The Spatial Transformation of Traditional Rural Villages Driven by Private Investment in China’s Developed Areas: The Case of Daxi Village, Anji County

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Abstract. Restricted by political ideology and institutional barriers, the development of rural China has in the past relied heavily on government spending. However, with institutional reform and the development of a market economy, private investment is playing an increasingly important role in rural development, especially in traditional rural villages. Daxi village in Anji County of Zhejiang Province is a typical case. Investment in the Tianhuangping Hydropower Station and the Beautiful Villages policy supported by the public sector (government and state-owned enterprises) have been important driving forces in attracting private investments in rural tourism and have had a profound impact on the physical, economic and social space of Daxi village. This research used interviews with key subjects, including government officials, non-local investors and returned migrants, and a questionnaire survey among local residents. It was found that with the growth of private investment, location, transportation, natural resources, development policies and superior human resources are the most important factors that drive spatial transformation. Finally, it also offers a discussion on how the Daxi model may shed light on rural development in developing countries with an urban-rural dichotomy.

Keywords. Spatial transformation, private investment, rural development, Daxi village.

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Introduction

In the past 40 years of reform and opening up, system reform and policy innovation in the rural areas of China has generally lagged behind those in urban areas. The marketization of production factors in rural areas is also far below that in urban areas. Although the Chinese Central Government has always paid close attention to rural development, rural areas still suffer from shortage of talent, funds and other factors (Wen, 2005). Innovative policies or projects initiated by the Central Government, such as ‘Socialist New Countryside’ and ‘Beautiful Villages’, heavily relied on financial support from public sector while the role of private investment was often overlooked, which has impacted rural development. With the rise of ‘counter-urbanization’ in Chinese cities, some resources and investments have returned to rural areas, causing new changes in these villages (Sun, 2014). Meanwhile, local governments have also actively intervened in rural development and developed related guiding policies.

The central government has implemented policies pertaining to the management of private investment involved in rural development, making a shift from agro-industrial villages to ‘tourism-oriented’ ones, reflecting a gradual weakening of policy barriers. For example, the Third Plenary Session of the 18th CPC Central Committee in November 2013 proposed to encourage and guide private investment in rural areas to develop modernized planting and seed industries suitable for enterprise management and to introduce advanced production factors and business models in agriculture. In December 2016, ‘Policies by the General Office of the State Council on Improving Supporting Policies and Promoting Sustained Increase of Peasant Income’ proposed to actively guide private investment in rural areas. This includes not only planting and seed industries but also business activities such as sightseeing, recreation and tourism, agricultural product processing and logistics, rural life services, large-scale and intensive management, and so on.

Previous researches have shown that involving private investment in rural development usually is a two-sided coin. On the one hand, it will undoubtedly bring great vitality and also encourage the return of talent and other key developing factors to the countryside, laying a foundation for rural revitalization. On the other hand, rural development driven by private investment may also lead to rural settlements being reconstructed in a theme-park style, over-commercialization of rural agriculture, and gentrification of rural space (Zhang, 2016). Therefore, how to involve private investment has become an increasingly important topic in rural development and it is especially important to understand what planners can contribute to optimize rural development through effective spatial governance and planning guidance.

Taking the village of Daxi village as an example, this paper summarizes how private investment has driven the spatial transformation of Daxi from a traditional village to a tourism village in terms of physical, economic and social space. Finally, it also offers a discussion on how the Daxi
model may shed light on rural development in developing countries with an urban-rural dichotomy.

The Impact of Private investment on the Transformation of Rural Spaces

Overall, the policy sets up the institutional structure that regulates the channels and scope of private investment, but the investors as actors will interact with this institional set-up in a proactive way, similar to what Geddens revealed in his structuration theory. Due to the special background of China’s transition from a planned economy to a market economy, research from this perspective is very effective in explaining rural development with the involvement of private investment. Tian (2013) compared two different models, the Shunde model of induced land system changes and the Chengdu model of top-down land system changes, and concluded that the Shunde model started rural industrialization through institutional innovation of the land shareholding system. However, this bottom-up model lacks consistent planning and control, and has led to a decentralized layout of industries and low efficiency in land use, which has hindered the scale development of township enterprises. Chengdu, by proposing a land transfer model of ‘confirmation, certification and circulation’, has been more effective in benefitting counties, collectives and peasants, providing a good model that balances urban and rural development. Ma (2016) took Guizhou Baba village as an example to study the spatial transformation of Chinese rural villages through the lens of institutional change. He concluded that the spatial transformation of local ethnic minority villages, represented by Baba Village, is the result of a change of the macroeconomic institutional environment and the traditional internal systems within the village since the founding of the People’s Republic of China. The evolving characteristics of the village include: a shift in the overall land use from a highly concentrated pattern to a scattered pattern, the development of public space from monocentric to polycentric distribution, etc. Guo et al. (2015) argues that from an institutional economics perspective, China’s rural land system has been transformed by the structural interaction between government, market and peasants. Taking rural areas in southern Jiangsu Province as an example, they claim that changes in the rural land property rights system after China’s reform and opening up played a critical role in the rural spatial transformation of this region.

From a market perspective, existing research mainly focuses on the spatial transformation of rural areas brought by globalization and industrial capital. Among them, the Neo-Marxist theory on space production is often employed to explain the process of China’s rural spatial transformation. For example, Zhang et al. (2016) disclose that the rise of rural construction is due to the active creation of a ‘consumer-built environment’ in rural areas through the circuit of capital, the goal of which is to obtain monopoly rent and realize rapid return for industrial capital. Gao et al. (2014) believe that with the rise of consumer culture, villages located in metropolitan fringe areas are being incorporated into the city’s consumption system. Through an in-depth analysis of the three main stakeholders (consumers, producers, owners) of Dashan village, Gaochun International Slow City, they were able to describe the process of rural space reproduction in detail, claiming that rural areas are becoming the stage for capital operation. Lu et al. (2015) studied the process of rural transformation in Jiangning district on the basis of the space production theory. They argue that the spatial transformation of these villages becomes visible in the emergence of rural industrial space, the relocation of industrial space, the emergence of urban consumer space as well as the emergence of public service space and service agencies. In addition, previous research has also described the process of rural industrialization in the context of the space production theory. For example, Wang et al. (2012) argue that space production by industrial capital is the most important force that drives the spatial transformation of rural Southern Jiangsu.
From a socio-cultural perspective, existing research has introduced the sociological concept of space gentrification in rural studies, arguing that due to the involvement of private investment, social space in rural China has gradually evolved from a state of early homogenization into a state of residential segregation and social isolation. He et al. (2012) explored the spatio-temporal characteristics accompanying changes in local socio-economic conditions and rural gentrification in Xiaozhou village, Guangzhou. They found that two main processes were active in Xiaozhou’s socio-spatial transformation: gentrification led by avant-garde artists and gentrification led by students. Owing to their different spatial demands and rental affordability, the gentrification process of these two social groups incurred different physical, cultural, social and economic impacts on the local community. However, the avant-garde artists are now being displaced by increasing housing prices due to the inflow of students. Another study, on Yaotang village in Guangdong province, revealed that with the rise of rural tourism and the involvement of non-local private investment, living space, income structure and social relations have been subjected to socio-spatial segregation. It was found that changes in production modes, elite decision-making, individual restrictions and lack of public space are the driving forces behind this trend (Long, 2015). Another study disclosed that with consumer culture and private investment, Gaochun Dashan village was transformed into a typical dualist space: a consumer space for visitors and a living space for locals, and that there is an obvious spatial segregation between them. This has turned organically integrated rural settlements into ‘dual communities’, revealing an urban-rural dichotomy (Gao et al., 2014).

The Case of Daxi Village in Anji County

Anji county, located in a mountainous area in the northern part of Zhejiang province, is a developed area in the Yangtze River Delta in Eastern China. With its vast area of bamboo forest and excellent ecological resources, Anji county was the first Chinese county to receive a UN Habitat Award and was the first ‘Ecological County’ in China. Daxi village is located in the southern part of Anji county. Figure 1 shows three levels of geographical relations as well as the location of the Yangtze River Delta urban agglomerations in China, the location of the cities in the YRD and the location of Daxi village in this region, respectively. It also shows the approximate distance between Daxi village and other cities. The village covers a total area of 31.4 square kilometers with 2,145 villagers and 618 households in 2016. Daxi village has more than 30,000 acres of forest, with its forest coverage rate as high as 92% (Figure 2). The village is surrounded by scenic spots such as Jiangnan Tianchi, Canglong Baibu and Jiulong Xia, and it is one of the most important tourist destinations in the whole county. In 2016, Daxi received over 1.3 million visitors and collective income exceeded 1 million yuan, of which tourism revenue accounted for more than 80%. However, before 2000, the village was still a typical industrialized Chinese rural village that was dominated by an industrial economy, supplemented by an agricultural economy.

The economic development of Daxi village can be divided into three stages. The first stage, before 1978, was characterized by spontaneous and dependent traditional farming with industry dominated by self-sufficient agriculture. The second stage, from 1978 to 2000, was characterized by resource-based and destructive rural industrial activities. At the same time, Daxi village developed rapidly at the cost of the rural environment. The accumulated wealth improved the level of rural production and villagers’ lives. It also provided economic support for the construction of infrastructure. The distinctive feature of the third stage, since 2000, is that the outputs of secondary industry and tertiary industry began to rise rapidly.
**Figure 1.** The location of Daxi village in the Yangtze River Delta.
Source: *Yangtze River Delta Urban Agglomerations Development Plan, 2016.*

**Figure 2.** Location and topography of Daxi village, Tianhuangping Town.
This shift can be attributed mainly to investment by the public sector (government and state-owned enterprises) in an anchor project (Jiangnan Tianchi Hydropower Station) and an important rural development policy (Beautiful Villages), followed by private investment in rural tourism. Thereafter, Daxi village has gradually transformed from an agro-industrial village into a tourism village. The construction of the Jiangnan Tianchi Hydropower Station, the largest pumped storage power station in Asia, was started in 1992 and completed in 2000. This project also gave birth to a large reservoir that became a popular tourist destination. After that, the Jiangnan Tianchi scenic area started operation and offered an important opportunity for the development of rural tourism in Daxi village. More importantly, in 2007, the Taihu Lake blue algae incident threatened water security in the Yangtze River Delta, as a result of which Anji County, which is located in a water
conservation zone, started its transition from a manufacturing-dominant economy to a green economy. At the same time, it began to support the development of small towns and villages with ecological resources. In 2008, Anji announced the implementation of the Beautiful Villages policy, the first in China’s rural development history and the prototype for China’s national Beautiful Villages program. As a pioneer in the Beautiful Villages program, Daxi village has completed a number of village beautification projects such as river management, road hardening, and environmental improvement projects to support the green economy. In the meantime, Daxi village has developed scenic spots in the area and various tourism service products such as catering, accommodation, etc. As of August 2017, there are more than 180 village households offering accommodation and breakfast services (farm stays or boutique homestays) for tourists in Daxi village.

The Transformation of Daxi Village

Transformation of Economic Space in Daxi

1. Overall economic situation

The space occupied by primary industry in Daxi village has shrunk. The total amount of farmland in Daxi village is relatively small and there is little farming activity, mostly operated by rural collectives. Paddy fields are mainly located in flat and gentle hilly areas near rural settlements. Tea and moso bamboo are the main economic products in the mountainous areas. Among them, Daxi white tea has the best reputation and the highest market value. The tea plantations are mainly located on the southern slopes of hilly areas and depend on artificial cultivation. The growing bamboo forests are mainly situated in mountainous areas far away from the main settlement, most of which are not regularly maintained anymore.

<table>
<thead>
<tr>
<th>Items</th>
<th>Farm Stays</th>
<th>Boutique Homestays</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Owner</td>
<td>Local villagers</td>
<td>Returning-home entrepreneurs or non-local investors</td>
</tr>
<tr>
<td>Land use</td>
<td>Own homestead</td>
<td>Renting a house or land from villagers or village collectives (tenancy: 10-20 years)</td>
</tr>
<tr>
<td></td>
<td>Repair and renovation</td>
<td>New-built or rebuilt</td>
</tr>
<tr>
<td>Prior-period Occupancy rate</td>
<td>Relatively low (&lt; 1 million yuan)</td>
<td>Relatively high (3-5 million yuan)</td>
</tr>
<tr>
<td>Consumer groups</td>
<td>Middle and old aged</td>
<td>Large age span</td>
</tr>
<tr>
<td></td>
<td>Trending to be older</td>
<td>Tending to be younger</td>
</tr>
<tr>
<td>Prices</td>
<td>80-150 yuan/day (Food &amp; accommodation)</td>
<td>&gt; 500 yuan for weekday</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; 800 yuan for one weekend (only accommodation)</td>
</tr>
<tr>
<td>Marketing models</td>
<td>Online reservation (multi-to-one)</td>
<td>We-chat reservation (one-to-one)</td>
</tr>
<tr>
<td></td>
<td>Price advantage</td>
<td>Public praise</td>
</tr>
<tr>
<td></td>
<td>Random guest sourcing</td>
<td>Familiar guest sourcing</td>
</tr>
<tr>
<td></td>
<td>Family management</td>
<td>Professional team management</td>
</tr>
<tr>
<td></td>
<td>Low operating costs</td>
<td>High operating costs</td>
</tr>
<tr>
<td>Annual income</td>
<td>100-500 thousand yuan</td>
<td>1-2 million yuan</td>
</tr>
<tr>
<td>Tendency</td>
<td>Tending to saturate</td>
<td>Tending to rise</td>
</tr>
</tbody>
</table>

* Investigation and interviews in Daxi village, Summer 2017.
Secondary industrial space is gradually diminishing. Due to environmental protection requirements, most of the manufacturing factories have been shut down. At present, there remains only one tea factory adjacent to the Canglong Baipu scenic area.

Tertiary industrial space has expanded rapidly. Driven by private investment, Daxi village is mainly composed of self-built farm stays, developed with private investment from local residents, and boutique homestays set up by private investment from non-local investors. On the one hand, farm stays with low prices, high density and medium service quality are distributed along the main roads and may cause traffic congestion during peak seasons. On the other hand, some non-local investors have spent a large amount of money to set up boutique homestays adjacent to panoramic spots. These homestays can be of high quality and are more expensive (Table 1).

2. Household income structure

From the perspective of household income, with the continuous development of Daxi rural tourism, the number of local residents engaged in self-employed businesses and commercial and service industries has increased over time. According to a random sampling survey (41 villagers in total) conducted in Daxi village in August 2017, 63.41% of the interviewees were engaged in self-employed businesses and 19.51% were employed in commercial and service industries, so over 80% of the respondents were engaged in tertiary industry-related occupations. In terms of total income, 38 respondents (68.30%, Figure 5) indicated that last year’s annual family income exceeded RMB 100,000. The income level ranked first among similar villages surveyed. As for non-agricultural household income, in 2016, 60.98% of the surveyed households reported that non-agricultural income accounted for more than 75% of their total income. Respondents indicated that rural tourism had greatly contributed to the increase of non-agricultural income, while more than half of the non-agricultural income accounted for more than 95% in 2016, compared to 61% before 2010 (as shown in Figure 6). Therefore, rural tourism has greatly changed the household income structure in Daxi village.

Figure 5. Annual household income in 2016 of interviewed villagers from Daxi village.
Source: Investigation and interviews in Daxi village, Summer 2017.
Figure 6. Comparison of the proportion of non-agricultural income before and after the rise of rural tourism in surveyed households in Daxi Village. Source: Investigation and interviews in Daxi village, Summer 2017

Transformation of Physical Space in Daxi

The settlement of Daxi village covers an area of 17.68 hectares while the rest of the land is forest, arable land, scenic spots and so on. The whole settlement is arranged in a linear shape along provincial road No. 205, which meanders along a creek. It serves not only external traffic but also internal traffic, creating a traffic-oriented settlement space typical for rural China. It also provides favorable conditions for the development of rural tourism in Daxi village (Figure 7). Public spaces in the village can be divided into two main categories: firstly, public service spaces such as villager service centers and the public square located at the southwestern end of the village, and secondly, the commercial spaces distributed close to the Canglong Baipu scenic area, farmers’ markets and Jiulong Pedestrian Street. These public areas are used mostly by residents on weekdays and by tourists on weekends and holidays. The village buildings are basically two or three-storey modern style buildings, generally built in a uniform style. The main road has a dense commercial atmosphere but the architectural features are not well organized. No traditional buildings or streets and alleys remain in the village (Figure 7).

Figure 7. Settlement space and road layout of Daxi village (left). Road environment in Daxi village (right). Source: drawn by the authors based on Google Maps and Daxi Village Comprehensive Environmental Remediation Plan, 2017.
What Drives Spatial Transformation in Daxi Village

There are abundant natural resources such as mountains, bamboo forests and beautiful landscapes in the area of Daxi village. Previously, these resources promoted the development of a bamboo products industry and provided the opportunity for the development of rural tourism. Due to the excellent location of the village and convenient transportation facilities, the Yangzi River Delta could provide the consumer market for rural tourism in a later period. In addition, the accumulated human resources and experience during the period of rural industrialization of Daxi village, have provided support for the development of rural tourism in Daxi. More importantly, development programs such as ‘Beautiful Villages’ and ‘Eco County’ in Anji gave priority to the environmental protection of Daxi. At the same time, financial resources from the government were invested to support the transformation of the rural environment. Therefore, resource endowments, location and transportation, talent and technology, along with the required policy environment have been the major driving forces for spatial transformation in Daxi village (Figure 8).

Daxi village took advantage from its natural resources, location, policies and historical experience, and transformed the rural economic structure from traditional farming to rural industries and further to rural tourism. During this process, significant changes have taken place in the economic and physical space of Daxi village. Social capital continues to accumulate with some agglomeration and stickiness, drawing more private investment and human resources for the sustainable development of the village. Based on the survey we also found that, in recent years, an increasing number of external investors, returned elites or young and middle-aged laborers, have participated in the rural tourism industry. For example, 90.24% of the respondents said they did not intend to relocate in the future. Therefore, we argue that social capital driven by private investment will be the long-term driving force of village development in the future. Private investment will become more and more important for revitalizing rural areas and alleviating rural hollowness.
Implications for Rural Development in Developing Countries with an Urban-rural Dichotomy

Government Expenditure and Private Investment

The global urban population outnumbers the rural population since 2008 and the momentum of urbanization still persists. A distinct feature of rural development in developing countries is urban-rural dualism and unbalanced development of urban and rural areas. Rural areas usually face various problems, including poverty, backwardness, environmental pollution, etc. Previous experience of advanced East Asian economies, such as South Korea, Japan, and Taiwan, reveals that government expenditure and policy interventions have played an important role in rural development, especially in the early stages of socio-economic development (Wu et al., 2017). However, the role of private investment and its relationship with government expenditure still calls for further investigation.

In the case of Daxi village, government expenditure has played a major role in the stage of rural industrialization and early on in the stage of rural tourism development, and has greatly improved infrastructure provision, environmental quality, etc. in the rural areas. However, the more important strategic transformation of Daxi village was from a government expenditure oriented model to a private investment oriented model. After doing comparative research on similar villages, we further discovered that most of these ‘tourism-oriented’ villages have become self-sustainable in attracting human resources, new technologies, industrial investment, etc. rather than relying heavily on government expenditure and policy support. Therefore, we argue that government expenditure and private investment are both important in driving rural development but their roles vary in different stages of socio-economic development.

Rural Society and Modern Society

After the rise of the ‘tourism-oriented’ village development model, investors and consumers in modern society continue to go to rural communities with private investment. However, behind this thriving scene, the traditional physical space, social relationships and culture of rural communities face tremendous pressure, erosion, or even destruction. The famous Chinese sociologist FEI Xiaotong claims in his work From the Soil: The Foundations of Chinese Society (From Desire to Needs) that rural society relies on experience, while modern society relies on rationality (Fei, 1969). It is vital to understand the relationship between rural society and modern society when planning rural development with private investment, especially learning from both experience and rationality in this process.

In light of the Daxi village case, modern society should always maintain an attitude of ‘understanding, learning and respecting’ rural society during the process of integration of technology, rationality and investment in rural areas, while local society should maintain an attitude of ‘moderation, opening up and trust’ towards modern society, not only protecting the healthy environment and its geographical features but also creating opportunities to attract investment from local and non-local sources.

Conclusion

Rural revitalization has become China’s national strategy, which will bring talent, investment, new technology, etc. to rural areas. Rural areas that have distinct resources in their natural environment, history, culture, and local industries should use private investment to activate the
The development of rural industries rather than relying mainly on financial support from the public sector. However, it should also be noted that China’s current urbanization rate is about 58% and China is still on the path of rapid urbanization. Therefore, the current massive rural-to-urban migration may still persist and a considerable number of rural settlements that lack unique resources will inevitably decline. Rural planners should be aware of this trend and manage rural shrinkage in a smart way.

As mentioned above, there are certain prerequisites for inviting private investment into rural development. The initial investment of the public sector in infrastructure, policy support by local governments is necessary for environmental and ecological protection and attraction of talent and technologies, etc. It is worth noting that in the past 40 years since China’s reform and opening up, institutional reform and policy innovation in China’s rural areas generally lagged behind its counterparts in urban areas. Therefore, the market system is also far less developed in rural areas than that in urban areas. This institutional gap has been the most influential obstacle for private investment in China’s rural areas. From this point of view, Anji county in Zhejiang province has been very effective in creating a better rural investment environment for the private sector by gradual institutional reform under the program of the Beautiful Villages program since 2008. These innovations have created excellent institutional conditions for private investment to intervene in rural development and become the birthplace of China’s Beautiful Villages policy. Anji’s local practice is an important initiative that has important reference value for the development of rural areas in developing countries.

Rural planning is usually recognized as local community-based social planning. However, in the context of China’s development strategy that features ‘industry-feeding agriculture, urban backfeeding rural areas’, how rural planning utilizes top-down governmental support and bottom-top grassroot local development is the key, suggesting that economic development and social governance are the two most important dimensions in rural planning. Therefore, rural planning should consider the importance of both economic development and social governance.

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