

## Unexpected Laboratories Within the State-Sanctioned Laboratory: Shenzhen's Urban Villages

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*When at dusk the neon lights come on in Shenzhen, China, they look from the top of its tallest building like small fires dotting a mist-shrouded landscape. The massive city of dreams lends itself to naturalistic metaphor--the eye scans skyscraper groves amid fields of striated worker housing and middle-class midrises like dragons playing, according to one interpretation, or like the undulating peaks of Guilin, interrupted by the clusters of tight, jumbled, low-growth of the so-called urban villages. Sixty-nine stories below the cityscape sparks, oozes, and shudders along rivulets of light refracted in the humidity, the inky black of Hong Kong's New Territories across the border accentuating the lustrous Leviathan that is Shenzhen. It all fuses together in urban rhythm and meter, reminding me of a description I encountered in a government-issued coffee table book about Shenzhen's Central Business District: "Construction is a poem, written by poets, who wrote them with steel and cement." . . . Construction as poem captures Shenzhen as a paean to modernity, for it is, in its own way, the very equivalent of 1920s Berlin or New York in its urban intoxication, its inexorable nowness, its multiple, overlapping fantasies of progress, promise, and peril (Bach, 2010: 421).*

### Abstract

When Deng Xiaoping announced his special economic zone "experiment" in 1979, few could have predicted the startling growth that would occur in Shenzhen. In just over three decades, the collection of fishing and agricultural villages on the border of Hong Kong grew from a population of 300,000 to 14 million (Feng, 2011). Surprisingly, Shenzhen's growth did not come at the expense of displacement of the original population as zones in India and many other countries have (e.g., Cook, 2013). Instead of squashing the small, rural clan-based villages, the city was forced to build around them and the villagers became a rare, elite landowning class in a country in which all urban land is supposed to be owned by the government. Despite the Shenzhen government's efforts to erase and absorb them into its own vision of city civility, the villagers resisted and held onto their lands, remaking them into *chengzhongcun*, or "urban villages." The urban villages became accidental experimental enclaves within the larger planned experimental enclave of the city. Today, about seven million indigenous villagers and migrant tenants inhabit the 318 remaining urban villages. This paper argues that, in keeping with the experimental ethos of Shenzhen, the urban villages should be viewed as their own inadvertent experiments that demonstrate the ability of relaxed planning and residency regulations to promote equity, inclusion, and economic development. Part one will describe Shenzhen's rapid growth and the formation of its urban villages. Part two will discuss the dominant discourses concerning the urban villages. Part three will explore the effects of the urban villages as means of economic growth and inclusion for both indigenous inhabitants and migrants.

**Keywords:** Special Economic Zone, Shenzhen, chinese SEZ, Urban Villages.

## Resumen

Cuando Deng Xiaoping anunció su “experimento” de zona económica especial en 1979, pocos podrían haber predicho el sorprendente crecimiento que ocurriría en Shenzhen. En poco más de tres décadas, el conjunto de pueblos pesqueros y agrícolas en la frontera de Hong Kong creció de una población de 300 000 a 14 millones (Feng, 2011). Sorprendentemente, el crecimiento de Shenzhen no se produjo a expensas del desplazamiento de la población original, como lo han hecho zonas en la India y muchos otros países (p. ej., Cook, 2013). En lugar de aplastar las pequeñas aldeas rurales basadas en clanes, la ciudad se vio obligada a construir alrededor de ellas y los aldeanos se convirtieron en una clase rara de terratenientes de élite en un país en el que se supone que todas las tierras urbanas son propiedad del gobierno. Los esfuerzos del gobierno por borrarlos y absorberlos en su propia visión de la civilidad de la ciudad, los aldeanos resistieron y se aferraron a sus tierras, transformándolas en *chengzhongcun*, o “pueblos urbanos”. Los pueblos urbanos se convirtieron en enclaves experimentales accidentales dentro del enclave experimental planificado más grande de la ciudad. En la actualidad, alrededor de siete millones de aldeanos indígenas y arrendatarios migrantes habitan las 318 aldeas urbanas restantes. Este documento argumenta que, de acuerdo con el espíritu experimental de Shenzhen, las aldeas urbanas deben verse como sus propios experimentos involuntarios que demuestran la capacidad de las regulaciones relajadas de planificación y residencia para promover la equidad, la inclusión y el desarrollo económico. La primera parte describirá el rápido crecimiento de la ciudad de Shenzhen y la formación de sus aldeas urbanas. La segunda parte discutirá los discursos dominantes sobre los pueblos urbanos. La tercera parte explorará los efectos de las aldeas urbanas como medios de crecimiento económico e inclusión tanto para los habitantes indígenas como para los migrantes.

**Palabras Clave:** Zona Economica Especial, Shenzhen, SEZ en China, Villas Urbanas.

## 1. THE ORIGIN OF SPECIAL ECONOMIC ZONES, SHENZHEN, AND THE URBAN VILLAGES

### 1.1. The Special Economic Zones and Shenzhen

In the late 1970's Deng Xiaoping announced a startling new vision that steered China away from the turmoil of Mao's cultural revolution. His rhetoric was noticeably market-friendly:

I am of the view that we should allow some regions, some enterprises, some workers and farmers, who because of hard work and good results achieved, to be better rewarded and improve on their livelihood . . . . [T]hey will engender powerful demonstrative effects on their neighbors and lead people in other regions' work units to follow their examples. In this way, the national economy will, wave-like, surge forward, with all the people becoming relatively well-off (Yeung, et al., 2013: 222).

Two specific reforms proved particularly momentous. In 1978, he allowed farmers to implement a “contract responsibility system,” in which families could keep some of the proceeds of their labor and thereby be incentivized to produce more—a model that was reproduced throughout the country (Yeung, et al., 2013). Secondly, in 1979 he announced a Special Economic Zone (SEZ) program that would be implemented in Shenzhen, Zhuhai, Shantou, and Xiamen (Yeung, et al., 2013). Under the SEZ program, the four cities could adopt market-friendly reforms designed to stimulate growth and attract foreign investment. SEZs would be slightly different from Export Processing Zones, which had existed in several countries for the past two decades because the Chinese SEZs would primarily serve as testing grounds for innovative policies that, if successful, would be implemented nation-wide (Muchlinski, 2011). The SEZs were deliberately positioned far from the capital in Beijing, to reinforce their ability to experiment with policy without interference (Yeung, et al., 2013). While all of the SEZs grew, none grew as fast or as large as Shenzhen. Between 1980 and 1984, Shenzhen’s GDP grew 58% per year, almost single handedly pushing the national growth rate by 10% per year (Yeung, et al., 2013). Among the city’s policy innovations were a contract-based labor and wage system that broke from the former fixed salary system, a social insurance package for workers that was superior to anything available in China, land auctions in which private parties could purchase long-term leases to use state-owned land, and a decision to turn away from offering investors short-term incentives in favor of a more stable legal regime that attracted investors more naturally (Yeung, et al., 2013).



Figure 1: First Chinese Special Economic Zones in the Hong Kong region



Figure 2: Shenzhen. The shaded areas are the original SEZ. The non-SEZ portions were incorporated into the city in 1996 (Hao, et al., 2012)

China responded to the perceived success of this experiment by creating variants of the SEZs elsewhere and implementing national-wide reforms based on what it learned in Shenzhen. Since China's accession to the WTO, there are few differences in economic policy remaining between Shenzhen and the nation as a whole (Krusekopf, 2011). Despite this harmonization, Shenzhen still stands poised to conduct crucial experiments in environmental and social policy that will prove essential as the country's middle class expand and demands greater protections and accountability from its government (Krusekopf, 2011).

## 1.2. Shenzhen's Original Inhabitants

Contrary to the experience of other major foreign-direct-investment fueled developments, the dramatic urbanization of the Shenzhen SEZ by in large brought tremendous profit to the original population of the area. For several centuries, the area that became Shenzhen consisted of numerous rural villages, each with distinctive cultural, linguistic, and religious characteristics (Wang, 2013). Each village was built around a dominant clan, with members all having the same surname, and each clan retained the right to build a ancestral hall in the center of its village (Wang, 2013).

The decades prior to the development of Shenzhen exhibited significant strain on the viability of the villages. Chairman Mao's Great Leap Forward (1957), Four Clean Up Campaigns (1963–1966), and Cultural Revolution (1966–1976) all led to significant chaos and disruption of the villagers' way of life (Wang, 2013). Throughout these periods, taogang, (literally, "fleeing to Hong Kong") stripped the villages of large numbers of able-bodied men. Taogang only stopped as a phenomenon with the development of Shenzhen in the 1980s (Wang, 2013).

The establishment of Shenzhen seemed to spell the demise of the villages. Villagers had little or no formal

education and lacked city-registration status, which mostly relegated them to low-paying or illegal work on the outskirts of the city (Bach, 2010). Nevertheless, the villagers remained even as the city grew up around them. The villager's permanence can be partially explained by peculiarities of Chinese land law. Though the government owns all urban land and merely leases "use rights" to inhabitants, it allows individual rural families to own the land their home sits on and to own village land collectively with other village members (Wang, 2013). Even as Shenzhen urbanized, the original inhabitants, and their land, remained "rural" for administrative purposes and thus title remained with the villagers (Wang, 2013).

Title to land proved to be crucial for the future of the urban villages. Throughout the 1980s, inland migrants teemed in at breathtaking rates to find jobs in construction and in the factories they helped build. Most of these migrants lacked formal urban status and thus found it very difficult to find housing, especially at prices they could afford (Bach, 2010). A few found housing in factory dormitories (Wang, 2013) though many had to sneak in to anywhere they could find (Bach, 2010).

In the face of this tremendous demand for housing, the villagers quickly embraced real estate as an occupation. Though the Shenzhen government had only granted the villagers permission to build up to three stories on the plots designated for their homes, most built them as high as they could without elevators—typically up to 8 or 9 stories—with shops on the first floor (Bach, 2010). Each village family would normally occupy only one floor of their building and would rent the rest to migrants (Bach, 2010). Buildings were packed tightly together and occasionally encroached over onto non-village land (Wang, 2013). According to Wang (2013), the city government chose not to respond forcefully at the early stages because it was not overly concerned with the zoning violations and because it sought to maintain Shenzhen's reputation as a place of policy reform and experimentation.

Since every village family was entitled to at least a small plot for their home, many families divided themselves into more discrete households to claim more plots (Bach, 2010). With practically every family owning a building filled with tenants, rental income became a significant source of income. Many villagers used the income to pay property management companies to manage the buildings for them and started their own enterprises elsewhere.

The villagers also built upon their collectively held village land as well. The Shenzhen government was initially required to assign each village collective 100 square meters per resident for industrial and commercial uses and 200 square meters per household for roads, infrastructure, open space, cultural facilities and other public uses (Hao, et al., 2012). As the land became more valuable, the villages formed joint stock companies that held title to the land and leased it to high-end residential and commercial office towers, factories, and other enterprises (Wang, 2013). Each villager was given a share of stock in their village company and received corresponding dividends (Wang, 2013). The village companies also began providing for social welfare through community clinics, kindergartens, and activity centers (Wang, 2013). The companies became a source of unity for villagers and helped them negotiate effectively with powerful entities like the city government and real estate developers (Wang, 2013).



Hao, et al. (2012) have carefully examined the phases that village-owned properties have gone through as they urbanized. As urbanization has increased, village-owned properties have become highly multi-functional, with residential, industrial, commercial, and public service uses all mixing together. These properties have stood in stark contrast to the standard Chinese planning philosophy, which involved separating out functions to different areas (Hao, et al., 2012). As urbanization has increased, however, urban villages tend to reverse direction and become monofunctional. Hao, et al. (2012) explain this phenomenon by observing that as land becomes more valuable, villagers have a greater incentive to sell their multi-functional, collectively held property to the city, which then leases use rights to formal developers who follow official zoning guidelines.

Today, urban villages retain much of their traditional social structure. There are 318 urban villages, which

house an estimated 7 million indigenous and migrant residents and still provide a significant proportion of manufacturing-sector employment (Hao, et al., 2012). Currently 54% of Shenzhen's buildings (333,576 of 615,702) are in urban villages. 94% of these village buildings are classified as private dwelling houses. This figure is misleading, however, because buildings are classified based on their "primary" use; thus, the large number of commercial store fronts on the ground floor of residential buildings are ignored.

Since 2002, all villagers have been upgraded to urban registration status according to the hukou system (Bach, 2010). As a result, their legal claim to the land is somewhat ambiguous, though, in practice, they still own and lease their land in the same way as before (Bach, 2010). The Shenzhen government has not appeared to seriously contest their claim.

The villages are still strongly clan-based, cohesive social units, typically run by a male village



Figure 3: Caiwuwei Urban Village (Bach, 2010)

head, and centered around an ancestral hall (Wang, 2013). They have evolved into their own nearly autonomous zones, consisting of densely packed buildings, narrow passageways, and village security forces. Vehicles entering the villages must pass through a gate, receive a ticket, and pay upon exiting (Bach, 2010). Village security forces enforce village codes of conduct, and, except for occasional raids, the Shenzhen police are largely absent (Bach, 2010). Organized crime and prostitution are common, though village-run social safety nets, including medical care, pensions, and education, are considered superior to state programs (Bach, 2012). Migration from China's diverse regions has also turned urban villages into melting pots of various cultures and diverse restaurants and the villages still offer significantly more affordable housing than anywhere else in the city (Wang, 2013).

## **2. SHENZHEN “CIVILIZATION” VS. THE “BACKWARD” URBAN VILLAGES**

The discursive treatment of Shenzhen's urban villagers must be viewed in light of the larger social and legal distinctions between “urban” and “rural” people in China. Under China's hukou, or household registration, system all citizens are assigned either an urban or rural status. Residents with urban status are allowed to rent apartments, send their children to higher quality schools, visit better doctors and hospitals, move easily between cities, buy housing, apply for passports, and, as Bach (2010) puts it, “become trendy, sophisticated, harried—in a word, modern.” Rural residents, on the other hand, are denied most forms of formal employment and the ability to migrate (Bach, 2010). Though rural-status citizens enjoy certain privileges urban residents lack—such as the ability to have more than one child, to individually own homes and collectively own village land, and to pass down property by inheritance—the hukou system, as Dorothy Solinger (1999:36) puts it, effectively “barricad[es] the cities against the peasants.”

Since the rapid urbanization of China, the rural-urban distinction has grown far beyond the legal realm. During the Cultural Revolution, the rural was rhetorically treated as a romantic ideal under official party doctrine, even though it was in practice subordinated to the urban (Bach, 2010). After Deng Xiaoping's market reforms in the 1980s the urban became associated with progress and the discourse of civilization began to emphasize the reformation of peasants (Bach, 2010). Rural residents became thought of as “backward” and “docile, disposable, trespasser[s], and drudges.” (Solinger, 1999: 36–45).

As cities grew to encompass rural villages, the villages nevertheless retained their rural identity. Initially, part of the Shenzhen experiment was to create a space where the rural and urban could interact on an equal footing (O'Donnell, 2008). The indigenous rural inhabitants would maintain their farms and sell fruits and vegetables to the urban workers, with the occasional few opening small factories. (Bach, 2010) The rate of urban expansion surprised everyone and the romantic visions of farms in the city became unrealistic. The vision was never replaced with an alternative, however, and the city has still not found an adequate administrative process for incorporating the villages into the formal urban system.

As a result, the urban villages grew up and became visual embarrassments to the government's attempts to control and shape Shenzhen into its vision of a civilized, urbane, and orderly city (Bach, 2010).

Today, the official discourse regarding the ubiquitous urban villages is that they no longer exist, having vanished into a civilized, urban order. Bach (2010) describes how in the center of the Shenzhen City History Museum stands a gleaming model of the city. The model has no people, cars, or pollution and the tangled, winding, narrowly packed, dense urban villages are replaced with regimented buildings (Bach, 2010). Beside, a plaque explains that Shenzhen is "the first Chinese city with no villages, allowing for harmony among urban economy and society as a whole and the establishment of a firm basis for sustainable development." Anyone who spends any time in Shenzhen, however, knows that the statement expresses a vision, not a reality. Just a short distance from the museum exists a chaotic and vibrant urban village that stands in stark contrast to the model (Bach, 2010).

### **3. LESSONS FROM THE URBAN VILLAGES "EXPERIMENT"**

Shenzhen's urban villages experiment presents a strong counter image to the popular notion that equity and economic growth are at odds. The urban villages managed to enhance the city's economic growth by promoting the long-term financial benefit of original residents and breaking down the barriers to the city erected against rural migrants. They therefore lend important insights for a truly inclusive model of economic growth and urban expansion.

First, the urban villages preserved the rights and culture of Shenzhen's original once-rural inhabitants and protected them from displacement. Urban villagers managed to overcome the legal and social exclusion resulting from being registered as rural through a combination of two potent factors: Chinese land tenure laws for rural residents and a cohesive social structure (Hao, et al., 2012). Chinese land law enabled them to become the only private property owners in the city and to position themselves to profit from rising land values. Collective tenure encouraged the well-being of all members of a village by giving each member a share of stock. The villager's strong, clan-based identity encouraged them to refrain from selling their property too early to the formal market (Hao, et al., 2012).

At the same time, the economic empowerment of the villagers has not promoted their social integration with the rest of the city. Bach (2010) recounts several interviews with wealthy villagers who comment on their difficult lives before urbanization and contrast it with their present condition, in which they can enjoy relatively expensive vacations to Europe and can "do nothing and earn money" (Bach, 2010: 443). Middle-class professionals view the villagers with contempt and describe them as "lower than migrant laborers" both morally and politically (Siu, 2007: 334). Low-income migrants, however, are not nearly as contemptuous, perhaps because of the affordable housing, public services, and protection from local officials that they provide (Bach, 2010).



Many of the villagers have sought an identity with the “civilized” image promoted by Shenzhen while simultaneously maintaining their holdings in the villages. Since attaining urban status, they can now move into luxury apartment buildings and continue renting their rural “homes.” Bach (2010:443) recounts that they say they are most happy with “not being looked down upon.”

Secondly, the lightly enforced nature of the land regulations in the urban villages provided greater upward mobility for poorer inhabitants. Urban villagers were able to respond to tremendous demand from rural migrants by increasing density and thereby providing far more housing than the formal sector would have provided (Hao, et al., 2012). This increased supply of housing kept prices low for poorer inhabitants. The mixed-use nature of the urban villages also placed employment opportunities in close proximity to migrant’s homes (Hao, et al., 2012). Additionally, village security forces protected illegal residents from local authorities, enabling them to stay and work in the city. Even legal migrants with temporary permission to stay in Shenzhen settled in the urban villages because of the low prices and the protection from extortion and harassment from local authorities (Hao, et al., 2012).

Finally, the abundant affordable housing in the urban villages fueled Shenzhen’s rapid development. As Bach (2012) points out, the city could never grown at its rapid rate if the villages hadn’t responded to the demand for low-cost housing. Most of the laborers teeming into the city to build Shenzhen’s many skyscrapers and work in its factories simply would not have found places to live. If they had been relegated to factory barracks, they would have been limited in their exposure to other employment opportunities.

The villages also provided for social services for poorer residents that Shenzhen would not have been able to provide without significantly more public resources. Urban villages invested millions on roads, water, and power infrastructure (Wang, 2013). They provided schools and security forces, as well as management of city-provided sewage, water, and electricity services (Wang, 2013). These expenditures enabled the municipal government to avoid taking responsibility for social, economic, and infrastructure development in the villages (Bach, 2012).

#### **4. CONCLUSION**

The urban-villages phenomenon shows that Shenzhen has proven to play an essential role as an incubator of policy experiments in more ways than intended by the Chinese government. The effects of the urban villages provide useful lessons for the age of rapid urbanization that China, and all nations, are in the midst of.

First, they demonstrate the possibility for urban development to occur without displacement. Shenzhen’s urban villages show that rural inhabitants can be brought included the city and profit from rising land values. By promoting their existing social structures and ensuring them an equitable participation in land ownership, they can overcome legal barriers against their right to the city.

They also demonstrate that if given sufficient autonomy, they can not only secure rights for themselves but also rights to the city for migrants. Through village-based administrative structures, they serve a useful function as a shelter and an intermediary between migrants and the local authorities. Finally, the urban villages demonstrate that when original inhabitants are empowered they can promote the city's economic development by providing services and a gateway for poor laborers to find employment.

Shenzhen also demonstrates that the national government plays a crucial role in experiments like the urban villages. The urban villages would not have happened without national measures the conferred rights that the local authorities would have been unwilling to confer themselves. The Shenzhen government has actively resisted the urban villages and sought to replace them with its own vision of ordered urban civilization. The central government played a crucial role in this regard, by implementing policies at the national level that provided land tenure that the local authorities were forced to acknowledge.

Additionally, the national government has a role in responding to the lessons learned from experiments like the urban villages and implementing them nationwide. Just as the Chinese government has implemented economic reforms first tested by the Shenzhen government, it should secure greater rights for rural inhabitants and migrants. The urban villages of Shenzhen demonstrate that doing so would not only ensure that these people share in the benefits of urbanization but would also facilitate economic growth by providing necessary labor inputs to urban economies.

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