Retrospective of China’s Urbanization and Regional Development in the Era of Economic Reforms

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ABSTRACT: Great changes have taken place in China’s urban and regional development since the economic reforms were launched at the end of 1978. Four phases are distinguished according to major policy changes. During the agricultural reforms and the initial stage of “open door policy” (Phase I), there was a rapid growth of small cities and towns and regional emphasis shifted from the interior to the coast. Phase II was characterized by urban reforms and the increasing involvement of foreign capital. Cities, especially large cities, grew fast and economic activities became concentrated along the coast. The economic rectification (Phase III) witnessed retarded growth and stagnant urban development. In the new surge of economic reforms (Phase IV), “opening-up to the outside world” became the first priority. The previously restricted opening-up of coastal regions has been replaced by a full-dimensional opening-up. The “torrent” of capturing foreign capital is moving towards China’s remote hinterlands along its great rivers.

Impacts of the Agricultural Reforms and the Initial Stage of “Open Door Policy” (1978–1983)

Agricultural reforms replaced the collectivized agriculture based on the commune-brigade-team structure with a system of household farming in which the land was divided among existing households (Dutt and Costa 1980). Private farm markets have been liberalized in rural areas and reopened in cities (Griffin 1984). Peasants are now encouraged to specialize and produce for the market rather than being forced to be self-sufficient (Lardy 1985). As a result, rural unemployment and under-employment, formerly masked by the commune system, has become more visible. 30 to 40% of the rural work force is now considered “surplus”, that is, not needed in agriculture (Woodard and Banister 1987; Kim 1988). Some of this “surplus labor” has joined in the “floating population”, which is moving frequently among large cities and seeking temporary jobs as bricklayers and building workers (Pannell 1989 and 1990). However, most of them are engaged in non-agricultural activities located in nearby towns or small cities, that is, “away from soil but not far away from hometown” (Kirkby 1985). Three models of addressing rural surplus labor have been advocated by the Chinese government (Huang 1987): (1) the “Sunan”

China’s urban reforms were promulgated with the document, the “Design on Reform of the Economic Structure,” adopted by the Third Plenary Session of the Twelfth Central Committee of the Chinese Communist Party in October 1984 (Solinger 1986). The urban reforms aim at expanding the autonomy of enterprises, giving material incentives to workers, loosening planning and price controls, replacing state investment with credit finance for industrial development, encouraging small scale private enterprises, and allowing market forces to complement unified state controls in the distribution of commodities and materials (Xie and Costa 1991). Following the progress of urban reforms, cities especially large cities, were given vital roles by the Chinese government (Xie and Dutt 1990b). Ziyang Zhao (the previous General Secretary of the Chinese Communist Party) argued that (Cao 1985):

“A number of economic zones should be formed in the country, with developed cities as their centers, to organize and coordinate the economic activities of the entire outlying rural areas as one unit,” and “In some developed regions, the administration of Prefectures should be abolished and merged into the city, which will become the leader of the surrounding counties in administrative structure.”

Guided by this principle, the number of cities increased rapidly from 193 in 1978 to 300 in 1984 and to 450 in 1989 (State Statistics Bureau of China 1990a, 1991). Cities are growing not only in numbers but also in size. There were 13 cities with a population of more than one million in 1978; 19 in 1984; and 30 in 1989 (State Statistics Bureau of China 1990a, 1991). The population percentage living in cities increased from 14.4% in 1982 to 19% in 1987 (State Statistics Bureau of China 1988).

Moreover, an important element of the urban reforms is the open door policy, which deeply affects spatial patterns of urban and regional development in China. The policy of “opening up the economy” is apparently connected to the “growth pole” strategy. Following the establishment of the special economic zones (SEZs) in 1979, another 14 coastal cities were designated in April 1984 as places with preferential conditions for foreign investment and for the development of exports. Shortly afterwards, three delta areas and Hainan Province were added to this list. The entire coastal region from Liaoning to Guangdong – with an estimated population of 160 million was opened up to foreign investment. A regional pattern of “three economic zones” and the urban pattern of “four megalopolises” developed. The eastern coastal region was to develop into a modern high technology industrial and commercial region with emphasis on “four megalopolises” a term which describes metropolitan areas that coalesce to become continuous agglomerations of people and economic activities. These four megalopolises are Beijing-Tianjin-Tangshan Megalopolis, Shanghai-Nanjing Megalopolis, the Central Liaoning Megalopolis, and the Zhujiang Delta Megalopolis (Zhang 1991). The central and western regions were to develop into the energy, mineral, and agricultural bases of the nation (Lo 1989). Apparently the economic opening-up has been concentrated along the east coast region, which exacerbates the discrepancy of economic development between the interior and coastal regions (Xie and Dutt 1991).


China entered the year 1989 troubled by the unpleasant reality of high inflation and low morale (Reynolds 1989). The main cause was overheated economic growth. This overheated growth caused shortages of raw materials and enterprise funds, an unbalanced national economic structure marked by stagnating agriculture and runaway industrial growth, and the growth of demand over supply. Therefore, an economic rectification program was set forth at the Third Plenary Session of the Thirteenth Party Central