

## Chapter 4

# Institutional Innovation for Urban Village Renewal in Mainland China

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### **ABSTRACT**

*China has been experiencing rapid urban development but urban renewal projects on collective rural land often inflicts social conflicts. This article examines an innovative villagers' committee-led land re-adjustment model which was applied for urban village renewal. As shown in the case study of "renewal of old village" project in Yiwu, the bottom-up model empowered villagers to design and implement their own relocation scheme. With a transparent and socially acceptable relocation scheme, the villagers willingly participated in the project for a fairer share of potential profit of the project. The local government could also achieve multiple goals like increasing land use efficiency and providing basic infrastructure and communal amenities in the renewed neighborhoods without any actual financial investment. The empowerment of villagers' committees is an innovative and successful experiment in urban village renewal representing the best interest of rural communities.*

### **INTRODUCTION**

Land is the foundation of human survival and development. Land, capital and labor are the basic elements of social production, which can boost economic efficiency by allocating these factors efficiently (Hayek, 1945). However, the land element as one of the most essential production factors had been overlooked for a lengthy period. The land reform has had great effects on economic development, ac-

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celerating industrialization and urbanization (Xie et al., 2013). Generally speaking, land use efficiency is dynamic. Smith (2005) claims that alterations of institutional arrangement of land use always shift in the direction of efficiency improvement. It seems that this pattern applies to the situation of China very well. After the land reform was initiated in 1987, along with housing and fiscal reforms, China has been experiencing rapid urban development and expansion (Cheng & Masser, 2003), which has played a major part in China's economic growth and modernization (Huang, 2015; Lichtenberg & Ding, 2009). Rapid urbanization will still continue (Hui and Bao, 2013; Xu et al., 2011). As estimated by Cheng and Masser (2003), the level of urbanization is likely to reach 75% by 2050.

Nevertheless, sub-optimal land use prevails in urban villages. In addition, such places are often characterized as "institutionally insecure, disorderly, economically under-productive and incompatible with modernity" (Sargeson, 2013, p.1066). Renewal of urban villages, obviously being one kind of urban development form, plays an important role in enhancing land value, land use efficiency and living environmental quality (Adams & Hastings, 2001). Yet, implementing this type of project is impossible without confronting the issue of "community involvement" or "public participation" (Zheng et al., 2014). Sometimes, the implementation process is tedious, for assembly of all the land plots can be time-consuming, especially when ownership becomes more fragmented in urban areas (van der Krabben & Needham, 2008; Miceli & Sirmans, 2007). Conflicts and tensions always occur when government uses the power of eminent domain to expedite urban development, posing a great threat to the country's social stability and the sustainability of its economic development (Hui & Bao, 2013; Sargeson, 2013; Zhao, 2009). For instance, the conflicts between police and villagers in Guangdong province on 19 January 2010 were resulted from a forced demolition of an urban village, which led to nearly 10 villagers being injured and many police cars being burned (Beijing Times, 2010). Later in the same year, three householders burned themselves to resist the forced eviction in Yihuang, Jiangxi province on 10 September 2010 (Tencent News, 2010). The continuing conflicts provoked consequently aroused increasing attention from both the academic and social spheres. "Legal demolition" was thus found one of the hottest social issues in 2010 (People's Daily Online, 2010).

Since the fiscal reform in 1994, local authorities in mainland China have allowed to devise and execute their own strategies for urbanization. In this context, they have been trying to use different approaches to initiate urban projects to realize win-win outcomes for themselves and the villagers (Cheng, 2012; Heikkila, 2007). In practice, one of the most successful and innovative experiments is the land readjustment (LR) model which has been popularly exercised in different places such as Germany, Japan and Taiwan (Sorensen, 1999). Li and Li (2007) analyzed two cases of application of the LR model in urban regeneration projects in two dissimilar Chinese cities. In these two cases, the local government and private developers, respectively, financed the costs of the project. The LR model has become very popular renewal of urban lands in mainland China and the local governments often involve actively in the process. Yet, this model is still new to the village renewal in the country. There is an absence of studies analyzing the effects of the innovative experiment of LR of rural lands in China on households who lead and finance the costs of urban village renewal projects. The present study thus aims to fill this research gap by investigating a case of urban village renewal in Yiwu.

The next section elaborates on the macro context of institutional reform of decentralization and rural land ownership leading to the space to generate various models of urban village renewal projects. Following this, the general process and method occurring in contemporary China is described. The fourth section presents the land readjustment model and then discusses how the case of urban village renewal

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