The scale of urbanization in China is without precedent in human history. The transformation is also complex and nuanced, says Yale’s Karen Seto, with cities taking different approaches to environmental issues, pace of development, and global connections.
China’s extraordinary economic boom has gone hand-in-hand with urbanization. In 1950, 13% of people in China lived in cities. By 2010, the urban share of the population had grown to 45%; it’s projected to reach 60% by 2030. Twenty-five of the world’s largest 100 cities are in China.

Urbanization, in turn, is reshaping both the physical environment and the cultural fabric. Take, for example, the issue of pollution. Huge cities place huge demands on the environment, but high-density living conditions also present opportunities for improving efficiency of energy usage.

There are clear signs of the environmental challenge. When the coal-fired plants that provide heat to the 11 million citizen of the far northeastern Chinese city of Harbin came on for the first time this fall, air quality got so bad it created a whiteout that halted traffic, closed schools and shutdown the airport. Speaking on PBS Newshour, Evan Osnos of the New Yorker said that the environmental cost of China’s rapid development is felt across the country. “People are losing their patience with it,” Osnos said.

At the same time, there are efforts to raise environmental standards, including more than 80 low-carbon programs going on around the country. They include developing emissions inventories for carbon dioxide and other greenhouse gases, setting measurable emissions-reduction targets, establishing carbon emission trading platforms, and creating carbon intensity standards (that is, determining acceptable levels of carbon dioxide produced per unit of economic activity). Jonathan Woetzel, a director at McKinsey, explains the driver behind this push to create a new norm: “It costs a lot less to prevent a problem than to have to fix it later,” he says. “The competition now is about finding those technologies that can increase productivity, be good for the environment, and deliver a high quality of urban life to the citizenry.”

Yale Insights talked with Karen C. Seto, a China expert and professor of geography and urbanization at the Yale School of Forestry and Environmental Studies. While underscoring the unprecedented scale of China’s urban explosion, she encouraged a nuanced view of what urbanization means to the country. “It’s not that China cities are bad for the environment—or that they’re all going to save the environment.” She points to Zhongshan as an example of a city working to preserve its natural capital while developing, even as other cities appear to take an “anything goes” attitude.
Seto points out that different parts of China are at very different phases of development. The earliest-developing cities—including Shanghai, Beijing, Shenzhen, and Guangzhou—have the most educated and wealthy populations, but they are now competing with newly developed urban centers for businesses. While 20 years ago the coastal cities offered the best chance of economic success, “nowadays, there are factories and enterprises set up throughout the entire country, so there’s a lot more opportunity around the entire country.”

**TRANSCRIPT**

**Q: What are three things that everyone should know about urbanization in China?**

**Karen Seto:** Okay so, three things that everyone should know about urbanization in China: One is the scale is just unprecedented, and I think for anybody who wants to study China or do business in China, I would say go to China. And don’t just go to Beijing and Shanghai and Guangzhou. Go also to a second-tier city, because I think for someone who is entering the China market now, you’re going there today, let’s say for the first time, your image of Chinese cities and China’s urbanization is—if you go to Beijing and stay in Beijing—your image is one of a large scale, very modern. And you have no comparison to understand and to contextualize where these people are coming from and the big change that they’re undergoing. So, I would say the scale is so unprecedented that, in order to really understand it, you need to go to a smaller city. Take a plane ride and go west; head north. You don’t actually have to go very far. Even if you ride the train out of Beijing about two hours, you’ll at least get a very different sense of a second-tier city. So I think that’s one thing, getting a better sense of the scale.

The other thing that I think everyone needs to know about China’s urbanization is that it’s a process that’s still in transition. There are some cities that are undergoing a third phase of transition, a third phase of development. There are other cities that are just starting their urbanization process, and so you’re going to be comparing apples and oranges. There are some cities where you’re going to get a very large labor pool, very diverse labor pool, very educated labor pool, very sophisticated set of consumers. There’s going to be another set of cities that are primarily a regional hub for rural
migrants, and there you’re not going to get the Guccis and kind of the fashion-forward, high-end consumer. You’re really looking at people who are really trying to significantly improve their standard of living, make the jump from an agrarian economy over to manufacturing. So, I think it’s important to understand that this urbanization process is still underway and that different cities are undergoing different urbanization transitions.

I think the third thing that’s critical about China’s urbanization that everyone should know is that it’s not a black and white thing. It’s not that China cities are bad for the environment or that they’re all going to save the environment. There are clearly some cities that have—Zhongshan is a good example down in the south that has really done a very, very good job in trying to preserve the environment, preserve ecosystem services. Some of the cities that have been able to develop more slowly have been able to develop in a much more rational way in terms of, again, preserving the environment. Other cities have a much more “go west” or frontier feeling, and when we think about the “go west” feeling or the frontier landscapes, those are places where almost anything goes. And so, you have some cities that are growing slowly, more methodologically, and others that are “this is a boom town” feeling. And so, I think that the verdict is still out in terms of how urbanization will affect the environment and sustainability. But I think it’s critical for us to understand that it’s a very complex set of interactions and it’s a fast-moving train or a fast-moving plane. I go to China two to three times a year, and even in my field sites when I go back, places are constantly changing. It’s a very dynamic place.

Q: How much are trends in China’s rapidly growing cities setting the agenda for the country?

Seto: Urbanization is driving economic development in China. There’s no doubt that what will happen in the cities will have a huge impact for economic well-being for the entire country. You probably saw that the Chinese government recently indicated that urbanization is one of their top agenda items in the next ten years, and clearly they see urbanization as the pathway to lift millions of people out of poverty. And historically, if you look at the relationship between a country’s urbanization level and its GDP, there’s a very strong relationship between what percentage of the population is engaged in agriculture and the country’s per capita GDP. And it’s very clear that what happens in Chinese cities will be really critical for how the country develops economically and in terms of environmental sustainability.

Q: What is the relationship between globalization and urbanization in China?

Seto: So, if you look at the cities that grew the fastest during the first wave of China’s urbanization—so this is, again, in the ’70s and ’80s—those were the cities that were designated as the special economic zones by the central government. So, these were places that were laboratories for different, new types of economic policies, and those are places that developed rapidly. We had a big influx of investments from overseas investors, and those are places where we can see the expansion of factories, of housing, of roads, etc. So, you can think of those cities as having a head start over all the
other cities. These special economic zones had a head start in terms of economic development. They were the ones where they had the relationships with the overseas investors, FDI. And that really set, I would say, a precedent in terms of establishing managerial expertise, relationships with foreign investors, and also really incubating a local set of local knowledge and local know-how. But now all of China, in many ways, can be thought of as a special economic zone. If you go to any major city, any provincial capital in China, you’re going to see foreign nationals, you’re going to see foreign companies, but they’re primarily concentrated still along the coastal regions.

In the interior cities, we see a lot more of the domestic investments. There are foreign companies that are moving into the western areas. The central government had a policy about a decade ago called the Go West policy, which was to try to shift investment towards the west. We see that. We see that in the economic data. We see that in terms of the impacts on urban development. But you can imagine places like Shanghai and Beijing have a lot of connections, a lot of bilateral connections, in a way that an interior city like, let’s say, Wuhan or even Chengdu may not have. But what we’re seeing in those western cities is a lot of the more locally grown—a lot of the domestic companies are in those places.

One of the things that I think is a challenge for many companies operating in China now certainly is the increase in labor costs. So the cities like Shenzhen, Guangzhou—the cities that developed the fastest—those are the places where the labor costs are also the highest. Those are the places where you’re going to go and see really nice housing stock, you’re going to see the Prada shops, you’re going to see the Gucci shops. And those are places where you’re not going to find the factory workers, or very few of them. And so, we’re seeing the shift of, let’s say, manufacturing-based development moving more inland into the country.

It’s very difficult to get workers to migrate long distances to go to the south anymore. Twenty years ago, it was the only game in town, and so workers from all around the country really migrated and flocked to these coastal regions. But nowadays, there are factories and enterprises set up throughout the entire country, so there’s a lot more opportunity around the entire country and certainly in the western regions as well.

Q: How does urbanization affect where Chinese companies locate?

Seto: Well, it depends on what your business does, right? And so if your business requires really highly educated, maybe, services—high levels of technical know-how, I think that there certainly is a much larger labor pool in these established first-tier, provincial-level cities. If you’re a nuts and bolts widgets kind of company and you can train everybody that you want to hire, I think you probably don’t need to be in a Beijing or a Guangzhou or a Chongqing. You can probably go to a second-tier city. Labor costs will be significantly lower. And you have to remember that even though China’s urbanization levels are really high, there is still a very large percentage of its population that is living in the countryside and living in much, much smaller towns. And so, setting up shop in a smaller town, you’re a big fish in a small pond, as opposed to going to a place where you’re competing with the
Dells and Ciscos and SAPs and all the other global international companies. Not to mention the growing number of Chinese homegrown companies as well.

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