



中国城镇化模式的转变

The Transformation of China's Urbanization

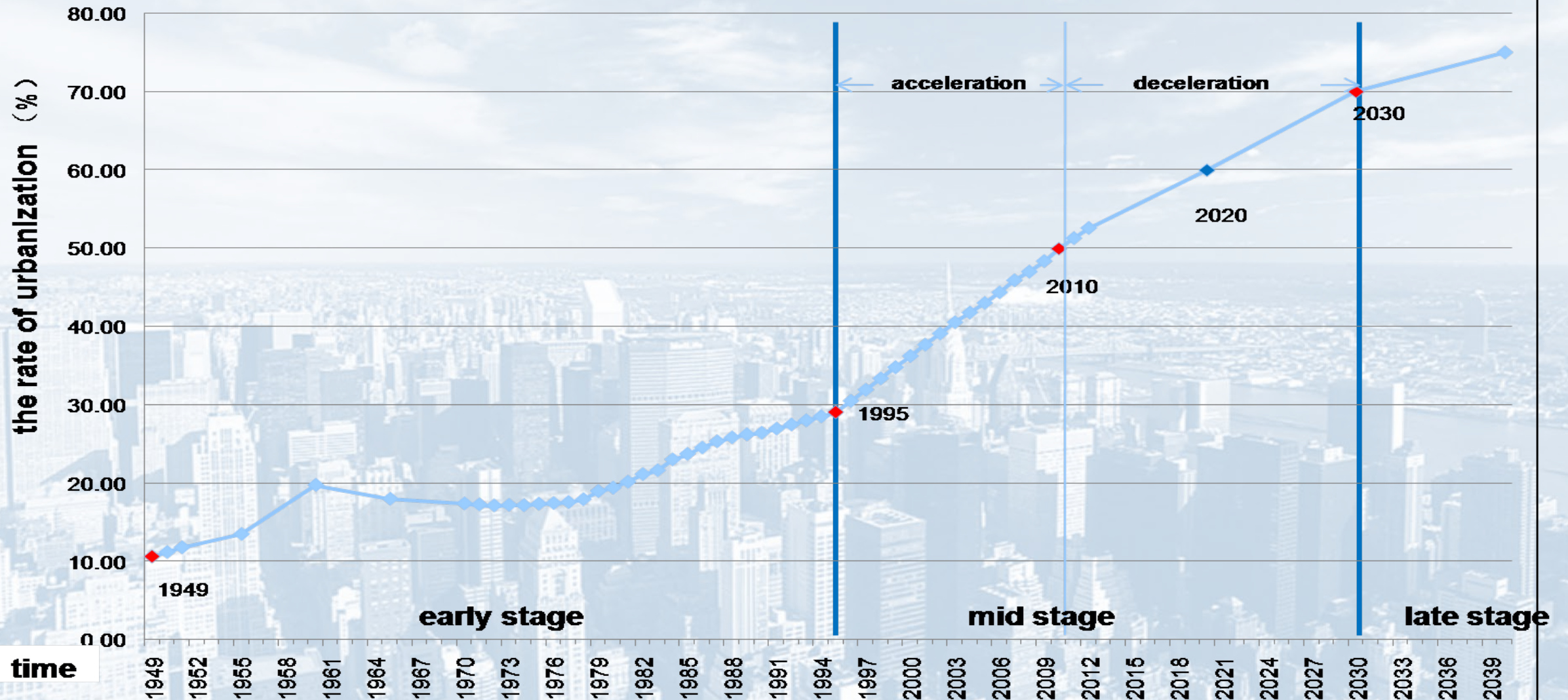
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The Process of China's Urbanization

China's urbanization is an important process which has significant impact on the world's development. Since the reform and opening up, the urban resident population has increased from 170 million to 730 million. The urbanization rate has increased from 17.9% to 53.7% with an average annual increase of 1.02%. Over the past 35 years, the high-speed urbanization has promoted China's economic and social transformation in an unprecedented way, which makes more than 500 million people in China get out of poverty and realizes an average annual economic growth of 10%. China has entered the ranks of upper-middle-income countries from the previous low-income countries, and is quickly advancing towards high-income countries. The vast majority of coastal provinces and cities have been in the level as the cities in high-income countries and regions. Meanwhile, China's urbanization has helped avoid large-scale urban unemployment, poverty or slums.

China's Urbanization Cycle

China's Demographic change



“Old” Urbanization Story

The backdrop: In recent years, China’s urbanization model has been a familiar one of ‘land economics’ incentivized by GDP as a major key performance indicator (KPI):

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- 1) **Local governments aim for GDP growth by investing in local infrastructure and industrial parks**, borrowing traditionally from banks (and more recently from shadow banking, corporate bonds and other channels), often with land as the key collateral.
 - 2) **Local governments attract enterprises** and associated employment/population to boost local economic development.
 - 3) **Greater investment, activity and population** allows local governments to:
 - a. raise more tax revenue;
 - b. sell residential land to developers at high prices; and
 - c. benefit officials personally through corruption, given their close and direct control of resources (construction contracts, land sales, etc).
 - 4) **To close the loop**, greater tax and land revenue are used to repay borrowings, and to circle back to (1) above. This creates a seemingly ‘virtuous’ cycle of faster urbanization and industrialization, from which many have indeed benefitted (be it enterprises, governments or individuals).

New Urbanization

In 2012, the report of the 18th National Congress of the CPC pointed out that we should adhere to the road of the new urbanization with Chinese characteristics. This year, China formulated and promulgated the "National New Urbanization Plans". What are the "new points" in new urbanization? I personally think that, compared with the "old" urbanization, new urbanization shows "new features" in the following seven aspects:

- 1) Lay emphasis on improving the quality of development, regarding citizenship the transfer of the agricultural population as the core, taking the higher value-added, efficient, inclusive and sustainable urbanization road, rather than high investment, high resource-wasting, high pollution and low benefit or non-inclusive urbanization;
- 2) Lay emphasis on innovation effects, agglomeration effects, factor mobility effect, specialization effects as the main driving force, rather than to rely mainly on investment growth as the driving force;
- 3) Lay emphasis on innovative city, encouraging and supporting innovation system, creative system, business-starting system construction, encouraging and supporting differentiation, personality development, rather than similar or homogenization development;

New Urbanization

- 4) Lay emphasis on the compact city, encouraging high-density, transit priority, mixed land use, infill & content development, rather than low-density, extended development ;
- 5) Lay emphasis on the layout of small and medium cities around the urban centers, with two horizontal axis formed along the Yangtze River, the new Eurasian Continental Bridge channel, three vertical axis along coastal, Beijing-Guangzhou Beijing-Harbin, Baotou-Kunming channels, in order to promote the urbanization with the city clusters as the main form, rather than the large cities, distributed medium and small urbanization and small urbanization;
- 6) Lay emphasis on the integration of space, advancing infrastructure interoperability between cities, between urban and rural areas, the equalization of basic public services, establishing an inter-regional regional common market and co-governance structure, rather than the one which is fragmented, divided from each other.
- 7) Lay emphasis on market-orientation, emphasizing the free movement of people, land, and capital, and allowing the market to play a decisive role in the allocation of resources, so that urbanization could become a market-oriented, natural development process, rather than the government-oriented process. The government needs to play the counseling role of guiding, compensating and regulating the market.

Reforms of Repositioning the Role of Government

Reform is a new way out for new urbanization. Priority areas for reform include the following seven aspects:

- 1) Deepen the system of land reform; improve land use efficiency, equity and sustainability.**
- 2) Deepen the system of household registration reform and promote the free movement of people. Under the conditions of stable legitimate employment and stable legal residence, first, release settlement restrictions on large, medium and small cities and small towns, and then gradually release that of the mega-cities.**
- 3) Deepen the reform in knowledge and technological innovation system, further emancipate the mind, and stimulate innovation vitality.**



Reforms of Repositioning the Role of Government

- 4) **Deepen the reform in fiscal and financial system, and gradually establish a diversified, sustainable urbanization capital protection mechanism.**
- 5) **Reform the urban planning and design, and strengthen the high-density development, mixed features of construction land, transit priority, infill development as well as the integration of transport and land use.**
- 6) **Strengthen ecological and environmental protection systems, incentives and tools to enable them to be effectively implemented in cross departments and cross- regional range.**
- 7) **Improve local governance, adapt new urbanization requirements, establish and improve the structures and capacity of local governance modernization.**



- Thank you -