

CHINA'S NEW URBANISATION OPPORTUNITY: A VISION FOR THE 14TH FIVE-YEAR PLAN

Executive summary

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A group plays mahjong in Kunming. Credit: Dan_H / Shutterstock.

Introduction

This is a critical moment in history, for China and the world alike. Turbulent geopolitics are creating significant uncertainty about future trade patterns. The COVID-19 pandemic is reshaping the world order of economy and politics. Economic growth in China could fall by more than half in 2020.

Urbanisation continues apace, with China's cities expected to accommodate an additional 255 million residents by 2050.¹ In this same 30-year period, humanity must reach net-zero emissions in order to hold the average global temperature increase to no more than 1.5°C above pre-industrial levels.² The decisions made about China's cities today could lock in future prosperity and resilience – or vulnerability and decline.

The research project this summary is based on offers insights for China's policy-making under its 14th Five-Year Plan. It identifies opportunities from a new type of urbanisation that can help China achieve high-quality growth in the coming decade and create an economy based on high value-added manufacturing and services while avoiding enormous environmental costs. This transformation will not be easy, but our analysis shows that getting China's cities right offers the best chances for success.

Additionally, our analysis provides policy-makers with recommendations on how a new model of urbanisation can help enhance China's economic, social and environmental prosperity while avoiding climate catastrophe. The analysis and recommendations draw on an ambitious, multi-year research programme led by Tsinghua University, Hong Kong University of Science and Technology and the World Resources Institute (USA) Beijing Representative Office, as well as on the global work of the Coalition for Urban Transitions. The goals and priorities outlined in here are intended to help facilitate productive discussions with China's national decision-makers.

China's engines of urbanisation

Over the last four decades, China's "Reform and Opening Up" has transformed the country from a largely rural to a mainly urban society, improving lives and livelihoods in the process. To transform at such an unprecedented rate and scale, China's urbanisation has relied on three interconnected engines:

- Large-scale industrialisation, concentrated predominantly in cities in the eastern coastal regions, which has encouraged the concentration of capital, labour, land and energy in urban centres.
- Marketisation: the transition from a centrally planned economy to a market economy, which unlocked demand and capacity, with cities acting as growth hubs for internal trade.
- The gradual opening up to international cooperation and trade, which provided access to the capital, technology and export markets needed to fuel urban-industrial expansion.

These three engines enabled China to meet many of the demands of its burgeoning urban populations. But more focus was put on speed and scale than the quality of urban development. Buildings in China's cities, for example, have an operational lifetime of just 35 years, compared with more than 100 years in most European cities. In addition, these engines are now slowing; they cannot be relied on to generate the type of sustainable progress China will need in the 21st century.

In only four decades, China, a country of 1.4 billion people, has achieved a level of urbanisation that Western countries took two centuries to achieve.



People on the metro. Credit: joyfull / Shutterstock.

Urban challenges

Overreliance on these three engines has led China's cities to face three major interconnected challenges, all which act as major brakes on prosperity:

- Basic infrastructure and services have been unable to keep pace with China's rapid urban population growth, fuelled by rural to urban migration. In only four decades, China, a country of 1.4 billion people, has achieved a level of urbanisation that Western countries took two centuries to achieve.³ Cities have struggled to match this rate of growth with services that can meet basic needs.
- Urbanisation has put enormous pressure on both the natural and built environments. Critical natural resources are being depleted, the overreliance of coal is increasing air pollution and urban populations are becoming more vulnerable to the impacts of climate change. Water scarcity is a serious issue for many major urban centres; more than 95% of China's megacities suffer from water shortages. In 2018, only 121 of China's 338 cities at the prefecture level or above met the country's ambient air quality standards. Climate change will also exacerbate existing risks, with sea-level rise alone threatening the nearly 130 million urban residents in China who live in coastal areas that are less than 10 metres above sea level – the largest number of people of any country.

- Local government debt has risen unsustainably, fuelled by land sales, debt financing and capacity-constrained, short-term local planning. Excessive borrowing has compromised fiscal sustainability, severely reducing the capacity of local governments to deal with the aforementioned challenges. Urban areas expanded at a much faster pace than urban populations increased. Globally, urban areas expanded by an area of land roughly twice the size of Sri Lanka between 2000 and 2014. China alone accounted for 32% of this increase, adding an area the size of Belgium.

These three risks amplify the weaknesses of China's current urbanisation mode and are already undermining the ability of China's cities to thrive and deliver for the economy, people and planet. If a new model of urbanisation, based on a different set of engines, is not adopted, China risks locking in these risks and missing out on the future opportunities of urbanisation.

A new vision for China's urbanisation

Three new engines have been identified that can help overcome the challenges and risks inherent in the current model and create a new set of strengths and opportunities:



Monorail in Chongqing. Credit: Stepanov Aleksei / Shutterstock.

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- **Engine 1:** Developing a new national system of cities underpinned by basic infrastructure and a world-class intercity mass transit system, to rebalance growth away from coastal areas towards the interior.
 - **Engine 2:** Building compact, connected, clean cities to drive a low-carbon, climate-resilient urban transformation and tackle the degradation of critical natural resources and growing carbon emissions.
 - **Engine 3:** Reforming local governance and national and subnational fiscal systems, in order to tackle debt overhang, generate sustainable financing flows for investment in sustainable infrastructure and enhance long-term urban planning.

To unleash these engines, three priorities for national action have been identified with specific recommendations for consideration:

- **Priority 1:** Placing sustainable cities at the heart of China's 14th Five-Year Plan and second Nationally Determined Contribution (NDC), with the goal of developing a new national system of compact, connected and clean cities across the country. The system will be capable of generating a virtuous circle of green investment and manufacturing to drive future economic transformation, while providing a home for migrant labour and reducing citizens' vulnerability to climate impacts.
- **Priority 2:** Aligning national policies behind compact, connected, clean and resilient cities by stopping the sale of fossil fuel-powered bicycles, cars and buses, investing in mass transit, reducing the demand for energy and materials, and fuelling a clean energy revolution.
- **Priority 3:** Building a sustainable national and subnational financing system for cities alongside complementary reforms to local governance and capacities for urban planning by shifting national transport budgets towards mass transit, introducing national to subnational income tax piggybacks and property taxes, and enhancing the capacity of local governments to manage liabilities.

To bring Priority 1 and other key elements of this package of measures to fruition, we recommend that China supports efforts by cities to peak their carbon emissions by the end of the 14th Five-Year Plan, putting this effort at the heart of its NDC. In particular, the central government should require cities to explicitly link new infrastructure development funding to carbon-reduction targets in the 14th Five-Year Plan. Doing so is feasible and would generate significant economic, social and environmental benefits. The next phase of our research will develop a more detailed action plan for implementing this recommendation.



A cyclist in Shanghai. Credit: TonyV3112 / Shutterstock.

Conclusion

The full report, *China's New Urbanisation Opportunity: A Vision for the 14th Five-Year-Plan*, lays out a bold vision of compact, connected and clean cities that can anchor equitable and sustainable economic development in China. Putting low-carbon cities at the heart of its new five-year plan would allow China to unlock not only economic growth but social and environmental advancements in line with “ecological civilisation”: a concept of sustainable development with Chinese characteristics. A new form of sustainable urbanisation means a new era of urbanisation, which could act as an engine of, rather than a brake on, China’s development.

ENDNOTES

1. United Nations Department of Economic and Social Affairs (UN DESA), 2018. *World Urbanisation Prospects 2018*. New York. Available at: <https://population.un.org/wup/>.
2. Intergovernmental Panel on Climate Change (IPCC), 2018. Summary for Policymakers. In *Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty*. World Meteorological Organization, Geneva, Switzerland. Available at: <https://www.ipcc.ch/sr15/>.
3. Fuzhan, X., 2018. 'On the road to quality urbanization'. China Daily, June 19. Available at: http://www.chinadaily.com.cn/a/201806/19/WS5b283bc5a310010f8f59d788_1.html.

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ABOUT THIS EXECUTIVE SUMMARY

This executive summary draws on a working paper, *China's New Urbanisation Opportunity: A Vision for the 14th Five-Year-Plan*, which was produced as part of a research programme led by Professor Qi Ye. The research was carried out in conjunction with colleagues from Tsinghua University, Hong Kong University of Science and Technology, Renmin University and World Resources Institute (USA) Beijing Representative Office. The research programme is supported by the Coalition for Urban Transitions, the leading global initiative helping national governments unlock the power of inclusive, zero-carbon cities. The opinions expressed and arguments employed are those of the authors.

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