

# The Analysis of Counter Urbanization in Yichun, Heilongjiang

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**Abstract.** The level of urbanization has become one of the measurements of the comprehensive strength of a country. While China is on the road to urbanization, the opposite process is taking place in Northeast China, abolishing some sub-districts and establishing towns. This paper focuses on Yichun, a city in Northeast China, to analyze the reasons and effects of the policy based on the Yichun Government Statistical Bulletin. The counter urbanization happening in Yichun is caused by population loss and economic decline due to over-dependence on forestry resources. Recommendations for the further development policy are provided at the end. Current research focuses on the urbanization process and the type of urbanization in Northeast China. There is not much research on the counter urbanization policy set in Northeast China.

**Keywords:** Counter Urbanization, Northeast of China, resource city.

## 1. Introduction

The revitalization of Northeast China has been the focus of China's development in recent years. Urbanization is one of the main means China uses for development. Since the 15<sup>th</sup> National Congress, all the following reports mentioned urbanization. China has undergone the largest and fastest urbanization in the world [1]. Within two decades, the degree of urbanization in China went from 36.22% to 63.89%. The same process took the United States 60 years [2]. However, counter urbanization happens in Yichun.

Counter urbanization is the process of the population moving from urban to rural areas due to serious urban disease. Yichun is a different case. Counter urbanization in Yichun is a result of economic decline, which makes some regions in Yichun lose the qualification to become part of the city.

Some research about the development in Northeast China has been done, but research about the counter urbanization of the city, of Yichun, hasn't been discussed. The analysis of this phenomenon would be helpful in the policy establishment in Yichun, even in other cities. This paper will look at the population, GDP per capita, and other related data to analyze the reason for counter urbanization happening in Yichun and provide some constructive recommendations for future policy.

## 2. Literature Review

### 2.1. Urbanization and GDP Growth

Several lines of evidence suggest that urbanization and GDP are correlated. Maciej et al. collected the urbanization and GDP data of 16 industrializing countries from 1800 to 1910 and found that they are positively correlated [3]. Based on this foundation they proposed a method that used urbanization data of Polish lands to estimate its GDP from 1790 to 1910. Gross and Ouyang divided urbanization into natural increase and residual increase and tested their impact on economic growth by creating a cross-sectional dataset of 91 countries [4]. They concluded that the residual urban increase, which is urbanization due to migration, has a positive correlation with economic growth. The relationship is also tested in China. He and Sim used a panel of Chinese provinces from 1985 and 2008 and found out that GDP growth can cause urbanization [5]. Tian used an econometric model to analyze the urbanization of 285 prefecture-level cities in China and found that urbanization has a positive effect on economic growth [6]. The research analyzed the contribution rate of urbanization in the four

dimensions to regional economic growth and discovered that population urbanization has formed a negative driving force for Northeast China.

## 2.2. Counter Urbanization

Urbanization refers to the process by which more and more citizens live in urban areas rather than rural areas. Correspondingly, counter urbanization refers to a decline in the proportion of people living in urban areas [7]. Counter Urbanization is not good or bad, but a normal process within economic and social development. In the beginning, it mainly indicates the process of the return of the urban population to rural settlements and small towns due to serious city diseases, such as traffic congestion, increased crime, and pollution. The process generally starts with rich people. The population of rural areas increased, and the construction of corresponding residential areas will gradually improve, and form New Town. Feinerman et al. found out that counter urbanization has a positive effect [8]. More people were able to enjoy welfare, and the welfare per capita increased. Some researchers put forward that the counter urbanization in China is different from what happens in Western countries, and called it “fake counter urbanization”. As Duan mentioned in her analysis, the one that happens in China is passive movement caused by the urban-rural differences in the household registration system, land system, and public services [9].

## 2.3. Inequality between Big and Small Cities

In terms of the law of economic and social development, the rural population is concentrated in cities and towns, and the population of second and third-tier cities will gradually converge to the first-tier cities or even super first-tier cities. Normally, big cities have concentrated industries and resources, the economy tends to grow faster and provide more job opportunities [10]. They are usually better in infrastructure, public transport, health care, education, and so on. Cultural activities in big cities are richer and more diverse, including art exhibitions, concerts, and theatrical performances.

Due to urbanization, fewer workers remain in rural areas, which widened the gap between rural and urban areas. The same thing happens in cities. As young people migrate from relatively less developed cities to developed cities, not only the total GDP will fall, but also the aging rate in less developed provinces will increase, and a negative circle occurs.

## 2.4. Urbanization

Urbanization means the process of the population from rural areas migrating to urban areas, transferring from the primary industry to the secondary and tertiary industries. Urban includes city and town. In Western countries, under the condition of good a economic foundation accumulated by industrialization and scarcity of land resources, their urbanization focuses on the big cities, therefore London, New York, and other big cities can flourish. Opposite to Western countries, at the beginning of development, China was under poor economic conditions but was rich in land, therefore it focused on the development of towns. In the 18th CPC National Progress, a new concept, new-type urbanization, was put forward. It emphasizes the balanced distribution of population and economic and social activities in geographical space. The role towns play in this process is the transitional zone between the city and the countryside.

## 3. Analysis

Northeast China is rich in natural resources. It played an important role at the beginning of the founding of New China. Coal, oil, steel, machinery, arms, and a series of industrial systems were set up in the northeast, and those provided a great deal of material support for the economic development of the country. More than half of the northeast was urbanized in 2000 when the average urbanization level in China was 36%.

In 2023, there was a surprising policy implemented in the Northeast, that abolished some street-level administrative units and established towns, which is the opposite of what always happens during

the urbanization progress in China. The biggest change occurred in Yichun. There were 6 streets removed and combined into 4 towns.

Yichun is a prefecture-level city in Heilongjiang and its urbanization level was 86.9 in 2022. It has rich forest resources. The forest coverage rate reached 83.8%. The rich forest resources provide strong support for the economic development of Yichun City. With the strengthening of the protection of forest resources and the management of the ecological environment, the forestry industry is subject to certain restrictions and constraints, and affects Yichun's economy.

Under the Chinese classification of regions, streets and towns belong to the same level, but they are different in many aspects. The street is governed by the sub-district office, a municipal agency. It's always set in the main urban area, and its residents are almost all urban residents. Unlike streets, towns are governed by an individual town government. It's usually set in urban areas with a low urbanization degree or in the suburbs to absorb most of the population from rural areas. Street is considered as a part of the city; therefore it is contained in the city development plan. Generally, the town has to do its development plan. In short, streets bear more urban functions while the town is more based on agricultural functions, and from street to town is counter urbanization.

There are standards for a town to become a street. This standard contains two indicators, which are population and economy.

### 3.1. Population Loss

Comparing the sixth and the seventh censuses done in 2010 and 2020, there are 23 percent of the population decreased across these ten years. Take a closer look at the data, besides the population above 60 years, the population at all age ranges decreased, meaning that the working population decreased. The reduction of the population does not happen in one or two streets but in the whole of Yichun. This is mainly because of the loss of jobs and the relatively low income compared to other cities.

Yichun is rich in natural resources, especially forestry, which played a great role in the economic development at the beginning of the founding of the People's Republic of China. Yichun has always focused on forestry and ignored the development of other industries. It thrived on forestry in the beginning, but natural resources were limited. Due to the shortage and protection policy of natural resources, the industry is hit seriously, and the workers needed are rapidly decreasing. The neglect of other industries has made them low competitive. With the decrease of forestry resources and the single industrial structure, employment opportunities are limited. In 2022, the disposable income per capita in Yichun is ¥29216, which is ¥5826 lower than the average of Heilongjiang. The one of Heilongjiang is the 8th from the back out of 31 provinces. The disposable income per capita of Shanghai and Beijing is almost three times that of Yichun. Under the condition of few opportunities and low pay, many young people choose to leave their hometowns for better opportunities in big cities.

The negative natural growth rate of the population is another reason for the population loss. Yichun is in a deeply aged society, where the population over 60-year-olds reached 30 percent. In 2022, only around two thousand babies were born but around eight thousand people died. The amount of population at the reproductive age is small. Also, young people are not willing to give birth. With the progress of society and culture, the values of young people changed. Having a family is not on the have-to-be-done list of young people. They seek more freedom and the value of being themselves. The economic condition is also in their consideration. Raising a child requires a lot of resources and money. The pressure on the economy young people are facing is so stressful that they are afraid they can not afford the economic responsibility of a child. Moreover, Some working women may choose not to have children or delay having children for fear of affecting their career development.

### 3.2. Financial shortage

Yichun is one of the least economically developed cities in Heilongjiang province. In 2022, the GDP per capita in Yichun is around 40 thousand, and the national one is 85 thousand, which is more

than double the former. The government of Yichun has been in a deficit for years. In 2022, the revenue of the government was 2.2 billion, and the expenditure was 21.6 billion, which is almost ten times the revenue. The government expenditure was equivalent to 63.1 percent of GDP. In China, this proportion is between 19 to 30 percent generally. The ratio of fiscal expenditure to GDP refers to the amount of social resources allocated by the government. The higher the proportion, the greater the government's intervention and influence on the economy. Therefore, the Yichun government controls the major part of the money and its intervention in the economy is strong.

The backwardness of Yichun's economy is caused by many factors. First of all, Yichun's development relied too much on its natural resources. Before it was rich due to forestry resources, but now it's poor because of the shortage. As mentioned, Yichun used to focus on forestry solely, and the emphasis and support for new industries were not enough. The downfall of forestry shaved off the main income of Yichun. Secondly, the geographic position is not competitive compared with the western provinces. The global economy relies on ocean transportation. Yichun does not have a port, therefore the transportation cost is at a disadvantage compared with coastal areas. Yichun is unable to expand its exports and replicate the path to riches of coastal cities. Thirdly, the decreasing population. Many inland cities aim to be Labor-intensive cities. They take advantage of cheap labor costs to keep the fixed cost low, therefore making a market profit. However, the population of Yichun is moving out, and its market competitiveness has also declined. Last but not least, the lack of good universities. A good university would attract talent and they might stay after graduation. Also, related talents are the core of developing high-tech industries. Since there is no good university in Yichun, talents are not being attracted, and even the talents from Yichun would go to the universities in other cities.

### 3.3. Effect of Counter Urbanization

Degrading the street to town might be a good decision for Yichun, especially on the efficiency of the government. The fiscal expenditure is under great pressure. With the trend of population aging, social security expenditure is increasing. At the same time, a great amount of money for city construction is needed. Yet the tax receipts are low due to lagging economic development and single industrial structure. Compared with the town, the street requires the local government to increase the investment in urban construction. Since there is a large outflow of population, the supply of urban construction, for instance, hospitals and schools, is bigger than its demand. The fixed costs of those are high, but the marginal cost is low. To build a school is expensive, but the difference in cost of accommodating 1000 and 2000 students is relatively small. Therefore, for the construction of infrastructure, the more people who use it, the more cost-effective it is. To change street to town, reduce government spending, and avoid the public resources continuing to be wasted.

In addition, towns have their governments, they can set policies according to local conditions. This gives townships the right of autonomy, more conducive to the local development of new industries by local conditions. At this point, "removing streets and setting up towns" can catch up with the country's rural revitalization strategy, and maybe it can obtain policy benefits.

Counter Urbanization is two-sided. Changing streets to towns means the reduction of investment in public services and facilities. This might affect the welfare of some residents. Also, this would compress governmental institutions and reduce government jobs. Some industries and enterprises may need to reorient themselves, which will affect the employment and income status of the Yichun people. Whether this effect is good or bad is unclear yet. It may bring risks, but it may also bring new opportunities.

### 3.4. Recommendation

The major problem of Yichun's development is population. To attract people, more jobs need to be created. The government can increase support for small and medium-sized enterprises, encourage innovation and entrepreneurship, and stimulate market vitality. Since there is not a good university

in Yichun, it can introduce and cultivate high-end talents by strengthening cooperation with universities and scientific research institutions in other cities.

Yichun needs to reduce its dependence on a single industry. It does not have ports like coastal cities, or large populations like inland cities like Wuhan, it can not follow their ways to develop. Yichun is famous for its natural resources. It can develop tourism, green agriculture, and so on. It has the largest and most complete preserved primary forest of red pine in Asia, and also many 5A and 4A attractions. Its air quality is one of the best in China. Also, it has many food specialties. Due to the lack of publicity and tourism construction, the visibility is not high. In 2019, the number of tourists reached 17.8 million, then it fell under 10 million. In Harbin, another city in Heilongjiang, only the number of tourists in the first quarter of 2023 reached 22 million. There is great potential for Yichun's growth.

#### 4. Conclusion

The removal of streets and the establishment of towns is a policy that conforms to the local population and economic conditions of Yichun. The main reason for the counter urbanization happening in Yichun is that it relies too much on its natural resources. Due to the shortage of natural resources and the poor construction of other industries, it's facing economic decline, and population leaving. The losing population makes the economy worse and enters a negative cycle. Both the population and economy of the overall city are in downhill, it's reasonable for any of the streets to reduce to a township.

To temper the economic recession, policy is needed. Being a township, it can set the most suitable policies for the development of the region. There are two main directions for policymakers to be aware of. One is to attract and keep the talents, and the other is to develop other industries other than forestry.

There are few discussions about the counter urbanization in the northeast of China as yet. The policy reflects the flexibility and adaptability of administrative division adjustment. The paper explores the causes behind the policy and gives recommendations for further policy, which help the prediction for potential economic risks, and at the same time provide ideas for exploring new development models and paths. It remains to be seen what the future holds. If this policy can effectively promote the development of Yichun, it can provide a reference for the development of other areas under similar conditions.

Since the policy was implemented in 2023, the effect is unclear. The real effect requires follow-up observation.

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