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China Turns Predominantly Urban

Transfer of Millions to Cities Is Double-Edged Sword; Property Demand a Factor in Land Grabs

By JEREMY PAGE and BOB DAVIS in Beijing and JAMES T. AREDDY in Shanghai

BEIJING—China has announced that people living in its towns and cities now outnumber those in the countryside, making it a predominantly urban nation for the first time in Chinese civilization.



Xinhua/Zuma Press

Migrant workers and others line up for trains ahead of the Lunar New Year holiday in Chengdu on Tuesday.

The milestone spotlights a trend that China's government says will be a key driver of economic growth over the next two decades as hundreds of millions more people move into urban areas in search of higher-paying jobs.

But it also points to the challenges facing Chinese leaders as mass migration places an increasing strain on urban housing, transport and welfare, while fueling pollution, social unrest and demands for political reform.

Urban dwellers account for 51.27% of China's entire population of nearly 1.35 billion—or a total of 690.8 million people—the National Bureau of Statistics (NBS) announced at a news conference in Beijing on Tuesday.

City dwellers represented just 10.6% of China's population in 1949, when the Communist Party took power, and just under 19% in 1979, when it launched the market reforms, according to official Chinese statistics.

That means that in the economic boom of the past three decades, China has roughly matched what economic historians say took about 200 years in Britain, 100 years in the U.S. and 50 years in Japan.

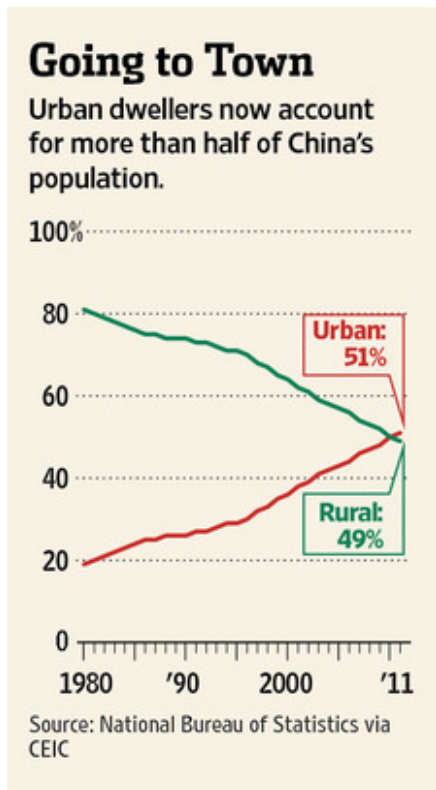
Many experts expect the trend to continue at a similar pace in China, with McKinsey, the consulting firm, forecasting last year that the country would have one billion urban residents by 2030—its urban population growing by more than that of the entire U.S. in just two decades.

The social cost of urbanization is becoming increasingly evident, however, with 253 million rural migrants now living in Chinese cities with little or no access to public services, which they can only access in the villages where they are registered under the "hukou" or household-registration system.

The demand for urban property has also led to rampant seizures of farmland near towns and cities by local officials, who typically pay

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farmers a nominal fee before selling at market rates to developers who often build luxury housing and shopping malls.

Wen Jiabao, the Chinese Premier who is entering his last year in power this year, called for greater efforts to tackle such illegal land seizures in an essay published this week in an official Communist Party magazine called *Qiushi*, or Seeking Truth.

China had "lowered the costs of industrialization and urbanization by sacrificing farmers' rights to land," he wrote. "No one is empowered to take away such rights."

Mr. Wen also criticized a widespread policy of moving villagers into apartment blocks so their land can be merged into larger blocs or used for property development.

Growing public anger at land grabs came into focus last month when residents of the fishing village of Wukan in the southern province of Guangdong staged an open revolt against local officials they accused of illegally selling their land to property developers.

Such land disputes account for 65% of "mass incidents"—the government's euphemism for large protests—in rural areas according to Yu Jianrong, a professor and expert on rural issues at the state-run

Chinese Academy of Social Sciences.

China's Land Ministry has also warned that misappropriation of farmland has brought the country dangerously close to the so-called red line of 120 million hectares of arable land that the government believes it needs to feed China's people.

Mr. Wen said in his essay that China needed to modernize its agricultural technology in order to meet the demand for food from its expanding population despite the shortage of land and water resources.

However, the central government's efforts to curb land abuses have so far met fierce resistance from local authorities who rely on land sales to maintain growth, service debt and top up their budgets.



Reuters

Job seekers waited to enter a job fair in Yantai, Shandong province, in February 2011.

Finding a balance between GDP growth, urbanization, farmers' rights and food security is one of the main challenges facing a new generation of party leaders who are expected to take charge later this year in a once-a-decade leadership change.

Vice Premier Li Keqiang—the favorite to replace Mr. Wen as Premier—told a high-level party meeting on the economy last month that urbanization was key to stimulating domestic demand so China can move away from its export-driven growth model.

He also called for increased efforts to build and distribute fairly the 36 million units of affordable "social housing" that the government has pledged to construct over the next five

years to help meet demand from migrants and ease property prices.

"The construction of affordable homes will help curb excessive price rises and fuel urbanization, which will in turn unleash consumption and investment potentials and push development of related industries," Mr. Li said.

Urban migration is also prompting some local governments to provide better services to newcomers, as well as

extending city services into satellite towns.

In Shanghai, for instance, Mayor Han Zheng this week said that nonlocals would be permitted to rent subsidized units in certain public-housing projects in the city's outer reaches, whereas in the past eligibility hinged on their employment.

"Coverage is extended to all migrant workers in Shanghai," Mr. Han told a press briefing.

Speaking days earlier, Mr. Han also pledged to "encourage and guide the migrant population's involvement in community affairs, enrich their cultural life and show our genuine care to them."

Chinese officials and experts say the country will accelerate the urbanization process over the next two decades in order to avoid the "middle-income trap," a term coined by the World Bank to describe stagnation in a country when per capita GDP reaches \$3,000.

The per capita income of China's urban residents was 21,810 yuan (\$3,434) in 2011, while that of rural residents was 6,977 yuan, according to the NBS.

Still, many Chinese and Western economists and demographers say that urbanization can be a double-edged sword.

When rural residents move to urban areas, they tend to do more economically productive work, learn more skills, earn more money, and buy more goods. They also boost demand for urban infrastructure and housing, which can boost economic growth.

Comparing the growth of 18th century England with modern China, Standard Chartered economist Stephen Green recently concluded that "urbanization went hand in hand with economic growth."

But urbanization, by itself, is hardly enough. Latin America is filled with megacities teeming with shanty towns housing unemployed and underemployed workers from the countryside, whose move didn't stop those nations from stalling economically. According to Mr. Green, China would need to learn some of the lessons from a rapidly urbanizing and industrializing England, especially the creation of "power-restricting, adequate, market-friendly institutions."

That's not necessarily a given in China where the Party claims a monopoly on power and blocks the creations of independent institutions.

Moreover, urbanization is hardly the only demographic trend sweeping over China. At the same time as more workers are moving into the cities, the size of the Chinese work force—those aged 15 to 64—is peaking as the work force ages.

More than 30% of the population is expected to be older than 60 by 2050, producing an increasingly heavy economic burden on those in the work force.

The NBS said Tuesday that the number of people aged 15 to 64 stood at about 1 billion 2011—representing an increase of about 3% over 2010. But China's overall population grew faster—by about 4.8%—between 2010 and 2011.

Write to Jeremy Page at jeremy.page@wsj.com, Bob Davis at bob.davis@wsj.com and James T. Areddy at james.aredy@wsj.com

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