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## *In situ* Urbanization in China: Processes, contributing factors, and policy implications

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# **IN SITU URBANIZATION IN CHINA: PROCESSES, CONTRIBUTING FACTORS, AND POLICY IMPLICATIONS<sup>1</sup>**

## **INTRODUCTION**

One of the most important demographic facts of today's world is the increasing proportion of people living in urban areas. By the end of 2013, over 51 per cent of the global population was living in urban areas; by 2050, this proportion is expected to increase to 70 per cent (UN-Habitat, 2008:5). Migration is a major factor contributing to this demographic reality. In fact, in many parts of the developing world, the urbanization process has been dominated by the massive migration of people from rural areas to cities, especially large cities, and the urbanization process is thus often perceived as identical to the process of rural–urban migration. Such a perception is further enhanced by a common practice of using indirect methods to estimate rural–urban migration's contribution to urbanization, in which migration and reclassification of rural areas into urban ones are treated together as a residual factor (and often inappropriately named as migration) contributing to urban population growth. Their respective contribution cannot, therefore, be separated from each other (Kundu, 2009; UN DESA, 2000) and, as a result, the role of reclassification in the urbanization process is often neglected or ignored altogether.

China's experience of urbanization since the late 1970s, however, suggests that the above narrow understanding of the ways in which urbanization is achieved is inadequate. In the last 30 years or so, a major characteristic of China's urbanization process has been the emergence and development of *in situ* urbanization (Zhu, 1998, 1999, 2000; Friedmann, 2005; Zhu et al., 2012). In contrast to the experience of many developing countries and the common perception of the dominant role of rural–urban migration in the urbanization process mentioned above, *in situ* urbanization transforms rural settlements and their populations into urban or quasi-urban settlements without much geographical relocation of the residents (Zhu, 2004). This trend is widespread in China, especially its south-eastern coastal region, and has occupied an indispensable position in China's overall urbanization process. It offers an alternative to the urbanization process achieved through migration of people from rural to urban areas, and provides a new way for migrants in search of better life to fulfill their dreams in their own home areas. Such a phenomenon has profoundly affected the overall pattern of migration and urbanization in China, presenting many new opportunities and challenges with important policy implications, and deserves careful examination for better understanding of China's urbanization process and relevant policy making. The examination of *in situ* urbanization has also important international implications, because it is not unique to China and has long been identified in other parts of the world, especially in Asian countries (McGee, 1991), but is particularly developed in China with much greater impacts on rural areas and their residents, and therefore provides valuable experience and lessons for other developing countries.

As a well-accepted practice in both academic research and policy making, the 31 provinces, municipalities and autonomous regions in mainland China are grouped into three regions, namely the eastern, central and western regions, with the former also commonly referred to as the coastal region and the latter two combined together and referred to as the inland region (Figure 1). Based on the review of existing literature and government documents, the analysis of official statistics, and cases studies in several provinces (especially Fujian Province) in both the coastal and inland regions, this paper attempts to provide a systematic examination of *in situ* urbanization in China. The paper will first review the processes of *in situ* urbanization and its important status in China's overall urbanization process, and then examine various factors contributing to its emergence and development and their mechanism. The paper will further look

1 This paper draws on materials from the author's papers and books listed in the references at the end of the paper: Zhu (1999, 2000, 2002, 2004); Zhu et al. (2009; 2012; 2013).

at the changing trends of *in situ* urbanization in both the coastal and inland regions in China, and discuss the challenges and opportunities they have posed, paying particular attention to their implications for the development of migrant sending areas in the context of the emerging trend of return migration. The paper will conclude with a discussion on planning and policy implications of *in situ* urbanization for China in the context of its National New Type Urbanization Plan, and for other developing countries with similar conditions.

**Figure 1: China's provincial-level administrative units and western, central and eastern regions**



Source: Y. Zhu (2003), slightly revised according to G.X. Wang (2005).

## I. THE EMERGENCE AND DEVELOPMENT OF *IN SITU* URBANIZATION AND ITS STATUS IN CHINA'S OVERALL URBANIZATION PROCESS

Before the late 1970s, China's urbanization process was not fundamentally different from that in other developing countries described above. Although rural–urban migration was strictly controlled through the stringent household registration (*hukou*) system, it was the growth of existing large and medium-sized cities mainly caused by rural–urban migration that shaped the urbanization process during that period (Ma and Lin, 1993; Zhu, 1999). Rural areas were virtually excluded from the industrialization and urbanization process at that time, and their residents were truly rural in terms of their employment structure, residential status and life style, working in the fields and living in villages.

However, the reform and open-door policies adopted in China in the late 1970s completely changed the situation. Since then, *in situ* urbanization has become a major aspect of socioeconomic transformation in rural areas, and is even regarded as “the most dramatic (and surprising) story of China's transformation” in the reform era (Friedmann, 2005: 35). This process has two interrelated dimensions, one is the creation of new urban centers, especially designated towns in rural areas; the other is the functional and physical changes of rural settlements through the development of township and village enterprises (hereafter referred to as TVEs). These two dimensions of *in situ* urbanization have unfolded in China through a series of policy measures and local initiatives, and have gone hand in hand to make a significant contribution to China's urbanization process.

### 1.1 The creation of new urban centers in rural areas and the role of reclassification as a component of urban growth

As will be elaborated in more detail in the second part of this section, rapid rural industrialization has been one of the most remarkable changes in China since the late 1970s, and the creation of new urban centers in rural areas in the form of designated towns was one of the major government measures to facilitate this development (Laquian, 1991: 250–254; Ma and Lin, 1993: 587–589). In 1984, the State Council changed the criteria for the designation of official town status, allowing all seats of county-level governments, and townships with a non-agricultural population of more than 2,000 to be designated as official towns (China, State Council, 1984). As a result, the number of towns increased sharply in China in the following years. In 1984 there were only 6,211 officially designated towns in China, but in 1988 this number reached 10,609, an increase of 71.81 per cent within a period of four years. During the period of 1992–1994, there was another wave of increase in the designation of towns, with their number rising from 11,882 to 16,433, representing an increase of 38.31 per cent in a two-year period. Since then the increase in the number of towns has gradually leveled off, standing at 19,881 at the end of 2012, which is 7.4 times the number of towns (2,687) in 1978. Similarly there has been also a significant increase in the number of cities since 1978: in 1984 there were 300 cities in China, but this number increased to 434 in 1988, and stood at 658 in 2012. However the growth rate of cities was clearly much lower, and their effects on the overall urbanization was even smaller, as many of the cities were created on the basis of previously existing towns and their designation would not increase the urban population as whole, except when the increase was as a result of new areas incorporated into the newly designated cities (Zhu, 1999: 50).

The creation of these newly designated cities and towns, together with the spatial expansion of existing cities and towns, was a dominant source of urban growth reflected in China's official statistics for a long period of time since the reform era, and has still played a significant role in the recent urbanization process. This can be demonstrated by decomposing urban population growth into three components: natural increase of the urban population, rural–urban migration and the reclassification of areas previously defined

as rural (Jones, 1991:9). Wang (1993; 2004; 2014) conducted a series of studies on the respective roles of these components in the overall urban growth in China in the periods between the 1982, 1990, 2000 and 2010 censuses. As can be seen in Table 1, in the period between the 1982 and 1990 censuses, while natural population growth and rural–urban migration accounted for 4.93 per cent and 27.7 percent of the total urban population growth respectively, reclassification of areas previously defined as rural constituted 67.37 per cent of such growth. In the period between the 1990 and 2000 censuses, the proportions of the total urban population growth accounted for by both natural population growth and rural–urban migration increased; however, reclassification of areas previously defined as rural still accounted for more than half (52.2%) of the total urban population growth. The dominant role of reclassification in China’s urban population growth is clearly consistent with the significant increase in the number of cities and towns in the 1980s and 1990s (especially the former) mentioned above. The contribution of rural–urban migration to the overall urban population growth in these two periods is at odds with the common perception of rural–urban migration as the dominant driving force of the urbanization process. Only in the recent period between the 2000 and 2010 censuses did rural–urban migration overtake reclassification as the most important source of urban population growth; even so it still accounted for nearly 30 per cent and is not negligible.

**Table 1: The components of population growth in cities and towns in the periods between 1982, 1990, 2000 and 2010 censuses**

Components of population growth	Period between 1982 and 1990 censuses		Period between 1990 and 2000 censuses		Period between 2000 and 2010 censuses	
	Urban population growth (000s)	% of the total	Urban population growth (000s)	% of the total	Urban population growth (000s)	% of the total
Natural increase in cities and towns	19,320.60	4.93	28,497.00	16.98	28,283.60	13.30
Rural–urban migration	108,442.80	27.70	51,732.20	30.82	122,326.40	57.40
Reclassification of areas previously defined as rural	263,799.00	67.37	87,624.20	52.20	62,509.10	29.30
Total	391,562.40	100.00	167,853.40	100.00	213,119.10	100.00

Sources: F. Wang (1993; 2004; 2014).

## 1.2 Functional and physical changes of rural settlements and the accumulation of urban elements in rural areas

The reclassification of previous rural areas into newly designated cities and towns, examined above, is not the full story of *in situ* rural–urban transformation in China. As mentioned earlier, another major dimension of *in situ* urbanization since the late 1970s has been functional and physical changes and the accumulation of urban elements in rural areas. This dimension of rural–urban transformation has been mainly achieved through the rapid development of rural enterprises, which were named commune and brigade enterprises before 1984 and have since been renamed township and village enterprises (TVEs). Contrary to its policies restricting rural areas from participating in the industrialization and urbanization processes before the reform era, the Chinese government released several documents in the late 1970s and early 1980s to actively encourage the development of commune and brigade enterprises or township and village enterprises in rural areas (China, State Council 1979; 1981; Central Committee of the CCP, 1984). These documents not only served the purpose of giving TVEs legitimate status, but asked the whole of society to support their development, and offered preferential credit and taxation policies for their development (Zhu, 1999: 122–124; 2004). They also attached great importance to local initiatives in the development of

TVEs, giving newly emergent cooperative joint-household enterprises and individual enterprises legitimate status, and encouraging both individuals and collectives to invest in various enterprises (Fujian Provincial Party School and Jinjiang Municipal Committee, 1994: 9). TVEs were expected to absorb rural surplus labour, promote the development of market towns, accelerate the construction of rural economic and cultural centers, help achieve “leaving the land but not the villages” for farmers, and prevent too many farmers from migrating to cities (Central Committee of the CCP, 1984). In 1996, The Law of Township and Village Enterprises of the People’s Republic of China was enacted by the Standing Committee of National People’s Congress “to support and guide the healthy and sustained development of TVEs, protect their legal rights and interests, regulate their operations, foster the prosperity of rural economy, and promote the socialist modernization drive”.<sup>2</sup>

As a result of the above policy changes, TVEs underwent an enormous growth in the 1980s and 1990s in China. In 1978, the number of TVE employees was only 28.3 million, but this increased to 130.5 million in 1997. In 1999, the value-added of TVEs amounted to 2,530 billion Yuan, accounting for 30 per cent of the national GDP. The TVEs’ export value also accounted for one third of China’s total export value in this same year. In general, it is well accepted that, at the height of TVE development in the late 1990s, TVEs accounted for one third of the national economy in China, and half of the economy or even more in some coastal provinces like Fujian (Zhu, 2004). Although the development of TVEs has slowed down since the late 1990s, they and their successors have since remained an important driving force of rural–urban transformation in China. However, many of them have transformed into other forms of enterprises and are no longer kept in official statistics as a category of enterprises (Zhu et al., 2012: 111).

Not surprisingly, TVE development brought about tremendous functional and physical changes to many rural settlements in China. In its early stages, TVEs were mostly township- or village-based, bringing urban functions, especially industrial and other non-agricultural activities, to widespread rural areas. In the later stages, many TVEs started more concentrated development, moving to industrial zones and development zones and thus contributing to the growth of built-up areas of designated towns and their higher population densities. The inflow of foreign investment in the rural areas since the late 1980s, which was often connected with TVEs and mostly concentrated in major development and industrial zones, has further enhanced this trend. TVE development and foreign investment have also promoted the development of public facilities, infrastructure and service sectors, and the revenues from TVEs and other enterprises have been the major source of funds financing these developments (Fan, 1998; Zhu, 2000, 2004; Ru, Lu and Zhu, 2001). These functional and physical changes of rural settlements brought about by TVE development contributed to the overall urbanization process in China, as they greatly facilitated the accumulation of urban elements in rural areas in terms of “continuously built-up area, population density and the economic and political functions carried out in those areas”, which are three major dimensions distinguishing urban and rural places (Champion and Hugo, 2004: 9).

However, unlike the creation of new urban centers examined earlier, these changes are only partly covered by conventional urban statistics and therefore cannot be easily recognized. This has much to do with the dichotomous approach in conceptualizing urbanization and in compiling urban statistics both in China and internationally (Zhu, 1998; 1999: 177–181; Champion and Hugo, 2004). Under such an approach, settlements and their populations are classified as either urban or rural, and it is assumed that the distinction between the two categories is clear-cut. Only those settlements and their populations strictly meeting the official urban criteria can be included in official urban statistics and, as such, the corresponding urban population will be referred to hereafter in this paper as the “officially recognized urban population”. Differences and changes within each of the two categories, including those relating to the above functional and physical changes of rural settlements and their populations, will therefore not be reflected in the official statistics (Zhu et al., 2013). Where the functional and physical changes of rural

2 “The Law of Township and Village Enterprises of People’s Republic of China (in Chinese)”, 29 October 1996. Available from [www.gov.cn/banshi/2005-06/01/content\\_3432.htm](http://www.gov.cn/banshi/2005-06/01/content_3432.htm)

settlements led to townships being designated as towns, the contribution to the urbanization process can be identified by the growth in the officially recognized urban population. More often than not, it is those functional and physical changes which took place in villages and which did not quite meet official urban criteria that are often neglected. As these changes do lead to the accumulation of urban elements in rural areas, a new approach needs to be developed so that the true extent of *in situ* rural–urban transformation and its status in China’s overall urbanization process can be estimated.

Substantial efforts have been made to discover the contribution of *in situ* rural–urban transformation not covered by conventional urban statistics by creating and using indexes of “quasi-urban ratio” and “quasi-urban population”. This approach was applied to county areas, namely areas of counties (*xian*) and county-level municipalities (*xianjishi*) which are mostly ‘rural’ under China’s dichotomous administrative system, in Fujian Province, one of the provinces with most developed *in situ* urbanization in China. As has been seen earlier, one of the major consequences of functional and physical changes brought about by *in situ* urbanization is the growing size of rural population engaged in non-agricultural activities. Members of this rural population are not fully urban, but possess certain urban characteristics in the three fundamental dimensions distinguishing urban and rural places mentioned earlier. Various indicators were selected to construct a “quasi-urban ratio” to reflect comprehensively the degree of urbanity of a quasi-urban area in terms of the three fundamental dimensions distinguishing urban and rural places. This index was then calculated for each of the county areas in Fujian Province, and the sizes of their rural population engaged in non-agricultural activities were adjusted by multiplying them with their respective “quasi-urban ratio”. The size of the dependents of the adjusted rural population engaged in non-agricultural activities was estimated for each of the county areas and added to the size of the adjusted rural population engaged in non-agricultural activities; in this way, the size and proportion of the “quasi-urban population” for each of the county areas in Fujian Province was derived. The above estimation procedure is reflected in the following formula:

$$PQUP = \frac{N \sum_{i=1}^n A_i E_i \times (1 + C)}{P}$$

where PQUP is the proportion of the “quasi-urban population”; N is the number of rural residents engaged in non-agricultural activities;  $E_i$  is the quasi-urban ratio of the number i urban characteristic used to adjust the number of rural residents engaged in non-agricultural activities to derive the size of the quasi-urban population;  $A_i$  is the weight of  $E_i$ ; C is the dependent ratio of the quasi-urban population; P is the total number of a county area’s residents, and  $\sum A_i E_i$  is the overall quasi-urban ratio for the rural residents engaged in non-agricultural activities. Details of the above estimation procedure and results can be found in Zhu et al. (2013), and data for 2007 were used in the calculation.

The results of the estimation suggest that the conventional urban statistics seriously under-estimate the true extent of rural–urban transformation in Fujian’s county areas. The officially recognized urban population of Fujian’s 58 county areas was 9,101,100 in 2007 according to the 2008 Fujian Statistics Yearbook, accounting for 36.5 percent of the total population. This suggests a predominantly rural picture with a low urbanization rate. However, if *in situ* urbanization is incorporated, the situation is quite different. The results of the above estimation suggest that the quasi-urban population of Fujian’s county areas amounted to 6,208,000 in 2007, accounting for 24.9 percent of the total population. If this quasi-urban population is included, then the revised total urban population would be 15,309,100, with a revised urbanization rate of 61.4 percent for the county areas of Fujian Province, 68.22 per cent higher than the officially recognized urbanization rate. This is certainly more consistent with the reality observed on the ground that rural non-agricultural activities are widespread and well developed in Fujian Province, and therefore more accurately reflects the true extent to which the settlements and their populations

in Fujian's county areas have been transformed into urban or quasi-urban ones. In fact, comparing the revised urbanization rate and the officially recognized urbanization rates, one can infer that 40.55 per cent of the rural–urban transformation process in Fujian's county areas is of *in situ* nature and “hidden” behind the official urban statistics. Furthermore, much of the officially recognized urban population has been a result of *in situ* urbanization too, as demonstrated in section 1.1, and it has been possible to demonstrate that 66.95 per cent of the above revised total urban population was a result of *in situ* urbanization (Zhu et al., 2012: 40).

In summary, China's experience since the late 1970s suggests that rural–urban migration is far from the only driving force of the urbanization process and that *in situ* urbanization has made a tremendous contribution to this process in terms of both the officially recognized urbanization and the quasi-urbanization, and should be paid more attention.

## 2. THE CONTRIBUTING FACTORS OF *IN SITU* URBANIZATION AND THEIR WORKING MECHANISMS

Given the important roles of *in situ* urbanization in China's overall urbanization process, which are at odds with conventional wisdom, one could ask what factors have contributed to its emergence and development and under what mechanisms have these factors worked. The Chinese Government policies released for the creation of new urban centers in rural areas and the development of TVEs mentioned earlier have played important roles; but they are not the full story, and a more systematic examination in this regard is necessary. This can be achieved by examining factors contributing to *in situ* urbanization from the following interrelated aspects, namely the basic conditions for *in situ* urbanization, its internal and external driving forces, and its enhancing factors.

### 2.1 High population densities and improved transport and communication conditions in the context of blurring rural–urban distinction: the basic conditions for *in situ* urbanization

Compared with developed countries in the past, one of the most distinctive conditions under which many developing countries have been urbanizing is the blurring rural–urban distinction. In the period of industrialization in developed countries, there were few rural settlements with high population densities and, therefore, migration of people from rural areas to newly emerging city centers were necessary, so that agglomeration economy, one of the key effects of urbanization, could be achieved. This necessity was further enhanced by the fact that widespread motor transport was not available at that time, so that dense settlements near city centers were required to facilitate the movement of both people and goods in relatively small areas (Hackenberg 1980: 404; Speare, Liu and Tsay, 1988: 193; Zhu, 1999: 158–165).

However, in many parts of today's developing world, including those in China, the above distinction between rural and urban areas in terms of population density and transport conditions has been increasingly blurred, and high population densities and good transport and communication conditions have become progressively more prevalent. In fact, these are two of the major characteristics of the *desakota* regions in the areas surrounding major metropolitan regions in Asia, as identified by McGee (1991). In China, areas with such conditions are even spread out far beyond the vicinity of metropolitan areas. In Fujian Province, for example, the population density in the 27 coastal counties and municipalities was as high as 663 persons per km<sup>2</sup> in 2000, far exceeding the population density of some developed countries or regions at the end of the 19th century (Table 2), and even 400 persons per km<sup>2</sup> as the common density criterion for identifying urban territory in many countries of today's world. To a large extent, this applies to the coastal region of China as a whole, as it was estimated that the population density of China's coastal region had also reached the threshold of 400 persons per km<sup>2</sup> (McGranahan et al., 2005). In terms of transport conditions, as has been documented elsewhere, relatively cheap means of transport, such as

motorcycles, buses and trucks, has increased rapidly and become commonplace since the late 1970s, and the road networks serving these vehicles have also improved tremendously in many places in China's coastal region, including Kunshan in Jiangsu Province, Quanzhou in Fujian Province, and Dongguan in Guangdong Province, where case studies were conducted (Zhu et al., 2012: 54–58).

**Table 2: Population density of some developed countries or regions at the end of the 19th century (persons per km<sup>2</sup>)**

Country or region	Population density
Saxony	234
Belgium	206
England and Wales	192
Netherlands	139
Italy	107
Japan	107
Germany	92
France	73
United States	8

Source: Weber, 1968: 147.

Thus under the above condition of high population densities, many settlements officially regarded as rural in the coastal region of China had already achieved urbanization in terms of population densities to a great extent before the process of industrialization, and what they needed to further achieve was the functional and physical changes, such as those driven by the development of TVEs. Migration will help, but is not necessary for this process. Improved transport conditions, together with the use of modern communication services, have the further two effects of facilitating *in situ* urbanization: on the one hand, they greatly reduce the separating effect of distance between major cities and the rural areas, making geographical proximity to large cities less important in development; on the other hand, easily available and affordable means of transport connect almost all rural settlements, making internal agglomeration of people and enterprises less necessary (Zhu, 2004). These effects of high population densities and improved transport and communication conditions are confirmed by the results of a survey of 200 enterprises in Kunshan in Jiangsu Province, Quanzhou in Fujian Province, and Dongguan in Guangdong Province, conducted in 2009. This showed that although none of the enterprises were located in cities, only a small proportion of their managers felt any inconvenience in terms of transport (3.5%), acquisition of raw materials or parts (3.0%), sales of their products (4.0%), and access to business information (3.5%) (Zhu et al., 2012: 79–80). Thus in the context of blurring rural–urban distinction in today's world, high population densities and improved transport and communication in rural areas replace the role of migration in achieving agglomeration economy, creating the basic conditions for *in situ* rural–urban transformation in China.

## **2.2 Local initiatives from rural communities and investment from overseas Chinese and non-mainland Chinese: the internal and external driving forces of *in situ* urbanization**

As in other developing countries, a major constraint to rural development in China was the lack of investment and infrastructure. Although the Chinese Government released a series of policies facilitating such development in the form of TVEs and small towns, it gave little direct financial support and, therefore, these policies alone would not solve the problem (Zhu, 2002; Zhu et al., 2012: 58–61). Case studies in southeastern provinces of China, especially in Fujian, Jiangsu, Zhejiang and Guangdong Provinces, suggest that local initiatives and investment from rural communities played a vital role in overcoming this constraint, and served as the main driving force for *in situ* rural–urban transformation in China, especially at the first

stage; and remittances and investment from overseas Chinese and non-mainland Chinese facilitated and further promoted this development.

To fully understand these driving forces of *in situ* rural–urban transformation in China, one important starting point is to look at the role of rural areas in generating innovation. This kind of innovation impulses, which take a central role in conventional theories of regional development, such as Friedmann’s center-periphery paradigm (Friedmann, 1966; 1972), are usually considered to be externally introduced (Stöhr and Taylor, 1981: 1). However, in China’s southeastern coastal region where *in situ* urbanization is well developed such innovation impulses came from the rural areas themselves. Fujian Province is a case in point. Fujian had long been troubled by the problem of labour surplus due to the shortage of land since the Ming Dynasty. As a solution to this problem, people in Fujian responded by trading with and migrating to other countries and regions, and adjusting and diversifying local economies according to the need of trade with other places and local geographical conditions (Zhu, 1999: 21–27). This cultivated the innovative spirits deeply-rooted in people’s mentality, especially in Quanzhou which had been the center of overseas trade and migration, and the entrepreneurship and skills needed in the later development (ibid.: 183–185). This kind of innovative spirits and entrepreneurship were suppressed for a long time before the reform era; however, in the early 1980s when China adopted reform and open-door policies, they became a major driving force behind TVE development (Zhu, 2002).

The story of Jinjiang, one of the then counties in the Quanzhou municipality, demonstrates how these innovative spirits and entrepreneurship played a key role in the early stage of TVE development. Jinjiang is one of the major hometowns of overseas Chinese and Chinese in Hong Kong SAR of China, Macao SAR of China and Taiwan Province of China, many of whose dependents received overseas remittances on a regular basis. Before the reform era, many of them had been able to save some money and build a house, partly thanks to the remittances. However, at the level of the individual family, these funds had not been significant, and not sufficient for the establishment of enterprises. But putting them together created a different story. In the late 1970s, a form of family workshops jointly established by several households emerged in Jinjiang and became the forerunners of TVEs. The remittances from overseas Chinese and Chinese in Hong Kong SAR of China, Macao SAR of China and Taiwan Province of China, although small, constituted an important part of the initial capital for these TVE forerunners, and the unused houses of their dependents became the first workshops for these enterprises. Apart from their collaborative and household-based nature, these enterprises were mostly engaged in labour-intensive industries such as sewing, construction materials and food production. They only required limited initial funds, preliminary infrastructure development, and relatively simple labour skills. It is in this way that they overcame the constraints of the lack of investments, infrastructure and skilled labour in rural development, as commonly encountered in developing countries, and laid down a solid basis for further development of TVEs (Zhu, 1999: 124–127).

These enterprises flourished in Jinjiang in the years that followed, creating many employment opportunities due to their labour-intensive nature, and benefitting a large number of community members. Their development entered a new stage in the late 1980s due to the further involvement of overseas Chinese and Chinese in Hong Kong SAR of China, Macao SAR of China and Taiwan Province of China. In October 1986, the State Council promulgated “the regulations encouraging foreign investment”, which ushered a new era of large scale inflow of foreign capital from overseas Chinese and from Chinese in Hong Kong SAR of China, Macao SAR of China and Taiwan Province of China, and TVEs, including those in Jinjiang, became major receivers of such foreign capital. This is because Jinjiang and many places in China’s southeastern coastal provinces are also the major places of origin of overseas Chinese and Chinese in Hong Kong SAR of China, Macao SAR of China and Taiwan Province of China, who often chose their hometowns as their first destination of investment in China. Such spatial pattern of investment is closely related to their business networks based on their ethnic, historical and cultural links to each other and to their hometowns (ibid.:

166–70). Thus the business expansion of overseas Chinese and Chinese in Hong Kong SAR of China, Macao SAR of China and Taiwan Province of China into mainland China frequently uses old family and dialect ties (East Asia Analytical Unit, 1995: 176), and not surprisingly, their hometowns, many of which were still rural areas at the beginning of the reform era, benefitted from such a practice in their rural–urban transformation. The involvement of foreign capital from overseas Chinese and non-mainland Chinese greatly improved TVEs’ production techniques and equipment, and enhanced their competitiveness, especially their export capability, in Jinjiang. The rural–urban transformation in Jinjiang was so successful that it is called the “Jinjiang Model” (Zhu, 2000; 2003).

Similar stories can be told about Jiangsu, Zhejiang and Guangdong Provinces, although they took place in different forms. In the Pearl River Delta region in Guangdong Province, which has a tradition of commercial production of both agricultural and industrial goods, such as fruit, silkworms, silk and iron, the overseas trade of these products and overseas migration of people can also be dated back to the Ming and Qing Dynasties (Xu, Liu and Zeng, 1988). Similarly, the Yangtze River Delta region in Jiangsu and Zhejiang Provinces was the area where China’s early industrialization germinated (Li, 2000). Here the textile industry was well developed as early as in the Ming and Qing Dynasties, and there were already 4,562 modern enterprises in Jiangsu Province as early as in 1932, employing 108,000 people. Most of these enterprises were located in Southern Jiangsu Province, where handcraft industries and small town economy had long been well developed (Wei, 2002). These also nourished the innovative spirit and entrepreneurship of local people in the above areas, and paved the way for their respective *in situ* rural–urban transformation since the reform era. Thus, although these areas faced the similar constraint of lack of initial capital and infrastructure and did not receive financial support from the government, as in the case of Jinjiang, they all overcame the constraint through local initiatives in different forms and excelled in TVE development. These local initiatives took different forms. In the Southern Jiangsu Province, TVEs were mostly collectively owned by towns, townships and even villages, and the initial capital was mainly from the collective funds of rural communities. In the Pearl River Delta region, collective funds from rural communities also took the lead at the initial stage, but investments from overseas Chinese and non-mainland Chinese quickly joined in and became a new driving force. In the Wenzhou area of Zhejiang Province with a long tradition of private economy, the initial funds mainly came from individuals and families, as was the case in Jinjiang, although people here do not have much connection to overseas Chinese. The experiences of these areas are summarized as “Southern Jiangsu Model”, “Pearl River Delta Model” and “Wenzhou Model” respectively; together with the “Jinjiang Model” mentioned earlier, they are regarded as the four main models of *in situ* rural–urban transformation in China (Song, 2009; Zhu et al., 2012).

Before concluding this subsection, one important point needs to be emphasized: although foreign investment, especially that from overseas Chinese and Chinese from Hong Kong SAR of China, Macao SAR of China and Taiwan Province of China, promoted *in situ* rural–urban transformation in the above four models to different degrees, it is the initial capital from rural communities themselves that played a decisive role in such transformation (Cui and Ma, 1999; Zhu, 2012). In fact, compared to the local initiatives and investment, foreign investment was not a crucial factor in initiating the TVE development. In a survey of 100 enterprises, conducted in the Quanzhou Municipality of Fujian Province in 2001, only five per cent considered overseas remittances and investment as the major condition for their establishment; however, 60 per cent of the enterprises regarded market demand as the most important factor, followed by surplus labour (45%) and traditional skills (36%). The successful TVE development in the Wenzhou Model in southern Zhejiang Province mentioned earlier, which is not a major place of origin of overseas Chinese, supports this point indirectly (Zhu, 2002). Thus an important implication of the experiences of *in situ* urbanization described above is that the initial driving forces for rural development do not have to be externally introduced; in fact, they are often deeply embedded in the geographical, historical, and cultural conditions of rural areas, and should be fully tapped in regional development.

### 2.3 Relevant government policies and institutional contexts: the enhancing factors for *in situ* urbanization

Apart from being facilitated by the basic conditions and driven by the internal and external forces examined in the previous sections, *in situ* rural–urban urbanization in China has been further enhanced by relevant government policies and institutional contexts. This has been partly demonstrated in the preceding subsections 1.1 and 1.2 by the government documents issued for the creation of new urban centers and the development of TVEs. The roles of these enhancing factors can be demonstrated further in the following aspects.

First, the growth of China’s large and medium-sized cities, and the migration of rural residents to them, was constrained by China’s household registration system and the 1980s’ national urban development strategy, which indirectly promoted the *in situ* rural–urban transformation. Before the onset of reform in the late 1970s, rural–urban migration was strictly controlled in China, and the household registration (*hukou*) system was the central mechanism for such a control (Mallee, 1995: 1–2; Zhu, 1999: 102). In the late 1970s and early 1980s when *in situ* urbanization started to emerge, rural surplus labour was a serious issue, and there were a large number of such labourers who were in urgent need of finding work (Zhu, 1999:117–121). However at that time, the strict *hukou* control on rural–urban migration was still in place. Furthermore, in the early 1980s, a national urban strategy was proposed to “strictly limit the size of large cities, rationally develop medium-sized cities and encourage the development of small cities and towns” (China, State Council 1989:14–15). This was re-formulated in the then China’s Urban Planning Act to “strictly control the development of large cities and reasonably develop the medium-sized and small cities”, making it even more difficult for rural surplus labourers to find work in urban areas, especially in large cities. Such a policy and institutional context enhanced the necessity of *in situ* rural–urban transformation and accelerated its development in the early stages.

Since the early 1980s, a series of measures and policies have been taken in China to relax the control of the *hukou* system on rural–urban migration and the growth of cities. As a result, the indirect enhancing effects of the *hukou* system vis-à-vis migrant welfare and China’s urban development strategy on *in situ* urbanization have become significantly weaker (Zhu et al., 2012: 46–48). However, such effects still exist, because the *hukou*-based dual society in China in terms of social benefits and security remains largely unchanged, and most migrants from rural areas still do not have equal access to the social benefits and security that urban local residents enjoy. This reduces the motivation of rural people to move to and settle down in cities, and increases the possibility for them to be urbanized *in situ*, if other enabling factors are in place, as will be further elaborated below.

Second, the land tenure and social security systems in China’s rural areas reduce the incentives for rural residents to leave rural areas, and thus also indirectly enhance their propensity to be involved in *in situ* rural–urban transformation. Land in China’s rural areas is owned by rural collectives, and villagers can contract for land use rights of farmland for agricultural production only and of land where their housing is situated. . However, these land use rights are not easily transferable, although some experiments of land use rights transfer have been conducted on a trial bases in recent years. If a villager leaves a village permanently, thus losing the *hukou* status of the village, he or she may also lose the use rights of both the contracted farmland and the land used for housing. This also applies to the entitlements for sharing the dividends from the village collective enterprises and from the collectively owned land rented out for industrial or commercial purposes. Thus there are considerable opportunity costs for villagers leaving their villages and giving up their *hukou* status; remaining at home, therefore, is often a better option if there are non-agricultural employment opportunities available in or near the villages. Furthermore, most villagers and rural–urban migrants are not covered by the urban-based social security system and,

therefore, land in their hometowns also serves to provide a certain kind of security for them. If they are laid off or face difficulties in urban areas, they can rely on the land for their livelihood. Thus, in a survey of 2,033 migrants randomly selected in Fujian Province in 2009, 95.1 per cent of them wanted to keep the land in their hometowns, even if things went well in their places of destination (ibid.: 49). In another survey conducted in six cities in Fujian Province in 2006, 34.8 per cent of the respondents were willing to transfer their *hukou* to the destination cities if they could keep their land in their place of origin; however this proportion dropped to 23.3 per cent if the *hukou* transfer was conditional on giving up their land (Zhu and Chen, 2010). Clearly, the strong ties of rural residents to their land are another factor contributing to *in situ* rural–urban transformation in China.

Third, the State has played an important role in stimulating local initiatives and creating favorable policy and economic environments for those initiatives, and this has also greatly contributed to *in situ* rural–urban transformation. One of the manifestations of such a role are the policy documents promulgated to facilitate the development of TVEs and the creation of new urban centers in rural areas, as documented earlier. But much more than that, the State has introduced a series of political and economic reforms to decentralize the powers of decision-making in economic development to the lower levels of governments. It has also provided incentives for local government officials to take initiatives and devote more efforts in promoting socioeconomic development of the respective areas for which they are responsible. This is reflected in the fact that much of the approval authorization processes for foreign trade and investment, development projects, and land acquisition and uses have been delegated to local governments, and the relevant approval procedures have been greatly simplified (Zhu, 1999; Zhu et al., 2012: 48–51). This has greatly facilitated another major process contributing to *in situ* urbanization, namely the setting up of various development, industrial and investment zones with well-developed infrastructure, which have played a major role in attracting various investments, especially foreign investment. In contrast to the concentrated spatial distribution of foreign investment in major cities in the conventional patterns of development in many developing countries (Fuchs and Pernia, 1987: 97–98; Sit and Yang, 1997: 659; Zhu, 1999: 134), these three types of zones are often located in rural towns or townships outside major cities and, in this way, have directed much investment to many rural areas, transforming them into urban and urban-like areas in both functional and physical terms.

In addition to decentralizing approval powers, another major institutional context of *in situ* urbanization is related to the mechanism for the promotion of government officials. Since the reform era, economic development of an area has become one of the major criteria for assessing the performance of government officials responsible for that area. Officials from areas with fast economic development are more likely to be promoted or appointed to a more important position. This is supported by the fact that officials in charge of Kunshan, Jinjiang and Dongguan (areas with well-developed *in situ* urbanization) have been repeatedly promoted to higher positions (Wei, 2002; Lin, 2006; Zhu et al., 2012: 52). It is also important to note that in encouraging local government officials to promote local development, the State fully recognizes the importance of regional characteristics and encourages different regions to adopt different development strategies. This is reflected in the fact that there are various models of rural–urban transformation, including the four major ones mentioned earlier. Consequently, the local-economic-development-oriented performance assessment and promotion mechanism provide another major incentive to local government officials to promote the development of their respective areas, which is certainly conducive to *in situ* rural–urban transformation.

### 3. CHANGING TRENDS OF *IN SITU* URBANIZATION IN BOTH THE COASTAL AND INLAND REGIONS AND THEIR POLICY IMPLICATIONS

Having examined the emergence and development of *in situ* urbanization and its contributing factors, this section turns to some recent developments of *in situ* urbanization in both coastal and inland regions and their policy implications. There have been some salient changes in China's urbanization trend since the late 1990s characterized by the increasing importance of cities, especially large cities, in the overall urbanization process, and therefore the role of *in situ* urbanization needs to be reassessed in such a context. This is even more necessary given the recent increasing trend of return migration from the coastal region to the inland region, and the newly released China's National New Type Urbanization Plan; in this context, the possibility of *in situ* urbanization in China's inland region also needs to be evaluated. Based on these assessments, evaluations and findings set out in the previous two sections, this paper will conclude by exploring the policy implications of *in situ* urbanization for China and for other developing countries with similar conditions.

#### 3.1 Changes in China's overall urbanization process and policies and their effects on *in situ* urbanization

As mentioned in section 2.3, the urban strategy adopted in China in the 1980s was to "strictly control the development of large cities and reasonably develop the medium-sized and small cities", indicating at that time a cautious attitude towards the growth of the urban population and a negative attitude towards the growth of cities, especially large cities. However, such attitudes have gradually changed since the 1990s, especially towards the end of that decade. There has been an increasing consensus that China's urbanization process should be accelerated to change the situation where the urbanization level lags behind economic development. The aforementioned urban strategies have been increasingly under criticism (Wang, 1995; Liao, 1995; Zhu, 1999; Wang, 2000), and large cities have been favoured as the most efficient way of development. In fact, it has been the fashion since the 1990s for many local governments to develop their regional urban centers (especially provincial capitals) into very large cities. Although the central government seems to be more cautious and insists on the coordinated development of large, medium-sized and small cities as well as small towns, it has obviously also taken a much more positive attitude towards the development of large cities, compared to its previous position advocating the development of small towns (Hu, 2000, Zhu et al., 2012: 108).

At the same time, since the late 1990s, an increasing number of places have been implementing various measures to remove the hurdles to rural–urban migration caused by the *hukou* system, whose role in controlling rural–urban migration has already been considerably weakened in the process of reform (Zhu, 2003). Instead of fearing an influx of migrants into cities, many local governments have encouraged the growth of urban populations, and regarded reform of the *hukou* system as a major way to promote the urbanization process. In the recently released China's New Type Urbanization Plan, the central government has proposed a comprehensive policy package to further relax the control on granting the *hukou* status to migrants in the cities. Furthermore, the temporary form of migration, which the majority of migrants in China adopts in their migration process, has been increasingly regarded as undesirable, and the *hukou* system has been often blamed for this situation. There have been an increasing number of observers advocating cutting off migrant farmers' links to land in their hometowns, and encouraging them to leave the land as well as their villages to settle down in the destination cities. This is to be achieved through reforms in both the *hukou* system in the urban areas on the one hand and the land use rights transfer system in the rural areas on the other hand (Zhu, 2006).

The above changes greatly enhanced the role of cities, especially large cities, in contributing to China's urban growth and urbanization, and weakened the position of *in situ* urbanization in the overall urbanization process. This is reflected in the fact mentioned in section 1.1 that rural–urban migration overtook reclassification as the most important source of urban population growth in China during the period between the 2000 and 2010 censuses. Other recent studies also suggest that the growth of the populations in large and extra-large cities in China has greatly accelerated since 2000 (Gu, Yu and Li, 2008), consistent with the above changes in migration and urbanization policies and trend of rural–urban migration. As a result of these changes, cities have regained the dominant position in China's urbanization process since the late 1990s. Even in the Pearl River Delta and the Yangtze River Delta regions and in Fujian Province, where *in situ* urbanization has been well developed, cities have also become the focus of the urbanization process. One indication of the increasing importance of cities in the urbanization process of these areas has been the faster increase of the proportion of the aforementioned “officially recognized urban population”. In the Quanzhou Municipality of Fujian Province, for example, where *in situ* urbanization has been most developed, while the proportion of its officially recognized urban population was 38.9 per cent in the 2000 census, lower than that of Fujian Province as a whole (42%), this proportion increased to 58.43 per cent in the 2010 census, higher than that of Fujian Province as a whole (57.09%) (Zhu et al., 2012: 110).

However, two important points need to be made in relation to the above changes in the position of *in situ* urbanization in China's overall urbanization process. First, while the increasing importance of cities and officially recognized urban population has been facilitated by the aforementioned changes in China's migration and urbanization policies, it has been also an inevitable consequence of *in situ* urbanization itself. In fact, although quasi-urbanization represents only the immature stage of *in situ* urbanization, and is “invisible” in official urban statistics, it will eventually become officially recognized if there is further development of infrastructure and public facilities. This development has contributed directly to the growth of the officially recognized urban population in the relevant metropolitan areas and their respective core cities in those areas with well-developed *in situ* urbanization (Zhu et al., 2012: 109–111). Second, although cities and their officially recognized urban population regained dominance in the urbanization process, studies in the Quanzhou Municipality of Fujian Province, the Dongguan Municipality of Guangdong Province and in the Southern Jiangsu Province suggest that this has not significantly affected the relatively scattered spatial distribution of both their enterprises and regional economies shaped by earlier development of TVEs and *in situ* rural–urban transformation. The accelerated growth of the officially recognized urban population has been mainly achieved by the concentration of both enterprises and local residents in the urban centers and of various development and industrial zones at the spatial level of towns and townships. This is evidenced by a survey of 200 enterprises conducted in 2009 in the Jinjiang Municipality and the Huian County of Fujian Province, the Dongguan Municipality of Guangdong Province and the Kunshan Municipality of Jiangsu Province. The results suggest that although 68 per cent of the enterprises were indeed located in urban built-up areas or in various development and industrial zones, 62.5 per cent were actually situated in the center of towns or in their development and industrial zones; 19.1 were even still located in the development and industrial zones at the village level, and only 18.4 per cent of them were to be found in the center of cities or in their development and industrial zones (Zhu et al., 2012: 74–77).

In summary, this subsection demonstrates that although the position of *in situ* urbanization in China's overall urbanization process has significantly changed since the late 1990s, such changes do not mean that *in situ* urbanization is no longer relevant to China's future urbanization. In fact, the relatively dispersed, regionally-based spatial pattern of development, which took shape in the period dominated by *in situ* urbanization, remains an important spatial framework affecting the overall future urbanization pattern. Besides, recent research in Fujian Province suggests that *in situ* rural–urban transformation is still an ongoing process in the province as a whole and remains in the immature stage in some areas (Zhu et al., 2012: 110), signifying that a large quasi-urban population is still in the process of transition. All this poses great challenges to China's urban planning practices, which will be discussed later.

### 3.2 *In situ* urbanization in the inland region of China and its future development in the context of changing migration patterns

So far, examination of China's *in situ* urbanization has been mostly concerned with its coastal provinces. However, this does not mean that *in situ* urbanization is irrelevant to China's inland region. In fact, TVE development, which has been the major driving force behind the functional and physical changes of rural settlements in China's coastal region, also exists in the inland region of China and can be traced back to the mid-1970s, as early as that in the coastal region. The experience of the Huiguo Commune in the Gongyi County of Henan Province (the largest inland province in terms of population in China) in promoting the development of commune and brigade enterprises (TVEs' forerunners) even served as a role model in China at that time. This was widely reported in 1975 by the People's Daily, one of the most important State media, in an editorial entitled, "The great, bright and splendid hope". As a result, the Huiguo Commune (now Huiguo Town) has enjoyed the reputation as one of the birthplaces of TVEs in China. At that time, there were 10 factories run by the commune and 64 factories run by the brigades engaged in the processing of agricultural products, machine repairs, and the production of chemical fertilizers, cement, bricks and tiles, electronic materials, etc. Huiguo Commune was just one epitome of TVEs development in China's inland region at that time. Today, in some areas of the inland region, such as the middle part of Hunan Province, the area surrounding Chengdu City in Sichuan Province, and that between Zhengzhou City and Luoyang City in Henan Province, *in situ* rural–urban transformation is a major feature of their socioeconomic development although, as a whole, it is less developed than that in China's coastal region and exists in smaller areas and more sporadically (Zhu et al., 2012: 116–125).

The existence but less developed status of *in situ* urbanization in the inland region poses one question: Since *in situ* urbanization has been well developed in China's southeastern region and played such an important role in the overall urbanization process, would it be possible for the inland region to promote it so that more people could benefit from its developmental effects? This question is of great policy significance since it is concerned with an alternative way of achieving urbanization and development in China's inland region. Answers to this question may be sought by examining the status of factors contributing to *in situ* urbanization in China's coastal region, which were identified in the previous sections. Research suggests that some basic conditions and driving forces for *in situ* urbanization in the coastal region also exist in the inland region.

First, although the population density in the inland region as a whole is lower than that in the coastal region, it is still rather high and even higher in some plains and river valley basins than in the coastal region as a whole. For example, the population density of the aforementioned Gongyi County was as high as 571 persons per km<sup>2</sup> at the beginning of the reform era in 1978, and even reached 777 persons per km<sup>2</sup> in 2008, far exceeding 400 persons per km<sup>2</sup> as the common density criterion for identifying urban territory in many countries in the world as mentioned earlier. In fact, this is the case for Henan Province as a whole as its population density was 446 persons per km<sup>2</sup> in 1978 and 594 persons per km<sup>2</sup> in 2008 (Zhu et al., 2012: 126). Areas of this kind with high population densities also exist in the Sichuan Basin, the North China Plain, the Fen River and Wei River Valley Basin, the Yangtze River and Han River Plain, and the Mid-Hunan Plain in the inland region. As with areas in the coastal region, such high population densities are an important basis for *in situ* rural–urban transformation in these areas.

Second, some areas in the inland region are even more advantaged than the coastal region in terms of transport conditions. Henan Province, for example, is located in the North China Plain, which is advantageous for the development of transport networks and facilities in terms of physical geography. Its central location in China makes it an important hub for both railway and highway transport, and has resulted in highly developed land transport systems. Data from the Transport Department of Henan Province indicate that the traffic mileage of Henan Province reached 240,000 km in 2008, ranking first among all provincial units in China. Its highway density reached 2.44 km per 1,000 persons, or 144.1 km

per 100 km<sup>2</sup> in the same year, ranking second among all provincial units in China, with all towns, townships and villages connected to the highway network. At the end of 2008, the traffic mileage of expressways in Henan Province reached 4,841 km, ranking it again as first among the provincial units in China (Zhu et al., 2012: 125–126). Such highly developed transport networks constitute another important basis for *in situ* rural–urban transformation, just as in the coastal region mentioned earlier.

Third, a larger part of government policies and institutional contexts that enhance *in situ* urbanization in the coastal region also exist and function in the inland region. As with the coastal region, the *hukou*, the land tenure and the social security systems in the inland region also have the effect of reducing the incentives for rural residents in the inland region to leave rural areas, and thus indirectly enhancing their propensity to be involved in *in situ* rural–urban transformation, although there is less chance for them to do so. Besides, most of the policies and measures provided by the State to stimulate local initiatives, including those to decentralize the powers of decision-making in economic development to the lower levels of governments, as well as the incentives for local government officials to take initiatives and devote more efforts in promoting socioeconomic development of the respective areas, equally apply to the inland region, and this also creates an important condition for *in situ* urbanization.

However, as indicated earlier, *in situ* urbanization in the inland region as a whole is less developed than that in the coastal region, and is due to the following factors. First, the inland region did not enjoy the preferential policies for economic development in terms of taxation, finance, credit, foreign investment, etc. provided at the beginning of the reform era to the coastal region, particularly its special economic zones and various land development and investment zones. This led to the concentration of both human capital and investments in the coastal region, which was detrimental to the development of the inland region.

Second, the inland region is also disadvantaged in terms of foreign economic relations, especially foreign investment. The ancestral areas of most overseas Chinese and Chinese in Hong Kong SAR of China, Macao SAR of China and Taiwan Province of China are located in the coastal region, and therefore the inland region is unfavourably positioned to attract their investment, which served as the most important external driving force for *in situ* rural–urban transformation in the southeastern coastal region in China, as seen in the earlier sections. The inland location contributes further to the difficulties in establishing economic, technological and market connections between the inland region and other parts of the world, and this also creates an obstacle for *in situ* rural–urban transformation.

Third, innovative spirits, entrepreneurship and business skills, which have played a vital role in generating local initiatives for TVE development and rural–urban transformation in the coastal region, are less developed in the inland region. As already seen, there has been a long tradition of overseas migration and trade in response to the problem of labour surplus in the coastal region, and this cultivated the innovative spirit, entrepreneurship and business skills of residents in the coastal region. In contrast, there has been much less overseas and business experience for the residents in the inland region where farmers are more closely attached to the land and lack the risk-taking mentality and the spirit to take initiatives.

All the above factors contribute to the less developed status of *in situ* urbanization in the inland region and there is no simple way to overcome these constraints. However, the role examined earlier of overseas Chinese and Chinese in Hong Kong SAR of China, Macao SAR of China and Taiwan Province of China in the *in situ* rural–urban transformation of their hometowns in the coastal region offers an important message on this issue. Since the early 1980s, a massive migration flow has emerged and developed between the inland and coastal regions in China, with the former as the main place of origin and the latter as the main place of destination. Just as those overseas Chinese and non-mainland Chinese, who themselves or whose ancestors were once migrants, made a significant contribution to *in situ* rural–urban transformation of their hometowns by their remittance and investments, migrants from the inland region may also help their hometowns to overcome the above constraints and achieve a similar goal. Drawing on data for Guizhou

Province from the 2003 China Rural Household Survey, Liang, Li, and Ma (2013) demonstrate that some 82 per cent of male migrants and 73 per cent of female migrants in the sample sent remittances to their hometowns in the year of the survey, contributing as much as 30 per cent of the total income in migrant households. Furthermore, the authors estimate that remittances sent back by Chinese internal migrants as a whole may be as high as 160 billion Yuan per year. It is not hard to imagine the tremendous impact of this enormous amount of funds, not only on the lives of migrant households at the places of origin but also on the socioeconomic development, including rural–urban transformation, of migrant hometowns.

The changing trend of migration between the inland and coastal regions further enhances the important role of migrants from the inland region in overcoming the constraints on *in situ* rural–urban transformation in their hometowns. Some recent studies suggest that, during the decade beginning in the year 2000, a major development of migration in China was the increase in interprovincial return migration (Liang, Li and Ma, 2014), the start of which can be traced back to as early as the 1990s (Zhu, 2003; Zhou and Liang, 2006). These return migrants are bringing back new skills and ideas, capital and managerial experience, market connections and risk-taking mentalities, elements that have been lacking to effect the rural–urban transformation in their hometowns, as demonstrated earlier. Some entrepreneurs have emerged from among these return migrants and have invested and established enterprises in their hometowns, creating employment opportunities for local labourers. In Jintang County of Sichuan Province, the county government has even set up a “Special Development Zone for Return Migrant Entrepreneurs”, and return migrant entrepreneurs are treated like “foreign investors”. Migrant workers and return migrants also provide important links between the inland and the coastal regions, in the same way that overseas Chinese and non-mainland Chinese provide links between their hometowns in the coastal region and the outside world (Zhu, 2003; Chunyu, Liang and Wu, 2013). Thus migrants from the inland region, especially return migrants, have served as, and will continue to be, catalysts for socioeconomic transformation in China’s inland region, as overseas Chinese, and Chinese in Hong Kong SAR of China, Macao SAR of China and Taiwan Province of China have been in the coastal region. This will change the unfavourable position of the inland region in *in situ* rural–urban transformation, providing the right policies are in place, and raises an important policy issue which will be discussed in the next subsection.

### 3.3 Policy and planning implications of *in situ* urbanization in the context of China’s New Type Urbanization

Having examined the processes, contributing factors and changing trends of *in situ* urbanization, the last subsection of this paper is devoted to its policy and planning implications. In recent years, urbanization has been at the top of the agenda for Chinese policymakers. It is regarded as the biggest structural adjustment, the largest source of internal demand and the most important driving force for further economic development. The great importance attached to urbanization is reflected in the fact that on 17 March 2014, the Central Committee of the Chinese Communist Party and the State Council issued China’s New Type Urbanization Plan, which provides guiding principles, sets goals, and elaborates major policy issues for China’s urbanization between 2014 and 2020. According to the New Type Urbanization Plan, the proportion of China’s urban population should reach 60 per cent by 2020; the urbanization process should be sustainable and people-centered, and rural–urban integration promoted in the urbanization process.<sup>3</sup> This is an important and new context for the assessment of *in situ* urbanization, and the following policy and planning implications of *in situ* urbanization can be deduced in such a context, based on the earlier analysis in this paper.

First, *in situ* urbanization will remain an important component of the urbanization process in China, and an important way to achieve the goals proposed in China’s New Type Urbanization Plan. As has been seen in

3 “The Central Committee of the Communist Party of China and the State Council releases the New Type Urbanization Plan” (in Chinese), accessed on 31 October 2014. Available from [www.gov.cn/gongbao/content/2014/content\\_2644805.htm](http://www.gov.cn/gongbao/content/2014/content_2644805.htm)

the previous two subsections, although *in situ* urbanization is no longer the dominant form of rural–urban transformation in China, it still has long-term impacts on some parts of China’s coastal region where it has been well developed, especially on the spatial patterns of urban development in these areas. Its role in the overall urbanization process of the inland region will even be strengthened, given the untapped conditions conducive to *in situ* urbanization, and the trend of return migration serving as a catalyst for socioeconomic transformation. Furthermore, although city-centered urbanization has regained the dominant position in China’s urbanization process since the late 1990s, many large cities are encountering various problems, such as high housing prices, poor air quality and traffic congestion; as a result, many migrant families have great difficulties in settling down in these cities, due to the high cost of living. All this gives rise to the need for achieving the urbanization goal in a more spatially balanced way, and *in situ* urbanization has the great potential to serve this purpose. Hence, it is not a coincidence that in recent years, *in situ* urbanization has been back on the policymaking agenda of the various levels of governments in China. This is evidenced by the fact that several top policy advisors in China, including Professor Li Yining of Peking University and Professor Gu Shengzu of Wuhan University, who is also Deputy Director of the Financial and Economic Committee of the Standing Committee of the National People’s Congress, advocated recently that *in situ* urbanization should be promoted.<sup>4</sup> In the report of a recent research project jointly conducted by two prestigious academic institutions in China, namely the Chinese Academy of Engineering and Tsinghua University, a policy recommendation was also made to “promote *in situ* urbanization in the areas with suitable conditions”.<sup>5</sup> All this confirms that after a period of declining status, *in situ* urbanization has been revitalized and reassumes an important position in China’s urbanization process.

Second, and related to the first point, *in situ* urbanization offers new development opportunities for migrant-sending areas, their residents and migrants themselves in China, especially those in the inland region, in addition or as an alternative to the current mode of development dominated by massive out-migration to the coastal region. Such opportunities need to be fully seized in urbanization-related policymaking. The most recent 2010 census results indicate that there were 221 million members of the “floating population” in China, among whom 85.88 million were long-distance, interprovincial migrants. Most of these migrants are in a disadvantaged position and unsettled in their destination cities. Although various measures and policies have been taken to extend urban social benefits as well as security and basic public services to them to facilitate their settlement in the cities,<sup>6</sup> a large proportion of them are still either unwilling or not capable of settling down in the cities, which is particularly the case for migrants from inland regions (Zhu and Chen, 2010; Zhu and Lin, 2011). All this suggests that cities, especially large cities in the coastal region, should not be the only outlets for migrants who are seeking developmental opportunities; the opportunities in their hometowns should also be explored and, as analysed earlier, such opportunities do exist. Migrant-sending areas, especially those with high population densities and good transport conditions, should therefore make full use of those factors conducive to *in situ* urbanization, and fully bring into play the positive roles of migrants (especially return migrants) in the development of their hometowns. This will make a significant contribution towards fulfilling the goals of China’s New Type Urbanization Plan, one of which is to transfer labour intensive industries to the central and western

4 “Gu Shengzu: *In situ* urbanization should be vigorously promoted” (in Chinese), 19 March 2014. Available from <http://finance.chinanews.com/cj/2013/03-19/4656357.shtml>; *Guangming Daily*, “Li Yining: China should take the path of *in situ* urbanization for farmers” (in Chinese), 18 October 2013. Available from <http://theory.people.com.cn/n/2013/1018/c49154-23245165.html>

5 *Guangming Daily*, “Research team on urbanization strategies with Chinese characteristics: Some suggestions on the developmental strategies of the new type urbanization” (in Chinese), 4 November 2013. Available from [http://epaper.gmw.cn/gmrb/html/2013-11/04/nw.D110000gmr\\_b\\_20131104\\_1-07.htm](http://epaper.gmw.cn/gmrb/html/2013-11/04/nw.D110000gmr_b_20131104_1-07.htm)

6 For example, various documents have been released and implemented to encourage rural–urban migration and the equal treatment of migrants in urban employment, and all the discriminatory regulations and unreasonable fees imposed on them have been abolished. Various policies have been made and measures taken to ensure that migrants’ children have equal access to education opportunities and are treated equally in the destination cities. Measures have been taken to extend coverage to migrants of the existing urban social insurance programs, including those for old-age and medical insurance, insurance against work-related injuries and major diseases, and unemployment insurance. Attempts have also been made in some destination cities to incorporate migrants into the urban housing security system (for more details, see Zhu and Lin, 2013). The implementation of the above measures and policies is mainly the responsibility of local governments and migrant employers, with the central and provincial governments providing some financial support in various forms, such as subsidizing basic public health services.

regions to absorb return migrants and facilitate the employment of rural migrants in nearby urban centers. In his Report on the Work of the Government given to the National People's Congress on 5 March 2014, Premier Li Keqiang proposed a more concrete goal, namely to guide around 100 million rural residents of the central and western regions to become urbanized near their hometowns.<sup>7</sup> In Henan Province, the provincial government has already launched a plan to promote *in situ* urbanization by establishing nearly 10,000 new types of rural communities, pioneering efforts to promote *in situ* urbanization in the inland region.<sup>8</sup> In fact, as early as 2009 when migrant employment opportunities in their destination cities were seriously affected by the financial crisis, the Henan provincial government had already introduced a series of policies and programs to encourage return migrants to find employment opportunities in or near their home areas and start their own business, and to strengthen their occupational training. For example, in a document issued in January 2009, the Henan provincial government asked the relevant government departments to provide funds to accelerate the efforts of 'building a new countryside', and absorbing return migrants into such efforts by encouraging them to participate in the related projects of agricultural production. The document also asked local governments to enhance support to return migrants' efforts in starting their own business by providing credits and loans, whose maximum amount could reach 50,000 Yuan with discounted or free interest subsidized by the government, depending on the situation. It further asked governments at the different levels to coordinate various development and industrial agglomeration zones and specialized markets in setting up new business incubating zones, and provide relevant information and technological services for return migrants. In terms of occupational training, the documents required the various levels of governments to include return migrants into occupational training programs, and increase funds for such purposes.<sup>9</sup> Similar policies and programs can also be found in other inland provinces, such as Sichuan Province which, in addition, has already established a "Special Development Zone for Return Migrant Entrepreneurs" mentioned in section 3.2.<sup>10</sup> These policies and programs and their implementation provide valuable experiences and lessons for the inland regions to seek new developmental opportunities for potential migrants and return migrants in their hometowns.

Third, the important status and ongoing evolution of *in situ* urbanization pose great challenges to conventional urban planning practices and call for more attention to be paid to rural areas and to their integration into urban and regional planning. As we have seen earlier, quasi-urban populations and areas are common phenomena in China's coastal region as a result of *in situ* urbanization; however, their integration into urban planning practices remains an unresolved issue. More efforts need to be devoted to developing a planning framework going beyond the conventional city-centered, rural-urban dichotomous approach, so that these quasi-urban populations and areas can be more adequately incorporated. Such a planning framework could be conceived at two levels. At the regional level, an integrated rural-urban planning approach needs to be developed to accommodate the reality of the blurred rural-urban divide. The basic planning unit should be changed from the city to the city-region encompassing both the city core and its surrounding rural and quasi-urban areas under its influence, so that the quasi-urban populations and areas can be covered as part of the regional planning. Fortunately, with the implementation of the new 2007 Urban-Rural Planning Act in China, the first important step of this kind has been taken; however, much still remains to be done in the development of further technical details so that it is operational in terms of real planning practices. At the settlement level, rather than merely anticipating the migration of most rural residents to existing large cities and the disappearance of many rural settlements, a new planning

7 Xinhuanet, "China to carry out people-centred urbanization", 5 March 2014. Available from [http://news.xinhuanet.com/english/special/2014-03/05/c\\_133162371.htm](http://news.xinhuanet.com/english/special/2014-03/05/c_133162371.htm)

8 "Citizenization of farmers and *in situ* urbanization: Urbanization led by the new type rural communities in Henan Province (in Chinese)", 5 July 2012. Available from <http://hn.ifeng.com/hnzhuanti/chengzhenhua/>

9 Henan Provincial People's Government, 'Circular of Henan Provincial People's Government on effectively carrying out current work on migrant workers', 23 January 2009. Available from [www.ha.hrss.gov.cn/sitegroup/root/html/4aef140825e3728f01261be1c51101b5/20120206124121861.html](http://www.ha.hrss.gov.cn/sitegroup/root/html/4aef140825e3728f01261be1c51101b5/20120206124121861.html)

10 Sichuan Provincial People's Government, 'Circular of Sichuan Provincial People's Government on further effectively carrying out work on employment', 8 May 2009. Available from <http://125.64.4.186/t.aspx?i=20090511152518-336997-00-000>

approach focusing on the restructuring of the existing rural settlement systems should be developed, with a large proportion of the existing residents remaining, and a relative concentration of people and industries moving short distances to other growing settlements within the systems. In this process, some sub-centers will develop on the basis of market towns, seats of town and township governments, and even some large villages. They will constitute important components of the overall residential system of the city region, and some of them will be closely linked with the development of the urban core, both geographically and functionally, and should be taken into account for future development of the urban core (Zhu et al., 2009). This is consistent with the spirit of China's New Type Urbanization Plan, in which the integration of rural–urban planning, infrastructure, and public services, and the scientific planning of the village and town settlement system in county areas are among the goals proposed in the plan.

Finally, the experience of *in situ* urbanization in China has also important implications for many developing countries, especially those with high population densities. The conditions contributing to *in situ* urbanization in China, such as high population densities and improved transport and communications, also exist in many rural areas outside China. China's experience suggests that, while rural–urban transformation is inevitable in the process of development and modernization of a society, this does not have to be achieved by the massive displacement of people from rural areas and their migration to cities. This can also be accomplished if the above conditions exist and local initiatives are stimulated and enhanced in rural areas by the right policies to provide the driving force for *in situ* rural–urban transformation. As with the cases in China examined earlier, there is also great developmental potential in many rural communities in other developing countries, which is embedded in their local historical and geographical conditions, and efforts need to be made to bring such potential into full play. China's experience also suggests that migrants, although away from their hometowns, serve the important function of linking the places of origin and destination, and can play a big role in facilitating *in situ* urbanization in their hometowns, especially when they return. Such experience calls for a new developmental approach in the migrant-sending areas of the developing world, which incorporates migration and *in situ* urbanization into an integrated framework, so that people in migrant-sending areas can benefit from not only the prosperity of cities but also the resources and developmental potential of their hometowns.

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