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BEIJING'S RISE AS A GLOBAL CITY

Beijing, the political center of the world's largest country and second largest economy, is now a major new global city. In the last few decades, the ancient capital of the middle kingdom has transformed itself into one of the most modern, dynamic, and global cities in the world.

Beijing is expanding rapidly. Between 2000 and 2010, Beijing's resident population grew by 42 percent to almost 20 million people, making it the fastest-growing city in China. During the same period, China's total population grew by only 6 percent. One of every three residents in Beijing is a migrant from elsewhere in China, up from one in five

packed with cars above the ground, and crowded subway cars below. In 2002, there were 1.9 million automobiles registered in Beijing. By 2012, there were more than 5 million. In 2000, there were two subway lines with a total length of less than 55 kilometers operating in Beijing. Today, slightly more than a decade later, Beijing has 16 subway and light rail lines, with a total length of 456 kilometers, the longest among all cities in the world. Beijing has another over 500 kilometers of subway lines planned by 2020. In 2000, Beijing welcomed less than 2.5 million international visitors; by 2012, that number has more than doubled. A decade ago, Beijing's airport was nowhere to be found on the list of the world's 30 busiest airports. Now, it is the second busiest, with an annual passenger volume of more than 77 million in 2011. And a second international airport is already under construction.

Beijing is just one example of China's era of massive urbanization, albeit a very special one. Over the last three decades, and in particular over the last 10 years, China's historically unprecedented economic boom has been accompanied by the largest urbanization process in China's history. In the first decade of the twenty-first century, the share of China's population classified as urban shot up from a little over a third (36.22%) to one half (49.95%), increasing at an average rate of 4% per year. Given the sheer size



in 2000. The scene of a sea of bicycles, an iconic feature of Beijing's landscape in the past, is no longer to be found. In its place are congested highways and roads

of China's population, this translates into 210 million new urban residents. And in 2011 China's urban population surpassed its rural population for the first time in history. By any measure, this is the largest-scale urbanization process the world has ever seen in a single decade.

Chinese cities are growing both in number and size. In 2000, there were about 55 million people living in 7 Chinese cities that had a population larger than 4 million. By 2009, the number of such large cities doubled, to 14, and their combined population approached 100 million. In 2012, China housed 48 of the world's 300 largest metropolitan economies. These major metropolitan areas accounted for about a quarter of China's total population in 2012, but generated 55 percent of nominal GDP. Beijing and Shanghai, China's two largest metropolises, each registered a more than 40 percent population expansion in one decade's time and each has over 20 million residents now. A 2011 report by the McKinsey Global Institute predicts that by 2025 over a third of the world's 600 largest cities will be in China, including 100 that are not yet on the list.¹

This rapid process of urbanization has sparked the growth of a formidable middle class, along with rising income and

wealth inequality. With per capita median income rising in one decade from less than \$3,000 to over \$10,000 nationwide and to more than \$12,000 in Beijing, China is seeing the rapid expansion of the population of "affluent consumers." It is estimated that now over 40 percent of China's urban residents have household incomes over \$13,500, a level at which households begin to be able to afford international "middle class" goods, such as cars and luxury goods, and to travel overseas for vacation.² In China's large cities such as Beijing, at the same time, over a third of the population are internal migrants, mostly from rural areas, who are critical to the city's economy but are not entitled to the same social and economic benefits as local residents.³



CITIES WITH GLOBAL FLUENCY

The concept of global fluency, originally applied in Chicago by Mayor Richard M. Daley, is based on the belief that **there is a tremendous untapped potential for cities to use the forces of globalization to advance urban economic development goals.** In the age of an increasingly interconnected world, cities with global fluency are more competitive. Moreover, they stand to benefit from new opportunities brought about by technological and economic connectivity, from scientific and cultural innovation, and from an expanding urban middle class that can serve as the foundation of a diversified, vibrant and affluent society. Researchers with the Global Cities Initiative have identified ten traits of globally fluent metro areas.⁴ Global cities can be large or small, but they all share certain characteristics, such as a leadership that has a worldview, a legacy with global orientation, a government that serves as a global enabler, and a distinct economic specialization that is used as a platform for diversification. Successful global cities can also adapt to changing global dynamics, and possess a culture of knowledge and innovation. These cities are well

connected both in people and in goods with the rest of the world, and over time, establish a global identity and appeal that allow them to attract talent and to secure investment.





FOUR QUESTIONS FOR BEIJING

Beijing is without any doubt already a global city. As a symbol of China's emergence as a global power, Beijing ranks among the world's most influential and important cities. The ascendance of Beijing as an important global city in a relatively short time has clearly benefited from the ambition and determination of both the central Chinese government and the Beijing municipal government to elevate Beijing's global profile; from Beijing's legacy and position as China's political and cultural center; and from massive investment in infrastructure to support business and innovation activities and to enhance Beijing's global connectivity.

Beijing's rise as a global city is still incomplete. Beijing's global influence in terms of economic competitiveness and financial interconnectedness still do not measure up to the top cities in the world.⁵ What kind of global city does Beijing aspire to be in the future? What traits does Beijing share with more established global cities such as New York, London, Tokyo, Paris, Hong Kong, and Singapore?⁶ What meaningful strategies can Beijing employ to fully leverage its potential as a global city? To anticipate Beijing's further ascendance as a top tier global city, the following four questions need to be addressed: **1) What kind of city does Beijing aspire to be? 2) How can Beijing improve its governance? 3) What it takes to build a more vibrant economy? And 4) How can Beijing's global identity be further enhanced?**

Q1. *Size: Can Beijing Get Any Larger?*

Beijing is already China's largest city, and the fastest growing in the last decade. The first question Beijing encounters as a global city is an old one, which is, "can it get any bigger?" The answer to this question is both a "yes" and a "no." Beijing's rapid and ongoing expansion has already shown the challenges the city and its residents face, on a daily basis, from exorbitantly high housing price, congested traffic, to unprecedented level of air pollution. Beijing's rapidly growing population and economy also face another hard constraint, water supply. So a natural reaction to the future of Beijing is not to make Beijing any bigger.

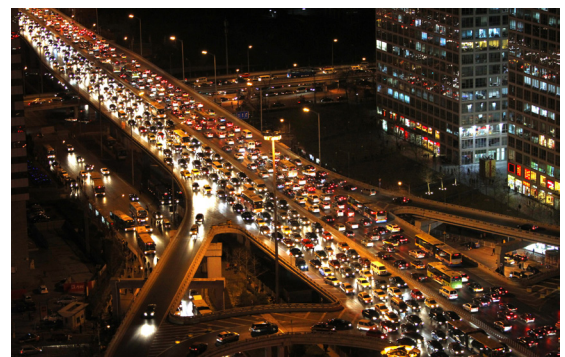
Yet, there are reasons to argue that Beijing can get bigger. In fact, with the high concentration of resources and opportunities present, economic and cultural, let alone political, there is hardly anyway to prevent Beijing from getting bigger. The Beijing government has tried repeatedly in the past to impose a cap

As a large city, Beijing's population density is not high, and its urban development has been more extensive than intensive.



on Beijing's population, but it has failed every single time.

Beijing's heavy concentration of resources and modern infrastructure makes it a suitable site for even greater expansion. In addition to the infrastructure is has built and that which is currently under plan, Beijing also dominates among all Chinese cities in its concentration of globally connected companies. Of the world's 500 largest companies, 256 had invested in Beijing by 2010, with a total of 598 projects. As of January 2013, 84 Fortune 500 companies have their regional headquarters in Beijing. Of the 95 Chinese companies on the Global Fortune 500 list, 47 are based in Beijing. This places Beijing second only to Tokyo among global cities in terms of



the number of major corporations that call it home. In one decade, foreign direct investment rose from a little over \$2 billion in 2000 to over \$7 billion in 2011.⁷

The right question should not be the size of Beijing itself, but what kind of city Beijing aspires to be, or in what ways it gets bigger. As a large city, Beijing's population density is not high, and its urban development has been more extensive than intensive. The spread of urban space in all directions, without major efforts to relocate economic and civic functions outside the city core, contributes to

increasingly worsening traffic congestion, low efficiency, and poor life quality. Similarly, improvement in the city's road and traffic design, rather than restrictions on population size and the number of vehicles on the road, can be more effective in alleviating pollution and traffic congestion.

In addition to size, the other perennial question for Beijing is what type of city it aspires to be. Beijing's position as China's political center is indisputable and irreplaceable. Beijing also has China's highest concentration of top universities

and research academies, a fact unlikely to change in the foreseeable future. But should Beijing also be China's financial

center, film and music production center, health-services center, automobile production center, and high tech industry center? Beijing needs to rethink its aspiration to be China's top city in every aspect. A distributed and multi-centered model of economic, cultural, and technological resources better serve a nation's need for technological and economic growth and the quality of life of its population. This is especially the case for a large country.

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Beijing's urban development master plan for 2004-2020, enshrined in Beijing's new urban planning and exhibition hall in the center of the city, provides a longer-term strategic vision for Beijing's development. As Beijing's international orientation is largely due to the city's perception of itself as a city which represents all of China, and aspires to essentially be the top Chinese city in virtually every dimension, Beijing's plan does not spell out a clear vision of where its unique talents and competitive advantages lie, or of how it can differentiate itself from other leading global cities by pursuing a

specialized economic strategy. For Beijing to establish itself as a leading global city, it has to make decisions not just about what it wants to be, but also what it does not and should not to be. Such choices need to be made in reference to Beijing's existing national and global competitive

advantages, as well as the constraints it faces, environmental, economic, and political.



Q2. *Positioning: Should Beijing be Primarily a National Capital?*

China's decades of spectacular economic growth has clearly benefited from its policies of reforms and opening to the outside world. Both China's central leadership and that of Beijing clearly recognize this and have made a deep commitment to continue on such a path.

For Beijing, as both a capital city and a large metropolis, a question is always what and whom it should serve primarily. Beijing's municipal government leaders in other words face a challenging choice of positioning, namely to govern Beijing mainly to serve the political functions of the central government, or to lead it to become a truly global city that serve primarily the economic and quality of life needs of its residents. The former requires a mindset that is more inward while the latter is more outward. These two functions – “national center” and “local center” do not have to be mutually exclusive, as can be seen from the successful cases of London and Paris. The challenge is how to do both well. Beijing's dilemma, and the shifting emphasis between these two mindsets, can be seen in the changes that took place in Beijing around the 2008 Olympics Games. Whereas in the time leading to the Games Beijing launched a campaign to make it more globally appealing, such efforts faded away after the Games ended. **To lead Beijing to**

become a more prominent global city the leadership needs to have an open mind, a mind that has a clear global view, and a mind that cannot be selectively open.

Beijing's current government plan still promises to place a high priority on elevating the city's profile on the world stage. **Beijing's 12th Five-Year Plan, the principal blueprint for the city's**

economic development, sets the overarching goal of transforming Beijing into a “world city with Chinese characteristics.”

The 2004-2020 master plan, a longer term strategy document that guides the city's spatial and economic development, sets a medium-term goal of establishing Beijing as a high-profile international

city by the year 2020 and establishing Beijing as a global metropolis with a focus on modern services and advanced manufacturing. Moreover, the master plan envisions Beijing as the principal location for high-level international exchanges, as a center for media, culture, education and scientific research, as a center of government and economic planning, and as an intercontinental transportation hub. There is therefore no doubt that Beijing enjoys the full support of both the national and municipal governments in achieving these goals.

Governments alone cannot create a

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global city. Citizens do. Beijing cannot be a great city simply by attracting global Fortune 500 companies. Its citizens need to feel that they are living in a great city, and need to be connected to the city in meaningful ways. A great global city is first and foremost a vibrant city for its own residents, not just for others. Beijing's rapid expansion makes it imperative for the first time in its history to have a new structure of governance. In addition to clarifying relationships between central and municipal governments in administrative, fiscal, and managerial matters, Beijing also needs to see an increased and true

involvement of its residents in civil affairs, and to have a structure of transparent governance where the government, the business community, NGOs, international organizations, and the civil society can work together in addressing the many challenges. Within such a new structure, organizations previously not present, such as housing associations, can have their place, and platforms for residents to evaluate public policies need to be created and eventually must become a regular part of policy debates and evaluation.

Q3.***Adaptability: What are Beijing's Competitive Advantages?***

A dynamic and adaptable economy will be the basis for Beijing to continue to be a great global city. Such an economy needs to be innovation oriented, and to be connected to the world. **Beijing's concentration of China's higher educational and R&D facilities in China already positions itself extremely well to be an innovation center.** In addition to the unrivalled concentration of higher educational institutions in China, Beijing received 45% of China's central government spending for major science and technology projects between 2006 and 2010.

Nearly a quarter of all China's certified high-tech companies are in Beijing. By the end of 2010, preferential policies favoring

relocation of regional headquarters and R&D centers to Beijing had begun to pay off, with 353 R&D centers established by multinational corporations. In high tech industries and other knowledge-intensive industries such as the financial sector, this move to promote the city as a destination for regional headquarters has helped to attract technology, know-how and human capital from overseas and is an important factor in the development of a highly skilled workforce.



Beijing has also made huge investments to promote greater physical and digital connectivity. Air traffic passenger flow is projected to reach 120 million by 2015. The city's 12th Five-Year Plan (2011-2015) calls for making the city more livable by increasing the share of public transportation to 50% of total center city trips, and by reducing center city commute times to average less than 1 hour. It also sets goals for improving citywide access to high speed Internet and the promotion of citywide high-speed wireless Internet coverage. From

a regional perspective, the city's 2004-2020 master plan sets regional planning and integration as a top priority, and calls for a coordinated regional logistics

framework to take better advantage of ports in the neighboring cities of Tianjin, Tangshan and Qinhuangdao. Despite this, Beijing still faces serious problems in connectivity. Automobile congestion is one example: despite aggressive measures to ration road space, the city's traffic is among the worst in the world. In 2011 IBM ranked Beijing's traffic as the third worst in the world according to subjective measures of commuter dissatisfaction. A study from the same

year by Beijing Union University showed that the city had the longest commute times of any city in China.

Beijing is also well positioned to be a center of financial services. Beijing has been very successful over the last decade in attracting the headquarters of financial institutions. Between 2006 and 2010, the number of financial institutions in Beijing doubled. Financial capital increased nearly 4 times, making Beijing number one in the country. Independently registered foreign financial institutions grew to 43 and joint financial organizations increased to 180. In 2012 alone, Beijing's Financial Street neighborhood registered 70 new financial institutions. About 400 international financial institutions have offices in Beijing. Tax revenue from the financial sector now is the second largest source of local government tax revenue after real estate development, and counts for roughly 15% of city's total local tax

receipts, up from 10% only five years ago.

At the same time, China lacks robust financial markets and places restrictions on the conversion of foreign exchange. China's two stock exchanges are located in Shanghai and Shenzhen, and not in Beijing. The financial sector in Beijing remains dominated by the state, and private companies, particularly small and medium enterprises, continue to find it difficult to obtain financing. Beijing has the potential to be a global financial center, but the successful experience of London after the 1980s and the failure of Tokyo suggest that a high concentration of financial institutions does not necessarily transform a city into a world-class financial service center. Openness is the key.

Q4. *Identity: What is Beijing's Global Brand?*

As the capital of China, Beijing already enjoys an unparalleled position among all Chinese cities. It serves a prominent role as a symbol of China's rise and increasing global stature. In addition to this diplomatic function, Beijing is also home to many multinational companies and international organizations and is increasingly becoming the center of gravity for China's financial and economic decision making. At

the same time, Beijing is located far from the relatively wealthy eastern and southern provinces that are home to China's most lucrative consumer markets, and it is part of a regional economy that is overwhelmingly dominated by state-owned industry and has not benefitted as much as China's southern and eastern coastal provinces from the export-led growth model of the last three decades.

A more compelling global identity can serve Beijing well in its next phase of

A true global city is a city that its residents love to live in and take pride in being part of it.

growth as a global city. With its friendly people, world-class historical sites, architectural wonders, government and large cooperation headquarters, and restaurants and cafes, Beijing has a tremendous potential to rival New York, London, and Paris as a top destination for global travelers. To do so, Beijing needs to be built more attractive and accessible for everyone and needs to be more open and

easier for foreigners to visit and to stay. Beijing attracts many international tourists, but the number of visitors relative to local residents still ranks low. Annual visitors to Beijing account for less than one quarter of Beijing's local population, compared to nearly 30 percent for Shanghai. This is much less than cities such as New York and Paris,

where the number of visitors surpasses local residents. Moreover, the number of foreign residents in Beijing is very small. The 2010 census counted only about 90,000 foreigners living in Beijing, comprising less than half a percent of Beijing's total population.⁸ At the same time, a very large share of Beijing's residents are domestic migrants, who do not receive the same social entitlements as native urban residents. Foreign languages are taught widely and early in schools, but most taxi drivers and service workers still speak no English.

Building a greater global appeal needs to begin at home. A true global city is a city



Beijing as
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that its residents love to live in and take pride in being part of it. What matters here are not the number of global Fortune 500 companies but basic living conditions, including housing, infrastructure, and services. It needs to be a city that has clean and open roads, functional sewage and waste management systems, and above all, clear air and water. It needs to be a city that its residents feel connected to not just physically but also culturally and spiritually. And it needs to be a city not just for people to come to work and visit but to live. Beijing's air pollution reached unprecedented levels in spring 2013, and recent media reports have supplied anecdotal evidence that the very high levels of air pollution in Beijing are making it more difficult for Chinese and foreign firms to attract and retain highly skilled talent. The city has taken steps to improve public reporting of air quality levels, but much remains to be done to address this significant challenge.

Following the greatest transformation in its history, Beijing is now one of the fastest growing and most exciting global cities in the world. Its promise as a first-tier global city has yet to be fully reached. Beijing has many of the most important ingredients to be a truly great global city: a committed leadership with a worldview, modern infrastructure, and a deep and wide talent pool. In addition, Beijing also has qualities that are envied of the cities around the world: it has a long and fascinating history, and is the political center of the world's largest country. Many factors have contributed to Beijing's rise as a global city, but openness and connectedness are the two most important so far, and they will continue to be the most crucial for Beijing's future as a globally fluent city.

ACKNOWLEDGEMENT:

This paper is based on an earlier background note prepared for a roundtable discussion in Beijing on June 3, 2013, hosted by the Brookings-Tsinghua Center for Public Policy and the Global Cities Initiative. The project has been made possible with the assistance of colleagues at the Brookings-Tsinghua Center for Public Policy, at the John L. Thornton China Center of the Brookings Institution, and of the Global Cities Initiative. This paper has also benefited from the contributions from the participants of the roundtable, whose names and affiliations are shown in the appendix. Support for the paper, and the roundtable, was generously provided by the Global Cities Initiative: A Joint Project of Brookings and JPMorgan Chase.

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