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UNPRECEDENTED SOCIETAL TRANSFORMATION

HOPES AND CHALLENGES FOR CHINA'S URBANISATION

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In 2012, the degree of urbanisation in China exceeded the 50 per cent mark for the first time.¹ This influx of the population into cities is considered politically desirable; the Communist Party of China (CPC) has promised it will have positive effects on economic growth. By 2030, an estimated 70 per cent of the Chinese population will live in cities. To reach this target, 230 million more people must move to cities. This is indicative of a social transformation taking place at a pace and to an extent the world has never before seen. The Chinese leadership talks of a new, smart urbanisation and of sustainable development that places people at its centre.² The 12th Five-Year Plan (2011 to 2015) already envisages urbanisation as a driver for growth in China. Energy efficiency and resource conservation are intended to be the guiding principles of the urbanisation process. "Urbanization is a historical task in China's modernization drive," said former Prime Minister Wen Jiabao at the opening of the twelfth National People's Congress on 5 March 2013.³

Thus urbanisation is at the top of the government's agenda, installed in March 2013. Premier Li Keqiang has made it a central theme of the upcoming reforms. On numerous

- 1 | In 2012, urbanisation measured 52.57 per cent. Comparatively, this was only 17.9 per cent in 1978. The rate of growth is just over one per cent per year.
- 2 | Cf. Zheng Yangpeng, "Premier calls for new urbanization strategies", *China Daily*, 8 Sep 2013, http://usa.chinadaily.com.cn/business/2013-09/08/content_16952310.htm (accessed 18 Dec 2013).
- 3 | "China to control of megacities: Wen", *China Daily*, 5 Mar 2013, http://chinadaily.com.cn/china/2013npc/2013-03/05/content_16280414.htm (accessed 18 Dec 2013).

occasions, he has stressed that providing the rural population that has moved to cities with access to public services is an important task.⁴ Millions of people have been driven into cities since the early 1980s in hopes of a good job and a better life.⁵ The government intends to selectively drive the influx in the coming years, though without completely abandoning control of migration flows. This is a gigantic and interdisciplinary undertaking. It relates to both social and economic policy, reform of land use rights, the administration and the tax system, as well as environmental protection and innovation. The social and economic scale of urbanisation affects two key issues of China's reform policy: the reform of the household registration system and land rights.

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In June 2013, Xu Shaoshi, chairman of the influential National Development and Reform Commission (NDRC),⁶ gave a speech on China's urbanisation process at the CPC Standing Committee's third meeting. In his speech he pointed out that, while China was gaining in comparison with international urbanisation, the quality of its urbanisation is insufficient. This deficit is noticeable in five key areas: First, migrant workers are not sufficiently integrated into urban society. Second, urban areas are growing faster than the urban population, large areas are overdeveloped and are utilised ineffectively. Third, the relationship between urban space and resources is not balanced. While the east of the country is particularly densely populated and, because of this lacks adequate resources, the density of urbanisation in central and western China is significantly lower. Fourth, Xu speaks of an "urban disease", referring to

- 4 | Cf. Li Keqiang, "Promoting Coordinated Urbanization – an Important Strategic Choice for Achieving Modernization", Prime Economics, 10, <http://primeeconomics.org/wp-content/uploads/2013/06/Li-Keqiang-China-urbanization-speech.pdf> (accessed 18 Dec 2013).
- 5 | The eastern part of the country, which is already densely populated, is experiencing a greater influx of people than central and western China. See also Peter Hefele and Johanna Bade, "Re-Inventing the City? Domestic Migration and Urbanisation in the People's Republic of China", *KAS International Reports*, 9-10/2011, 7, <http://kas.de/wf/en/33.28722> (accessed 18 Dec 2013).
- 6 | The NDRC is a state institution of the central government, which is overseen by the State Council and has a broad impact on the country's economic planning.

deficits in terms of public services caused by unstructured urban planning, significant environmental damage, critical food supply and lack of infrastructure. Fifth, the unjust household registration system and inadequately regulated land use threaten the stability of the system. The new Chinese urbanisation process must place people at its focus. It must be efficient, ecological, innovative and must correspond to the “Four Modernisations”.⁷

REFORMING THE HOUSEHOLD REGISTRATION SYSTEM

Every Chinese citizen has a household registration record (*hukou*) – depending on the parents’ birthplace either a rural registration, providing access to land, or an urban registration, including access to work, housing and social services. Tying the population to one place of residence, especially with rural registration, significantly hinders migration from the countryside to cities and thus the process of urbanisation as a whole. Despite an over 50 per cent urbanisation rate, only 27 per cent of the total rural population is in possession of an urban *hukou*. Consequently, nearly 300 million people do not have access to basic services at home or in the workplace.⁸ This affects social benefits that allow for free education for children or the opportunity to purchase property or a car.

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The *hukou* system was first introduced in 1951 to monitor the movement of the urban population. It was extended further in the years that followed and was fully implemented in 1958. The result was an internal passport system based on the Soviet model. It grouped society into industrial and agricultural workers, geographically correspondent to urban and rural populations. Rural inhabitants were not permitted to leave their villages without

7 | The “Four Modernisations” relate to the fields of industry, agriculture, national defence, and science and technology. See Xu Shaoshi, “Guowuyuan guanyu chengzhenhua jianshe gongzuo qingkuang de baogao” (Working Report by the City Council of the People’s Republic of China on the Development of Urbanisation), 27 Jun 2013, http://www.npc.gov.cn/npc/xinwen/jdgz/bgjy/2013-06/27/content_1798658.htm (accessed 18 Dec 2013).

8 | Cf. “Urbanization quality is more important than speed”, *China Daily*, 31 Oct 2013, http://chinadaily.com.cn/opinion/2013-10/31/content_17072503.htm (accessed 18 Dec 2013).

permission.⁹ Along with its controlling function, the household registration system was introduced primarily out of economic and supply considerations. The urban population enjoyed considerably greater privileges than those with rural registrations. The state assigned a job in a work unit, provided accommodation and subsidised food, medical care and old-age pensions.¹⁰

For a long time the rural population was completely denied the right to move to cities. The system only began to slacken with the liberalisation that the 1978 reform and opening up policy brought, and cities were partially opened. A significant increase in productivity by permitting rural family business to operate on the one hand and strong economic and industrial growth in cities on the other provided for this relaxation. The government recognised the considerable value of cheap labour from the countryside and loosened migration restrictions. New employment opportunities accompanied China's economic ascent and the introduction of a market economy in the early 1990s, and without the army of migrant workers, China's economic miracle would not have been possible. Though domestic migration was legalised in the 1980s, migrant workers who had come to cities were unable to enjoy urban privileges.¹¹ The rural population could only leave their villages physically, not administratively, and their local household registration record remained.

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Reforming this antiquated system has been a source of controversial debate for years. In the meantime, the highest authority, the State Council and the NDRC, have called for such reforms. At the end of June 2013, Xu Shaoshi officially announced that the Commission has recommended the government gradually abolish the household registration system.¹² This is not a new recommendation.

9 | Cf. Kam Wing Chan, "Post-Mao China: A Two-Class Urban Society in the Making", *International Journal of Urban and Regional Research*, No. 1, Vol. 20, Mar 1996, 134 et seq.

10 | Cf. Wolfgang Taubmann, "Stadtentwicklung in der VR China – geschlossene und offene Phasen der Urbanisierung", in: *Raumforschung und Raumordnung*, No. 2-3, Vol. 57, Mar 1999, 184.

11 | Cf. Chan, n. 9, 137.

12 | Cf. "Elimination of household registration barriers suggested", Xinhua, 27 Jun 2013, http://news.xinhuanet.com/english/china/2013-06/27/c_132489568.htm (accessed 18 Dec 2013).

In 2010, scientists, think tanks, media representatives and senior government representatives vehemently called for the *hukou* system to be reformed. Individual provinces and cities have incredibly varied approaches to the challenge of changing the household registration system. While Shanghai, Shenzhen, Huizhou, Chongqing, Chengdu and other cities have already begun reforming the system, the rest of the country is lagging far behind.

During his time as Prime Minister, Wen Jiabao repeated calls for reforms of the *hukou* system. This top-level intercession encouraged 13 newspapers to publish a joint editorial on 1 March 2010 sharply criticising the existing system and calling for reforms. This was published a few days before the National People's Congress and the Chinese People's Political Consultative Conference met and was specifically aimed at the representatives. The article began by calling for freedom of movement ("We hold that individuals are born free, and born with the right to migrate freely!") and points out that the existing *hukou* system contravenes the constitution of the People's Republic of China, which guarantees the equality of its citizens before the law in Article 33. It further stated that freedom of movement is an integral part of the market economy.¹³ However, the authors of this courageous effort to bring up a sensitive social issue overestimated the government's receptiveness to criticism. The publication of the article garnered severe reactions that highlighted the importance of the issue. Lead journalist Zhang Hong was forced to give up his position at the *Economic Observer*; public debate was suppressed.

In autumn of the same year, further publications drew general attention to the issue, also calling for the reform of the *hukou* system. In early October 2010, the *Beijing News* newspaper published three independent reports released by government think tank The Chinese Academy of Social Sciences, the Centre for Economic Research at the prestigious Renmin University and the China Development Research Foundation. All three reports called for the *hukou* system to be reformed and said the system had created a

13 | "Zhang Hong's Letter About His Editorial", *The New York Times*, 10 Mar 2013, <http://nytimes.com/2010/03/10/world/asia/10china-text.html> (accessed 18 Dec 2013).

“false urbanisation”.¹⁴ Migrant workers’ significantly lower income negatively affects their consumer behaviour. All three reports conclude that the current household registration system is restricting the urbanisation process.¹⁵

Expectations were high for the third plenum of the 18th Central Committee of the Communist Party of China in November 2013 (hereafter referred to as the third plenum of the 18th CC of the CPC) to adopt fundamental reforms to the household registration system. However, the subsequent communiqué that was published only mentioned household registration in one section, namely in connection with integrating rural migrant workers already living in cities without official permission. Abolishing the system is out of the question. Modernising the right of establishment in cities based on their size is all that was proposed; migration to smaller cities would be made easier, whereas in mega-cities this would remain strictly controlled.¹⁶

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Since the 1980s, several *hukou* reforms have already taken place. However, as yet there have been no nationally standardised reforms or results and local regulations can differ considerably. Since 2001, small cities may accept applicants who have provided evidence of permanent employment and residence in the city for urban population status. However, this reform has only been implemented to a limited extent. The costs communities must bear are simply too high.¹⁷ The new government is now taking three measures to gradually abolish inequality. With the exception of some mega-cities, the right of establishment

14 | *Wei chengzhenhua, 伪城镇化*.

15 | See „Shouquan fabu: zhonggong zhongyang guanyu quanmian shenhua gaige ruogan zhongda wenti de queding“ (The Chinese Academy of Social Sciences and three other institutions propose reforming the existing household registration system), 5 Oct 2010 <http://news.163.com/10/1005/02/6I6R0GFK00014AED.html> (accessed 18 Dec 2013).

16 | Cf. “Shekeyuan deng san jigou jianyi gaige xianyou huji zhidu” (The Communist Party of China’s Central Committee decisions on some key issues of expanding reforms), 5 Oct 2010, <http://news.163.com/10/1005/02/6I6R0GFK00014AED.html> (accessed 18 Dec 2013).

17 | Cf. Wang Su, “Cracking the Hukou Code to Hasten Urbanization”, *Caixin*, 8 Jul 2013, <http://english.caixin.com/2013-08-07/100566666.html> (accessed 18 Dec 2013).

in cities are to be relaxed and restrictions within provinces are to be lifted. The registration system should be standardised nationally by 2025.¹⁸



Living space for millions: The urbanisation project in Xuzhou, between Peking and Shanghai. | Source: © Mira Luthe.

Household registration can even have negative effects on coveted admissions to prestigious universities. Applicants with local registrations in Beijing and Shanghai, where the country's best universities are located, have better chances of receiving competitive university slots. Even if one were to receive a university slot with a non-local *hukou*, problems then arise after graduation with the question of the

18 | According to statements by Luo Songshan, Research Director of the NDRC's Investment Research Institute, at a symposium on urbanisation held by the KAS Beijing office in early November 2013.

right of residence. After finishing their studies many have no other choice but to return home because they do not receive an urban *hukou*. To prevent this, many young people are willing to pay more than 20,000 U.S. dollars for local household registrations on the black market. Another option is choosing to marry an urban citizen. This practice is so widespread among graduates that the authorities only grant urban residence permits and the associated access to public services after ten years of marriage.¹⁹

But not everyone who has the opportunity to gain an urban household registration wants to take it. Particularly the generation that has grown up in the countryside prefers to spend their twilight years in their rural hometowns. However, this option will fall away when the *hukou* is changed.²⁰ A person who has obtained an urban registration cannot simply move back to their home town. City life is expensive and the cost of living is already prohibitive to some. The prices are not only lower in the countryside but life is also still dominated by a subsistence economy. However, what some consider an obstacle is exactly what the government wants to achieve with urbanisation: it should create consumers to stimulate the domestic economy.

ECONOMIC FACTORS

In 2012, Li Keqiang wrote that urbanisation has the greatest potential to revive the domestic economy.²¹ According to his theory, people in cities are more productive, receive higher incomes and thus consume more. Li Keqiang's calculation is simple: urban residents spend 3.6 times more than rural residents. With increased domestic consumption, China would finally be able to free itself from its high dependence on exports and fluctuations in the world market, and would be able to reach its target of seven per cent growth stipulated in the 12th Five-Year Plan (2011 to 2015) with the buying power of its own population. Urbanisation is intended to serve as a stimulus programme. However, critics warn against this calculation

19 | Cf. Tom Miller, *Chinas Urban Billion: The Story Behind the Biggest Migration in Human History*, 2012, 39.

20 | Cf. *ibid.*, 51.

21 | Cf. "Li Keqiang expounds on urbanization", 26 May 2013, http://china.org.cn/china/2013-05/26/content_28934485.htm (accessed 18 Dec 2013).

and point to its far-reaching consequences.²² Urbanisation does not necessarily lead to economic growth. It is the consequence, not the cause, of development.

Certain structural and institutional conditions, especially education and infrastructure, improve people's situation and encourage them to consume.²³ This is not achieved by resettling people. Urban areas not only require new places to live but jobs as well. In recent years, however, a trend of relocating labour-intensive production abroad has developed, particularly to Cambodia and Vietnam. Although urbanisation is meant to create more jobs in the service sector, it is questionable whether employment, for example, in the hospitality sector, provides an adequate livelihood, particularly because the cost of living in cities

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is constantly on the rise. Providing adequate jobs is especially problematic in small and medium-sized cities. In 2011, Xia Bin, head of the State Council's Financial Research Institute, warned that urbanisation must go hand in hand with market reforms to prevent ghost towns from forming.²⁴ If people in cities cannot find work, or if they are unable to increase their productivity compared with their role in the countryside, Chinese productivity suffers on the whole. In order for the leadership's calculations to add up, the productivity of migrants must exceed the costs of urbanisation.

COSTS OF URBANISATION

One problem that remains to be solved is how to distribute the costs incurred by urbanisation. Michael Pettis, Senior Associate at the Carnegie Endowment for International Peace and Professor at the Guanghua School of Management in Beijing, has criticised the temporary illusion of prosperity that has arisen in constructing new cities.

22 | See Tom Holland, "China's urbanisation policy is based on flawed thinking", *South China Morning Post*, 30 Jul 2013; Michael Pettis, "The urbanization fallacy", 16 Aug 2013, <http://blog.mpettis.com/2013/08/the-urbanization-fallacy> (accessed 18 Dec 2013).

23 | Cf. Holland, n. 22.

24 | Cf. "Urbanization to drive China's growth", *China Daily*, 26 May 2011, http://china.org.cn/business/2011-03/26/content_22227016.htm (accessed 18 Dec 2013).

If anything, building up a city brings short-term growth with it. But this too must be financed. Involving taxpayers reduced their purchasing power and placing the burden on the shoulder of local governments and economies could lead to distrust of the central government's plans. "Urbanisation is not a growth machine. It is simply a pro-cyclical process that accommodates growth when growth is rising and reduces it when it falls", said Pettis.²⁵



A possible real estate bubble: The massive sale of land for development in recent years and the central promotion of urbanization have led to a construction boom. | Source: © Mira Luthé.

This dual city-countryside structure was a core issue for the third plenum of the 18th CC of CPC's reform deliberations. Back in June, the NDRC had announced that the household registration system would be abolished in smaller cities and *hukou* would be gradually relaxed in medium-sized

and larger cities.²⁶ The cities can hardly bear the financial burden associated with this themselves. Because of this, experts are calling for the central government to share in the costs.²⁷ The costs to the central government would be extremely high, but bearable at 1.5 billion renminbi per year (approximately three per cent of annual GDP). The Development Research Centre (DRC), under the State Council's supervision, reached this conclusion in a study.²⁸

LAND RIGHTS AND RIGHTS OF USE

The largest constraint on rapid implementation of *hukou* reforms is their financing. The current financial system commits the cities to bear the financial burden of bringing rural migrants into the urban system. However, to date only the central government is permitted to run up debts. Land rights and rights of use are closely linked with financing; their sale is the main source of income for local governments.

The land in urban areas belongs to the state and is leased to investors for periods of 70 years. Outside the cities, land belongs to the collective, which grants rights of use for 30 years. There is no private ownership of land and this will not change in the near future. Collective ownership of land was originally introduced to protect farmers against greedy landlords. However, it has led to the endangerment of the rural population by corrupt officials. The lack of clear regulations regarding land rights makes farmers susceptible to having land stolen by the local government who then sells the land on to investors for profit. This becomes particularly lucrative when rural districts are to be awarded urban status. Urban building plots can be leased at significantly higher prices than rural

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26 | Cities are considered to be small with 500,000 inhabitants; medium-sized with between 500,000 and one million inhabitants; major cities have one to three million inhabitants; cities with three to ten million inhabitants are giant cities; and megacities have more than ten million inhabitants. NDRC, http://www.npc.gov.cn/npc/xinwen/jd gz/bgjy/2013-06/27/content_1798658.htm (accessed 18 Dec 2013).

27 | Cf. Miller, n. 19, 59; see also: Hu Shi, "Central government must take the lead on China's hukou reform", *South China Morning Post*, 8 Aug 2013.

28 | Cf. Miller, n. 19, 57.

farming plots.²⁹ Farmers usually receive compensation far below market value. This common practice is a source of widespread resentment among the rural population.³⁰ The massive sale of land by the local government promotes urban sprawl and reduces population density, which in turn increases transportation and infrastructure costs.

Because of this, in November 2013, the central government set in motion comprehensive reforms to provide a balance between the city and the countryside. The urban and rural markets for plots of land are to be unified, both sides are to enjoy the same rights and this would affect the price of land.³¹ This should strengthen the position of cities and improve the situation of farmers. The reforms are first being tested in Anhui province: There, the rural population has the ability to later transfer, mortgage, or turn into business shares the property rights contained in the collective tracts of land assigned to each household. The press has called it the most pivotal land reform in 35 years.³²

The massive sale of land for development in recent years and the central promotion of urbanisation have led to a boom in construction. Warnings of a housing bubble have long been expressed.³³ Speculative investment in the real estate sector already amounts to 13 trillion renminbis. Nevertheless, large state-owned banks continue to grant property loans. Introducing a property tax should

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29 | Cf. Shi Ming, "Die nächste Blase. Städtebau und Größenwahn in China", *Le Monde diplomatique*, 11 Oct 2013, <http://monde-diplomatique.de/pm/2013/10/11.archivhome> (accessed 18 Dec 2013).

30 | Cf. Kevin Yao, "China's cautious land-reform tests cast doubt on big urban vision", 10 Nov 2013, <http://reuters.com/article/2013/11/10/us-china-reform-idUSBRE9A90H9201311110> (accessed 18 Dec 2013).

31 | See Communiqué from the third plenum of the 18th CC of the CPC.

32 | Cf. "Chinese provinces experiments with land reform", *CBC News*, 18 Nov 2013, <http://cbc.ca/news/business/1.2430544> (accessed 18 Dec 2013).

33 | Compared to the previous year, sales of new homes rose by 35 per cent; prices in Beijing, Shanghai and Shenzhen rose by over 20 per cent. Cf. "Haunted housing. Even big developers and state owned newspapers are beginning to express fears of a property bubble", *The Economist*, 16 Nov 2013, <http://economist.com/news/finance-and-economics/21589877-even-big-developers-and-state-owned-newspapers-are-beginning-express-fears> (accessed 18 Dec 2013).

cool the market.³⁴ But it is not only the banks who are having serious liquidity problems; provincial governments too are heavily indebted even if it is not legally possible, strictly speaking.³⁵ If the housing bubble bursts and the price of land falls as a result, this source of income for local governments will dry up. Experts suspect that, at the regional level, public debt has already spiralled out of control.³⁶

Local authorities desperately need to find alternative revenue sources. To bolster them and to make the process of urbanisation affordable, the communiqué has set out a basic resolution for a new tax system at the local and central levels. If tax revenue until now has mainly gone to the central government, local authorities should benefit more from revenues in the future and their share of direct taxation is to be increased. Reforming the tax system could significantly reduce the financial burden on cities.³⁷

GEOGRAPHIC EXPANSION AND URBAN POPULATION DENSITY

During the course of urbanisation, the spread of cities was not always done in accordance with the growing population numbers. Many cities sprawled out unchecked, resulting in inefficient use of space. Between 2001 and 2011, the area occupied by cities was approximately 75 per cent, but the population only increased by approximately 48 per cent. While urban floor space increased (in 2001 floor space amounted to 113 square metres; by 2011 this was 137 square metres), population density decreased.³⁸ In a joint study with the DRC, the World Bank recommended limiting urban sprawl and using available space more efficiently. A

34 | See Communiqué from the third plenum of the 18th CC of the CPC.

35 | The communiqué from the third plenum of the 18th CC of the CPC in November concluded that cities may incur debts and in individual cases the central government would have to back them.

36 | Cf. Ming, n. 29.

37 | Cf. Communiqué from the third plenum of the 18th CC of the CPC. The World Bank and the DRC had already emphasised the extreme importance of bolstering local financial power as a step towards smart urbanisation in their report, "China 2030". Cf. *China 2030: Building a Modern, Harmonious, and Creative Society*, World Bank and Development Research Center of the State Council, Washington D.C., 2013, 23.

38 | Cf. presentation Luo Sungshan, Xuzhou, 5 Nov 2013.

so are traces of the fastest rates of urbanisation and urban sprawl. The national supply of food is already problematic: China is forced to increasingly rely on imports and is thus increasingly dependent on foreign countries.⁴¹

The share of the population in small and medium-sized cities is decreasing. Many smaller cities are already surrounded by empty industrial areas and deserted housing estates.

Since the late 1990s, the government's strategy has been to promote growth in small and medium-sized cities in particular to balance urban development geographically and to help disburden the mega-cities. However, the current trend is reversed: the share of the population in small and medium-sized cities is decreasing. Many smaller cities are already surrounded by empty industrial areas and deserted housing estates. Without good transport links and its own developed economy, cities face difficulties in holding on to their population. However, the mega-cities of Beijing, Shanghai, Chongqing and Shenzhen continue to grow rapidly because they offer a variety of opportunities. It is true that China employs strategic urban planning and new cities are carefully drawn up for several hundred thousand inhabitants. But lucrative sales of land and construction projects worth billions always lead to various conflicts of interest and sometimes the functional use of urban space suffers as a result.

Currently the major cities are concentrated along the eastern coast. Central and western China are far less affected by urbanisation. In the three main metropolitan areas of Beijing-Tianjin, the Yangtze River Delta and the Pearl River Delta, 18 per cent of the total population produce about 36 per cent of GDP.⁴² While the degree of urbanisation is 61.9 per cent in eastern China, it is only 44.7 per cent in western China.⁴³

41 | China's agricultural area makes up 13.5 per cent of the total area; the area for industrial and urban accounts for 15.7 per cent. Xinhua, http://news.xinhuanet.com/ziliao/2003-01/19/content_696029_2.htm (accessed 18 Dec 2013). For more on food supply see Antonia Menapace, "Food in China: Volumes Up, Quality Down? The Food Supply Debate in the People's Republic of China", KAS International Reports, 3/2012, <http://kas.de/wf/en/33.30493> (accessed 18 Dec 2013).

42 | Cf. Shaoshi, n. 7; see also Hefele and Bade, n. 5.

43 | Cf. presentation by Luo Songshan, 5 Nov 2013 in Xuzhou. Degree of urbanisation in central China: 47.2 per cent.

GERMANY'S VIEW OF CHINA'S PROCESS OF URBANISATION

With China's increasing integration into the world economy, internal developments in the People's Republic have become a global issue. The international community eagerly awaits the announcement of structural reforms. If 230 million people in China move to cities over the next few years, this will not only have the effect of profoundly transforming local society, but will also have implications for China's economic partners. Germany is China's most important trade partner in Europe; cooperation between the two countries already spans a number of areas. China looks specifically to Europe in developing its urbanisation strategies. Ding Yifan, Deputy Director of the State Council's Research Institute for World Development, reiterated that China can learn a lot from Europe in terms of using urban space and efficiently developing infrastructure.⁴⁴ In 2012, the EU-China Urbanisation Partnership Forum was formed, which met for the second time in November 2013.

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Germany sees China's urbanisation as a source of great potential for increased bilateral cooperation. Jörn Beißert, head of the German embassy's department for urbanisation issues in Beijing, believes "Chinese urbanisation will also have a direct impact on Germany".⁴⁵ A successful German-Chinese partnership is already in place for reducing CO₂ emissions. Even in the areas of transportation planning and the energy efficiency of buildings close bilateral cooperation with German companies plays a significant role. Mr Beißert emphasises the potential for cooperation on electric mobility and green logistics.⁴⁶ Germany was the first EU country Premier Li Keqiang visited after taking office. In a joint communiqué in May 2013, he and German Chancellor Angela Merkel declared they would strengthen the exchange and partnership in the field of urbanisation.

44 | Ding Yifan spoke at a symposium on urbanisation hosted by the KAS Beijing office on 5 Nov 2013, held in Xuzhou.

45 | Presentation by Jörn Beißert, 5 Nov 2013, Xuzhou.

46 | Cf. ebd.

OUTLOOK

The development of the People's Republic of China largely depends on the success of urbanisation. This particularly concerns the expansion of urban space, the domestic Chinese economy and the social status of millions of its citizens. This interdisciplinary mammoth project will have far-reaching consequences for the country and its people.

In the media, urbanisation has been termed the most radical transformation of Chinese society since Mao.⁴⁷ The prospect of being able to lead a life in a working environment with economic opportunities must be offered to people. The huge gap that exists between the income and prospects available in cities and in the countryside must be gradually reduced. The institutional injustices that divide society into two classes must be done away with.

Since the highly anticipated third plenum of the 18th CC of the CPC met, the discussion of urbanisation has faded. While it was stressed at the government's central urbanisation work conference in mid-December 2013 that urbanisation is the road China must take in its modernisation drive,⁴⁸ the imprecise statements made there do not allow for the determination of a deadline these reforms should aim for. A further specification of the Chinese urbanisation strategy is expected in the coming months if the decisions made are implemented and two currently on-going studies are released: one by the NDRC with the OECD, another by the World Bank with the DRC. It remains unclear as to whether the urbanisation process truly is human-centred and sustainable as reiterated in mid-December. However, it is certain that the plan's failure to create a balance between the countryside and cities carries enormous potential for social conflict in and of itself. The population will only bear increasingly adverse conditions as long as it feels their own situation can improve. If migrants are not

47 | Cf. Dexter Roberts, "Premier Li Keqiang Wants More Chinese in the Cities", *Bloomberg Businessweek*, 6 Jun 2013, <http://businessweek.com/articles/2013-06-06/premier-li-keqiang-wants-more-chinese-in-the-cities> (accessed 18 Dec 2013).

48 | Cf. "China pledges steady, human-centered urbanization", *Xinhua*, 14 Dec 2013, http://news.xinhuanet.com/english/china/2013-12/14/c_132968136.htm (accessed 18 Dec 2013).

integrated into cities and they are not granted the same rights as long-time urban residents, social stability will be in jeopardy. These hopes and possible disappointments affect no small sector of the population; they affect millions of citizens. The challenges of designing a sustainable economy, a healthy environment and a stable society are enormous. Now is the time for engaged and sustainable action by decision makers.