

Beijing as a Globally Fluent City

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Background

Beijing is expanding rapidly, and every day. In the last few decades, Beijing, one of the world's most ancient capitals, has transformed into one of the most modern, dynamic, and global cities in the world. Beijing is now also China's fastest growing city. Between 2000 and 2010, Beijing's resident population grew by 42 percent to almost 20 million people. During the same period, China's total population grew by only 6 percent. Beijing is now home to 44 of the world's 500 largest companies, second only to Tokyo. In one decade, foreign direct investment rose from a little over \$2 billion in 2000 to over \$7 billion in 2011.ⁱ The scene of a sea of bicycles, until recently an iconic feature of Beijing's landscape, has now been replaced by that of congested highways and roads packed with cars. In 2001, there were only about 600,000 privately owned cars in Beijing. In 2012, there were more than 5 million. In 2000, Beijing had two subway lines, with a total length of less than 55 kilometers. Slightly more than a decade later, today Beijing has 17 subway and light rail lines, with a total length of 456 kilometers, and with another 500 kilometers planned by 2020. In 2000, Beijing welcomed less than 2.5 million international visitors; the number nearly doubled by 2012. 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 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 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 nearly doubled, to 13, and their combined population approached 100 million. 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.ⁱⁱ

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.ⁱⁱⁱ 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.^{iv}

Globally Fluent Cities

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. In a forthcoming study, researchers with the Global Cities Initiative have identified ten traits of globally fluent metro areas.^v 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.

Evaluating Beijing's Global Fluency Based on 10 Key Traits

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.^{vi} 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?^{vii} What meaningful strategies can Beijing employ to fully leverage its potential as a global city? These are the questions this roundtable seeks to explore.

To facilitate this discussion, we propose starting from a list of 10 traits of globally fluent cities developed under the Global Cities Initiative.^{viii} This list is by no means exhaustive, and we seek feedback at the roundtable discussion to gather diverse views and to propose meaningful and actionable strategies for Beijing.^{ix}

1. Location, size, geography and history

Size and scale, historic and current trade functions, global gateways, capital city and diplomatic functions, major institutions, energy and environment

As the capital of China, Beijing enjoys 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.

2. Supportive governments and structures

National and municipal global orientation, business climate, transparency, security, safety, dependability, predictability

Beijing's government places 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.

3. Connectivity and accessibility

International connectivity, transportation infrastructure, air, port, intermodal, rail, internet connectivity, digital connectivity

Beijing has 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. The city has been rapidly expanding its network of subway lines, and the subway system is currently the second-largest in the world, with 17 lines in operation covering 456 kilometers of track.

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.

4. Knowledge and talent systems

Strong knowledge systems with international orientation, good schools, universities, multi-national firms investing in R&D and research centers, ability to connect research and development to innovation and production

Beijing has long been the center of higher education in China. Between 2006 and 2010, 45% of China's central government spending for major science and technology projects was in Beijing. 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.

5. Investment capability

Fiscal system, inter-government transfers, institutional and philanthropic investment, assets and endowment, presence of global banks, venture capital funds, private equity to

finance new technologies, ability to attract capital for infrastructure development, financial innovation

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. In recent years, about 35% of city's total tax revenue comes from the financial sector.

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.

6. Engaged companies/institutions and unique specializations

Leadership from outside government, multi-nationals; HQs, universities, other special organizations

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 73 Chinese companies on the Fortune 500 list, 44 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. And yet all 44 of these companies in Beijing are state-owned enterprises. Of China's 10 largest private companies, only two are based in Beijing.

7. Attractive and open

Attracting workforce; innovation, domestic migrants, international immigrants, foreign students, tourists, business travelers, respect, diversity and inclusiveness, speaks global language, religious and personal freedom

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, comprised of less than half

a percent of Beijing's total population.^x At the same time, a very large share of Beijing's residents is 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.

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.

8. Nimble and adaptive

Adaptable to each new generation of change, market-driven, competitive, robust ecosystem of small and medium-sized enterprises

Beijing has transformed into a global city in a very short time period. Beijing's rise to a global city has benefited from both government leadership and market forces, including small and medium-sized companies.

9. Outward looking leadership

Understands the global context and competition; has a plan, leadership and culture, commands support from media and public, build on strengths, leverage assets, invests in resources, clear identity and reputation internationally

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 symbolic figurehead representing 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, and how it can differentiate itself from other leading global cities by pursuing a specialized economic strategy.

10. Relational (global culture)

Builds customer and partner orientation at international level, build networks and alliances for long term

As the seat of national government with a booming economy and population, Beijing is already a global city and a dynamic node in the global economy. The city's rapid development, however, has thus far not been accompanied by the kind of economic specialization that can provide a sustainable long-term role in the global knowledge economy. There can be little doubt that Beijing will continue to bring its own comparative advantages into sharper focus, and efforts to attract human and financial

capital to promote innovation can be expected to bear fruit. But at this critical moment in Beijing's development into a global city there are any number of areas that have the potential to eventually define the city's global identity and its unique advantages in the regional and global economy. The steps that are taken in the next 5-10 years to promote specialized innovation and further develop a globally connected and complementary knowledge economy will have a powerful impact on the shape and global identity of the city far into the future.

References and Notes

ⁱ These numbers are drawn from *China City Yearbook 2011, 2012*, from various editions of and *Beijing Statistical Yearbook*.

ⁱⁱ McKinsey Global Institute. 2011. *Urban World: Mapping the Economic Power of Cities*.

ⁱⁱⁱ Tom Miller. 2013. "Welcome to the Middle Class." *China Economic Quarterly*.

^{iv} In 2010, over 7 million of Beijing's 19.6 million residents are migrants, with the share of migrants as total population increasing from 18.9 to 35.9% between 2000 and 2010.

^v Brad McDearman, Greg Clark, and Joseph Parilla. 2013. "Ten Traits of Globally Fluent Metro Areas." Global Cities Initiative.

^{vi} A. T. Kearney's Global Cities Index 2012 ranks Beijing the 14th in the world, below cities such as Los Angeles, Chicago, Seoul, Brussels, and Sydney. It also rates Beijing as the city most likely to improve global influence, with "low vulnerability" and "high strength." The Economist Intelligence Unit ranks Beijing only the 39th in the world in its 2012 benchmark of global city competitiveness. And Beijing is ranked 58th in the 2013 Global Financial Centres Index.

^{vii} A review of the "Big Six" global cities reveal that they have all "successfully combined densely packed business service-focused central business districts (CBDs), reliable mechanisms for talent attraction and retention, opportunities for profitability that exceed the burden of their tax/regulatory/legal systems, and the diffusion of a distinctive lifestyle brand to executives and tourists worldwide." Greg Clark. 2012. "Globalization and Cities: Building Urban Innovation." Global Cities Initiative.

^{viii} Greg Clark. 2012. "Globalization and Cities: Building Urban Innovation." Global Cities Initiative.

^{ix} Here and in other traits, modifications have been made based on Beijing's characteristics and discussions with local researchers.

^x By comparison, the number was 0.61% in Shanghai. In 2008, foreigners made up 7.6% of residents in Hong Kong, 8.9% in Singapore, and over 20% in New York (Weihuibao, February 27, 2008).