



# Planning China's future: How planners contribute to growth and development

This briefing summarises research conducted for the RTPI by Professor Fulong Wu, Dr Fangzhu Zhang and Zheng Wang from the Bartlett School of Planning, University College London. The research examines evidence from China to show the significant economic, social and environmental value that a robust planning system can deliver.

## Who should read this?

Policy-makers, decision-makers and practitioners in planning in the UK and internationally, especially researchers and commentators interested in planning and growth.

## Key messages for policy and practice

In China, planning has never been considered as an obstacle to economic growth. The firm confidence among planners and political leaders in China that planning can be a leading force in fostering economic growth is largely due to a proactive interpretation of the role of planning in strengthening the economy as well as shaping the market according to the needs of society. It also stems from political support of planning at the highest level.

Planning has become the primary tool for municipalities to attract new industrial and residential developments and strategic plans are a key method to promote areas. Although in some countries regulatory planning mechanisms are often portrayed as obstacles to growth, in the Chinese case it has proven to be indispensable for the long-term economic success of the country. Chinese private developers rely on the government and its planners to spearhead any large-scale developments, since the involvement of the government significantly reduces risks.

The report presents strong evidence from China that planning and a wide spectrum of associated activities can support growth by stimulating the market for land developments and shaping markets and regulating markets. Through transforming planning practices and enabling planning capacities, planning can play a leading role in generating economic value.

The report uses case studies from China to illustrate the economic value of planning, including the new town developments in Songjiang, industrial developments in Kunshan as well as regional development strategies in the Yangtze River Delta among others.

The wider implications for policy and practice are that extreme liberalisation of the planning system should be avoided, as this would weaken the ability of planners to shape the market and its actors. Instead of solely relying on private initiatives and waiting for the development proposals from private developers, planning should be given the financial and political support to lead new developments.

The UK and China have recently committed to building a global comprehensive strategic partnership, including cooperation on economic development on some projects and investments that form part of major initiatives such as the National Infrastructure Plan and the Northern Powerhouse. As both countries look to learn from each other, the findings from China may be useful to provide a more positive interpretation of planning and help counter the perception that planning is a passive obstacle to economic growth.



## Main findings

This report builds on previous work conducted by the RTPI on the value of planning, using case studies from China.

### Stimulating the market through land development

A key means of providing market stimulus is through direct state actions. Chinese municipal governments in this regard are prime examples of 'urban entrepreneurs' who are actively involved in the development of urban projects.

In the UK, the shift to urban entrepreneurialism has significantly diminished the capabilities of the planning system by moving away from comprehensive land use regulations and adopting a project-led approach. In China, the market and the tax-sharing system provide the necessary conditions and financial incentives for local governments to pursue land development and urban expansions.

The direct state actions of these entrepreneurial municipal governments are very diverse and range from the provision of necessary infrastructure, cheap land, and fiscal incentives, to the creation and promotion of grand development visions.

These planning mechanisms often result in phenomenal economic growth, as Kunshan has risen from a rural and farming based city to one of the most attractive areas in China for both domestic and foreign investments. Similarly Zhengdong has also been able to attract investments from large manufacturers such as Foxconn and to double the size of its cities. Despite flaws in the entrepreneurial urban planning approach in China, this helps to counter the common perception that planning's role is to contain economic growth and involves restrictive measures. Planning can be proactive in the development of major infrastructures.

### The role of planning in regulating markets

Planning in China has become an important mechanism for shaping the market according to the needs of the state and the general public. Although regulatory planning

mechanisms are often regarded as obstacles to growth, in the Chinese case it has proven to be indispensable for the long-term economic success of the country.

Without the market-shaping forces created by regional plans, China would not have been able to regulate the uncoordinated competition between municipalities that would have resulted in far greater costs. The fierce competition between cities has resulted in their over-expansion, which has threatened to destroy the environment and the surplus production of certain industries.

In this sense, the value of planning is its ability to prevent or at least significantly reduce the costs of an unregulated market. In order to coordinate the development of the market, planning is used to limit certain market actions such as expanding into ecologically fragile areas.

Another facet of planning is its ability to coordinate development and set up a framework that allows the whole to be more beneficial than the sum of each market actor. The Chinese case is useful to illustrate how a lack of regulatory processes can result in negative externalities including the gradual destruction of the ecology as well as issues of overcapacity and inter-city and inter-regional competition.

For Chinese central and regional governments, strategic regional plans are a helpful tool to stop urban sprawl and uncontrolled industrial expansions.

Through the production of national and regional spatial strategies, such as the National Main Functional Area Plan, China has managed to more or less slow down urban sprawl and to counteract the country's ecological degradation. An absence of planning regulations would have led to more severe problems and impacts on the environment.

### Shaping markets through planning

It also fosters the overall competitiveness of the region by encouraging industrial



development and the allocation of new land for developing new industrial sectors.

The Chinese eco-city initiative, such as the Sino-Singaporean Tianjin eco-city, illustrates the ability of planning to take the lead in tackling environmental challenges whilst trying to meet the rising housing needs of the population, and to act as a place promotion mechanism that enables the delivery of large-scale projects.

In addition to reducing costs, the market-shaping role of planning also allows the government to open up new directions for market development that would otherwise be left untouched by other market actors.

### **Building the capacity of planning**

Among many other aspects, building the capacity of planning can be understood as improving the mindset of public planners and ensuring that planning professionals are well connected to a broad social network of other market actors.

In the Chinese context, planning is widely considered as a tool that can facilitate growth and thus enjoys great popularity amongst political leaders. This firm confidence that planning can be a leading force in fostering economic growth is largely due to the proactive interpretation of the role of planning and also stems from political support of planning at the highest level.

Chinese planners are highly market aware and take a very proactive role in encouraging economic development. The mindset of planning in China is based on visionary planning for the future. The emphasis is for planners to take the leading role in facilitating developments, by proposing vision for the future of Chinese cities and then to develop achievable targets through action plans.

One way of increasing the trust relationship between different actors is to include other stakeholders in the plan-making process, but also to break down existing stereotypical views towards planners and the profession of planning. In order to increase the capacity of planning, Chinese planning departments

often collaborate with various market actors (such as professionals, private developers and domestic market actors) during the plan making process, in order to first exchange knowledge on how to create better places and secondly to establish a relationship of trust.

For instance, the inclusion of international consultancies means that Chinese developments can learn from foreign best practice, but more importantly it helps a local project gain global recognition. This in turn increases the development's credibility and attracts the attention of investors and the central government's approval and support.

For most urban development projects, Chinese planning departments cooperate with domestic consultancies and most importantly universities and research institutions. Finally, public displays of urban plans and strategic visions for the city strengthens the confidence of planners and reaffirms their position in the process of creating prosperity.

### **Creating economic value through planning**

The impact of planning in China is wide reaching and cannot simply be understood as higher GDP growth. More importantly whilst planning is sometimes associated with economic costs, planning also represents development and the creation of economic value.

Value in this sense has multiple dimensions. The cases of Wuxi Taihu new town and Songjiang both illustrate how planning and land development can be effectively used to create new housing catering to various population groups as well as offering employment opportunities in these new satellite towns. In this sense, planning has effectively turned the demand for housing into an impetus for development and economic growth.

In addition to housing and employment, the case of Zhangjiang High-tech Park further shows that planning is an important mechanism that facilitates innovation and





regional competitiveness in China. By including the Zhangjiang High-tech Park in the city's urban development plan and financing its construction through land development, Shanghai has been able to establish itself as an important location in the global pharmaceutical market as well as foster biotech innovation and the development of biotech companies.

The evidence from China's housing market also reveals that the regulatory nature of planning does not cause poorer economic performance, which is the current perception of planning in some countries. Central government adopts regulatory control of housing prices to ensure that housing prices are increasing at a natural pace rather than being driven by an artificial housing bubble.

Consequently from the Chinese perspective, although regulation does not directly result in more economic growth, it also prevents potential large-scale losses that would otherwise be much greater than the short-term gain from housing market speculations.

## Wider implications for policy

Evidence from China demonstrates the significant social and environmental values that a robust planning system can bring. Through transforming planning practices and enabling planning capacities, planning can play a leading role in generating economic value. The report does not intend to provide any specific instructions on how to create value through planning as the Chinese case has its own political and economic uniqueness, which cannot be replicated to another context.

However, extreme liberalisation of the planning system should be avoided, as this would weaken the ability of planners to shape the market and its actors. From the Chinese experience it can be seen that the fierce competition between cities requires a strong regulatory mechanism to coordinate developments and reduce the potential cost of excessive urban expansions. Instead of solely relying on private initiatives and waiting for development proposals from private

developers, planning should be given the financial support to lead new developments.

Financial support in this case can be interpreted in multiple ways. In the Chinese context, planning can lack financial capital to initiate developments however, the monopolistic land ownership of the state gives municipal authorities the ability to use land as a collateral to raise capital through the private market.

As the UK and China have recently committed to building a global comprehensive strategic partnership, including cooperation on economic development on some projects and investments that form part of major initiatives such as the National Infrastructure Plan and the Northern Powerhouse in the UK. As both countries look to learn from each other, the findings from China may be useful to provide a more positive interpretation of planning and help counter the common perception that planning is a passive obstacle to economic growth.

## About the research

This briefing is based on research conducted for the RTPI by Professor Fulong Wu, Dr Fangzhu Zhang and Zheng Wang from the Bartlett School of Planning, University College London.

The full report is available on the RTPI website at: [www.rtpi.org.uk/planninginchina](http://www.rtpi.org.uk/planninginchina)

## About the RTPI

The Royal Town Planning Institute holds a unique position in relation to planning as a professional membership body, a charity and a learned institute. We have a responsibility to promote the research needs of spatial planning in the UK, Ireland and internationally.

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