

Case Report

# Social Sustainability and Redevelopment of Urban Villages in China: A Case Study of Guangzhou

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**Abstract:** Rapid economic development in China has generated substantial demand for urban land for development, resulting in an unprecedented urbanization process. The expansion of urbanized cities has started to engulf rural areas, making the urban–rural boundary less and less conspicuous in China. Urban encroachment has led to a rapid shrinkage of the rural territory as the rural–urban migration has increased due to better job opportunities and living standards in the urban cities. Urban villages, governed by a rural property rights mechanism, have started to emerge sporadically within urbanised areas. Various approaches, such as state-led, developer-led, or collective-led approaches, to redevelop these urban villages have been adopted with varying degrees of success. This paper uses a case-study framework to analyse the state–market interplay in two very different urban village redevelopment cases in Guangzhou. By an in-depth comparative analysis of the two regeneration cases in Guangzhou, which started within close proximity in terms of geographical location and timing, we are able to shed light on how completely different outcomes may result from different forms of state–market interplay. It is found that a neoliberal policy approach that aims at coordinating state resources with market forces rather than discarding the state’s role provides a more satisfactory outcome in urban village redevelopment when there are a lot of stakeholders involved each with different agendas. The state maintains a good balance of the power-play in the process with a clear and supportive policy and regulatory guidance, leaving the market to function more effectively and satisfactorily in effectuating capital flow for the project, which helps to achieve sustainable outcomes.

**Keywords:** urbanization; state–market interplay; social sustainability; urban village redevelopment; case-study approach

## 1. Introduction

Ever since China started its economic reforms in the 1970s, followed by market reforms in the urban land tenure system in the 1980s, the impacts of urbanization in China have attracted a lot of attention in both the academic and policy research fields [1–6]. Rapid economic development in China has generated substantial wealth in society, leading to growing demand for urban land for development to accommodate for various urban economic activities, especially housing needs. On the other hand, when a country becomes more and more affluent in general, achieving sustainable goals in the process of urbanization also becomes an important new urban agenda for such emerging countries as China [7–9]. Sustainable development goals (SDGs) are not only important for maintaining a sustainable living environment for future generations; it has been well-documented that achieving some or all of the SDGs has important implications for the governance structure of an authority as well [10–12].

The expansion of urbanized cities has started to engulf rural areas, making the urban–rural boundary less and less conspicuous in China. Urban encroachment has led to a rapid shrinkage of rural territory as rural–urban migration increases due to better job opportunities and living standards in the urban cities [13]. In this process, China has witnessed the emergence of a unique urban form known as an urban village. Urban villages are products of the dual-land tenure system in China that was created from the beginning of the urban land reform in the 1980s [14]. Started as a mechanism to preserve rural land from being encroached upon, the dual-land tenure system was designed to make converting rural land into land for non-agricultural activities more difficult as rural land cannot be sold and transferred to private development without a process of requisition, which involves negotiation between the state and the rural collectives who act collectively on behalf of their villagers. Nevertheless, the intensified widening of the gap between the urban and rural economies as national economic growth moved into the fast lane in the late 1990s defeats this objective. The growing disparity between rural farmers and their urban counterparts in terms of income earning capacity, education opportunities, social welfare package, as well as potential windfall gain from the land economy has made the exodus from rural villages more severe [15,16]. This rural–urban migration further increases pressure on urban cities to expand in order to accommodate these newcomers, and hence further exacerbates the urban encroachment problem. The objective of this paper is to analyse and illustrate the impacts and effects of different governance structures adopted by the Guangzhou government in the process of urban village redevelopment through two major case studies. Through comparing these two cases by means of a critical realist analytical framework, we will be able to highlight the circumstances under which sustainable outcomes, especially in terms of social sustainability, can be generated from a neoliberal redevelopment approach. The adoption of neoliberal urban policy is therefore to mobilize city space as an arena both for market-oriented economic growth and for elite consumption practices [17]. Neoliberalism has as a central element reliance on a market approach to solve socio-economic inefficiency problems, which coincides with the core objective of the economic reforms in China. In particular, land and housing reforms represent the most profound neoliberal shift, as land and housing had no “market” nor “price” allocation mechanism before the economic reform in China due to the strict socialist ideology of public ownership over land. Public provision of housing in pre-reform China was a part of the welfare system that was strongly embedded in the socialist urban management system to supplement the relatively low-wage economy. With the increasing opening-up of the economy after the commencement of economic reforms in the late 1970s, the market has finally been given a role in the allocation of land and housing, which will soon become almost the most essential asset that directly impacts on the daily lives of the general population. With the commencement of urban land reform which legalizes land leasing and transferring among individuals, real estate investors and developers, both domestic and abroad, are invited to share profits in the land economy from direct land supply by the government as well as urban redevelopment. In the process of this neoliberal urbanization in China, different interest groups have emerged to maximize their own benefit through competition as well as cooperation. Such an urban dynamic allows researchers a rare opportunity to examine the state–market interplay displayed in various urban spatial restructuring progresses, and urban village redevelopment is one of the most important ones.

The objective of this paper is therefore to analyse how a successful redevelopment outcome for urban villages in Guangzhou can be achieved with delicate, yet well-balanced state–market interplay.

The study of state–market interplay has been well-established and is deeply-rooted in the field of political science. Researchers have been interested in understanding how much reliance a society should place on the market to solve socio-economic inefficiency problems at the expense of limiting the role and control of the state. In this respect, the ideology of neoliberalism has gained enormous popularity [17–26]. While it is not the intention of this paper to participate in the political discourse pertaining to neoliberalism, we need to point out that the core objective of the economic reforms in China, including land and housing reforms, represents the most profound neoliberal shift in urban governance in China [27]. The analysis of our cases will hence shed light on the implications of the

market reforms that have been put in place in China in the last 4 to 5 decades to achieve long-term and sustainable urban outcomes.

This paper is divided into a number of sections. First of all, a general introduction of the “urban village” phenomenon in China will be made, followed by a brief discussion on the relationship between social sustainability, rural development, and urban regeneration in the context of neoliberalism and smart growth strategy. Since our cases were extracted from the city of Guangzhou, a brief introduction of urban development in Guangzhou will also be made. After this introductory elaboration, a more comprehensive discussion on the changes in government policies towards urban villages in Guangzhou will be given. After the description of these two cases, the analytical framework based on the critical realist approach will be presented before the comparative analysis is to be conducted. Findings on this comparative analysis will be given, and then a theoretical discussion of these findings based on the framework of state–market interplay will be illustrated for the conclusion to be drawn in the final part of the paper.

### *1.1. Sustainability, Rural Development, and Urban Regeneration*

It has been well-established in the academic field that sustainability needs to be conceptualized in the operation of an urban regeneration scheme in order for true sustainable development outcomes to manifest themselves, which will eventually serve public policy purposes [28]. Hence, an urban regenerating scheme cannot focus on just the replacement of the old structures by the new ones, although this replacement process serves a function of being a means to achieving some or even all of the well-recognised sustainable development goals [29]. Sustainability outcomes in urban redevelopment come in many formats, and researchers have over the years devised various technical and social indicators to assess and measure such outcomes in examining the overall success of urban redevelopment projects [30]. Among these indicators, while the most attention has been given to the technical assessment of environmental sustainability [31–33], the socio-economic aspect of sustainability outcomes achieved in a redevelopment scheme are equally important. In particular, social sustainability that allows lower-income residents to enjoy the outcome of an improved physical environment of their own neighbourhood without being displaced to another location has also been receiving more research attention in recent years. Social sustainability is an essential element in the redevelopment process as it serves as a safety net for original residents to maintain and sustain their social capital, especially those in the lower income group who are usually not able to articulate their interest easily [34]. Interestingly, social sustainability can also embrace environmental as well as ecological objectives if principles, such as smart growth, can be factored into the redevelopment scheme that will consider both economic as well environmental outcomes [35]. On the other hand, a socially sustainable urban redevelopment scheme will also take into account balancing the needs of both urban and rural development. The concepts of smart, sustainable, and inclusive growth strategies have recently been well-promoted, especially in the E.U. [36]. Sustainable management of rural resources is being regarded as an innovative rural development policy in the wave of global urbanization [37–39], which is not only economically important but socially significant in ways such as safeguarding public health [40]. Similarly, social, financial, cultural, and environmental sustainability objects can be well-balanced as long as a comprehensive assessment mechanism can be applied to weigh in all these conflicting variables [41]. This paper would therefore illustrate how different governance structures [42] applied in the redevelopment of urban villages in Guangzhou may contribute to different social sustainability results.

### *1.2. Urban Development in Guangzhou: A Brief Introduction*

Guangzhou is one of the growth engines in the Pearl River Delta (PRD) region, which itself is also the core economic region in southern China as a result of production globalization. Local governments in the PRD have devoted tremendous efforts to creating a pro-development environment that will facilitate foreign direct investment into their own city, which is a major key performance indicator

for the local political leaders. Consequently, at the beginning of the reform stage, manufacturing industries were attracted to the PRD region for both the cheap land cost and labour wage, and they started to blossom at the urban fringe and even in rural areas, leading to substantial urbanization. More importantly, many rural towns have also found the new source of income of renting out their farmland owned by the rural collectives to these incoming manufacturers to be more attractive and have less hardship for them. The industrialization coupled with urbanization eventually led to the loss of valuable agricultural land [43]. This also explains why the PRD has relatively more urban villages.

Guangzhou is the capital city of Guangdong Province with a long history of industrialization and urban development. Guangzhou's urban development has gone through several phases characterized by different goals. According to the statistical data from the Guangzhou Urban Planning Bureau, the total built-up area in the city has increased from 170 km<sup>2</sup> in 1980 to 266 km<sup>2</sup> in 1997 and then to 990 km<sup>2</sup> in 2011 (<http://www.gzlpc.gov.cn/>).

In the early days after the Communist Party took over power, Guangzhou, similar to other Chinese cities, was usually pictured as an old and dilapidated urban environment. Urban development at this stage focused on urban post-civil war reconstruction through replacing the decaying wooden houses with brick structures as fast as possible. As the population increased faster than the scale of infrastructure development, it put more pressure on the existing buildings in the inner city. However, these short-term measures of intensifying the inner city's existing structures without an underpinning comprehensive urban plan did result in further overcrowding and the deterioration of physical and social conditions.

After the economic reforms began to show some promising outcomes in the early 1990s, local governments started to rely on private real estate developers to carry out the tasks of urban regeneration. This was partly fueled by the fact that as the economy grew, the inner city became more economically valuable due to locational advantages so that developers were also eager to participate in such high-return regeneration schemes while the local government could receive substantial financial gains from land leasing [44]. The informal state–market alliance thus started to brew at this stage as both sides saw potential benefits in this partnership. On one hand, developers got a partial government exemption on certain taxes and fees with an expedited approval process in the development control mechanism. On the other hand, the developers demolished the old buildings and replaced them with high-rise modern structures that helped modernize their city with the least burden on public financial resources and in a more efficient timeframe. In Guangzhou, 4481.7 ha of land in its central areas (the Dongshan, Yuexiu, Liwan, and Haizhu districts) had been directed into the land market for redevelopment during the period of 1992 to 1999 through such informal collaboration [45].

Nevertheless, by the late 1990s, the real estate bubble in Mainland China started to burst after a few years of frantic speculations such that the government of Guangzhou also slowed down leasing land in the inner city, which seriously affected the existing redevelopment pattern. The government then came to the conclusion that inner city redevelopment should not be solely led by real estate developers at the expense of stringent and reasonable governmental controls for sustainable development goals. Therefore, in 1999, the Guangzhou government reclaimed the responsibilities of inner-city redevelopment and excluded the private sector from upcoming redevelopment projects, putting a halt to the state–market alliance. By the end of 2004, the government had completed a total redevelopment floor area of 240,000 square meters, benefiting more than 4000 households with 37,000 square meters of public space and 21 new parks, without the involvement of private developers.

## 2. Characteristics of Urban Villages in China

The advent of urban villages is an urban economic solution to the consumption-based demand arising from the high-speed urbanization process in China, which in turn also creates a lot of urban problems. The formation of urban villages in China has been well-documented [13,46,47], and urban villages are the rural collective's land, or technically the remainder of the rural collective's land after other rural land surrounding the "village" site has already been requisitioned and converted into state

land for urban development purposes. The village will not have been converted for various reasons; usually, it is due to a compensation problem [13]. Hence, these pockets of “village” sites are engulfed by properly converted urban land, making it difficult for them to be used for agricultural purposes. On the other hand, since the rural villages originally contain building land, these pockets of urban village sites serve the important economic function of providing low-cost housing for newcomers to the city on a temporary basis. Since most of these newcomers are rural farmers who lack the necessary professional skills in a growing service-based city economy, a lot of them have to work in a low-end sector of the economy with a minimal wage. These low-cost housings in the urban villages inside the cities match what these low-level workers can financially afford with a very basic accommodation structure. However, due to the fact that property rights over these urban villages still belong to the rural collectives, building and health controls over the built structures on these urban villages seem to have escaped regulatory supervision, leading to a substantially over-built floor area, sub-standard health and building quality, and a higher crime rate [46,47]. What started as a quick economic response to the expanding urban economy soon became a burden on the city authorities as the social and health problems associated with urban villages festered [2,46]. Eventually, it was of paramount importance for the urban authorities to convert and merge urban villages into an urban setting in order to achieve sustainable urban development that acknowledges the contribution of urban villages as part of the urban growth process while improving the livelihood of these urban villagers.

Based on various studies examining urban villages in China, we can summarise that such an urban phenomenon has the following characteristics [13,27,46–49]:

1. A rural collective governance structure: management of the property rights and public daily activities within urban villages is conducted by the rural committee that is usually composed of senior members of the rural village. Residents are still confined to the rules and regulations set by these rural committees. Some regulations that cover the surrounding urban areas are not applicable to these rural villages, in particular the building regulations.
2. Agricultural production ceases to be the core economic activity of these urban villages, as arable land that was once part of these villages has already been requisitioned and does not exist anymore. Villagers therefore can only resort to commercial activities, such as leasing their built structures for housing new immigrants as well as retail activities to urban dwellers around their village and renters. In some urban villages which command a better location within the urban setting, such rental income could be very substantial, which nevertheless works as a double-edged sword. On one hand, it alleviates the hardship of the rural farmers living in these urban villages as they have already lost their arable land. On the other hand, with such steady and appealing rental income coming from effortless leasing activities, some of these farmers, or even the whole rural committee, stop planning for the future development of their land, and such negligence leads to dis-repair and dilapidation of their properties. Over-building of rental properties is made possible due to the lack of government control. This results in poor planning standards inside these villages with very limited physical, sanitary, and social facilities.
3. Because of the over-reliance on rental incomes, some of these rural residents lease out their properties without filtering the background of their incoming tenants. As a result, people from complicated or even criminal backgrounds start to gather inside these urban villages, making the environment insecure for ordinary citizens.

In general, urban villages are urban problems that need to be addressed by the urban authority. In Guangzhou, the city government decided to set out a sustainable development agenda for the city with the main target of regenerating the urban villages and converging them with the overall urban development plan of the city in three stages.

### 3. Between 2000–2008: Exploratory Stage

With the growing number of urban villages in Guangzhou, negative externalities associated with urban villages started to emerge. The negative impacts included a higher crime rate inside the urban villages and a decreasing health standard. Regenerating these urban villages was imminent. The city government therefore listed 138 such urban villages that would be included in the long-term sustainable redevelopment plan in the city, and dialogue was started on the best mode of redevelopment process to be adopted. For example, in 2002, a “Radiating Mode” (Yi Dian Dai Mian) was proposed hoping to use redevelopment on a single site for all associated positive externalities to radiate from this point to a wider surface [49]. Similarly, in 2005, another model was proposed that aimed at targeting redeveloping buildings with immediate structural problems [49]. In 2007, Liede Village was given a trial of a comprehensive redevelopment model together with a government-led infrastructure plan, including the Liede Bridge and a new underground line that supported the sustainable development of the neighbourhood after the redevelopment. This model turned out to be appealing to the villagers and successful, and the “Liede model” has been widely reported and studied.

### 4. Between 2008 and 2015: Three Directions in Urban Regeneration

Under this phase, the Guangdong Provincial government issued a policy guideline to concentrate on three directions in relation to urban regeneration within various cities in the Guangdong Province. These three directions were: regenerating old towns, regenerating old and dilapidated factory compounds, and regenerating villages (For reference: Department of Land resources of Guangdong Province (<http://www.gdln.gov.cn/>) and Guangzhou Urban Renewal Bureau (<http://www.gzuro.gov.cn/>)). Urban village regeneration therefore fell naturally into the last policy direction in this phase. According to the government document, to facilitate the outcomes of these three directions, a number of policy guidelines were to be implemented, such as streamlining bureaucratic procedure in planning and executing such regeneration plans as well as the process of converting the collective’s land into state land, permitting the sale of the use-rights on land by negotiation, and encouraging income and profit from regeneration projects to be rechanneled back into long-term, income-generating activities for the benefit of the original residents. In the other words, this phase marked the beginning of the new policy paradigm in regeneration policy that aims at speeding up the marketization process while achieving long-term sustainable outcomes.

### 5. 2015 to Now: Sustainable Development Plan

After nearly 2 decades of trial and error, the Guangzhou city government has finally set a long term urban development goal for the city with the specific target of merging the urban villages into this long-term sustainable development agenda. In this stage, the government aims more at achieving quality outcomes that produce a long-term sustainable result than a quick fix for this urban problem. The redevelopment of urban villages concentrates on economies of scale with improved outcomes that can achieve a radiating effect. It is therefore hoped that the benefits of the regenerated urban villages can linger into other parts of the city via a better and more coordinated infrastructure plan, more efficient use of land with better planning, and a more sustainable urban design that covers the whole city. To achieve these outcomes, a set of sustainable development objectives has been outlined by the government in considering urban village redevelopment (Table 1).

**Table 1.** Sustainable Development Objectives for Urban Village Redevelopment Programmes in Guangzhou.

Category	Specific Objectives
<b>Economics</b>	✓ Reasonable compensation be paid to rural residents, which allows them to utilize this compensation for long-term economic activities that produce sustainable income;
	✓ Reasonable development return be expected by both the developers as well as the rural collectives;
	✓ Reasonable compensation be expected by non-registered rural residents who have stayed in urban villages for a reasonably long period of time and have treated that village as home;
	✓ Substantial community or even regional economic development be expected after the completion of the redevelopment.
<b>Social</b>	✓ Respect be paid to the villagers' need for preserving their original culture and traditional rural rituals in the redevelopment design and operation plan;
	✓ Regard be had to the needs of the non-registered rural residents who have stayed in the urban villages for a reasonably long period of time and have treated the village as home, such as the continuing provision of a low-cost and affordable housing choice with different designs so that these external non-rural residents can integrate with the locals more easily after the redevelopment.
<b>Environmental</b>	✓ Provisions be made to include well-planned physical and social infrastructure projects in the redevelopment plan, such as community facilities, schools for local children, transportation facilities, medical centres, and markets;
	✓ Provisions be made to include original architectural, design, and landscape characteristics of the urban village to be redeveloped. Special features, such as ancestral halls and river surges, should be well-conserved to maintain the collective memory of the local rural residents;
	✓ Special attention be paid to converge the redevelopment project with the urbanized surroundings to maximize town planning and urban design outcomes and to make the redevelopment project part of the more comprehensive urban development strategy of the city as a whole.

## 6. Analysis of the State–Market Interplay in Guangzhou

Before we carry out the analysis, the following introduces the state–market nexuses under different urban village redevelopment practices in Guangzhou, China.

Government-led redevelopment practice: in general, almost all redevelopment cases start with the government's initiative. To be specific, under this mode, the government is in total control of every detail of the redevelopment plan as well as the execution of it before handing the completed project to the market for final disposal. This is usually adopted as the practice when the urban village sits within a vast piece of development land in the process of a comprehensive development project. A typical example is the Xiaoguwei Village in the University City project in Guangzhou. This model is necessary when a larger site is involved, as there is more coordination work needed among different stakeholders, especially different government departments such that a government-led, top-down approach works more effectively. On the other hand, it also means a higher financial burden on the public sector when compensation and infrastructure projects are taken into account, at least before the project is completed. It is therefore reasonable to see that "government-led" is not easily sustainable throughout the whole redevelopment process, and more commonly what started as government-led would eventually become either developer-led or collective-led, as described below.

Developer-led model: under this mode, the authority outlines the comprehensive development plan in policy terms before commencing the redevelopment project. This is then followed by initiatives offered by developers in the execution of the actual redevelopment. These initiatives include compensation for the site assembly process, infrastructure development, overall design plan, demolition of existing structures, and development of the new project on the site. The advantage of this mode is that developers are more market-oriented, and they are more capable of producing what the market wants upon completion of the project. In addition, this also allows minimal public financial injection and maximum return to the authority. However, as developers are mainly profit-driven, conflicts with the original residents in the urban villages tend to intensify more easily.

Collective-led model: under this mode, the city government's role is similar to the developer-led model, which is minimal participation except for general policy guidance. The initiative is taken by the rural collective, who is responsible for raising capital for the project from their own sources or to partner with a third party. Unlike the developer-led model, the rural collective will also be responsible for the site assembly, compensation, and rehousing arrangements. The collective is also responsible for designing, project-managing, constructing, and developing the redevelopment project. The rural collective also coordinates with the authority in terms of supporting infrastructure development on and around the site. A typical example is the Liede Village in Tianhe District in Guangzhou. The major advantage of this model is obviously the minimal resistance from the rural residents as the rural collective's committee would have garnered enough support before proposing the redevelopment plan to the authority. Rural residents therefore are highly motivated and incentivized to participate and expedite the process as much as they can as compensation and rehousing issues have already been internalised. Nevertheless, rural collectives and their committees usually lack professional knowledge and connections in the real estate development market, and quality control in the development process may be a difficult task for rural residents to handle.

To summarise, the institutional variables that shape the success of urban village redevelopment under the above three models are juxtaposed in Table 2.

**Table 2.** Juxtaposition of Institutional variables in the three Urban Village Redevelopment Models.

Features	Government-Led	Developer-Led	Collective-Led
<b>Advantages</b>	<ul style="list-style-type: none"> <li>➤ Efficient policy coordination, comprehensive planning guide, public interests guaranteed</li> </ul>	<ul style="list-style-type: none"> <li>➤ Efficient Market information for quicker response, easy access to capital market financing, well-developed professional team</li> </ul>	<ul style="list-style-type: none"> <li>➤ Residents' resistance internalized and minimized, public participation incentivized</li> </ul>
<b>Weakness</b>	<ul style="list-style-type: none"> <li>➤ Lacks access to capital markets for flexible financing models, government bureaucracy and red tape leads to lack of professionalism</li> </ul>	<ul style="list-style-type: none"> <li>➤ Potential conflict with developer's/shareholders' pecuniary interests, lack of interest in sustainable development strategy of the neighbourhood</li> <li>➤ Lacks villagers' support especially in the compensation, design, and rehousing package, which leads to a hold-up</li> </ul>	<ul style="list-style-type: none"> <li>➤ Lacks institutional knowledge in land development and construction management, lacks market knowledge</li> </ul>
<b>Typical examples</b>		<ul style="list-style-type: none"> <li>➤ Pazhou Village (2008–2014)</li> <li>➤ Wenchong Village (started in 2015, work in progress)</li> <li>➤ Xintang Village (started in 2015, work in progress)</li> <li>➤ Lijiao Village (planning stage)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Liede Village (2007–2010)</li> <li>➤ Linhe Village (2010–2014)</li> <li>➤ Tan Village (2012–2017)</li> <li>➤ Yangji Village 2010–2016</li> <li>➤ Dongjiao Village (started in 2010, work in progress)</li> </ul>

As mentioned above, since almost all urban village redevelopment cases in Guangzhou start with the government's initiative, and usually financially it will soon become more and more difficult for the government to sustain and lead the project completely throughout the redevelopment process, we will only carry out a comparative framework that concentrates on the developer-led and collective-led outcomes. These two models are in practice the more common operational forms in urban village redevelopment in this city. In the following two cases, we will illustrate how the institutional variables outlined in Table 2 work to shape or deter a satisfactory redevelopment outcome for urban villages in Guangzhou.

## 7. Methodology

Following the critical realist analytical framework adopted by Howlett et al. [50] in their analysis of neoliberalism, this paper will analyse the state–market interplay in the process of redeveloping



urban villages in Guangzhou. This critical realist approach is useful in this analysis as it examines how practices (of the urban village redevelopment process) are being shaped by various institutional variables, and conversely how the outcomes shape these variables. The critical realist analytical approach assumes that it is possible to gain knowledge of the structural forces that constrain or facilitate the capacity of each stakeholder or actor within a political context by means of a multi-level framework of comparison and analysis [50]. In short, the critical realist approach examines the relationship between the agency and the structure and how these two elements interact to achieve the desired outcomes or fail to do so. It is an abstract approach and the examination is usually conducted by observations by the researchers [51]. While it is qualitative in nature, it has been applied in various research fields that require the interplay among actors and the power politics behind the development of events to be deciphered [52,53].

In this paper, we will adopt a case study approach to underpin the critical realist examination of the variables that are critical in achieving social sustainability in the process of urban village redevelopment in Guangzhou, China. The qualitative case study approach allows us to unfold how a market-based policy approach has been adopted in the redevelopment of urban villages in Guangzhou as we go through the redevelopment process in the case studies. A case study approach is not a mere description of the facts obtained via interview or other desktop research. Yin [54] states very clearly and succinctly that “A case study approach should not be confused with qualitative research. Case studies are based on any mix of qualitative and quantitative evidence”. Moreover, a case study approach will be more appropriate when the “focus is on a contemporary phenomenon within some real-life context” [54]. Using a case study and qualitative analysis on sustainability issues has not been uncommon in recent years [55,56]. Through the analysis of two distinctly different cases in Guangzhou, we will be able to compare and contrast the various institutional variables that would impact on the redevelopment outcomes.

The selection of the two cases is based on the availability of information and comparability. Based on the literature search conducted above on urban villages and the professional networks of our research team, we have decided to use Liede Village and Xian Village in our analysis. Most of the comparative analysis was conducted on-site by our team and supported by a literature search. Given the relative proximity of the two villages and the contrasting outcomes, we believe that these two cases support our discussions after the findings from the comparative analysis have been made below.

## 8. Case Study Analysis: Findings

### 8.1. Liede Village: The Case of Win-Win Outcomes

The Liede Village redevelopment has been widely reported as a showcase of urban village regeneration in Guangzhou [13]. It is also widely researched on its success factors because of the win-win outcomes, as can be seen in the drastic change before (Figure 1a) and after (Figure 1b) the regeneration (Figure 1). Location-wise, Liede Village is situated in the Tianhe District, the central business district (CBD) of Guangzhou (Figure 2). Liede has an area of about 3.1 sq.km, with a total population of 22,000, half of which are registered rural residents. In 1992, the Guangzhou government started to plan for the new development area known as the Pearl River New Town, which covers Liede Village geographically.

As usual, land types with a relatively low compensation standard, including fish ponds and arable land, were requisitioned first, leading to the formation of an urban village. By May 2007, a comprehensive redevelopment plan was announced.

In brief, the redevelopment plan started as a government-led project, but negotiation with the rural residents on compensation soon came to a deadlock. At this junction, a prominent and well-respected figure in the rural committee tried to coordinate the project and the authority was happy to take a backseat role by converting the process into a collective-led mode. Things started to be smoothed out, and very soon an agreement on the compensation, rehousing, and redevelopment scheme was made.

In particular, the original rural residents were given a generous compensation package, including the right to be rehoused back to the new project with an option to purchase extra flats based on some pre-determined criteria at a discounted price level. Some households were reported to have obtained more than 10 new flats, with the highest standing at 20 new flats! Given the proximity of the site to the CBD in Guangzhou, the housing price has gone up by at least 5 times since redevelopment, which helps the rural residents to quickly accumulate wealth afterwards. To make the redevelopment outcome more sustainable, part of the site has been turned into commercial development, including offices and hotels, and leased to the private sector. This part is still collectively owned by all rural residents for long-term sustainable incomes. In recent years, each household has been paid on average about 60,000 Yuan per year, which is almost as much as an average university graduate can expect as a starting salary in Guangzhou.



Figure 1. Before and After Redevelopment in Liede Village. (a) the drastic change before the regeneration, (b) the drastic change after the regeneration



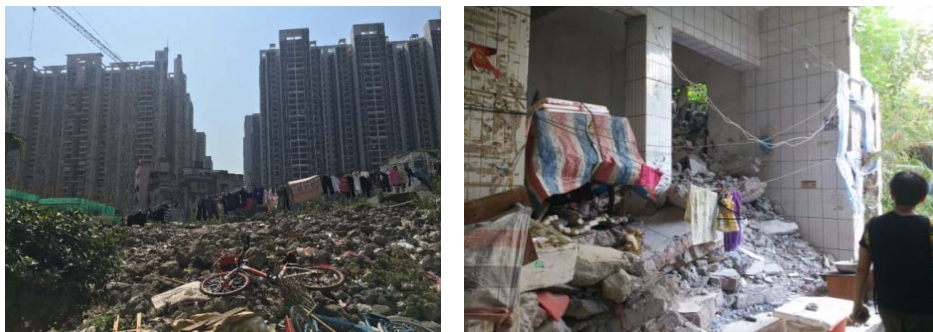
Figure 2. Location Map of Xian Village and Liede Village. CBD, central business district.

8.2. Xian Village: The Case of a Lose-Lose Outcome

Xian Village is only one main road apart from Liedei Village (Figure 2), but the outcome was completely the opposite. In July 2009, the redevelopment of Xian Village was announced by the

government. The total site area of the village is about 1.85 sq.km, bounded by two major roads, namely Fuxing Road and Haian Road. According to the original redevelopment plan, there are three major zones to be developed after the project. Zone A is mainly a residential area for rehousing the original residents from the village, with a planned built-up area of 450,000 sq.m. Zone B is planned to be mixed residential and hotel development with a planned built-up area of 170,000 sq.m. Residential buildings in this zone are both “commodity” housing for the open market and for the original villagers to purchase if they wish to. Zone C is basically a commercial area with a planned built-up area of 457,000 sq.m. There are a total of 1421 families in Xian Village with a total number of approximately 5000 villagers.

Similar to Liede Village, it started as a government-led model. However, by April 2011, the government found that financially it became unbearable for them. Without another option or hope to move forward, the government sold the redevelopment right to a private developer, making the project developer-led. However, negotiations between this private developer and the rural residents came to a standstill again, and without anyone in charge, the whole redevelopment basically was put on the shelf. At the time of writing, Xian Village is still a dilapidated urban village with no sign of new development coming into the picture. Figure 3 shows the existing state of the village which is very unsatisfactory in terms of sanitary standard and environment. Since the commencement of the redevelopment plan in 2009, only three blocks of rehousing residential buildings have been completed (Figure 4).



**Figure 3.** Dilapidated buildings and the sub-standard living environment in Xian Village.



**Figure 4.** Current State of Xian Village (three blocks of rehousing buildings in the right bottom corner).

## 9. Comparative Analysis of the Two Cases

Based on the general critical realist framework [50–53], this comparative analysis examines how various institutional variables evolved and intertwined in these two cases that led to so drastically different outcomes. A factual comparison is provided in Table 3. In particular, we would like to highlight how the state–market interplay can work towards a satisfactory outcome if various stakeholders can respect each other’s role in the whole process of redevelopment.

**Table 3.** Comparative Analysis of the two cases.

Characteristics	Liede Village	Xian Village
Location	Southeast of Pearl River New Town	Northeast of Pearl River New Town
Population	Approx. 22,000	Approx. 34,000
Commencement	2007	2009
Redevelopment mode	Collective-led: with strong backup and guidance from state resources in the city and district levels. Collective applied open market land auction to finance the project and other infrastructure development	Developer-led: government basically withdrew from the picture after failing to finance the project. Developer took over the initiative and collective dealt with the developer directly without much support from state resources.
Outcomes	99.9% of the residents signed the agreement on the designated acceptance date set by the government. By September 2010, residents started to move back to the new project. The living standard and environment have been improved. Residents obtained substantial compensation in cash and in kind, with their tradition and culture being protected and conserved.	Still a deadlock at the time of writing. Some villagers lost confidence on the rural committee members as suspected corruption was reported. Some residents still resisted to move away, and those who signed the agreement are desperate to move back.

In terms of the governance institution, at the beginning, Liede Village adopted a government-led model with both the city and district authorities taking the lead jointly. Soon, the rural committee took over by forming their own redevelopment company. However, the “state” element did not just drop out of the picture. Both the city and district authorities maintained advisor roles, especially in terms of coordinating with the overall urban development plan in Pearl River New Town, and in project management, while the collective’s redevelopment company concentrated on working with the “market”, especially in terms of channeling finances for the project and working out compensation and rehousing arrangements with the residents. Both of these tasks are less likely to be achieved by the state easily without going through a time-consuming negotiation process. This institutional variable helped to shape an effective partnership where different actors perform the task they were most equipped to carry out. With the state providing a policy and regulatory guideline in the background, the Liede rural committee was able to strengthen themselves with a more entrepreneurial role and an inclusive attitude in handling residents’ demands. The most typical example is the revision of the official “Liede Redevelopment Compensation and Rehousing Regulations” that eventually incorporated the views of the residents on the compensation standard together with a specific plan for the sustainability target for the villagers after the redevelopment had been completed in terms of long-term sustainable economic development.

Xian Village adopted a similar government-led model at the beginning as well. Similar to the Liede Village situation, the government also met with problems in compensation negotiations with the villagers. However, in the Xian Village, no one from the rural committee was willing to come out to help coordinate the scheme, leading to the final complete withdrawal of the government as they saw no possibility of handling the financial burdens at the outset of the redevelopment project. Eventually, the model became developer-led, without the state’s resources and support. The rural committee was in direct collaboration with the developer without any supervision and guidance from the state.

Consequently, corruption occurred and some of the monetary compensation was missing together with some committee members. Spiraling down from this collapse of confidence among the rural residents was the resistance to the redevelopment agreement, which led to the unfortunate situation of the current deadlock.

In terms of institutional variables of the development plan, Liede's case adopted a comprehensive development mode, meaning a complete demolition of the old structures to be replaced by a brand new community. This plan met with enormous opposition at the beginning from the rural residents, especially regarding the removal and re-construction of the ancestral halls to a different location of the community. In old village custom, moving the ancestral hall is probably the most disrespect one can give to their ancestors. This was finally resolved as the leader of the rural committee was a well-respected person with strong personal charisma. He was willing to spend time discussing the project with the residents and was able to obtain backing from the authorities and the developers in terms of design standards for future development as well as maximizing the benefits of the residents with a sustainable development plan for the site. Residents eventually felt confident with the transparent mechanism of the whole execution plan of the project and hence were willing to place their trust in the rural committee to act on their behalf.

In the Xian Village situation, the deadlock festered from the unresolved problem of compensation in the development scheme. To the residents, they resisted signing the agreement as they noticed a number of unfair terms in the scheme. First of all, they noticed that the rehousing and returning arrangement was very unclear. Unlike the Liede agreement, where there was a very clear and open guideline on how much floor area a resident would get when returning to the completed project and the discount they could enjoy when intending to purchase an extra flat, the Xian Village's agreement had none of these provisions. The arrangement for these returning details was blurry and open to interpretation, which created more suspicion than necessary. Secondly, there was no provision on project finance management in the agreement. Residents were not sure who had authority to do what in terms of mobilizing the monetary compensation they got from the developer, and they were afraid that the project might not even be completed in the end. More importantly, residents could not see a sustainable future for them upon completion of the project. Apart from the cash compensation for the property they owned in the redevelopment process, there was no provision for how their livelihood would be taken care of and protected after the completion of the project when they will have no other means of sustainable income.

An important institutional variable that helped to shape the success of the Liede Village case, and was missing in Xian Village, is the focus on sustainable redevelopment outcomes in terms of social, economic, and environmental aspects. Sustainability was given top priority in the whole redevelopment scheme from the beginning. When designing the redevelopment project, the rural committee had insisted on conservation of the traditional, cultural, and architectural values of the village. All ancestral halls were preserved, though in a different location, to the satisfaction of the residents. The "dragon-boat" tradition of the village was also preserved with the beautification of the river that cuts through the village. A memorial exhibition hall was also built to highlight the history of the ancestors so that after the redevelopment they could still preserve their past.

In terms of environmental sustainability, the new community has modernized facilities, such as wet markets with a high sanitary standard, a well-designed public school, and parks. All these help the returning residents to feel at home again with a comfortable environment for their future generations, which is imperative in rural culture. Economically, a certain part of the site was operated as a long-term commercial site with office and hotel development so that in the long run, the rural residents' livelihood is financially supported. Since the operation of this commercial zone has started, it has brought in on average 100 Million Yuan a year for the whole village, which is distributed to the residents through an annual bonus.

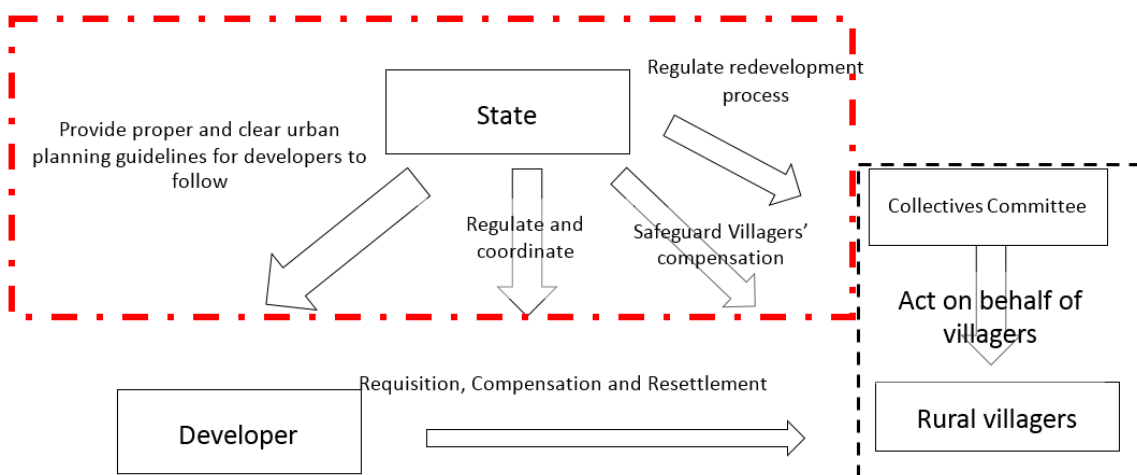
In terms of the institutional variable of project finance, the rural committee of Liede fully utilized a market mechanism by carrying out an open auction for the development land on their site so as to

maximize their benefits, whereas the Xian Village operation was more a private treaty agreement with a specific developer from the start.

**10. State–Market Interplay: Further Discussions from the Analysis**

According to the analysis of state–market interplay underpinned by such political science approaches as neoliberalism, one market-based solution to urban problems is to deploy open and competitive markets at the expense of the state’s regulatory supervision. In the above two cases of urban village redevelopment in Guangzhou, an open market was installed at the expense of the state’s regulatory supervision, but to very different degrees, leading to two very different outcomes. We noted from above that one successful approach is to bring back market efficiency to solve urban problems by replacing the state’s control with a market. However, we also cautioned above that it does not mean a total discard of the state’s function. In Liede’s case, we observed how this neoliberal approach had been carried out with a satisfactory outcome underpinned by a well-balanced state–market nexus. Basically, a market was put in place not to totally replace the state, but to operate with full support of the state’s resources in areas where market might not function well. These areas include policy guidelines, comprehensive urban and infrastructure planning, and supervision of the whole redevelopment process. All these serve to garner more effectively the willingness of the residents to adopt a more collaborative rather than opposing attitude. In addition, in the case of Liede, the state even offered interim rehousing compensation when the residents temporarily moved out of the village and waited to return upon completion of the project. Similarly, the state also provided some tax allowances for the rural committee so that they can have a higher degree of capacity to raise capital for the project.

Such collaborative state–market interplay was missing in the Xian Village case. Figure 5 explains this situation graphically. As seen in the figure, the state lost control of the situation at the very beginning without seeing a proper market mechanism to be put in place. Following the withdrawal of the state, the vacuum of supervision could not be filled by any other stakeholder due to market failure in the actual execution of the development plan in addition to the problem of corruption that easily rides on a market mechanism without proper government control. There was in fact no state–market interplay in the Xian Village that could strike a good balance for a sustainable redevelopment outcome to emerge, leading to a collapse of confidence among the rural residents in both the state and the market.



**Figure 5.** Missing Functions of the State in the Xian Village case (within the dotted line box).

**11. Conclusions**

Urban redevelopment is a complicated process as it involves a number of stakeholders each with a different agenda. It involves the requisition and re-allocation of property rights on the site, and this becomes more intricate in the case of urban village redevelopment in China as it intertwines with

the dual-land tenure system where the rural collective still owns the property rights over the urban village. Deprived of agricultural land for farming purposes, rural residents who own the property rights collectively over the land in urban villages become over-dependent on rental incomes receivable from their housing properties, which is counter-productive to achieving a sustainable development plan for the whole city. By comparing and analysing the core institutional variables that impact on the outcomes of two urban village redevelopment cases, this paper is able to shed some light on the optimal state–market interplay in this process. Our qualitative case study approach on the two regeneration cases in Guangzhou that started within close proximity in terms of geographical location and timing shows how completely different outcomes may result with a different form and magnitude of state–market interplay. In both cases, the state refrained from taking the leading role in the redevelopment process after initially failing to achieve a prompt negotiation with the villagers. The subsequent evolution of the role of the state in this process, however, differed substantially leading to very different results. On one hand, applying the neoliberal approach as the basis of urban policy, the case of Liede shows that adopting a market-based policy approach to tackle such urban problems as redevelopment of urban villages with a complicated property rights arrangement does call for a better utilization of the state’s resources while placing a stronger reliance on the market. Liede’s success illustrates that the state and the market can co-exist and the state–market interplay in this case demonstrates that a well-balanced redevelopment governance model maximizes the benefits of all stakeholders in urban villages in China, allows the most collaborative sentiment to flourish, and thus provides a sustainable redevelopment outcome. Government retains a strong function in providing clear and proper policy guidelines in supporting sustainability outcomes with the provision of infrastructure facilities in the outer neighbourhood and in overseeing the whole redevelopment process with regulatory controls and standards so that the market needs to operate within a regulated framework. The market on the other hand was allowed to generate a development fund for the rural collective in Liede Village through auctioning surplus land in the open market, and to convert part of the rural collective’s land with blurred property rights to be transformed into a more easily circulated market real estate asset. Through this approach, a market is established not just for this specific redevelopment project, but also for the long-term circulation of such a rural collective’s land for more efficient and sustainable use. On the other hand, the Xian Village case shows a failed experiment of the market-based approach in the redevelopment process when the state was not encouraged to mobilise its resources to achieve a successful outcome. The complete withdrawal of the state and its replacement by an unregulated market operation between the rural committee in Xian Village and the developer eventually reduced the confidence of the rural villagers and hence their willingness to collaborate and increased distrust and confrontation in the process. By comparing and contrasting these two cases through a state–market framework, this paper contributes to the academic discussion in urban village redevelopment where a market mechanism is not easily implemented due to the dual property rights system in China. A successful and effective approach to urban village redevelopment can be achieved if well-balanced state–market interplay can emerge that will eventually achieve socially sustainable urban goals.

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