Transforming the Pattern of Urbanization, Raising the Quality of Urbanization and Taking the Path of Urbanization with Chinese Characteristics

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Since the reform and opening up process began, our practical experience of urbanization in China has constantly developed, and our understanding has constantly deepened. At the 16th National Congress of the CPC, the decision was made to pursue a path of urbanization with Chinese characteristics, and the Fifth Plenary Session of the 17th CPC Central Committee set laid down the specific arrangements for actively but carefully pressing forward with urbanization.

In summary, we may identify two major strategic tasks, in order to reach our dual aims of building a moderately prosperous society in all respects, and of achieving socialist modernization. The first is to develop a deep understanding of the significance, the scientific implications and the key elements of ‘urbanization with Chinese characteristics’. And from this analysis, the second task is to press ahead with urbanization in a proactive but careful way.

I would like to take this opportunity today to offer my views on three points related to this policy of pressing forward with ‘urbanization with Chinese characteristics.’

I. China’s Urbanization is Entering a Critical Stage

Urban areas initially developed as a result of surpluses in agricultural production and the separation of handicraft industries from agriculture. This led in turn to the expansion of fixed markets for exchanging commodities, and their integration and organisation within defensive fortifications. Urbanization is the historic process whereby, as industrialization developed, non-agricultural industries became concentrated in cities. This resulted in populations moving to urban areas, and in rural areas being transformed into urban areas. There was a constant expansion in both the number and scale of towns and cities, and a continuous spread of urban lifestyles and culture to rural areas. Urbanization is an inevitable trend of human social and economic development, and an important indicator of progress in a civilized society.

China is currently in the latter stages of industrialization, and the entire Chinese people is striving to build what we define as a moderately prosperous society in all respects, and to basically achieve modernization. The development experiences of countries around the world demonstrate the following:

(a) that modernization is the process of relying upon industrialization and urbanization as the ‘motor’ for transforming traditional agricultural society into a modern society,
(b) urbanization needs to be accompanied by industrialization and modernization, and

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all three processes – industrialization, urbanization and modernization – are mutually reinforcing.

Urbanization is a vital element of a country’s modernization, as well as an important indicator of its level of modernization. By conforming to the laws governing the development of human society, and actively but carefully pressing forward with urbanization, we play a crucial role in promoting a smooth process of modernization, and in accelerating the construction of our ‘moderately prosperous society in all respects.’

First, urbanization provides strong support for maintaining sustained and rapid economic development.

Domestic demand is a fundamental driving force of China’s economic development, and urbanization provides the greatest potential for expanding that domestic demand. In particular, urbanization is capable of driving consumer demand. Generally speaking, average consumption levels are far higher among urban residents than rural residents. In 2011, annual consumption expenditure per capita in China was 18,750 yuan among urban residents and 5,633 yuan among rural residents, meaning that urban residents spent 3.3 times more than their rural counterparts.

Ongoing urbanization is capable of drawing a large number of rural residents into cities, and the increase in their consumption levels and subsequent upgrading of the consumption structure will lead to far greater consumer demand. Moreover, as the surplus rural labor force moves to urban areas, it will create the conditions for the scale and efficiency of agricultural operations to increase; and once farmers’ incomes increase, consumer demand among people in rural areas will likewise keep on growing.

Urbanization is also capable of driving investment demand. Urbanization requires a huge amount of productive investment in order to create jobs and meet the increasing demand for consumer goods. It also requires a huge amount of investment in infrastructure and public services. This is essential in order to accelerate the construction of installations and facilities for the supply of power and water, gas, heat, waste and sewage, as well as roads and communications; also for the development of essential public services including education and health; and not least for the development of the service industry sector, including trade and finance services.

Urbanization requires, too, a huge amount of real estate investment in order to meet the growing demands for land for housing and industrial and commercial production. The need for these types of investment is the consequence of urbanization; they have an objective basis in real demand, which does not usually create or lead to overcapacity. If industrialization and agricultural modernization together form the process of constantly increasing supply capabilities, urbanization on the other hand is the process of unleashing enormous domestic demand potential, which will provide a sustained internal driving force for China’s long-term healthy economic development. Nobel Prize-winner in Economics Joseph E. Stiglitz has predicted that the new technology revolution in the US and the process of urbanization in China, will be the “two great engines” of world economic development in the 21st century.
Second, urbanization is the fulcrum for promoting economic restructuring and upgrading.

Economic structural imbalances are a prominent problem that has long hindered China’s modernization. Looking at the industrial structure, these imbalances are mainly to be seen in the uncoordinated proportionate weightings of primary, secondary and tertiary industries, in the weak agricultural base, in our large but uncompetitive industries, and especially in the backwardness of China’s service sector. All of these factors, taken singly and together, have become constraints on China’s economic development.

In the majority of developed countries, the service sector accounts for more than 80% of GDP, and for around 54% of GDP in the majority of countries with a similar level to ours of per capita income. China’s service sector, however, accounts for just over 40% of GDP. An important reason for the underdevelopment of China’s service sector is that the quality of urban development is fairly low and many local service industries suffer from not having reached the critical population size necessary for their further growth; that is, they lack demand.

The concentration of populations and industries brought about by urbanization can give impetus to the development of a wide range of consumer services, including trade and commerce, food and beverage providers, and tourism companies, as well as producer services, such as finance, insurance, and logistics companies. And this concentration can also serve to promote the development of public services, including education, healthcare, employment and social security services, which can as a result continuously expand their scope and scale, and raise their quality. Through these means, we can increase the proportionate weight of service industries in our economy, and ultimately alter the service sector’s underdevelopment and help create a pattern in which primary, secondary and tertiary industries work in unison to promote economic growth.

At the same time, urbanization helps to transform and upgrade the industrial structure. It can make enterprises more competitive, strengthen their drive and capacity for innovation, raise the levels of scientific and technological progress and management, and lend impetus to the process of large Chinese industries becoming stronger. This is all achieved through the integrated and optimized allocation of resources, and the more targeted concentration of human resources. At the national level, urbanization is the process of gradually achieving the optimal allocation of resources between regions, and is ultimately instrumental in achieving coordinated regional development. In short, if urbanization is carried out successfully, it is capable of accelerating the reversal of current economic structural imbalances, and thus significantly improve the overall quality of China’s economic development.

Third, urbanization is an important means of resolving issues related to agriculture, rural areas, and farmers, and of coordinating development between urban and rural areas.

The key to resolving issues related to agriculture, rural areas, and farmers is by completing the process of constructing a moderately prosperous society in all respects, and by achieving modernization. However, resolving these issues is not easy. Cultivable land per person stands at
only 1.5 mu (0.1 hectares) in China. Due to China’s basic national condition of having too many people and not enough land, it will be difficult to resolve issues related to agriculture, rural areas, and farmers if we try to resolve them on their own, in isolation from other factors. Instead, we must break the dual urban-rural structure, go beyond the purely rural level, and – working on a larger scale - optimize the allocation and use of urban and rural land, labor, capital, technology, and other resources.

To develop agriculture, we must develop non-agricultural industries; to make farmers wealthy, we must reduce the number of rural residents; to make rural areas flourish, we must push ahead with urbanization. This is the dialectic of the development of things. Urbanization helps to accelerate agricultural modernization. From an overall and long-term perspective, urbanization helps to conserve land resources, freeing up valuable space for developing agriculture and protecting the environment. Urbanization constantly reduces the rural population and increases the per capita share of resources of people in rural areas, which makes large-scale agricultural operations and mechanization possible. In short, urbanization is a necessary condition for achieving agricultural modernization.

Urbanization is the process whereby the urban population grows and the structure and level of consumption constantly improve. This in turn leads to greater demand from the whole of society in respect of the volume, types, quality, and safety of agricultural products, thus making urbanization an inexhaustible motive force for the continuous development and upgrading of agricultural products. At the same time, it is only by developing industrialization and urbanization to a certain level that it will become possible to achieve a transformation whereby industry provides support to agriculture, and urban areas give support to rural areas. We must gradually step up this support in areas that have the necessary conditions, equip agriculture with modern material conditions, and improve and upgrade agriculture through use of modern technology and modern industrial methods.

Urbanization helps to increase rural residents’ incomes. China’s rural areas suffer from having too many people and too little land, resulting in a lack of employment, which is an important factor behind the low incomes of Chinese farmers. In this sense, the only way to allow people in rural areas to prosper is by reducing the rural population. In the process of urbanization, the transfer of large numbers of rural people into non-agricultural employment can directly increase the non-agricultural incomes of rural people.

Similarly, by increasing the scale of agricultural operations and the level of agricultural modernization, we can raise the agricultural incomes of rural residents; while increases in the value of suburban and close-to-city land that benefits people in rural areas can also increase income from property for those rural residents. Through greater mobility of the factors of production, the formation of a unified urban and rural market, and through progress in the integration of urban and rural infrastructure and public services, the living environment of rural residents, their conditions of production, and indeed the entire appearance of villages, will all undergo profound changes.
Fourth, urbanization is an important way of raising the people’s standard of living and promoting their all-round development.

Urbanization, as a product of progress in human civilization, is capable of improving the efficiency of human production activities, and also of creating favorable conditions for enhancing people’s quality of life. As urbanization progresses, urban water, electricity, transport, and gas infrastructure will gradually improve, public service capabilities will constantly be enhanced, cultural undertakings will develop, the environment will continually improve, and urban operational efficiency will increase. The lives of urban residents will become more comfortable and convenient, and people’s intellectual and spiritual lives will become richer and more colorful.

Urbanization involves increasing numbers of rural residents becoming urban residents and enjoying equal rights to urban employment, wages and benefits, education, public health, social security, and to the other fruits of modern civilization. At the same time, it will lead to improvements in the quality of life and standard of living of people in rural areas. As such, urbanization is a means of meeting the new expectations of our people and promoting their comprehensive development; indeed it is the only way to accelerate the successful completion of the process of building a moderately prosperous society in all respects.

Since the reform and opening up process began, China has made great progress in urbanization in the wake of sustained and rapid economic development. The level of urbanization of the population in China has increased rapidly from 17.9% in 1978 to 51.3% in 2011. In 2011, the total urban population exceeded the total rural population for the first time in history, marking a major change in the urban and rural economic and social structures. The scale and number of cities has also increased. Between 1978 and 2010 the total number of cities in China increased by 193 to 657, while the number of cities with populations larger than one million increased from 29 to 125, and the number of designated towns increased from 2,173 to 19,410.

During this period a number of urban agglomerations were also formed, and urban facilities and functions constantly improved. For example transport and communication facilities in urban areas improved, and the percentage of households connected to the water supply and gas mains increased significantly, as did the rates of sewage treatment and of household waste that was safely handled. The construction of new villages also constantly intensified, which helped give rural areas a new appearance. These results, achieved in the course of developing urbanization, are an important part of the success of China’s process of reform and opening up.

However, it is important to note that due to several factors - deep-rooted historical traditions, economic and social factors, institutional mechanisms, and the gradual deepening of our understanding of China’s own urbanization path - a number of issues have emerged which require our close attention and which we must endeavor to resolve.

The first is the overall underdevelopment of urbanization. Compared to other countries with similar levels of industrial development and per capita GDP, China’s level of urbanization is quite
low. Comparing urbanization and industrialization, at the end of 1970s China’s industrial ‘value added’ exceeded the valued added of agriculture, as our country entered a period of accelerated industrialization. However, it was only after the 1980s that China’s urban population growth began to exceed its rural population growth, which shows that there was more than a ten year time-lag before China entered the period of accelerated urbanization.

In terms of the urban population, we note that urbanization of the population is lagging far behind the urbanization of land. China’s level of urbanization of population stood at 51.3% in 2011, though this includes 159 million rural migrant workers whose households are still registered in rural areas, but who have worked in urban areas for more than six months. These people have not become fully integrated into urban areas, nor do they benefit from public services for urban residents, and therefore are still not urban residents in the true sense.

The urbanization rate based on people’s place of household registration, which does not include these “semi-urban residents,” stands at only approximately 35%, which is far lower than the average of 48.5% for middle-income countries from World Bank statistics.

In terms of the quality of urbanization, the development lag is even more apparent. Focusing on style over substance, focusing on overground facilities but neglecting underground facilities, focusing on hardware but neglecting software, and focusing on short-term at the expense of long-term considerations are all issues that are becoming increasingly apparent in the course of urbanization. They have resulted in imperfect and uncoordinated urban functionality. Underground spaces in our cities generally lack unified planning and effective utilization. Some cities also suffer from outdated infrastructure, or from insufficient investment in public programs, while some large cities and megacities suffer from “urban diseases,” such as traffic congestion, environmental pollution, housing shortages, overcrowding, security risks, and a lack of green spaces.

The second issue is urbanization’s land-extensive mode of development. During the process of urbanization there has been an over-reliance on low-cost resources for carrying out expansion. Between 2000 and 2010, China’s built-up areas expanded by 64.45%, while the urban population increased by only 45.9%. The scale of urban land use therefore expanded too quickly, and urbanization across the country has tended to be low-density and dispersed.

Some cities have wasted precious land resources by expanding outwards rather than upwards, or by blindly building large roads, public squares and factory zones as well as vanity projects. Some cities have developed beyond the carrying capacity of their resources and environment, or have taken out new loans before repaying old ones, whilst contradictions between population, land, resources, and the environment are becoming increasingly prominent. This is especially true of water and the serious problems it has brought. Of the more than 650 cities across the country, 400 suffer from water shortages, and 110 have serious water shortages.

The development of cities in some localities lacks coordination, and industries and functions overlap. A particular problem is the lack of development in urban agglomerations, where the
potential benefits to be gained from scale and agglomeration effects, and from the economical and intensive use of resources, have not been fully realised.

The third issue that requires close attention is the irrational spatial distribution and scale structure of urban areas. Urbanization is occurring more quickly in eastern China than in the western region. Contradictions between population, land, and resources in some eastern areas are intensifying, while the potential of many places in China’s central and western regions has not been tapped to the full, and urban agglomerations are both too few in number and of poor quality. The potential of small and medium-sized cities has also not yet been fully realised. There are many small cities whose functions need to be improved.

The fourth issue is weak industrial support for urbanization. A virtuous cycle has not been created in the development of industrialization, urbanization, and the service industry sector; there is a lack of deepening and refinement of the social division of labor driven by industrial agglomeration, the lag in urbanization of the population has led to weak “demand pull”, and growth of the service industry sector is seriously lagging. Some places are involved in a sort of blind race to carry out urbanization, with development zones, industrial parks, and new urban areas existing in name only. Industrial development and concentration in some small and medium-sized cities and small towns lack support, resulting in their inability to absorb employment, which means those towns and cities are also unable to support the development of urbanization.

The fifth issue is the obvious contradiction between urban and rural areas in the process of urbanization. Some localities lack unified urbanization plans for urban and rural areas, and concentrate far more on developing cities than rural areas; some neglect rural areas, and some are reducing arable land by too much and too fast. All of this is negatively affecting agricultural development, and means that those localities have been unable to achieve significant results in upgrading agriculture, helping farmers to prosper, and developing rural areas. Some places even go against the wishes of farmers and group villages together, forcing the residents to move home, or ordering people in rural areas to move to urban areas or new farmland, which is detrimental to their interests.

The sixth issue is the need to remove institutional obstacles to the development of urbanization. The central government has proposed a series of policies and strategies for promoting urbanization; however, accompanying planning system guidance and effective enforcement mechanisms are not yet in place. Some localities amend plans as they see fit, and they act of their own will and without coordination during implementation. Reforms of the land management, employment, social security, and household registration systems have all fallen behind schedule, whilst economic and social policies lack coordination. All this restricts the optimal allocation of public resources in urban and rural areas and the rational flow of factors of production between urban and rural areas, and in consequence impedes the healthy and orderly development of urbanization.

In summary, China’s urbanization has reached a critical stage. On the one hand, if we comply with the laws of human social development and of urbanization, China’s urbanization is faced with a historic opportunity to maintain and reinforce its rapid development. This is a major strategy
related to the country’s overall economic and social development. On the other hand, there exist many prominent contradictions and problems in relation to China’s urbanization, which also faces a series of difficulties and challenges. If these contradictions and problems are not resolved properly, they will affect the healthy and orderly development of urbanization, which will in turn affect China’s modernization process. The crux of the problem is the need to effectively transform the pattern and improve the quality of urbanization, and work hard to take and promote our path of ‘urbanization with Chinese characteristics’ in line with the requirements of the Scientific Outlook on Development. This is the major and urgent task that lies ahead.

II. The Meaning of ‘Urbanization with Chinese Characteristics’

China’s urbanization is an important part of the world urbanization process, and we must abide by the general laws governing the development of urbanization, as well as advance in accordance with China’s national conditions. Looking at the urbanization process of other countries, there are lessons to be learned from which we can understand a great deal. First, the level of urbanization must be compatible with the level of industrialization. The scale of the shift of rural labor into non-agricultural industries and the accompanying movement of the population from rural to urban areas is determined by the levels of industrialization and economic development. Conversely, the level of urbanization can also restrict industrialization and the development of the productive forces. By exceeding the levels of industrialization and economic development, ignoring conditions and blindly accelerating urbanization, one can leave urbanization without the necessary industrial support, making it difficult to sustain. If however the level of urbanization lags behind that of industrialization, this can affect industrial agglomeration and optimization of the economic structure, as well as delay the industrialization and modernization processes.

Second, the speed of urbanization must correspond to the relevant development stage of urbanization. The history of world urbanization shows that urbanization occurs in distinct stages, and its development path resembles an S-shaped curve. In general, the initial stage is characterized by slow development when the level of urbanization is below 30%. The middle stage, when the level of urbanization is between 30-70%, involves fairly rapid development. The latter stage, when urbanization exceeds 70%, is characterized by slower development and a stabilization of the level of urbanization. The speed of a country’s urbanization should conform to and not deviate from these laws. Excessively fast or excessively slow urbanization can create a host of economic and social problems.

Third, the pattern of urbanization should correspond to the national conditions of a country. Different countries have different natural geographic conditions, resource endowments, population sizes, and historical and cultural traditions. The pattern of urbanization, including the shape, size, structure, spatial layout, and forms of evolution of urban areas, also differs from country to country. Generally speaking, the majority of countries and regions with a scarcity of land, high-density populations, and energy shortages have highly concentrated urbanization. The majority of countries and regions with vast land resources, low-density populations, and high per capita energy resources have sprawling urbanization. Economically developed countries generally
have one or several internationally influential urban agglomerations, which become the main drivers of a country’s competitiveness.

Fourth, urbanization is the process of drawing on advantages and avoiding disadvantages. The history of world development shows the historical inevitability and progress of urbanization, and also that “there is no such thing as a free lunch.” There is a price to pay for carrying out urbanization badly, as it leads to new contradictions and problems. We need to be keenly aware of these contradictions and problems and resolve them properly. Just as UN Assistant Secretary-General Wally N’Dow said, “Urbanization holds out both the bright promise of an unequalled future and the grave threat of unparalleled disaster.”

On the road to urbanization, the large number of problems that arise are often hard to rectify and cost a huge amount to do so. Turning agricultural land into urban land can raise land productivity, but converting too much land can affect the agricultural base. When rural residents become urban residents, this can improve people’s quality of life, but if not handled properly it can lead to them becoming people without land, without jobs, and without social security, and can even lead to the emergence of urban slums.

The concentration of industries and population can lead to agglomeration effects, but is often associated with problems such as traffic congestion and environmental pollution. As a result, in the process of urbanization, it is necessary to handle correctly the relationships between workers and peasants, urban and rural areas, economic and social development, and man and nature. In order to maintain the healthy development of urbanization, it is necessary to make overall plans and take all factors into consideration - to draw on advantages while avoiding disadvantages. We must carefully abide by and learn from the universally significant laws and experiences, referred to above, in the process of promoting urbanization with Chinese characteristics.

China must abide by the general laws of world urbanization, learn lessons from urbanization in other countries, and integrate – in policy and practice - its national conditions and the specific circumstances it faces at present. The path of ‘urbanization with Chinese characteristics’ should be guided by the Scientific Outlook on Development, which advocates intensive development; diversity of forms; synchronized industrialization, urbanization, and agricultural modernization; “two-handed involvement” (i.e. balancing market and government regulation); and putting people first.

“Intensive development” means steadfastly taking a resource-efficient, environmentally-friendly, and sustainable urbanization path. China suffers from having a large population and a lack of land and water resources. Per capita arable land is only 40% of the world average; only 19% of the country’s area is considered livable land; per capita fresh water resources are only 25% of the world average; and per capita recoverable reserves of oil and natural gas stand at only 7% of the world average.

These basic national conditions dictate that urbanization in China cannot involve the extensive use of land, nor the consumption of resources on the scale of some developed countries, nor can it take
the old path of “pollute now, clean up later.” Rather, China must take a path to urbanization marked by the following:

- using resources intensively and efficiently and developing economically,
- rationally controlling the intensity of development, and adjusting the spatial structure of urban development, based on the carrying capacity of resources and of the environment,
- effectively protecting ecology and environment, and
- enhancing the sustainability of urbanization.

“Diversity of forms” means unswervingly adhering to a path of urbanization that focuses on creating urban agglomerations, and also coordinates development between small and medium-sized cities and small towns. China has a vast territory, with large differences in the natural and geographical conditions of its different regions, as well as imbalances in economic and social development, and an uneven population distribution. The gap between the potential for future urbanization and overall carrying capacity is therefore significant.

These basic national conditions dictate that China’s urbanization cannot, as in some countries, become overly dependent on big cities or small towns in terms of its urban scale and structure. In terms of spatial configuration, the focus should not be on a particular region or development model; rather measures need to be adapted to local conditions and guided by type of urban structure. Both the scale and structure of urbanization, as well as the spatial layout and patterns of urban evolution, need to take diverse forms, to ensure that China’s urbanization path achieves a positive coordinated development between small and medium-sized cities, and reflects the need for diversity in development.

At the same time, we must realize that the development of urban agglomerations occurs in line with the laws governing urbanization. In the initial stage of urbanization, single large cities expand outwards. Once they develop to a certain level, they will gradually form one or two megacities. Small and medium-sized city clusters coordinate their spatial distribution; towns retain some green spaces, including fields, forest, and areas of water, and are linked to city agglomerations (metropolitan belts, metropolitan areas) by efficient and convenient transportation corridors.

This type of urbanized spatial organizational form is linked by modern transportation, and not only does it not diminish the economies of scale and benefits of agglomeration of big cities, but can positively work to prevent the “urban diseases” caused by excessive expansion by single cities. A relatively concentrated urban configuration also avoids the waste of land brought about by sprawling urbanization, and therefore helps to protect land and the environment. The remaining cities and small towns, outside the agglomeration, become centers of specialist industries or of certain public services which are delivered also to other areas. In these ways they can perform indispensable and unique functions, thereby helping to create a coordinated development pattern between small, medium-sized, and large cities, and small towns.

“Synchronized industrialization, urbanization, and agricultural modernization” means making overall coordinated plans for urban and rural areas. A national condition that distinguishes China
from other countries is its large agricultural population. Currently China’s level of urbanization exceeds 50%, but the population engaged in agriculture still stands at 670 million, while the agricultural populations of the UK and Brazil during the same stage of urbanization were only 13 million and 45 million respectively.

By 2030, China’s level of urbanization will have reached 65%, meaning that a further 300 million people – equivalent to the population of the US – will have moved from villages to cities, while 450 million people will remain in rural areas – equivalent to one and half times the population of the US. On the one hand, the transfer of this many people from rural areas will require massive development of urban industries and the service sector, major improvements in industrial development and urban civilization, and improvements in in agricultural labor productivity and product quality, which are inseparable from agricultural modernization.

On the other hand, improving the lives of the still huge rural population will require substantial progress to be made in agricultural modernization and the construction of new villages. This in turn requires support from industries and cities to nurture, propagate, and drive development, as well as the provision of personnel, materials, technology, financing, and market support to help in achieving agricultural modernization.

It can be seen that China’s industrialization, urbanization, and agricultural modernization, taken together, are part of the same historical process as ‘building a moderately prosperous society in all respects’ and achieving modernization. The three elements complement each other and must be promoted simultaneously. The process of urbanization is not only the process of mutually adapting to and mutually promoting industrialization, but is also the process of supporting development through agricultural modernization. China’s urbanization should not weaken agriculture, deprive farmers, or impoverish villages; on the contrary, it should strengthen agriculture, enrich farmers, and make villages prosper. This is the key to China achieving healthy sustainable development.

“Two-handed involvement” means taking an urbanization path which is supported by both the “invisible hand” of the market and the “visible hand” of the government. Urbanizing successfully involves a dual process of market regulation and natural (organic) development, as well as relevant government control and planning guidance. The process of urbanization is the process whereby the factors of production become more concentrated and are allocated and used more efficiently. For this to be achieved we must give play to the basic role of the market in allocating resources; we should not contravene the laws of the market, nor those governing the development of urbanization, by using inappropriate administrative methods, by allowing officials to make mistakes out of excessive enthusiasm, or by manipulating the market.

The process of urbanization is not simply the process of economic development, but a comprehensive development process involving a series of factors, including natural resources, ecology and environment, public services, and social management. The market is capable of solving problems associated with allocating resources at the micro level in the course of urbanization, but may be unable to solve problems related to the macro-configuration of urbanization.
The market can resolve economic contradictions that arise in the course of urbanization, but it may not be able to resolve contradictions between the population and the economy, or between resource use and the environment. Nor can the market resolve problems associated with coordinating development between urban and rural areas and between regions, nor other problems including income inequality and irrational institutional mechanisms.

On this issue (the appropriate division of roles between market and government), developed countries have walked a long and tortuous path. They have encountered countless problems and experienced one or two hundred years of development in the process of urbanization, before gradually taking the path of what we call two-handed involvement. In the course of implementing the socialist market economy and promoting urbanization, China must continue to take advantage of the basic regulating effect of the market in allocating resources.

At the same time, we have a better base and better conditions for applying government controls. Sticking to the concept of “two-handed involvement”, attaching equal importance to the role of each ‘hand’, integrating the basic role of the market with effective government control – these are all important characteristics and advantages for our work in taking forward urbanization in China.

“Putting the people first” means resolutely taking a path to urbanization which has the goal of raising the people’s material and cultural levels as its start and end point, and in which the fruits of development are shared equally by urban and rural residents. Putting the people first is the core principle of the Scientific Outlook on Development, as well as of the scientific development of urbanization. In accordance with this principle, we need to build cities and develop the urban economy, strengthen the construction of urban infrastructure, improve urban public service capabilities, perfect the social security system, increase the efficiency of urban operations, continuously raise the quality of life of urban residents, and try to avoid the “urban diseases” which other countries have experienced or are experiencing.

We need in particular to make it a priority task to allow rural migrant workers to become registered urban residents – this is crucial for the healthy development of urbanization in China now and for the future. We must strive to carry out this task to a high standard, to enable people from rural areas to find employment in urban areas, settle down and enjoy equal access to the same social security benefits, public services, and political rights as urban residents, so that they become urban residents in the true sense.

This will help avoid the emergence of the urban slums that we have seen in other countries. Our practice of urbanization must constantly meet the development needs not only of people today, but also those of future generations; it must, moreover, lay the foundation and create space for a larger population in the future.
III. Key Tasks for Promoting Urbanization with Chinese Characteristics

In order to follow the path of ‘urbanization with Chinese characteristics’ and to address contradictions and problems holding back the healthy development of urbanization, we can identify a set of short and medium-term key tasks for promoting urbanization in China. They are as follows:

- to match and fine-tune the level of urbanization with the pace of industrialization and modernization;
- to strive to transform the pattern of urbanization and raise its quality;
- to promote optimization of the forms and spatial configuration of urbanization;
- to significantly enhance the sustainable development of urban areas;
- to improve our institutional mechanisms for the healthy development of urbanization; and
- to promote the development of a moderately prosperous society in all respects, through the healthy and orderly development of urbanization.

First, we need to scientifically formulate strategic plans.

To press forward with urbanization, we must respect the leading role of planning, and scientifically draw up a national urbanization development plan. We also need to strengthen research into the laws governing the development of urbanization with Chinese characteristics, deepen the national strategy for developing urbanization, and focus on formulating a long-term, comprehensive, national-level plan for urbanization. This national plan for urbanization needs to be linked to the national plans for economic and social development, national plans for development priority zones, master plans for land use, plans for protecting the environment and ecology, population development plans, and plans for protecting culture. The plan must also:

- place urbanization of the population at its core;
- uphold and maintain overall planning between urban and rural areas;
- take account of the relationship between the population, the economy, resources, the environment, social development, and regional development;
- clarify the long-term development orientation for urban areas, the strategic layout of urban spaces, and long-term development goals;
- establish a system for assessing the scientific development of urbanization; and
- propose practical safeguards against risks.

In addition, we need to improve the urban and rural planning system.

Under the guidance of the national plan for developing urbanization, in order to successfully draw up plans for national and provincial urbanization, the plans of every city need to be linked to the national plan for developing urbanization as well as with the various plans of their regions, break the shackles of administrative areas, move beyond the region-oriented economy, be connected to the plans of every region and city, be coordinated with planning systems, and act as a guide for balanced and orderly development for all towns and cities.
We need to implement plans more effectively. To do so we must

- improve relevant laws and regulations;
- make plans more scientific, authoritative, and binding;
- strengthen oversight of plans in accordance with law;
- establish a system of accountability for violating urban and rural planning; and
- resolutely prevent people from adjusting and changing plans as they see fit.

We need to implement plans effectively and make sure that we achieve tangible results. We have to eradicate the phenomenon of plans being promoted in name only, and not implemented in practice.

Second, we need to make use of the role of industrial support.

To take urbanization forward, we must strengthen industrial support. Through this, we enhance capacity to register rural residents as urban residents and provide them with employment, and we reinforce the economic base of urbanization. We must strive to optimize the layout and configuration of industry. We need to focus on creating a strategic pattern of urbanization, by optimizing the distribution of important productive forces, promoting the concentration of the factors of production in key national and regional urban agglomerations, and accelerating the expansion of the scale of industries. We should focus too on transforming the pattern of industrial development and adjusting the internal structure of industries. We must transform and upgrade traditional industries, foster the growth of new industries, and reinforce the economic base of urbanization. We need to focus on creating an integrated urban system - is characterized by the rational division of labor, and makes the most of their unique features and complementary industrial functions.

We must resolutely put a stop to the practice of transferring obsolete, out-of-date production technology and heavily-polluting enterprises to central and western regions and to rural areas. We must resolutely put a stop to the practice of transferring obsolete, out-of-date production technology and heavily-polluting enterprises to central and western regions and to rural areas. We need to gradually establish a pattern of industrial development in small and medium-sized cities which - in order to provide a better basis for creating a coherent urbanization system - is characterized by the rational division of labor, and makes the most of their unique features and complementary industrial functions.

Next, we need to focus on enhancing the overall capacity to create employment and absorb labour. We need to improve the employment elasticity of urban industrial development and related economic growth, and develop a modern urban industrial system with strong employment absorptive capacity. We need to expand the service sector in urban areas. To achieve this, we need to develop the right policies and create an institutional environment conducive to the development of the service sector. We must also pay equal attention to both producer services and consumer services, and simultaneously develop both modern and traditional service industries.

We have to open up new areas, develop new formats, and foster new service economy ‘hotspots’. We need to encourage our megacities and large cities to accelerate the formation of an economic structure in which the service sector is dominant. We must energetically promote the development
of small and medium-sized enterprises, particularly small and micro enterprises, and also promote development of more informal employment so as to expand potential for urbanization.

We need to continue strengthening the status of the agricultural base. To this end, we must:

- adopt a set of overall measures,
- transform the pattern of agricultural development,
- improve the modern industrial system of agriculture,
- promote larger scale and modern agricultural production and management,
- ensure coordination between urbanization, industrialization and agricultural modernization, and
- use the modernization of agriculture to strengthen the base for urbanization and industrialization.

Third, we need to optimize the spatial layout and pattern of urbanization.

To press forward with urbanization we must strive to build a strategic pattern of urbanization which takes full account of the availability of resources and environmental carrying capacity, the existing state of development as well as future potential, and which is in line with the National Plan for Development Priority Zones. This new strategic pattern comprises two horizontal axes, i.e. the land bridge connecting Europe and Asia, and the highways running parallel to the Yangtze River, and three vertical axes, consisting of the road and rail links running the length of the east coast, those running from Harbin to Guangzhou via Beijing, and those linking Baotou with Kunming. All of these are supported by national urbanized regions with optimized and focused development, and comprise other urbanized areas lying on these axes.

We need to promote the formation of urban agglomerations. To do so, we must adhere to our set of key principles: the need to make overall plans, to establish a rational urban configuration and distribution, improve capabilities, and to ensure that large cities help smaller ones. We need to rely on large cities and focus on small and medium-sized cities in forming city agglomerations with a radiation (multiplier) effect. We need also to:

- optimize and upgrade the three mega urban agglomerations in the Bohai Bay area, the Yangtze River Delta and the Pearl River Delta;
- gradually form new urban agglomerations in national key development areas, such as the middle reaches of the Yangtze, the Chengdu-Chongqing area, and the Central Plains;
- form new growth poles for driving national economic development; and
- enhance our internal and external influence capabilities.

In regions that possess relatively strong resource and environmental carrying capacities, sound urban systems, and regional capitals that drive the development of surrounding areas, we need to actively foster regional urban agglomerations. Here, the focus should be on improving infrastructure, upgrading the functions of regional capitals, and promoting cooperation in dividing work between the various urban centers.
We need to focus on raising the quality of large cities. We need to upgrade the functions of large cities, which should include taking on the role of regional economic centers, acting as doors open to the outside world, becoming science and technology innovation bases, and education and culture centers. We must strengthen make use of their roles in providing economic and social development services to surrounding areas, and as leaders in urban agglomerations. We need to rationally adjust the population scale of large cities, especially megacities; to focus on resolving prominent problems including traffic congestion, environmental pollution, and flooding; and we must prevent “urban diseases.”

We need also to accelerate the development of small and medium-sized cities. We need to give priority to developing those small and medium-sized cities which have obvious locational advantages and relatively strong resource and environmental carrying capacities. We should also transform hub towns in the eastern region, and county towns and important border crossings in the central and western regions, into small and medium-sized cities. We need to give careful guidance to the orderly development of small and medium-sized cities, and concentrate the establishment of county towns and hub towns in the main production areas for agricultural products, and in major functional ecological zones.

We need to emphasize the development of small and medium-sized cities. With the focus on county towns and on some designated towns which possess good basic conditions and development potential, we need to plan rationally, tailor our guidance, control their numbers, raise their urban quality, improve their range and distribution of functions, and highlight their positive features.

In areas surrounding urban agglomerations, we need to combine a policy of promoting the development of small and medium-sized cities with that of easing the population pressure in the centers of large cities. We can also combine the development of small and medium-sized cities in other regions with the provision of help to farmers, agriculture, and rural areas, and with the provision of public services to the respective populations.

Fourth, we need to increase the overall carrying capacity of urban areas.

To press forward with urbanization, in the context of an increasing urban population, we must work hard to increase still further the overall carrying capacity of urban areas, comprehensively increase administrative levels, and ensure that urbanization develops in tandem with increases in urban carrying capacity. We must endeavor to raise the carrying capacity of urban infrastructure.

We need to strengthen both the planning and construction of urban transport systems, and - taking full account of the layout and pattern of urbanization - improve integrated transport networks, enhance networks of interregional trunk roads and railways, strengthen transport links between urban agglomerations, and improve transport links which connect small and medium-sized cities with the outside world.
We need to increase investment in urban public transport, give priority to its development, strengthen the construction of pedestrian and cycling transport systems, promote environmentally friendly means of travel, and ease traffic congestion. In accordance with our principles of carrying out unified planning, combining smaller-scale and overall advances, and having a rational distribution system, we need to scale up the construction and installation of municipal utility infrastructure, including electricity, drainage, gas and heating pipe networks, roads, lighting, garbage and sewage treatment, and urban communication and information networks.

We need to increase the level of construction of garbage and sewage treatment facilities, strengthen urban emergency and disaster prevention capabilities, and take strict precautions against inner-city flooding. We must strengthen the development of public service facilities with the goal of equalizing allocation and access, and coordinate the construction and location of schools, hospitals, cultural facilities, and sports venues.

We need to make overall arrangements for the construction of infrastructure and avoid short-term thinking and behavior, such as constantly constructing and knocking down buildings. We need to strengthen the protection of ancient cities, of towns and cities with special features, of cultural villages, and historic cultural remains. We have to avoid constructing hundreds of homogenous look-alike cities; and we need to highlight the attractive cultural characteristics of cities and towns of every size.

We must work hard to improve the sustainable development of our towns and cities. To this end, we need to actively develop green and low-carbon cities that are resource-efficient, environmentally friendly, and ‘liveable’; vigorously develop energy-efficient and green buildings; and promote strategies for reducing energy consumption and noxious emissions in urban areas.

We need to strengthen resource recycling in urban areas, rationally decide on urban development boundaries for cities, intensify the utilization of reserve land for construction and more productively develop inefficiently-used land in urban areas. We must create urban development mechanisms for using land economically and intensively, rationally determine the intensity with which urban land should be developed, increase population density in built-up areas, and encourage the development of compact urban areas.

We need to strengthen urban water conservation, improve the construction and use of urban facilities for protecting the environment, and improve environmental quality. We must strengthen the development of urban ecosystems, and strengthen the protection of those urban ecosystems, including water sources and ecological corridors. We have to minimize, as far as we possibly can, the disturbance to and impact on natural ecosystems caused by development and construction, and strive to create an urban environment in which people live in harmony with nature.

We need to focus on improving integrated management in urban areas. We should bear in mind the notions of laying equal stress on construction and management, and putting service first. We must strengthen the public service and social management functions of city governments, step up
investment in education, healthcare, and culture, and in particular improve public services in small and medium-sized cities and small towns. It is vital that we gradually resolve the shortage of high-quality public resources and amenities, so that the masses have equal access to high-quality public services and resources.

We need to strengthen the systematized management of municipal administration, in relation to matters such as traffic management, the physical appearance of urban areas, and the overall environment. In our unified urban planning processes, we must include and provide for “inner-city villages,” the urban fringe, and areas with large concentrations of the floating population, and comprehensively improve the municipal public facilities and conditions of these areas. We need to coordinate the construction of various facilities within regions, and promote resource-sharing between neighbouring towns and cities. We need to strengthen the planning and management of urban underground spaces, better coordinate plans for overground and underground infrastructure, and improve the integrated management of underground pipelines.

We need to improve institutional mechanisms for integrated management in urban areas, by

- increasing the level of ‘informationization’ (ICT) in urban management,
- innovating in ways of providing public services,
- expanding the digital urban management model,
- promoting the integration of multi-department urban management functions,
- constantly improving the ability to respond to emergencies and manage risk, and
- driving the transformation in urban management from “managing people” to “serving people”.

Fifth, we need to accelerate the coordination of urban and rural development.

In order to press forward with urbanization, and effectively coordinate progress and achievements in urbanization, industrialization and agricultural modernization, we have to coordinate our planning for both urban and rural areas in relation to industry, infrastructure, and public services. We need to carry out integrated planning for urban and rural infrastructure, economic development, public services, and social management, and promote the rational flow of factors of production, as well as the balanced allocation of public resources, between urban and rural areas.

We need to:

- coordinate management of construction land in urban and rural areas;
- scientifically and rationally design the respective land use layout for industry, service sector facilities, housing, basic farmland, and ecological land-types;
- strengthen the consolidation and reclamation of rural construction land;
- optimize the structure and layout of urban and rural construction land; and
- promote the rational flow and optimal allocation of land resources between urban and rural areas.
We need to coordinate urban and rural industrial development. Amongst the required steps, we must

- strengthen agricultural investment,
- increase the role of large cities in driving industrial development in villages,
- focus on forming an industrial layout which promotes a rational division of labor,
- rationally guide rural industries toward industrial parks, and
- accelerate the development of tertiary industries in villages.

We need to coordinate urban and rural infrastructure construction. We must accelerate the pace of infrastructure construction in villages, promote the extension of urban infrastructure into rural areas, link up urban and rural infrastructure, and promote large-scale infrastructure construction and the regionalization of services.

We need to make overall plans for environmental protection and environmentally-sensitive construction in urban and rural areas, enhance the environmental governance mechanisms of urban and rural areas, and press ahead with improvements to the physical appearance of villages.

We need to coordinate basic urban and rural public services. Governments at every level need to increase investment in rural public services, and they especially need to increase the proportion of government land-tax revenue spent on farmers, agriculture, and rural areas. We need to vigorously develop programs to support rural culture, education, and healthcare; gradually raise social security, including farmers’ pension insurance and health insurance; and constantly narrow the social security gap between urban and rural residents.

*Sixth, we need to actively remove institutional barriers.*

In order to move ahead with urbanization, we must continue to boldly experiment with the removal of institutional barriers, especially barriers associated with the dual urban-rural system. Only by constantly pushing forward reforms in institutional mechanisms in all fields, including land, household registration, taxation, and administration, will we be able to provide guarantees for the healthy and orderly development of urbanization.

The first key issue here is that of deepening reform of the land management system. We need to adhere to the strictest systems of farmland protection and intensive land use. In accordance with the principles of controlling total quantities, strictly controlling increases, and cashing in stocks, we need to

- promote reform of the land management system,
- encourage the economical use and optimal allocation of land resources,
- adapt to the development needs of urbanization,
- safeguard the rights and interests of farmers, and
- protect arable land resources.

Furthermore, in this regard, we must:
• speed up reform of the system for requisitioning land;
• pay close attention to the drafting of the Rural Collective Land Compensation Ordinance;
• narrow the scope of land requisitions;
• standardize land requisition procedures;
• improve land requisition compensation and resettlement methods;
• protect the property rights of farmers whose land has been requisitioned;
• protect the rights of farmers whose land is being requisitioned to know the truth, to participate, express themselves, and to supervise proceedings; and
• ensure that the living standards and long-term livelihood of farmers whose land is requisitioned improves, so that the process of urbanization is and is seen as one that helps to enrich rather than deprive farmers.

We need to actively explore effective modalities, in line with rules governing planning and approval, for farmers or village collective economic organizations to participate in various ways in land development and management, using urban operating items of village collective construction land. While fully respecting the need to protect usufructuary rights, we will explore effective means to allow rural residents, upon becoming registered urban residents, to independently dispose of their leased land and the land on which their houses sit.

In accordance with the requirements to optimize the spatial design and layout of urbanization, and promote the registration of rural migrant workers as urban residents, we need to implement differentiated land use and management policies, increase the rental cost of occupying farmland, and encourage the use of hilly wasteland and other unused land for the purpose of constructing towns and cities. We need to focus on increasing construction land in urban agglomerations and in cities with large numbers of rural migrant workers. In addition, we must strengthen control over all types of standards for construction land, and respectively improve the population ‘carrying capacity’ and industrial output per unit of land.

The second key issue is that of coordinating reform of the population management system. Through this reform, we will update and improve population services and management systems, promoting orderly flows of people, rational distribution of population, and enhanced overall social integration. We need to press ahead steadily with reform of the household registration system, in accordance with the principles of fairness and equality, differentiated promotion, coordinated planning, and safety and orderliness.

Based on its size and overall population carrying capacity, each city must formulate fair and rational standards for rural migrant workers to become registered urban residents, and thus to guide the rational expectations and flows of rural migrant workers. These standards should use length of employment, length of residence, or length of participation in urban social insurance, as the main criteria.

We need to establish a sound population management system that combines household registration and residence permits, and is linked to compensation. We must gradually establish a population
registration system that is integrated as between urban and rural areas, and based on the place of residence. We must ultimately phase out the urban-rural dual household registration system. We need to use public resources and market mechanisms to guide population movements in an orderly manner so as to avoid excessive concentrations of people.

We must also create a rational configuration and distribution of population between urban agglomerations, megacities and large cities, small and medium-sized cities, and small towns. We also need to rationally control the size of populations in megacities.

The third key issue is striving to promote rural migrant workers becoming registered urban residents. By allowing rural migrant workers to become registered urban residents, they will be able to enjoy equal access to public services, which will encourage these workers’ integration into enterprises, their children’s integration into schools, and their families’ integration into the community. We need to encourage every locality to regard residence permits as carriers based on their actual experience, establish a sound mechanism linking access to public services to years of residence, and gradually expand the scope of public services enjoyed by rural migrant workers.

We need to accelerate improvements to the unequal employment system for urban and rural workers, strive to achieve ‘equal pay for equal work’ between rural migrant workers and urban workers, and protect the legitimate labor rights and interests of migrant workers. We should include migrant workers within the scope of policy support for businesses, and we must improve our mechanisms for protecting the rights and interests of migrant workers, including labor protection and legal aid.

We need to achieve full social security coverage among rural migrant workers, and gradually ensure that they enjoy similar treatment to urban workers. We need, as soon as possible, to establish mechanisms for transferring and maintaining social insurance between regions.

We must also

- strengthen supervision of social security contributions by enterprises, and effectively raise the participation rate in urban social insurance among migrant workers.
- include within the scope of social assistance migrant workers who meet the necessary conditions.
- ensure migrant workers enjoy the same medical and healthcare services, and extend community medical services to areas with concentrations of migrant workers.
- gradually improve policies and measures to ensure that adequate housing is available in urban areas for rural migrant workers, and
- gradually solve the basic housing problems of migrant workers when they arrive in cities, through various means, including subsidized and affordable housing.

We need to guarantee the rights of children of migrant workers to education near their place of residence, and include the provision of compulsory education for children of migrant workers in city education development plans and budgets. We must strengthen the democratic political rights
of rural migrant workers, and gradually introduce rights of migrant workers to participate in elections in their places of employment and residence, so that they have institutional channels for expressing their wishes.

We need to pay attention to establishing cost-sharing mechanisms for registering rural migrant workers as urban residents, strengthen responsibility at all levels of government, fully mobilize social forces, and shorten as much as possible the length of the process for registering rural migrant workers as urban residents.

The fourth key issue is that of deepening reform of the fiscal, tax and financial systems. By reforming the fiscal, tax and financial systems, we will create incentive mechanisms for encouraging the scientific development of urbanization. We need to establish a tax system that matches central and local financial power with powers of authority, and improve city and county-level fiscal capacities. We must adjust the structure of fiscal expenditure, invest more in public services and social development, and gradually achieve approximately equal per capita public expenditure.

We need to arrange fiscal transfer payments based on the size of resident populations, and establish incentives for attracting inward migration from among the floating population. We require effective mechanisms for expanding employment by improving the tax system and increasing direct taxes as the population increases.

We need to determine the distribution ratio of income from the transfer of land-use rights between different legal persons and entities, include income from the transfer of land-use rights in public finances, improve the efficiency of income from the transfer of land-use rights, and reduce local governments’ reliance on income from land.

We need to establish diversified channels for financing local governments in accordance with market laws, and also promote the investment of private capital in constructing operational infrastructure, encourage and attract private capital participation in the construction of semi-public welfare projects, and effectively solve the problem of a shortage of funds for developing urbanization.

The fifth key issue is that of deepening reform of the administrative system. By such reform, we will raise social management capabilities, and accelerate the formation of an administrative system that is scientific, has a rational design and allocation of responsibilities and improved functions, and is intensive and efficient. We also need to

- gradually change the management system for allocating public resources according to the administrative hierarchy,
- simplify administrative levels,
- adjust the size and span of control of administrative districts appropriately and in a timely manner, and
- set up institutions for coordinating management of urban agglomerations.
We need to explore giving to county towns, and also to small towns with relatively large economies and large migrant populations, economic and social management powers commensurate with the size of their economies and scale of the population over which they have jurisdiction. We must (via a scientific methodology) set up management and staffing institutions, and improve both the government’s coverage of public services and its social management capabilities.

We will require primary-level administrative and service organs to play their proper roles and create new community and social organization management systems. We also need to

- improve social decision-making, implementation and oversight mechanisms;
- promote democratization in decision making; and
- hold the necessary hearings, in accordance with regulations, when making major decisions affecting people’s lives, including issues related to planning, the environment, housing, social security, and transport charges.

Finally, we need to improve our emergency management and crime prevention systems, strengthen public safety and public order support capabilities, and constantly improve urban management, in particular social management.