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Article (Accepted version)
(Refereed)

Original citation:
Shin, Hyun Bang (2015) *Economic transition and speculative urbanisation in China: gentrification versus dispossession.* Urban Studies . ISSN 0042-0980 (In Press)

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Available in LSE Research Online: July 2015

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Economic transition and speculative urbanisation in China: Gentrification versus dispossession

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THIS ARTICLE IS TO APPEAR IN THE JOURNAL, URBAN STUDIES (ISSN 0042-0980). FOR MORE DETAILS, E-MAIL: H.B.SHIN@LSE.AC.UK

Abstract

Gentrification requires properties to be available for investment through market transactions. In mainland China which has gone through transition from a planned to a market economy, it is necessary to unleash decommodified real estate properties and make them amenable to investment. This entails inhabitants' dispossession to dissociate them from claiming their rights to the properties and to their neighbourhoods. This paper argues that while China's urban accumulation may have produced new-build gentrification, redevelopment projects have been targeting dilapidated urban spaces that are yet to be fully converted into commodities. This means that dispossession is a precursor to gentrification. Dispossession occurs through both coercion and co-optation, and reflects the path-dependency of China's socialist legacy. The findings contribute to the debates on contextualising the workings of gentrification in the global South, and highlight the importance of identifying multiple urban processes at work to produce gentrification and speculative urban accumulation.

Keywords:

Gentrification, dispossession, economic transition, speculative urbanisation, China

Introduction

When the Royal Institute of British Architects awarded a top prize to Zaha Hadid Architects (ZHA) in 2013 for their design of a new mega-complex in Beijing, the news was received with astonishment by a Beijing-based non-governmental organisation (Wainright 2013). On the developer's promotional web site, the mega-complex was described as "a large development comprising a compelling mix of office and retail space".[1] It was located just inside the eastern section of Beijing's 2nd ring-road. Completed in 2012, the new development sat in the area like an alien ship, having been built to replace historic urban fabric, dwellings and local residents. The NGO issued a letter criticising the award, arguing that it would only propel developers and local officials to continue their current practices of neglecting local residents' legal rights and cultural heritage preservation. ZHA retorted that "When ZHA was appointed to the project, no buildings existed on the site which is adjacent to large scale commercial/civic buildings and one of Beijing's busiest motorways" (cited in Wainwright 2013).

The above episode connotes many things about the nature of mainland China's speculative urbanisation. The Galaxy SOHO project represents a number of new-build, commercial gentrification projects that have been changing China's urban landscape. Such projects are meant to realise a completely different land use, accommodating brand new activities that are beyond the reach of those residents whose homes are subject to deliberate destruction or domicide (Qin 2013). In particular, the role of an entrepreneurial state (Shin 2009) is prominently pronounced in ZHA's

[1] Galaxy SOHO web site, URL: http://galaxysoho.sohochina.com (accessed 12 November 2014)

response. That is, its role to practice the wholesale clearance of the site, involving demolition of dwellings and people's dispossession, to make it susceptible to operation of real estate capital. This role of the state in China's urban development and residents' dispossession are the main themes this paper interrogates.

Neil Smith once argued that gentrification "is a structural product of the land and housing markets" (1979:546). In mainland China, the decades-long socialisation of property ownership during the planned economy era resulted in effective elimination of real estate markets and prohibition of opportunities to profit from properties. The proliferation of China's urban development projects to install new residential and commercial spaces during the reform era required unleashing of previously decommodified real estate properties (Wu 1996, 2009). The legal conditions for making this possible were established by the land and housing reform measures in the 1980s and 1990s. However, these reform measures did not automatically translate into the availability of commodified real estate properties for investment and transaction. State intervention would be a means to bring dilapidated neighbourhoods and other urban spaces into the market domain, thus releasing the land assets to be subject to further accumulation and make-over to meet the state vision of urban development. This also means inhabitants' dispossession of their rights to their properties and their place of inhabitance.

In this regard, this paper argues that dispossession (Harvey 2003, 2005) occurs as a precursor to gentrification in order to convert land and housing into commodities. Here, gentrification is broadly defined as a process of "capital reinvestment in the built environment accompanying the displacement of existing users, be they inhabitants or workers" (Lees, Shin and López-Morales 2015:448; see also Smith 2002 and Clark 2005). The empirical cases for these discussions are based on (1) primary and secondary data (interviews with local residents, officials, and experts, observation, and local archives) collected from Guangzhou during the

fieldwork between 2009 and 2011, and (2) post-fieldwork follow-up studies based on extensive archival research on media outputs and governmental records.

Through the use of case studies and highlighting the presence of multiple urban processes at work, this paper aims to contribute to the debates on contextualising the workings of gentrification in the global South (see Lees 2012; Lees, Shin and López-Morales 2015; Lemanski 2014) by examining the experience of China that has gone through economic transition as well as radical socio-spatial restructuring in recent decades. While the paper acknowledges the contributions made by the existing literature on examining China's urban redevelopment practices from a new-build gentrification perspective (e.g. Wang and Lau 2009; He 2007), it attempts to highlight the distinctive urban processes that have unfolded in times of China's transition from a planned economy to a market one, and illuminate on the co-existence of multiple urban processes of dispossession and gentrification, which reflect the socialist legacy and are pertinent to the transformation of China's urban spaces into market commodities.

Conditioning 'gentrification' in urban China through speculative urbanisation

For mainland China that has experienced transition from a planned to a market economy, it is imperative to understand the specific urban conditions that have shaped the emerging land and housing markets, and that influence the rise of gentrification. In this respect, particular attention is paid to China's urbanisation that involves speculative investments in the built environment or what critics such as David Harvey and Henri Lefebvre refer to as the second(ary) circuit of capital accumulation. The usual formulation of capital switching sees the flow of surplus capital into the built environment as a spatial fix to address over-accumulation crisis in the primary circuit of industrial production (Harvey 1978), but China's urbanisation involves mutual reinforcement between the primary and

secondary circuits of accumulation (see Shin 2014a:510-512). In other words, China's drive to become the 'factory of the world' based on cheap labour force requires productive investment in fixed assets to provide necessary infrastructure, facilities and collective consumption. Fixed assets investment has been a key contributor to China's economic development. The resulting rise of urban agglomeration across the country calls for further fixed assets investment to support the urban way of life. In short, urbanisation has become synonym with accumulation (Hsing 2010; Wu 2009; Shin 2014a).

Urbanisation in mainland China also entails what You-tien Hsing refers to as the "urbanization of the local state" (Hsing 2010:6), driven by local state leaders to address their political aspiration and to legitimise their positions as vanguards of new Chinese urbanism. The resulting territorial expansion to accumulate land assets owes primarily to the fact that local states (especially at the municipal scale such as municipal and district governments as well as their affiliated institutions) have become *de facto* landlords (Shin 2009). This owes much to the land reform, which paved the way to land-based accumulation (Hsing 2010; Lin et al. 2014). While China's dualist land ownership dictates that urban and rural land is owned by the state and rural collectives respectively, two key pieces of legislation, the land reform from the 1980s made it possible for the land use right to be detached from a bundle of property rights and be subject to market transactions. In other words, the land use right has become commodified, laying the foundation for the emergence of urban land markets. The result was that urban governments as agents of the state were given the power to administer these transactions and produce land-use master plans. They were granted a greater degree of power to control and regulate urban development within their jurisdiction. The lease of land use rights effectively made urban governments as the actual managers of state land properties (Haila 1999). This is further strengthened by the fact that as far as legal provisions are

concerned, rural collectives are not able to hand over their land rights to a third party for nonagricultural use (Cao *et al.* 2008:24).[2]

The importance of land reform lies in the huge contribution of the land-derived revenues to local government (as opposed to the central government) finance in the form of extra-budgetary revenues. This owes much to China's fiscal reform from 1994, which increased the tax extraction power of the central government, taking a lion's share of the budgetary revenues: for instance, as for the value-added tax, 75 percent is apportioned to the central government (Zhan 2011). Extra-budgetary revenue is defined "as the various sorts of non-tax revenue collected by government agencies, institutions, and social organizations when performing government-delegated duties or acting on behalf of the government in accordance with laws and regulations" (Zhan 2011:500). While the extra-budgetary revenue used to account as much as 80% of China's local tax revenue before the 1994 fiscal reform, the share began to dwindle from the early 2000s, but still made up more than 30% in 2006 (Zhan 2011:502). Of all the subcategories that fall under the extra-budgetary revenues, administrative charges are found out to be the largest (Zhan 2011:501). Fees imposed upon transferring land use rights to end-users such as developers or upon converting land use designation are major components of such administrative charges. In the case of Hangzhou, the proportion of land revenue to budgetary local revenue turned out to be 103.4% in 2009, while the figures for Beijing and Shanghai were 45.8% and 41.1% respectively (Wu 2011:254). These land-derived extra-budgetary revenues have emerged as a key source of financing fixed assets investments (Lin *et al*. 2014). The fiscal arrangement provides incentives for urban governments to bring more lands into their urban land reserves, facilitating urban territorial expansion through land-taking and conversion of existing urban lands to put them into

[2] Nevertheless, illegal transfer of land rights prevailed in the process of rural-to-urban land use conversion (see for example, Lin and Ho 2005).

a higher and better use. This involves transfer of ownership of land use rights.

Since the 1990s, China's urban socio-spatial landscape has been profoundly rewritten, influenced in particular by the ways in which land use rights for residential and commercial uses have witnessed much higher prices than industrial land that is often hugely subsidised to entice industrial capital (Cao *et al.* 2008; Wang and Murie 2000). Instead of improving neighbourhood conditions through the upgrading of individual dwellings and provision of facilities, wholesale demolition and reconstruction have been the norms of urban development, resulting in the speedy reconstruction of sizeable housing estates as well as commercial and business districts. Mega-displacement of local residents turned out to be a sharing experience among major cities as a consequence (see Fang and Zhang 2003; Shin 2014a; Yang and Chang 2007; see also Chapter 7 in Lees, Shin and López-Morales, in press).

Urban restructuring in China: Competing perspectives

Under these contexts, China's urbanisation that involves the accumulation of commodified residential and commercial properties has drawn attention of researchers who analyse the process of socio-spatial restructuring from the perspective of gentrification.[3] In Chinese, two expressions are used interchangeably: *shenshihua*, which is a direct translation of the English expression; and *zhongcanjiecenghua*, which can be interpreted as 'transformation into middle-class areas' (see Qiu 2002 and Wu and Yin 2008 for instance). Earlier works on China's gentrification were exploratory, probing the implications of Western gentrification on understanding China's urban development or addressing the country's

[3] Scholars examining rapid urban development and socio-spatial restructuring usually use terminologies such as *chengshi gaizao* (urban redevelopment), *jiucheng gengxin* (old-city renewal) or simply *chaiqian* (demolition and relocation).

shortcomings of rapid urbanisation (Xue 1999; Meng 2000). Sometimes, gentrification was recognised as a process confined to a small number of neighbourhoods located close to central business districts (Qiu 2002). The focus on inner-city or old-city areas is also apparent in some of the latest works such as Zhang *et al*. (2013). Such tendency to focus on investigating the presence of gentrification in city centres is not so surprising, given the earlier formulation of gentrification in Western cities (Glass 1964), which originally conceptualised gentrification as affecting primarily inner-city working class neighbourhoods.

Some of the latest literature on China's experience of gentrification echoes the recent debates in the Western literature, which increasingly discuss 'new-build' and 'state-led' gentrification (see Hackworth and Smith 2001; Davidson and Lees 2010). It is argued that because of China's integration with the global economy, gentrification in China increasingly displays more similarities with the West (Huang and Yang 2010). Urban redevelopment based on wholesale clearance of existing buildings, displacement of residents and reconstruction to accommodate upmarket commercial housing, commercial and business spaces has been recognised as the main driver of producing gentrification (Qiu 2002; Song and Zhu 2010; Wang and Lau 2009). Reflecting the new-build nature of most urban projects in Chinese cities, new-build gentrification has been identified as the prevailing characteristic of China's gentrification (He 2010). The strong interventionist role of the state is also reflected in the coining of the term 'state-sponsored' gentrification (He 2007), though the unique nature and means of state intervention in Chinese cities would not be the entirely the same as those in the global North (Song and Wu 2010).

However, the existing studies from and outside of China on China's gentrification often fall short of discussing how the local state at the municipal scale makes this process possible by bringing the immobile properties (land and housing) into the market domain. Dilapidated neighbourhoods remain disjoined from the emerging land and housing

markets for various reasons. First of all, dilapidated neighbourhoods are disjoined, because dilapidated public rental dwellings had been exempted from privatisation and thus retained the features of pre-reform tenure practices. Also, urban spaces are sites of contention due to fragmented claims on properties involving a number of actors such as state enterprises and government institutions, homeowners, public rental tenants, village collectives and so on (Hsing 2010). Such constraints often make market transactions of, for example, owner-occupied dwellings (especially by individuals) difficult to take place, discouraging the rise of 'first-wave' gentrification (see also Kovács et al. 2013 for a similar case in Budapest). State-led redevelopment frequently involves lengthy negotiations among the aforementioned actors, and stalled negotiations often become barriers to redevelopment. There is a need for dissecting the processes of urban transformation so that China's challenge to bring previously decommodified properties into the market domain is clearly differentiated from the usual processes of gentrification seen elsewhere in capitalist economies. This is where accumulation by dispossession could be considered as a means of analysing the processes of releasing publicly or communally owned assets in order to set the gentrification in motion.

David Harvey in his discussion of the 'new imperialism' revisits Karl Marx's thesis of 'primitive accumulation' (Harvey 2003). In contrast with Marx who focused on the role of primitive accumulation as a means to institute the transition of the 'mode of production' and early-stage capitalist accumulation that overcame feudal constraints, Harvey reinterprets primitive accumulation as a more generalised mechanism of capitalist accumulation in a contemporary (increasingly neoliberal) world. It is argued that accumulation by dispossession (ABD) is a modern, and on-going, form of primitive accumulation, searching for extra domains of accumulation. According to Harvey (2005), four main features of ABD include (1) privatisation and commodification accompanying the transfer of public or communal assets to be subject to the new avenue of accumulation, (2)

(speculative and predatory) financialisation involving dispossession of assets such as pension funds, (3) crisis management and manipulation that results in the devaluing of assets in crisis-ridden countries, and (4) state redistribution in disfavour of lower classes. In the process of ABD, what is being subject to dispossession is not simply physical or financial assets but people's rights to dispose these assets and other resources as they wish. Thus, "[a]ccumulation by dispossession is about plundering, robbing other people of their rights".[4] In other words, "[d]ispossession entails the loss of rights" (Harvey 2005:178).

Among the major features of ABD listed above, this paper is primarily concerned with the first and fourth features, that is, the privatisation and commodification of former public or communal assets and the state redistribution in disfavour of lower classes. These have profound impact on the rise of real estate markets in times of China's transition from a planned to a market economy, and people's differentiated access to the markets. Privatisation of public or communal assets, "the cutting edge of accumulation by dispossession" (Harvey 2003:157), converts a range of collective rights into private property rights, accompanying the transfer of public or communal assets into a small number of private hands. It thus enables the capital "to open up new fields for capital accumulation in domains formerly regarded off-limits to the calculus of profitability" (Harvey 2007:35). Eminent domain as a means of taking land and housing against the will of individual owners also becomes part of the ABD, as the owners are ripped off their rights to dispose of their properties in exchange for meagre compensation that does not reflect the future increase in the value of those properties after redevelopment (Ramanathan 2010; López-Morales 2011). The use of eminent domain in particular is what positions

[4] See "A conversation with David Harvey", Logos: A journal of modern society & culture 5(1), URL: http://www.logosjournal.com/issue_5.1/harvey.htm (accessed 10 November 2014).

the ABD as one of key instruments to urban accumulation, as it removes barriers to accumulation through state-led land assembly (e.g. Levien 2011).

The ABD is often associated with 'extra-economic means' of dispossession that evades existing norms and often involves use of violence (Glassman 2006; Levien 2011), for dispossession is a highly political process that does not often follow simple economic logic. However, Harvey warns against the isolation of the ABD to the domain of extra-economic means of dispossession only, arguing that "[t]he formal distinction between extra-economic and economic power does not work in practice" (Harvey 2006:159). The attention to both extra-economic and economic power to enable dispossession is particularly important in China, which has seen a prominent role of land to facilitate urbanisation and land-based accumulation as discussed earlier. Economically, China's land reform positioned local states (especially at municipal scale) as *de facto* landlords (Shin 2009), and enabled the transfer of land use rights in exchange for land use premiums that helped ease constraints on local government finance (Lin *et al*. 2014). This economic motivation as well as the political ambitions of the state elites further propels the process of land expropriation or eminent domain, which entails the extra-economic process of dispossessing the rights of users and owners of such properties. This process involves a nuanced use of state power to make this possible.

To understand the above processes more vividly, this paper now turns to the examples from Guangzhou, first summarising the urban redevelopment contexts of Guangzhou, and then introducing the two case studies of urban redevelopment. One of the cases involves redevelopment of an inner-city neighbourhood located in Guangzhou's traditional urban core. The other case is an urbanised former village. These neighbourhoods symbolise those numerous neighbourhoods that are subject to the advancement of real estate capital in times of urban transition under the newly emerging market economy.

Redeveloping Guangzhou

Guangzhou, the capital of Guangdong province, was designated in 1984 as one of the 14 Open Coastal Cities, and has been a major economic centre. Guangzhou's urban redevelopment has been accelerated since its successful bid in 2004 for the 2010 Asian Games (Shin 2014b), particularly targeting dilapidated and informal urban spaces that did not conform to the municipal vision to modernise and achieve a global profile. The then mayor of Guangzhou asserted that "the government takes the responsibility of demolition and relocation. After completing relocation, social investment will be invited for construction" (Nanfang Daily 2007). Here, social investment would largely refer to the investment by developers, supplementing financial inputs from the municipal and district governments who are to bear the expenses for demolition and relocation of residents. This signalled a Guangzhou version of 'public-private partnership' under the state leadership (Shin 2014c).

Urban redevelopment efforts were further supported by a province-wide initiative called the Three Olds (*sanjiu*) redevelopment policy, which materialised before the 2010 Asian Games (Ye 2011). Three Olds comprised of old inner-city neighbourhoods, old industrial (brownfield) sites, and old urbanised villages. In Guangzhou, there were about 494km^2 subject to the Three Olds policy, accounting for 42.4% of all Three Olds areas in Guangdong province. 11% of Guangzhou's Three Old areas were old inner-city neighbourhoods, while 53.9% were urbanised villages (see Schoon 2014). In January 2010, it was reported that Guangzhou aimed to complete the wholesale redevelopment of 120km^2 as well as comprehensive improvement of another 100km^2 by 2020 (Nanfang Daily 2010). China's urbanisation has been characterised by land-based accumulation (see Hsing 2010), benefiting heavily from the use of land assets by urban governments to drive economic development. The promotion of the Three Olds redevelopment would contribute heavily to Guangzhou's securement of additional land resources for further accumulation. This was evident in the

statement by the spokesperson for Guangzhou's Three Olds redevelopment office, who specified that "every year, it will be possible to supply 10-20km^2…which will resolve the land problems that would constrain Guangzhou's development in the coming ten years" (Nanfang Daily 2010). Another public administration expert in Guangzhou also ascertains:

> "There have been attempts to re-vamp the city to secure land so that the municipal government could do many things before the Asian Games. These were to address limited land supply issues, and happened a lot in the Pearl River Delta region. As a result, farmlands got smaller and smaller" (interviewed on 16 May 2011)

As argued by George Lin and his colleagues (2014:18), "the growth and spatiality of urbanism in the Chinese context" is influenced by "the contestation of state power, mobilisation of capital, and commodification and development of land". In Guangzhou, land commodification was known to be taking place more intensely from the early 2000s (Lin et al. 2014:13). Land conveyance income enjoyed by the city had risen steadily throughout the 2000s in both absolute and relative amounts. As a share of total municipal fiscal income, the size of land conveyance income reached about 25% by 2009 (ibid.). Furthermore, land conveyance income was an important contributor to the fixed assets investment, reaching about 40% of total fixed assets investment during the first half of the 2000s and more than 60% between 2005 and 2009 (>100% in 2007 in particular) (Lin et al. 2014:14-15). Therefore, the promotion of the Three Olds redevelopment would address multiple purposes of urban beautification, modernisation and land-derived revenue generation by means of enlarging its land reserves for residential and commercial uses. The implementation of the Three Olds redevelopment programme also helps "preventing the decline of the real estate investment in the urban areas" (Schoon 2014:111). It also brings together the multiple layers of local states such as the district and municipal governments together by providing financial incentives to encourage district governments to be more active in the successful implementation of land assembly and redevelopment. As Sonia Schoon (2013:230-231) explains, "[t]he district government [under the municipal government] that is

responsible for implementing the redevelopment process now also receives fixed compensation related to the land auction value added in the proportion 2:8 shared with the municipal government, in order to become a motivated driving force. Before, districts were reluctant to carry out land auctions, as they did not profit from it, because all value added was gained by the municipal government".

State-led land assembly in inner-city redevelopment: The case of Enning

Enning is a neighbourhood located in Guangzhou's historic centre in Liwan district. The Liwan district government originally hoped to demolish the majority of existing dwellings and promote a wholesale redevelopment project, which was initiated in November 2006. The demolition boundary was made public in May 2007 (Information Times 2012). The official notice of demolition and relocation was announced in September 2007. There was no plan to re-house existing residents on site. According to the district government information, the total size of planned areas for the project amounted to 11.37 hectare (Liwan District Government 2009), a sizeable space in a prime inner-city location. Residents were primarily notified of the demolition plan through wall posters around the neighbourhood. The redevelopment was heavily top-down and the district government was ultimately responsible for the residents' displacement and land assembly. The Guangzhou Land Use and Development Centre was to control the land once the land was assembled and ready for auction to find investors (Yangcheng Wanbao 2008). Municipal offices were responsible for providing relocation dwellings and paying cash compensation. The district government made use of promotional events such as the Guangzhou Liwan Spring Investment Forum annually held in Hong Kong to promote redevelopment projects, including Enning, and invite investors (see for instance Invest Guangzhou 2008).

Initially, 1,950 households were subject to permanent displacement. More

than one third (723 households) were living in public rental dwellings, and the rest (1,227 households) were house-owners (Information Times 2008).[5] The Enning redevelopment plan was revised in 2011 after having faced outcries not only from the local residents but also from the general public and media with regard to the planned demolition of architectural heritage buildings known to have concentrated in the project area. The district government made a compromise and adopted a more culture-oriented project, aiming to transform the neighbourhood into a more 'historic and cultural district'. This shifting position was hinted in December 2009 and was more concretely manifested in 2011. The Enning redevelopment project was further integrated with the city-wide project of restoring a stream that was covered decades ago and flew through the neighbourhood (Shin 2014c). In this way, a waterfront environment was to be created for visitors who were to enjoy facilities and amenities managed by the district government. However, these changes to the original redevelopment plan did not result in the cancellation of local residents' displacement. Despite the revision to the original plan, the total number of households subject to displacement still amounted to 1,823 (Nanfang Daily 2011).

Local residents' displacement experience was highly differentiated. Any migrants in private rental properties would have been displaced pretty much without any compensation and they lost access to the most affordable accommodations in inner-city districts. Public tenants were offered relocation dwellings where they would remain in the same tenure, but most of these dwellings were located further away from Enning. For instance, the Guangzhou Municipal Land Resources and Housing Administrative Bureau arranged 200 flats at Jinshazhou and 100 at Hengsha village, located about

[5] These figures largely referred to permanent Guangzhou residents and not temporary migrants who used to rent rooms in part of the neighbourhood. The number of migrants was not known at the time of my field research, though interviewees hinted at the presence of a sizeable number of them.

5~6 kilometres away in a neighbouring administrative district to the northeast of Enning; another 100 in the newly constructed Pearl River New Town, about 9 kilometres to the east from Enning. Only 95 flats were provided in an adjacent area (Nanfang Dushibao 2008).

As for house-owners, their main compensation options were either the exchange of property rights or cash compensation. While the first option was preferred provided that houses were located nearby, house-owners were initially presented with price-controlled flats (*xianjiafang* in Chinese)[6] at Jinshazhou (Yangcheng Wanbao 2008). Not surprisingly, the first 436 house-owners who signed the compensation agreement by the end of April 2008 opted for the cash compensation (*ibid*.). The amount of cash compensation turned out to be about 9,000 yuan/m^2 (Guangzhou Daily 2008) and remained so for some years. This rate was far less adequate to finance owners' purchase of second-hand flats of decent standard in adjacent neighbourhoods, let alone buying a new flat.

By November 2008, about 14 months after the announcement of the demolition notice, almost half the households subject to displacement signed compensation. To further facilitate the displacement progress, in 2009, the Liwan district government produced additional relocation measures, modifying their earlier uncompromising approach to appease more defiant residents. This was also partly influenced by the pressure to speed up the project pace in preparation for the 2010 Guangzhou Asian Games. Low-income households eligible to buy subsidised affordable housing (known as *jingji shiyongfang* in Chinese) could enjoy early purchase by jumping queues. Other households were offered the purchase of Liwan district's relocation flats in adjacent neighbourhoods such as Baocheng Shadi, another redevelopment site close to Enning. Eventually,

[6] Price-controlled flats came with many restrictions on sales, prohibiting owners from selling their flats within five years from the date of purchase. Owners also have to hand over a hefty sum of money to the government if s/he gains any price advantage upon sales.

about 600 house-owner households from Enning were to move to Baocheng Shadi, using their cash compensation to finance the purchase of flats therein.

The demolition and relocation notice initially announced in September 2007 gave it two years for the work to be completed, and this deadline was extended by one year every time it approached its expiry date. On the one hand, this indicated the reluctance of many local residents to sign the compensation agreements, but on the other hand, it also exhibited the persistence of the district and municipal governments to complete the task. The district and municipal governments subsequently carried out more coercive measures. These included the selective demolition of key buildings in the central part of the neighbourhood, and the replacement of front doors of vacated dwellings with brick walls to create visual effects of displacement. Such tactics exercised over a prolonged period of time would have increased pressure on remaining residents, forcing them to face the inevitability of displacement (see Sakizlioglu and Uitermark 2014 for a similar use of symbolic politics in Amsterdam and Istanbul). The governments also made use of peer pressure by publicly announcing the list applicants who were given the opportunity to move to a subsidised affordable housing estate, indicating the full the details of each applicant (e.g. name, address, size of dwellings, annual per capita income, etc.) (see Figure 1).

Figure 1: Enning in the midst of demolition (Photographs by the author between 2009 and 2011)

By July 2012, compensation agreements were signed by most residents subject to displacement (Guangzhou Daily 2012). The dispossession of local inhabitants occurred in a way that failed to respect the residents' rights to stay put in the neighbourhood. The municipal and district governments envisaged the establishment of a culture-oriented redeveloped site by displacing existing residents, focusing on taking the control of the land to promote a project that met their development needs. Comparatively speaking, house-owners were more reluctant to move out, as their compensation measures were far from adequate to finance decent housing in adjacent neighbourhoods. House-owners were content with where they lived despite relatively dilapidated conditions. The official compensation measures often fell short of taking into account the complex circumstances of Enning households, whose property rights became complicated while having gone through confiscation, restitution, informal extension and undocumented inheritance during the last few decades (see New Express Daily 2012 for some of the reported cases). No adequate explanation was given from the beginning of the project about the exact nature of the post-displacement land use, becoming an additional source of residents'

frustration. One homeowner interviewee who has been living in a three-storey house his father purchased in the 1980s emphatically notes:

> "Who would hope to be subject to demolition? Private owners would not want to be subject to demolition forever…If you are to demolish this area and use it for a certain purpose, shouldn't you first let me know?…Currently, it is not known who is to develop this area…Onlookers also hear that for the same house, there is such a big difference in the size of compensation. Why does this kind of thing happen? Why those who leave early get 9,800 [yuan/m^2 as compensation] and those who refuse [to leave] now gets 10,900?…If we were given 13,000 originally and let us buy a second-hand flat nearby, we would have already left. But, nowadays, 13,000 would not allow you to buy a second-hand flat. Nowadays, the cheapest would require 18,000…" (Mr. Zhen, interviewed on 31 October 2010)[7]

Commodification and redevelopment of urbanised villages: The case of Pazhou

Guangzhou, like other cities in the Pearl River Delta region, displays a large number of urbanised former villages (*chengzhongcun* in Chinese), which have been previously subsumed by territorial expansion of the urban (Hsing 2010). The urbanisation of rural villages entailed the expropriation of the majority of rural lands to convert them into urban construction lands. Village collectives often ended up having a small share of former collective-owned lands to pursue village businesses, and individual families retained their residential land (*zhaijidi*) to continue their living. Villagers, having lost their farmlands, often exercised informal landlordism to raise rental income by renting informally extended or reconstructed spaces to migrant tenants (Wang *et al*. 2009). As cities further expanded horizontally, many of these

[7] All interviewee names anonymised.

former villages came to occupy prime locations, increasing their development potential. The subjugation of rural villages to urban governments is symptomatic of China's speculative urbanisation, which is still very much nuanced with the co-existence of a more peripheral development process, subordinating peri-urban development to the hegemony of cities.

Pazhou in the east end of Haizhu District was one of many former rural villages and had been under huge pressure for real estate development. It was located close to the Chinese Export Commodities Fair (Pazhou) Complex, newly developed to host major international trade exhibitions. The Pazhou Complex also constituted the southern end of Guangzhou's new central business district (hereafter CBD) called the Pearl River New Town. Pazhou's redevelopment seemed inevitable, threatening the livelihood of about 3,000 villagers as well as migrants, whose total number would reach 10,000 people during peak times according to the district planning bureau. Moreover, Pazhou was shortlisted, along with eight other similar villages, for wholesale clearance prior to the opening of the 2010 Asian Games (New Express Daily 2010).

In fact, the Pazhou redevelopment was the conclusion of a decade-long expropriation of village lands by the municipal government. Having gone through an initial round of farmland expropriation from 1998, the Pazhou redevelopment specifically targeted the village's remaining residential space in order to modernise the landscape and promote high-end commercial, residential and office developments, bringing the village space more in line with the new CBD. Villagers were aware of the imminent demolition several years before the actual demolition and relocation, informed by newspapers, surveys and government's publicity activities (Mr. Ye interviewed on 26 September 2010). A villager notes: "I first heard about the demolition and relocation…around 2006 or 2007. In 2007, at the time of hearing about demolition and relocation, there was a survey on each household to measure the size [of housing space]" (Mr. Ke interviewed on

26 September 2010) (see Figure 2).

Figure 2: Pazhou in the midst of demolition (Photographs by the author between 2009 and 2011)

While real estate developers were formerly prohibited to partake in the redevelopment of urbanised villages until 2006, the Three Olds policy enabled them to become a more active participant, as “the government needs their financial power and experience to successfully initiate restructuring” (Schoon 2013:231). This was evident in Pazhou where the redevelopment was carried out by the Poly Real Estate Group (PREG), a state enterprise that was part of the elite Poly Group supervised by the State-owned Assets Supervision and Administration Commission of the State Council. The project also involved, as the key partner of the developer, the village collective’s economic entity called the Pazhou Jingji Lianshe (hereafter PJL) that controlled the collective’s economic assets. The PJL was established when a reform policy to reshape village committees took place in 2002.

The total size of the redevelopment site reached 75.76ha. The post-redevelopment construction space was to rise to 1,850,000m^2, seeing a 2.5-fold increase (GZURO 2013). Upon completion, there would be 720,000m^2

of high-rise flats, and of these, 320,000m^2 were put aside for re-housing villagers. The rest of the construction space was for providing high-end offices, hotels, international exhibition centres and commercial/cultural facilities. The PJL will also claim 460,000m^2 of construction space to carry out village businesses and generate revenues and rental income (Liang and Wang 2013). In principle, the revenues, including rents generated from commercial and business premises, will go into the PJL's business account, to be subsequently used for the welfare of villagers who register as shareholders of the PJL.

With the implementation of the Three Olds programme, former urbanised villages were encouraged to engage in self-redevelopment, in which village collectives would "have the will and means to redevelop themselves, either on their own or as a coalition together with real estate companies" (Schoon 2014:113). A significant milestone of the Pazhou redevelopment was the PJL's announcement of a comprehensive plan on 28 August 2008 for compensating villagers' dwellings and their re-housing. Based on municipal regulations, the PJL8's plan was to receive consent from more than two thirds of villagers, but the whole process was top-down and far from villagers' voluntary participation. Consenting villagers were to sign their names between 4 and 8 September, 2008, only one week after the announcement of the plan. 2,288 registered villagers who were 18 years or older at the time were eligible to sign. The initial round of asking for consent failed to win the minimum two-thirds support, and the PJL kept receiving signatures while executing a massive propaganda campaign. Eventually, 1,551 eligible villagers (67.8%) signed the consent by 30 September 2008. The process of individual agreement on actual

8 The information about the progress of village redevelopment is based on villagers' accounts and in particular, those included in a court verdict, dated 31 December 2010, on a civil law-suit that involved a villager's appeal against her compensation.

compensation was slower. By 28 April 2010, about 60% of villagers had signed the agreement, and only after a substantial campaign to ensure demolition is complete before the opening of the 2010 Asian Games in mid-November, 98% of villagers signed the agreement by 23 August 2010. Those villagers who did not sign the compensation agreement by 30 May 2010 also risked the loss of 20,000 yuan provided as an incentive payment, and therefore, the financial incentive acted as a means to placate those who were reluctant to move. Lack of detailed explanations on compensation seemed to have prevailed, as one of the displaced villagers revealed: "[to find out the compensation information] I went to visit the municipal government and the district government many times, but they all sent me to the developer and wouldn't discuss. Village leaders did not help us either" (Mr. Peng interviewed on 17 October 2010). Another villager also confirms this, stating that "the [PJL] would negotiate with the government and developer. We the petite villagers did not have any opportunity to ask any questions directly to them [the developer]" (Mr. Ke interviewed on 26 September 2010). The Three Olds programme's encouragement for villages to engage in self-redevelopment did not seem to have worked. Villagers lacked the information on the exact details of the agreement reached between the PJL and the developer. As a villager notes:

> "the [redevelopment] contract was between the village cadres and the Poly. All of us did not know [the details of the contract], and it was never discussed with villagers… Now that all have signed [the compensation agreement], we still cannot see the [redevelopment] contract. We took the matter to the municipal government, about 300 plus people went there, asking for the disclosure of the contract details, but it was of no use" (Mr. Pan interviewed on 10 October 2010)

Concluding discussion: Dispossession as a Precursor to Gentrification

The process of urban accumulation in China produces gentrification,

bearing resemblance to new-build gentrification in other countries (see Davidson and Lees 2010). However, equating China's urban redevelopment simply with new-build gentrification falls short of identifying the more fundamental structural processes of displacement, something that Peter Marcuse (2010) emphatically calls for. Dispossession is key to China's speculative urbanisation. In order to raise revenues from the transaction of land use rights and to address the political aspiration of the state elites, lands are assembled, accompanying displacement of inhabitants (owners and users) who are in turn dispossessed of their right to their properties and to the city. This is a process that is now on the ascendancy in the global capitalism for urban accumulation. Dispossession was an important step towards creating a real estate market in a place where no market existed before land and housing reform, converting lands into a higher and better use in order to capitalise on the rent gaps that began to come into operation. This understanding chimes with Anagnost's (2004) arguments about China's marketisation:

> "In China's postsocialist development, collectivized property and the populations whose livelihood once depended upon it both become potential sources of surplus value (as capital and labor). The newly privatized sphere of market relations colludes with the power relations of the post-Mao state to rechannel value into various kinds of entrepreneurial capital" (p.195)

The local states, especially urban governments and their apparatuses, endeavour to promote dispossession, which functions as a key precursor to ensuing gentrification. Major capital investment occurs in principle *after* land assembly. Barren lands are created through the dispossession of residents and their displacement, and on these lands, commoditised urban space is re-written. Land dispossession and residents' displacement ensure that all kinds of complexities associated with the socialist legacies and economic transition are removed and a clean sheet is presented to individual and corporate investors. Dispossession precipitates urban accumulation and

allows the local states to realise developmental ambitions (Shin 2014a). Therefore, dispossession inevitably becomes a highly political project. In so far as China's urbanisation is a national project under the auspices of the Party State, the central and local states are in this endeavour together. Nevertheless, with the administrative power to make decisions on the disposition of urban lands for conversion into a 'higher and better' use, the local states, particularly at the municipal level, become the front-line agents of dispossession, supported by sub-municipal administrative and communal organs.

Nevertheless, dispossession occurs in a nuanced way, involving a mix of co-optation and coercion, or "negotiated consent to displacement and forced eviction" (Doshi 2013:848). Local residents in both Enning and Pazhou were subject to displacement pressure generated by various tactics that tried to coerce and persuade more residents to sign compensation agreements. In particular, the example of Pazhou village provides us with a more nuanced process of dispossession, reflecting the legacy of China's socialist era. Firstly, it was necessary to co-opt village leaders and villagers (through re-housing and allowing village businesses for revenue generation) as much as possible to minimise resistance and make sure planned land expropriation and profit-maximisation could occur. The active role of village collectives in the redevelopment of Guangzhou's urbanised villages reflects the socialist legacy in mainland China, where villagers' collective ownership of the rural land was part of the socialisation process during the planned economy era. Furthermore, the redevelopment drive was intermediated by village leaders who were thought to "have much stronger and more effective means to pursue their fellows than any government body", making use of their "familial and clan ties within the village community" (Schoon 2013:230). Secondly, the Pazhou redevelopment entailed the loss of villagers' rights (Harvey 2005), that is, the loss of opportunities to flexibly raise rental income from directly exercising their informal rights to housing and residential land. They were placed under pressure to agree to the decision made by the village leaders. In return, however, villagers incorporated in the

shareholding system of the PJL would be able to claim redeveloped flats for re-housing and also have access to a share of future revenues controlled by the PJL after redevelopment. How this would change their views of redevelopment remains to be seen. Thirdly, migrant tenants were the biggest victims in Pazhou. The informality of rental housing markets in urbanised villages helped migrant tenants to have some degree of access to affordable housing while they had to cope with structural constraints associated with the decades-old hukou system (Wang *et al*. 2009). In this regard, they were dispossessed of their right to affordable housing and environments that were more amenable for their settlement after migration to the city (see Schoon 2013: 236 for the result of a survey on migrants in three urbanised villages). Displacement would only drive them away to look for similar types of accommodation elsewhere, though the promotion of a series of redevelopment projects in a compressed time period would likely make the displacees go through what is termed as 'forced consumption' primarily due to increased costs on alternative accommodations (see Shin 2008). In this way, dispossession coupled with displacement would produce multiple hardships that not only result in the loss of rights but also in the augmented threats to the security of life in the future.

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List of Figures

Figure 1: Enning in the midst of demolition (Photographs by the author between 2009 and 2011)

Figure 2: Pazhou in the midst of demolition (Photographs by the author between 2009 and 2011)

Acknowledgements

I thank the participants and audience at the at the following events where various versions of this paper were presented: (1) the London workshop on ‘Toward an Emerging Geography of Gentrification in the Global South’ in March 2012, where the paper’s earlier draft was first presented; (2) the China Planning Research Group seminar at the Bartlett School of Planning, University College London in November 2014; (3) the School of Geography seminar, University of Leeds in February 2014. I also thank the students in my postgraduate course Cities and Social Change in East Asia for being good listeners and raising interesting questions. I’d like to express my gratitude to Loretta Lees, Ernesto López-Morales, Jung Won Sonn, Qin Shao, Paul Waley, Hyun Kyung Kim, Chaoqun Liu and anonymous reviewers for their thoughtful comments and/or helpful suggestions. However, I take the sole responsibility for any possible errors in this paper.

Funding

The author acknowledges the financial support from the LSE Annual Fund/STICERD New Researcher Award (2009-2011) and the National Research Foundation of Korea Grant funded by the Korean Government (NRF-2014S1A3A2044551).