

# From “Rural Homeland” to “Urban Commercial Node”: The Model, Dilemmas, and Pathways for Enhancing Economic Integration in “Yu Village”\*

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This paper takes “Yu Village” (Zhongwei Community), a peri-urban community adjacent to the central urban area of Yuxi City, Yunnan Province, as a case study to explore the pathways for economic integration and transformation of peri-urban communities during rapid urbanization. Based on field research and secondary data, the study systematically analyzes how the community, through a “market-induced, collectively-led” model, has successfully transformed from a traditional agricultural village into a regional commercial node through three stages: “market revitalizing the village”, “commercial expansion”, and “industry-city integration”. The research finds that the outcomes of this integration are manifested in a tertiary industry-dominated economic structure, deep embedding into the urban supply chain and functional system, and diverse, flexible labor mobility. However, the current integration still faces dilemmas of “primary integration”, such as low industrial sophistication, locked-in value chains, and insufficient synergy with urban industries. Accordingly, this paper proposes a four-pronged approach focusing on optimizing the industrial structure, enhancing industrial value-added, deepening urban industrial synergy, and strengthening supporting measures to propel its transition from “serving the city” to “integrating into the urban industrial chain”, providing theoretical insights and practical references for the integrated development of similar peri-urban areas.

*Keywords:* urban-rural integration, peri-urban community, collective economy, commercial node, industrial transformation, Yuxi

## Introduction

Against the backdrop of urban-rural integration and new-type urbanization strategies, peri-urban areas surrounding large cities have become crucial arenas for observing the flow of urban-rural factors, industrial restructuring, and social transformation (Long et al., 2010). These areas both receive industrial overflow and functional decentralization from the city and retain rural social structures and land systems, making their transformation paths unique and complex. “Yu Village” (Zhongwei Community) in Hongta District, Yuxi City,

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Yunnan Province, located merely 0.5 kilometers from the city center, has, since the 1990s, gradually evolved from a “rural homeland” primarily engaged in vegetable cultivation into an “urban commercial node” serving Yuxi and even the central Yunnan region by collectively raising funds to build specialized markets. This process has formed a typical development model known as “market-induced, collectively-led” (Yuxi Federation of Social Sciences, 2022). This model has achieved remarkable success in driving local economic growth, increasing farmers’ income, and integrating into the urban fabric, making it a vivid example of urban-rural integration in Yunnan.

However, existing research mostly focuses on describing its successful experiences, paying insufficient attention to the inherent structural contradictions and persistent challenges within its development process. Particularly, against the backdrop where the tertiary industry already dominates absolutely (98.7%), how to avoid the risk of industrial simplification, break the dependence on the “rental economy”, and achieve deep synergy with urban industries has become the core issue determining whether it can upgrade from a “logistics channel” to an “industrial hub”. Based on this, this paper aims to systematically review the process and current status of economic integration in “Yu Village”, dialectically analyze its achievements and shortcomings, and then propose pathways for quality development, thereby enriching theoretical case studies on the economic integration of peri-urban communities and providing policy insights for the sustainable development of similar areas.

### **Literature Review and Theoretical Foundation**

Urban-rural integration theory emphasizes that urban and rural areas form an interdependent, functionally complementary organic whole, with its core being the free flow of factors, synergistic industrial development, and equalization of public services (McGee, 1991; Tacoli, 1998). For peri-urban areas (Desakota), their particularity lies in being simultaneously influenced by urban radiation and a rural foundation, often leading to non-agriculturalized, mixed land use and economic forms (Zhu, 2022).

In the Chinese context, the collective property rights system is a key variable shaping the transformation path of peri-urban areas. Utilizing locational advantages and land resources, collective economic organizations lead or participate in non-agricultural industrial development, becoming an important endogenous force driving local industrialization and urbanization (Zhe & Chen, 2000). Relevant research summarizes various models of collective economic development such as “township and village enterprise-driven”, “land capitalization-driven”, and “property rental economy” (Liu & Wang, 2018). The “market-induced, collectively-led” model of “Yu Village” essentially involves developing commercial and circulation industries using collective construction land, representing a hybrid and deepening of the “land capitalization” and “property rental economy” models. The key to this model’s success lies in collective action capability, capturing market opportunities, and functional complementarity with the city.

Existing research affirms the positive role of this model in rapidly increasing farmers’ income and achieving in-situ urbanization, but also points out potential issues such as falling into “path dependence”, lack of industrial upgrading impetus, and increasing social governance challenges (Zhang, Chen, & Sun, 2014). Building on these studies, this paper will delve into the depth, breadth, and sustainability of its economic integration using the latest practical data from “Yu Village”.

## Research Methods and Case Overview

This study employs a case study method combining qualitative research and quantitative analysis. Data sources include: (1) Policy and planning documents: such as the “Yuxi City Territorial Space Master Plan (2021-2035)”; (2) Community statistical materials and reports: covering economic income, industrial structure, and labor data from 2005 to 2023; (3) Existing research results and media reports: such as the “Zhongwei Community Chronicle” and relevant reports from “Yunnan Daily”, used for cross-verification and background context; (4) Semi-structured interviews: conducted in 2023 with community managers, market merchants, and local residents (interview data anonymized) to understand behavioral logic and subjective perceptions.

The case community, “Yu Village” (Zhongwei Community), is located on the northern edge of Hongta District, Yuxi City, comprising four natural villages and nine resident groups, with a total population of approximately 4,132. Its unique proximity to the urban area provides the geographical foundation for receiving urban radiation and undertaking urban functional overflow.

### Analysis of the Process and Current Status of Economic Integration in “Yu Village”

#### Industrial Transformation and Structural Characteristics

The industrial transformation of “Yu Village” follows a clear path of “de-agriculturalization” and “re-commercialization”. In 2023, the community’s total economic revenue reached 1.265 billion yuan, with secondary and tertiary industries accounting for 98.7%, while the primary industry shrank to 1.3%. The industrial structure exhibits highly servitized and clustered characteristics:

- Specialized market clusters: A five-market system has been formed, centered on the Caihong Wholesale Market (vegetables) and encompassing furniture, building materials, second-hand goods, and commercial plazas. The transaction volume in 2023 was 980 million yuan, accounting for 77% of total community revenue, making it the absolute pillar.

- Associated supporting industries: This has spawned sizable property leasing (annual rental income of 110 million yuan), accommodation and catering (annual turnover of 140 million yuan), processing and warehousing (annual revenue of 90 million yuan), and experiential urban agriculture.

- Spatial and institutional restructuring: Spatially, a “one-axis, three-zones” functional layout has been formed. Institutionally, the rural collective property rights reform was completed in 2018, establishing a joint stock economic cooperative, realizing “assets into equity, villagers into shareholders”, with a per capita dividend of 11,500 yuan in 2023.

- Upgrading trends: Traditional markets have begun “going online” (online sales accounting for 11% of market turnover), the office building economy has introduced modern service industries, and the “front store, back factory” model has preliminarily explored industrial linkages.

#### Depth of Connection With Urban Industries

The economic integration of “Yu Village” is not only reflected in geographical proximity but also manifests as multi-dimensional functional embedding and systematic alignment:

- Market embedding: It is deeply integrated into the urban supply chain (supplying 60% of fresh vegetables for the urban area), industrial chain (furniture production-marketing linkage), and service chain (38% of revenue comes from urban industrial overflow orders).

- Functional complementarity: It acts as a “reservoir” for urban functions (hosting businesses prohibited in the urban core) and a “stabilizer” (emergency supply, serving low-income groups).
- Factor sharing: It actively introduces urban commercial and industrial capital and shares urban consumption brands and digital platform resources.
- Institutional alignment: It has achieved essentially “same-city” management with the urban district in planning, statistics, and social governance, and is officially designated as an “urban district-level commercial and trade center”.

### **Labor Mobility and Employment Patterns**

Changes in the labor market are the most vivid reflection of economic integration. In 2023, the community’s actual labor force was 3,820 people, showing a structure where “migrant population exceeds locals” (migrant labor accounted for 50.3%). Employment patterns were highly flexible (flexible employment accounted for 67.5%), featuring characteristics such as the prevalence of “mom-and-pop stores”, aggregation of daily laborers, and the emergence of new digital gig workers. Labor mobility patterns were diversified, including seasonal “migratory bird” flows, “chain migration” based on kinship and regional ties, significant “in-situ urbanization” (78%), and daily “pendulum-style” two-way commuting. However, human capital (only 11% with college or higher education) and social security (low insurance coverage among migrants) remain shortcomings. Although the community actively addresses these through measures like “skills night school” and “collective insurance enrollment”, structural issues persist.

### **Discussion: Achievements, Characteristics, and Dilemmas of “Primary Integration”**

In summary, “Yu Village” has successfully completed the morphological and functional transformation from a rural village to an urban commercial node. Its economic integration exhibits four major characteristics: “tertiary industry dominance, cluster development”, “deep embedding, functional complementarity”, “collective leadership, benefit sharing”, and “flexible employment, diverse mobility”. This “Zhongwei Model” demonstrates that, under a framework of clear collective property rights and through market-oriented industrial selection and functional complementarity with the city, peri-urban communities can effectively integrate into the urban economic system.

However, it must be clearly recognized that the current integration remains at a “primary integration” stage, with three deep-seated dilemmas hidden behind its prosperity:

1. Simplified industrial structure and low sophistication: The economy heavily relies on traditional commerce and leasing (“single industry dominance”), lacking support from high-value-added industries such as modern logistics, e-commerce finance, and cultural creativity, making it vulnerable to risks and consuming resources through internal homogeneous competition.

2. Low-end value chain lock-in and traditional profit models: The collective economy and resident income highly depend on the “rental economy” and “stall economy”, positioned at the bottom of the “smile curve”. Agricultural products and other resources lack deep processing and branding extensions, and overall industrial digitalization is not high.

3. Insufficient synergy with urban industries: Currently, it primarily provides consumer services to the city, operating at the level of “serving the city”, failing to proactively “integrate into the urban industrial chain”. Deep linkage mechanisms such as “front store, back factory” or “R&D plus market” with the city’s core sectors like

manufacturing and technology have not been established, and opportunities for industrial upgrading within urban renewal have not been fully captured.

### Conclusion and Pathway Recommendations

The case of “Yu Village” is a microcosm of peri-urban areas in China actively seeking change and exploring endogenous development paths amidst the wave of urbanization. Its successful experience lies in fully leveraging locational advantages and collective action capability, seizing the market opportunities brought by urban development, and solidifying development outcomes through property rights system reform. However, to achieve sustainable development, it is necessary to propel economic integration from “quantitative expansion” to “qualitative improvement”.

To this end, this paper proposes the following pathways for quality development:

1. Optimize industrial structure, and promote diversified coexistence: Conduct smart and digital transformation of traditional markets, developing “online-offline integrated” transactions; cultivate emerging formats such as e-commerce livestreaming, cross-border e-commerce, and prepared food processing; integrate market resources, promote functional differentiation, and create distinctive peri-urban commercial IP.

2. Enhance industrial value-added, and shift towards value creation: Promote the transformation of the collective economy from a “lessor” to an “operator + incubator”, exploring cooperative operations, brand incubation, and industrial chain investment; strengthen skills training for residents and merchants in e-commerce, brand marketing, etc., and build entrepreneurial incubation platforms.

3. Deepen urban industrial synergy, and proactively integrate into industrial chains: Proactively align with urban modern service industry and manufacturing development plans, striving to become key nodes in the urban supply chain; establish “community + urban district” industrial linkage mechanisms, and leverage urban renewal policies to import high-end industrial resources, enhancing regional node value.

4. Strengthen safeguard measures, and consolidate integration foundation: Actively seek higher-level policy and financial support; introduce and cultivate professional talent, and incentivize youth to return to their hometowns for entrepreneurship; continuously improve logistics, transportation, and information network infrastructure, and optimize the business environment.

The future development of “Yu Village” is not only related to the rise and fall of one community but also holds significant practical reference value for promoting the “Kunming-Yuxi Integration” and central Yunnan urban agglomeration construction in Yunnan, and even for exploring pathways for urban-rural integration in less developed western regions. Its transformation journey reminds us that peri-urban integration is a dynamic, phased process. Continuous industrial innovation, institutional adaptation, and capacity building are the necessary paths towards higher-level integration.

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