

INSTITUTE OF CURRENT WORLD AFFAIRS

SUNAN: WHERE THE RURAL INDUSTRIAL REVOLUTION CHANGES CHINA'S LANDSCAPE

Part III

Zhangjiagang:

A Newborn City & A Model of China's Urbanization

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Dear Peter,

In his classic work on the development of American civilization, The Age of Reform: From Bryan to F.D.R. Richard Hofstadter, a famous historian, had the following opening remark, "The United States was born in the country and has moved to the city."¹ The history of the United States, in a way, is a history of urbanization. The level of urbanization in the U.S. (the percentage of urban population in the total population of the country) increased greatly over the past two centuries – from 5.1% in 1790 to 77.7% in 1990.² By 1970, the United States already had 4,653 cities – there were 6.9 cities per 10,000 square km.

Urbanization is a process of economic change. It is usually defined as a transformation from rural residents to urban residents. As people move their

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residences from rural to urban areas, they also change their occupations from the traditional agricultural sector (the first sector) to the modern industrial and service sectors (the second and the tertiary sectors).

America has experienced two broad movements in the urbanization process in its more recent history: the shift of emphasis from metropolis to small and medium-sized cities, from the east coast and mid-west to the west coast and the south. One certainly could find problems and draw lessons from the landscape changes in the United States over the past two centuries. But in general, prior to World War Two the urbanization of the U.S. paralleled and contributed to the American industrial revolution. In the post-war era, American urbanization has corresponded to the structural transformation of the U.S. economy and led to the rapid development of the tertiary sector.

China's Urbanization: A Review

China's urbanization, by contrast, has had a slow pace and a far more troubling experience. In the end of 1989, China had altogether 467 cities – there were 0.49 cities per 10,000 square km.³ The percentage of the urban population in the total population of the country was 28.5%, which was about the average level of urbanization in the world in 1950 (28.7%), and was much lower than 52%, the world's average level in 1990.

There are many reasons for the slow pace of China's urbanization. Historically, China had an agrarian economy. As the most populous country in the world, to maintain agricultural sufficiency has always been the most important concern among the Chinese people. During the Mao era, the PRC government had a negative attitude towards urbanization of the country and sent city dwellers to rural areas in the name of reducing the economic gap between urban and rural areas.

As a Chinese scholar noted, the Maoist government had three misconceptions.⁴ First, in the view of the government, urban development would be antagonistic to rural development. The authorities therefore tried to constrain the former in order to ensure the latter. Second, the government conceived that industrialization and urbanization were exactly the same thing. The authorities only paid attention to industrial development, but ignored the development of urban infrastructure and the service sector. As a result, China's urbanization lagged behind the process of industrialization of the country. The stagnancy of urbanization, in return, also restricted industrial development. And third, the government failed to understand that urbanization is not only the result of economic growth, but can also be the cause of economic growth.

According to Gu Shengzu, a well-known scholar from the Institute of Demography at Wuhan University, China's level of urbanization actually declined in the 1960s. The household registration system, which was adopted by the Chinese government in 1958, restricted the flow of population from rural villages to urban towns and cities. The total number of people who lived in towns, for example, decreased from 46 million in 1959 to 41 million in 1963. The town population in 1971

was lower than that of 1959.⁵

During the Cultural Revolution, 1.7 million urban high school graduates were sent to the countryside, further reducing the urban population.⁶ Many urban factories moved to rural areas. Doctors, engineers, teachers and many others were sent to the countryside, either permanently or temporarily. The percentage of the urban population in the total population of the country decreased from 18.4% in 1960 to 17.9% in 1978.⁷

China's economic reform, which started in 1978, has reversed the direction of internal migration. The country has entered the era in which urbanization grows the fastest it ever has in Chinese history. Table 1 shows the rapid increase of Chinese cities and towns from 1978 to 1992. In the past two years, 106 new cities have come into existence in the country. The total number of Chinese cities is now 620, three times the number of cities registered in 1978.⁸

The number of towns has increased even faster. In Wenzhou, Zhejiang province, for example, the number of towns increased from 33 in 1984 to 120 in 1992. About 2.4 million people have left rural villages and settled down in these towns. Over 40% of rural laborers changed their occupations from peasants to workers in the industrial or the tertiary sectors.⁹ In the entire country, the percentage of the urban population in the total population increased from 17.9% in 1978 to 28.5% in 1990. It is estimated that the figure will reach 35.7% by the year of 2000 – double in about two decades.¹⁰

Table 1
The Urban Development of China during the Reform Era (1978-1992) (Number)

	1978	1992	Increase Rate
Prefecture-level cities (<i>dijishi</i> 地级市)	91	191	92.9%
County-level cities (<i>xianjishi</i> 县级市)	99	323	2.5 times
Towns in which township administrations are located (<i>jianzhizhen</i> 建制镇)	2176	14500	6.6 times

Source: Shizhang cankao (Mayor's reference), No. 6, 1994, p. 2.

Six factors have contributed to the rapid development of China's urbanization. They are: 1) economic growth of the country, 2) the rapid development of rural and local industries, 3) the mobility of surplus rural laborers and more flexible government policy towards internal migration, 4) large State construction projects in cities, 5) the increase of foreign investment, and 6) the growth of satellite cities of metropolises.¹¹

Urbanization in Sunan

One of the fastest growing regions in China's urbanization is Sunan (southern Jiangsu), the vast area under the jurisdiction of three prefecture-level cities: Wuxi, Suzhou, and Changzhou. As the previous two parts of the series on Sunan showed, the rural industrial revolution has brought about a fascinating economic boom to this region – the so-called “the Golden Delta.” The vast rural area of the Sunan region has rapidly industrialized. At present agriculture accounts for only 8% of the total industrial and agricultural output value in Sunan, and industry accounts for 92%.¹²

This rural industrial revolution has significantly changed the labor structure of the region. Table 2 shows that the percentage of non-agricultural employment in the rural area of Jiangsu province in 1989 was 39.1%, ranked No. 4 in all provinces and municipalities directly under the central government – after only Shanghai, Beijing and Tianjin. Jiangsu's annual increase of non-agricultural laborers from 1978 to 1989 was 13.2%, ranked No. 3, after only Zhejiang and Guangdong. According to another study, by 1990, the percentage of non-agricultural laborers in the rural area of Sunan had already reached 76%.¹³

Table 2

The Percentage of Non-Agricultural Employment in Rural Areas and its Annual Increase

	1978		1989		Annual Increase
	%	Rank	%	Rank	
Whole country	10.3	—	20.8	—	6.6
Shanghai	23.9	3	69.5	1	10.2
Beijing	25.3	2	55.4	2	7.4
Tianjin	29.9	1	48.0	3	4.4
Jiangsu	10.0	9	39.1	4	13.2
Zhejiang	4.6	22	34.9	5	20.2
Guangdong	6.3	18	30.9	6	15.6

Source: Nankai jinji yanjiu (Nanjai economic research), No. 1, 1994, p. 28.

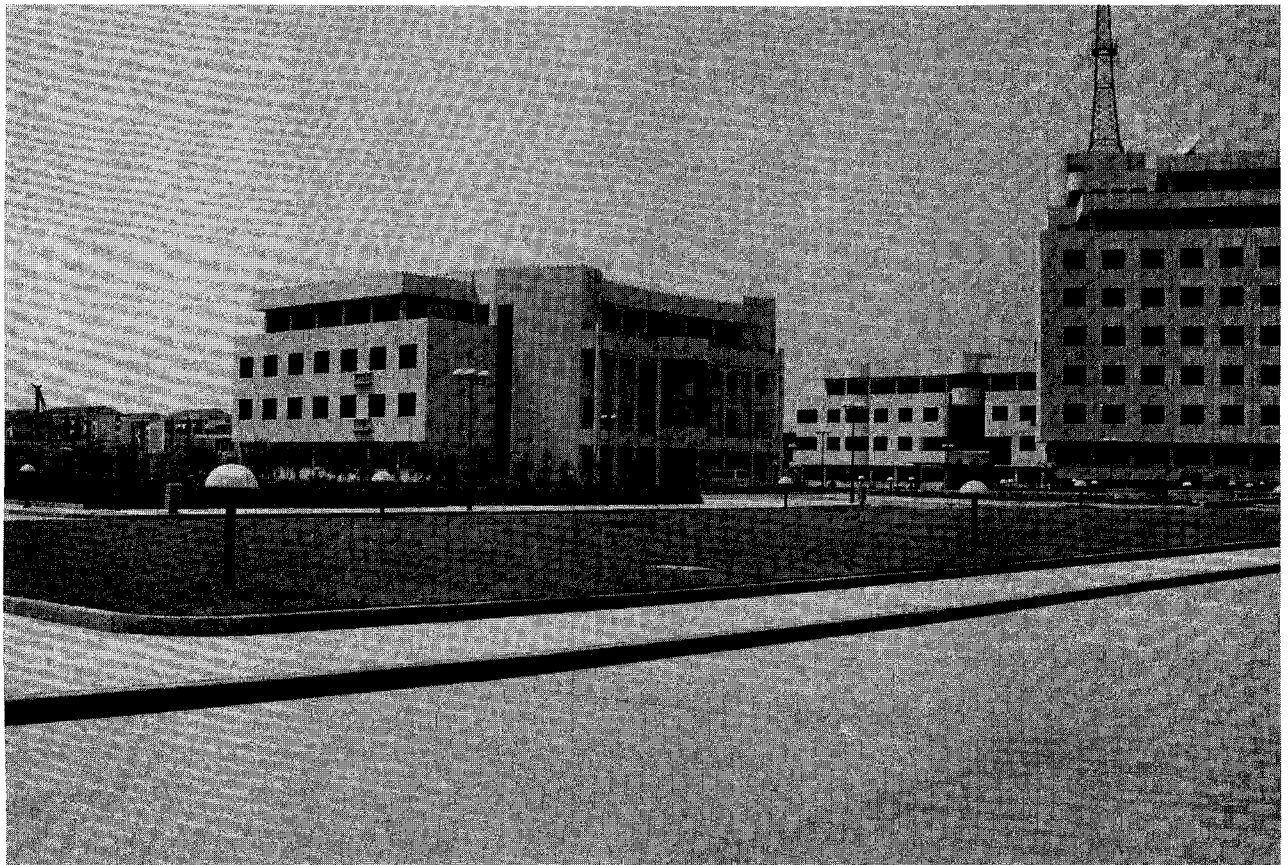
The rural industrial revolution has led to the urbanization of the region. A mayor of a Sunan city whom I interviewed used three terms to characterize the change of the development strategy of the Sunan region.

“In the 1970s we emphasized ‘farm land development’ (造田) and in the 1980s we placed our priority on ‘factory development’ (造厂),” the mayor told me. “Now in the 1990s we have made great advances in ‘city development’ (造城).”

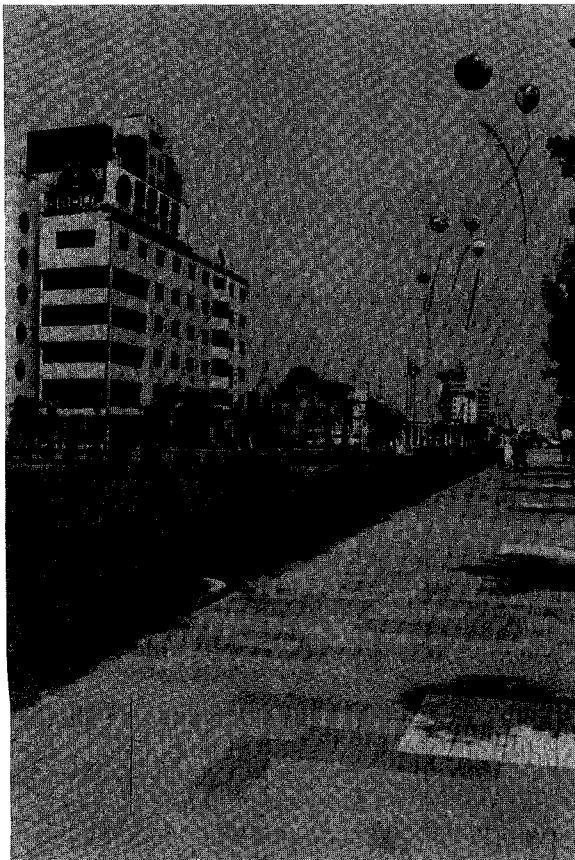
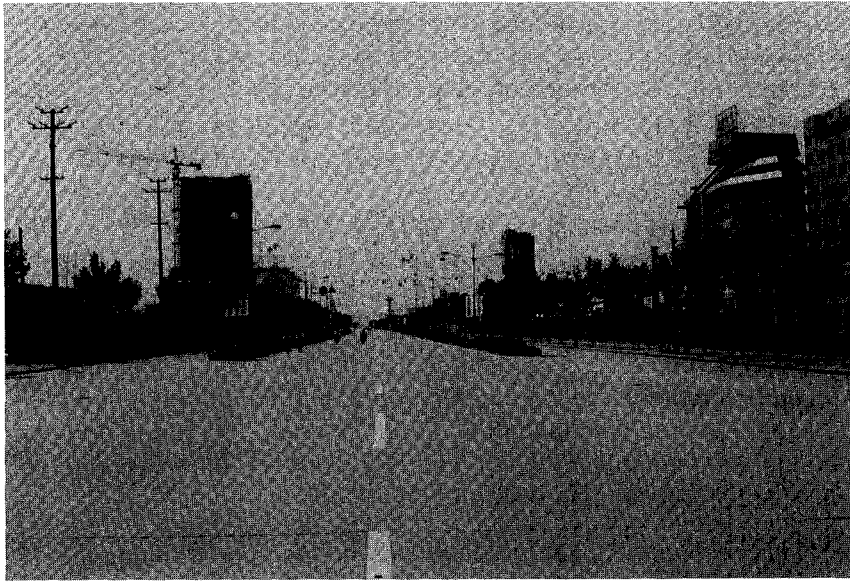
Both the local governments and entrepreneurs in Sunan have indeed invested a large amount of money in the urban development of the region. In Wuxian county, for example, the annual investment on city infrastructure increased from 50 million yuan in the late 1980s to 95 million in 1991 and 250 million in 1992.¹⁴ Newly-born booming cities and towns have mushroomed in Sunan's vast area.

The most impressive newborn city in Sunan is undoubtedly Zhangjiagang (张家港, pronounced *chang-jia-gong*). During the past half year, I visited Zhangjiagang three times. Each time I went with a group of friends who had never been to the city before – the first was a group of business people from the United States, the second a group of social scientists from England, and the third my former schoolmates from Shanghai. Each time my friends told me that they were truly impressed by this emerging modern city.

"If there is any city that can make China proud of its urban development," a British sinologist commented. "Zhangjiagang should be the one."



Zhangjiagang, a newborn modern city in Sunan. Most urban areas of Zhangjiagang were farm land or covered with reeds just a few years ago. "Rome was not built in a day, but Zhangjiagang has been," a resident in Zhangjiagang used this Western saying to describe the rapid rise of Zhangjiagang city.

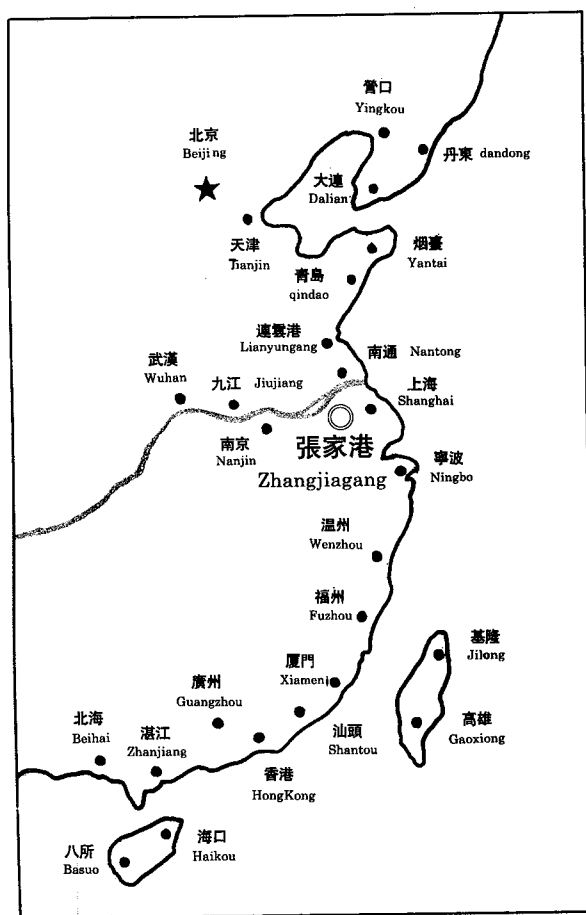


Chinese cities are presently notorious for the lack of green – few trees and little grass. In addition, most Chinese cities have narrow streets, which have made traffic jams a familiar scene for urban dwellers. But these two street scenes of Zhangjiagang show that this city is exceptional. Trees and grass are planted everywhere in the city. Zhangjiagang has many newly-built streets, which are usually over 50 meters wide.

At present, Chinese cities are generally notorious for the lack of green – few trees and little grass. With a few exceptions such as China's capital Beijing and the former capital Nanjing, most Chinese cities have narrow streets, which have made traffic jams a familiar scene for urban dwellers.

But what we saw in Zhangjiagang was an unusual urban scene in China: trees and grass are planted everywhere in the city. Smoking is prohibited in public places and streets in the city. We were not surprised when we were told that Zhangjiagang city won the title of "National Sanitational City" in both 1993 and 1994.

Zhangjiagang county covers an area of 999 sq kilometers, including 221 sq kilometers of water area and 778 sq kilometers of land area. A local official told journalists that the city has recently built 19 new boulevards, planted 850,000 trees and 1.2 million square-metre green areas.¹⁵ These newly-built streets are usually over 50 meters wide. Highway Zhangyang and Highway Yanjiang, two roads that lead directly to the downtown area of Zhangjiagang, are each over 100 meters wide.



Zhangjiagang, located on the southern bank of the lower reaches of the Yangtze River, is the only inland river Free Trade Zone among all the duty-free zones approved by the Chinese central government so far.

The rapid economic growth is easily observed on streets of Zhangjiagang. Joint venture factories, fancy commercial centers, and elegant office and apartment buildings stand on both sides of spacious boulevards. On commercial streets small businesses are flourishing. Entertainment clubs, restaurants, and karaoke bars are filled with well-dressed entrepreneurs using cellular phones.

“Rome was not Built in a Day, but Zhangjiagang has been.”

All these developments, however, were achieved during the past few years. Most urban areas of Zhangjiagang were farm land or covered with reeds just a few years ago. Zhangjiagang was not even on the city map of China in the mid-1980s, because it was then a county. Called Shazhou County, it was a backward county in Sunan. Even in the early 1970s, a majority of the peasants in the county were almost as poor as peasants in Subei (northern Jiangsu). The site in which downtown Zhangjiagang is now located was a small town called Yangshe – one of thousands of towns in the country.

Zhangjiagang didn't have the status of a county-level city until the end of 1986. Only in 1992 did the State Council give its approval to the establishment of the Zhangjiagang Free Trade Zone. Most of Zhangjiagang's urban construction projects took place within the past two years.

“Rome was not built in a day, but Zhangjiagang has been,” a civil engineer whom I met in Zhangjiagang said to me. He used this Western saying to describe the rapid rise of Zhangjiagang. The engineer originally worked in Shanghai but has now settled in Zhangjiagang where he has been involved in a number of construction projects.

Zhangjiagang surely benefits from an ideal location. The city is on the southern bank of the fertile lower reaches of the Yangtze River, with Shanghai on its east, Suzhou on its south, Wuxi and Changzhou on its west and Nantong on the other side of the Yangtze River. With 26 industrial satellite towns under its jurisdiction, Zhangjiagang County has a total urban and rural population of 840,000. Among them, about 200,000 live in Zhangjiagang City.

Zhangjiagang City is named after its nice international open port – Zhangjiagang Port, which is situated northwest of the city. The port possesses a favorable geographical site and it never silts up and freezes over. Cargos vessels can be steered close to shore because of its deep water. Ships less than 100,000-ton can anchor directly to the wharfs. The port has already opened 11 international routes and six containerized international shipping lines. It has 22 scheduled voyages every month. The port has a freight transport business with over 100 international ports in more than 140 countries.¹⁶ In 1993, the annual handling capacity of the port reached 15 million tons. Zhangjiagang port handles about 46% of the goods transported overseas in the whole Jiangsu province.¹⁷



Zhangjiagang port has opened 11 international routes and six container international shipping lines. The port has a freight transport business with over 100 international ports of more than 140 countries. Zhangjiagang port handles about 46% of the goods transported overseas in the whole Jiangsu province. It has played an important role in the economic boom of Sunan.

In 1992, Zhangjiagang was ranked 7th among the economically strongest 100 counties in the country. In 1993, its position in these super counties rose to 4th. In 1993, the city's total industrial and agricultural output value reached 36 billion yuan, higher than that of some inland provinces in China. At present, nine major branches of industry have been set up in the city. They are: metallurgy, electronic components, construction materials, light industry, textiles, chemicals and medicines, wool weaving, knitwear, and arts and crafts.

In terms of attracting foreign investment and promoting foreign trade, Zhangjiagang was ranked first in Jiangsu province in 1993 when its foreign trade export purchasing value reached 72 billion yuan. At present, foreign funds pledged to contracts total over 10 billion US\$.

The city not only has over 1,000 joint ventures (including 379 foreign

manufacturing enterprises and about 700 foreign-investment enterprises), but also has established 80 enterprises abroad (set up by enterprises here in Zhangjiagang). Exported products total more than 360 items, sold to 80 countries in the world.¹⁸ All 47 province-level major corporations are export-oriented enterprises. Qin Zenhua, Party Secretary of Zhangjiagang, recently told Chinese journalists that all new production in the city should target foreign markets.¹⁹

The International Trade Center in Zhangjiagang. The city was ranked the first in Jiangsu province in 1993 in terms of attracting foreign investment and promoting foreign trade. By now, foreign funds pledged to contracts are over 10 billion US\$.



The living standard of the people of Zhangjiagang, especially those who were formerly peasants, greatly improved. In 1991, the average income of people in the rural area was 2,140 yuan, 24 times the average income in 1962. Over 70% of peasants have moved into new two- or three-story houses since 1978. The average housing space per person was 47 square meters.²⁰

From 1980 to 1991, Zhangjiagang had an average annual GNP growth of 19.6%. The total industrial and agricultural output value increased 24.1% annually on average. In 1992, Zhangjiagang county's GNP increased 87% over the previous year.²¹



A group of students in a high school of Zhangjiagang. They are all children of former peasants. They are amazed at the dramatic changes taking place in the area and they know that they will have a completely different life from that of their parents. They inherit some characteristics of their peasant parents such as honesty and diligence, but they are more confident about their future. Some of them will enter the Shazhou Institute of Engineering in Zhangjiagang – the first county-run college in the country.

“China has had the fastest growing GNP in the world in the past few years. In China, Zhangjiagang has the fastest growing GNP,” an official in the municipal government of Zhangjiagang said to me. “I dare to say that no other county, in China or elsewhere, has achieved as high a rate of GNP growth as Zhangjiagang has.”

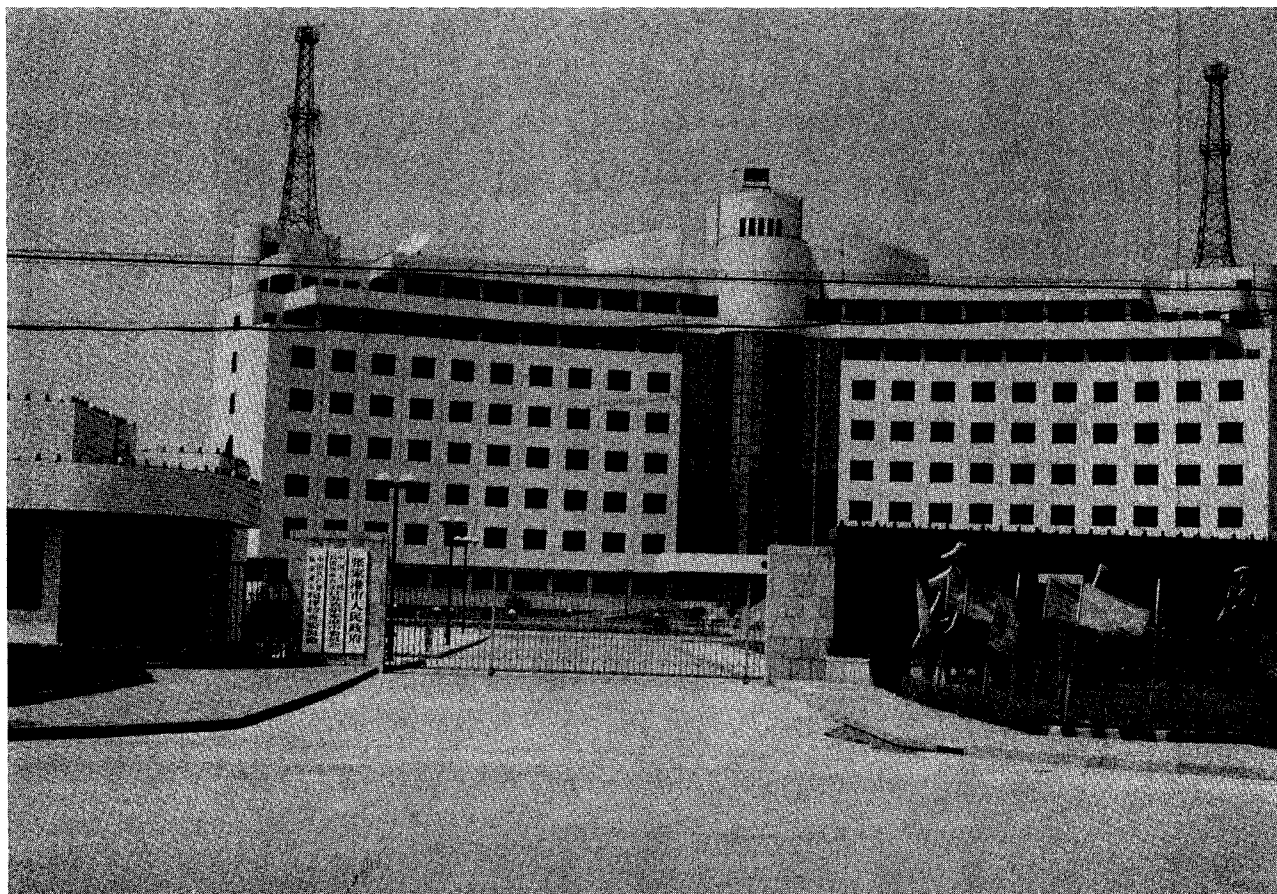
“I believe you,” I replied. “How could one surpass an 87% of GNP rise in GNP in one year?”

When I told a friend of mine in the United States about the GNP growth rate in Zhangjiagang, she commented, “We in the United States would be thrilled if our GNP achieved only one-tenth of Zhangjiagang’s growth rate.”

What has Led to Zhangjiagang’s Economic Boom?

How could Zhangjiagang achieved all this and transform itself from a small town and a “fishermen’s wharf” to a modern port city in China in such a short time?

Geographical location, especially the port, certainly has helped. During our visits in Zhangjiagang, many people there told us the same story about how the mayor and party secretary of the city went to Beijing to campaign for the status of Free Trade Zone – they brought many young girls to Beijing with them and gave these girls to officials of the central government as maids or housekeepers. These officials



The headquarters of the municipal government of Zhangjiagang. The local government has played an important role in the economic boom of the city.

didn't even need to pay the wages of these girls because the municipal government of Zhangjiagang took care of it. All the officials in Beijing needed to do was simply give approval for the establishment of the Zhangjiagang Free Trade Zone.

"In the U.S. nominees for the cabinet or other top government posts are in big trouble if they only once fail to pay taxes for the maids working in their houses," an American businessman asked a local official who told us the story. "Do the Chinese leaders feel awkward about failing to pay the wages to their maids?"

"Awkward?" the local official said. "No one felt awkward. Every one got what they wanted – the leaders of the central government got maids for free, the maids found the connections in Beijing, and Zhangjiagang City got approval. Why feel awkward if we could get things done? We local officials should work very hard to win favorable policies from big men in Beijing."

"You greased the wheel to make it run," the American businessman used an

English expression.

"By the way," the local official continued, "if your American company decides to invest in Zhangjiagang, we can export a lot of maids to serve your CEOs and trustees. How about it?"

The American businessman laughed. "Is this Chinese gentleman serious?" he asked me in English.

"I'm not sure," I replied. "But the story that Zhangjiagang officials sent maids to their bosses in Beijing is well-known in Sunan."

"The Zhangjiagang officials should be praised for their 'local initiative' and their creativity in establishing a 'reciprocal relationship' with the central government," the American businessman said.

"I agree," I said.

It may be an ethical issue to judge the "maids diplomacy" (*baomu waijiao* 保姆外交) pursued by the local leaders of Zhangjiagang, but the establishment of the Free Trade Zone (*baoshuiqu* 保税区) has directly contributed to the economic boom in the city. Zhangjiagang Free Trade Zone is the only inland river Free Trade Zone among all the duty free zones approved by the Chinese central government so far.

The special policies carried out in Zhangjiagang, according to local officials, are even more flexible and favorable than those exercised in any other existing special zones or economic development zones. The Zhangjiagang Free Trade Zone has attracted many domestic and foreign enterprises and agents which are engaged in international trade, export oriented storage, transportation packaging, entrepot and transit trade, and export processing.²²

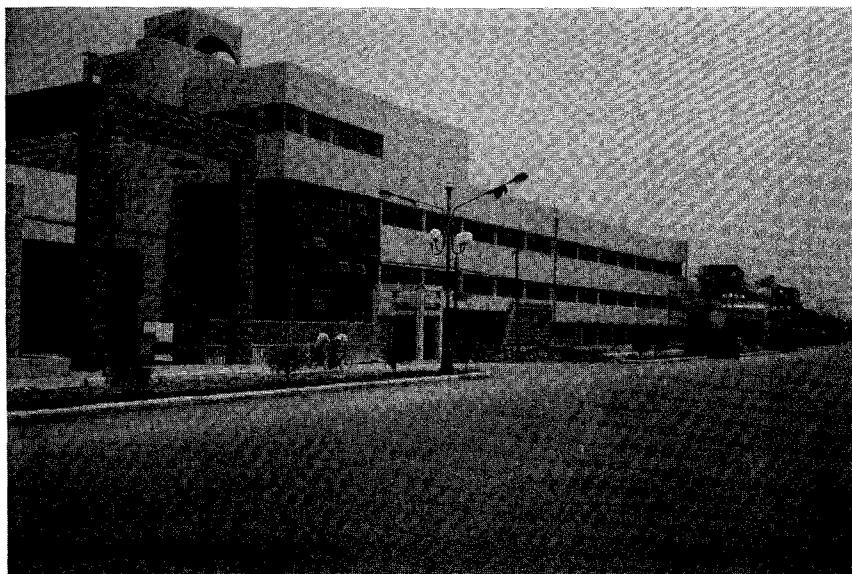


The rapid economic growth is easily observed on the city's streets. Every corner holds a new construction site and joint ventures abound in the city factories. In 1992, Zhangjiagang county's GNP had increased 87% over the previous year.

“Geographical location, local leadership, and favorable policy in the free trade zone are all relevant to the rapid development there,” Lin Jiangong, a professor at Suzhou University said. “But the most important factor behind the economic boom of the city is the role of township and village enterprises (TVEs). TVEs are the driving force of the rise of Zhangjiagang.”

Professor Lin’s interpretation is well-supported by the statistics. In 1988, for example, the total industrial and agricultural output value of the city was 7.2 billion yuan, of which the output of TVEs accounted for 5.5 billion yuan (76.7% of the total). In 1991, the total industrial and agricultural output value reached 12.2 billion yuan, an increase of 18 times that of 1978 and 89 times that of 1962. The percentage of TVEs in the total output value of Zhangjiagang was as high as 81.8% in 1991 and 87% in 1992.²³ Among China’s top 500 TVEs in 1994, Zhangjiagang has 47.²⁴

Township and village enterprises are the driving force of the rise of Zhangjiagang. The percentage of TVEs in the total output value of Zhangjiagang was as high as 81.8% in 1991 and 87% in 1992.²³ Among China’s top 500 TVEs in 1994, Zhangjiagang has 47. The modern factory in the picture is one of these 47 TVEs.

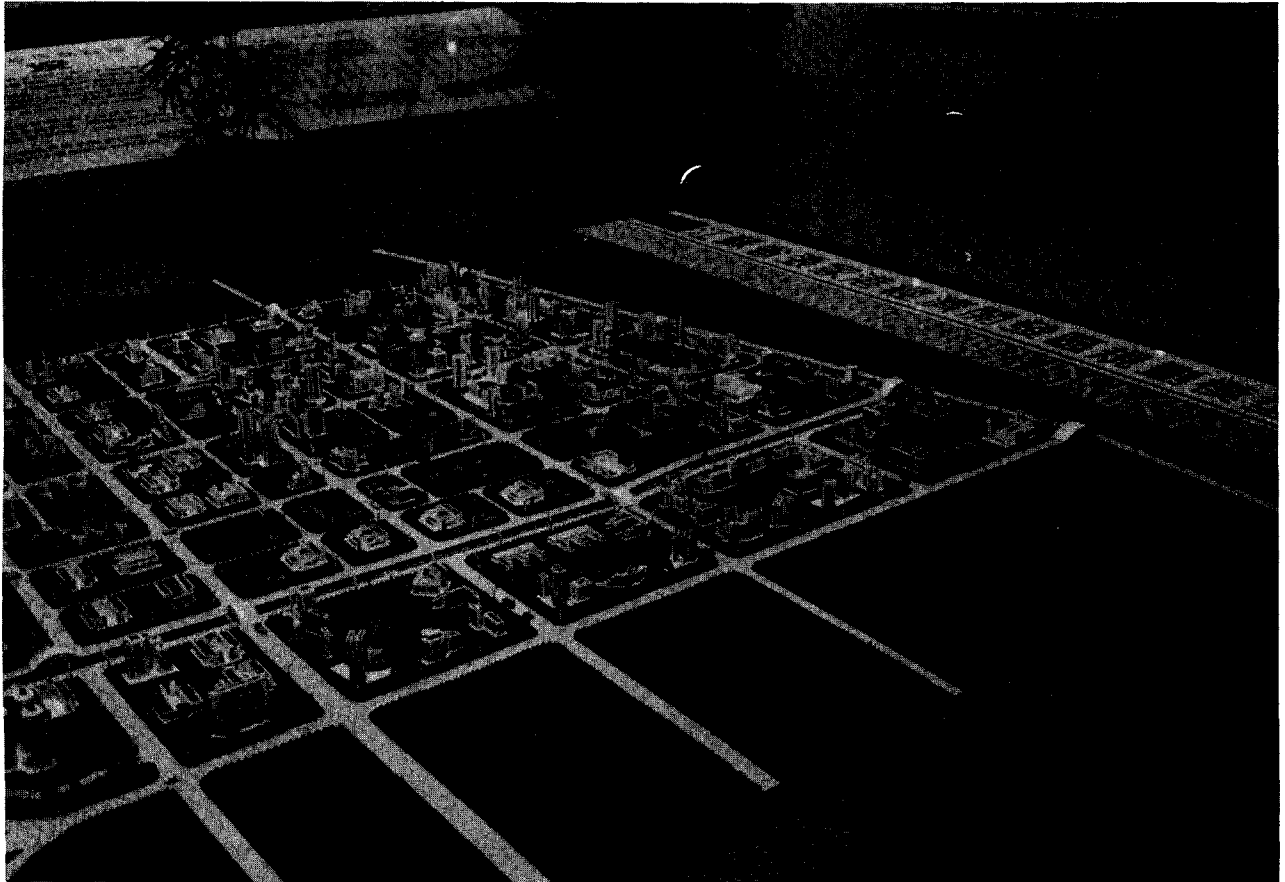


Foreign investment has certainly played an important role in the rapid economic growth and urban development there, but the main source of capital thus far has come from Zhangjiagang itself – from the funds accumulated by TVEs in previous years. The rate of accumulation in Zhangjiagang was 68% in 1991, 14% higher than that of Suzhou and double that of the total country.²⁵

Zhangjiagang as a Model for China’s Urban Development

What sets Zhangjiagang apart from most other counties in which TVEs have developed rapidly is that Zhangjiagang is more willing to invest money in infrastructure and urban development.

“Although TVEs in Zhangjiagang achieved a high growth rate in the 1980s,” a top official in Zhangjiagang who did not want to be identified said, “we had four major problems by the end of the 1980s. First, TVEs were scattered here and there in villages and towns. They overlapped with each other in terms of their products. Second, Zhangjiagang lacked natural resources, most raw materials came from other regions. Third, transportation and infrastructure lagged far behind the economic growth of the region. The main means of transportation in Zhangjiagang had been water, which accounted for 80%, while road transportation accounted for only 20%. We haven’t built a railway yet (the railway between Zhangjiagang and Wuxi is now under construction). And finally, like all other counties in Sunan, we had a shortage of capital as we planned to further our economic development. We desperately needed more foreign capital.



The local government of Zhangjiagang has paid great deal of attention to city planning and infrastructure development. Zhangjiagang serves as a role model for the urban development of small and medium-sized cities in China.

"We realized that the key to solve all these problems," the official continued, "was to accelerate urbanization and invest more in transportation. By doing so, we could attract TVEs to the city and would have a better environment for foreign investors."

"If TVEs have moved to cities, do you still call them township and village enterprises?" I asked.

"No," the official answered, "the TVE was a product of the Chinese rural industrial revolution. This revolution has two tasks: to industrialize part of China's vast rural area and to achieve rapid urban development. The rural industrial revolution may not achieve these two tasks simultaneously; but urbanization should closely follow industrialization."

"Do you mean that the TVEs will fulfill their historical task and transform into urban enterprises?" I asked.

"Yes, people in TVEs use the expression 'leave the farm land but remain in rural villages; enter factories but not cities' (离土不离乡, 进厂不进城) to characterize the change in their occupation but the continuation of their rural identity. This phenomenon will no longer continue. They either remain in rural areas as peasants or go to cities or towns as non-agricultural workers."

"Will China have a shortage of grain if millions of peasants leave the farm land and most of the country urbanizes?" I wanted him to reply to this "big question."

"A shortage of grain in a country is often caused by many factors such as domestic politics and international economic environment," the official commented. "In the Mao era, especially during the early 1960s, millions of Chinese died of starvation. But over 85 percent of China's population then lived in rural areas. China will remain a poor third world country forever if China does not transform itself from an agrarian economy to an industrialized nation."

"We officials in Zhangjiagang were criticized by many people elsewhere, including you people in Shanghai, for 'pulling too many peasants into urban areas' and 'abusing rural land for urban construction,'" the official continued. "They forgot that China has over 200 million surplus rural laborers. Zhangjiagang has actually absorbed a great number of migrants from other regions."

The official was quite right. In some economically advanced market towns in Zhangjiagang as well as in other counties in Sunan, the number of non-local laborers has even surpassed local residents.²⁶

"People in Shanghai criticized us for building too many roads – too many wide roads," the official explained.

I confirmed that I have also read this accusation in a journal published in Shanghai and found the author's view narrow-minded.

"These narrow-minded people seemed too familiar with the narrow streets in Shanghai to understand in the long run there will be a great need to build broad roads," the official added.

"The most important thing that Zhangjiagang has contributed to Sunan and to the entire nation," the official said, "is neither its 87% of the GNP growth rate, nor its export-oriented economy, but its role model for China's urban development. This does

not mean that the urban development here is perfect, but Zhangjiagang serves as a model for other small and medium sized cities in the country. Do you understand what I mean?"

I did understand what the official tried to say. The role model of urban development is indeed very important to China. Since 1978, the Chinese government has adopted a strategy for urban development which has three parts: "To strictly control the growth of metropolitan cities; to rationally develop medium-sized cities; and to vigorously promote small-sized cities."

But this strategy has been ineffective because small-sized cities have lacked capital to develop while millions of jobless peasants have rushed into major cities. Post-Mao China has therefore confronted two seemingly contradictory major problems in its urban development. One is the lag of urbanization in contrast to the rapid industrialization in the country (城镇化的滞后性) and the other is the deterioration of the urban environment of China's metropolises, or what some scholars call the "city syndrome" (城市病).

The Lag of Urbanization Since the economic reform started in 1978, China has restructured its economic sectors and promoted the development of the industrial sector. As Part II of this series has shown, the most salient feature of China's industrialization in the reform era is the rural industrial revolution. Like many populous agricultural countries, China has long been beset by its surplus rural laborers. It is estimated that China has over 200 million surplus rural laborers.²⁷ Urban industries' ability to absorb surplus rural laborers, however, is limited.

Under these circumstances, China has chosen the road of development which emphasizes non-agriculturalization (非农化) in rural areas. The boom of township and village enterprises over the past decade has reflected this development. TVEs have absorbed millions of surplus rural laborers and contributed to the growth of the Chinese economy.²⁸ This road of development aimed to avoid the "massive exodus," which occurred in countries like Mexico, where not only did millions of jobless peasants leave the country, they also rushed to metropolitan cities in their own countries. Approximately one-fourth of the population in Mexico, for example, lives in Mexico City alone.

Yet, the Chinese way of development has its own cost and problems. An overwhelming majority of rural enterprises are scattered here and there in the countryside irrationally. As shown in the previous part of this series, the total 21 million TVEs in the country during 1992, only 1% of them were in the towns where county governments were located (xiancheng 县城), 7% were in towns, and an overwhelmingly majority of TVEs (92%) were scattered in the countryside.²⁹ Although the development of rural enterprises has contributed to the formation of townships, these towns are usually too small to support urban functions. According to a study of towns on the coast of China: towns in which county governments are located have 26,000 people on average, towns in which township administrations are located (jianzhizhen 建制镇) have 2600 people on average, market towns (jizhen 集镇) have only 398 residents on average.³⁰

The dispersion of township and village enterprises in China's vast rural area has not only made the infrastructure (e. g. water and electric supply, transportation and road construction, and disposal of waste) there less efficient, but also made the formation of cities more difficult. Consequently, urbanization has lagged behind the process of industrialization of the country. According to a recent study, the ratio between non-agriculturalization and urbanization in China in 1990 was 1.52. This means that 52% of non-agriculturalization took place outside cities and towns in the country.³¹

The lag of urbanization has led to a more serious consequence – the stagnancy of the tertiary sector of the Chinese economy. Characteristically, the development of the tertiary sector takes place in urban areas, or more precisely, it relies on the density of the population in cities. Businesses such as commerce, information, advertisement, telecommunication, entertainment, hotels and restaurants usually develop most quickly in urban areas. The dispersion of rural industrial enterprises has generally failed to stimulate the growth of the tertiary sector. Therefore, the tertiary sector, which can potentially absorb millions of surplus rural laborers, is not well developed in China. In 1991, the percentage of the population that worked in the tertiary sector in China's total population was 18.6% while the figure of advanced industrialized countries was about 60%.³²

China's "City Syndrome" The second major problem in the urban development during the post-Mao era was the deterioration of the urban environment of China's metropolises as a result of both the natural growth of the population in cities and the internal migration of the country. Housing, transportation, and other infrastructure facilities such as water and electricity supply in China's major cities cannot meet the basic needs of the increasing number of urban dwellers.

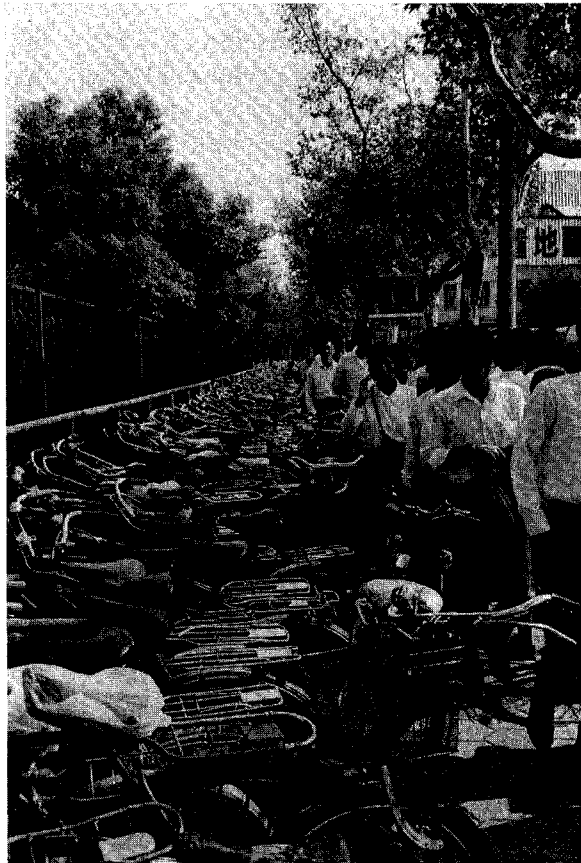
The density of population in Shanghai during the 1980s, for example, was 19,900 per square km (p.s.k.), which was much higher than the figures of many other overcrowded cities in the world such as Tokyo (5,400 p.s.k.) and New Delhi (4,000 p.s.k.) during the same period.³³ According to an official report, 899,900 families in Shanghai have insufficient housing (meaning below 4 square meters per person), and among them 68,800 families simply don't have room for living.³⁴ But the government's priority during the past decade has been to construct office buildings, fancy hotels, and expensive villas for foreign and domestic business people, rather than to help the families with housing problems.

An official from the Ministry of Urban and Rural Construction recently told Chinese journalists, the conditions of about 8 million households in China's metropolises should be improved immediately. Approximately 33 million square meters of dangerous dwellings should be tore down, and nearly 500 million square meters of decrepit housing should be renovated.³⁵

The inadequacy of urban transportation is another serious symptom of China's "city syndrome." In Shanghai, the number of bus passengers reached 4.6 billion annually in the 1980s, 18 times that of 1949, but the number of buses increased only 4 times and the road space increased only 2 times.³⁶ In 1991, urban Shanghai had

200,000 cars, but three years later, the number doubled.³⁷ Most of these cars, however, are often stuck along Shanghai's narrow streets.

In China's metropolitan city Shanghai you sometimes cannot find a tiny place to "park" your bicycle on the street. The city is flooded with bicycles. The municipal government has recently enacted a policy that one needs to surrender one's old bicycle in order to buy a new one.



A traffic jam in Tianjin, one of the largest cities in the country. Patient taxi drivers get out of their taxis and chat with each other.

In Guangzhou, from 1978 to 1992, the GNP increased 7 times and the number of automobiles increased 11 times, but urban road space increased only 2.4 times.³⁸ Not surprisingly, the city transportation system in many major cities in China such as Shanghai has been on the edge of paralysis.

Meanwhile, the infrastructure in China's major cities has lagged far behind the rapid growth in the urban economy and population. It has been a common practice in China's metropolises that electric power shuts down by district in turns. Among China's 479 cities in 1991, over 300 cities had water shortages.³⁹ The situation has not improved, but actually deteriorated in recent years, as more city dwellers have installed air conditioners and showers in their residences.

Almost all major cities in China are seriously polluted. According to a recent report on the environmental evaluation of world metropolises, Beijing and Shenyang are ranked among the seven most polluted cities on the globe. In Chongqing, one-third of residents have respiratory problems. In a half of China's cities tap water is polluted. Qu Geping, Chairman of the Environment Protection Committee under the People's Congress, said that China lost 11.5 billion U.S. dollars every year as a result of environmental pollution. That is about 3% of China's GNP.⁴⁰

Table 3 Distribution of Urban Population by City Size (1991-1990)

City Population	1881		1985		1990	
	Number	%	Number	%	Number	%
More than 1,000,000	37	52.1	57	47.7	98	48.1
500,000-1,000,000	41	21.1	85	25.6	153	32.5
100,000-500,000	136	26.0	171	23.5	198	19.2
Less than 100,000	15	0.8	11	0.3	12	0.2

Source: Lin Yan, *Shanghai nongchun chengshi hua yanjiu* (Research on urbanization of Shanghai's rural areas), (Shanghai: Science and Technology Publishing House, 1993), p. 69.

Despite all these problems caused by overpopulation, big cities have increased at a higher rate than small and medium-sized cities have during the recent decade. Table 3 shows that the percentage of cities with a population of over 500,000 increased from 73.2% in 1981 to 80.6% in 1990 while that of cities with a population of below 500,000 decreased from 26.8% in 1981 to 19.4% in 1990. It seems that the overpopulation in China's big cities will become an increasingly serious problem in the years to come.

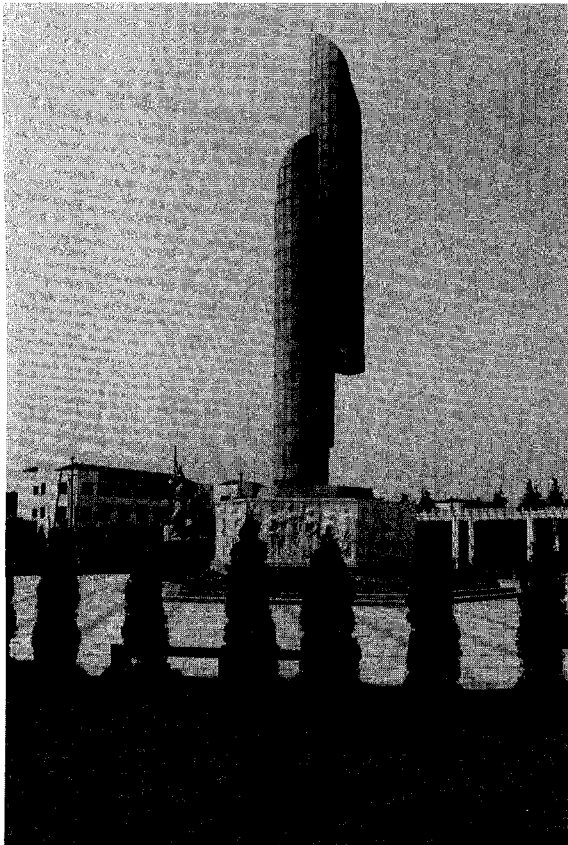
Challenges of Urbanization and China's Choices

Both the excessive urbanization in Chinese metropolises and the lag of urbanization in vast areas of the country suggest the great challenges that China confronts at present. Meanwhile, these problems also contrast the success of small-

and medium-sized cities and highlight the great importance of Zhangjiagang's model for China's urban development.

One may argue that because of its port and other geographical advantages Zhangjiagang is too unique to be a model. But one should also notice that Zhangjiagang was a poor county in Sunan in the early 1980s and it didn't have many natural resources. Zhangjiagang can be a model for China's urbanization for various reasons – its urban size, its environment conducive for the development of TVEs, its efforts to avoid the dispersion of TVEs in rural areas, its emphasis on infrastructure and transportation in the city, its environmental and ecological concern, its rise from a poor economic background, and its initiative in both getting favorable policies from the central government and attracting foreign investment.

China is currently undergoing one of the largest quick urbanizations in human history as over 200 million surplus rural laborers leave from rural areas. In Pudong (the east part of Shanghai), for example, 150,000 peasants have become urban dwellers within 12 years. A similar scale population change in the west part of Shanghai took about 150 years.⁴¹



A street statue in Zhangjiagang. The growing bamboo symbolizes the continued successes of the city. Zhangjiagang has indeed achieved one success after another in the past few years – the rapid growth of TVEs, sustainable urban development, and export-oriented economic reconstruction.

As happened in other countries including the United States, large-scale rapid urbanization can be a painful experience for a country. In India and Mexico, for example, many socio-economic problems are caused by the urbanization of these countries. Three decades ago, the world had 19 cities that each had over 4 million population, but now the number was 135. By 2025, about 5.5 billion people will live in cities. Eight-tenths of them, however, will be in developing countries.⁴² In China, according to the government, the urban population is expected to hit 400 million by the year of 2000 and 500 million by 2020.⁴³

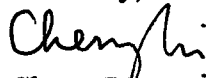
The crucial question that China faces now is how to absorb its huge number of surplus rural laborers. There are three major options. The first is to absorb them into the major cities of the country. However, the population of China's top 15 largest cities is about 40 million. These cities clearly cannot absorb five times more people into their already overcrowded urban areas.⁴⁴

The second option is to encourage TVEs to create more job opportunities within rural areas. Actually, during the past 16 years, about 100 million rural workers have already been absorbed by 21 million rural industrial firms all over the country. But since the end of the 1980s, the number of new jobs created by township industries has decreased. The development priority for township industries is to attract capital and to upgrade technology rather than increase the labor force. More importantly, the dispersion of TVEs in China's vast rural area has not only made the use of resources and infrastructure less efficient, but has also constrained the development of the tertiary sector of the Chinese economy.

The third option is to set up and extend small- and medium-size cities and help peasants pursue permanent residence there. In China there are 300 smaller cities like Zhangjiagang (each with less than 200,000 people). These cities are located in all parts of the country and therefore can avoid transportation problems caused by the flow of the population from one area to the other. These smaller cities don't have the heavy burdens of large-size cities, and therefore the social cost of hiring new laborers is relatively low. In addition, local governments have a great incentive to develop urban infrastructure in their own regions.

Zhangjiagang's story is a successful one. However, it remains to be seen whether Zhangjiagang's method of urban development can be duplicated in other parts of the country. If not, how will China respond to the serious challenges of environmental deterioration in both overcrowded major cities and in vast rural areas where TVEs have scattered irrationally?

Sincerely,


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Notes:

1. Richard Hofstadter, The Age of Reform: From Bryan to F.D.R. (New York: Alfred A. Knopf, 1959), p. 23.

2. Chengshi wenti (Urban problems), No. 4, 1994, p. 54.

3. Gaige yu zhanlue (Reform and strategy), No. 6, 1993, p. 38.

4. *Ibid.*

5. Renkou yu jinji (Population and economy), No. 6, 1993, p. 18.

6. China Daily, June 22, 1994, p. 5. The total number of urban dwellers who were forced to migrate to the countryside in the late 1960s and early 1970s, however, is still unknown.

7. Chengshi wenti (Urban problems), No. 1, 1994, p. 46.

8. China Daily, Sept 3, 1994, p. 4; and Baokan wenzhai, Oct. 17, 1994, p. 1.

9. Sun Daiyao and Wang Wenzhang, Julong de suxing (Dragon wakes), (Beijing: Wenjin Publisher, 1993), p. 260.

10. Shizhang cankao (Mayor's reference), No. 6, 1994, p. 2.

11. In 1987, the Chinese Academy of City Planning and Design published a report, which listed five factors behind China's urban development: 1) the location of large State construction projects, 2) the growth of big cities and their satellite cities, 3) rural industrialization, 4) the input of foreign investment, and 5) the development of local industries. Nankai jinji yanjiu (Nankai economic research), No. 1, 1994, p. 24.

12. Chengshi guihua huikan (Journal of city planning), No. 2, 1994, p. 57.

13. Renkou yanjiu (Population research), No. 2, 1994, pp. 27-28.

14. Chengxiang jianshe (Urban and rural construction), No. 4, 1994, p. 23.

15. Jiefang Daily, June 16, 1994, p. 1.

16. Jiangsu Province Zhangjiagang city Land Administration Bureau, A Guide of Real Estate of Zhangjiagang City; and Guo Shuzhen and Ding Zhenyi, Zhangjiagang Free Trade Zone.

17. Chengshi guihua (City planning), No. 2, 1994, p. 40.

18. *Ibid.*

19. Jiefang ribao, Dec. 4, 1994.

20. Suzhou daxue xuebao (Journal of Suzhou University), No. 2, 1993, p. 28.

21. Chengshi guihua (City planning), No. 2, 1994, p. 39.

22. Jiangsu Province Zhangjiagang city Land Administration Bureau, A Guide of Real Estate of Zhangjiagang City; and Guo Shuzhen and Ding Zhenyi, Zhangjiagang Free Trade Zone.

23. Suzhou daxue xuebao (Journal of Suzhou University), No. 2, 1993, pp. 27-28; and Chengshi guihua (City planning), No. 2, 1994, p. 40.

24. Jiefang ribao, Dec. 4, 1994.

25. Chengshi guihua (City planning), No. 2, 1994, p. 40.

26. China Daily, August 31, 1994, p. 4.

27. For a discussion of China's surplus rural laborers, see the author's previous reports, "Tidal Wave of Migrant Workers in China, Part I '94ers: Eastward Ho!" and Part II "200 Million Mouths Too Many."

28. See two previous parts of the series on Sunan's rural industrial revolution.

29. *Ibid.*; and also Chengshi wenti, (Urban problems), No. 4, 1994, p. 35.

30. Baokan wenzhai, Oct. 13, 1994, p. 2.

31. Gu Shengzu and Zhu Nong, "Zhongguo chengzhen hua de fazhan yuejiu" (A study of the development of urbanization in China), Zhongguo shehui Kexue (Social

science in China, No. 5, 1993, p. 46.

32. Ibid., p. 54.

33. Tian Fang and Zhang Dongliang, Zhongguo renkou jianyi xinduan (New approach to the study of China's population), (Beijing, Zhishi publishing house, 1989), p. 312.

34. Ibid., p. 304.

35. Shanghai Star, July 15, 1994, p. 1.

36. Tian Fang and Zhang Dongliang, Zhongguo renkou jianyi xinduan, p. 304.

37. Cankao Xiaoxi (Reference news), August 28, 1994, p. 8.

38. Chengshi guihua huikan, (Journal of city planning), No. 1, 1994, p. 42.

39. Chengshi guihua (City planning), No. 3, 1993, p. 22.

40. Cankao Xiaoxi, June 12, 1994, p. 8.

41. Webhui Daily, March 14, 94, p. 1.

42. Cankao Xiaoxi, August 24, 1994, p. 1.

43. Webhui Daily, March 14, 94, p.1

44. Yet, some Chinese officials and scholars have continued to favor the growth of large cities at the expense of the development of small and medium-sized cities. See, for example, Chengshi guihua (City planning), No. 3, 1994, p. 22.