

FT Series **China's Slowing Pains**

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China's shrinking cities: 'Most of my classmates have left'

Growth has slowed to a trickle in parts of Manchuria — but some young people are finding new careers online

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As a young woman in one of China's most economically stagnant cities, Ma Yingge has adopted what she calls a "Buddhist" attitude. The word she uses, *foxi*, literally means Buddhist, but has recently been embraced by young people to express a "generalised attitude of apathy toward career, society and even themselves", according to China's (disapproving) state media.

Ma explains that the expression means "not forcing anything". "My character is like that," she says. "I don't set my goals too high. That would be tiring."

The attitude is a helpful one in China's north-east, also known as [Manchuria](#), a region of 100 million people that is squeezed between North Korea, Inner Mongolia, Russia and Japan.

While China enjoys a reputation for world-beating economic growth, Ma's home city, [Qiqihar](#), and dozens of others like it in the north-east have seen growth slow to a trickle and in a few cases experienced outright recession.

The downturn is more painful as the north-east was the country's wealthiest area from the 1950s to the 1970s. China's then-leader [Mao Zedong](#) channelled resources into a programme of rapid industrialisation that built on a legacy of factories left behind by the Japanese empire, [which had annexed the region in the 1930s](#).

From the early 2000s, nationwide infrastructure and property investment allowed heavy industry to expand and produced strong growth, a process intensified by a massive government stimulus following the global financial crisis in 2008.

But by 2015 even official statistics — widely thought to exaggerate the country's performance — showed growth below 5 per cent in the north-east. One of the region's three provinces experienced a 1 per cent contraction, virtually unheard of in contemporary China.

The problems afflicting the region — unproductive companies, weakening consumer demand and overinvestment in heavy industry — reflect challenges China will face more broadly as it attempts to make the transition from middle-income to developed-country status.

Corruption is another issue. The ties between officials and state-run companies which emerged in the planned-economy era mean the north-east enjoys an almost unparalleled reputation for graft, deterring private investment.

Qiqihar in turn is a microcosm of the region's shifting fortunes. It was given its melodious name by one of the nomadic groups that accounted for most of the north-east's sparse population until the 19th century, when tens of millions migrated from poverty-stricken areas elsewhere in China, attracted by fertile soil and burgeoning industries. Now, though, the direction of travel has reversed.

The city was hit hard in the regional downturn, its economic growth rate falling to 2 per cent a year from 2013 to 2017, barely above inflation (and compared to a national average of 7 per cent). That has prompted an exodus of young people. Like many north-easterners, they are now found across China working in service jobs such as food delivery. Since 2014, Qiqihar's population has dropped from 5.5 million to 5.3 million.

"Most of my classmates have left to look for higher incomes. Many won't return," says Ma, who works as a nurse. We are sitting in a Qiqihar restaurant, chatting over a plate of juicy grilled pork — typical warming fare in a place where winter temperatures are often around -20C.

Despite the received wisdom about China's inexorable urbanisation, the country now has [more than 900 cities that are shrinking](#) like Qiqihar, most of them in the north-east.

The demographic consequences, in the form of an increasingly elderly population, offer another preview of tomorrow's China. As the birth rate continues to fall — in spite of the abandonment of the “one-child” policy — Beijing predicts that [the country's population will peak by 2030](#), pushing the proportion of young people into rapid decline.

Such demographic shifts are making themselves felt in the property market, another area where the north-east may hold out a warning for the rest of China.

In Qiqihar, investment in property — a pillar of economic activity — began to fall in 2015 as the population diminished and a surplus of houses became apparent. Nationwide, property sales are believed to have reached a historic peak last year. Since investment chases those sales, economists believe housing will dwindle as a source of growth for upstream industries from steel to cement.

If a team of economists were tasked with finding an example of the problems afflicting China's economy, they could not do much better than Qiqihar's Fularji district. Home to about 300,000 people, in recent decades it has had a near-total dependence on four state-owned companies.

Chief among them was China First Heavy, a steelmaker and machinery manufacturer founded in 1954 as part of China's first "five year plan". A 10m-tall stainless-steel statue of Mao Zedong — the largest statue of him anywhere in China, weighing more than 33 tons — still stands at the entrance to its vast factory.

In the early 2000s, the company's ambitious chairman encouraged a massive debt-funded expansion of production. As demand for its products surged, wages soared, tripling to Rmb6,000 (£688) a month — above the national average — in the decade to 2012, say staff.

The district's other large enterprises — a steel plant, a chemical factory and a coal-fired power station — also flourished. Car ownership, once a rarity, became commonplace. Kentucky Fried Chicken opened an outlet in 2008.

Then in 2014, the recession arrived. A nationwide glut of steel production, which had more than trebled in a decade, and a cyclical downturn in the property market tipped steel prices so low that some varieties became as cheap as cabbage.

China First Heavy's chairman, Wu Fusheng, was forced to cut wages and began the difficult task of laying off management.

I don't set my goals too high. That would be tiring

Ma Yingge, nurse and online comedian

According to Stefan Schwaab, a German who Wu hired to be the company's first foreign board member, the company cut wages for nearly all staff by 30 to 40 per cent from 2014 levels. "They started with top management. Later on they expanded it to the workers," he

says. "Many had no choice than finding another job to survive."

Soon after, two of the other four pillars of industry in Qiqihar collapsed.

Beiman, the steel plant, defaulted on a series of bonds and was declared bankrupt by a local court, with Rmb7.3bn in liabilities. The chemical plant also went under — the site is now overgrown with weeds — while the electricity plant laid off hundreds of staff.

Those years saw unrest throughout the north-east. In the city of Shuangyashan, almost entirely dependent on a single coal mine, thousands of locals filled the streets for days in 2016, demanding unpaid wages.

The previous year in Qiqihar, according to several of the participants, workers gathered outside the gates of China First Heavy to demand assurances that they would receive their pensions. As officials sought to allay their fears, police detained dozens of workers before the protests ended, say

More than three years on, Fularji's streets are filled with empty shops and offices. Apartment blocks are mainly old and visibly crumbling. The only businesses displaying recruitment signs are those that cater to the elderly, selling wheelchairs and hearing aids.

Perhaps it's not surprising that financiers in Beijing and Shanghai joke that "investment does not go north of the Shanhai Pass" — the final outpost of the Great Wall that once separated Chinese civilisation from the barbarian hordes of the north-east.

Qiqihar is a long way north of that cut-off point. Yet, while its economic woes offer a worrying portent for China's leaders, there are signs of hope as well. Ma may not have the aspirations that her factory-worker parents once had, but she is not alone among her peers in seeing her future here rather than elsewhere in the country.

Across the district, posters outlined in pink stand out. "Wives, mothers, artists, your opportunity is here," they read, promising monthly incomes above Rmb10,000 for "live streamers".

The company behind them is called MV Media, whose founder, 29-year-old Liu Junzhe, has sunk Rmb300,000 into the business of training locals how to do live streaming, in return for a cut of their earnings.

About a billion gigabytes of data were transmitted through China's mobile-phone networks in 2013. By last year, [that figure had risen by a factor of more than 25](#).

A considerable chunk of that data is used to stream videos. Platforms where hosts — mainly young women — sit in front of webcams, singing and chatting with fans, have more than 400 million users, creating an industry worth billions of dollars.

China's north-east has found an unlikely comparative advantage in live streaming. For years, its state-owned enterprises sponsored performing arts troupes; the brand of working-class humour, direct and sometimes crude, that flourished within them has found nationwide appeal. The region's Mandarin dialect is also intelligible across the country, yet distinctive enough to be found amusing.

“The economic conditions here are not good, other industries are struggling,” Liu says. “But we are doing well. This is something north-easterners are good at. Live streaming can help solve some of our economic problems.”

MV's office corridors lead to small booths Liu has installed for his 30 recruits. All are equipped with computers, webcams and a device that can produce sound effects such as applause on demand.

The sound of singing wafts softly out of the booths. China's “Buddhist” youth are a perfect audience, he says. “Nowadays young people pursue fleeting happiness. We are happy for a moment and then it's gone,” he adds.

Newly created jobs in the service industry point to one reason unrest has been limited in Fularji. “There are plenty of retail opportunities,” says Wu Yue, 25, a woman who uses video apps to promote her clothing shop.

A form of urbanisation is still happening here: as the more educated young people move elsewhere, many people from the district’s rural fringe, raised by farming parents, are now entering the city, often with high-school or college educations.

“People’s consciousness is changing,” says Wu, who made this journey herself. “Before, rural families wouldn’t encourage their children to study beyond the basics.”

It is not only attitudes to education that are shifting. Young people want work that expresses their values and interests: they are reluctant to work in the industries their parents relied on. “My parents just wanted to work in the factory and that was it. That was the style of thought in Mao’s era,” says a local called Qiu Zhe. “Young people’s values are different.”

In a recently opened café where a miniature Mao statue is displayed as just another curiosity in a cabinet of kitsch antiques, Qiu explains he has one foot in the old and new economies.

By night, he works shifts at First Heavy. By day, he is one half of the district’s first drone photography team, having taught himself how to fly a drone using online videos. He takes out his smartphone and shows videos of weddings and local sports events he has been hired to film at weekends.

The business is “ahead of its time”, he says, and has yet to generate enough to support him. But it is sufficiently promising to keep him in the city: “If I didn’t have good projects, then I would leave too.”

Last autumn, neon signs reading “New Era”, a slogan of China’s President Xi Jinping, began to appear on the road to Fularji from Qiqihar. One morning in September, businesses in the town centre were ordered to close. Residents could be certain that Xi had visited only later that evening, when he appeared on state television’s flagship news programme touring China First Heavy.

It was [the first time a Communist party general secretary — the heir of Mao — had visited in a generation.](#)

Clad in a black windbreaker, Xi was shown preaching to factory employees about the role of domestic industry in “self-reliance”. Visits by top Chinese leaders are mainly read for their symbolism, and the message was clear: state-owned enterprises (SOEs) were still at the centre of the government’s economic strategy as it faced a trade war with the US.

“For the first time the leaders sided with the local leaders who are less willing to promote the selling off of SOEs that don’t work,” says Nathan Attrill, a researcher at the Australian National University who studies the north-east. “Xi is less concerned about some privatisation or attracting foreign investment.”

Nowadays young people pursue fleeting happiness. We are happy for a moment and then it's gone

Liu Junzhe, founder of MV online media

Large-scale privatisations of state-owned companies in the north-east led to millions of lay-offs in the 1990s, but helped lay the foundation for the decade of growth that followed.

Even so, the Communist party is unlikely to repeat the policy, particularly after a [2009 incident in Tonghua](#), when thousands rioted and the head of a state-owned steel plant

who had proposed selling the company to private investors was beaten to death.

Some observers believe that the reluctance to make far-reaching reforms will doom the north-east to stagnation. But, often piecemeal and quietly, difficult choices have been made by state-owned companies. The cuts made at First Heavy helped stabilise the company, and wages have risen again in recent years, according to Qiu.

Beijing has pushed hard to close excess capacity in coal and steel, depriving more than a million people of jobs, while boosting profits for the companies that remain. There has even been some privatisation — as part of its debt restructuring, Fularji's steel plant was acquired by a private company from eastern China.

Last year, recruitment notices began to appear online: the plant was hiring again with monthly salaries for technical staff of Rmb12,000 — more than twice the national average.

Similar stories are found across the region, and official figures show growth beginning to converge with coastal China. How sustainable this is remains debatable — the district received a tailwind from another round of stimulus introduced in 2015 — but, for many young people in the region, life is looking more positive than it did a few years ago.

What is certain is that their ability to forge a better future is a litmus test for the country as it seeks to develop in decades to come.



In a village an hour's drive from Fularji, Zhang Long, surrounded by cornfields, is carrying out repairs on his Lamborghini — or what there is of it.

The 30-year-old is building the car, an imitation of the Italian original, entirely on his own and has so far finished only the chassis. He estimates it will cost Rmb100,000 to complete — a process he is sharing with 570,000 fans on [Kuaishou](#), a streaming platform.

“I was inspired by the *Fast and Furious* movies. I've seen all of them,” he explains. In Qiqihar, about a third of the population — some 1.5 million people — use the platform every month, but Zhang claims to have fans as far afield as South Korea and the US.

After leaving school at 15, Zhang moved to Beijing and trained as a mechanic, eventually setting up a vehicle repair shop with some friends. Moving back to his home village to look after his father, who was diagnosed with cancer in 2016, he now plans to stay — moving to its urban centre to open another repair shop, bringing skills learnt in the capital back to the provinces.

His family's patch of land will be rented out to a large-scale agribusiness, he says. "Farming is boring. Young people want to see the world and don't want to do that kind of physical labour."

Ma, too, is attracting attention online. She began performing short comic skits, uploading the videos to Kuaishou. "My fans tell me I have a heavy north-east accent. People are interested in that," she says.

The additional income has allowed Ma to remain in Qiqihar, close to her parents, who at first found her side career barely intelligible.

The videos, featuring the tomboyish Ma making jokes (sample: "The first time I went to the cinema I bought four tickets because the attendant kept ripping them up"), have amassed nearly two million fans. Gifts she receives through the platform can earn her the equivalent of her Rmb4,000 salary each month, which she spends on trips to local ski resorts and hot springs.

Friends and family have encouraged her to seek a career outside Qiqihar, but she is set on remaining. “Leaving also carries risk. Everyone wants to be successful, but you could fail,” she says as we finish our meal. “So I stay.”

“As an only child I think it’s better to be beside my parents,” she adds, before setting off in her Toyota SUV — also a live-streaming-funded purchase. “There is less pressure here than in big cities. I feel good.”

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