, and Xiaogang
Luogang (4)	Qiangang, Huangbei, Huasha, and Yushu.

Source: GZ Government (2009).

demolished at the end. But some of the owners of these “nail houses” may get fair compensation after putting up resistance for a certain period, while others may waste their lives fighting against the redevelopment project. Details of Liede and Yangji’s “nail households” are examined later in Chapter 5.

To support File 56, departments in Guangzhou Municipality have been busy producing plans and reports concerning land resources, housing, planning and surveys in order to accelerate the redevelopment campaign. In 2010, the TOT Office publicized a set of guidelines and workflows and invited comments,¹³⁰ and a set of suggestions on the management of special funds in TOT and the redevelopment of old villages (Guangzhou TOT Office, 2010a, 2010b; 2010c). The most important set of guidelines issued by the TOT Office was the “Trial Implementation of Cost Accounting Guidelines” (hereafter referred to as Cost Guidelines) of 2011, which limited compensated floor area to a range of 240 - 280 sq. m.. The new standard restricted the application of the “demolish one, compensate one” policy supported by the File 56 to a certain group of houses which were built before June 30, 2007 on authorized ARL plots that were three and half floors (or less) in height (Guangzhou TOT Office, 2011). According to the Cost Guidelines, the TOT Office will demolish all unauthorized houses in CZC without providing any compensation.

In addition, as the Guangzhou Government only pays compensation to native villagers without taking into account migrant tenants or other village outsiders. To get compensation, native villagers have to have their *hukou* registrations verified by the local public security

¹³⁰ For example, there were “Workflows of CZC Overall Transformation,” “Guidelines of Rehabilitation Cost Standards for Redevelopment CZC,” and “Planning Guidelines of CZC Transformation” that were formulated and implemented since 2010 (Guangzhou TOT Office, 2010a).

department (Guangzhou TOT Office, 2011). According to Chinese land laws and regulations, collectively-owned land and rural houses are not tradable in the market. However, it is common to see outsiders, who do not hold local rural *hukou*, building or buying houses in Guangzhou CZC. Houses sold to outsiders are called “small-ownership houses” (*xiaochanquan fang*). The municipal government will not issue any authorized ownership certificates to the *de facto* owners of “small-ownership houses”. According to the Cost Guidelines, the owners of *xiaochanquan fang* will not get any compensation from the process of redevelopment.

Finally, redevelopment of old villages has created immense land stock for the Guangzhou Government. In April 2010, at a news conference held by Guangzhou Land and Housing Bureau, a local official announced that the total land area involved in TOT in ten districts of Guangzhou Municipality was expected to be 370 sq. km. (New Express Daily, 2010a). From the later master plan released by the Guangzhou Urban Planning, Design and Survey Research Institute (hereafter, Guangzhou Planning Institute), the total area of TOT in ten districts is revised at 318.13 sq. km. in which 168.49 sq. km. are from old villages, which contribute 52.93 percent of TOT land (Guangzhou Planning Institute, 2010). From Table 4.4 we can see that the land area of old villages (value of “C” column in Table 4.4) in the GUA is about 112.52 sq. km. and contributes about 35.35 percent of TOT land within the ten districts. This means that through demolishing all of the “old villages” and relocating villagers, redevelopment of CZC can create at least 100 sq. km. for the Guangzhou Government for future development. With the new land stock from TOT projects, the Guangzhou Government can maintain its land revenue by selling this land at a profit over the next ten years.

Table 4.4 Land Areas of TOT and Number of CZC in Ten Districts of Guangzhou Municipality

Names	Total Area (sq. km.)	TOT	Old Factories	Old Town	Old Villages	A* (%)	B* (%)	C* (%)	Number of ODCZ C	F*
Guangzhou Urban Area	1,559.59	190.78	59.8	18.44	112.52	12.23	58.98	35.35	138	52
Yuexiu	33.80	6.88	0.08	1.81	4.98	20.36	72.38	1.56	4	4
Liwan	59.10	26.31	4.97	5.02	16.32	44.52	62.03	5.13	20	18
Tianhe	96.33	20.38	1.98	0.17	18.22	21.16	89.40	5.72	23	6
Haizhu	90.40	22.59	1.85	0.64	20.10	24.99	88.98	6.31	20	8
Huangpu	90.95	18.64	4.94	1.07	12.63	20.49	67.76	3.97	16	7
Baiyun	795.79	73.38	45.28	5.06	23.04	9.22	31.40	7.24	42	5
Luogang	393.22	22.60	0.70	4.67	17.23	5.75	76.24	5.41	13	4
Other Districts	2,283.84	127.53	60.8	10.76	55.97	5.58	43.89	17.58	n/a	n/a
Panyu	786.15	62.67	32.78	5.68	24.22	7.97	38.65	7.61	n/a	n/a
Huadu	970.04	40.22	18.14	1.91	20.17	4.15	50.15	6.34	n/a	n/a
Nansha	527.65	24.64	9.88	3.17	11.58	4.67	47.00	3.64	n/a	n/a
Ten Districts	3843.43	318.31	120.6	29.2	168.49	8.28	52.93	52.93	n/a	n/a

Source: GZ Planning Institute (2010).

*Notes: A refers to the proportion of land area of TOT in the total area of each district.

Formula: $A = (\text{value of column "TOT"}) / (\text{value of column "Total Area"}) * 100$;

B refers to the proportion of land area of Old Villages in the total area of TOT in specific district.

Formula: $B = (\text{value of column "Old Villages"}) / (\text{value of column "TOT"}) * 100$;

C refers to value of land area of Old Villages in each district divided by the total area of TOT in ten districts, which is about 318.31 sq. kilometers. Formula: $C = (\text{value of column "Old Villages"}) / 318.31 * 100$;

F refers to the CZC in the group of 52 that will be first eliminated in 3-5 years.

Again, the relocation plan provided by the master plan did not take migrant tenants into account. In my interviews and field trips in Guangzhou from 2010 to 2011, I heard many complaints from migrant tenants. Some of them complained that local governments do not care about their livelihoods. They would have to move to suburban areas if the villages are demolished. Meanwhile, they admit that since they don't have local *hukou*, it is reasonable and acceptable that local governments have ignored them. They stated that when they have made enough money, they will go back to their hometown. When I asked one of them how much money he thought was enough? He hesitated for a moment, and said, "I am building a house in my home village now. When I get enough money, I can take my kids back there." Although I did not get a clear answer, I could tell the migrant interviewee was happy when he talked about his future plans to return to his home village.

When I turned to other interviewees, local officials and planning professionals who worked in local planning departments and were involved in the TOT project, I asked them what they thought about the migrants' situation in the course of redeveloping CZC. In general, they stated that the "small" dual structures have deepened the segregation between local residents and migrant workers. But most of the interviewees stood on the side of local governments by taking a stance of marginalizing migrants in planning procedures. Some of them first expressed sympathy for the migrants' difficult situation, and then concluded that they could not do anything else, as there were no requirements in the planning guidelines to consider migrants. More importantly, they believed that because of the dual structure, it would be very difficult and complicated to take all migrants into account in the urban planning agenda. One of the interviewees even clarified, with a tone of distaste:

Lower-income migrant tenants? I don't care where they will live if the government evacuates them from the CZC. The market will solve the problem. They can move to suburban areas for lower rent. Or they can return to where they came from. This is not the local government's responsibility.

The conversation with the interviewees drew part of a picture describing people's thoughts regarding Guangzhou's CZC renovation. Though local governments do not take care of migrants, the migrant tenants who do not have local *hukou* take this for granted. One migrant interviewee told me, "It is a common thing" in Chinese cities.

In general, the pattern of CZC renovation has transitioned from complete exclusion of developers, to guided development by developers supervised by the government, and then to joint development through cooperation between village collectives and developers. Though state guidance still plays a role in the process, the third form of renovation, in which villagers participate and have a say in the decision-making process, and receive compensation from developers, makes it easier for the government to renovate the CZC.

The progress of renovating CZC is closely connected with land development in the course of urbanization in Guangzhou. One of my interviewees concluded:

"In the 1990s, the government did not touch the collectively-owned land, particularly the *zhaijidi* (assigned residential land) in CZC, as they had to use this as a bargaining chip to get villagers' support for farmland expropriation. Do you know why Guangzhou Government seldom talked about the urban renewal plan during 2001-2005? If you read the newspaper in the late 1990s, news about urban renewal was everywhere. But why did they stop talking about urban renewal after 2000? Let me tell you why: they had plenty of land in suburban areas to sell after the annexation of the two county-cities, Panyu and Huadu. But after 2008, urban renewal became popular words in the local media again. The officials talked about renovation every day. Yes, from 2004 to 2008, in the name of hosting the 16th Asian Games [in 2010], they sold most of the land in suburban areas. What can they do if they want to maintain the growth of local revenues? Yes, as you know, selling land makes

a lot of money. As there is no land to sell in the new districts, they have turned back to the inner city. Why not? That's why they have begun to have a set of renewal plans including renovating 'old villages.'”

The relationship between renovating CZC and land development in Guangzhou is further examined in Chapter 5.

4.4 Retrospect and Summary

Although the redevelopment of CZC is a state-led and top-down process in GUA, the Guangzhou Government failed to proceed with the renovation according to plan. For example, File 17, issued in 2002, provided a target for the Guangzhou Government to renovate its 138 CZC by 2010, and even in File 56, issued in 2009, the Guangzhou Government was still optimistic about the progress of CZC redevelopment, stating that it expected to renovate 52 CZC in the next 5 years. However, as of the end of 2011, Liede is the only village to have been completely renovated according to plan. The demolition of Yangji is still ongoing after beginning in May 2010 (Nanfang Daily, 2011c). About 15 “nail households” have refused to sign the redevelopment contract and are refusing to move from their old houses in Yangji (Guangzhou Daily, 2012). The studies on the redevelopment of CZC in Guangzhou will provide different empirical supplements to this explosive contestation of land development and redevelopment of CZC in China.

The enclaves that native villagers built in CZC have accommodated hundreds of thousands of rural migrants who seek to run small businesses or find construction-related or menial jobs in GUA. However, the Guangzhou Government has labeled substandard dwellings on collectively-

owned plots as areas full of crime, health hazards, and rural backwardness. Redevelopment of CZC has been the key target of the Guangzhou Government's routine responsibilities since 2000. To break the administrative rural-urban divide, various new policies and regulations have been issued. The latest TOT project has substantial policy support from the Central Government, which plans to demolish the 138 OD CZC in the next 10 years. Negotiations between native villagers, the Guangzhou Government, and participating developers have been important and dramatic. If native villagers are fortunate enough to negotiate favorable deals with developers, they may have a share of the windfall profits. An example involving some villagers in Liede is examined in Chapter 5. If villagers lose their land because of the corrupt practices and greed of village cadres, they will have nothing left. Siu (2011) points out that the way that villagers comply, negotiate, and contest to create their own spatial sense of rural collective rights and cultural belonging will significantly complicate politics and emotions in the course of urbanization in Chinese cities.

As cities expand, new land stock decreases, and real estate prices rise, the relocation of native villagers in CZC is imperative for local governments in China. There were about 50-60 million peasants in China who lost all or part of their farmland and homes to local government land development projects from 1990 to 2002 (Hsing, 2010). Meanwhile, local governments made windfall profits by changing land uses. For example, in 2004, local governments at different levels requisitioned about 1,612.6 sq. km. of land from rural areas, which is estimated to have created around 615 billion yuan (US\$77 billion) in fiscal income for these governments (Po, 2008). Due to state-led land developments in the course of urbanization, many CZC are pressed against shopping malls, highways, bridges, and new-gated communities. The redevelopment

model in the GUA could be described as “taking land but not labor” (*yaodi buyao ren*), which is similar to how municipal governments treat rural migrant workers in Chinese cities, described by the phrase as “taking labor but not giving livelihoods” (*yao laoli buyao ren shenghuo*).

Chapter Five A Tale of Two *Chengzhongcun*: Liede and Yangji

I didn't want to move into the new apartment. I miss my old house. It was located on the main street of the village so I opened a store on the first floor. The business was good. People liked to buy my stuff. Besides the stable rental income from my house, I earned a lot through my own work without leaving home. Now my allocated apartment is not on first floor or facing any street. Rent prices, particularly the cost of stores on the street, are very high. I cannot afford to open a shop on the street any more. Now I have to find a new job. I have been looking for a job for a while."

-- Female interviewee in Liede, field notes, 2011

I had a deal with my old landlord. If he fails to get new tenants in his new displacement apartment within three years, I will help him. I have a lot of fellow-villagers (*lao xiang*) in this city. We can share an apartment together. No matter how expensive it is, if we share the rent, it will be much cheaper. Yes, I will stay in this city for a while, maybe five more years. Who knows? Living in Yangji was so convenient for us. I hope I can go back.

-- Migrant interviewee in Yangji, field notes, 2011

There are four sub-questions in this study: 1) what is the dual structure in CZC? 2) What are the roles of actors in the course of forming and redeveloping of CZC? 3) What are the relationships among the changing local governance, the formation and redevelopment of CZC, and Chinese urbanization? And, 4) what does the story of CZC tell us about the nature of Chinese urbanization? To answer the four sub-questions, this chapter investigates the dual structure and various actors' roles in two villages, Liede and Yangji, in the GUA. The examination involves in the process of land conversion, the roles of the Guangzhou Government, village committees, native villagers, and migrants in the course of redevelopment, and institutional reforms related to rural *hukou*, administrative organizations, and collective property and organizations. The first part of the chapter focuses on the story of Liede, the first completely redeveloped CZC in the GUA. The second section is the examination of Yangji, which is an on-

going project that presents different characteristics from Liede. Discussion and findings are provided in the third part of the chapter. Finally, there is a brief summary.

5.1 Liede

5.1.1 The Development of Liede

Liede, before its complete demolition in 2007, was an 800-year-old historical village with a rich Lingnan cultural legacy.¹³¹ Located on the north bank of the Pearl River, there were 7,802 native villagers in its 3,656 rural residential houses in 2006.¹³² The 19 ancestral halls, holy temples, and old trees scattered along Liede Creek, stretching approximately 1.74 kilometers through the village, and the traditional celebration of dragon boat festival, shaped the distinctive landscape and culture of Liede.

Liede was not on the top demolition list of CZC in the GUA until 2007. Beginning in 1993, due to its location in the center of the New Town, the third CBD approved by the State Council, the village's development has been closely linked to the construction of new CBD. In 1994, the Guangzhou Government expropriated 2,499 *mu* (166.6 hectare) of farmland from Liede to launch the New Town project, and retained about 471 *mu* (31.4 hectare) of land for rural residential construction and 345 *mu* (23 hectare) for the village's collective economic

¹³¹ Lingnan is a geographical region, which includes most of Guangdong Province and Guangxi Province. The details of this region can be found in Skinner (1978, 1994). Lingnan means "south of the Ling Mountains" in Chinese. Guangzhou has been the hub of Lingnan Culture, which formed a unique regional culture different from that of the area north of Ling Mountains (central China) in terms of its dialect, distinctive cuisine, art forms, traditional customs, and architectures.

¹³² In 1998, there were 4285 native villagers in Liede while migrant tenants numbered 8430 (L Li, 2001). In 2008, there were 7,865 native villagers and 3,167 households in Liede.

development (Liede Street Office, 2011). There was no farmland left in Liede after the 1994 expropriation. With the remaining 471 mu of ARL, native villager households built houses and rented them to migrants. In 2000, a furniture mall, the Meiju Home-Deco Center, financed by Liede's native villagers, opened for business. The regular rental income of self-built houses and the collective share of the furniture mall and other properties on the 345 *mu* of collectively-owned economic development land in the New Town replaced agriculture as main sources of income for Liede's native villagers (Liede Street Office, 2011).

Meanwhile, the Guangzhou Government converted most of the land plots around Liede to state-ownership, and tried to sell them with published price guides, but there were few buyers from 1996 on (Yuan, 2003).¹³³ Therefore, in the "Construction Plan of CZC Transformation" issued by the Guangzhou Government in 2000, it was not surprising that Liede was not on the list of seven villages that Guangzhou Government planned to redevelop in one year (Guangzhou Government, 2000).¹³⁴ The 471 mu of land in Liede village remained untouched, as the Guangzhou Government did not need any new land to sell in the New Town in the early 2000s. And even in the Revised Master Plan of New Town (hereafter, Revised Plan) published in 2003, Liede was designated as a partially renovated village in order to preserve its distinctive rural culture and landscape, similar to how it was treated in the 1996 Master Plan (Yuan, 2003).

In 2004, the Guangzhou Government decided to build a new bridge, Liede Bridge, across Liede and the Pearl River to connect Haizhu and Tianhe Districts from south to north (Nanfang

¹³³ Guangzhou Government invested about 3 billion *yuan* in New Town's infrastructure in order to attract foreign investment, but the 1997 Asian Financial Crisis halted this development (Yuan, 2003; Tian, 2008).

¹³⁴ The seven villages on the 2000 CZC renovating list are: Lijiao village in Haizhu District, Shipai village in Tianhe District, Bigang village in Huangpu District, Chajiao village in Liwan (it was named Fangcun in 2000) District and three villages including Jielong, Sanyuanli, and Tangxi in Baiyun District (Guangzhou Government, 2000).

Daily, 2006). After the Guangzhou Government started constructing the Liede Bridge in 2006, the news about Liede reported by the local media was that the Guangzhou Government would expropriate about 60 *mu* (4 hectare) of rural residential land from Liede for constructing the bridge (Information Times, 2007). There were rumors about the renovation of Liede but a lack of official announcement in 2006. News about the complete renovation of Liede was not reported until mid-2007 (Guangzhou Daily, 2007b).

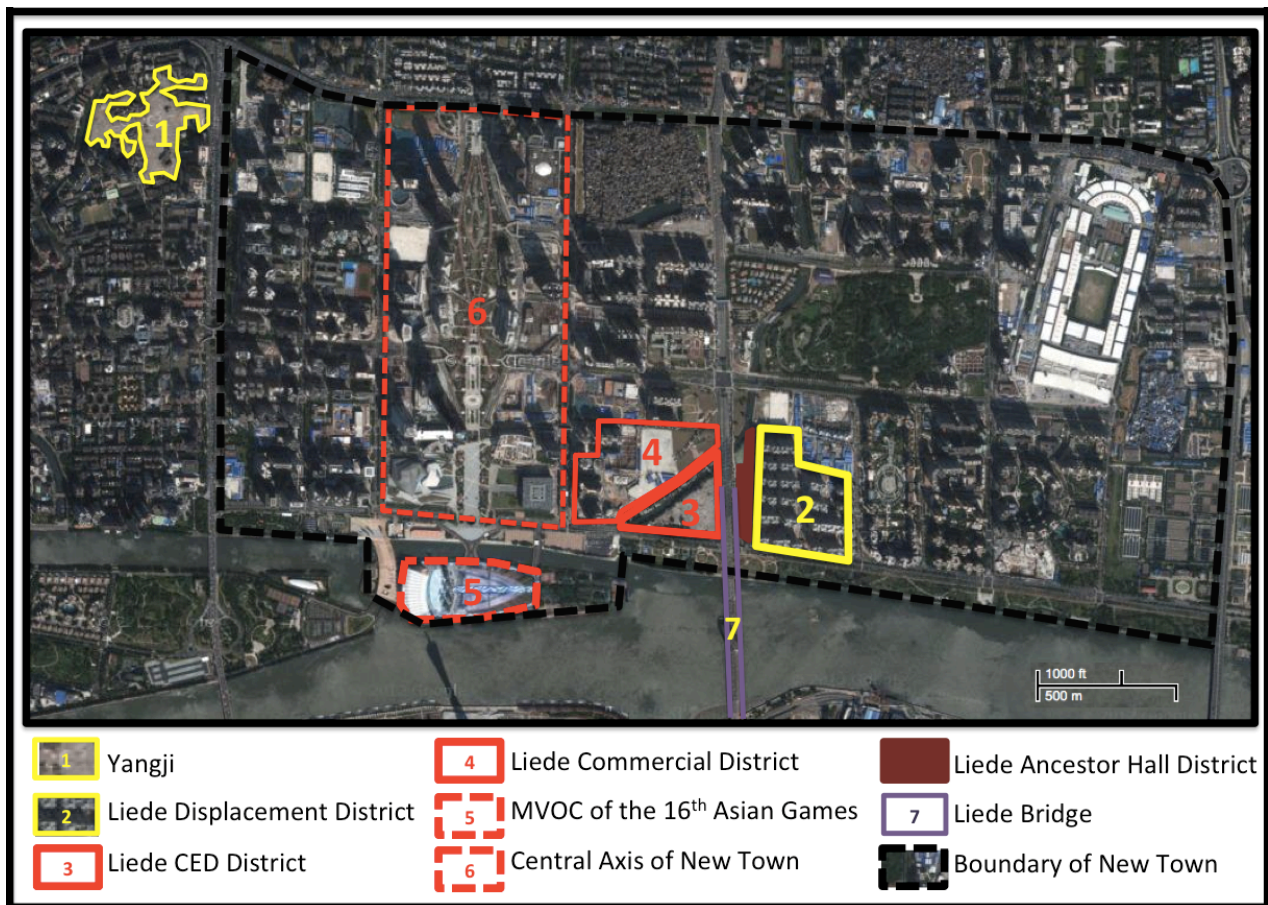
There was a dramatic change in 2007, as the “Redevelopment of Liede” became a hot topic. Local news revealed that Mayor Zhang Guangning on February 17, 2007 finally approved a Guangzhou Government project to completely renovate Liede; and later on in March, to ensure smooth progress of the Liede redevelopment project, a vice mayor was assigned to supervise it; on April 19, 2007, the Guangzhou Government set up Liede as the first pilot village for the redevelopment of CZC in the GUA (Guangzhou Daily, 2007b).

Things moved fast after Liede was set up as a pilot village. In July 2007, about 98.6% of native villagers voted for the “Implementation Plan of Liede’s Redevelopment” (hereafter, Liede Redevelopment Plan). The Liede Redevelopment Plan divided the village of Liede into three parts (Figure 5.1): the Liede Displacement District, the Liede Commercial District, and the Collective-Economic Development District (CED District). A special district, the Ancestral Hall District, was designed as part of this plan to preserve Liede’s links to its culture and traditions. The plan also explained that the Guangzhou Government would not pay any compensation to the villagers in Liede; all the compensation and redevelopment costs would be paid by developers through a public land auction of the Liede Commercial District. The demolition was conducted

in three steps: one third of the village land area was evacuated in October 2007 and the rest was demolished in 2009 and 2010. Although there were five “nail households” that did not sign the redevelopment plan at the end of 2007, they finally gave in and evacuated their old houses in 2010. About three years later, the 7,802 villagers moved back to the 37 “displacement towers” on September 28, 2010 and threw a housewarming party together on November 21, 2010. The chronological events of Liede’s redevelopment can be found in Appendix C.

The Guangzhou Government viewed Liede’s Redevelopment as a successful model and intended to copy it when redeveloping other CZC. However, from October 2007 to May 2012, no other villages were torn down and completely rebuilt in Guangzhou Municipality. Why did Liede become a unique model in the process of redeveloping Guangzhou CZC? To answer this question, we need to consider the following questions: first, why did Liede become the first completely renovated CZC in the GUA? From local newspaper reports, it appears that there was more than one reason. For example, local professionals stated that the redevelopment of Liede was initiated by the construction of the Liede Bridge (New Express Daily, 2007c); and the Party Secretary of Liede Committee Office, Li Fangrong, stated that it was the village committee who initiated the Redevelopment (Guangzhou Daily, 2007a). The reasons for Liede’s successful redevelopment will be examined below.

Figure 5.1 Liede and Yangji in 2012



- Notes: (1) the map is based on the aerial photo of 2012 from maps.google.com;
 (2) “Liede CED District” refers to the collectively-owned economic development district;
 (3) “MVOC” refers to the main venue of the opening ceremony for the 16th Asian Games that were held in November 2010 in Guangzhou Municipality.
 (4) “Liede Ancestral Hall District” refers to the cultural and historical area where the ancestral temples and holy shrines were rebuilt.

And other questions include: how many actors were involved and what were their roles in the course of renovating Liede? How is Liede’s redevelopment related to the dual social-economic structure and urbanization of GUA? The following section will examine these questions.

5.1.2 Institutional Reforms in 2002

Institutional reforms on *hukou* and administrative organizations were implemented in Liede in 2002 while the land of ARL and the economic development district remained collectively owned, which did not affect the dual-structure land system. The village government was converted from a rural committee to an urban street office, and all native villagers' *hukou* registrations were converted from rural households to urban households on November 14th, 2002. The daily maintenance of the village area, such as neighborhood hygiene, public security, the provisioning of utilities, etc. was put under the administration of the new Liede Street Office, which was originally Liede's village committee office. Twelve days later, on November 26th, 2002, according to File 17, Liede Economic Development Co., Ltd. (hereafter, Liede Company), a shareholding company, was set up (Liede Street Office, 2011). Liede Company is a collectively-owned property in which native villagers hold shares and receive distributions of annual income. The leadership of Liede Company was elected by native villagers, and mostly consisted of the old cadres of the previous village committee. Li Fangrong, who had been the Party Secretary of the Liede Village Committee since 1987, was elected to be the president of Liede Company.

Although the purpose of the institutional reforms introduced by File 17 is to eliminate the differences between native villagers and urban residents in Guangzhou Municipality, there are still unsolved problems related to this. First, *hukou* conversions do not guarantee direct access to Guangzhou Government urban social security programs. In Liede, the Liede Company provides endowment insurance for all villagers, while other insurances such as health insurance, low-

income insurance, and unemployment insurance were not specified in the reforms. Therefore, the *hukou* conversion is a nominal change, and does not bring new benefits to the native villagers in Liede. Like before, native villagers depend on rents and collective shares for their livelihood. Second, the reforms aimed to “separate the administrative and social functions from enterprise management” (*zhengqi fenkai*). However, the main leadership of the new office and new company are two sides of the same coin, as the cadres of old committee offices comprise the leadership of the new organizations. Essentially, the administrative structure of the Liede collective organization did not change.

Furthermore, one of my interviewees mentioned that, although the institutional reforms were completed in 2002, the old seal of the Liede Collective Committee Office continued to be used by Liede Company to deal with routine matters and to sign official contracts and agreements. He said if that if any document is issued by Liede Company without the old seal, native villagers do not take them seriously or consider them to be official. In my interviews and fieldtrips to Liede, it was very interesting to see that when people talked about Liede Company, they referred to it by its old name the “Liede Village Committee” instead of the enterprise’s new name. The term, “Liede Village Committee,” is even still in use by the local media (e.g. Guangzhou Daily, 2007a; South Metropolis News, 2011a).

In general, the institutional reforms in Liede since 2002 have not fundamentally changed the native villagers’ way of life, the dual land structure, or the self-reliance status of Liede’s collective economy. The nominal *hukou* changes and collective economic organizational reforms have not eliminated the difference between native villagers and urban residents.

5.1.3 The Redevelopment of Liede

There are three main reasons why Liede in 2007 became the first completely renovated CZC in the GUA. The first reason is related to the location of Liede. The old village of Liede lay approximately 200 meters to the east of the central axis of the New Town. The published Revised Plan of New Town included more space in residential, commercial, and office development areas, which attracted the interest of many developers. Beginning in 2003, developers competed to purchase tracts of land in the New Town, causing demand to exceed annual land supply from the Guangzhou Government (163 House News, 2012; Yangcheng Evening News, 2006). Liede became the last parcel of “undeveloped” land in the New Town.

Secondly, the time was right for Liede’s redevelopment. The Guangzhou Government was named to host the 16th Asian Games in 2004 and announced that it would speed up urban construction and improve the city’s image (China News, 2004). Constructions were launched in the central axis of the New Town that concentrated on a variety of modern landmark buildings such as the Guangzhou Opera House, the Guangdong Museum, the Twin Towers, listed companies’ headquarters, and five-star hotels. One of my interviewees, who was involved in depth in the process of Liede’s redevelopment, mentioned that the main reason factor leading to the initiation Liede’s redevelopment was the construction of Liede Bridge and the hosting of the Asian Games. The Guangzhou Government designed a route for leaders from the Central Government to use during the Asian Games. Liede Bridge was one area that the needed to pass through, as it would lead to the main sports arena for the Asian Games and athletes’ village in

southern part of Panyu District. If Liede village remained unchanged, the dilapidated view created by the rural houses would create a bad impression for the Central Government leaders. Furthermore, the Guangzhou Government needed to expropriate land from Liede for the construction of Liede Bridge and other municipal roads, in order to improve transportation within the New Town. Therefore, in the opinion of this interviewee, the redevelopment of Liede was imperative for the Guangzhou Government.

Last but not the least, the support of different people including the leadership of Liede Village, the Tianhe District Government, the Guangzhou Government, various developers and the majority of native villagers played a major role in the success of the redevelopment of Liede. The leaders of Liede, headed by Secretary Li and other Liede Company shareholders, realized that the construction of Liede Bridge and other municipal roads, as well as the redevelopment of Liede Creek, would divide the village into eight small pieces, resulting in a fragmented community (Guangzhou Daily, 2007a).

Therefore, Secretary Li and other representatives persuaded the native villagers to hire a local architecture design institute to produce a renovation plan that would allow native villagers to be concentrated together instead of living apart (Nanfang Daily, 2011d). The renovation plan was submitted to the Tianhe District Government first and then reported to the Guangzhou Government in early 2007. The Guangzhou Government was concerned about raising redevelopment funds and compensation costs until some developers showed interest in purchasing land adjacent to the central axis of the New Town. The government decided to sell

part of the village's land, the Liede Commercial District, to raise redevelopment funds. Liede's redevelopment finally opened the door of CZC renovation to developers.

The Roles of Various Actors

Local media revealed that the Guangzhou Government and developers played a “behind-the-scenes” role in the course of renovating Liede (New Express Daily, 2007 d). Before September 2007, developers contacted Liede Company. Liede Company initially hoped to have at least ¥3 billion in compensation funds,¹³⁵ but developers' proposals for compensation did not meet this expectation (Guangzhou Daily, 2007b; New Express Daily, 2007d; Southern Metropolis News, 2010d). The unbalanced negotiations between Liede Company, several developers, and the Guangzhou Government resulted in a public auction in September, 2007, and bidding closed at a price of ¥4.6 billion *yuan* (New Express Daily, 2007b). Zequn Su, the Vice-Mayor at that time, speaking to a Guangzhou Daily journalist about the auction, mentioned that:

“...CZC renovation as always has the strongest backing from the Party and the Guangzhou Government. The Guangzhou Government will guarantee a minimum level of compensation if the bidding price [for Liede Commercial District] does not reach ¥3.86 billion *yuan* [by developers] (Guangzhou Daily, 2007b).”

The roles played by Liede Company, the Guangzhou Government, and developers produced a model in which Liede Company was responsible for persuading native villagers to agree with the redevelopment and compensation plans, while the Guangzhou Government issued new policies to support the collection of funds, and developers prepared to offer compensation money (New Express Daily, 2007 d). The Guangzhou Government issued a preferential policy named

¹³⁵ According to Lixun Li (2001), the cost of redeveloping Liede in 2000 was over 2 billion *yuan*.

“demolish one, compensate one, and exempt one”, meaning that villagers would be resettled in new apartments which would have the same floor areas as their old houses, and all the taxes related to the new apartment and redevelopment/resettlement fees would be exempted (Guangzhou Daily, 2007b). If villagers wanted a larger resettlement apartment, the price of the extra floor area would be ¥3,500 per sq. m., which was much lower than the average price for housing in the New Town.¹³⁶

The redevelopment of Liede is not a completely top-down process because of the multiple roles played by Liede Company. Liede Company was not only responsible for persuading native villagers to agree to the redevelopment, it also served as a communication channel in negotiations between native villagers, the Guangzhou Government, and developers. In addition, as the initiators of the Liede Redevelopment Plan, Secretary Li and other representatives needed to work with local professionals to analyze various comments and revise the plan to “please everyone” (Guangzhou Daily, 2007a). For example, a native villager mentioned that the Tianhe District Government originally set the housing price of the extra floor area¹³⁷ at ¥5,000 yuan per sq. m. in the original Liede Redevelopment Plan, which was firmly opposed by native villagers. Liede Company finally had to lower this down to ¥3,500 yuan per sq. m. (New Express Daily, 2007c).

Moreover, unauthorized constructions, which normally are not included in compensation plans, also received a cash compensation of ¥1000 *yuan* per sq. m. (New Express Daily, 2007c).

¹³⁶ The average housing price was about ¥25,000 yuan per sq.m. in the New Town in 2007 (New Express Daily, 2007c).

¹³⁷ According to the “demolish one, compensate one” policy, native villagers do not need to pay anything if the total floor area of the new apartment is equal to that of the old house. If the total floor area of the compensation apartment is more than that of the old house, native villagers need to pay for the “extra” floor area.

Finally, as the construction of new resettlement apartments would take about 3 years, native villagers complained that there would be a huge decrease in rental income while they waited for resettlement. Therefore, Liede Company provided a policy for providing further supplemental compensation for rental income lost during the Liede Redevelopment Plan (New Express Daily, 2007c).¹³⁸

Nevertheless, native villagers also played a key role in the course of redevelopment, as the redevelopment plan would not be carried out without the consent of a majority of villagers. In June 2007, the Liede Redevelopment Plan, which was revised several times, was posted in an ancestral hall as part of a public notice about the upcoming vote on it. The majority of native villagers were finally satisfied with the compensation plans and 98.6 percent of Liede villagers consented to the plan in July 2007(China.com, 2008).

In contrast with the needs of various native villagers, which were largely met, migrants were totally excluded in the course of redeveloping Liede. Though migrant tenants had provided steady incomes for Liede villagers and worked in the city for years, there was no compensation scheme for their displacement. As temporary tenants in Liede, all they could do was to move out of the old village and find an appropriate and affordable room in another area as quickly as possible.

¹³⁸ Liede Company would pay each village household ¥50 *yuan*/sq. m (for previously commercial use) or ¥20 *yuan*/sq.m (for previously residential use) every month in as a supplement for lost rent during the waiting period before relocation (New Express Daily, 2007c), a huge increase over the cost of rent there ten years before. In 1998, the average price of renting housing in Liede was ¥4 per sq.m (L Li, 2001).

“Nail Houses” vs. Collective Interest

Fewer than 2% of native villagers did not sign the redevelopment agreement in July, 2007. In October 2007, Liede Company sued the owners of four “nail houses” in Tianhe District Court for their obstruction of the “public interest” of Liede’s redevelopment. Two months later, Tianhe District Court reached a judgment and required the residents of the four “nail houses” to evacuate their houses for demolition. The residents of the four “nail houses” employed Property Law to appeal to Guangzhou Intermediate Court in late December 2007 to protect their private property rights, but finally lost the case (China.com, 2008). In August 2010, all of the owners of “nail houses” signed the compensation agreement and their houses were demolished (Guangzhou Daily, 2010b).

This was the first lawsuit in Guangzhou Municipality to employ the Property Law, which went into effect on October 1, 2007 (China.com, 2008). The main argument of the case was: who exactly owns houses on ARL (*zhaijidi*)? The owners of the four “nail houses” argued that, according to Articles 64 and 66 of the Property Law, they should enjoy the ownership of their houses on the ARL, and the law should protect their houses from being occupied or damaged by others (China.com, 2008).

However, the Guangzhou Intermediate Court ruled that the owners of the four “nail houses” infringed upon the “collective interest” of the Liede villagers, as more than 98% of native villagers had already agreed with and signed the Liede Redevelopment Plan. Furthermore, the

ruling went, according to Article 10 of the Land Management Law, ARL is a collectively-owned property which should be managed by a collective economic organization or committee; native villagers should enjoy usage rights of ARL (National People's Congress, 2004b). Liede Company was an entity conferred by the Tianhe District Government. Therefore, Liede Company had the authority to take back the ARL under their houses on the basis of collective interests. As their houses were attached to and indivisible from the ARL, the ruling found that Liede Company could take the houses back along with the ARL. Finally, according to the ruling, compensation for the houses should be paid in accordance with the Liede Redevelopment Plan (China.com, 2008).

The ruling for this lawsuit contradicted the correct and full implementation of the Property Law. Article 4 of the Property Law, states that, "state, collective, private property rights and other rights shall be protected by law" (National People's Congress, 2007). But the residents of the four "nail houses" lost their case because their houses were built on collectively-owned ARL. If private property on collectively-owned land is not protected by property rights, then there is no law in China that can protect peasants' private property rights (New Express Daily, 2008).

Law has become a key arena for rural peasants in suburban areas to resist land expropriation by local governments, but the deliberately institutional design of the dual structure has created legal loopholes or legal gaps. The situation of the nail houses in Liede is different from those on urban land. With the privatization of housing in Chinese cities, when urban residents purchase new property, they need to pay land use fees and housing fees that guarantee usage rights to the land and house for a certain number of years. If the state wants to take back the land before the

rights expire, it must pay compensation. However, in rural areas, assigned residential land is collectively-owned and is free for any village committee member to use. The responsible collective organization can take back the land without paying compensation. Village households cannot protect their private property on ARL if a majority of village members agree to give up the land. This is why the owners of the four “nail houses” in Liede lost their case: the Property Law only protects those who pay land use fees, that is, urban land users.

Though there were no protests in the Liede redevelopment case, unlike the majority of native villagers, who acted like “corporatists” through skillful negotiation,¹³⁹ the owners of the “nail houses” employed the law and took legal action to protect their property rights. This has been a key strategy in what O’Brien and Li (2006) call “rightful resistance,” which presses claims on the basis of central law and policy. However, the defeat of the owners of the four “nail houses” in Liede has had an effect that is the opposite of the one they intended, and this has alerted other villagers in CZC that the dual land structure has provided no laws to protect their property on collectively-owned land if they are not in agreement with the majority of villagers, who comprise the “collective interest.”

Furthermore the term “public interest” remains undefined in Chinese law. The local media has commented that the term “collective interest” as used in the Guangzhou Intermediate Court’s judgment effectively narrowed the meaning of the term, since a vote in a collective committee by all village committee members can provide a standard for this (New Express Daily, 2008). So the

¹³⁹ According to Hsing (2010), “corporatist villagers” do not directly protest or litigate but skillfully negotiate with the state, and find opportunities for self-protection. “Corporatist villagers” manage to re-territorialize in the violent process of urban expansion. It is a new mode of state-society interaction in which society finds its bargaining leverage and space for autonomy in the gap between the state’s expansionist ambition and its regulatory capacity (Hsing, 2010).

term “collective interests” has cleared the way to demolish all villagers’ houses in CZC if more than 90 percent of their committee members agree with the redevelopment plan. “Nail households” in rural areas will not be able to argue or resist the course of CZC redevelopment in the GUA.

5.1.4 The Reborn of Liede New Village

The New “Urban Space”

I paid a short visit to the new village site in September 2010. When I first left Liede Station on the newly operated Metro Line 5, I saw a cluster of giant buildings standing on the east side of Liede Bridge. They were about 200 meters from the new subway station. When I got close to the modern displacement buildings to the west of the bridge, I saw a large stretch of vacant land stacked with bricks, cement, and sand, as well as some two-floor buildings that were under constructed along the Liede Creek. A big poster, reading “Hunter Mill (*lieren fang*),” was hung on the wall facing the bridge. This was the undeveloped CED District and the pedestrian commercial street built by Liede Company.

Then I saw the new ancestral halls¹⁴⁰ and the memorial archway gate (*paifang*). The Ancestral Hall District was constructed as a tourist district, consisting of five new ancestral halls

¹⁴⁰ An ancestral hall is a traditional structure that is used for collective rituals and festivals in honor of a lineage family’s ancestors. The hall is also used for family or community-related functions such as weddings and funerals, family meetings and gathering. In rural areas, it is also used for local elections.

and three holy temples.¹⁴¹ The original ancestral halls were mostly built in the 1800s (the late Qing Dynasty) and were scattered throughout the old village in order to ensure the fortune and well-being of the family lineage members. But now they were bundled together, representing the present Liede villagers' collective will "to stick together" against various outside forces such as urban expansion. An interesting thing I noted was that a public restroom was also built adjacent to the ancestral halls at the entrance of Liede's new village (hereafter Liede New Village), which made the area much more like a tourist spot rather than a central area for locals. Next to the giant modern-style displacement buildings, the traditional architecture of the halls seemed a bit out of place (Figure 5.2).

Later I revisited the Liede's displacement district (hereafter Liede New Village) to conduct interviews in winter and summer 2011, and found that the increase in in new tenants and more villagers moving into the area, along with the mix of past and present landscapes, the proximity with urban tourist districts¹⁴² and residential neighborhoods, and the interactions between villagers and various tenants have all shaped the distinctive urban space of Liede to create a new urban community.

There are two distinctive characteristics of Liede New Village. First, it is a unique "gated" community. Most apartments in the 37 displacement buildings were allocated to native villagers by a lottery drawn in early September 2010. Many villagers have 3 to 5 units based on the floor area of their old houses before the demolition, in accordance with the "demolish one, compensate

¹⁴¹ The three temples are the Longmu (Dragon Mother) Temple, Huaguang (God of Light and Fire) Temple, and Tianhou (Empress of heaven) Temple.

¹⁴² Besides Ancestral Hall District, there are other urban tourist spots around Liede New Village, such as Huacheng Square, located in the central axis of the New Town, Zhujiang Park, and Waterfront Park. All of these spaces have brought credit to the new community.



Figure 5.2 Ancestral Halls and Memorial Archway Gate
at the West Entrance of Liede New Village
(Source: photography by the author in September 2011)

one” policy. None of the units in these displacement buildings can be sold or transferred on the public market.¹⁴³ Village homeowners have tried to rent out their units to tenants for a variety of uses such as office, salons, stores, dorms, restaurants, kindergartens, garment factories, and even warehouses (e.g. Figure 5.3).¹⁴⁴ Rental advertisements and contact information posters were hung on each tree along the main streets or on the corner fence at the main entrance, implying villagers’ distrust of real estate agents (Figure 5.4). Though the 37 buildings have been divided into different blocks with strictly controlled entrances, the rental apartments and posters differentiate Liede New Village from other gated communities.

Secondly, the role of the new Ancestral Hall District in Liede New Village is to maintain the village’s traditions and provide a place for villagers to hold ceremonies and clan-related activities, such as wedding, and parties. Since the ritual opening of the ancestral halls at the new site in 2009, the ancestral halls have hosted hundreds of events. One of my interviewees, Sister Li,¹⁴⁵ a woman married to a native villager in Liede for more than ten years, told me that hosting events in the new ancestral halls has become very popular, “People need to book several months in advance if they want to use the space.” These structures are also a key arena for village activities, the annual dragon boat festival, and other traditional celebrations. The Ancestral Halls and their preservation of tradition have enhanced the culture of Liede and have helped villagers to regain their sense of belonging.

¹⁴³ As these apartments are replacements for rural houses built on previously collectively-owned land, they can only be transferred among village committee members. The transaction of these apartments is not done through a guaranteed legal title unless all property taxes are paid off.

¹⁴⁴ My interviewees told me the categories they knew about. From my own observations, I found units rented out to use as salons, offices, and pre-schools.

¹⁴⁵ This is an assumed name.



Figure 5.3 Rental Apartments in Liede New Village
(Source: photograph by the author in September 2011)



Figure 5.4 Rental Advertisement Posters on Trees, Fences, and at Store Entrance in Liede New Village
(Source: photograph by the author in September 2011)

The New “Urban Life”

When I asked my interviewees what they think about their life-altering move into the new village, the responses I received could be generalized as “everything is changing.” Things have changed, not only in their daily lives, but also in their work and in customs. They have had to learn new things, look for new jobs, and change their lifestyle.

Sister Li told me that she missed her old house and did not like moving into her new apartment:

“It was located on the main street of the village so I opened a store on the first floor. The business was good. People liked my stuff. Besides the stable rental income from my house, I earned a lot through my own work without leaving home. Now my allocated apartment is not on first floor or facing any street. Rent prices, particularly the cost of stores on the street, are very high. I cannot afford to open a shop on the street any more. Now I have to find a new job. I have been looking for a job for a while.”

Sister Li’s husband, a native villager in Liede, said that:

“The new apartment is not that good as what they [Liede Company] promised. It has poor interior trim, and a lot of useless space. The most important thing is that I cannot rent any rooms out for income anymore. I have to find a job instead.”

Their household received only one apartment as compensation. They did not have any influence or social networks in the village. Therefore, they could not get a small-sized apartment, which is much easier to rent out, even though around 60% of the 3,000 units are small-sized apartments. The family finally received a 150 sq. m. apartment with 4 bedrooms, the most unpopular unit among native villagers. It would be hard to find a good tenant willing to live with the whole family. They were hoping to get a storefront on first floor through the lottery.

However, Liede Company changed their plans later on, and the allocation of shops on first floor

was done through bidding instead. Their household could not afford the high bidding price, and finally gave up. For them, moving into the new apartment, meant no extra income at all. Li's husband worked in Liede's estate management office. Li was not interested in the job openings for janitor or dustman at Liede's estate management office, and was waiting for better jobs to open at Liede Company.

Not only did Sister Li and her husband have to change their way of life, every native villager and even the Liede Company had to adapt to the new environment. Old male villagers gathered together everyday at the east entrance of Liede New Village to play chess or poker. They told me that before the old village was demolished, they used to gather under a huge banyan tree along Liede Creek. Middle-aged women met on a street corner located at the center of the new village, standing and chatting, exchanging gossip and looking for potential tenants. Sister Li told me, "if you want to know what has been going on in the village recently, go and talk to them. Maybe you will get some news. They are there every day at 3:00pm." Liede people celebrated the Chinese New Year festival of 2011 with firecrackers, dragon dances, and various feasts and performances. However, the traditional village activities irritated residents nearby. "Firecrackers are too noisy," Sister Li said. Secretary Li told journalists that he will persuade villagers' not to set off firecrackers in the future, abandon some rural habits, and train to be more like "urbanites" (New Express Daily, 2011).

The Relationship between Native Villagers and Village Leadership

The success of collective economic development and redevelopment in the village has earned village cadres, in particular, Secretary Li, a certain cachet in Liede. The furniture mall and other collectively-owned projects have brought in 50 million *yuan* of annual income to Liede since 2000 (Guangzhou Daily, 2007b). Income from the projects has been managed by Secretary Li and other village cadres, and distributed according to the shares of the village economy that individual households were allocated.

However, since 2008, the relationship between the village leadership and native villagers has become tense after villagers found out that the furniture mall was a jerrybuilt project. Each household invested ¥30,000 yuan to build up the Meiju Home-Deco Center in 2000. The total investment from Liede people was about ¥170 million. When the Guangzhou Government expropriated the land and demolished the furniture mall in 2008, the construction of Meiju was found to be faulty and sub-standard (163 News bbs, 2008). The inferior construction of the furniture mall should not have cost ¥170 million, which means that there were corrupt interactions between the village leadership and construction teams. Since this time, native villagers have held a strong distrust of the village cadres, and have begun to doubt how Secretary Li and his relatives have seen such a windfall of wealth in recent years.

Another source of tension is the idea that the lottery for housing allocation was rigged. Secretary Li and his family members got the best flats with unobstructed views of the Pearl

River. One of my interviewees said, “Who will trust him now? I would not. We felt very angry but dare not to speak out. He was the guy leading us to getting rich.” Despite all of this, on March 30, 2011, Fangrong Li was elected to be Liede Company’s party secretary again (Southern Metropolis News, 2011a). How did Secretary Li survived Liede’s election despite being distrusted by a large number of village members? This calls for further research into the relationship between the native villagers and the village leadership.

5.2 Yangji

5.2.1 The Development of Yangji

Before it was demolished in 2010, the village of Yangji had a 960-year history and lay to the west of the New Town, the center of the urban construction that the Guangzhou Government conducted in the late 1980s.¹⁴⁶ The Guangzhou Government has expropriated farmland from Yangji since the 1950s. By 1995, a total of 2,325 *mu* (155 hectares) of farmland had been expropriated for urban expansion, infrastructure construction (the first subway in the city), and the construction of the New Town. Yangji village retained 11.83 hectares of ARL for villagers’ self-built houses and 8.3 hectares of land for collective economic development. The loss of farmland to urban expansion has resulted in continuous decreases in villagers’ incomes. The following section examines Yangji village’s economic and social-spatial development.

¹⁴⁶ In , order to host the 6th National Games in Guangzhou in 1987, the Guangzhou Government in 1985 first set up a new district named Tianhe, and then constructed the Tianhe Sports Center, located 500 meters to the east of Yangji village, and Wuyang New Town which was adjacent to the south of Yangji. The land for the Tianhe Sports Center and Wuyang New Town were mostly expropriated from the Yangji Village Committee.

Economic Development

Under the leadership of Yangji Village Committee,¹⁴⁷ Yangji people successfully rose from poverty and became a prosperous village. Leadership was largely centered on a female native villager, Zhang Jianhao, who has been elected as the village head and party secretary since 1976. Secretary Zhang was later elected to be the director of the Yangji Stock Cooperative Economic Corporation (hereafter, Yangji Corporation), which was originally founded in 1987 when Yangji became one of the first 13 villages nationwide to have rural shareholding reforms approved by the State Council (Guo, 2008).

To increase land stock in Yangji and villagers' incomes, in 1989, Secretary Zhang and Yangji's cadres went to other villages in Guangzhou Municipality and "expropriated" about 350 *mu* (23.33 hectares) of land for Yangji's collective economic development.¹⁴⁸ On the land expropriated from other villages, Yangji Corporation has built factories manufacturing shoes, wool textiles, and automobile parts. In addition, Yangji Corporation has constructed a variety of shops for rent on a commercial street. All of these economic developments have increased Yangji's per-capita income from ¥105 in 1976 to ¥38,500 in 1999 (China Economic Weekly, 2004).¹⁴⁹ Yangji became one of the first "100-million-yuan villages" (*yiyuan cun*) nationwide since the late 1990s.

¹⁴⁷ There are two natural villages within the jurisdiction of Yangji Village Committee: Yangji and Tianhe villages. As Tianhe is a much smaller village located to the north of the New Town, and has remained unchanged from CZC redevelopment, this research does not include the village of Tianhe (Figure 2.7).

¹⁴⁸ Since 1989, Yangji has bought or leased land use rights from the following villages in Guangzhou Municipality: 50 *mu* from the Zengcheng county-level city, 150 *mu* from Dongpu Town of Tianhe District, and 50 *mu* from Huangpu Village in Haizhu District.

¹⁴⁹ In 1999, Yangji Corporation had ¥800 million *yuan* of fixed assets (China Economic Weekly, 2004).

Social Space

In 2007, there were 5,163 native villagers and about 10,000 migrants living in the 1,496 self-built houses in Yangji. The village became a CZC and migrant enclave in the early 1990s.¹⁵⁰ The migrant tenants were at first from Guangdong, and then later from other provinces (Southern Metropolis News, 2011c). Before the demolition, tenants in Yangji were mostly from Hunan, Hubei, Sichuan and Henan provinces (Southern Metropolis News, 2010a).

Due to a lack of administration and management of the migrants, with their inflow, Yangji became a center of criminal activities (Southern Metropolis News, 2010b). Local news revealed that migrants from different provinces formed different “gangs” in the village. For example, hookers were mostly from Sichuan Province, thieves were mostly from Hunan Province, and dustmen and garbage collectors were mostly from Henan Province (Southern Metropolis News, 2010b). Stealing, gambling, and fighting were not uncommon from 1997 to 2007. Murders of hookers and thieves occurred. There were a variety of signs hanging in the village reminding visitors to take care of their belongings. Figure 5.5 shows a sign standing along Shahe Creek, issued by the Yangji Neighborhood Police Office, reminding residents of two kinds of crimes that are common in Yangji.

¹⁵⁰ In the late 1980s, Guangzhou Government constructed Tianhe Sports Center and Wuyang New Town, which were located around Yangji, to facilitate the new Tianhe District’s development. The new district’s development has encroached on the village at a tremendous speed since the early 1990s.



Figure 5.5 Signs in Yangji Reminding Caution of Crime and Theft
(Notes: the red sign warns about car thefts and the blue sign tells people, “Do not participate in gambling here. It is a trap.” Source: photographed by the author.)

Gangs-related problems also created another special social-spatial phenomenon in Yangji. Migrant tenants staying in the same household generally originated in from the same place. If tenants from different provinces stayed in a single house, even on different floors or in different rooms, they tended to not get along well with each other (Southern Metropolis News, 2010b). To avoid trouble in their rental houses, native villagers concluded that the best policy was, “Never rent out your house to people from different places. It will cause fights.” (Southern Metropolis News, 2010b). Though there were many social problems within the village, the low housing prices attracted more and more migrant tenants to Yangji. Some native villagers rented out their houses in Yangji to migrants and moved out of the village (Southern Metropolis News, 2010b).

The Yangji Village Committee itself could not solve the problem as long as the local governments including the Guangzhou Government and the district-level government were

unable to be involved in rural business due to the different administrative structures and institutional restrictions.

5.2.2 Institutional Reforms

Shareholding Reform in 1987

Yangji is a pioneer of China's rural shareholding reform. The Yangji Corporation, founded in 1987, converted Yangji's collective land and assets into shares. Under the old collective ownership, before the reform, collective yields and income, including compensation fees from land converted to urban uses, were delivered to the Yangji Village Committee first, and then the committee would decide how much and in what form the funds were redistributed to individual village members. After the reform, as a land-based shareholding co-operative organization, Yangji Corporation could either rent out land or construct factories or store buildings for rent on a variety of terms catering to the different demands of different enterprises. Yangji native villagers became shareholders, sharing 50% percent of the resulting yields, which could be inherited by offspring. The Yangji Corporation retained the other 50% percent to provide public services, including infrastructure, members' education and social welfare programs. All of these have helped finance Yangji's rural social development and industrialization in the 1990s.

Institutional Reforms in 1999

The institutional reforms in Yangji started three years earlier than those of Liede. In 1999,

Yangji villagers were all converted to urban residents, but still enjoyed ARL and a two-child birthing policy. The Yangji Neighborhood Committee, which administers a smaller *hukou* population than the Liede Street Office, was set up to see to the village's daily maintenance, hygiene, public security, etc. A shareholding company, Yangji Economic Development Co., Ltd. (hereafter, Yangji Company) was founded under the Yangji Corporation.¹⁵¹ Secretary Zhang was also elected to be the president of Yangji Company. It is interesting to note that in Yangji, it is the Yangji Corporation rather than the Yangji Company that handles the village's business. The Guangzhou Government did not provide any improvement in benefits for the people of Yangji in terms of nominal *hukou* changes. It was the new economic organization, Yangji Company, that took care of all members' social security and welfare benefits. Therefore, the institutional reforms did not change villagers' lives. In addition, the dual land structure and the self-reliant status of Yangji were still maintained.

The nominal change of institutions in 1999 did not solve the migrant gang problems in Yangji. Meanwhile, redevelopment of CZC in 2000 was halted due to a lack of redevelopment funds. The turning point was in 2007 when the Guangzhou Government allowed private developers to get involved in the redevelopment of Liede. The success of the "Liede Model" inspired the Guangzhou Government and in March 2008, it required local planning institutes to prepare redevelopment plans for other CZC in the GUA. Yangji was one of the pilot villages selected by the government for this initiative (Guangzhou Planning Institute, 2009).

¹⁵¹ The relationship between Yangji Company and Yangji Corporation is in accordance with the Provisions on the Administration of Rural Collective Organizations in Guangdong Province issued in 2006. See more details in Guangdong Government (2006).

5.2.3 The Redevelopment of Yangji

The redevelopment of Yangji has been a totally top-down process dominated by the local government. In late 2007, the provincial Party Secretary made an important comment to the effect that the Guangzhou Government should promote the progress of CZC redevelopment (Southern Metropolis News, 2007b). Therefore, the Guangzhou Government decided to set up a number of pilot villages, which included Yangji, to promote this redevelopment. In March 2008, upon the recommendation of the Guangzhou Government, the leadership of Yangji Corporation contacted local planning institutes to prepare a redevelopment plan. After several evaluations and discussions among various departments, the final version of the redevelopment plan was approved by the Guangzhou Government in February 2009, and then sent to Yangji Corporation for review. As there had been no news or public hearings about the redevelopment plan of Yangji in 2008, most Yangji villagers did not know about demolition plans until July 2009 when Yangji Corporation handed out copies of the plan to every villager for comments (Caijing, 2012). The chronology of events in the redevelopment of Yangji is in Appendix D.

The redevelopment plan of Yangji was very similar to that of Liede, as the project introduced the involvement of developers. The total 11.83 hectares of land was divided into four parts: 5.61 hectares of land for the villagers' displacement district (Yangji Displacement District), 3.7 hectares for commercial/residential development by developers (Yangji Commercial District), 0.29 hectares for the preservation of old buildings, and 2.23 hectares for the construction of municipal roads, open space, and infrastructure (Guangzhou Planning Institute, 2009).

After reviewing the redevelopment plan prepared by the Guangzhou Government, most Yangji villagers had a different view of it. Villagers wanted to redevelop the village themselves instead of being led by developers. However, Secretary Zhang did not agree with them. The argument first centered on whether to have developers involved in the process, and then turned to suspicion of Yangji's financial situation when Secretary Zhang explained that Yangji Corporation did not have enough money for the redevelopment. Villagers requested a public review of Yangji Cooperation's financial status. Secretary Zhang, however, did not respond appropriately or promptly.¹⁵² The argument between villagers and the leadership was finally led to a series of sit-in protests in Yangji in August 2009 (Caijing, 2012).

The relationship between native villagers and leadership in Yangji brings up a common question in China's rural society: who exactly represents the "collective"? Is it the leadership, or the majority of villagers? When a majority of villagers questions decisions made by the leadership, should they have a voice? These questions remained unanswered. The protests were halted after one week through the interference of local policemen. Four villagers were charged with organizing illegal rallies and were finally sentenced to a 7- to 9-month prison term. The involvement of developers in the plan remained unchanged.

Local news reported that progress on Yangji redevelopment moved a little faster after the four villagers were put in jail. In February 2010, Yangji was officially on the top of a list of nine pilot CZC that the Guangzhou Government wanted to demolish by November 2010. On April

¹⁵² Later in September 2009, Secretary Zhang responded that the total fixed assets in 2009 equaled about ¥2 billion, and the cost of the redevelopment was estimated as at least ¥2.2 billion (Caijing, 2012).

16th, the Displacement and Compensation Plan for Yangji Redevelopment (hereafter, Yangji Compensation Plan) was agreed upon and signed by 92.3% of shareholder representatives of Yangji Corporation. On May 4th, Yangji Corporation started to persuade villagers to sign the compensation plan. On May 19th, about 93% of Yangji households signed the compensation plan (Information Times, 2011). By May 30, there were about 30 households refusing to sign the plan. On July 1st, the village began to conduct the demolition (Caijing, 2012). When I arrived at the village in September 2010, the village of Yangji was almost empty while the demolition proceeded (Figures 5.5 and 5.6).

The auction of Yangji Commercial District was held on January 18, 2011 and a developer purchased the land at the base price of ¥473 million. It was an unusual auction according to local journalists. No bidders or officials from the Guangzhou Land Bureau attended the auction. Only journalists and some Yangji villagers were there. The auction was finally canceled, as there was only one bidder (Sohu Guangzhou, 2011). This was R&F Property, one of the developers who also won the bid for the land of Liede Commercial District in 2007, and they also received development rights for Yangji Commercial District (China's Real Estate News, 2011).

However, compared with Liede, the redevelopment of Yangji has been much slower due to the resistance of the owners of "nail houses". Seventeen months after the demolition project began, it remains unfinished. There are 16 "nail house" families that have refused to sign the compensation agreement, and 25 nail houses remain standing on the grounds of the village' old site (Caijing, 2012). The "nail houses" in Yangji have a different story from Liede's.



Figure 5.6 Yangji under Demolition
(Source: photograph by the author in September 2010)



Figure 5.7 Empty Houses in Yangji Waiting for Demolition
(Source: photograph by the author in September 2010)

“Nail Houses” and Various Lawsuits

Various lawsuits have centered on Yangji’s redevelopment project since 2011. After Yangji Corporation first sued the 18 “nail houses” separately for ARL disputes in Yuexiu District Court on March 12, 2011, a nail household sued Yangji Corporation on March 16 for damaging his house without receiving consent from the owners. And later on March 29, five owners of “nail houses” sued the Guangzhou Land Bureau in Yuexiu District Court for following illegal land auction procedures. The lawsuits concerning Yangji’s redevelopment are still ongoing in Yuexiu District Court as of July 2012.

Unlike the owners of the “nail houses” in Liede, who tried employing the Property Law to protect their properties on the ARL, Yangji’s “nail house” owners have focused on the contentious and irregular procedures conducted by Yangji Corporation and local government agencies. For example, in the case where the owners of five “nail houses” sued the Guangzhou Land Bureau in Yuexiu District Court for illegal land auction procedures, the plaintiff appealed the relocation project in Yangji based on two arguments: first, that the plaintiffs have legal land ownership certificates for the ARL. Therefore, it was illegal for the Guangzhou Land Bureau to sell land to developers without the consent of the plaintiffs, who were the owners. Second, the plaintiff claimed that the land ownership of Yangji Commercial District was still under the Yangji Village Committee’s title, which meant that it is still collectively owned. They argued that the defendant violated laws that stipulate collectively owned land must be expropriated as state-owned land before being sold or transferred on the market.

In response to the two appeals, Guangzhou Land Bureau employed File 56 as a supporting document, and maintained that on August 25th in 2010, Yangji Corporation submitted a document named “Application for Land Transaction of Yangji Commercial District” to the Yuexiu District Government. In the application document, Yangji Corporation mentioned that 98% of village members had already signed and agreed to the Yangji Compensation Plan, which demonstrated that the sale of the collectively-owned land was consented to by the majority of villagers, thus making it legal (Southern Metropolis News, 2011d). In addition, the Guangzhou Land Bureau argued that the land title was transferred from the Yangji Corporation to the state before December 10th, 2010. Therefore, the auction held on January 18th, 2011 was legal as well (Southern Metropolis News, 2011d).

Superficially, Yangji’s “nail houses” appeared to be much more defensible than those of Liede. In the case above, the owners of the five “nail houses” countered that the application document demonstrated consent to the compensation plan rather than consent to convert collectively-owned land to state property. Therefore, the Guangzhou Land Bureau could not use it to demonstrate consent to the land auction. The plaintiffs asserted that the auction and demolition of their houses were illegal procedures. The case remained pending and the Yuexiu District Court did not reach a decision on it(Southern Metropolis News, 2011d). In any case, the lawsuit did not halt the demolitions. On October 9th, 2011, one of the 32 nail houses was demolished, and in March 2012, two more were taken down by the government.

This more active demolition program generated a lot of resentment from native villagers in Yangji. There were serious concerns about fair compensation. A recent tragedy in Yangji has

focused the public's attention on those who feel that they have been ignored and treated unfairly in the course of demolition. Li Jie'e, a divorced woman in her fifties, was one of the 16 "nail house" owners, but her situation was worse than the others, as she had no proof of ownership of her home,¹⁵³ a three-and-a-half story house that was built in the 1980s by her ex-husband and a former tenant. Her home was forcibly demolished upon the orders from Yuexiu District Court on March 21, 2012. She tried to appeal to the higher authorities, including governments and procuratorate of Yuexiu District, Guangzhou Municipality, and Guangdong Province, for help. But there was not response. Fifty days later, on May 9, 2012, Li Jie'e committed suicide by jumping off a five-story building. Unfortunately, her death could not halt the speed of demolition of CZC in the GUA.

Landlord, Migrants, and the Reason of Social Problem

I conducted eight interviews related to Yangji redevelopment in the summer of 2011. The interviewees were two native villagers of the Yangji Village Committee, one official in local government, one female who was married to a Yangji native villager, three migrants, and one professional from the local planning department. A general theme of these conversations was that the demolition of old Yangji could not eliminate the relationships between different social groups, particularly landlords and migrants that were shaped by the dual structure. And Yangji's specific location, as well as lack of administrative control and management from the district level has resulted in a poor social environment.

¹⁵³ She reconstructed the houses later in the 1990s but Yangji Corporation did not approve the construction. The Yangji Corporation took back the land use certificate of ARL and did not issue a new one to her (Caijing, 2012).

Receiving more than one unit as compensation, villagers hoped to rent extra units out and continue to be landlords. Villagers doubted the leadership of the Yangji Corporation and believed that the cadres had reaped large amount of profits from their position. In particular, one mentioned that Secretary Zhang should have retired, as she has already reached retirement age in accordance with state regulations. Villagers prefer to have Yangji redeveloped, but expect more compensation than what they have signed on to. Yangji villagers have received a higher rate of compensation than those of Liede.

The migrants I interviewed did not have a lot to say about the ongoing demolition project in Yangji, but emphasized that their old lives in Yangji were convenient and happy. One of the migrants stayed in Yangji for more than 10 years. He told me he had brought a lot of his fellow-villagers from Henan Province to Guangzhou. Few young men have remained in his hometown since he moved to Guangzhou. I asked him where he has lived since the demolition, and he told me that has been staying in another CZC that would not be redeveloped in the near future. He mentioned that he wanted to move back to Yangji if possible:

I had a deal with my old landlord. If he failed to get new tenants in his new displacement apartment within three years, I would help him. I have a lot of fellow-villagers (*lao xiang*) in this city. We can share an apartment together. No matter how expensive it is, if we share the rent, it will be much cheaper. Yes, I will stay in this city for a while, maybe five more years. Who knows? Living in Yangji was so convenient for us. I hope I can go back.

Interviews with local officials and professional suggest that the social problems in the old Yangji village were related to a lack of administrative management and law enforcement. First, native villagers never recorded tenants' personal information even though the local public security department required regular updates about tenants' information, which allowed some

criminals to stay in the village. Secondly, as Yangji was located at the border of two administrative districts, over the last 20 years, it has been incorporated either in Tianhe or Yuexiu Districts at different periods, resulting in an inconsistent system of administration. Furthermore, the role of the Yangji village committee was divided into two separate parts after the institutional reform in 1999: the Yangji Neighborhood Office was responsible for administrative management while the Yangji Corporation focused on economic development. The Yangji Neighborhood Office failed to provide consistent control and management support to the community due to its affiliation with a district government that changed its name and jurisdiction over time. Consequently, the village's crime situation worsened. Therefore, both officials and professionals favored the overall redevelopment of Yangji, and they expected that the demolition of the old village space would provide a chance to rebuild a new and safe community.

From my point of view, the high crime rate in Yangji stemmed from the institutional design of the rural-urban divide, including the *hukou* system and the administrative management and fiscal systems that were divided between the local governments and the Yangji Village Committee. First, the self-financing and independent Yangji Village Committee was responsible for servicing its 5,163 villagers. After the Guangzhou Government expropriated all farmland from the village, Yangji's native villagers relied heavily on rentals for a living. For instance, in 2006, rent revenue made up 85% of villagers' total income (Guangzhou Planning Institute, 2009).¹⁵⁴ Therefore, neither the committee nor the villagers felt that it was in their interest to manage the migrants. They tried to rent out their houses to every possible tenant. Secondly, the

¹⁵⁴ In 2006, the per capita income of Yangji villagers was ¥31,604 yuan per person, in which ¥4,600 yuan was from collective share bonus, and ¥27,009 yuan from rental and others (Guangzhou Planning Institute, 2009).

principle of territorial jurisdiction over *hukou* is an unrelenting force in local governance. The Guangzhou Government has not provided low-income houses for migrants without local urban *hukou*, even though migrants work in the city and pay local tax. Finally, although there were some migrant management regulations issued by local governments, district-level government failed to provide consistent supervision on the migrants in Yangji. In summary, because of the institutional constraints, migrant tenants in Yangji were “unregulated” by the government, and truly “free”, as they were excluded from all urban organizational systems.

5.3 Discussion and Findings

Liede and Yangji are the outcomes of the interplay of rapid urbanization of GUA and the unchanged institutional design of the dual rural-urban land ownership structure . Since the late 1980s rapid urban expansion and new district construction meant to build a new city image has accelerated the transformation of the two villages into CZC. Both of the villages shared an important location in the GUA’s development in different periods. Yangji was located at the center of a new development district that the Guangzhou Government constructed for the National Games in 1987, while Liede was located in the center of the New Town and was completely redeveloped by the government in order to host the Asian Games in 2010.

After the government expropriated all of their farmland, the villages of Liede and Yangji along with their villagers, similar to rural migrant workers in Chinese cities, were excluded from all urban social security programs, public services, planning agendas, and state budgets. As millions of rural migrants flew into the GUA, the demand for low-price housing spurred the

construction of peasants' self-built houses in the villages. Yangji finally became a CZC in the early 1990s while Liede became a CZC in the mid-1990s. The social relationships within the villages have changed since the formation of CZC.

Whyte (2010) has analyzed the patterns of inequality generated by differential citizenship within a typical factory town in Guangdong, and his conclusions could be applied to the social stratification in the two villages of Liede and Yangji before the redevelopment projects. In Whyte's account, there are three categories of inequality in local citizenship: urban vs. rural divided by *hukou* status, cadres vs. non-cadres within villages, and native villagers vs. non-native villagers. When the citizenship framework is applied to the concept of the "collective-owned" village, the cadres and elders sit at the top of the power hierarchy of the village; the non-cadre native villagers form the second stratum, consisting of the nominal shareholders of collective ownership entitled to receive collective benefits; finally, the migrants occupy the lowest position in the village (Whyte, 2010). In Liede and Yangji, the three layers of unequal citizenships have formed a social space in the villages since the mid 1990s. Furthermore, due to their steady rental incomes and collective land-based shares, native villagers, particularly, the new generations of Liede and Yangji, characterized as lazy, unemployed, and under-educated, have no experience with agricultural production, making them different from their parents or grandparents, who were hard-working farmers about 35 years ago.

However, the redevelopment of CZC since 2007 has changed the social stratum in these villages. For example, what I found in Liede New Village is that on the one hand, the composition of tenants was becoming more complicated. There were rich and poor tenants, local

and non-local *hukou* tenants, and even foreigners living in the village (interview notes).¹⁵⁵ In addition, some villagers still depended on rentals while others such as Sister Li and her husband had started to look for jobs. And furthermore, as tenants use the apartment space in various ways other than residential use, the social relationships produced through the material and symbolic transformation of Liede New Village's space are transforming and will shape the characteristics of another new generation of "villagers."

Both of the redevelopment projects of Liede and Yangji have retained spatial structures for villagers' ancestral worship and traditional religion. The maintenance of rural culture and tradition, that is the lineage relationship, has preserved the rural characteristic within urban society. The reconstruction of designation rituals recodes open spaces in Liede and Yangji. The purpose of these spaces is to strengthen villagers' sense of belonging in cities that are becoming more socially fragmented. These methods of preserving rural tradition and culture have created a new urban space in Liede that has differentiated the new village from other urban neighborhoods in the GUA. The social connections and relationships between native villagers, the leadership of collective organizations and the tenants has been rebuilt since the demolition.

5.3.1 Redevelopment of CZC and the Various Actors

Generally speaking, the redevelopment of Liede has not been a completely top-down process in terms of the multiple roles played by the Liede Company, while in the case of Yangji, local governments have played a much more dominant role. Liede was a unique case that could be "successfully" completed because it was "at just the right time, in the right place, and with the

¹⁵⁵ There were some tenants from Russia, according to an interview.

right people” (*tianshi dili renhe*). While excluding for the migrant tenants, the redevelopment process involved various actors including the Guangzhou Government, district level governments, Liede Company and the Yangji Corporation, native villagers, and some developers. The method of selling part of the village’s collective land by auction to raise development capital has created a new financing mode to redevelop CZC in Guangzhou. Furthermore, unlike the institutional reforms in 2002 that did not make a real change in Liede villagers’ lives, the redevelopment of Liede since 2007 has changed the dual structure and built up a new space for native villagers, while the redevelopment of Yangji has been pended because of resistance from “nail households”.

However, the newly built Liede New Village is a transitional community, which combines present and past, rural and urban, locals and migrants. The dual structure still plays a role in shaping the new space and villagers’ lives with regard to housing allocation and transfer, land use rights, and the dependence on collective organization by villagers. Although Sister Li and her husband have been unable to make a living by renting out property since moving into Liede New Village , the majority of Liede people still depend on rental income. Furthermore, through renovating Liede, the Liede Company has achieved relative territorial autonomy for the village by reinforcing the village's collective economy, organization, and identity. Although Liede lies in the “urban core,” its redevelopment case is like that of a “corporatist village,” which achieves a degree of territorial autonomy and should be located at the “urban fringe of metropolises” in Hsing’s account (2010). The exceptional case of Liede calls for further study in the field of Chinese urbanization.

It is precisely the redevelopment of CZC, involving widespread transformation of land use categories and landownership, that has led to various outbreaks of property rights conflict. The fundamental contradiction lies in the dual structure of land ownership, and the unclear definition of collective ownership. To protect their private property and benefits, villagers have to negotiate with the state and its agents at different levels in a highly unbalanced power relationship. Villagers have started to learn and employ new laws and their collective rights to negotiate with village committees for a profitable share in the urban revolution. Although Liede and Yangji's villagers' petitions and litigations have had limited success, they disclose new discourses on Guangzhou's urbanization.

The so-called overall transformation projects in Liede and Yangji are meant to demolish all old rural houses and put a portion of the village's land up for auction and sale. As a political-economic process, the redevelopment of Liede and Yangji demonstrates much of the logic of regime theory, including especially the formation of "growth coalitions" with local governments acting out broad policy mandates, developers mobilizing capital, and the leadership of collective organizations persuading villagers to cooperate. Standards of compensation have been subject to negotiation between the local government, the town government and the leadership of village committees rather than individual villagers.

Complicated local initiatives have contributed to the redevelopment of CZC. Undoubtedly, different levels of the government are key players in the city's transformation. To overcome the administrative segregation between the local government and village committees, the state and its agents at different levels have generated adjustments of administration strategies and

management schemes through issuing a variety of policies and regulations. Government intervention has, in a top-down way, created different redevelopment schemes for Liede and Yangji. In this study, the Guangzhou Government has tried to shape a new urban space and eliminate the rural-urban divide in the GUA by issuing new policies and regulations. The framework of “one village, one policy” provides scope for flexibility, allowing Liede and Yangji to negotiate with the government on planning details and arrangements. Nevertheless, the shareholding organizations in this research, namely the Liede Company and Yangji Corporation, are the legal representatives of the Liede and Yangji village committees. They played an important role in the process of redeveloping the two villages. Not only do they liaise with government authorities, they were also granted the power to negotiate with developers and formulate a redevelopment plan that accommodates the needs of their shareholders, the members of the committee.

Figure 5.8 shows the relationships between the four main actors, rural committees and villagers, and local governments, and the (direct and indirect/potential) profits each actor could receive in the course of CZC redevelopment. The main actor of redevelopment is the collective committees or their representatives, in Liede and Yangji’s cases, the Liede Company and Yangji Corporation. Though the Guangzhou Government has pronounced that it has not earned any revenue from redevelopment of CZC, the projects still enhance the government’s prestige, improve the city’s urban environment and city image, all of which represent invaluable potential benefits brought on by changing these rural societies into urban communities.

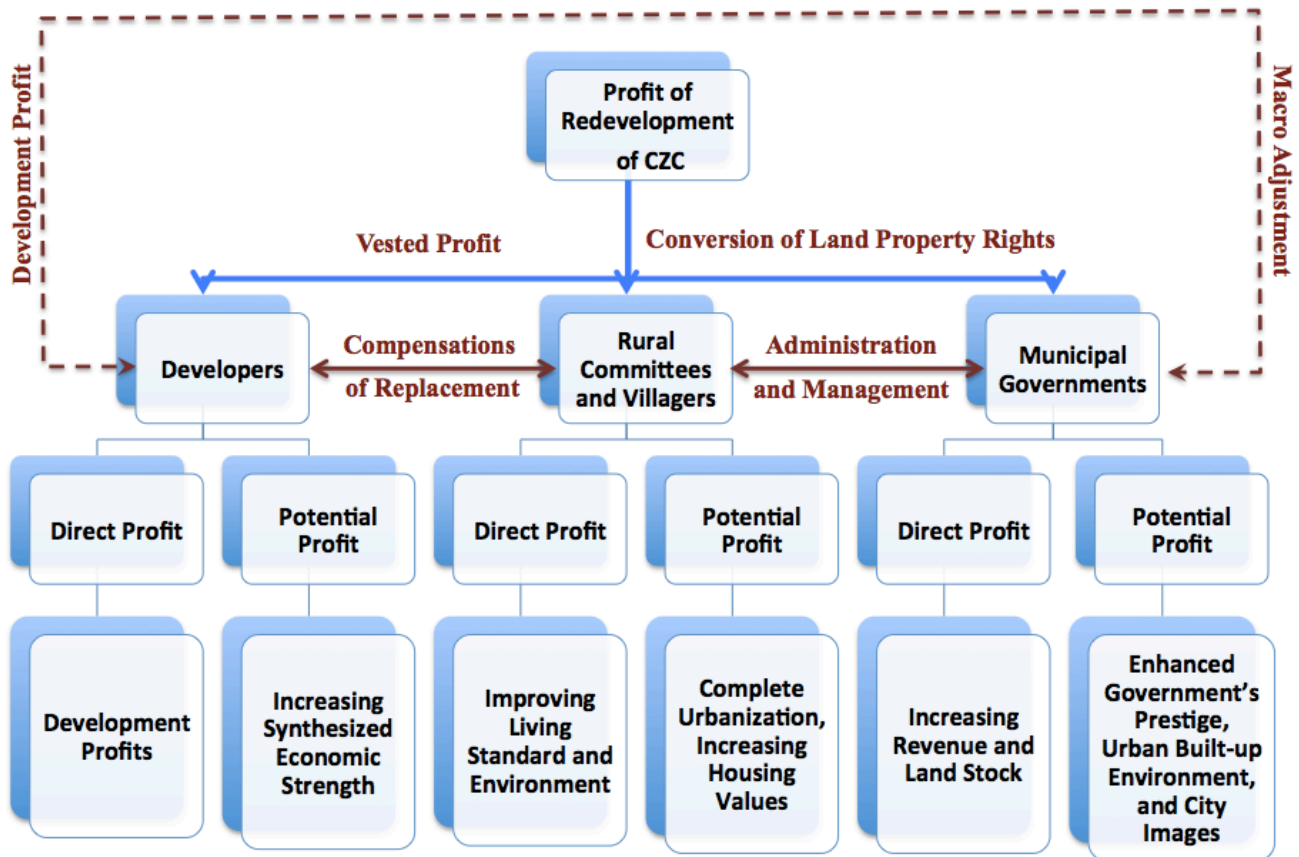
However, the ambiguity of “collective ownership” creates many problems. After all, who exactly represents the “collective” in the course of redeveloping CZC? In Yangji’s case, is Yangji Corporation truly the owner of the collective property? Why is it not the Yangji Company? Furthermore, when individual villagers have different opinions on land conversion, the collective ownership of land has become, in effect, cadre ownership, because individual villagers have no demonstrable rights to the so-called collective property and thus have no say in either collective financial management or the transfer of collective land. Cadres make the deals. In addition, in the cases of land auction, deals made between the village leadership and developers are hardly transparent and the price of a parcel of land can be set deliberately low even through public auction. Finally, the cases of “nail houses” in not only Yangji, but also in Liede, suggest that the fortunes of individuals are bound to collectives, yet this unbreakable tie has been made by “nature”, not by choice. Individual villagers may have to give up their personal preferences if they are not favored by the majority of village members. The deliberate design of collectively-own land in rural areas has weakened villagers’ personal rights.

Ho (2001) found that in the rush for real estate development, portions of collective land and sometimes the entire collectives have been sold or expropriated without formal changes in land ownership titles. The auctions of commercial land in Liede and Yangji respectively have aroused suspicion not only among the five Yangji “nail households”, but also by the local professionals in the GUA. One of my interviewees, who participated in depth in CZC studies, questioned the legitimacy of the land auctions of the Liede Commercial District as the Guangzhou Government did not convert the land to state-ownership before the auction. However, this is hard to verify now, as the deals made between government officials and village leadership were not

transparent. The ambition to achieve the redevelopment of villages has caused village leadership and cadres to approve redevelopment and compensation plans, and the construction of apartment buildings, commercial buildings and office-towers on villages' redevelopment land, which opens up large opportunities for corruption between the committee leadership, developers, and officials from local governments (Figure 5.8).

In addition, there is a need to analyze the fiscal distributions from the transfers of CZC land use rights. Unfortunately, this study has not had access to data that could be used to evaluate who gained or lost the most wealth in the course of land conversion and estate development in CZC.

Figure 5.7 Relationships and Profits of Main Actors in the Course of CZC Redevelopment



Source: adapted from Tianhe District Planning Research Center (2008).

5.3.2 Redevelopment of CZC, Dual Structure, and Urbanization

Unlike the institutional reforms, redevelopment of CZC in the GUA since 2007 has involved not only spatial reconstruction, but also social and institutional changes. The new institutional structure of Liede and Yangji after redevelopment in terms of *hukou*, land ownership, urban social security and welfare programs, and incomplete housing property rights can be found in Table 5.1.

The project of redeveloping Liede has completely converted the rural community to an urban neighborhood along with a land-ownership conversion. Though the land may not have been converted from collectively-owned to state-owned before it was sold to developers, File 56 has guaranteed that all collectively-owned land in CZC will be expropriated and converted to state owned land. Therefore, the dual structure of land will be eliminated as the Guangzhou Government completes the overall campaign of redeveloping the 137 CZC and all of the natural villages within Guangzhou's municipal boundary. As a result, all land in Guangzhou Municipality will be solely owned by the state. However, with the continuation of dual land ownership between urban and rural areas nationwide, solely state-owned land is not a permanent structure as in the process of urbanization, rapid urban expansion will continuously encroach on rural farmland in the urban periphery areas. As a consequence, more and more villages will be forced to become CZC and wait their turn to be redeveloped by the government. The coexistence of the redevelopment of old CZC and the formation of new CZC will continue; it is a continuous cycle of Chinese urbanization.

Table 5.1 Institutional Structures after Redevelopment of Liede and Yangji

Names of CZC	Started Date of Demolition	Moved-in Date to Displacement Apartments	Hukou	Land Ownership	Social Security	Housing Property Rights
Liede	2007.10	2010.10	Urban Residents	State-owned	Partly supported by Liede Company	Collectively-owned property. The property certificates will be issued in 2015. It is unclear now whether it will be private ownership or collective ownership certificate
Yangji	2010.7	Not Available*	Urban Residents	State-owned	Fully supported by Yangji Cooperation	Not Available**

Notes: *It was originally set in 2014, but now is pending due to the slow progress of the demolition.

**There was discussion on whether to privatize the displacement apartments. Yangji leadership and villagers still need to discuss this further and take votes before they can make a decision.

Therefore, it is imperative to have institutional reforms of China's dual land structure that will reconstruct a unified structure of land ownership. Debates on whether to privatize all land or convert it entirely to state-owned have been a hot topic in academic circles. According to Qin (2008a), the fundamental contradiction lies not between private and public ownership, but emerges as a result of competing interests between the peasants and the state (and its agents) in a highly unbalanced power relationship. Even if land rights are completely privatized in legal terms, he argues, privately owned land is still subject to government expropriation. The question of how to reform the institutional dual land structure calls for further study.

Besides the problem of the nominal conversion of villagers' *hukou* in institutional reforms we have examined previously, the redevelopment of CZC in Guangzhou has created a new dual structure of urban property rights involving collectively-owned property (*jizifang*, hereafter, COP), the 37 replacement apartment buildings in Liede's case. Figure 5.9 is an evolutionary form of Figure 2.3, which shows the new half-rural and half-urban outcome. COP is similar to peasants' de facto right of ARL which is not allowed to be transferred in the land market. The apartments are transferrable between shareholders of Liede Company, but are not allowed to be transferred or sold in the urban housing market. An outsider buyer would not be able to receive a legal property certificate.

Figure 5.9 The Evolution of Dual Structure in GUA

Names of Institutions	<i>Hukou</i>	Land Ownership	Housing Ownership
Representative Entities	Society	Spatial Representation	Economic-spatial Representation
Structures/ Hierarchies of Representations	<div style="border: 1px solid blue; padding: 5px;"> Urbanites (originally urban <i>hukou</i> residents and residents converting rural <i>hukou</i>) </div>	<div style="border: 1px solid blue; padding: 5px;"> State-owned Land </div>	<div style="border: 1px solid blue; padding: 5px;"> Private owned commercial housing </div>
	<div style="border: 1px solid grey; padding: 5px;"> Rural migrant labor </div>	<div style="border: 1px solid red; padding: 5px;"> Collectively-owned Land </div>	<div style="border: 1px solid grey; padding: 5px;"> Collectively-owned properties (compensation housing for old CZC villagers) </div>
		<div style="border: 1px solid red; padding: 5px;"> Private-owned Rural houses on ARL and collectively-owned property on CEDL </div>	

In blue, truly urban;
 In grey, half urban, half rural entity;
 In red, truly rural.

Therefore, although the redevelopment of Liede fundamentally changed villagers' identities and lifestyle, since their home remained in collective ownership, the institution of collective governance still survives in the GUA. In addition, this also implies an inequality between Liede's villagers and other urban residents who can sell or transfer their private property on the market. With the redevelopment of all 138 CZC by 2020, it is expected that thousands of collectively-owned residential buildings will be rebuilt. The generation of such a huge amount of COP will reshape the dual-structure of housing in the GUA.

5.4 Summary

This chapter examines the process of redeveloping CZC in two villages, Liede and Yangji, in the GUA. Liede has been completely demolished and partially redeveloped, and its native villagers have moved to new replacement apartments, while Yangji's people are waiting for the construction of replacement buildings. The story of redevelopment in Liede and Yangji is a "process" involving all kinds of incongruities; and the resistance of Yangji "nail house" owners and appeals for better compensation and fair procedure are still ongoing. The study of these two CZC at different redevelopment stages throws light on our understanding of the relationship between CZC as the spatial outcome of the dual structure and the GUA, an important part of the urbanization process.

The institutional structures within the two villages have been changed in the course of urbanization and the redevelopment of CZC in the GUA in terms of three different phases (Table 5.2). In the 1990s, the increased labor mobility nationwide coincided with a time when manufacturers in the Pearl River Delta area were seeking low-price labor. Yangji was one of the first villages to have shareholding reforms in the GUA. Rapid industrialization and rapid urban expansion encroached on all of the farmland in the two villages, while other villages have still maintained most of their farmland. There were only CEDL and ARL left for the village. Villagers' *hukou* retained agricultural status, though they rarely worked on farms at the point. Instead, villagers started building houses on ARL in order to rent them out. The low price housing in the villages attracted a large number of low-income migrants. The collectively-owned

land and property, agricultural population, and migrants from other areas, constituted an early form of CZC in the GUA.

From 1999 to 2006, the Guangzhou Government began its first run to redevelop CZC. The strategy concentrated on institutional reforms focusing on *hukou*, collective economic and administrative organizations, and land ownership. The *hukou* status for all villagers was converted from agricultural to non-agricultural. The original functions of the village committees were separated into two parts: the administrative function was transferred to the new street or neighborhood office, while the economic function was managed by new collectively-owned shareholding companies. Finally, the Guangzhou Government expropriated all CZC's farmland for urban use, but the ARL and CEDL remained collectively-owned. The representatives of the collective committee of the two villages eventually became Liede Company and Yangji Corporation respectively.

However, the dual structure of institutions has remained unchanged. First of all, the *hukou* conversion was a nominal transition, as the Guangzhou Government did not provide the villagers any further access to urban social security or welfare programs. Secondly, superficially, the rural collectively-owned economic organizations have been changed to modern shareholding forms. However, since the companies are land-based shareholdings based on collective ownership, the economic organization has still maintained its collective nature. Third, the normal change of administrative names did not change the self-financing and self-reliant nature of the villages, as Liede Company and Yangji Corporation became responsible for villagers' welfare benefits and public services, including infrastructure, education, health insurance, etc. Finally, as ARL and

CEDL were still collectively-owned property, the nature of the dual structure in CZC's institutions in the GUA remains unchanged.

Since 2007, the success of demolishing Liede old village has aroused a campaign led by the Guangzhou Government to redevelop CZC in the GUA. In 2009, the government set an ambitious target that would redevelop the 138 CZC in 10 years. As the redevelopment of CZC progressed, the government implemented a new *hukou* reform in May 2010 that converted all local *hukou*, regardless of whether they were agricultural and non-agricultural, to a single type of document, the urban resident certificate. Once again, this is a nominal conversion, as the villagers who originally held local agricultural *hukou* did not get full access to urban social security and welfare after being their *hukou* status was changed. In addition, the Guangzhou Government tried to convert all land, including ARL and CEDL, in the CZC to state ownership. However, with the maintenance of COP housing, the collective nature of CZC was not changed after the redevelopment.

Though the government realizes that the institutional design of dual structure is the fundamental causes of problems related to CZC, the reforms and redevelopment projects have not essentially eliminated the problem. The dual structure has still remained throughout the course of the GUA's urbanization. The relationship between CZC, the dual structure, and the urbanization in the GUA are summarized in Table 5.2.

Table 5.2 The Interplay of *Chengzhongcun*, Dual Structure, and Urbanization in the GUA since the 1990s

Urbanization of <i>Chengzhongcun</i> in GUA since 1990			
Time/Events	The 1990s	Institutional Reforms from 1999-2006	Redevelopment of CZC since 2007
Process	<p>Regarding <i>hukou</i>:</p> <ul style="list-style-type: none"> → Increased migrant mobility <p>Regarding the economy:</p> <ul style="list-style-type: none"> → Several villages had shareholding reforms <p>Regarding land:</p> <ul style="list-style-type: none"> → Expropriated farmland 	<p>Regarding <i>hukou</i>:</p> <ul style="list-style-type: none"> → Converted villagers' in selecting villages (<i>CZC</i>) agricultural <i>hukou</i> to urban registration status; <p>Regarding the economy:</p> <ul style="list-style-type: none"> → Overall shareholding reforms; <p>Regarding administration:</p> <ul style="list-style-type: none"> → Converted rural village committees to urban street/neighborhood offices; <p>Regarding land:</p> <ul style="list-style-type: none"> → Expropriated all farmland to urban uses; → ARL & CEDL remained collectively-owned. 	<p>On <i>hukou</i>:</p> <ul style="list-style-type: none"> → Converted both agricultural and non-agricultural <i>hukou</i> status to one type of urban resident certificate. <p>On land:</p> <ul style="list-style-type: none"> → Expropriated all ARL & CEDL and converted to state-owned land;
Institutional Outcomes in Urban Guangzhou	<ul style="list-style-type: none"> → Agricultural <i>hukou</i> → Collective ownership of CEDL and ARL → Formation of CZC and migrant enclaves. 	<ul style="list-style-type: none"> → Nominal <i>hukou</i> conversion does not guarantee full urban social security and welfare; → Land-based shareholding form remained collective ownership. → Administrative institution remained unchanged → Dual land structure within Urban Guangzhou remained unchanged; 	<ul style="list-style-type: none"> → Nominal <i>hukou</i> conversion does not guarantee full urban social security and welfare; → COP remained dual structure in urban housing and property systems.
Dual Structure?	Yes!	Yes! Unchanged!!	Yes! One was removed, another one was further developed.

Chapter Six Conclusion: Urbanization with “Chinese Characteristics”

The nature of Chinese urbanization is fundamentally related to the rural-urban divide and the dual structure is a major conceptual and material foundation of Chinese urbanization. The institutional design of rural-urban divide since the 1950s created a variety of small components of dual structures in China, such as *hukou*, land ownership, housing market, administrative system, public finance, social services, and local governance that have shaped the country into “two societies.” However, the “big” rural-urban divide and “small” supporting dual structures have been largely ignored by many academics studying Chinese urbanization. Existing literature remains scarce in examining the link between Chinese urbanization and the deliberate institutional design of its economy and society. This dissertation has exposed the “four dimensions of urbanization” in China from the demographic, spatial, institutional, and administrative perspectives and provided an analytical framework for examining the dual structures and the various actors in Guangzhou's CZC.

This dissertation has mainly investigated the dual structures of *hukou*, land, housing, administrative systems and local governance in the formation and redevelopment course of CZC in Guangzhou Municipality. Two specific CZC, Liede and Yangji have been also examined. The stories of Liede and Yangji present possible diverging outcomes of CZC redevelopment in the course of urbanization in Guangzhou. However, these two villages are not representative of the other 136 official designated CZC in the GUA in terms of the “One Village One Policy” strategy adopted by the Guangzhou Government. Though there is similarity in Chinese “cities,” the process of urbanization may take on diverse forms in different geographical locations with

different historical and cultural backgrounds. The complexity of Chinese urbanization calls for more work and more case studies before one can generalize the picture.

Besides Guangzhou, studies on CZC are mainly concentrated on Beijing and Shenzhen. The accounts of CZC redevelopment practice in Beijing and Shenzhen would likely display variations within the general theme of the interplay between the dual structure and urbanization, and contribute to a more complex portrait of Chinese urbanization than the study based on two villages in Guangzhou Municipality. Therefore, in this final chapter before drawing a conclusion, I compare CZC redevelopment projects in Beijing and Shenzhen. A summary of major contributions in this dissertation is provided.¹⁵⁶ Finally, I will address areas that may need more study in the future.

6.1 A Comparison of Redevelopment of CZC in Beijing, Shenzhen, and Guangzhou

No two cities in the world are identical. However, there is at least one similarity in Chinese “cities”: municipalities in current China are not truly urban. In Beijing, Guangzhou, and Shenzhen, urban and rural areas coexist within their administrative boundaries. The total land area of Beijing Municipality is 16,410 sq. km., which includes extensive rural land. To narrow down the study area, this dissertation adapted the “Beijing Metropolitan Area (BMA)” used by urban planners.¹⁵⁷ Its total land area is 1,086 sq. km. There were 867 CZC in the BMA in 2008 with a total land area of 181 sq. km. (Zheng, et.al. 2009). In addition, this dissertation also narrows the study area in Shenzhen to the old administrative area of “Special Economic Zone of

¹⁵⁶ This dissertation does not examine the CZC redevelopment in Shanghai because there is not sufficient data.

¹⁵⁷ BMA is an urban planning definition defined by the Beijing Municipal Commission of Urban Planning (Beijing Planning Commission) (Zheng, et.al. 2009). Existing data related to Beijing CZC are concentrated in this region.

Shenzhen (SEZS)” with a land area of 396 sq. km.¹⁵⁸ There were 91 CZC in the SEZS in 2005 (Wang, et.al, 2009). Table 6.1 shows the subjects investigated in both Beijing and Shenzhen in this section.

The examination of CZC redevelopment practices in these areas concentrates on the redevelopment policies and changes to the dual structure regarding *hukou*, land, administrative system and economic organization.

Table 6.1 Definitions of BMA, SEZS, and GUA

Study Area’s Names	Total Land Area (sq.km.)	Number of Natural Villages	Land Area of CZC (sq.km.)
Guangzhou Urban Area (GUA)	1159.6	138*	80.6 (2000)
Beijing Metropolitan Area (BMA)	1086	867	181 (2008)
Special Economic Zone of Shenzhen (SEZS)	395.8	91	8.01(2000)

Notes: * officially defined CZC in 2000. The number of natural villages in GUA is more than 277 (Li, 2001).

6.1.1 Redevelopment of CZC in BMA

There are three phases in the process of redevelopment of CZC in BMA. The first period is from 1995 to 2001, characterized by radical demolition and exclusion of migrants. The most important event was the demolition of “Zhejiang Village” in late 1995 that led to the expulsion

¹⁵⁸ The total area of the Municipality of Shenzhen is 2020 sq. km. In 2005, there were 241 CZC in Shenzhen Municipality (Wang, et.al, 2009). The administrative adjustment in Shenzhen Municipality in 2010 expanded the boundary of old SEZS to the entire municipality (Shenzhen Office of Historical Records, 2012). The SEZS in this dissertation refers to the area before the adjustment.

of about 40,000 migrants from the BMA (Zhang, 2001).¹⁵⁹ The Municipal Government of Beijing (Beijing Government) later modified its strategies and started to cooperate with migrant leaders which allowed the migrants to return to a new garment center built on the same site of “Zhejiang Village” since late 1996 (Zhang, 2001).

The second phase was an extensive redevelopment period from 2002 to 2008 with the implementation of institutional reforms. Leading up to the Olympic games in 2008, the Beijing Government redeveloped 171 CZC from 2005-2007 (The First Weekly, 2012), concentrating on the area around the Olympic arena. In 2009, Beijing Government initiated the third round of CZC redevelopment in the BMA and selected 50 CZC as pilot villages for the “One Village One Policy strategy (*yi cun yi ce*, OVOP).” The project since 2009 focuses on solving the problem of peasants’ welfare and social security, improvement of the environment. Most importantly, BJ is allowing villages to build apartments for migrants for the first time as part of their “collective economic development” projects. In addition, since 2002, the redevelopment project emphasized the institutional reforms converting peasants’ *hukou* status to urban, converting village committees to street/neighborhood offices, and changing collective organizations to shareholding companies (Feng, 2011). However, the redevelopment project did not try to nationalize all rural land within BMA. A policy that maintained the collective ownership of ARL remained in Beijing CZC (Feng, 2011).

Generally, redevelopment of CZC in BMA was a state-led project. The Beijing Government was the dominant player in the process of redeveloping CZC. As the latest

¹⁵⁹ See details and the formation history of “Zhenjiang Village” in Ma and Xiang (1998)

redevelopment strategy has begun to consider the housing demand of low-income migrants who in-turn, can feed local villagers with steady income, the project is going smoothly.

6.1.2 Redevelopment of CZC in SEZS

Institutional Reforms of Rural Villages

Shenzhen is one of the earliest municipalities to have begun institutional reforms of CZC. In 1992 the Municipal Government of Shenzhen (Shenzhen Government) issued the “Interim Provisions of Rural Urbanization in SEZS (Rural Urbanization Provisions)” to institute reforms of the rural administrative system, collective economic organizations, land, self-built housing, rural public facilities, and rural populations within the boundary of the SEZ (Shenzhen Government, 1992). According to the Rural Urbanization Provisions, within SEZS, all village committees were replaced with street/neighborhood offices,¹⁶⁰ local peasants’ *hukou* status was changed from agricultural to non- agricultural and, all villagers were required to abide by the one-child policy.¹⁶¹ Most production teams were converted into shareholding companies with village residents became shareholders.¹⁶² The ownership of rural land, including ARL and CEDL, was converted to state ownership, but use rights remained under control of peasants and the original collective organization., and private ownership of self-built houses on ARL

¹⁶⁰ The reform was not implemented to the whole municipality until 2003. There were some specific village committees that had land and collective economic property in other villages located out of SEZS. These villages could keep their names and seals unchanged for maintenance of its legal ownership of land in the areas out of SEZS (Shenzhen Government, 1992). All collective committees were abolished during 2003-2004 (Shenzhen Planning Commission, 2005).

¹⁶¹ The two-child policy was abolished but couples that already obtained approval for “birth certificate of second child” were still allowed to have the second baby (Shenzhen Government, 1992).

¹⁶² According to the Rural Urbanization Provisions, in the new shareholding company, the stake of collective accumulated shares must be more than 51 percent while the individual peasants’ shares were not allowed to be inherited, transferred, sale, or mortgaged (Shenzhen Government, 1992).

continued. Collective organizations (now shareholding companies) were allowed to build on any vacant land within the original collective committee boundary, and, similarly, peasants were allowed to construct new self-built houses on their original ARL (Shenzhen Government, 1992).

Though the institutional reforms were implemented in 1992, not all the collective committees within SEZS were abolished, as they owned some land in other villages located outside of SEZS. The names and official seals of these collective committees remained in use until 2004, when further institutional reforms were implemented in the whole of Shenzhen Municipality. Two important policies were implemented in terms of *hukou* and land reform. First in October 2003, the Shenzhen Government issued the Opinions on Accelerating Urbanization Process (File 15) in the areas out of SEZS to convert all the rural *hukou* population into urban residents (Shenzhen Government, 2003).¹⁶³ Then in June 2004, a new method (Land File 102) was issued to convert all the rural land to state owned property (Shenzhen Government, 2004).¹⁶⁴

The institutional reforms in Shenzhen were deliberately sequenced. In order to reduce extensive dissatisfaction from local peasants, the new policies were first promulgated in SEZS and then expanded to the rest of the municipality. The government was more cautious when promulgating the extensive land expropriation policy in the area outside of SEZS. Additionally, the conversions of *hukou* and land ownership were not implemented at the same time. Instead, the government initiated the *hukou* reform first in 2003 putting all villagers under the same urban

¹⁶³ It was the No. 15 government document jointly issued by CCP Shenzhen Municipal Committee and Shenzhen Government in 2003. Therefore this dissertation calls it “File 15.”

¹⁶⁴ The so-called “Land File 102” in this dissertation is because it was the No. 102 document issued by Shenzhen Government in 2004.

hukou registration. About 6 months later, the government implemented land ownership reform based on the Article 2 in the “Regulations of Implementation of China’s Land Management Law” that declared “all members of rural collective economic organization have been converted to urban residents, the original collectively-owned land belongs to the state.” With a set of compensation policies, the Shenzhen Government finally nationalized all land in its municipal boundary in 2004. Meanwhile, the government issued legal property certificates to villagers if they paid appropriate land-use tax. The complete privatization of rural housing makes villagers has the same property ownership with other urban residents.

As a result, the CZC in SEZS have been reshaped and become distinctive from those in GUA and BMA due to the state ownership of land and fully private ownership of self-help houses. The dual structure in SEZS has been mostly eliminated at the level of CZC but maintains unchanged in the municipal level due to the migrant workers’ lack of access to urban social security and welfare.

Redevelopment of CZC in SEZS

With land ownership clarified by the intuitional reforms, the redevelopment project of CZC in SEZS was concentrated on supervision of unauthorized construction and planning control in CZC. Since 1997, the government set up pilot villages to set a planning agenda for controlling unauthorized construction in CZC. In 1999, the government generated a control plan for all villages within SEZS. The promulgation of “Interim Provisions on Redevelopment of CZC and Old Villages in Shenzhen Municipality (Redevelopment Provisions of CZC) in 2004 initiated a

new campaign of CZC redevelopments. With the involvement of developers, many villages were demolished and rebuilt.

6.1.3 Comparisons of Three Areas: BMA, SEZS, and GUA

This dissertation compares the three areas under the analytical framework of the dual structure and urbanization provided in Chapter Two. By putting them together, we can find that GUA and BMA have demonstrated a much more traditional state-led approach to preserve villagers' collective ownership while SEZS deliberately nationalized all rural land in its administrative boundary over the course of a decade. However, the dual structure is still maintained but presents different hybrid forms within the three areas. The relationships between the dual structure, CZC, and urbanization within the three areas are summarized in Table 6.2.

There are three phases of policy implementation in the three areas relating to urbanization since the 1990s. First, in the 1990s, when CZC came into being in GUA, the Shenzhen Government had already adopted a set of policies to halt the further development of CZC. The Rural Urbanization Provisions issued in 1992 provided a framework to unify the different institutions between CZC and SEZS. Later in 1999, Guangzhou Government applied a similar framework to reorganize CZC in GUA. Meanwhile, in the north of China, the Beijing Government has viewed CZC as a "rotten" and "polluted" area and carried out a radical demolition project in "Zhejiang Village".¹⁶⁵ In general, in this stage, there were similar institutional structures in the CZC in both GUA and BMA while SEZS has moved one step ahead in reforming them.

¹⁶⁵ See Zhang (2001) for the details of demolishing "Zhejiang Village." Though the demolition project dispossessed 40,000 migrants, there was little reporting of the story in national and local media (Zhang, 2001).

Second, from 2000 to 2008, the Guangzhou Government successfully converted all rural villagers in GUA to urban residents, but most elements of the dual structure remained unchanged. In 2007, the government opened the door to developers when it initiated the redevelopment project of Liede. The Beijing Government at this time was busy redeveloping 171 villages and conducting institutional reforms to prepare for the Olympic games, while the Shenzhen Government continued to deepen the institutional reforms of CZC. In 2004, all land in SEZS, including CEDL and ARL, was converted into state owned land and villagers' self-built houses were converted to urban and legal private-owned property.

In 2009, the three areas issued similar policies for the further redevelopment of CZC. As Guangdong Province was set as the pilot province for the “three old transformations,” the local governments in the GUA and SEZS implemented a set of regulations to facilitate their urban renewal projects. In particular, in the GUA, the villagers of Liede, were successfully relocated on-site, while the Shenzhen Government focused on old town transformation and further planning control of “CZC.” In Beijing, 50 pilot villages were selected and redeveloped under the OVOP strategy.

The different progress of redevelopment of CZC in the three areas has resulted in different dual structure hybrids. On one hand, GUA and BMA shared a similar structure with non-local *hukou* migrants, nominal urban *hukou* villagers, collectively-owned land of CEDL and ARL, and the collectively-owned COP housing. On the other hand, though land ownership has been nationalized in SEZS, the dual structure continues as reflected by unequal status for migrants and the maintenance of land-based sharing companies (Table 6.2).

Table 6.2 Urbanization in Progress vs. Institutional Outcomes in Three Areas: the GUA, BMA, and SEZS

Time/ Events	The 1990s	2000-2008	National Campaign of redevelopment CZC since 2009	Dual Structure?
GUA	<ul style="list-style-type: none"> → Agricultural <i>hukou</i>; → Collective ownership of CEDL and ARL; → Shareholding reforms; → Formation of CZC and migrant enclaves. 	<ul style="list-style-type: none"> → Nominal <i>hukou</i> conversion does not guarantee full urban social security and welfare; → Land- based shareholding form remained collectively-owned; → Administrative institution remained unchanged; → Dual land structure remained unchanged; → Complete demolition of Liede. 	<ul style="list-style-type: none"> → Nominal <i>hukou</i> conversion does not guarantee full urban social security and welfare; → COP remained dual structure in urban housing and property systems; → One Village, One Policy; → The new society of Liede New Village is forming. 	Yes!
BMA	<ul style="list-style-type: none"> → Agricultural <i>hukou</i>; → collective ownership of CEDL and ARL; → Formation of CZC and migrant enclaves; → Complete demolition of Zhejiang Village, dispossession of native villagers and migrants. 	<ul style="list-style-type: none"> → Nominal <i>hukou</i> conversion does not guarantee full urban social security and welfare; → Land- based shareholding form remained collective ownership; → Administrative institution remained unchanged; → CEDL and ARL remained collectively; dual land structure remained unchanged; → Redevelopment of 171 villages. 	<ul style="list-style-type: none"> → Nominal <i>hukou</i> conversion does not guarantee full urban social security and welfare; → CEDL and ARL remained collectively-owned; dual land structure remained unchanged; → 50 pilot villages under redevelopment; → One Village, One Policy. 	Yes!
SEZS	<ul style="list-style-type: none"> → Nominal <i>hukou</i> conversion does not guarantee full urban social security and welfare; → Land- based shareholding firms remained collectively owned; → Some villages' administrative institutions remained unchanged → Some CEDL and ARL remained collectively-owned; dual land structure remained unchanged. 	<ul style="list-style-type: none"> → One local <i>hukou</i>: for urban residents; → Land- based shareholding firms remained collectively owned; → One administrative system: street/neighborhood office; → One form of land ownership: state-owned. 	<ul style="list-style-type: none"> → Dual structure of <i>hukou</i>: local vs. non-local (migrants); → Land- based shareholding firms remained collective ownership. 	Yes, but no longer for land ownership!

6.2 Concluding Remarks

This dissertation uses an analytical framework focusing on the formation of the Chinese rural-urban divide in explaining the logic of Chinese urbanization and CZC. The dissertation states that the dual structure of the rural-urban divide is the conceptual and material foundation that sets China's urbanization apart from the rest of the world. With a set of developing market-oriented reforms and the maintenance of the one-party system, China is undergoing a state-led urbanization process with "distinctly Chinese characteristics" that are different from others in the world. As the design of "ambiguous" collective land ownership, exclusive housing markets, and *hukou* restriction still exists in China, the phenomenon of CZC will not be eliminated. The process of Chinese state-led urbanization cannot be understood without taking the dual structure into account.

This dissertation focused the GUA as the study area because rapid urban expansion has encroached on hundreds of villages, converting them into CZC. The examination of the general relationships among the dual structure, urbanization, and CZC in GUA reveals that CZC are a spatial, demographic, and institutional outcome of the dual structure, characterized by massive loss of farmland in the early stages of CZC formation and the coercive dispossession of native villagers and migrants in the later redevelopment phase. Among the dual structures, the *hukou* is the fundamental constraint on rural migrant labor while the dual land ownership, administrative system, and housing market are the institutional foundation for the formation of CZC.

The rapid expansion of the built-up area in the GUA has been facilitated by policy priorities

and the involvement of a variety of actors such as legislators, regulators, planners, profiteering developers, villagers, migrants, and consumers of urban housing. Land-based revenue has been one of the most important strategies in accelerating the urbanization process and regional economic growth in this area. The *CZC*, the native villagers, and the migrants, have intertwined to create a new set of problems in Chinese urbanization.

This dissertation has found that the *hukou* system has not only created discriminatory treatment between migrant workers and local *hukou* population, but also segregated the villagers in *CZC* from the local urban residents in the *GUA*. The process of creating and redeveloping *CZC* since 2000 in the *GUA* could be described as “take land but not labor” (*yaodi buyao ren*) in that the government procured villages’ land but left most villagers out of the urban social security net. Villagers had to depend on the village committees’ self-financing and self-reliant development approach involving rural industrialization, shareholding reforms, and constructing collectively-owned property for rental profits. It is similar to how municipal governments treat rural migrant workers in Chinese “cities”, which is to “take labor but not give life” (*yao laoli buyao ren shenghuo*).

In the latest urban renewal project in the *GUA*, the Guangzhou Government failed to meet the plan’s targets because of resistance from native villagers. How native villagers comply, negotiate, and contest with local governments may lead to different outcomes. If native villagers are fortunate enough to negotiate favorable deals from developers, they may enjoy a share of the windfall profits. If villagers lose their land, they will have nothing left. In addition, in contrast to the various needs met for native villagers, migrants were totally excluded in the course of

redeveloping CZC in the GUA. There was no compensation plan for the “displacement” of migrants.

Specifically, two CZC in the GUA were examined in this dissertation. Liede and Yangji are an outcome of the interplay of rapid urbanization of GUA and the changing dual structures. Rapid urban expansion and construction of a new city image since the late 1980s have accelerated the transformation of the two villages into CZC. Both villages are located at a specific geographic location within the GUA. The so-called overall transformation in Liede and Yangji since 2007 has planned to demolish all old rural houses and put part of the land plots up for auction.

As a result, the redevelopment of Liede has created a new social space for native villagers. The spatial structure has been reorganized with a mixture of the present and past, rural and urban, and local villagers and migrants in transforming as a transitional community. The preservation of rural tradition and culture has created new urban spaces in Liede that differentiate the new village’s community from other urban neighborhoods in the GUA. The social connection and relationships between native villagers, leadership of the collective organization, and the relations with tenants have been partially rebuilt after demolition.

The redevelopment of Yangji is still pending because of the resistance from the “nail houses.” Redevelopment of CZC has led to outbreaks of conflict over property rights. The fundamental contradiction lies in the dual structure of land, and the unclear definition of collective ownership. Villagers have to learn how to negotiate with the state and its agents at

different levels in China's unbalanced power relationship. Unfortunately, villagers' petitions and litigations have had limited success even when they employed the right laws to defend their interests.

Generally, the redevelopment of Liede and Yangji is a local-state-led project, but there are differences. In Liede it is not a completely top-down process due to the multiple roles played by the Liede Company while in the case of Yangji, local governments played a much more dominant role. As a political-spatial process, the redevelopment of Liede and Yangji demonstrates much of the logic of "growth coalitions," as local governments act with broad policy mandates, developers mobilize capital, and the leadership of collective organizations persuade villagers to cooperate. To overcome the administrative segregation between local government and village committees, the state and its agents at different levels have generated adjustments of administration strategies and management schemes by issuing a variety of policies and regulations.

Though local government has realized the institutional design of the dual structure is the fundamental causes of problems related to CZC, the institutional reforms and redevelopment project in the GUA did not essentially eliminate the nature of the problem. The institutional structures within the two villages have been changed in the course of urbanization, but the dual structure remains in place. All villagers' *hukou* status was converted from agricultural to non-agricultural and the original functions of village committees were separated into two parts: the administrative function was transferred to the new street/neighborhood office, while the economic function is managed by the new collectively-owned shareholding company. The

representatives of the collective committee of the two villages formed the Liede Company and the Yangji Cooperation.

However, the dual structure remained unchanged to some extent in the two villages. A new hybrid of dual structure is generated in the course of redevelopment. First, the nominal *hukou* conversion does not guarantee villagers' full access to urban social security and welfare. Second, the formal adjustment of the administrative system has not changed the villages' self-financing and self-reliance nature. Third, though the Guangzhou Government tried to convert all rural land, including the ARL and CEDL in CZC to state ownership, the maintenance of COP housing did not change the collective nature of CZC. Finally, the shareholding organizations are still based on the share of collective property ownership. Therefore, the economic organization still maintains its collective nature. The dual structure is maintained in the course of the GUA's urbanization.

Most importantly, the nominal *hukou* conversion in 2002 has not changed social stratification within the villages. Cadres and senior villagers remain on top, with non-cadre villagers occupying the second stratum, and low-income migrant tenants at the bottom. Though villagers' *hukou* status has changed to "urban," and their titles have changed from "villagers" to "shareholders", they are still below the class of government officials and other urban residents due to their limited access to urban social security and health care (Figure 6.1).

This dissertation further develops Chan's (2012) dual structure model at the community level as shown in Figure 6.1. Since Liede became a CZC in the 1990s, there were three

segregated communities. First, outside of Liede, the ordinarily urban community consisted of government officials, local urban-*hukou* residents, and high-income migrants on the top with low-income migrants at the bottom; between the top and bottom of the urban community, there was an embedded entity—Liede as a CZC -- where native villagers and low-income migrant tenants were not assimilated with local urban residents. Within Liede, village cadres and senior villagers rested at the top of the social structure, with non-cadre native villagers in the middle; and low-income migrant tenants at the bottom of the CZC community. In Figure 6.1, the left two solid red lines divide the stratification into three parts: truly urban society on the top, CZC community in the middle, and low-income migrants at the bottom. This social hierarchy in Liede remained unchanged after the 2002 nominal institutional reforms though the titles of village cadres and non-cadre native villagers changed to leadership of Liede Company and shareholders.

The stratification did not change until 2010, three years after the demolition of old Liede village in 2007. From the outside, the 37 modern apartment buildings in Liede New Village are not significantly different from other gated communities. The new construction has changed Liede's image from a dilapidated, rural village into a modern gated community. This resulted in a conspicuous change between the truly urban society and the CZC community as their highly visible, physical differences have been transformed into invisible, but still meaningful boundaries. Villagers now live in a gated community superficially similar to the rest of the city, but they still do not have full access to urban welfare and their daily lives are still closely connected to the collective organization and lineage relationships. The dashed blue lines and dashed red line on the right pyramid in Figure 6.1 indicate that the differences between Liede

New Village and other urban societies in Guangzhou Municipality are “dissolving.” Furthermore, the main composition of tenants in Liede New Village now is no longer low-income migrants but mainly “white collars” and foreigners who work in the New Town (Guangzhou Daily, 2012b). Liede New Village is assimilating to become a truly “urban community” while low-income migrants, who still maintain their position at the bottom of urban society, are totally excluded from Liede community. The new social structure in Liede New Village needs further investigation.

The state-led CZC redevelopment project totally excluded thousands of low-income migrants who had lived in the villages for years. The institutional design of dual structures has deprived migrants of the right to live in Chinese municipalities. Rural migrants have no right to speak a word about development or redevelopment projects in municipalities that have a tremendous impact on their lives. The demolition of Liede old village has successfully eliminated the “backwardness” of a low-income community from the New Town. Even though negotiations between Yangji's nail houses and the local government are ongoing, the Yangji redevelopment project has the same objective. So where did the low-income migrants go? How did the CZC redevelopment project affect them? These questions remain unanswered and call for further attention.

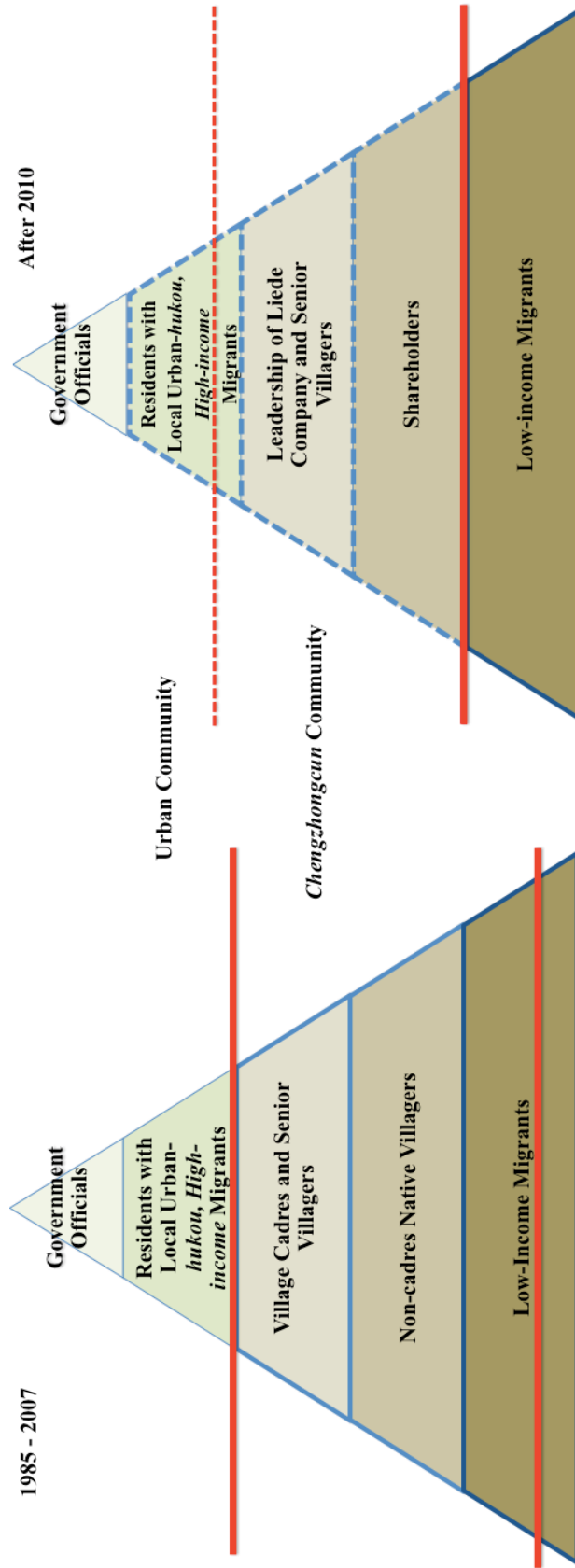


Figure 6.1 Social Stratification in Liede related to Redevelopment of *Chengzhongcun*
 Notes: developed by the author based on the dual structure model by Chan (2012)

A note must be made that the segregation between migrants and local residents (the solid red line in Figure 6.1) stems from the institutional design of *hukou*. The segregation will not be eliminated without essential institutional reforms. However, the segregation between villagers and urban residents (dashed blue and dashed red lines in Figure 6.1) not only stem from the formal institution of the *hukou*, but also the informal institution of rural culture and tradition. Even when the formal institutional constraint is removed, the informal institution will continue shape the community and differentiate it from other truly urban communities.

Furthermore, though the dual structure of land will be eliminated in the GUA if the Guangzhou Government redevelops all villages and converts all rural land into state-owned within the area, the maintenance of the dual structure of land ownership between urban and rural area nationwide, will create new CZC under rapid urban expansion. The coexistence of redevelopment of old CZC will continue to coexist with the formation of new CZC. It is a vicious cycle of Chinese urbanization that will continue if the dual land system is not abolished in the whole country.

Generally, this dissertation suggests that Chinese urbanization is a process “with distinctly Chinese characteristics” that combines a set of nominal institutional reforms of its dual structures and preserves the dominant role of governments. It is inadvisable to simply compare Chinese urbanization with the West, or equate them without accounting for institutional differences: in the West, urbanization is undertaken in an economic system based on a free market, open competition, profit motive and private ownership of the means of production; but in China, the reforms since 1978 do not remove the institutional designs from Mao’s era, and the state still

dominates in key economic and industrial sectors. To apply Western theories, it is imperative to construct a single structure society that develops Western-style urbanization through institutional reforms of China's dual structures, not only of *hukou*, land, and housing, but also of the administrative system, the social security and welfare system, the public finance, and so on.

6.3 Research Contribution

This dissertation has achieved the three research objectives outlined in Chapter Two. First, it examined the changes to the dual structure in CZC from the 1990s to the 2010s. Second, it explained the relationship between the dual structure, CZC, and China's urbanization. Third, it provided a more complete picture of Chinese urbanization by conducting case studies in two CZC in the GUA and providing a brief comparison of redevelopment of CZC in three areas including Guangzhou, Beijing, and Shenzhen.

This dissertation has made contributions from several perspectives. First, it has made a contribution to the literature on urbanization. The research examines the relationship between the dual structure and Chinese urbanization since the 1990s and analyzes how reforms of *hukou*, land ownership, housing, and administrative systems affect the process of urbanization. Besides the investigation on institutions, this dissertation also examines the active players, including local governments, developers, village cadres and villagers of CZC in Chinese "cities". Empirical findings show that policy priorities and the participation of these actors have facilitated the process of state-led urbanization. In addition, the research bridges the gap between urbanization and the dual structure by providing an analytical framework. The framework can be used to

explain the relationship between the dual structure and the nature of urbanization at different geographical scales by applying it to different villages or municipalities (Tables 5.2, 6.2). The finding suggests that the nature of Chinese urbanization is fundamentally related to the dual structure. It is the *hukou*, dual land ownership, and the dual structure of housing ownership that fundamentally shapes the rural-urban divide and sets Chinese urbanization apart from other countries.

Second, the research contributes to the literature on the dual structure. It examines *hukou* policy, land ownership, housing, and the administrative system at a macro level. By connecting the dual structure with the process of urbanization, this dissertation further develops the investigation of dual structure at the scale of the CZC. In addition, it develops a framework to examine the hybrid outcome of institutional reforms in the process of urbanization (Figure 5.9). The research reveals that besides migrant workers, there are a variety of “half-urban-and-half-rural” hybrid entities in Chinese “cities”. CZC is one of the hybrids. Without the essential reforms to the dual structure, though, Chinese attempts to eliminate the dual structure will not succeed as new hybrids such as COP may emerge.

Finally, the research contributes to the literature on CZC. It examines the nature of CZC formation by linking it to the interplay of the dual structure and urbanization. The research also traces the evolution of the dual structure in terms of temporal changes in the course of urbanization. It also examines the social stratification within villages that stems from the interplay between the dual structure and urbanization. The research states that CZC are a spatial outcome of Chinese urbanization constrained by a variety of institutions. Besides the dual

structure, informal institutions such as rural culture, lineage relationships, and historical background, play different roles in shaping the entity of CZC. Therefore, stratification in CZC will not be eliminated after reforms of the formal institution, the demolition of the original spaces, or their replacement with urban-gated communities.

6.4 Limitations of Research

There are at least three limitations in this dissertation. First, this dissertation suffers from the limited access of data. Although the study is based on multiple data sources including statistical yearbooks, government documents, and prior research studies, information for some critical variables, such as land prices, number of migrants, employment, migrants' income, native villagers' income are missing in the dissertation. I cannot derive further quantitative methods for analysis because of the data limitations.

There are three important analyses missing in this dissertation because of data shortage. First, the data of fiscal distributions among governments, developers, and native villagers from the CZC redevelopment project and land conversion are not available in the study area. If these data were available, this dissertation could have provided an economic analysis of different actors' respective roles by examining income distribution to see who gains or loses wealth in the course of CZC redevelopment. Second, the official statistics and census data of population are of questionable quality. For example, the number of *de facto* population in Chinese "cities" was not collected until 1990 so that the growth of the *de facto* "urban population" is not recorded in a consistent format, and it is hard to get the real urbanization level in China. Finally, lack of

migrant tenant data led to insufficient analysis on the role of migrants in the course of formation and redevelopment of CZC in the study area. As a result, this dissertation has been constrained by lack of quantitative analysis.

The second limitation in this dissertation is the lack of interviews of certain groups. I could not interview as many developers and village cadres as I had desired due to unsuccessful contacts through the snowballing strategy. Because of that, I could not draw a complete picture of their behavior on how they selected CZC redevelopment projects, how they negotiated with native villagers, how they worked with government agencies, and so on. Similarly, the lack of interviews with village cadres has limited understanding of how they persuade villagers to sign redevelopment and compensation contracts, how they interacted with district and municipal governments, how they treat migrant tenants, and so on. To supplement this shortage, I had to rely on second-hand information, such as local news and reports focusing on CZC redevelopment. The local newspapers, *Southern Metropolitan News*, *Guangzhou Daily*, *New Express Daily*, and *Nanfang Daily* have provided invaluable information of redevelopment CZC in Guangzhou, though they do not contain sufficient information about developers and village cadres.

The last limitation is the scope of the study. First, Chinese urbanization is a complicated process. At the macro level, there are many similarities among Chinese municipalities; for example, they all exhibit a state-led approach to urbanization. However, there are differences due to distinctive geographic location, historical and cultural backgrounds, and administrative structures. For example, Guangzhou is located in southern China where grassroots rebellions

were common throughout history; Shenzhen is a new “city” where most of the population is composed of “migrants” from other areas; and Beijing, on the other hand is the country’s capital where the central government plays a key role in the course of urban development. Therefore, the process of urbanization will not be the same in these three areas. To understand the nature of Chinese urbanization, more case studies are needed. Second, even within the Municipality of Guangzhou, each CZC is unique in terms of its location, historical and cultural background, and the various actors have played different roles in the village. Redevelopment of CZC is a diversified project and the popular OVOP strategy implemented nationwide requires more case studies. In this dissertation, only two villages are examined and they show different trajectories. The examination of other villages under different redevelopment models will provide more useful information in understanding the relationships between CZC, the dual structure, and urbanization in China.

6.5 Areas of Further Research

This dissertation presents useful insights into CZC for analyzing the relationship between rapid urbanization of the region and institutional change. However, a continued and follow-up study on the relationship between the dual structure and Chinese urbanization is required. First, there is a need to develop a more explicit theoretical basis for understanding how the “big” features of the rural-urban divide and the supporting “small” dual structures affect Chinese urbanization. Beyond the *hukou* system, more studies are necessary to focus on the dual structure of land, housing, finance, administration, employment, education, health care, and so on. For example, further study needs to study the undefined nature of “collective ownership.”

Issues such as whether it should be privatized or nationalized and how changes to collective ownership might affect the process of urbanization are still poorly understood.

Second, further research needs to pay attention to the redevelopment project of CZC. What are the social impacts? How will the project affect the migrants in Chinese “cities”? Is it necessary to completely demolish every CZC? As CZC have supplied low-rent housing for migrants for about 20 years, if all of them are torn down and replaced with high-class gated communities, where will migrants stay when the government does not provide them with any affordable public housing? Is it possible to take care of low-income migrant tenants in the course of CZC redevelopment? Generally, in order to more fully gauge the scope of Chinese urbanization, further study on the social, political, economic, and spatial effects of such radical redevelopment projects are required.

Finally, more case studies and comparative studies are required to better understand Chinese urbanization. The brief comparison of CZC redevelopment in Beijing, Shenzhen, and Guangzhou has shown that Guangzhou shares similarities in some respects with other municipalities. However, the institutional reforms and redevelopment project of CZC are progressing differently in different locales. Specifics inevitably vary from time to time and from place to place. By engaging comparisons and further investigations, the study of CZC can help us build a more complete theory of Chinese urbanization.

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Appendix A: Interviewing Questions

Note: all of the interviews were conducted in Chinese.

Category 1: Interview Questions for Native Villagers and Local Urban-*hukou* Residents:

- (1) How long have you lived in Guangzhou?
- (2) How long have you lived in *CZC*?
- (3) What do you think about living in *CZC*, any advantages or disadvantages?
- (4) When was the village turned to *CZC*?
- (5) Is there any master plan for the village?
- (6) How much land has been converted from agricultural use in your village?
- (7) What is the compensation price of the converted land? What do you think about the price?
- (8) Is there any change on land price since government has expropriated the agricultural land in your village?
- (9) Did your life change to a different style due to the land conversion?
- (10) What do you think about the role played by government in the course of proposing, approving, and developing land development projects?
- (11) What is the most difficult thing for the government to implement the renewal of *CZC*? Why?
- (12) Throughout your experience in Guangzhou, what do you think about how and why the Municipal Government of Guangzhou has facilitated land conversion and implemented renewal plan of *CZC*?
- (13) Among the actors in *CZC* (e.g. municipal government, district government, village/street committee, collective organization, and developers), who is the key player in the course of converting land in *CZC*? Why?
- (14) What do you think about the role played by developers in the course of land conversion in *CZC*?
- (15) What is the interrelationship between the various actors in *CZC*?
- (16) Who is the most beneficiary party in the course of land conversion in *CZC*? Who is the least? Why?
- (17) Who is the most beneficiary party in the course of *CZC* renewal? Who is the least? Why?
- (18) Do you have any houses in *CZC* for rent? What are the monthly rental prices?
- (19) Do you know how many migrant tenants live in your village? Where are they originally from, rural or urban? What are they generally working as a job in this city now?
- (20) Do you know about any policies in terms of *CZC* renewal? Which policy does contribute the most? Why? Any examples?
- (21) What do you think about the *CZC* demolition projects? Do you want to have your own-used land expropriated by the government? Why or why not? How about your neighbors, relatives and other friends in this village?
- (22) What are the policies regard compensation for land expropriation? Which part is the best you like?
- (23) Do you agree or disagree that the renewal of *CZC* will provide a new advantage to the city? Why or why not?

- (24) If the government tears down *CZC*, where are you going to move? Are you moving back to *CZC* if governments build up a new apartment building for you in the same location?
- (25) If you need to pay for the new apartment, how much do you want to pay?
- (26) If you do not have enough money to pay for the new apartment, what are you going to do?
- (27) Where is the replacement building of your new home? Do you like the location and condition? Why?
- (28) What do you think about the collective property right? Is there any confusion? Why?
- (29) Do you think the new stake-hold system is a good one to clear up the confusion of collective property right? Why?
- (30) What do you think about the role of village committee? Is there any change on the function of village committees since 1978? Why?
- (31) What do you think about the relationship between the transformation of *CZC* and the development of Guangzhou? Do you think *CZC* have any contribution to the city of Guangzhou? Why or why not? Any examples?
- (32) Do you think you are an urban people, a Guangzhou municipal citizen? Why? Do you want to have a local urban *hukou*? Why?

Category 2: Interview Questions for professors, officials, developers, and urban planners:

- (1) How long have you lived in Guangzhou?
- (2) What do you know about the process of approval of a conversion of land use project in Guangzhou?
- (3) Did you hear about any planning projects or land development projects involved in land conversion from agricultural use in Guangzhou? Any examples?
- (4) How much land has been converted from agricultural use in Guangzhou according to your understanding?
- (5) What do you think about the relationships between the master plan and the development of *CZC* in Guangzhou?
- (6) Throughout your experience in Guangzhou, what do you think about how and why the Chinese government accelerates urbanization? Any examples?
- (7) Throughout your experience in Guangzhou, what do you think about how and why the Municipal Government of Guangzhou has facilitated land conversion and implemented renewal plan of *CZC*?
- (8) What do you think about the roles played by government / developers / planners/ village committees in the course of proposing, approving, and developing land development projects in *CZC*?
- (9) What is the interrelationship between the various actors in *CZC*?
- (10) Among the actors in *CZC* (e.g. municipal government, district government, village/street committee, collective organization, and developers), who is the key player in the course of converting land in *CZC*? Why?
- (11) Who is the most beneficiary party in the course of land conversion in *CZC*? Who is the least? Why?
- (12) Did the government already finish a master plan for all Guangzhou's *CZC*? What are they? What do you think about these plans?

- (13) What do you think about the demolition project of *CZC* in Guangzhou? Who is the most beneficiary party in the course of *CZC* renewal? Who is the least? Why?
- (14) Do you agree or disagree that the renewal of *CZC* will provide a new advantage to the city? Why or why not?
- (15) What is the most difficult thing for the government to implement the renewal plan of *CZC*? Why?
- (16) Did governments' involvements accelerate land price in *CZC*? Why or how?
- (17) If the government is going to demolish a village, where is the replacement accommodation for native villagers located? Do you think they are located in a good location? Why? Any examples?
- (18) What is the general pattern/process of land conversion and renewal of *CZC*? Is there any land value/price has been changed? Why or why not? Who are the executants of land development, government or developers? How? Why?
- (19) What are the policies facilitating *CZC* renewal? Which policy does contribute the most? Why? Any examples?
- (20) Is there any policy/regulation to accommodate the migrant tenants if *CZC* is demolished? What are they?
- (21) What do you think about the maintenance of collective-owned land right in *CZC*?
- (22) What do you think about the role of village committee? Is there any change on the function of village committees since 1978? Why?
- (23) What do you think about the collective-owned stake-hold system in *CZC*? What is the difference between the stake-hold company and the old village committees?
- (24) What is the ratio of the number of migrant tenants vs. the number of native villagers in Guangzhou's *CZC*? Which *CZC* has the most migrant tenants?
- (25) Why do the migrants choose to live in *CZC*?
- (26) What do you think about the dualist system? What are the relationship between dualist system and development of Chinese cities?
- (27) What do you think about the relationship between the transformation of *CZC* and the development of Guangzhou?
- (28) Do you think *CZC* have any contribution to the city of Guangzhou? Why or why not? Any examples?

Category 3: Interview Questions for Migrant Tenants:

- (1) How long have you lived in Guangzhou?
- (2) How long have you lived in *CZC*?
- (3) What do you think about living in *CZC*, any advantages or disadvantages?
- (4) Is there any problem in finding good rent apartment for you?
- (5) What do you think about the rent of apartment in *CZC*?
- (6) Do you like to stay in *CZC*? Why or why not?
- (7) If the government decided to remove the *CZC* where you lived for a while, what are you going to do?
- (8) Do you think there is any difference between you, native villagers, and local urban-*hukou* people? Why or why not?
- (9) Do you want to go back to your hometown? Why?
- (10) Do you want to have a Guangzhou *hukou*? Why or why not?

- (11) Do you want to be a native villager in a Guangzhou's *CZC*? Why or why not?
- (12) Do you think you are a high-income worker? Why or why not?
- (13) Did the whole family move to Guangzhou?
- (14) Is there any problem in your family in finding educational source in Guangzhou?
- (15) Do you have any plan for your family, particularly for your next generation?
- (16) Throughout your experience in Guangzhou, what do you think about how and why the Municipal Government of Guangzhou has facilitated land conversion and implemented renewal plan of *CZC*?
- (17) Who is the most beneficiary party in the course of removing *CZC*? Who is the least? Why?
- (18) Do you know about any policies in terms of *CZC* renewal? Which policy does contribute the most for land conversion? Why? Any examples?
- (19) What do you think about the *CZC* demolished projects?
- (20) Do you have any plan if government is demolishing the village you have lived for a while? Where do you want to move?
- (21) Do you agree or disagree that the renewal of *CZC* will provide a new advantage to the city? Why or why not?
- (22) What do you think about the life of native villagers in *CZC*?
- (23) Have you contacted with village committee? What do you think about the function of the village committee?
- (24) What do you know about the land conversion in Guangzhou's *CZC*?
- (25) In your opinion, how many actors involve in the process of land conversion in *CZC*?
- (26) Who are the beneficiaries and losers in the course of land reform in *CZC*?
- (27) What do you think about the impacts of renewal plan on *CZC*? Why? Any examples?

Appendix B: Personal Experience of Getting a Guangzhou *hukou* as An Outsider

My personal experience reflects a typical path for college migrants to obtain an independent urban *hukou* in Chinese cities. In China, each urban household is given a *hukou* booklet as a legal copy of the *hukou* registration form maintained in the public security bureaus (F Wang, 2004). There are two categories of households in China: residential (family) households and collective households (Liu and Chan, 2001). In Chinese cities, the members of a family household should be living together at the same address. Each family household shall have a household head that is the holder of the *hukou* booklet and is responsible for the *hukou* registration (F Wang, 2004). The *hukou* booklet of a family household is legal proof of family members' *hukou* location, marriage status, kinship, family relationships, and other personal information (F Wang, 2004).

Each eligible work-unit or government organization has a “collective” *hukou* account in the public security bureaus with assigned annual *hukou* quota for their new recruitments of migrants. These collective households are normally universities, factories, hospitals, army, and other work units in the cities. If employees and staff of these work units are new migrants and do not have relatives or private property in the city, they will be the members of the collective *hukou*. Therefore, members of a collective household do not have kinship relationships but work relationships.

The *hukou* “booklet” of a collective household is normally a folder that binds tens of pages of *hukou* registration forms containing members' personal information. All the collective *hukou* booklets are stored in the local public security bureau. If a member of a collective household wants to record a change in education, marriage, traveling, employment, and business activities, for example, to record a marriage registration or divorce certificate, to apply for a passport or foreign visa, or to change jobs, he/she must get a permit and approval from an urban labor bureau to access his *hukou* in the public security bureau. Unless a member buys a private apartment to get a permanent address in the city, his urban *hukou* status will not be allowed to transfer to an “independent” family *hukou*.

It is important but not easy to get an “independent” Guangzhou *hukou* for a migrant based on my personal experience. My *hukou* was originally with my parents out of Guangdong Province. After I passed the College Entrance Exam and was admitted to Sun Yat-sen University (SYU), my *hukou* was transferred to Guangzhou in the SYU's collective *hukou* folder for four years. There were about 2,000 migrant college students' *hukou* registrations in that folder. When I graduated, I wanted to find a job in Guangzhou. However, if the employer could not provide me a local *hukou* under their quota, my *hukou* would be transferred back to where I was originally from. Without a Guangzhou *hukou*, even if I worked and lived in Guangzhou, I

would not be able to access the city's social welfare such as health insurance, retirement plan, and local banks' mortgage plans. Additionally, I would have to pay more to access the city's public facilities such as hospitals, schools, public libraries, and even parks.

Fortunately, I got two offers:¹⁶⁶ one was from a real estate company with a higher salary without other benefits; the other was from a work unit with lower wages, but provided a Guangzhou collective *hukou*. The manager of human resources in the work unit told me that a Guangzhou collective *hukou* was valued at more than 30,000 *yuan* (about USD 3,623)¹⁶⁷ but I might not be able to buy one from the market even if I had enough money (the transfer of urban individual *hukou* is illegal in China). Of course, I finally gave up the higher-paid sales job and chose work in the government organization though with lower pay. I had no idea how the *hukou* was transferred from SYU to the work-unit. It was a confidential process, so I never had a chance to know what my *hukou* looked like until I bought an apartment three years later.

When I was carrying my *hukou* paper to Guangzhou's Public Security Bureau, that moment was sacred. It took me about three years, through hard work in a government organization for one thousand days and paying a 20-year mortgage for an apartment to be a head of a family household in the city of Guangzhou. If I did not own any property in Guangzhou, my *hukou* would have been sealed in a place I would never know; and I would have to beg the officials in the labor bureaus every time I wanted to go to graduate school, get married, travel, or get a new job.

The first time I saw the *hukou* document was when I transferred it from the work unit to the address of my apartment. It was a piece a paper with information of my birth, moves, hometown, education, employment occupation, height, and ID number. It was removed from a binder that consisted of 150 colleagues' *hukou* pages—I was not allowed to get close to the folder when the official was conducting the procedure due to the confidentiality of my colleagues. The piece of paper was finally transferred to a new *hukou* booklet with my name and my apartment's address on it.

In sum, this appendix introduces a typical approach to attaining full citizenship in Guangzhou by becoming a student, getting a good job, settling down and buying into real estate, and transferring *hukou* status. However, for migrants without money or any "talent," particularly the rural migrants working in low-paid position, it is much harder to get a Guangzhou *hukou*.

¹⁶⁶ This supports Guo and Iredale's (2004) argument that it may be easy for a person with a university degree and a nonagricultural registration status to get a position in Chinese government organizations, state-owned enterprises, or joint ventures, shareholding enterprises."

¹⁶⁷ One US dollar equaled 8.28 *yuan* in 1998 (source: OANDA Currency Converter, <http://www.oanda.com/currency/converter/>. Retrieved on April 20, 2012).

Appendix C: Chronological Events of Redevelopment of Liede

Appendix Table 1 Chronological Events of Liede Redevelopment

Year	Date or Month	Events
2007	February 17 th	Mayor Guangning Zhang first announces that the Guangzhou Government will initiate a project to completely renovate Liede.
	Late March	To ensure the smooth running of the redevelopment project in Liede, Vice Mayor, Zequn Su, is assigned to supervise the project.
	April 19 th	Guangzhou Government sets Liede as the first pilot village for redeveloping CZC in GUA.
	May	The villagers and migrants are informed that the whole village would be evacuated before October 2007.
	July	Guangzhou Planning Bureau publishes the village's redevelopment plan in Online Public Notices for public comments.
	July 25 th	About 99 percent of native villagers vote for the Liede Redevelopment Plan; Meanwhile, the annual dragon boat festival is still on and people start moving out from the village.
	September 29 th	The auction of Liede Commercial District generates a price of ¥4.6 billion. Most villagers and migrants are evacuated with five "nail houses" remaining.
	October 16 th	The whole village is demolished though the nail houses remain untouched.
2008	January	The displacement towers' (<i>fujianfang</i>) construction is launched.
2009	February 6 th	Village leaders, representatives of the five major lineages – Lin, Liang, Li, Li, and Mai, and thousand of villagers celebrate the ritual opening of the ancestral halls at the new site.
	July 30 th	Liede Bridge opens for traffic.
	August 24 th	There developers launch the mega-commercial-complex construction on Liede Commercial District.
	September	The construction of displacement housing body was finished.
2010	February 14 th	Open house of 37 displacement towers for the villagers.
	July-August	Housing property ownerships are reconfirmed.
	September 1 st	Lottery draw for apartment allocation is held.
	September 28 th	All villagers move back to the 37 displacement towers.
	October 28 th	"Out of Home but Lights On" for the opening ceremony of Asian Games at Haixinsha.
	November 21 st	Housewarming feast with 800 round tables
2011	May 11 th	The pedestrian commercial street of "Hunter Mill (<i>Lieren Fang</i>)" in Collective-economic Development District opens to attract stores
2012	January 22 nd	Thousands of native villagers get together in the ancestral temples and celebrate the third Chinese New Years Eve since they moved back to Liede.

Appendix D: Chronological Events of Redevelopment of Yangji

Appendix Table 2 Chronological Events of Yangji Redevelopment

Year	Date or Month	Events
2007	January 1 st	Yangji is on the CZC redevelopment list for improving environment of Shahe Creek and fire control.
2008	March	Yangji becomes one of the pilot villages in Guangzhou Government's redevelopment list. GZ Planning Institute starts to prepare redevelopment plan for Yangji Cooperation.
	May	The Preliminary Redevelopment Plan of Yangji is approved by Guangzhou Government but later revised because of the 2008 international financial crisis.
2009	February 2 nd	Second Revised Redevelopment Plan of Yangji approved by Guangzhou Government.
	July 28 th	Villagers review the Second Revised Redevelopment Plan of Yangji. Most of the villagers mention it is the first time they hear about demolition of the whole village.
	August 18-25 th	Villagers' sit-down protests. Four villagers summoned for organizing illegal rallies.
	December 11 th	The four villagers are arrested.
2010	February 25 th	Yangji is on the top of the list of nine CZC that Guangzhou Government intends to demolish before November 2010.
	May 4 th	The project of redeveloping Yangji is officially initiated; village's members meetings and comments are collected for the Displacement and Compensation Plan.
	April 16 th	Yangji Cooperation holds general meeting of shareholders' representatives for voting on the Displacement and Compensation Plan for Yangji Redevelopment. 92.3% shareholders' representatives consent to the plan.
	July 1 st	The whole village is demolished though nail houses remain untouched.
2011	December 30 th	1,386 of 1,416 village households sign the Redevelopment Plan.
	January 18 th	The auction of Yangji Village generates a price of ¥473 million.
	March 12 th	Yangji Cooperation sues the 18 "nail houses" individually for ARL dispute to evacuate the 32 nail houses
	May 24 th	6 of the 18 "nail houses" lose their case in the Yuexiu District Court
	June 19 th	Four ancestral halls are demolished and will be rebuilt in a new site.
	Early October	1,300 villagers sign to dispute the 18 "nail houses" and call on them to move out so the redevelopment project can be carried out.
	October 9 th	The first nail house is demolished with 17 left.
	December 3 rd	16 "nail houses" including Jie'e Li lose their case again in Yuexiu District Court.

(Continued on next page)

Appendix Table 2 Chronological Events of Yangji Redevelopment (continued)

Year	Date or Month	Events
2012	March 16 th	Reconstruction ceremony of Yangji's ancestral halls.
	March 20 th	Li Jie'e and Yao Muchang are arrested on street and sent to Yuexiu District Court. Yao is sent to Yuexiu Custody for 13 days while Li is sent to a police hospital because of her health problems. Li leaves the hospital on March 28 th .
	March 21 st	Yuexiu District Court demolishes Li Jie'e and Yao Muchang's houses when they are "out of village."
	May	16 "nail households" (owners of holdout buildings) appeal to Guangzhou Intermediate Court. Li commits suicide on May 9 th .
	July 25 th	Guangzhou Intermediate Court holds a session for Yangji's 8-nail-households' appeal, but no judgment or decision is announced in court.

Source: compiled by author from various local newspapers.

Curriculum Vitae

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Education

- **Ph.D.** in Geography at the *University of Washington*, Seattle, December 2012.
Dissertation: *“Villages-in-the-city” and urbanization in Guangzhou, China.*
- **M.A.** in Geography at Miami University, Oxford, December 2006.
Thesis: *The impact of sports events on urban development in post-Mao China: a case study of Guangzhou.*
- **M.A.** in China Area Studies at the University of Hong Kong, Hong Kong, July 2004.
Thesis: *The Role of Developers in Urban Development: a Case Study of Guangzhou, 1990-2000*
- **B. Sc.** in Economic Geography and Urban/Rural Regional Planning (minor in Public Finance) at Sun Yat-sen University, Guangzhou, July 1998.
Thesis: *Study on Tourism Trend of Macau.*

Academic Working Experience

- Teaching Assistant, University of Washington, from September 2007 to December 2011.
- Research Assistant, University of Washington, from September 2006 to June 2007.
- Teaching Assistant, Miami University, from August 2004 to May 2006.

Awards and Grants

- Howard Martin Funds, Department of Geography, University of Washington, 2010, US\$1,200.00.
- Howard Martin Funds, Department of Geography, University of Washington, 2009, US\$1,200.00.
- China Program Fellowship, China Studies Program, University of Washington, 2009, US\$1,500.00.
- Teaching Assistantship (tuition plus monthly stipend), Department of Geography, University of Washington, 2007-2011.
- Research Assistantship (tuition plus monthly stipend), Department of Geography, University of Washington, 2006-2007.
- Distinguished Graduate Student Fellowship, Department of Geography, University of Wisconsin, Milwaukee, 2006, US\$17,500.00 [declined].
- Elected member of The Honor Society of Phi Kappa Phi at Miami University, 2006.
- Graduate Research Small Fund, Department of Geography, Miami University, 2005, US\$900.
- Teaching Assistantship (tuition plus monthly stipend), Department of Geography, Miami University, 2004-2006.
- Student Academic Excellence Scholarship, Sun Yat-sen University, 1996.

Conference Presentations and Publications

- Chen, Hong (2011), *Chengzhongcun and Urbanization in Guangzhou*, presented at the Annual Meeting of the Association of American Geographers, Seattle, WA, April 12-16, 2011.
- Chen, Hong (2007), *China's Changing Urban Politics and the Impacts on Chinese Cities*, presented at the Annual Meeting of the Association of American Geographers, San Francisco, CA, April 17-21, 2007.
- Chen, Hong (2006), *Post-socialist Urban Development in China: A Case Study on Sports Events in Guangzhou*, presented at the Annual Meeting of the Association of American Geographers, Chicago, IL, March 7-11, 2006.
- Chen, Hong (2005), *Post-socialist Urban Development in China*, presented at the Annual Meeting of the East Lake District of the Association of American Geographers, Bowling Green, OH, October 21-22, 2005.
- Chen, Hong (2005), *Urban Entrepreneurialism in China* (Poster Presentation), presented at the Annual Meeting of the Association of American Geographers, Denver, CO, April 5-9, 2005.
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