The Guangdong Model of Urbanisation:

Collective village land and the making of a new middle class

HIM CHUNG AND JONATHAN UNGER

ABSTRACT: In some parts of China – and especially in Guangdong Province in southern China – rural communities have retained ownership of much of their land when its use is converted into urban neighbourhoods or industrial zones. In these areas, the rural collectives, rather than disappearing, have converted themselves into property companies and have been re-energised and strengthened as rental income pours into their coffers. The native residents, rather than being relocated, usually remain in the village's old residential area. As beneficiaries of the profits generated by their village collective, they have become a new propertied class, often living in middle-class comfort on their dividends and rents. How this operates – and the major economic and social ramifications – is examined through on-site research in four communities: an industrialised village in the Pearl River delta; an urban neighbourhood in Shenzhen with its own subway station, whose land is still owned and administered by rural collectives; and two villages-in-the-city in Guangzhou's new downtown districts, where fancy housing estates and high-rise office blocks owned by village collectives are springing up alongside newly rebuilt village temples and lineage halls.

KEYWORDS: urbanisation, village collectives, land retention, Guangdong.

A vast number of industrialising villages in the Pearl River Delta region, containing many millions of native residents, have been able to retain their land and have prospered as a result. This is also true of the many villages-in-the-city (*chengzhongcun* 城中村) that today lie within urban Guangzhou and Shenzhen. The same phenomenon of retained land is also found in other major regions in China, but this collective retention and redevelopment of land is so prevalent in Guangdong that it can be labelled the Guangdong Model of urbanisation.

Origins of the Guangdong Model

Guangdong was the first province in post-Mao China to experience a wave of export-based industrialisation, due to its proximity to Hong Kong. In 1979 Shenzhen, a small county capital on the border with Hong Kong, was declared a Special Economic Zone, and it rapidly began to expand. Initially, the zone authorities expropriated the land needed for city streets, new neighbourhoods, and industrial parks, offering modest compensation, but this encountered resistance from local villages. Especially since Shenzhen was in the national limelight, the authorities soon decided it was better to avoid confrontation, and so they enlisted cooperation by giving villages a stake in property redevelopment. While the Shenzhen authorities continued to appropriate village fields, the rural collectives were allowed to retain a portion of the land to develop themselves, and villagers were allowed to retain their housing sites. (1)

As Hong Kong companies in the 1980s began seeking sites beyond Shenzhen to construct factories, villages got an even better deal. In the 1970s under Mao, China's villages and rural townships had been officially encouraged to "self-reliantly" (*zili gengsheng*) develop small industry and sidelines. The new opportunity in the 1980s to construct factory buildings on village land for rent to foreign companies was perceived in this light by village and local higher-level officials. In the mid to late 1980s, travellers on the roads leading from Shenzhen toward Guangzhou could see frenetic construction throughout the area as village after village competed "self-reliantly" to throw up factory buildings to rent out. While village residential areas remained in place, the agricultural land was becoming covered by a crazy-quilt of small improvised industrial parks.

Under Mao, this land had been owned collectively by "production teams": clusters of 15-50 households who worked the land together and divided the harvest earnings based on how much labour each member had contributed. Even after farmers turned to household farming in the early 1980s the production teams (re-titled villager small groups [*cunmin xiaozu*]) retained ownership of the land, with member families independently allowed to cultivate the land apportioned to them without any rental charge. When presented with an opportunity to rent land out as factory sites, in some cases villager small groups did so as the collective owners, while in other cases, in order to create a larger and more effectively planned industrial park, the villager small groups agreed to pool their land into a village-wide property collective.

1. On this history see, e.g., You-Tien Hsing, *The Great Urban Transformation: Politics of Land and Property in China*, Oxford, Oxford University Press, 2010, pp. 124-5; Him Chung, "The Planning of 'Villages-in-the-City' in Shenzhen, China: A State-led Approach," *International Planning Studies*, Vol. 14, No. 3, 2000, pp. 253-273.

On the far side of Guangzhou, at a distance beyond where foreign manufacturers were willing to locate, industrialisation of a different sort sprouted in the Pearl River Delta. Local villagers there were allowed to establish small private factories starting in the mid-1980s, which sometimes grew during the following decades into substantial companies. From the start, the owners paid rent for their factory land sites either to a villager small group or village-wide collective. [(2)] In short, local collective retention of industrialised land became the accepted pattern in that part of Guangdong, too.

Elsewhere in China, urban expansion and these types of industrialisation arose at a later period. Officials there could look south and see that land conversion in Guangdong had been highly profitable. Rather than follow in Guangdong's footsteps and let grassroots rural collectives gain the profits, authorities outside Guangdong often have used powers of eminent domain to force villager small groups to give up their land at a low price as agricultural land. The authorities have then rezoned the land to establish an industrial zone or urban district and have rented or resold the land at a huge mark-up. Doing so has provided them with a major source of revenue. Rural protests over these land grabs have constituted the largest source of mass disturbances in China.

To be sure, in some places outside of Guangdong villager groups and villages have been allowed to convert agricultural land into small factory zones and have garnered the profits, [(3)] and some cities outside Guangdong have followed Shenzhen's formula and have allowed urbanised village collectives to develop a portion of their land themselves. Notably, too, within Guangdong requisitioning of rural land sometimes occurs, and sometimes involves abuses of power and under-compensation. But many of these abuses are in areas of Guangdong that lie at a distance from the Pearl River Delta region and, like other parts of China, began developing later. [(4)] The delta, the densely populated core economic region of Guangdong that includes the megacities of Guangzhou and Shenzhen, sits apart from much of the rest of China in the type of property development that has occurred and where profits have flowed. As will be seen, collective land retention there during urbanisation has major economic and social ramifications.

Village collectives in the guise of shareholding companies

Officially, the land in these Guangdong villages is no longer owned by a rural collective but rather by a shareholding company. The transfer of land rights to such shareholding companies originated in Nanhai County in the heart of the Pearl River Delta in the 1980s, and gradually became the norm throughout the region. Although on paper this entailed the transfer of collective assets into the hands of a registered private company, villagers have continued to share in the ownership in a fashion similar to a rural collective. The change provided them with a distinct advantage. Had the land legally remained collective, it would have been more vulnerable to a future takeover by higher-level authorities. Moreover, as the village became industrialised and urbanised and attracted new residents from across China, these might become eligible to a share in the village-level collective's prosperity if the Chinese government were to decide in future to allow migrants to gain permanent residence rights in the community. But no matter how national residence regulations may change in years to come, the shift of all the landed assets into a private shareholding company perpetuates the native villagers' exclusive ownership and control over the territory's land and collective investments.

This legal shift in ownership did not have much effect on the local perception of collective property rights, nor did it have much effect on local authority structures. In fact, it is often difficult today to draw a precise line between a village's political administration and the shareholding company. At all of the sites we know of, the company leadership is the same as the village leadership. The Party secretary of the village usually became the Party secretary and CEO of the village's shareholding company, and village officials occupy the seats of the company's board of directors.

We have conducted research in four such villages. In keeping with urbanisation, the four villages no longer are titled villages. Instead, they are now all officially titled *shequ,* which is the administrative title for the lowest level of urban administration in China. In a city, a *shequ* contains a local office staffed by a few low-level city employees to handle household registrations, look after households on welfare, and the like. Instead, in this Guangdong model the far wider range of responsibilities that are held by village administrations in China's countryside normally remain within the purview of the original leadership group of the former village. All four of our sites retain their own public-security forces (*zhi'an dui*), "self-reliantly" staffed and locally controlled, and paid for out of the former village's own collective funds. The leadership bodies of the four former villages "self-reliantly" take economic initiatives; engage in local planning of public spaces; establish local regulations and rules that are tantamount to local laws; and levy their own fees – essentially local taxes – on local businesses to cover a range of local public services such as garbage collection and street lighting. All four tend to their local constituents' healthcare and subsidise the schools attended by the native villagers' children. These are not the types of matters that urban *shequ* offices have the authority and funds to handle. These former villages do. All four locales are able to turn to the shareholding companies' collective assets to help pay part of the expenses for these various initiatives, since the companies hold a substantial amount of property income. Most of this income, though, has gone into annual dividends for each villager. And to the extent that the local populace and leadership have had a hand in how the shares have been allocated and how the dividends get distributed, principles have been followed that derive from the Mao-era collectives.

How this operates, the interesting and important variations that have been devised, and the effects of collective property ownership on the local economy, society, and political structures can be observed in the four villages we have investigated. Two of these villages (Chen Village and Xinxiang) have been visited repeatedly over several decades, and we returned to study them for this article. One (Liede) has been researched by one of us since 2007, and one (Longtou) was first visited during 2011-12 specifically for the purposes of this article.

Chen Village, a heavily industrialised territory

In previous times, Chen Village was a relatively poor agricultural village at the southeastern edge of the Pearl River Delta, the home of 250 families

2. On how this operated in the 1990s on the western side of the Delta, see Jonathan Unger and Anita Chan, "Inheritors of the Boom: Private Enterprise and the Role of Local Government in a Rural South China Township," *The China Journal*, No. 42, 1999, pp. 45-74.
3. Two famous early examples are Huaxi village in Jiangsu Province and Daquizhuang near Tianjin. Erroneously, they have widely been considered anomalies and as isolated throwbacks to the collective Mao era.
4. This includes the well-publicised cases of Toupu and Wukan villages, neither of which lie near the Pearl River Delta region.

who shared a common patrilineal ancestry and surname. Although livelihoods improved during the period of Mao's rule, it was only during the 1970s that villagers could afford to eat vegetables and meat on a regular basis and stopped going barefoot in winter. [5]

The surge of industrial development flowing outward along the roads from Shenzhen reached the village in the early 1990s, and by 1994 factory construction was underway on a number of Chen Village's fields. Under Mao, Chen Village had contained five production teams, and the division of the land ownership among five groups now got in the way of efficient development. It quickly became apparent that land-use planning was needed, so that streets could be laid out properly, with some land zoned for industrial use, other land for public infrastructure, and yet other land for commercial purposes and rental housing. The government of the township (formerly a commune) stepped in to declare that all of the five villager small groups should combine into one land collective. Agreement was soon reached among the five villager groups and the village administration. Within the year, all of the fields were covered by construction sites, and the village government entrepreneurially began excavating the low hills to the village's rear, more than doubling the space that could be occupied by factories.

Regional authorities soon directed that all the village's land and collective investment was to be designated the Chen Village Shareholding Company, Ltd. (*Chen Cun gufen youxian gongsi).*The terminology suggested a privatised Western-style corporate entity in which stock shares can be bought, sold, and inherited. That was not the case. It was left up to each village how to distribute and regulate shares, and Chen Village did so in a fashion that did not resemble stock shares in a capitalist company. Instead, the new shareholding system reflected the communal values of the socialist era and reproduced how the Mao-era production teams had conceived of team membership. Children born then to team members gained a share in the team assets and were entitled to a child's portion of harvested grain each year, with adults allocated a higher portion. Young women who married out of the team and community lost team membership and thus their share of team assets, as did people who died and families who moved away.

Similarly, in the new Chen Village Shareholding Company, Ltd., as soon as an infant was born it received a half share of stock, which converted into a full share at the young person's 18th birthday, and when a person died her or his stock share disappeared. A woman who married out to another community lost her stock share, but instantly gained a share in the community she was marrying into. Elderly Chens received a top-up in their dividends, so as to uphold the Chinese tradition of respect for age. Stock shares, in short, were not permanent and inheritable possessions, but rather were equated with community membership, and dividends were commensurate with age-status within the community. Across the Pearl River delta, villages were adopting a similar vision and equivalent methods.

In 2004, the regional government finally decreed that ownership of a share was to be permanent and inheritable. After this, no new shares in Chen Village were issued when children were born, nor taken away when a person died. But the Chen Village shareholding company put into place procedures that made it difficult to sell shares, and impossible to sell them to a non-Chen. The Chens and their descendants are, collectively, to remain the sole owners of the company, and thus of all the land within the village's territory.

The shareholding property company and the village administration are, to all effects, the two halves of a single organisation. The Communist Party secretary of Chen Village simultaneously serves as CEO of the company, and the village head, who ranks No. 2 in the village Party organisation, is the company's deputy head. The remainder of the board is composed of other leading village officials and the heads of the five former villager small groups. The village government headquarters and the company headquarters occupy the same compound in adjoining buildings: under the same leadership, one takes care of the village's economic holdings, and the other administers the territory and the tens of thousands of factory employees and others who live within it. Unlike some other regions of China, where rural collectives and village administrations simultaneously lose both land and control over territory, here both were retained, and the effect is mutually reinforcing. The Chens are both the collective landlords and the rulers of their domain.

Not all of the company's shares belong to individual Chens. While their own stock shares and dividends derive from the agricultural fields that had previously belonged to production teams, which now provide a very substantial ground-rental income from factory buildings, other portions of the village's land, including fish ponds and the now-flattened hills, had belonged to the village (Mao-era "brigade") administration. This expanse of land has been converted into shares held by the company in behalf of the local Chen populace as a group, and the dividends from these shares are supposed to be used for their common welfare. Since the company leadership that determines how the collective income gets spent is the same as the village government leadership, ordinary Chen villagers do not always bother to distinguish between the company and the village government, and often just say the "brigade" (*dadui*) is the benefactor.

The village government also has its own sources of revenue. In particular, it levies an annual "management fee" on factories, which is effectively a village tax. Since Chen Village today contains several hundred factories, some of them very sizeable, the revenues are considerable. Most of it gets spent on rubbish collection, road repairs, street lighting, and a village public security corps that safeguards the factory zone and residential streets. But some revenue also gets spent to improve the livelihood of the Chens. Through the combined coffers of the company and village government, the village leadership is able to provide a mini-welfare state for them. They receive free medical check-ups and heavily subsidised medical care. Their children sit in luxurious school buildings that exclude the children of non-locals. The elderly who need special care can enter an old people's home reserved for Chens. The villagers even get to go on heavily subsidised group tourist holidays, both within China and abroad.

The shareholding company, for its part, provides them with substantial personal cash incomes in the shape of annual dividends. The company obtains the money by building and leasing out dozens of large factory buildings and dormitories and also through the ground rents paid by corporations that have leased land on 30-year contracts and erected their own factories. The dividend income alone is enough to provide the villagers with a living standard superior to what most urban Chinese enjoy.

This is supplemented by a guaranteed easy job for all Chens of working age. Every factory is required to hire one of the Chens at a salary about one and a half times higher than one of its workers receives. The invented job holds the grandiose title of Chinese-Side Factory Director, the main responsibility of which is to serve as a liaison between the factory and village gov-

5. The recent history of the village is recounted in Anita Chan, Richard Madsen, and Jonathan Unger, *Chen Village: Revolution to Globalization*, Berkeley, University of California Press, 2009. In both the book and the present article the actual name of the village has been altered to preserve the privacy of its residents.

Photo 1 – Three of the ten high-rise apartment buildings in the residential estate for local Chen villagers. On the right is a nursing home for elderly Chens and service buildings for the housing estate. © Tom Cliff

ernment. The so-called job takes very little time. It is really a disguised fee that the factory pays to bolster the living standard of a Chen family. The Chens' collective ownership of all the village territory and monopolisation of the local government provides them with the capacity to extract this extra form of income for themselves. Since there are not enough factories to provide a job for every single working age Chen, the village government hires some of them at the same salary to hold posts that require equally scant work. A married couple can count on two contrived salaries.

In addition, most families enjoy a substantial private rental income. The shareholding company/village government has granted the Chens a monopoly on most forms of private property development, including all apartment buildings and commercial premises. With bank loans, most of the families have erected one or more large five-to-six-storey apartment buildings that they rent to outsiders. A smaller number of entrepreneurial families have become truly wealthy by also constructing factory buildings and rows of worker dormitories on land that they have leased from the Chen Village shareholding company. No one but a Chen has been given such an opportunity.

With their new-found prosperity, members of the Chen community no longer live in the twisting lanes of small, old, dingy houses that they used to occupy. They rent these out to migrant workers. The shareholding company provided a free block of nearby land on which the village government organised the construction of a fancy gated residential estate. Behind high fences, it contains ten high-rise apartment buildings, playgrounds, a large social-club building, and a giant swimming pool, with two stories of underground parking. The new flats were all sold at the cost of construction to Chen families. Only Chens are allowed to live in the housing complex. They have sealed themselves off in their privileged lifestyle from the tens of thousands of immigrants who today work and live in Chen-owned and -controlled territory.

The village government flaunts the superiority of the Chens, and their long ancestral ownership of the territory, through the construction of two new Chen ancestral halls. One of these is austere, built of solid dark wood. The other is gaudy, with a fortune in glittering gold leaf adorning its intricately carved interior.

As landlords and as recipients of dividends and of salaries for fake jobs, enjoying the security of a mini-welfare state, most of the Chens do not feel inclined to work for a living. They can afford to spend their days in leisurely pursuits. A lot of mahjong gets played. They make rounds of visits to friends. They drink tea. If middle aged or older, they had engaged in gruelling farm labour for part of their lives, and so leisure seems a luxury. They have become a propertied, leisured middle class of a new form, living off dividends provided by their former rural collective and off the monopoly opportunities open only to Chens to possess lucrative rental properties.

Longtou, [6] *an urban residential district in Shenzhen*

A variant of the Chen Village story is found in the northern reaches of Shenzhen City. The area lies 40 minutes from the city centre by fast elevated commuter rail, with a subway-style train arriving every few minutes. A train station deposits passengers in the centre of Longtou, and the tens of thousands of people who rent flats here are able to travel every day to Shenzhen industrial zones to work. Longtou contains a couple of small factory areas where some of the tenants work, but the city government has designated this section of Shenzhen as largely residential.

Though built within the past couple of decades, much of the grid of bustling city streets lined by six-storey apartment buildings looks prematurely run-down. This is largely a working-class area containing families who have flooded in from other parts of China. Mandarin is very often heard in the streets.

Longtou used to be a cluster of 15 dispersed Hakka hamlets, each surrounded by its fields. The Hakka arrived in Guangdong about a thousand years ago, long after the Cantonese speakers of Guangdong, and as latecomers they normally occupy marginally productive land.

At the beginning of the 1960s after the collapse of the Great Leap Forward, when the Chinese government established a new system of rural administration and land ownership, the 15 hamlets each became a production team, and thus a collective landowner. Together, the 15 hamlets were organised into the Longtou "brigade" (what is today termed an administrative village) under a brigade government and Party committee.

When urbanisation first began to engulf the area a few decades ago, the area was far enough from the centre of Shenzhen that the city did not appropriate some of the land. The 15 hamlets had no desire to give up their collective land by pooling it in an artificially concocted administrative village, and the higher levels of local government did not press the point. Instead, it was arranged that each hamlet would create its own shareholding company that gained legal ownership of all the hamlet land. The administrative village formed its own shareholding company, based on the property and landholdings that had belonged to the brigade. The hamlet companies come under the purview of the Longtou village shareholding company, forming a very loose sort of nested conglomerate with different sets of shareholders and a considerable degree of autonomy for the hamlet companies.

This is reflected in the administrative structure of the area today. Whereas Chen Village officially comprises one *shequ* (neighbourhood community) housing a thousand Chens and some 60,000 migrant residents, each of Longtou's 15 hamlets today is a separate *shequ* accommodating, on average, 200 native hamlet residents and some 10,000 newcomers. Out of its income from property leases and rentals, a hamlet company sets aside a couple of million *yuan* each year to pay for street cleaners, a security force

6. The name has been altered to preserve the privacy of local residents.

to police local streets, and a range of casual workers, as well as a recreation centre for the native elderly. It hires local hamlet members as salaried managers of the company and of these neighbourhood functions.

The hamlet and village-level companies use their property incomes to distribute distinctly different types of benefits to the local Hakka residents. The hamlet companies are the sole providers of cash dividends. The village company heavily subsidises a city-run school open only to native Hakka children, and covers all of the native villagers' medical insurance and urban retirement-fund payments.

Similar to Chen Village, hamlet members hold exclusive access to land on which to build rental apartment buildings. Mr. Wang, a Hakka resident, receives about 7,000 *yuan* per month in profit from this very advantageous arrangement. In 2011 he personally also received 31,000 *yuan* in hamlet company dividends, a sum equivalent to what each Chen Villager received. Mr. Wang's wife and children separately received substantial dividends. Like Chen Villagers, the Hakka families in the Longtou hamlets collectively belong to a well-off propertied middle class.

The native families now possess an urban registration (*hukou*), but one of the Hakka residents says it is of no use to them: "What we care about is our hamlet membership, which gives us lots of dividends and other advantages." Indeed, the living standard and welfare benefits enjoyed by these former farmers are considerably better than those of Shenzhen's urban-registered populace as a whole.

When planning the new mass-transit rail system, the city was aware that the blocks of land directly next to the Longtou station were of particular value and could be redeveloped into an upscale residential and shopping zone. In Hong Kong, next door to Shenzhen, the public mass-transit train system has been financed by taking over and very profitably redeveloping the property that lies directly above subway stations and next to the station entrances. Shenzhen has done something similar. On both sides of the elevated rail line, where the station's four sets of escalators deliver passengers into Longtou, the Shenzhen district (*qu*) government has appropriated two extensive blocks of land and compensated the hamlets. When we last visited Longtou in 2012, construction was underway on these large sites. In the Guangdong model, the government normally lets local village residents reap substantial benefits from urbanisation and industrialisation, but within a framework that takes account of the city's and region's own financial priorities and needs. It is, in a sense, a local interpretation of "harmonious society."

Xinxiang, a Guangzhou village–inside-the-city [7]

Until the latter half of the 1980s, Xinxiang was a suburban village that supplied vegetables to Guangzhou. It had a population of 4,000, divided among 14 former production teams. The great bulk of the populace lived in a single concentrated village of tightly packed one- and two-storey houses, and two production teams occupied a large hamlet located across an expanse of fields. By the early 1990s, none of the agricultural fields remained. All of the land was under urban concrete and asphalt.

As Guangzhou City rapidly expanded outwards during the 1980s and 1990s, it adopted the system first developed in Shenzhen. The city government enlisted the cooperation of the local villages whose land was being enveloped by giving them a stake in property redevelopment. Unlike Longtou, where the hamlets have retained ownership of almost all the land other than thoroughfares and the land blocks immediately next to the station, the Guangzhou government normally appropriated most village fields for new city blocks of office buildings and high-rise apartments. But the municipal government left a portion of the land for the village collectives to develop and also let the village residents retain their own housing sites and remain in their homes. These residential areas, crisscrossed by narrow village lanes, are popularly called villages-in-the-city. Guangzhou contains 138 of them, and according to one source, as of 2006 the land that they retained occupied a total of 87.5 square kilometres, more than a fifth of the built-up area of Guangzhou. [8]

In Xinxiang, the village collective was converted into a shareholding company in 1988. The city gave much of the compensation for expropriated land to the new shareholding company rather than to individual villagers. On the portions of agricultural land retained by the company to develop, it constructed a range of high-rise urban premises that it still owns and manages, including two hotels and a number of restaurants. The diverse properties and businesses today generate profits for the shareholding company of about 200 million *yuan* a year, much of which is distributed to villagers as dividends.

In Xinxiang, the number of shares obtained by each of the villagers depended upon how many years they had laboured in a production team and in post-Mao agriculture. Mr. and Mrs. Li, a 70-year-old couple who were long-time farmers, each hold 22 shares, and each received about 18,000 *yuan* in dividends in 2011, plus a generous cash medical allowance. But the lion's share of the Lis' income derives from renting out flats. Since the city did not bother to regulate villages-in-the-city such as Xinxiang, residents during the 1990s knocked down their one-to-two-storey homes and illegally erected narrow five-to-eight story apartment buildings in their place. The owner lives in one flat, and migrants from the countryside – many of them clerks in downtown shops, construction workers, blue-collar maintenance workers, urban street cleaners – crowd into smaller flats on the buildings' other floors. It is a lucrative arrangement. A building in Xinxiang normally generates a rental income of over 10,000 *yuan* a month.

As early as 2000, Guangzhou's 138 villages-in-the-city were estimated to house more than three million people. [9] They quickly had become chaotic landscapes of narrow lanes squeezed between overcrowded apartment buildings, with very little planning and no observance of city building regulations. Within the 300 *mu* (20 hectares) of Xinxiang residential land, more than 1,400 of these illegal apartment buildings sprang up. To maximise every available bit of space, the owners usually built out over the lanes from the second floor upward, leaving scant room between the buildings, sometimes barely enough to swing open a window. In these villages-in-the-city, the street level is perpetually in the shade. Electric wires are strung haphazardly between buildings and up the outside walls. After drenching rains, the heavily populated "villages" sometimes become barely habitable, since they often lack sufficient drainage systems. [10]

7. The name of the locality has been altered to prevent identification.
8. You-Tien Hsing, *The Great Urban Transformation*, p. 145, fn. 3.
9. *Ibid.*, p. 123.
10. On conditions in these villages-in-the-city, which house the bulk of the migrant workers who work and live within Guangzhou's urban districts, see Helen Siu, "Grounding Displacement: Uncivil Urban Spaces in Post-reform South China," *American Ethnologist*, Vol. 34, No. 2, 2007, pp. 329-350; Him Chung, "Building an Image of Villages-in-the-City: A Clarification of China's Distinct Urban Spaces," *International Journal of Urban and Regional Research*, Vol. 34, No. 2, 2010, pp. 421-437; Him Chung, "Beyond the Reach of Urban Planning? Villages-in-the-city in the PRD Region," in K.K. Wong (ed.), *Hong Kong, Macau and the Pearl River Delta: A Geographical Survey*, Hong Kong: Hong Kong Educational Publishing Co., 2009, pp. 343-363; Wing-shing Tang and Him Chung, "Rural-urban Transition in China: Illegal Land Use and Construction," *Asia Pacific Viewpoint*, Vol. 43, No. 1, 2002, pp. 43-62; You-tien Hsing, *The Great Urban Transformation*, *op. cit.*, ch. 5.

Photo 2 – Looking upwards at buildings lining a Xinxiang hamlet shopping street. © Him Chung

Tenants arrive from throughout China, and as a result of unstable employment they tend to stay only a short time. Inquiries were carried out in the Xinxiang hamlet composed of two former production teams, and building owners reported that tenants normally stay only three to four months, and few stay longer than a year. While the great majority of tenants are law abiding, the unregulated character of a "village" also attracts criminal elements and a range of illegal activity such as prostitution. The native residents of the hamlet are of mixed minds. On the one hand, the outsiders make possible the building owners' prosperity. At the same time, the locally born populace were now living in a disorderly, unhygienic, and not entirely safe environment. With the generous rental income from their houses, many of the native young people have moved out, leaving behind the elderly.

The city government ostensibly took over administration of Xinxiang in 2005. The village government was formally dissolved, and the former hamlet was placed in the hands of a Residents' Committee (*jumin weiyuanhui*). This is the term used in China for a municipality's lowest administrative sub-division. The Residents' Committee Office, located on the hamlet's main shopping street opposite a large covered marketplace owned by the shareholding company, contains ten municipal personnel, including one policeman. But it does not receive enough funding from the city to provide sufficient public services.

All but one of the 14 members of the village leadership shifted full-time into salaried posts at the shareholding company. The former village head serves as chair of the board of directors, and the former Party secretary is one of the directors as well as the company's Party secretary.

The phrase "shareholding company" highlights its corporate organisation and profit-making dimension, but it is an inaccurate term since its role extends far beyond that of a company. After the formal abolition of the village government, the company became the essential organisational core and authority structure of Xinxiang. The Residents' Committee Office, composed of civil servants from "outside," found it extremely difficult to penetrate the blood ties and relationships of the native populace, and in effect, the office largely serves as the company's assistant, rather than the other way around.

The company's financial resources (read: the village collective's resources) have been mobilised to provide the hamlet neighbourhood's public services. For instance, the single policeman assigned to the Residents' Office cannot handle law and order in a vast transient hamlet-neighbourhood of more than 10,000 adult residents. Instead he serves as a conduit to the city police, while the Xinxiang shareholding company hires and controls a security corps to patrol the streets at a cost to the company of a million *yuan* a year, as well as garbage collectors and street sweepers. It pays the electricity bill for the city's Residents' Committee Office and provides an allowance to the office to hire extra personnel. In particular, local villagers have been hired through these funds to work at a Neighbourhood Management Office where disputes between landlords and tenants are handled. Much as in Longtou, the company also supports a range of services for the native community such as an old people's activities centre and a heavily subsidised school open only to native children. In an interview in 2012, an executive of the company observed that these multifaceted roles have given rise to a Guangzhou saying regarding the 138 villages-in-the-city: "The shareholding company runs the neighbourhood."

Its provision of services does not make it popular among the local villagers, who complain of a lack of accountancy and transparency. By official regulation, the shareholding company is supposed to hold leadership elections every three years, but no election has ever been held. With control over a great deal of money, the company/community leadership has entrenched itself in a self-perpetuating, powerful position. The feeling of distrust came to a head when Xinxiang became ripe for redevelopment. Land has become too valuable to retain housing for migrants in structures only five to eight stories high. Far more money potentially can be earned by converting the most favourably located villages-in-the-city into towering office buildings and high-rise apartment estates for Guangzhou's well-to-do. The main village section of Xinxiang sits on more valuable land than the hamlet, which is further from the CBD, and so the main village section is being redeveloped earlier. Only the hamlet remains intact, an island of a couple hundred illegal apartment buildings. Within a few more years, it too will be redeveloped.

The municipal authorities have been anxious to promote redevelopment of the villages-in-the-city, since they have disliked the disorder and lack of planning regulations in the warrens of slum-like apartment buildings. The Xinxiang indigenous residents agree. They made clear in interviews that they would far rather live in an upscale, modern, safe community. Thus when the opportunity arose to profitably convert the village residential territory to other uses, the city, the shareholding company, and local residents welcomed it. No-one gave any consideration to the migrant tenants, who outnumber the indigenous villagers by about 20 to one. They work nearby, and redeveloping Xinxiang deprives them of the only affordable housing available to them.

The chaotic construction of jerry-built blocks of flats to house migrant workers was, in short, only the first phase of urbanisation inside the villages-in-the-city. This first phase had been carried out privately – unregulated petty capitalism run wild. The second phase, in contrast, entails a major reassertion of collective economic initiative. The ground underlying the apartment buildings has been collectively owned from the period of Mao-era collectivisation in the 1950s up to the present, and by knocking down all the structures on it to create a huge empty stretch of collective land, the shareholding company can participate in coordinated property development on a vast scale. Several other villages-in-the-city are taking redevelopment steps in a very similar fashion, and many others are likely to follow suit. Guangzhou is witnessing a type of property development not normally seen elsewhere in the world, with interesting economic, political, and societal implications.

Redevelopment has brought sharply into focus the multiple roles played by the Xinxiang shareholding company. The first is as the representative of all indigenous villagers. A second is as a power broker situated between the government and the former villagers, and the third is as a business firm wanting to undertake profitable activities. In that third role, its active involvement in redevelopment has included employing consultants and a developer, submitting planning applications, seeking financial support, negotiating with planning authorities, and communicating with indigenous villagers. In 2007, when the shareholding company was authorised to launch redevelopment, negotiations between different stakeholders began immediately at two levels: within the village and between the company and city authorities.

A shared interest in favour of redevelopment between the villagers and the shareholding company did not generate a stable collaborative relationship. It was a case of both collaboration and confrontation. The villagers' desire to maximise their own income from the redevelopment project generated demands to publicly audit the collective assets. This information had never been released to the villagers, and some of them expressed worries that some of the assets might be privatised by local cadres during redevelopment. Before they made a decision on redevelopment, villagers pushed the company to clarify the ownership of properties and explain the way that collective assets are managed, the allocation of collective revenues, and how these would be affected by redevelopment. When the company failed to respond, crowds of villagers demonstrated at the entrance to Xinxiang Village, demanding that the shareholding company publicise its financial records.

They also put forward a second type of demand. In the company's negotiations with the city, the company was requesting that it be allowed to build a high proportion of commercial property and a low amount of residential property in order to maximise revenue. Many villagers opposed this for a specific reason. Their free-of-charge occupation of their homes and the income generated from renting out flats were forms of livelihood under their own personal control, and they insisted this be retained after redevelopment. Rather than become very heavily dependent on the company, which they distrusted, they preferred to continue to collect rents themselves directly from tenants. They therefore demanded that a high number of fancy flats should be constructed, and that a cluster of flats should be handed over to each of them so that they could live in one and personally rent out the others. They suggested a formula that was referred to as "inch-to-inch rehousing": for each metre of flats they currently owned, they wanted to control an equal area of flats in the new dispensation.

The dispute between the company and villagers deadlocked the company's negotiations with the city and led the government to intervene. Under pressure both from the city and populace, the shareholding company capitulated. It released the demanded information and organised three household surveys starting in 2009 to elicit opinions on redevelopment. For each, a detailed questionnaire and updated redevelopment plan was sent to each family. This was followed by two large villagers' meetings attended by all of the company leadership. Residents engaged in heated discussions about compensation criteria, accommodation arrangements, and the generation of future profits. After the meetings, major amendments were made to the redevelopment plan. The company guaranteed "inch-to-inch rehousing" plus a cash allowance during the construction period.

Ultimately, only 24 households out of more than a thousand refused to sign an agreement for redevelopment and obstructed demolition of their buildings. In the spring of 2011, when we circumnavigated the vast construction site of the main village, a dozen old buildings still stood amidst the rubble: the "nail residences" (*dingzi hu*) of resisters. They were being sued by the shareholding company for damaging the collective interest of the village, and a court in 2011 decided entirely in favour of the company. The court gave special weight to the fact that the ground was collectively owned and that the company was acting as representative of the great majority of the villagers.

Once the shareholding company had conceded to villagers' demands for "inch-to-inch" replacement apartment space, the company sought to utilise this concession during its own discussions with the city. In order to make the project more financially viable, it came up with a plan to crowd more high buildings onto the site than stipulated by the city planning authority. The city rejected the plan. The company refused to take no for an answer, continued to lobby and ultimately succeeded in securing the city's agreement. The company was in a good position to gain a sympathetic ear, because it had operated hand-in-glove with the authorities for many years by governing tens of thousands of migrants on the city's behalf.

According to the approved layout plan, a total area of a quarter of a square kilometre will be redeveloped. Twenty-two enormous buildings ranging from 35 to 51 stories are being built. Some are joint office-residential towers, in order to fit 4,258 luxury flats into the project. When construction is complete, ownership of all of this property will belong to the shareholding company. How this operates in practice will be observed in the article's fourth case study, Liede village.

Liede [(11)], the pioneer in high-class collective redevelopment of a village-in-the-city

Liede lies along the bank of the Pearl River close to the opposite edge of the city's brand-new central business district. An even more populous village than Xinxiang, it has about 7,800 indigenous residents in 3,170 households. Despite its desirable location, its village collective was not incorporated as a shareholding company until 2002. Like Xinxiang, until redevelopment the villagers made most of their income by constructing a vast, ugly maze of cheaply-built apartment buildings where their homes had stood, for rental to many tens of thousands of migrants.

Liede became the first village in Guangzhou to implement redevelopment. This was not through the initiative of its leaders, but rather because doing so fit into the Guangzhou government's agenda. A major new bridge over the Pearl River needed to be built at Liede to link the new CBD to the southern half of Guangzhou, and this required resumption of land from Liede, splitting the residential village in half. As a result of this high-profile bridge project, Liede appeared on the radar of Guangzhou's mayor, and a deputy mayor was assigned to lead the conversion of Liede from a crowded eyesore into a riverside show spot. To break through the financial obstacles to redevelopment, a green light was given to Liede to sell a corner of the village's land in 2007 for 4.6 billion *yuan* (US$740 million), and the city administration declined to tax the transaction. [(12)]

11. Since Liede was well publicised when its conversion into a fashionable area occurred, it is not feasible to conceal its identity, and so we have retained the village's real name.
12. *Nanfang ribao* (Southern Daily), 22 May 2007, p. 2.

Photo 3 – A Liede lineage hall nestling below four of the 37 towering apartment buildings, and to the left, the Liede shareholding company executive headquarters. © Him Chung

As in Xinxiang, villagers were reluctant to sacrifice rental incomes from their houses and depend entirely on the dividends distributed by the village shareholding company. A scenario similar to Xinxiang got played out, with protests and rapid concessions. An inch-to-inch rehousing policy was adopted. Under city government encouragement and pressure, Liede got its planning proposal officially approved in only three months, and within another three months achieved consensus for the compensation plan – a series of processes that took Xinxiang three years to achieve.

As a first stage, a new very up-scale residential area was hurriedly put under construction. A huge residential estate containing 37 lofty apartment buildings was completed and occupied within two years. Stage two is to create a large deluxe commercial district on the vast tract of remaining land, and one of Hong Kong's largest and most prestigious property developers was hired to make the plans and organise its construction. When completed in 2014, it will contain a 5-star hotel, architecturally distinguished office towers, and a large fancy shopping mall and entertainment centre. The entire complex will be wholly owned by the Liede shareholding company.

The new huge housing estate is set in fenced-in grounds amidst landscaping and playgrounds and boasts a large residents' club house, a huge pool, and other amenities of the good life. The Liede village households were each allocated several flats: one to live in and the others to rent out to successful professionals and junior and middle-level executives of nearby corporations in the CBD. It is an unusual arrangement. The villagers live among the high-paid well-educated tenants as neighbours, sharing their lifestyle, yet they remain an entirely different social and economic group. They are more low status than the urban tenants, but also can perceive of themselves as high status in one sense: they are, collectively, the owners of this estate and the territory it sits on.

Xinxiang will follow the same path as Liede, with a similar stress upon total collective ownership. An executive of the Xinxiang Development Company observed in a 2012 interview:

> After Xinxiang's redevelopment, all of the flats will be collectively owned by the company. None of them will be for sale. This arrangement basically follows the Liede model, where individual villagers enjoy only the right to use the apartments to live in or for rental purposes, but can never sell them. Under collective ownership, outsiders will only be allowed to rent an apartment, if they can afford it.

At both Liede and Xinxiang, the new-found principle is that what remains of the village territory is ancestral and inviolable, and will be so in perpetuity. It is not to be sold for commercial gain; it is ours forever, as a group. We are being absorbed into an urban environment, but we remain the traditional ancestral property owners, and we will not allow our identity to be intruded upon or dissipated. It is a perspective that these two villages-in-the-city share today with Chen Village. This notion is influenced by and deliberately plays upon the strength of lineage traditions in South China.

Liede consists of four lineages bearing four surnames. In the newly redeveloped Liede, space was set aside for four large new lineage halls, clustered together as though in fraternal equality and solidarity. They are replicas of Qing dynasty-style architecture, built of traditional brickwork and hand-crafted ornamentation. Daytimes, elderly Liede villagers today congregate in the halls to play mahjong in what is demonstrably their ancestral territory. Nearby sits the village temple, housing the old *tudigong* (village god). These low-lying buildings stand in spacious open ground. This is extremely valuable land, devoted to totally non-commercial purposes. They were all built with shareholding company money, to honour village tradition and as a public assertion that Liede is sacred ancestral land. This is not what an ordinary profit-seeking company would do. Rather, it is in keeping with the convictions and priorities of a village leadership – and a means to seek constituency support.

The Xinxiang shareholding company will act similarly. Xinxiang has four lineage groups and traditionally contained five lineage halls (the Lis had two). As part of redevelopment, the company is paying the developer to construct five expensive new lineage halls. The village temple has been declared a heritage site and will remain untouched. Redevelopment plans carefully build around it. Notably, the Chen Village authorities similarly have lavished attention and money on two lineage halls, and in Longtou, the hamlet lineage halls have also been preserved in the plans of the hamlet shareholding companies. Strategically and symbolically, lineage, village, land, and company have all become intertwined.

The effects of the Guangdong Model of urbanisation

The Guangdong model shapes a distinct type of urban development. It has had a major impact on urban planning in Guangzhou and Shenzhen and in the creation of industrial zones in the Pearl River delta and beyond. It is a type of development that depends upon retention of collective ownership of the land; upon a conversion of Mao-era socialist units into shareholding property companies; upon a local authority structure grounded in formerly rural village administrations; and upon a negotiated relationship between higher level authorities and the local native communities/companies. Other parts of China contain numerous examples of what we call the Guangdong Model – colleagues have found it at field sites in Wuhan, Hangzhou, Shenyang in the Northeast, and semi-rural districts of Zhejiang. But in many other parts of China, urban development and industrial zones are normally shaped entirely by urban bureaus and political authorities, sometimes in league with property developers. Local villagers are often forced off their land and out of their homes and relocated elsewhere. The monetary compensation often is not sufficient for them to get a head-start in developing an urban livelihood, and their disadvantage is compounded due to inadequate education and a lack of appropriate skills. Across China, a huge populace of recent rural residents whose villages have been lost to industrialisation or urbanisation exists today at the margins of urban life, a disadvantaged underclass in the making.

The Guangdong Model entails a very different form of development. Rural residents, rather than being dispersed from their villages and homes, remain anchored in their own communities. The Guangdong Model also distributes wealth and opportunity very differently. In doing so, it is creating a new propertied class comprising millions of people who have an enviable transition to urban life. They move directly from farming toward economic middle-class status, based upon the good fortune of where their farmland is located.

Moreover, since much of their income derives from collectively held land, the new-found wealth is spread relatively evenly among all of the former village populace. This contrasts sharply with the effects of property development not just elsewhere in China, but also elsewhere in the world. Normally, a small group of capitalist families or large property corporations are the principal beneficiaries in the development of industrial parks or of enormous projects such as those at Xinxiang and Liede. Instead, in the Guangdong Model all of the members of fortunately located rural collectives – 1,000 native residents in Chen Village, 3,000 in Longtou, 4,000 in Xinxiang, and 7,000 in Liede – reap a share in the ongoing profits of property development.

They are in an anomalous situation within their new urbanised environment. They have the financial means to begin to live a middle-class lifestyle, but they do not have the social manners, taste, accent, or educated knowledge to enjoy a genuinely respectable status among the urban middle class. This undoubtedly is one reason why they wish to cling together on their native properties and why they emphasise their own perception of high group status as the traditional owners of the land – graphically highlighted by the reconstruction of lineage halls.

Inasmuch as most of these formerly rural people have few skills that can be used in an urban environment, they have largely become a new leisured class. The jobs in the labour market that they are capable of handling can equally be occupied by low-paid migrant workers, so it is not worth their while to seek employment to supplement their dividends and rental incomes. Nor would a blue-collar job help them attain a respectable image in keeping with their middle-class living standard. To resolve this dilemma, their former rural collectives provide white-collar employment that is preserved exclusively for them. At Chen Village, this takes the shape of Chinese-side Factory Head job titles. At Longtou, white-collar jobs supervising neighbourhood services are reserved for hamlet members. At Liede, more than 200 jobs in the housing estate's property office are held by local Liede residents, and additional jobs will be set aside for them when the office and shopping precinct now under construction opens for business. An executive in the property-development department of the Xinxiang shareholding company said in a 2012 interview that Xinxiang similarly plans to reserve a considerable amount of employment of this kind for Xinxiang natives.

But the real potential to make a successful transition into respected urban middle-class status rests with their children. Notably, in all four of the communities the leaderships and shareholding companies spend money to assure better schools for the local villagers' children than can be accessed by ordinary urban students. Good teachers are lured to the schools by salary supplements; school facilities are improved beyond what the government education bureau provides; scholarships are offered to native students who go on to higher education. The money is intended to give the next generation the educational skills to succeed in the new environment. In short, while it is not easy for this formerly rural populace to move from leisured dependence on dividends and rents to gainful urban careers, the ground is being laid for the future.

Him Chung is Associate Professor of Geography, Hong Kong Baptist University.
Department of Geography, Hong Kong Baptist University, Kowloon Tong, Kowloon, Hong Kong (himchung@hkbu.edu.hk).

Jonathan Unger, a sociologist, is a Professor in the Political & Social Change Department of The Australian National University and director of the ANU's Contemporary China Centre.
Contemporary China Centre, Coombs Building, ANU, Canberra 0200, Australia (jonathan.unger@anu.edu.au).