

# LOCAL GOVERNMENT, ENTERPRISES AND INDIVIDUALS: ECONOMIC TRANSFORMATION IN THE PEARL RIVER DELTA —A Case Study in Beijiao Township, Shunde City

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**ABSTRACT:** The Pearl River (Zhujiang) Delta (PRD) has been a focal point in reform era academic circles not only for its dramatic industrial growth but also the simultaneous agricultural development. Unlike most of existing research on the PRD economic development and transformation from the whole region level, this paper explored this question from the perspective of a township using Beijiao in Shunde City as a case study. Unlike the conclusions of existing studies which attribute the regional economic transition to the macro factors, particularly the influence of external investment, this research reveals that at the level of township, the local government, the town-village owned enterprises and the individuals have been playing remarkable roles in local economic transformation. In the early stage since the economic reform, Beijiao township government, replacing the central and provincial governments before, began to manipulate the development of town-village owned enterprises and lead the local economic transformation from agricultural to industrial dominated. As the town-village owned enterprises grew during the later years, they gradually acted as the main dominant player leading the local agricultural and industrial growth. At the same time the individuals in Beijiao were playing more independent role to gain their most profits. While the local government changed to be the real manager of local economies. So the local economic transition was not entirely externally driven. In another word, the “driven from outside” model can not totally explain the economic fact in this specific region.

**KEY WORDS:** economic transformation; local government; enterprise; individual

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## 1 INTRODUCTION

The remarkable social and economic change in the Pearl River (Zhujiang) Delta (PRD) since the late 1970s has made it a focal point in reform era academic circles. Many studies have been done on the PRD: its

regional economic development and restructuring (LIN, 1997; LIN *et al.*, 1995; CHEN and XUE, 1995; JOHNSON, 1992; ZENG *et al.*, 1992; ZHENG, 1991; XU and LI, 1990; WANG, 1986; XU and ZHANG, 1984), its spatial restructuring and urbanization (LIN, 1997; YEH, 1989; XU *et al.*, 1988a,

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Biography: XUE De-sheng (1969 – ), male, a native of Shanxi Province, Ph. D. of Zhongshan University, Post-Ph. D. of the University of British Columbia and the University of Montreal, associate professor of the Center for Urban and Regional Studies, the Center for Transport Research, Zhongshan University. His Research interests include industrial geography, urban geography and urban planning.

1988b; SIT, 1984), its close social, economic and cultural linkages with Hong Kong and the outside world, and its great influence on regional development (SIT and YANG, 1997; WEN, 1997; KOWK and SO, 1995; LEUNG, 1993; GULDIN, 1992; VOGEL, 1989). These extensive and valuable studies at the level of the whole region have revealed all the macro factors, such as the changing international division of labor, the special location, the national and provincial economic reform and external opening policies, the market, the special regional social, economic, cultural and historical characteristics, and their impact upon the region's change in the last two decades. While these macro-studies have supplied a solid base for micro-research, there is unfortunately much less parallel research on this subject from the local perspective, which is definitely of equal importance in understanding the regional economic transformation, although some scholars have realized this problem and begun work on it since mid 1990s (XUE *et al.*, 1998, 1999; LIN, 1996).

One success in the economic development in PRD is the dramatic rural industrialization. Compared with other rapidly growing regions in China, it is widely accepted that the development model in PRD is characterized by "driven from outside" because of the remarkable role of the foreign investment in the regional economic growth. But this model can neither explain the great economic difference within PRD region nor provide a practical answer for the localities, particular those at lower development level, on how to obtain an industrial growth. The other success of the economic development in PRD is that, unlike in some other developing countries where industrialization was accompanied by the destruction of agriculture, or where agriculture persist only because industrial expansion could not keep up with population growth, industry and agriculture developed simultaneously. Existing studies attribute agricultural growth to two main interdependent factors: the new rural reform policy and the expanding and changing demand for agricultural products in the large cities within the region such as Hong Kong, Guangzhou, etc. But this explanation fails to answer the crucial question for turning the wheel of how the limited urban demand can meet the comparatively un-

limited production in the rural areas. Thorough studies at the local level are needed to supply more convincing answers for both the rapid and successful industrialization and simultaneous rapid agricultural growth. When our eyesight turns from the regional down to a local township, we found what the most impressing is the roles of three players: the local government, the firms and individuals, which compared with the above mentioned macro factors, has supplied a more precise answer for the questions on the economic transformation from agricultural to industrial sector and that within agriculture itself.

The purpose of this research is to explore economic transformation in the PRD from the perspective of a township using Beijiao in Shunde City as a case study. Beijiao is located in the commercial and industrial heartland of PRD. Before the end of 1970s it was a traditional agricultural township. Since then, however, Beijiao has achieved rapid growth in both agriculture and industry after 1978. Therefore, it is a suitable township to reveal the close symbiotic relationship between rural industrialization and agricultural development. Most of the data in this research are from field-work conducted by the authors in Beijiao in 1995 and 1996, composed of interviews with government officials, entrepreneurs, individual residents, questionnaires supplied to industrial firms, and documentary analysis.

This paper begins with an introduction of the main geographical, historical, economic and social characteristics of the case study, and a description of the transformation of the local economy from agricultural to industrial dominance, using output value, rural income and employment as the indicators. In section two, the functions of local (township) government, industrial firms, and the individual's decision made by the labors as influenced by the market are analyzed. Major findings are summarized and discussed in the last section.

## 2 GEOGRAPHIC , HISTORIC AND SOCIOECONOMIC BACKGROUND

With an area of 75 square kilometers and a population of 88 000 at the end of 1996, Beijiao is geo-

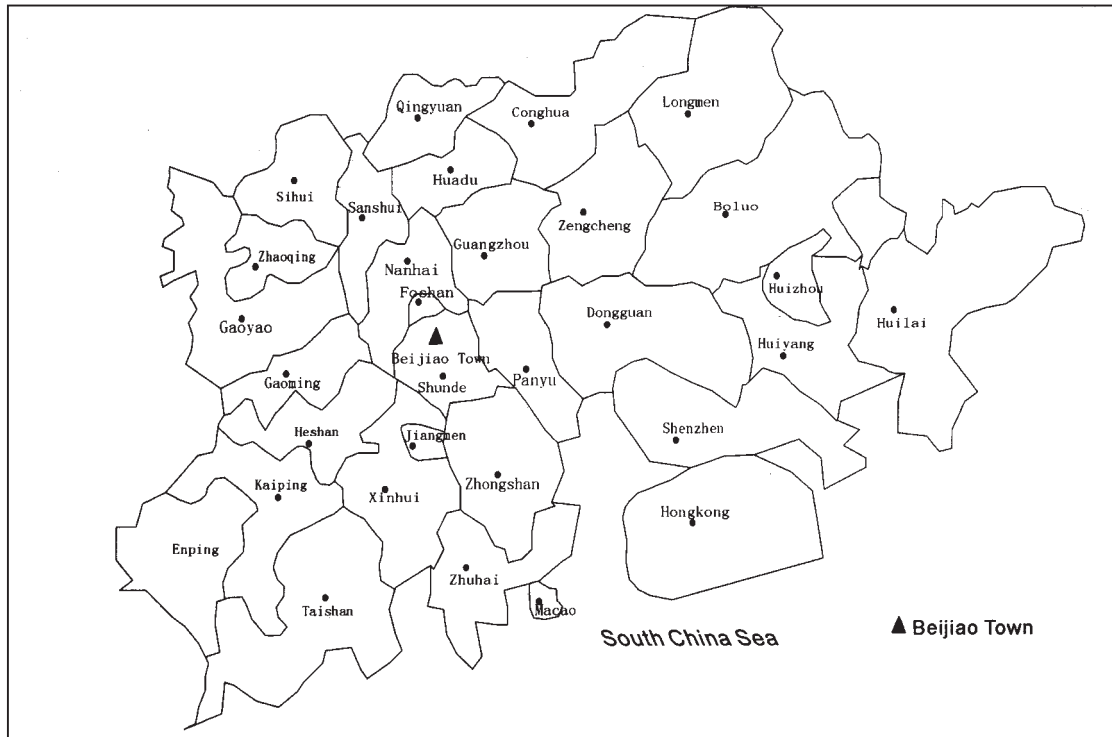


Fig. 1 Location of Beijiao Town in Guangdong Province

graphically located in the center of the PRD (Fig. 1). As one of the townships under jurisdiction of Shunde Municipal, it has two Street Offices and nineteen Administrative Districts under jurisdiction.

The predominant landform of flat plain, rivers and subtropical climate endow Beijiao with good agricultural production conditions. It had been a traditional agricultural area before the end of 1978 when the economic reform was initiated. Under the national rural policy, at the end of 1970s, rice, sugarcane and pond fish were essentially the only three products in the township, which respectively shared 1/2, 1/4 and 1/4 of the farm land. Like the entire Shunde City, The manmade agricultural system of “mulberry dike and fish pond” was a well known landscape in the township.

Historically, Beijiao had a long tradition of developing rural industry as a sideline to the dominant agriculture. There were nine Commune-Brigade enterprises during the “Great Leap Forward” times. During the Cultural Revolution the local rural industry in Beijiao continued to increased, though at a slower pace. By the

late 1970s Beijiao had a large rural industrial base. Partly because of the much higher price of industrial products compared to agricultural products, industry shared about 45 per cent in the township’s gross industrial and agricultural output value and rural gross income at the end of 1978 (Fig. 2, Table 1). But under the prevailing rural policy focusing on agricultural production, local industry existed only as a means to aid agricultural production. All the industrial enterprises were small in both output and employment, and basic in production skill. What should be noted is that the local government and people had accumulated strong knowledge and experience for developing rural industry, which was testified another important condition for the industrial growth in the following two decades.

Despite of the rural industrial development, agriculture was still undoubtedly the dominant economic sector in the township by 1978, which occupied more than 55 per cent of the local rural gross income and the gross output value (Fig. 2, Table 1), and almost 80 per cent of the employment (Fig. 3).

Table 1 Distribution of rural gross income by three economic sectors for Beijiao, selected years(%)

Year	First <sup>1</sup>	Second			Tertiary <sup>2</sup>	Others <sup>3</sup>
		Total	Industry	Construction		
1978	56.34	43.66	43.66			
1985	16.71	77.63	75.51	2.12	3.53	2.12
1990	11.69	85.79	84.42	1.38	1.60	0.92
1994	14.42	83.44	82.73	0.71	1.37	0.77

Note: (1) the first sector includes agriculture and mining, there is only agriculture in Beijiao; (2) the tertiary sector includes all the other employment except for the first and second; (3) others include appropriation from upper governments, donation from overseas Chinese, etc.

Source: Beijiao Office of the Communist Party and Government, Beijiaozhen (Information for Income Distribution of Basic Income Units in Beijiao Township/People's Commune), 1978, 1985, 1990, 1994

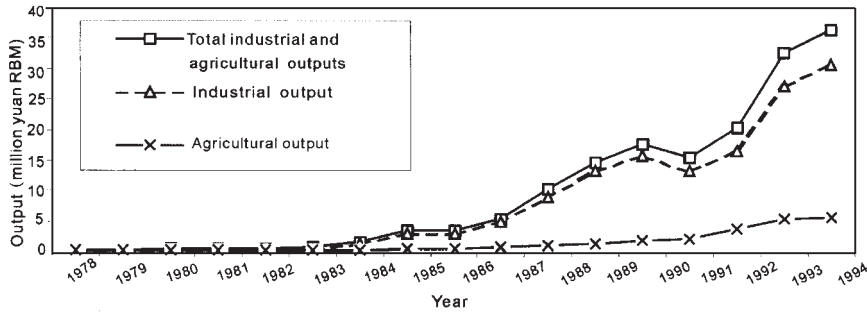


Fig. 2 Change of gross industrial and agricultural output value for Beijiao, 1978 – 1994

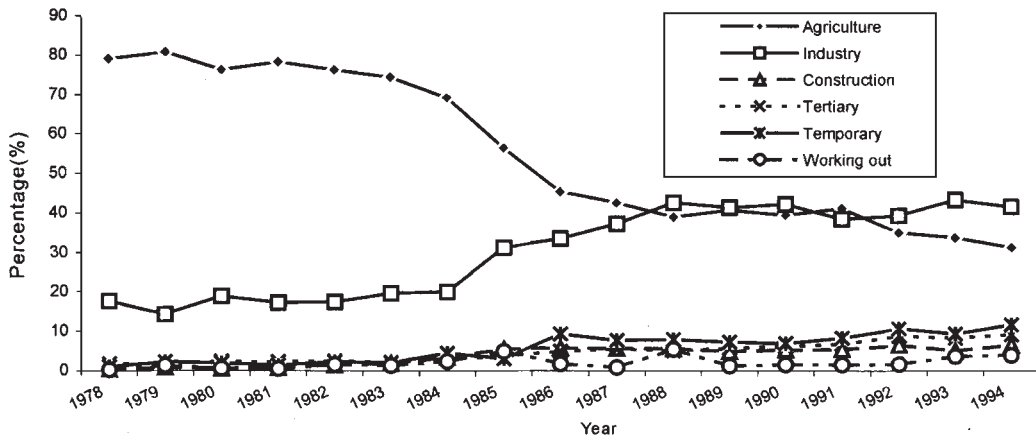


Fig. 3 Change of employment structure in the three sectors of rural labour force for Beijiao, 1978 – 1994

### 3 LOCAL ECONOMIC TRANSFORMATION SINCE 1978

In the one and half decades since 1980 Beijiao witnessed dramatic economic growth. Gross industrial and agricultural output value in the township increased from RMB 30 million yuan at the end of 1979 to 3.65 billion yuan(RMB) in 1994 (Fig. 2). Rapid industrialization and agricultural development are the two most impressive characteristics. Industrial output value increased from 14 million yuan to 3.08 billion yuan

(RMB) with an average growth rate of 38.41 per cent per year. By the mid-1990s, Beijiao had become the largest producer of electric fan in the world, the largest producer of animal feed in Asia, and one of the largest producers of air conditioner in China. While the agricultural output value increased from 16 million yuan to 0.56 billion yuan(RMB) taking an average speed of 26.81 per cent per year (Fig. 2).

In spite of the net growth in output value in both sectors, the different growth rate had a reverse impact on the shares of the local economic income.

As a share of the gross rural income, the industrial income rose from 43.66 per cent to 82.73 per cent, while the agricultural income declined from 56.34 per cent to 14.42 per cent (Table 1). So from the perspectives of economic output and income, industry has replaced agriculture as the dominant sector in the local economy since early 1980s.

The change of employment structure for the rural labor force presents another, probably more forceful indication of the economic transformation during these years. The share of agricultural employment declined from about 80 per cent at the end of 1970s to about 30 per cent in 1994. Within almost 50 per cent of the total rural labor force moving out from agriculture, about 25 per cent were absorbed by industry (Fig. 3).

Structural changes also accelerated within agriculture. Rice and sugarcane, the two most important agricultural products in the township before the late 1970s, experienced a remarkable decline in their contribution to rural income, falling from 60 percent in 1978 to a negligible 1.23 percent in 1994. While pond fish and cultivating achieved dramatic growth (Table 2). There was a decline in the labor force in farm industry within the agricultural employment (Table 3).

#### 4 LOCAL GOVERNMENT

The economic reform programs initiated at the end of 1978 gave the township government, more autonomy in establishing local economic development strategy and Strong initiative and pressure to develop the local economy. Greatly encouraged and pushed by the new rural policy, Beijiao Government, like other local governments, changed its focus from administration to developing the local economy since the late 1970s. After the adoption of the Household Production Responsibility System (HPRS) and the consequent removal of agricultural assets from government to each peasant's family, the collectively owned non-agricultural economies became the most favorable and attractive choice for Beijiao government to yield extrabudgetary revenues<sup>6</sup>. At the beginning of 1980s, Beijiao government changed the guiding principle on local economies from "all the other sectors support agriculture" to "make strenuous efforts to promote Commune and Brigade owned industries and sidelines".

Based on the local condition, a set of local policies and measures were adopted by the township government to achieve local economic development in the following years.

Table 2 Income structure within the first sector for Beijiao, selected years

Year	Total income*	Rice		Sugarcane		Pond fish		Animal husbandry		Diversified plant		Sideline	
		Income*	%	Income*	%	Income*	%	Income*	%	Income*	%	Income*	%
1978	1420.72	552.50	38.89	312.05	21.96	227.75	16.03	31.78	2.24	104.82	7.38	191.82	13.05
1985	1947.46	724.94	37.22	0	0	258.94	13.30	13.30	385.26	9.60	0.49	568.73	29.20
1990	15274.83	1932.22	12.65	1516.34	9.93	5567.87	36.45	36.45	3851.02	1714.30	11.22	693.08	4.54
1994	52602.76	562.05	1.07	82.02	0.16	33162.54	63.02	63.02	13610.07	5132.75	9.76	53.27	0.10

Source: Beijiao Office of the Communist Party and Government, Beijiaozhen (Information for Income Distribution of Basic Income Units in Beijiao Township/People's Commune), 1978, 1985, 1990, 1994

\* the unit is to thousand yuan(RMB)

On industry, local policy programs on six aspects were implemented. The local government established township-village owned firms. Lack of enough capital, Beijiao Government not only used its extrabudgetary funds from its own collective economies but also applied for large loans from bank to develop the collective enterprises in early 1980s, which was noted as "endebedtness development" in the government docu-

ments. Under the direction of the local government, town-village owned enterprises (TVEs) focused on three industries: feed, food processing, and electric fan. The first two had close links to the local agricultural sector, so as to promote the local agricultural growth and re-structure through their production linkages (Fig. 4). Production of electric fan is labor intensive, so as to deal with the local surplus agricultural labor force. The

Table 3 Employment structure in the first sector of labour force for Beijiao, 1978 – 1994

Year	Total number	Farm		Forestry		Sideline		Cultivating		Fishery	
		Number	%	Number	%	Number	%	Number	%	Number	%
1978	28874	28651	99.23	180	0.62	43	0.15				
1979	29513	28943	98.07	200	0.68	370	1.25				
1980	30039	29381	97.81	311	1.04	347	1.16				
1981	31141	30440	97.75	303	0.97	398	1.28				
1982	31626	30367	96.02	273	0.86	986	3.12				
1983	30861	29771	96.47	222	0.72	868	2.81				
1984	29208	27390	93.78	95	0.33	1723	5.90				
1985	24709	22387	90.60	128	0.52			922	3.73	1272	5.15
1986	20399	17726	86.90	93	0.46			1002	4.91	1578	7.74
1987	20186	17525	86.82	76	0.38			1014	5.02	1571	7.78
1988	19323	16377	84.75	94	0.49			1078	5.58	1774	9.18
1989	20001	16760	83.80	147	0.73			1040	5.20	2054	10.27
1990	20003	16555	82.76	96	0.48			1038	5.19	2314	11.57
1991	17938	13938	77.70	31	0.17			1153	6.43	2816	15.70
1992	15562	11339	72.86	42	0.27			1367	8.78	2814	18.08
1993	14978	8964	59.85	46	0.31			1740	11.62	4228	28.23
1994	14048	7056	50.23	48	0.34			2402	17.10	4542	32.33

Source: Beijiao Office of the Communist Party and Government, Beijiaozhen (Comprehensive Information for Labour Force Employment Distribution in Beijiao Township), 1979 – 1995

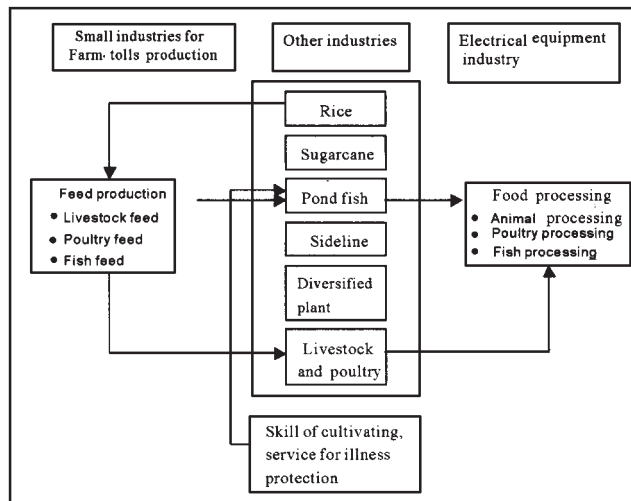


Fig. 4 Organization of the local economy in Beijiao in the early 1980s

government continually gave guidance on the production and management of the firms in 1980s. In the mid-1980s, facing with the intense competition in the domestic electric fan market, Beijiao government encouraged the local firms to adopt exporting marketing strategy. In late 1980s, in order to increase profits from local industry, the government encouraged local firms to

develop new products with high profit and high technology. Through administrative intervention, the government strengthened the production linkage among the local firms. For instance, close linkage amongst the local firms in two industrial sectors of electric machine and packing materials were set up since 1986 under the direct intervention of the government. Beijiao Govern-

ment continually adjusted its relationship with the firms. At the beginning of the economic reform, the government was fully in charge of the production plan, personnel arrangement, profit distribution and major management issues in the township-village owned enterprises. In the following 10 years since early 1980s, to stimulate the enthusiasm of the managers and workers in the firms, a "bonus system" and a "contracting system" were employed to the firms. While the government still kept the rights to intervene the most important affairs in the firms, such as appointing and dismissing the key managers, use the profit at special situations and formulating major development strategies, etc. Beginning from 1993, for the third time Beijiao Government adjusted the relationship between government and the Township-village owned enterprises. Through adopting the "Share System", the government, keeping a number of shares in some well developing firms, sold all the other stocks of township and village owned firms to the entrepreneurs and workers. Several large corporations were also permitted to directly sell their stocks in the national stock market. After the transfer of the firms' ownership, the local government eventually gave up direct intervention in the firms' management, while charging fees to the firms for land use, infrastructure supply, etc. In order to resolve the problem of the surplus of agricultural labor, in 1983 the Beijiao Government stipulated all town-owned firms should hire the local laborers unless there are not qualified or insufficient labor in Beijiao for the positions required. The township government must assign jobs in town-owned firms for the agricultural labors whose land had been occupied by the collective firms.

Concerning agricultural development, two directions were focused upon by the township government.

First, the government has been leading the twice restructuring within agriculture. In order to encourage the first agricultural restructuring from farming to poultry husbandry, livestock rearing and pond fish-cultivation the early 1980s, a special company was established by the local government to sell the local poultry, livestock and flower in the markets in nearby cities, special agencies were also established to supply the peasants with the necessary training and skills. In

1986 a more complete serial service was carried out: "Four Supply and One Purchase", i. e. supplying seed and fish fry, feed, technique and capital for the households or firms, and purchasing their agricultural products. After the late 1980s, The local government continually encouraged the second agricultural restructuring within the cultivating and fishing sectors in the township, i. e. breeding poultry and fish with better variety and more profit.

Second, the township government encouraged the transformation from small production to specialized, large-scale farms through two major measures. Established new agricultural firms and incorporated them with some existing enterprises into a larger conglomerate based on the national XINGHUO Project (XUE, 1998). Changed the agricultural land use right system. From 1992 to 1993, the second reform of land use rights in the last two decades was initiated. Farmers, if they so desire, could transfer their land back to the government. The government then rents out larger quantities of land regained from individual households to some new highest rental, from which the farmers who lost land were compensated by the government.

Through the above mentioned local policies and measures, Beijiao Government has been shouldering the most important task to lead the local economic development and transformation since 1978. During the first several years from 1978 to the mid-1980s, Most of the methods adopted by the local government were direct intervention. Since the late 1980s, indirect ways of guidance and service besides direct intervention were deployed. Entering the 1990s, the local government almost totally withdrew from direct intervention through transferring its ownership of firms to the entrepreneurs and public, while its functions of regulation, supervision and service were greatly strengthened.

## 5 ENTERPRISES

Directly designated and invested by the township government, a few old Commune-Brigade firms were transformed, and many new Township-Village owned firms were gradually established since 1978. Being consistent with the economic development aim of Beijiao

Government as above mentioned, most of these main firms were in three industrial sectors of feed production, food processing and electrical equipment.

HUAXING feed-producing firm was established by the local government mainly funded by a loan from the national XINGHUO Project in 1985. Until 1994 HUAXING grew into an enterprise with 400 thousand tons of feed, 704 workers and RMB 100 million gross output. HUAXING purchased rice as one of the main raw material within Beijiao, so it accelerated the continuing growth of rice farm in the township since the mid-1980s (Table 2). HUAXING also provided feed for the local farmers' poultry-breeding, livestock-rearing and pond fish-cultivation. With the process of the second agricultural restructuring since the late 1980s, HUAXING opened a new factory to produce feed for eel and higher value-added chickens in 1992. So it greatly accelerated the growth of these agricultural sectors in Beijiao after 1985 (Table 2), it also promoted the labor force move from farm to these sectors (Table 3). But HUAXING did not contribute much to absorb the surplus agricultural labor force.

XINGSHUN was a joint venture for processing livestock and fish food funded by a Hong Kong investor and Beijiao Government under the same National XINGHUO Project after HUAXING. The firm could process 16 000 tons of chicken, fish, shrimp and other poultry and livestock products every year. Seven other smaller food processing firms, one of which specialized in eel processing, were founded between 1991 and 1994. These firms made food processing obtain the second highest output after electric machine, and continually pulled the agricultural restructuring both in rural income and employment from farm to fishing and cultivation in the township at the end of 1994 (Table 2 and Table 3).

Also taking advantage of the National XINGHUO Project, twenty-two collective agricultural firms and seventeen poultry, livestock or fish cultivating bases were established under support of the local government by 1990. These agricultural firms contributed directly to the local agricultural growth and restructuring.

The industrial and agricultural agglomeration consisting of HUAXING, XINGSHUN and other food pro-

cessing enterprises, and the agricultural firms and bases effectively sped up both the restructuring of labor and income within the agricultural sectors and the growth of industrial output (XUE, 1998).

Electrical equipment is the largest industrial sector in Beijiao Township. MEIDI, YUHUA, XIANHUA and NANFANG were the 4 largest electrical fan firms founded by the local government in late 1970s or earlier as Commune-Brigade enterprises.

The development process of these firms can be shown by the story of MEIDI. Recent MEIDI origins from the Plastic Products Processing Group for Beijiao Commune which was invested by the Commune in 1968. The Processing Group had been producing plastic bottles and bottle caps since 1968 until in the mid 1970s it began to produce some small accessories like switches and buttons for Guangdong YUANDONG Electrical Fan Corporation which was a state owned enterprise in Guangzhou. In the course of producing accessories for YUANDONG, the factory gradually learned the entire technique and procedure for electrical fan production, and began to produce its own electrical fan in 1981, and the factory changed its name into MEIDI. The annual output of electrical fan in MEIDI reached 200 thousand, and workers increased to 1100 in 1985.

YUHUA, XIANHUA and NANFANG have similar histories as MEIDI. These four enterprises could produce a total of 0.8 million electrical fans, and employed 4000 workers, which occupied about 80 per cent of the industrial worker in the entire township until 1985. The firms of electrical fan production greatly devoted to the growth of both industrial output and employment, so dealing with the problem of surplus agricultural labor in the early 1980s (Fig. 2 and Fig. 3, Table 1).

Since the mid 1980s the electrical fan production enterprises faced with an intense competition in the domestic market, so those in Beijiao began to target the foreign market helped by the township government. MEIDI again had a typical experience during this course. Through subcontracting, MEIDI began to export electrical fans with the SMC trademark, which belongs to a company in Hong Kong in 1986, and its electrical

fans with its own MEIDI trademark later gradually gained a share of the international market in the following years. Success of the exporting strategy accelerated the dramatic growth of electrical fan production in MEIDI since 1986, with its annual electrical fan production increasing nine million in 1995. As a labor intensive industrial sector, electrical fan production obtained almost equal employment increase with its output increase, the workers in MEIDI reached almost 4 000 by the end of 1990.

Adopting similar marketing strategies as MEIDI, other electrical fan firms like YUHUA, XIANHU and NANFANG also achieved rapid growth in both output and employment during this time.

As a labor intensive and low profit sector, electrical fan production was nonetheless helpful in employing rural surplus labor force in the township. It could not, however, yield more profit expected by the firms and government. Since the late 1980s, MEIDI and other firms, again encouraged and supported by the township government, began to develop new high value-added products. For instance, MEIDI began to produce air conditioners, using technology from Japanese TOSHIBA Company, as its second-generation product since 1987. In the following years, the annual output of air conditioner increased from 3 000 in 1987 to 400 000 in 1995. From early 1990, MEIDI also began to produce electric rice cookers and other electric machines in cooperation with other international companies like SANYO, etc. The successful development of these new products not only brought considerable profits for the firms, but also a sharp rise in industrial output for the township. Because of much lower labor demands for the production of these new products, the growth of industrial output and income did not accompany a parallel rise of industrial employment in this stage (Fig. 3).

While developing the new products, MEIDI also changed the organization for its electric fan production during 1990s. The output for electric fan exceeded its original designed productive capacity of 3 million per year in 1991. Therefore MEIDI began to subcontract some simple spare parts to some small companies. There were forty-nine small firms within Beijiao and seventeen other firms in surrounding areas outside of the

township producing electric fan spare parts for MEIDI until the end of 1996. A simultaneous measure was adopted to hire more temporary workers to work in the busy season for electric fan production. These temporary workers reached about 1300, composing 20 percent of the regular workers. Similar changes for production organization happened in YUHUA and several other firms during this time. These strategic changes employed by the firms were another main reason for the slight rise of total industrial employment and rapid growth in temporary workers in Beijiao Township in early 1990s (Fig. 3).

During the years from the mid-1980 to the mid-1990, more firms in other sectors such as packing materials, metal products, furniture, footprint, etc, were gradually established under private or collective investment. The roles played by these firms in Beijiao's industrial growth, although comparatively less important, were not negligible.

Throughout the entire process, the local firms developed rapidly and played more and more important roles in the economic restructuring of economic sectors and employment.

## 6 INDIVIDUALS

The implementation of the Household Production Responsibility System (HPRS) allowed farmers to make their own decisions on use of the allocated land and on household agricultural production. Most of the farmers in Beijiao concentrated their efforts on more rice production in the first 3 – 4 years since 1978. So the local income from rice increased from 1978 to 1985, while the income from sugarcane decreased (Fig. 3), the employment in farm also rose from 1978 to 1982 (Table 2).

The first three to four years after the implementation of the economic reform programs in 1978 resulted in: people became more confident about the new policies; the demand potentials, particularly in cities, for the other agricultural products were developed; the tremendous profits obtained from poultry-breeding, animal-rearing and pond fish-cultivating by a small number of households were well known among the farmers.

These changes led to the release of more labor from farms to find jobs in the other agricultural sectors or nonagricultural sectors, which made it one of the most urgent problems faced by Beijiao government in early 1980s to provide employment chances for them.

After about ten years of economic reform in rural areas, farmers were no longer content with concentrating only on the small piece of land or fishpond allocated to them by government. There were both push and pull reasons behind the change in attitude.

The push reason is that the small-scale agricultural production based on individual family self-sufficient management could bring very limited profits. The main pull reasons included that The well developed local industrial firms could provide jobs with stable income almost equal or even higher than they could obtain from their small scale agricultural management, while they avoided the pressure from the agricultural product market; when the farmers worked in industrial firms, they could also be engaged in other temporary jobs not dependent on land nor daylight. For instance, many families spent their spare time planting flowers on the roof of their houses. This 80 – 100 square meter flower nursery could even yield more income than all the members' salaries for a family during the entire year during the late 1980s.

Influenced by these push and pull factors, many farm laborers were released since the mid 1980s. A larger section were absorbed into the local industrial firms (Table 3). Simultaneously, more specialized households using rented facilities (zhuan-yehu) for animal-rearing, poultry-breeding and fish cultivating emerged. According to the calculation of the local government, there were more than 1500 various specialized households in Beijiao Township.

After the implementation of the local policies for the second land use system reform in 1993, about 75 percent of the previous farm workers before 1978 were eventually released. The rice quota was no longer a restraint for the agricultural land use, while it could be in lieu of cash payment, therefore the local income from rice rapidly decreased in the 1990s (Table 4). More than half of the surplus farm labors were absorbed into industrial firms before the 1990s, while in 1990s the

firms did not hire so many workers as in the last decade because of the production organization change and new products development. Thus, except for some specialized agricultural households, the farmers leaving land moved into either the newly established agricultural firms and bases, commercial companies, or worked as temporary workers both in different firms and sectors. The prevailing individual employment choice under the specific environment was obviously reflected in both the dramatic growth of employment in tertiary industry, temporary work, cultivating and fishery in the early 1990s (Fig. 3, Table 3) as well as in the rapid rise of income from pond fish, animal husbandry and diversified horticulture (Table 2).

In retrospect, the individual farmers had important influence on the local economy, particularly on the change of local employment structure mainly through their decision making choices. During the first several years after the economic reform, lack of enough knowledge, information and experience, the individual's decision making was to a certain extent a reaction to the market demand, local government policies and household demand. In the following years, although still strongly influenced by the local government, firms and market, the farmers gradually had more capabilities to choose their job and agricultural products mainly driven by seeking more profits.

## 7 CONCLUSION

As one of the most dynamic Chinese economic regions the Pearl River Delta has received wide recognition from scholars and the general public during the last two decades. The reasons behind this are not only the rapid economic growth rate but also the simultaneous advance in both industry and agriculture. Unlike the conclusions of existing studies, this case study reveals that at the level of township, the local government, the TVEs and the individuals have been playing remarkable roles in local economic transformation. So the local economic transition was not entirely externally driven. The regional economic transformation can never be correctly explained before the roles of local players have been explored.

Under the new system of the state's relaxed control over the local economy, developing local economy in lieu of former administration has become the most important task for a township government because of both initiative and pressure for extrabudgetary revenue. As the state changed its function in local economy from interventional to regulatory in the early years of the economic reform, when the local firms and individuals embraced comparatively weak ability to handle the market, Beijiao Township government began to lead the local economic development through direct interventional way of establishing and managing firms. But later, driven by various reasons, it also had to gradually changed its function from participant and interventional to regulatory, supervisal and service like the state government. The township-village owned industrial and agricultural firms, initially managed in production, employment and profit allocation by the local government, played minor roles in the local economic development. While they strove for and were given more and more autonomy by the government, they gradually upgraded into the most important factor. Most of the local residents whose decisions on employment and production are influenced by the market, firms and policies at various levels, and other factors, ultimately changed from the typical farmers into workers in non agricultural sectors, took up occupations in agricultural sectors other than farming, or hold two or more posts in different economic sectors. Like the other two factors, this has been exerting an implacable role in the economic restructuring process.

Although the experience in Beijiao can not be considered completely representative of the entire Pearl River Delta, it is at least helpful to build a bridge between the gap of regional knowledge and local operating mechanism. It has exhibited some evidence to understand what has been happening at a local township level during these years, and as one of the most successful townships, has set an example for the other townships.

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