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China's Small Town Urbanization Program: Criticism and Adaptation

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ABSTRACT: China's 12,000 designated towns and more than 40,000 rural market towns have experienced a major transformation since the institution of rural reforms in the late 1970s. Rural industrialization based on the concept of "leaving the soil but not the village, entering the factory but not the town" has contributed to the revitalization of many small towns. But this rural urbanization has also brought about a number of problems in the countryside, leading many to propose the adoption of the concept of "leaving the soil and the village" as another basis of China's small town urbanization. This essay attempts to examine this transformation, particularly the recent criticism and adjustment made to the small town urbanization program.

Southern Jiangsu as the National Model

In two earlier studies on Chinese small towns (Tan 1986a and b), this author examines the changes in the Chinese rural economy up to the mid-1980s, and demonstrates the need to abandon the policy of neglect of the small towns and of deliberate undermining of their traditional socioeconomic ties with their hinterland.

With the establishment of the production responsibility system following the breakup of the rural people's communes, rural unemployment and underemployment, which were for the most part hidden under communical farming, were quickly exposed. Jobs had to be created in the non-farm sector, particularly that section of the sector which was located outside the rural areas.

The revitalization of small towns began in the S Jiangsu region of Suzhou-Wuxi-Changzhou through the development of rural collectively-owned industries, initially producing components and spare parts for nearby urban industries, but eventually manufacturing finished products. As S Jiangsu's collectively-owned industrial enterprises expanded their production, they were more able to employ the surplus labor around them. Being enterprises of the community which were controlled and managed by the community, they had no difficulty devising a labor recruitment policy which involved drawing labor from every household. It was also natural that the profits of the enterprises would be plowed back into the community for the development and improvement of the town. Thus, urban infrastructure was laid which in turn improved conditions for industries and even attracted industries from the neighboring cities which faced land shortage and other difficulties (Tan 1989a). Southern Jiangsu's small towns proved that it was feasible to revitalize the rural economy and redeploy the surplus rural labor through industrialization, and that such revitalization, when supported by community enterprises and efforts, could keep state investment at a minimum.

Feng et al. (1987) summarizes the advantages of local small town industrialization of the southern Jiangsu type as follows:

(1) It provides jobs to large numbers of surplus rural labor and thus improves the economic performance of the rural economy, especially in areas where the man-land ratio is high.

(2) It offers a cheaper way than through the state-owned urban enterprises to create jobs outside the agricultural sector.

(3) It makes use of less advanced technology which is appropriate for the technical and management levels of the labor force which has just moved out of agriculture. It also provides an opportunity for the transfer of existing

machineries in the urban industrial sector, creating room for urban technical reform and modernization.

(4) It allows urban land- and resource-dependent industries to relocate, thus helping to relieve urban congestion and providing a basis for urban-rural integration.

(5) It closes the gap between industry and agriculture, city and countryside, and creates transitional stages for the modernization of rural society. At the same time, it also provides training to the peasantry in commodity production and competition, strengthening its ability to adapt to the modern society.

Because the industrial labor force in S Jiangsu small towns continued to reside in the countryside, practically all households retained their traditional link to the land, housing development was not a priority in the town. The relatively even distribution of rural population and settlement nodes, which allows small town industrial employees to return to their rural homes at the end of the work shift, facilitated the adoption of the arrangement, known as "leaving the soil but not the village, entering the factory but not the town" *(li tu bu li xiang, jin chang bu jin cheng)* for the transformation of surplus rural labor. Occupational redeployment was achieved without physical relocation. A short cut was found to the redeployment of surplus rural labor which skirted the issue of resettlement, and thus of the development of urban infrastructure in the small towns in a quick and fast way, but still promoted rural industrialization and economic uplift. Because they would continue to reside in their rural homes, it was also thought that the wage-earning and increasingly less tradition-bound redeployed laborers would not only continue to be available for agricultural tasks if necessary, and to provide financial input to agriculture, but also share their modern experience with the farming relatives in their own households, in the process acting as the catalyst for modernization.

"Leaving the soil but not the village, entering the factory but not the town" has been regarded as the most appropriate vehicle for the transformation of rural China. Given the serious underdevelopment of Chinese cities and the government's lack of investment funds, this has also been considered as the Chinese road to urbanization. Southern Jiangsu towns, therefore, became an object of national emulation.

Limitation of the Southern Jiangsu Model

But as attempts at rural transformation are made throughout China, it is becoming increasingly clear that the direct applicability to the rest of the country of the southern Jiangsu model of small town development and surplus rural labor redeployment is limited. Confirmation of the approach of "leaving the soil but not the village, entering the factory but not the town" as the Chinese road to urbanization may have been too one-sided.

In the first place, small town industrialization of the variety of southern Jiangsu cannot be assumed to possess the same chance of success all over the country as it is preconditioned upon the presence of influence radiating from a well-developed urban economy, where markets and skills are easily available, and sources of information are wide-ranging. Only areas along the more developed east coast and those forming the hinterland of major cities, past and present, may possess these conditions, while large areas in the central and W parts of the country, which account for more than four-fifths of the national territory and three-fifths of the total population, are without these conditions.

Small town development is very much a matter of combining the exploitation of local comparative advantage with the overcoming of human, physical and locational liabilities. Thus, during the past decade, a variety of regional models of small town development have emerged (Tan 1990a). The region of Huangshan (formerly known as Huizhou) in S Anhui is just outside the E coastal belt. Since historical times and until the establishment of socialism, due to the lack of agricultural and handicraft developments, Huizhou took advantage of its location at the cross-roads between several distinct environments and provinces to promote trade in the specialized products of these areas. This provided excellent training for its local merchants so that the region was known throughout the country for its out-migrants who used to move into other towns and cities to establish shops and to conduct trade, leading to the saying "no place can qualify as a city without the presence of businessmen from Huizhou" *(wu Hui bu cheng shi)*. After they had made their fortune, these businessmen would return to their homeland to establish schools and promote cultural development, hoping that the local people would receive enough education to be successful at official examinations and be appointed to the bureaucracy. In this way the merchants' and their local community's interests and prestige would be protected. Cultural development contributed to popularity of calligraphy and an industry which produced all the materials needed to pursue that art. It also established a tradition of stone sculpture and archway construction, popular both among the peasants and in the towns. Now tourism has been developed to exploit the region's scenic and culturally rich landscape. Accessibility to areas of natural beauty, like Huangshan, are improved by construction of highways and an airport, and historical settlements are revitalized through the preservation of their ancient architecture. The hospitality industry, the manufacturing of materials for Chinese calligraphy, and processing of hill-region products such as tea, medicinal herbs and fruits (especially haws), are helping to revitalize the small towns. But the revitalization process, in terms of its nature and speed, is in no way comparable to that taking place in S Jiangsu.

In fact, even along the more developed E coastal belt, small town development has had to take different paths because of the variation in local conditions. Central

Liaoning is a case in point. Dubbed the Ruhr of China, central Liaoning is a region where industrial and urban developments are concentrated and where the highest density of railroads in China is found. In 1987 the region accounted for only 17% of the total area of the province, but 35.7% of the total provincial population, and 58.5% of its gross value of industrial output (Zhongguo Chengshi Tongji Nianjian 1988). The city population of 8.4461 million accounted for 46.1% of the regional population, and 62.6% of the province's city population. Here, the maximum distance between any two major city centers is less than 90 km. Within this region are numerous small towns. Indeed, the entire region is administered by urban municipalities.

But due to the overwhelming influence of the state-owned sector in the provincial economy, the small towns were relatively backward. As a major center of heavy industries monopolized by the state and operating under strict control of material supply and product distribution, Liaoning was very much under the grip of the command economy which did not recognize the value of commodity production and allowed little room for the non-state-owned sector. Many small towns, regarded as satellite towns of major cities, were simply the sites of state-owned industries which came because of the presence of certain physical or locational resources, having little to do with the local economy, sometimes even failing to recruit their employees from among the nearby peasants. The rural economy was basically a closed unit, producing on the basis of self-sufficiency. The small towns were unable to receive a sufficient range of consumer goods for supply to their hinterland, as the state-owned industries were too preoccupied with meeting their state quotas for producer goods. The small town periodic markets, too, were forbidden from receiving the long distance vendors who were essential for the promotion of rural exchange, even if such markets were allowed to operate. Where there was circulation of goods, it was handled by the state procurement and supply channels through the administrative hierarchy, providing little chance for the small town to promote its role as a conduit between the agricultural hinterland and the city.

Unlike the small towns in S Jiangsu, therefore, central Liaoning towns did not become revitalized until after the current economic liberalization policies had been initiated for a few years. When revitalization did begin, depending on their past experience, small towns adopted one of two development strategies. Those towns which had a close socioeconomic relationship with their hinterland took the very different route of relying on their periodic markets to promote rural exchange and satisfy rural demand for draft animals, agricultural machines, vehicles and very basic consumer goods, such as locally-made garments. The small town is completely dominated by the periodic market which meets once every two days, each time attended by about 20,000 visitors many of whom are long distance traders from the nearby provinces of Hebei, Inner Mongolia, and Jilin. The intense market activity has caused the rise of a hospitality industry run by peasants encouraged to come to town to set up the business. Otherwise, there are few observable changes taking place in the town. Even if there are some industrial activities going on, such as the making of garments, they are operated by peasant producers from their rural homes surrounding the town, mostly on a part-time basis. The S Jiangsu experience in rural industrialization is not found here. Neither does the arrangement of "leaving the soil but not the village, entering the factory but not the town" have any practical applicability. Where the small town has been directly involved with the redeployment of surplus rural labor, it is in the area of providing opportunities for a group of peasants to locate themselves in the town to create and maintain a tertiary sector, especially the hospitality trade.

On the surface, the revitalization of the second group of central Liaoning towns parallels that of S Jiangsu towns, because industrialization is very much a part of the process. Yet it does not involve bona fide rural people but households which have turned urban as a result of their farmland being expropriated by the expanding industrial satellite town. Using the compensation paid to them by the town authorities, these uprooted peasants establish industrial enterprises and operate them as residents of the town.

Like S Jiangsu, Wenzhou and the Pearl River delta are also well-known areas along the eastern coastal belt where the small towns have experienced a rapid take-off (Shen 1990). But the two regions are again very different from S Jiangsu. In the case of Wenzhou, the dynamism provided by the mainly individually-owned enterprises is such that the whole of the country is their market. Specializing on small consumer items often using the discarded remnants or by-products of urban industries as their raw materials, and through a highly coordinated system of production of related items in and around individual small towns, Wenzhou industrialists have also turned many of their towns into national markets for such products. Similarly, the Pearl River delta small towns also have a large component of individual economy, but the most important sustaining factor here is the degree of openness of the Guangdong economy which permits all kinds of direct contacts with Hong Kong. Thus, small town enterprises, be they collectively or individually-owned, agricultural, industrial or commercial, all maintain a major orientation towards the insatiable Hong Kong market. Many of these are farm-out units of Hong Kong businesses, which supply the raw materials, tools, and management for the production of goods for export.

While the nature and speed of the rural industrialization process varies from region to region, the form of rural urbanization may also be different. As mentioned earlier, in S Jiangsu, the approach of "leaving the soil but not the village, entering the factory but not the town" has been facilitated by the area's dense rural population distributed in evenly scattered villages in the countryside. For example, over the 1,763 km^2 of Wujin county, there are 8,303 villages averaging a population of 149 for each village. For every 100 km^2, there are 471

villages, and the distance between villages is less than 500 m. This type of population distribution allows small town employees to take a leisurely bicycle ride on the numerous rural tracts between their home villages and their places of work in the towns. But in the case of Qianan County on Jilin's Songnen plain, where in a total area of 3,430 km^2, there are only 292 villages with each averaging a population of 708 people, and where for every 100 km^2 there are only 9 villages, with a distance of about 4 or 5 km between any two villages, the journey to work pattern associated with "leaving the soil but not the village, entering the factory but not the town" would be difficult to maintain (Jin 1986). This would be even more impossible in such sparsely populated areas as Inner Mongolia and Xinjiang.

Emerging Problems in Rural Industrialization

But even in southern Jiangsu, small town industrialization cannot be assumed to possess unlimited vitality and ability to survive against the various types of competition. Indications are that the annual rates of output increase and job creation have all slowed down, for the country as a whole as well as for the most dynamic Suzhou area (Tan 1990b). The fact of the matter is that, whereas the characteristics of small town industrial enterprises, such as small scale production and simple factors of production, contributed to the enterprises' quick rise in the initial period, they after all are evidence of backwardness, and cannot stand the small town industrial enterprises against the competition from other more advanced enterprises. In their struggle with the big and established state-owned sector located in the cities, these collectively-owned enterprises also suffer from the disadvantage of having to obtain their raw materials on the free market, and to supplement the strictly regulated state power supply by generating their own electricity using highly-priced fuels obtained in the open market. The tendency of collectively-owned enterprises to duplicate the products of urban factories also does not help them in this competition. In other words, the very strength which contributed to the initial success of small town industries in southern Jiangsu is now in the way of their continued development and expansion. New organizational structures and rationalization policies are urgently needed.

Many scholars indeed are arguing that rural industrialization carried out in the small towns of southern Jiangsu based on the concept of "leaving the soil but not the village, entering the factory but not the town" is the major cause of a number of new but serious rural problems. These "rural ills" are identified as the following (Gu et al. 1989):

(1) Parochialization of industries

Industries have been created mainly to meet pressing local needs like the alleviation of underemployment and unemployment and subsidization of agriculture and small town construction. They are operated by local people and sited within the community. Township enterprises are located within the township seat, village enterprises in the village center, and household enterprises in the home. A pattern of extreme fragmentation and duplication is the result.

(2) Peripheralization of agriculture

Rural industrialization has failed to cause the modernization of agriculture. Much of the rural labor force which has left the soil is still holding on to its responsibility plots, unwilling or unable to give up its rights to operate those pieces of farm land. The land is either being farmed by the old, weak and child members of the household, or attended on a part-time basis. On the other hand, because of a rapid increase in the costs of farm inputs against the low procurement prices offered by the state, able farmers do not have enough incentives to expand production. Agricultural stagnation is the result.

(3) Deterioration of rural environment

The scattering of rural industries and their low level of industrial technology have caused the spread of polluted water, noxious gases and solid wastes over wide areas which have neither the skill nor the funds to cope with these stresses.

(4) Disorderly growth of small towns

Along with the fragmentation of the rural industrial landscape is the haphazard emergence of small towns over the countryside. Within most regions, there is not only an absence of coordination between small towns, but also competition and duplication of services. Some small town services are underutilized, yet they cost so much to develop and maintain. They also take large tracts of productive land out of agriculture. Rationalization is urgently needed, but as long as each community requires its urban-industrial center to serve its own limited needs, and as long as the market for goods remains distorted due to government intervention and control, the natural socioeconomic forces of rationalization will not operate.

(5) "Amphibianization" of the redeployed labor force

Of the rural laborers which have left the soil, some have entered factories, others the tertiary sector; some have even physically entered towns and cities to work in the various urban services and construction but have not had their residence officially relocated. The redeployed laborers are either regularly moving back and forth between the countryside and their urban work place, or having some temporary urban accommodation which entails additional expenses. But while for all intents and purposes they are no longer part of the rural labor force and the peasantry, they are still regarded by local governments as peasants and excluded from the official definition of the urban or non-agricultural population, and are thus not eligible for the food subsidies and welfare privileges the latter group enjoys. Sandwiched between the rural and agricultural, and the urban and non-agricultural population groups, this is a new social entity for which the sociopolity was not yet able to devise appropriate ways to serve and govern. As such, it is also the group which has brought the Chinese society many problems, including crime and uncontrolled population growth.

"Leaving the Soil and the Village"

There are other phenomena which demonstrate the limitation of "leaving the soil but not the village, entering the factory but not the town". In the Wenzhou region (Tan 1991), as industries develop in the small towns along the coast, and the hundreds and thousands of traders travel to all parts of the country to promote and sell Wenzhou products, many peasants from the less accessible parts of the municipality have taken advantage of the opportunities created and flowed into the coastal region, some taking over agricultural production left by those who have themselves taken to the towns, others entering the towns directly as employees of the numerous industries that have mushroomed. Between the early 1970s and 1987, the number of designated towns in the Wenzhou area increased from 18 to 87. The total population in designated towns in early 1987 was 1.52 million, each town on the average having taken in 2,665 peasants per year. At this rate of absorption of rural population, it is estimated that within five years almost half of the rural population in the area would be located in the small towns.

Just as the southern Jiangsu towns provided the conditions for the operation of "leaving the soil but not the village, entering the factory but not the town", Wenzhou's Longgang is now demonstrating the desirability and feasibility of "leaving the soil **and** the village" *(li tu* **ye** *li xiano)*. Referred to as a "peasant city", Longgang was originally a fishing village of 200 houses and a thousand population. Its construction as a designated town was approved in April 1984, but by October 1986 it had become a bustling urban center of multi-storey buildings, with 570,000 m^2 of finished floor space, a network of 23 km of paved roads, a harbor, integrated water and power supply systems, and educational and health facilities. More than 1,300 enterprises had been located here. A total investment of about 160 million yuan had been made, six-sevenths of which had come from peasants, who had congregated from all corners of the Wenzhou area, unrestricted by any administrative boundary as long as they possessed the 20, to 30,000 yuan capital needed to set themselves up in the town.

Pearl River delta towns are also experiencing this same process. Here non-local laborers have entered farming as share-croppers, taking over from the local households the management of the responsibility plots, allowing the local peasants to leave farming for secondary and tertiary jobs in the towns (Lu 1985). Non-local labor has also become an important component of the small town industrial labor force (Xu, Xueqiang et al. 1988).

Even in the case of southern Jiangsu, there are signs that "leaving the soil but not the village" is breaking down. Southern Jiangsu towns have achieved their historical mission of absorbing all the surplus rural labor force in their area. According to one study, by early 1987, for Jiangsu as a whole, redeployed surplus rural labor had reached 41% of total rural labor force (Zhao 1987). The corresponding figure is 61% for Suzhou, and 68% for Wuxi. In many parts of the lower Yangtze delta region, including the Suzhou-Wuxi-Changzhou area, agricultural labor force has been reduced from 70% to 20% of the total. Another study notes that by 1986, three-fifths of the rural labor force of 5.6631 million in the Suzhou-Wuxi-Changzhou area had successfully moved out of agriculture, and in most villages, it had become very difficult to find those below 30 years of age involved exclusively in agriculture (Chen 1987). This rapid rate of surplus rural labor redeployment, as the upward spiralling of the development process takes place, is one important reason why the southern small towns are experiencing a labor shortage. There are difficulties in recruiting local labor for such activities as operating kilns and digging ditches.

A second reason for the labor shortage is that the area is also a national commodity base for grain, cotton, and rapeseed, and has to meet the high production quotas the state has set for these commodities. Until the production responsibility system is further modified to allow for the consolidation of agricultural plots into the hands of specialized peasants, a sizable labor force is still required to remain on the land to produce these commodities. Fortunately for this area, their small town collectively-owned industrial enterprises have, until now, generally been profitable enough to set aside funds to subsidize inputs to continuously raise agricultural productivity and income.

But to resolve the problem of labor shortage, small town enterprises have resorted to the importation of labor from N Jiangsu and adjacent provinces. In 1985, Wuxi county had to recruit more than 50,000 laborers from N Jiangsu and adjacent provinces, and the few townships in the S part of Shazhou County had to bring in more than 10,000 laborers from neighboring counties. In many townships and villages, the size of the local labor force has been exceeded by outsiders. Housing and other amenities adjacent to the industrial enterprises in the town have had to be provided for these non-local workers (Chen 1987). Like it or not, the arrival of the large number of non-local workers who have, for all intents and purposes, "left the soil and the village" signifies the break down of the concept of "leaving the soil but not the village, entering the factory but not the town". And it is possible that the expanding resident population and the newly emerging way of life in the small town may provide enough attraction to the redeployed laborers to move out of their rural households and become a part of the town population.

Thus, the very success of S Jiangsu requires that it modify a concept whose universal applicability throughout China it is supposed to demonstrate. What has been treated as a model for emulation is thus, at best, only a transitory phase of small town development, even for S Jiangsu.

The reality of the situation is that, as demonstrated by the presence of non-local labor in Wenzhou, Pearl River delta and S Jiangsu towns, relocation of rural labor from areas of poverty to areas of development is already taking place with or without official sanction. One source

estimates that for the country as a whole, rural labor working away from local communities has amounted to more than 6 million. In some localities, as much as 20% of the rural labor force is engaged in work beyond their own communities (Chen 1987). These migrant laborers have moved into all economic sectors, especially construction and services, both urban and rural. While a small number have obtained new resident status under China's strict household registration system most, especially those working in the cities, are on contract and not permitted to have their rural families join them.

Because of the increasing number of rural laborers working away from their villages, many scholars are urging that "leaving the soil and the village" be accepted officially as another possibility for the redeployment of surplus rural labor. One advocate argues that if rural labor continues to be retained in the countryside, given the slower rate of natural growth of urban population compared to rural population, the already imbalanced distribution of rural and urban population (in 1982 it was 79.4% rural and 20.6% urban) may become even more lopsided (Cai 1985). Yet in any situation where rural economic transformation takes place, as it is true of much of the Chinese countryside since the late 1970s, there will be a transfer of rural labor out of agriculture. For a while perhaps the job opportunities in processing, commerce and transportation in the countryside may absorb the initial wave of transferees, allowing them to remain as rural residents. But eventually, as soon as economic take-off occurs, even these sectors may not be large enough for the transferees. Given the huge size of the surplus rural labor force in China, this situation may come earlier rather than later. When such an eventuality arises, it becomes necessary to organize a second transfer, involving not just a change of jobs as the first, but also a change of location of residence from the rural to the urban, beginning in the small towns as the first stop. This second transfer cannot be avoided, or the upward spiralling effect of the rural economic transformation would all be wasted. As a matter of state policy small towns, and eventually cities, must be opened to receive these surplus laborers.

Others are arguing that while in areas adopting the "leaving the soil but not the village" model, "leaving the soil and the village" should represent the next logical phase of surplus rural labor transfer. "Leaving the soil and the village" should constitute an independent alternative to those areas which have difficulty instituting the former, so that they can export their surplus labor either to the nearby small towns or beyond (Xu, Fangkuan 1987). These include the less developed and depressed areas where local rural diversification has little opportunity of success, and/or where economic stagnation is caused by an overwhelming ratio of rural labor force to cultivated land. This type of relocation does not have to cause difficulties to the receiving urban centers because, as shown in S Jiangsu, non-local labor can also help in the development of the recipient areas. Advanced regions may also, through "leaving the soil and the village", send out workers to help stimulate development elsewhere, as in the case of the large numbers of traders from the E coastal belt promoting commerce in the interior areas of Qinghai and Xinjiang (Zhao 1987).

There are yet others who argue that relocation of peasants into designated and rural market towns does not qualify them as having "left the soil and the village". "Leaving the village" *(li xiang)* is thought to mean making a clear break with the rural community, which can only be achieved by relocation to urban centers at the county seat level and higher, physically and socioculturally far away from the village of the migrating peasant. They consider the current practice of spreading the development and industrialization over the vast number of small towns below the county seat as wasteful of funds and resources, especially land. In productivity terms, it is also inefficient and needs rationalization to promote an economy of scale.

Those who have diagnosed the "rural ills" have dubbed the "leaving the soil but not the village, entering the factory but not the town" approach as industrialization without true urbanization (Li 1987). They argue that this approach is undertaken within the framework of rural-urban segregation, a cornerstone of the Chinese socio-economic system. Upheld by a household registration system which makes a clear distinction between the rights and obligations of rural and urban households, the principle of rural-urban segregation has been strictly maintained by the Chinese government over the past four decades to ensure the success of the industrialization program based in the cities. While supporting industrialization in the countryside, "leaving the soil but not the village, entering the factory but not the town" keeps the redeployed laborers as rural residents who still maintain a close tie to agriculture and the rural economy. Although this means that redeployed labor can obtain their own food supply directly from the countryside, thus saving the state from supplying them with subsidized commodities, such as grains, subsidiary foodstuffs, and cotton fabric, the closed system of peasant mobility in fact cuts off the rural areas from the civilizing influence of the towns and cities. Because this has been the very cause of the relative stagnation in China's rural areas, the system of rural-urban segregation must be completely broken down and replaced by an open system of free movement of labor. The city should be opened to everyone who has the means to live, invest and develop. The system of the state assuming exclusive responsibility to construct and provide the urban infrastructure and amenities, and to guarantee every urban resident officially subsidized food and essential materials, health care, welfare protection and employment should be replaced (Zhou 1990).

An Integrated National Urban System

Even as the rural and urban sectors of the economy are becoming more intergrated, the Chinese government is not

expected to lift the city gates immediately. Fearful of the massive scale of potential rural-urban migration that would reintroduce the "urban ills" commonly found in Third World cities to China, and frustrated by a serious shortage of funds and an archaic system of urban management, the Chinese government cannot but be insistent that the rural-urban barrier remain for the time being.

This is not to say, however, that the two approaches of "leaving the soil but not the village, entering the factory but not the town" and "leaving the soil and the village" cannot be applied now simultaneously to different parts of the country, and that all towns and some small cities would continue to remain closed to rural migrants. As mentioned earlier, restrictions on free movement of labor have been relaxed, so that peasants are permitted to enter towns to engage in non-farm activities as long as they have a place to carry out these activities and do not demand the privileges of the bona fide urban residents. It is possible to see this type of relocation encouraged on a broader scale, in a sense creating more "peasant cities" like Longgang, particularly if this promotes rural industrialization and creates the urgently-needed jobs for the rural unemployed and underemployed. This would be in line with the creation of urban-oriented regions represented by the arrangements referred to as "the city administering the county" *(shih guan xian),* and "the township leading the villages" *(zhen dai xiang),* whose objectives are to counter the influence of former administrative boundaries which restricted trade and commodity exchange (Tan 1989b).

Under the general strategy of small town development, there is a consensus that rationalization has to be carried out through a concentration of effort on a smaller number of towns. In practice, each region would have to be encouraged to make its own decision about the type of towns worthy of this effort. Such decision would have to take into account the local socioeconomic situation and urban structure. For example, along the more advanced coastal region, where the rural economy is either in the course of taking-off or has already done so, and where small towns are duplicating and competing among themselves, it is widely believed that rationalization can be achieved by first developing the county seat, so that a strong intermediate center can be created between the regional cities and the numerous small towns. Thus, Jiangsu has awarded city status to some of its county seats such as Yangshe and Yixing. In other provinces like Yunnan, where the county seats constitute the lowest order of urban places due to a very low level of urbanization, market towns which until now have been rural places, have been given the urban designation of *zhen* in order that they may serve as focus of a commodity economy involving the countryside around them. In China, a country where the political factor always prevails, the centrality of an urban place can become strengthened following designation of higher urban administrative status.

At the same time, the higher order urban centers, especially those in regions whose urban system at the lower end is too weak to provide the necessary jobs, are also expected to continue to receive a small proportion of surplus rural laborers as they have been in the past few years, under various kinds of ad hoc arrangements which will all stop at giving full urban status to these migrants. It is predicted that when the cumulative total of these migrants reaches a significant level, when the major cities have had enough breathing space to construct the necessary facilities and amenities to meet both the pent-up and new demands, China may enter into its unregulated phase of urban development and rural-urban migrants may not only enter the towns and cities to work, but also to stay permanently. In that eventuality, China's small towns would have become an integral part of the country's unified urban system.

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