Special Issue

New Urbanisation under Globalisation and the Social Implications in China

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Abstract

China launched a new urbanisation programme for the period of 2014–2020. The new urbanisation programme will produce positive impacts on China’s social and economic development through focusing on integrated urban and rural development, creating city clusters and promoting sustainable urban development. However, the new urbanisation programme may also bring some new social and economic problems, like widening the gap in urban development between different regions in China, leading to the formation of a new urban poor class, based on the current design and implementation. To minimise the negative effect, we suggest to better deal with the relationships between market and government and between economic and social development in the process of urbanisation. We argue that the key is to allow the market to determine the flows of capital, land and people in the process of urbanisation so as to achieve a sustainable development of China’s urbanisation.

Key words: urbanisation, globalisation, rural–urban migration, sustainable development, China

1. Introduction

After more than 30 years of rapid economic growth with average annual gross domestic product (GDP) growth rate around 10 per cent from 1978 to 2011, China has achieved significant progress in economic and social development. However, it is now facing some serious challenges, which largely resulted from the changing global economic situation and international influence of Chinese people’s perception of life quality. First, the natural environment has deteriorated at a rapid pace. Second, income inequality has reached a critical level. Based on the government’s official calculation, the Gini Coefficient reached 0.473 in 2013. Third, economic growth has slowed down to 7.7 per cent in 2012 and 2013 because of the shrinking world demand as a result of economic recession and the weak domestic demand. Fourth, social and political tensions in some regions have intensified. Taking collective actions as the example, there were roughly about 100,000 cases each year. The main reasons that caused the collective actions include the too high income disparity, the continual hiking housing price and serious government corruption (Chinese Academy of Social Sciences (CASS), 2014).

As a response to these challenges, the Chinese government decided to mitigate the
conflicts through a series of deepening reforms in the related areas. One reform is to launch a new urbanisation programme in China. In March 2014, the Chinese government published the ‘Guidelines to the National New Urbanisation Plan 2014–2020’. This document discusses the major policy changes supporting the new urbanisation programme, the main implications of the new urbanisation for social developments in China and the main impacts on the world in the process of globalisation.

The new urbanisation programme will have positive impacts on China’s social and economic development, but it may also bring some new social and economic problems to which the policy guidelines do not pay enough attention. In the following sections, we will discuss the positive impacts and also analyse the potential problems that the new urbanisation programme may bring in and propose our suggestions to deal with the problems under the situation of globalisation.

2. Positive Impacts of the New Urbanisation Programme

Since 1978, China has achieved great progress in all aspects including urbanisation. Urbanisation rate has increased rapidly from 17.9 per cent in 1978 to 53.7 per cent in 2013 (National Bureau of Statistics (NBS), 2014, p.101). Urbanisation does go up, but it also left many problems. Two are the most important. First, there are around 270 million migrant rural workers who have migrated from rural areas to urban areas and do not have the same household registration status as urban residents. As a result, they cannot enjoy the same employment opportunity and the basic public services, and their children cannot enter the local public school. If these migrant rural workers are deducted from the population of urban residents, the urbanisation rate calculated based on criteria of urban household registration was only 35.3 per cent in 2013. This means that the high growth of urbanisation during the period of 1978–2013 is an ‘incomplete project’ of urbanisation.

Second, with respect to the speed of population migration from rural to urban areas, the speed of transferring rural farmland into urban construction land is much faster. With large amount of rural population moved to cities and towns, rural residential land did not decline, but have increased continuously. As a result, with the development of urbanisation, land waste and land transferring to non-farming use are widespread.

In the face of these serious problems, the Chinese government launched a new urbanisation programme aiming to solve the issues inherited from the past urbanisation. The basic judgment is that such a kind of high-speed urbanisation in the past is not sustainable, and it must be transformed to a new model of urbanisation that is sustainable. Therefore, the new urbanisation programme has two main basic ideas: the first is to slow down the speed of urbanisation so that the problems left in the past can be effectively solved to improve the quality of urbanisation; the second is to take ‘people-centred’ principles and practical methods to solve the problems so that both the urban and the rural residents can enjoy the benefits from urbanisation. Therefore, the new urbanisation programme is expected to produce some positive impacts on China’s social and economic development in the following aspects.

2.1 Promoting Integrated Urban and Rural Development

The primary focus of the new urbanisation programme is to promote the integrated urban and rural development. To fulfil this goal, the most important is to reform the current household registration system and to ‘orderly transfer the rural migrants into urban residents’ (State Council, 2014, p. 21). In other words, it must ensure that those people and their families who have migrated from the agricultural sector and have found jobs in cities and towns can settle down, becoming urban residents. At the same time, it must ensure that they can have equal access to the basic public services provided to urban residents, can have the equal employment and entrepreneurship
opportunities, and their children are also able to have equal educational opportunities in cities and towns.

The new urbanisation programme is also trying to establish a unified land market between urban and rural areas. Rural business collective construction land, through transferring, leasing and share participating, can enter the land market the same as the state-owned land and with the equal rights and same prices. To do so, it is necessary to conduct comprehensive land right confirmation, registration and certification on rural contract land, in order to safeguard farmers’ rights on agricultural land contract. The state government cannot arbitrarily transfer farmers’ contract land into urban construction land. If the state does need land, landless farmers should receive reasonable compensation based on the market price of the land.

In addition, the new urbanisation programme requires the integrated planning and design, integrated infrastructure construction and integrated provision of public goods and services between urban and rural areas. It stresses that in the process of promoting urbanisation, it is also important to pay special attention to the promotion of modern agricultural development, food security and building a new socialist countryside.

The dual social and economic structure of urban–rural separation is the main source of a series of social and economic problems in China. It not only constrained the whole national social and economic development, but also brought many serious problems. For instance, the growing income gap has long been of concern to everyone. In fact, the most serious problem of income gap is the income gap between urban and rural residents. Currently, people commonly agree that per capita income of urban residents is three times of that of rural residents. However, if we take into account the social welfare enjoyed by urban residents, then the income gap between urban and rural residents would be as large as five to six times. Because of the dual structure between urban and rural areas, in addition to the income gap, there has long been a problem of widespread social discrimination and social exclusion in China. The Chinese government has developed a set of policies and methods to protect the city and its inhabitants. For example, through ‘scissors’ pricing mechanism by purchasing agricultural products from farmers at lower prices and selling industrial products to farmers at higher prices, the government effectively protected the urban residents at the expenses of farmers’ interests. Through urban economic development plus the unequal exchange between urban and rural areas, the government has gradually established a set of social security system to urban residents, including employment, health care, pension, education and other aspects, whereas rural areas and farmers have been put at a disadvantageous position and have no ability to establish their own social security system. As a result, rural education, medical and health care services are very backward, rural pension and affordable housing are completely absent. To prevent the rural population from obtaining the social resources from urban residents, the government designed and implemented an isolated household registration system to artificially separate between urban and rural areas and between urban and rural population. Rural population are not allowed to enter into the cities and towns, and even they have entered into the cities and towns, they cannot enjoy the same social treatment and welfare enjoyed by urban population. This has led to the social discrimination and social exclusion from urban areas and its residents against rural areas and its inhabitants, and led to the so-called phenomenon of ‘one country, two worlds’.

Thus, if the new urbanisation programme is able to achieve substantial progress in promoting the integration between urban and rural areas, it is actually promoting a fundamental change on the direction of China’s social development, which will have important historical significance. The basic idea of the Chinese government on implementing the new urbanisation programme is to give priority to people. By 2020, the most important task is to get around 100 million rural migrants to settle down in the cities and towns where they have worked and lived for many years (that is to grant them the urban household registration
status). For the rest of nearly 200 million rural migrants, although their urban household registration status cannot be granted, the basic medical and health care, basic pension and other basic services will be provided to them. By 2020, China will have more than 500 million people who will continue to live and reside in rural areas. Therefore, the fundamental way out is to reduce the differences in income and social security and to promote balanced and coordinated development between urban and rural areas, through expanding urban infrastructure into rural areas, improving and developing rural education, medical and health care, pension and other social services. In this sense, the new urbanisation programme is different from previous ones. It not only includes the aspects of urban development, but also has a set of policies to promote agriculture and rural development, which is worthy of recognition.

2.2 Creating City Clusters

The new urbanisation programme adopts the idea of creating city clusters as the main spatial platform to foster urbanisation. The central government is responsible for promoting the development of inter-provincial city clusters across provinces. Provincial governments are responsible for promoting the development of city clusters within their provinces. The development of city clusters will focus on the three big city clusters of Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta, while cultivating the city clusters in the central and western regions. Under the framework of developing city clusters, the development of medium and small cities will be accelerated, especially focusing on the development of small cities.

The new urbanisation programme in particular emphasised the issues of planning and constructing of regional, national and even international level city clusters. The basic idea is, through creating city clusters, to better play the functions of agglomeration and radiation effects of city clusters.

We believe that as a developing country, especially a country with large agricultural population and vast rural areas like China, developing city clusters can realise the functions of cities to help rural development, which has very important positive impact on urban and rural integrated development. The key to create city clusters is to strengthen transport links between cities. When the transport system between cities is built up, the transport system between rural areas and cities is also established, thus promoting the flows of people and goods between urban and rural areas. Therefore, such a programme is of direct benefit to promote the integrated development of urban and rural areas.

2.3 Sustainable Urban Development

The new urbanisation programme raises the issue of increasing the ability for sustainable urban development. The basic idea of the government is to focus on six areas to increase the ability for sustainable urban development. First, urban development should be closely linked to industrial development and employment provision, based on continuous structural adjustments and increase in innovative capability, to increase employment creation and employment absorption capacity of cities. Second, the functions of large city centres and the surrounding satellite cities should be coordinated. Some functions of the large city centres can be relocated to the surrounding satellite cities, whereas the functions of large city centres should be more intensive and compact. Third, the basic public facility services of cities should be improved and enhanced, including public transport, water and electricity supply, communications, flood control, sewage treatment, rational distribution of residents’ living facilities and other city public facilities, as well as providing better basic public welfare services, including education, medical and health care, culture, sports and other services. Fourth, great efforts should be put on building the cities as green city (green energy, green building, green transportation etc.), smart city (broadband information network, urban management information system, smart grid, smart water networks etc.), and cultural city (cultural and natural heritage.

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protection, cultural facilities etc.). The fifth is to improve social governance capacity of the city to better deal with the relationships between various interest groups, to strengthen the autonomous function of urban communities and to improve the social security of urban residents. The sixth is to diversify the financing channels to raise funds for urban construction, rather than relying on a single source of government fiscal fund.

Social development is very important for sustainable urban development because the quantity of city employment opportunities, the quality of city public services, the degree of people’s living convenience and security of the city are all the key factors directly determining city sustainable development. If we judge from these aspects, a large number of cities in China are not qualified as sustainable development cities. Therefore, the proposal for sustainable development of cities raised in the new urbanisation programme is an important historical progress, which will help China’s urban development move to the right direction, increase the efficiency of resource utilisation, improve environment protection, increase living standards of urban residents and ultimately contribute to the sustainable development of Chinese cities.

3. Possible New Social Problems from the New Urbanisation Programme

We can see from the earlier discussion that the new urbanisation programme has positive impacts on promoting China’s social and economic development. However, the new urbanisation programme is also likely to bring some new social and economic problems based on the current design to promote China’s urbanisation. These new social and economic problems may directly affect China’s social stability and development in a relatively long period.

First, as the urbanisation will focus on creating large city clusters, capital, human capital, technology, modern industry, infrastructure construction, provision of public services will flow at a higher speed toward and concentrate in the three large city clusters of Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta. As a result, regional imbalance in social and economic development will be worsened in the coming period. Currently, the three large city clusters account for only 2.8 per cent of China’s total land area, but they gather 18 per cent of China’s total population and create 36 per cent of China’s total GDP (State Council, 2014, p.7). Although the new urbanisation programme also proposes to simultaneously foster the development of Chengdu-Chongqing, Central Plains, the middle reaches of Yangtze River, and Harbin-Changchun city clusters in the central and western regions, the development of these city clusters in a short period cannot be compared with the three large city clusters. Therefore, it is likely that the gap in urban development between different regions in China will further expand.

Second, with the opening up of cities and towns to rural population, more rural population will move to cities and towns. However, among the rural migrants, 70 per cent of them have only junior high school education and also 70 per cent of them had not received any professional training before they entered into cities and towns looking for jobs. In addition, the current overall employment situation in China is not promising, and half of the annual 7 million university graduates cannot find jobs. Therefore, if the rural migrants cannot find jobs or their jobs are not secured in cities and towns, it is possible to make the existing problem of ‘urban poor’, which is already serious, becomes even worse, leading to the formation of a new urban poor class, which may cause serious social and even political problems.

Third, although being mentioned, the new urbanisation programme does not pay enough attention to the role and significance of environment protection in the process of urbanisation. We believe that environmental issue and protection have decisive significance in the new urbanisation. The key issue is to go a low-carbon development path for urbanisation, to reduce the carbon emissions in the process of urbanisation and to alleviate excessive negative pressure on climate change.

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Finally, the new urbanisation programme is still heavily affected by the planned economy and is essentially a plan-led urbanisation. Although the new urbanisation programme also referred to ‘market-led, government-guidance’, the operation and implementation mechanism of the currently designed new urbanisation programme still has a strong nature of the planning way of thinking. For instance, the idea for household registration system reform in the new urbanisation programme is a typical planning way of thinking, rather than relying on market forces. We will discuss this issue in more detail in the following recommendations.

4. Better Ideas for Urbanisation in China under Globalisation

Urbanisation is a phenomenon accompanied with the development of industrialisation. The basic rationale is that the spatial allocation and concentration of industries and services can generate agglomeration effect, which can bring synergy, reduce unit production costs and increase economic efficiency. With the concentration of industries, infrastructure and the provision of public facilities also concentrate towards the spatial area, as well as the flows of labour and population. Under the environment of globalisation, urbanisation has been influenced not only by domestic factors, but also by international factors. Therefore, urbanisation under globalisation has not been an isolated process, but the process and result of a combined effect among multidimensional society, complex economy and integrated culture. Under the background of globalisation driven by foreign direct investment (FDI) and international trade, urbanisation is increasingly showing the characteristics of openness and is more and more influenced and constrained by external factors. This is especially important in developing countries, where both economic development and social and cultural life are affected and re-modelled by the activities of FDI and international trade, which have contributed to the rapid development of urbanisation in developing countries.

International experiences have shown that FDI and international trade are the contributing factors to the process of urbanisation in the developing countries, and the urbanisation in the developing countries is the responses to the process of increasing globalisation, in which the inflows of capital and technology through FDI from the developed economies create jobs, and the transfer of agricultural labour from the rural sector promote the advancement of urbanisation (e.g. Clark 1998; Firman et al. 2007; Fujita & Hu 2001; Kasarda & Crenshaw 1991; Lin 2007).

In the case of China, empirical studies have also revealed that globalisation has had significant impact on China’s urbanisation (e.g. Cheng & Duan 2010; Shi & Gu 2003; Sit 2001; Wu & Gu 2005; Zhang 2002). In summary, the studies found that first, through technology transfer and capital accumulation by FDI, globalisation contributes to China’s urban economy to grow continuously, thus directly promoting the level of urbanisation; second, globalisation promotes the transformation of urban industrial structure in China, which attracts a large number of rural migrant labour and capital to the cities and accelerates the development of urbanisation; and third, agglomeration of economic activities from globalisation has significantly contributed to China’s participation in globalisation, whereas globalisation through FDI inflows and international trade will further propel the development of China’s urbanisation.

Therefore, with the increasingly deepening integration of China’s economy into the global economy, we should have a new open way of thinking for China’s urbanisation. We argue that three policy issues are important to the success of China’s urbanisation.

The first policy issue is the relationship between market and government in the process of urbanisation. International experiences show that the emergence and development of cities are mainly determined by market forces. Even for those cities that were initially established by religious, political and military forces, their subsequent development and success or failure are basically determined by market forces because the flows of people,
capital and information are determined by markets, not only the direction of flows, but also the quantity of flows.

However, for a long period of time the development of urbanisation in China was not determined by markets, but mainly by the government. Since 1978, although the situation has improved, government planning still has been the dominant forces in the development of urbanisation. From examining the new urbanisation programme, we believe that the programme is still basically designed by and will be implemented mainly through government planning. For example, in terms of the most highlighting point in the new urbanisation programme—‘to orderly transfer the rural migrants into urban residents’, the government’s plans are, first ‘to strive to achieve around 100 million migrated agricultural population and other permanent residents to settle down in cities and towns’ (State Council, 2014, p.18); second, to guide migrated agricultural population to primarily entering into towns and small cities, orderly entering into cities with 0.5–1 million population, limited entering into cities with 1–3 million population, restricted entering into cities with 3–5 million population and strictly restricted entering into cities with over 5 million population. The methods to implement the above plans are still designed by the government by controlling granting urban household registration status and through administrative means. Therefore, the government’s plan ‘to strive to achieve around 100 million migrated agricultural population and other permanent residents to settle down in cities and towns’ is basically that the government will only issue 100 million urban household registrations to the nearly 300 million migrated agricultural population who have worked and lived in cities and towns for many years. So there is no substantial change from previous practices, in other words, the new urbanisation programme will still rely on government rather than relying on market to solve the problem of settling migrated agricultural population in cities and towns in the process of urbanisation.

In fact, there exists another way of thinking and practicing in the development of urbanisation, which is relying on market to make the choices based on the principle of recognising people’s equal rights and freedom of choices. The basic approach is that no matter who they are, as long as they enter the cities and towns and find jobs, have the ability to purchase or rent houses, and can afford the living costs, they should have the rights to live and settle down in cities and towns and should enjoy appropriate social welfare and security provided by the cities and towns.

Because urban employment opportunities and costs of living in cities of different sizes and in different regions are different, people can make their own choices suitable to themselves based on their own specific circumstances. This is a kind of urbanisation based on people’s choices and determined by market mechanism, which is the common approach adopted by most majority of countries in the world.

Land and capital for urbanisation should also be determined by market. The allocation of land should be determined by land market under the precondition of clearly defined property rights, and capital allocation should be based on capital market in order to achieve efficiency allocation of land and capital, rather than relying on government land allocation and government appropriation through administrative means. Therefore, we believe that China’s urbanisation requires greater use of market forces to promote, rather than continuously using government forces and government administrative planning to advance. This is especially important under the situation that the Chinese economy is transferring from a planned economy to a market economy and is increasingly integrated into the global economy.

The second policy issue is the relationship between dispersion and concentration in the process of urbanisation. The question of what is the reasonable size of a city has long been a theoretical debate without a final definite conclusion. But one thing certain is that if the size of a city is too large, it will have many negative effects. For example, cities like Cairo, Mexico City and Bangkok, which concentrate 30–50 per cent of a country’s GDP, respectively, are regarded as typical examples of imbalanced
development of urbanisation. We believe that China’s current urbanisation model is more close to the American model, rather than the Western European model. In other words, the concentration level of Chinese cities is relatively high. If China follows the new urbanisation programme, focusing urbanisation development on creating and constructing large city clusters, then by 2020, the level of concentration of Chinese cities will be further increased, and the extent of imbalance in regional development will also be further worsened. Therefore, we propose that while absorbing American experiences in urbanisation, China’s urbanisation should also learn the models and experiences from Western Europe, better integrating cities into regional development system, more deeply integrating enterprises into local community system, and more closely integrating the development of large cities and small cities to establish a more balanced model of city system, so as to let more people live in medium and small cities with good quality of infrastructure facilities. By doing so, it is conducive to promote balanced regional development and integrated urban and rural development, narrowing further the income gap between people in the urban and rural areas and reducing the difference between people in enjoying the provisions of public goods and services.

To achieve the above goals, the new urbanisation programme should be implemented along with a set of existing programmes and policies relating to FDI, industrial restructuring and regional development. As the empirical studies show that although FDI has contributed positively to China’s overall urbanisation development, FDI has also led to the enlarged gap in the level of urbanisation and regional development between the coastal regions and the central and western regions because over 70 per cent of FDI in China have been concentrated in the coastal regions. Therefore, policies should encourage more FDI flows into the central and western regions. In terms of industrial restructuring due to the rapid increase in production costs mainly due to the rise in labour costs, many labour-intensive manufacturing industries in the coastal regions have gradually lost competitiveness in the world markets. One of the policy solutions is, on the one hand, to encourage FDI flows into the industries in line with China’s national industrial development strategy, and on the other hand, to encourage FDI firms and domestic firms of labour-intensive manufacturing industries in the coastal regions to relocate in the central and western regions where there still have abundant supply of cheap labour and are rich in natural resource endowments. In terms of regional development, the undergoing programmes of the Western Region Development Strategy, the Program of Re-vitalising the North-Eastern Industrial Base, the Asia-Europe Railway Project and the Program of Re-building the New Silk-Road are all beneficial to achieve the balanced regional development, integrated urban and rural development and the overall balanced urbanisation development.

The third policy issue is the relationship between economic development and social development in the process of urbanisation. International experience shows that urbanisation is not only an economic issue, but also a social issue, for example, an issue of provision and distribution of city public services, an issue of city security, an issue of city environment and so on. The current situation in China is that the government pays great attention to the issue of urban economic development, whereas urban social development is relatively neglected, especially the issue on environmental protection in the process of urbanisation, thus causing widespread urban environmental pollution problems. Air quality in many cities has deteriorated to a very serious level not suitable for human living.

Although the new urbanisation programme mentioned the need to ‘speed up the construction of green city’, the issue of increasing quantity of carbon dioxide emissions brought by high-speed construction and development of urbanisation has not been paid enough attention. Because more than 70 per cent of total greenhouse gas emissions on earth are created by cities, we have every reason to suggest the Chinese government to pay great attention to this issue, taking urban...
environmental issue as the key in urbanisation development, of which the most important is to achieve low-carbon urbanisation development.

5. Conclusion

China’s new urbanisation programme will produce positive impacts on its social and economic development through focusing on integrated urban and rural development, creating city clusters to benefit from agglomeration effect of urbanisation and promoting sustainable urban development. However, because of still being heavily influenced by the planning way of thinking, the new urbanisation programme may also bring some new social and economic problems. First, because of focusing on creating large city clusters, it is likely that the gap in urban development between different regions in China will further expand. Second, because not all rural migrants will be granted urban household registration status, if the rural migrants cannot find jobs or their jobs are not secured in cities and towns, it is possible to lead to the formation of a new urban poor class, which may cause serious social and even political problems. And third, although being mentioned, the new urbanisation programme does not pay enough attention to environment protection in the process of urbanisation. To minimise the negative effect, we suggest to better deal with the relationships between market and government, between dispersion and concentration and between economic development and social development in the process of urbanisation. We argue that the key is to allow market to determine the flows of capital, land and people in the process of urbanisation, so as to achieve an integrated urban and rural development, a balanced regional development, a coordinated economic and social development and a sustainable development of China’s urbanisation.

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