

# CHONGQING'S CHALLENGE

A Yangtze River Boomtown Epitomizes the Promise and Peril  
in China's Rush to Modernize

*By Tom Miller*

China's urban expansion is breathtaking. In 1980, fewer than 200 million Chinese people lived in towns and cities. Over the next thirty years, China's cities expanded by nearly 500 million—the equivalent of adding the combined current populations of the United States, the United Kingdom, France and Italy. Today more than 700 million people are crammed into urban areas, a little over half the population. By 2030, China's cities will be home to one in every eight people on earth.

Nowhere is China's urban transformation more striking than in Chongqing, the largest city on the upper reaches of the Yangtze River, with a population of around seven million. Once a rusting laggard, marooned far from the dynamic cities of the eastern seaboard, this rough-and-ready river port is undergoing spectacular change. Over the past decade, hundreds of towering apartment blocks have sprouted from the city's deep red soil and new bridges have soared across its muddy riverbanks. Chongqing's skyline, now a thicket of skyscrapers, resembles Hong Kong's. And the construction frenzy shows no sign of slowing down. On the city's northern outskirts, bulldozers flatten wooded hills and lush ravines to satisfy property developers' insatiable appetite for land. Near the airport, teams of construction workers lay track on a new monorail that will eventually run to nine lines. And at the heart of the old city, wreckers armed with pickaxes hack at a tangle of grimy slums.

Yet Chongqing's experience also shows the dark side of the urbanization process. Amid the city's development, it is easy to miss the poverty on the ground. Urbanization has brought enormous wealth, but the millions of rural migrants who work

on building sites, serve in restaurants and rub flesh in massage parlors remain poor. Many new arrivals from the rural counties that surround the metropolis struggle to scratch a living. On Chongqing's streets, scrawny men flog pirated porn DVDs from pavements sticky

▷ [View of building construction sites, Chongqing, May 27, 2010.](#)  
*Markel Redondo/Panos*



with cooking slop, rows of women sweat at sewing machines in dank basements and crowds of unemployed migrants gather at an outdoor labor market. On the mossy stone steps that lead down to the Yangtze River, shirtless old men toil as porters, balancing their cargo of goods on long bamboo poles. Chongqing's stick men are just as much a part of the modern city as businessmen sipping cocktails in glitzy bars.

Chongqing's leaders want many more rural people to migrate to the city and other towns within the larger municipality, which is home to 28 million people. They believe that faster urbanization will unlock economic growth and boost rural incomes. Their ambitious goal is to double the municipality's registered urban population from ten million in 2010 to twenty million by 2020. This kind of direct promotion of urbanization is new: for the past fifty years or more, China deliberately held back the pace of migration, partly for fear that cities would not be able to cope with a vast influx of migrants. Chongqing's plan jibes with a shift in national policy: China's 12th Five-Year Plan, for the period from 2011 to 2015, explicitly calls for more urbanization and supports the emergence of megacities. Li Keqiang, China's new premier, has consistently expressed his support for speedier urbanization nationwide. He believes that encouraging millions of farmers to migrate to the city, and building consumer-oriented cities to house them, will underpin future development.

The journey from farm to city is the story of China's transformation from a poor underdeveloped country to an economic superpower. The driving force behind the biggest migration in history is economic: workers who migrate to the city earn far more than those who stay on the farm. The twin processes of urbanization and industrialization also bring huge productivity gains for the national economy—moving hundreds of millions of people out of economically insignificant jobs on the land, and into factories and onto building sites in the city, produces enormous economic growth. Mass migration to the cities makes sense both for individual farmers and for the country as a whole. For this reason, nothing is likely to halt the huge migration from farm to city—barring economic collapse, political turmoil or some other cataclysmic event. Historical experience, economic logic and government policy all point to the same conclusion: by 2030, or not long after, one billion Chinese will live in cities.

What kind of lives will China's urban billion lead? The shape of China's cities in 2030 will depend on whether leaders are willing to forgo short-term economic gains and make the changes needed to create a healthier form of urbanization. China's urbanization numbers are impressive, but they hide an unpalatable truth: a large chunk of Chinese urbanization is essentially bogus. Around 250 million people in Chinese cities do not live genuinely urban lives, because rural migrants are not entitled to urban social security and face institutionalized discrimination in the cities. China's household registration system (known as *hukou*) legally ties migrant workers to

their rural home, preventing them from putting down proper roots in the city. Rural migrants in the city lead segregated lives, hidden away in worker dormitories or slum villages. The rapid modernization of urban China over the past couple of decades is astonishing, but social stratification is worsening.

### The *Hukou* Trap

When farmers leave Chongqing's rural counties to seek work in the city, many end up in the teeming slums of Eighteen Steps. The dripping alleyways are lined with dank, squalid houses patched with filthy tarpaulin. "We live in the city, but we do not feel urban," says Zhong, a migrant from rural Sichuan, who shares a windowless concrete cell with five other migrant workers. "We have no proper home, and no social security." Inside, a man with crippled legs lies on a bed fashioned out of bamboo poles and heavy cotton blankets. Cheap suitcases and nylon-thread bags are stacked on a ledge above his head. Outside, a crude, hand-written sign hangs from a stick, advertising beds for three renminbi per night, about forty cents. Lodgers walk through a brick entrance past a pile of empty bottles, cardboard boxes and other scrap, which the proprietor collects and sells for change. Rats are common companions.

The migrant workers in Eighteen Steps live at the bottom of the urban heap. Officially classed as temporary residents, they lead temporary lives. Chongqing is engaged in perhaps the most radical experiment in *hukou* reform nationwide, but these men have yet to qualify, even though they have lived in the city for several years. Under the initial reforms, only long-term migrant workers with stable jobs and accommodation can convert to a local urban *hukou*. So they live in the city, but with little access to public services or social welfare. "I won't go home because I'm not used to the life there anymore," says Yang, a young migrant worker with hedgehog hair who was born in neighboring Fengdu County. "I don't belong in the countryside and I don't belong in the city."

Today, one in three people living in China's cities are treated as second-class citizens. If China does not begin to untie migrant workers' social-security entitlements from their *hukou* status, the proportion of disenfranchised urban residents could grow to one in two. By 2030, nearly 500 million people could effectively belong to a giant urban underclass, without proper housing or access to basic public services. The potentially explosive political ramifications of this bleak picture mean that some reform is unavoidable, as local governments have already found. The big question is whether the central government has the political will to address the roots of the problem. This is a central question for China's new leaders. Premier Li says a "New Urbanization Plan," due by the end of 2013, will be a blueprint for creating a healthier form of urbanization.

The first task is to reform the *hukou* system, giving migrants access to schools, health care, housing and social security in the cities in which they work. Delinking access to basic services from *hukou* status has already begun in several localities nationwide. Since 2009, several cities have introduced alternative residence permit systems that entitle migrant workers to access local social services. Some permit systems—which operate independently of the national *hukou* system—offer easy access to an extremely limited number of services. Some, such as Shanghai’s, set a high eligibility threshold but offer a comprehensive social insurance package. Other systems offer a mix of both, giving limited entitlements to temporary permit holders and full entitlements to permanent residents. In time, these local residence permit schemes could be extended nationwide. So far, local *hukou* reforms have been slow and piecemeal, but more migrant children are receiving a state education, and more of their parents are enrolled in social insurance programs.

The second task is to make progress on the most divisive issue of all: land reform. Currently, land in China is divided into two types: urban and rural. Urban land is owned by the state but leased for seventy-year periods to developers, companies and homeowners. Rural land belongs to village collectives that lease parcels of land to farmers for extendable thirty-year periods. Rural land is further divided into two broad types: farmland and rural construction land, occupied by homes, public buildings and roads. Rural collectives have the right to sell the land they own, but cannot sell it directly for urban development. Only local governments have the legal power to turn collectively owned land into state-owned urban land, which can then be used for construction. Because urban construction land is worth far more than rural land, local governments are able to pocket the difference between the low price they pay for rural land and the much higher price they can sell it for as urban construction land. This lucrative game is a huge money-spinner for local governments, which rely on land sales for a substantial chunk of their income.

Collective ownership of land is supposed to protect farmers from rapacious landlords and developers. All too often, however, it merely makes them the victims of corrupt village chiefs and local officials who sell communal land to developers for enormous personal profit. Individual property rights would help protect farmers from greedy officials and allow them to gain more value from their land. Yet for many of China’s Communist leaders, land reform is ideologically unpalatable. Along with state ownership of the country’s biggest enterprises, collective ownership of land is one of the only old Communist policies that remains sacrosanct. Well-meaning conservatives also worry that liberalizing the land tenure system risks returning farmers to the dark old days of feudal China when, according to party propaganda, peasants were rent slaves bound to landlords. Giving uneducated farmers the right to transfer

their land, they fear, will allow a new class of unscrupulous land barons to monopolize the country's farms. Far from creating a mass of consumers, too much reform risks breeding a lumpenproletariat of landless peasants crammed into urban slums.

Despite this opposition, a bunch of land reforms are gathering momentum, even if overall progress remains sluggish. Some of the reforms are sanctioned by the central government; others are promoted at the local level. Chongqing and neighboring Chengdu have experimented with using property exchanges to open up agricultural land transfers to market forces. More innovatively, both cities have extended the system to allow farmers to sell their use rights to rural construction land to urban developers. The exchanges enable farmers to find buyers and fix prices for their land, allowing them to leave for the city with money in their pocket. The southern boomtown of Shenzhen is also experimenting with allowing village collectives to sell their rural construction land directly to urban land developers rather than indirectly via government officials. This means they can capture the market value of their land.

These are useful advances. More land transfers should help to redistribute land efficiently, raise rural incomes, produce a more sustainable pattern of urbanization and, ultimately, help to stimulate domestic demand. Allowing farmers to sell their residential land rights to urban buyers is a small but important step toward unifying the rural and urban land markets. Yet farmers still cannot sell their land on an individual basis. It is indefensible that urban citizens should enjoy full individual property rights while farmers remain chained to village collectives, especially when collective ownership has patently failed to protect farmers from scheming officials and village cadres. Any discussion of private ownership remains political dynamite, but the only logical trajectory of reform is to give individual farmers more rights over their land.

### **Skyscrapers and Slums**

The third task for China's new leaders is to build more social housing for people who cannot buy their own. If they truly want to shift toward a more socially sustainable model of urbanization, they must give migrant workers in the city somewhere decent to live. As municipal governments demolish the thousands of slum villages that riddle China's cities, they need to replace them with rental housing that migrant workers can afford. So far, China's urbanization process has not generated the kind of massive, cankerous slums that blight other developing cities around the world. But as more rural migrants bring their families to the city, and as these people begin to settle permanently, China's cities will struggle to avoid this horror. As Chinese cities become more prosperous, these people should move out of slums and into social housing.

Yet social housing is not a silver bullet. Cities with aggressive urbanization policies, such as Chongqing, need to beware herding millions of farmers into cities who

have few, if any, useful urban skills. Long-term migrants know how to survive in the city, but many farmers will struggle. The fear is that they will end up living, unemployed and on benefits, in vast housing estates. This gloomy path is well trodden in the Western world: the United States has its drug-infested projects, Britain its sink council estates and France its rundown *banlieues*. But China's policy makers have given little thought to the social canker that can fester among disadvantaged communities in public housing, especially where there is social discrimination and a shortage of jobs. In China the emphasis is on replacing decrepit housing with modern apartment blocks. But without very good management, towers of shoddily built flats peopled by hopeless ex-farmers could deteriorate very quickly.

A more immediate concern is how cash-strapped cities will pay for all this new housing, not to mention the cost of integrating millions of migrants into city life. If ambitious local *hukou* reforms such as those in Chongqing are extended nationwide, the financial pressure will be intense. At the moment, local governments rely on land sales to plug their funding shortages. But this cannot be a long-term solution to the problem: China only has limited farmland and there is no guarantee that land prices will rise quickly enough to replenish local coffers.

If local governments cannot rely on flogging land to shore up rickety local finances, how will they pay for social housing, public services and city infrastructure? The answer is that the central government must shoulder its fair share of the spending burden. Local governments currently finance nearly all public services, including 80 percent of basic health and education expenditure. Since a large slice of locally collected taxes goes into central government coffers, most local authorities struggle to meet their financial responsibilities. By contrast, the central government is swimming in cash. Increasingly, the challenge facing China is not a lack of funds as such, but how to channel them to the right places and to the right people. That means reforming the country's dysfunctional fiscal system so that the central government covers more social welfare, education and health services spending. This may prove the toughest task of them all.

These are all big, difficult and painful reforms. Dismantling the current *hukou* system, abandoning collectivist land ownership and redesigning the country's fiscal system will require enormous political courage. Building enough homes for hundreds of millions of new urbanites and integrating them into the urban welfare system will be extremely expensive. The previous administration, headed by President Hu Jintao and Premier Wen Jiabao, did not have the stomach to press ahead with such reforms. President Xi Jinping and Premier Li Keqiang, who are set to hold power over the coming decade, need to show more gumption. Otherwise China risks repeating the experience of Latin America, becoming a country with pockets of extreme wealth and

an educated middle class, but whose cities teem with enormous slums and suppurate with entrenched social divisions.

Since 1978, China's leaders have made all the necessary changes to ensure that the country's economic growth machine keeps humming along. It is now time to make further changes. The fact that China's cities have grown by 500 million people during that time without sparking greater social unrest is a remarkable achievement. But the present model cannot continue. If China's cities are destined to accommodate one in every eight people on the planet, its leaders must find a healthier, more inclusive and, ultimately, sustainable model of urban development.

*This article is adapted from China's Urban Billion: The Story Behind the Biggest Migration in Human History, by Tom Miller, published in December 2012 by Zed Books.*