Chinese regional development and policy

Michael Dunford and Thomas Bonschab
University of Sussex and Institute of Geographical Sciences and Natural Resources Research, Chinese Academy of Sciences, Beijing, PR China
Deutsche Gesellschaft für Internationale Zusammenarbeit, Beijing, PR China

Introduction: growth and geographical inequality

The defeat of Japan in 1945 and establishment of the People’s Republic of China in 1949 marked the end of some 100 years of foreign domination and humiliation for China. In the sixty years since the establishment of the People’s Republic of China in 1949 it has made remarkable progress. Initially the Chinese communist government established a planned economic system. In 1978 however it embarked on a new course of reform and opening up (gāigōng) designed to accelerate economic growth. In 1952-77 Chinese real GDP increased on average at 5.9% per year, although it started from an extremely low level and oscillated sharply. At the end of this period China was a country that was relatively equal, but the overwhelming majority of the people were poor. In the second phase from 1978-2011 average real GDP growth stood at 9.7%. Real per capita disposable income and real per capita expenditure increased rapidly in all parts of China, and hundreds of millions of people were lifted out of poverty.

Figure 1 Chinese provinces and regional policy areas since the 1980s Source: Dunford and Li (2010)

The increases in GDP and income were however much greater (1) in areas on the east coast than in the centre, northeast and west creating widening macro-territorial inequalities (Figure 1), (2) in some provinces rather than others increasing inter-provincial inequalities and (3) in urban areas rather than rural areas. At the same time social inequality increased.
Figure 2 plots GDP per head at a prefectural level. At this scale it is clear that within the four territorial divisions and within the provinces there is a concentration of economic development in a number of growth poles. Most of these growth poles are in eastern China especially in the Bohai Bay, Yangtze River Delta and the Pearl River Delta areas. Within many eastern provinces, however, there is a core-periphery structure. In the central and western interior the provincial capitals have relatively high scores (Hebei, Shanxi, Henan, Hubei, Hunan, Jiangxi, Sichuan and Yunnan). In Inner Mongolia and Xinjiang development is very uneven. Areas with high GDP per head due to the presence of resource extraction and resource-dependent industries lie next to areas whose GDP per capita is extremely low: in Xinjiang oil-rich Karamay prefecture has the highest per capita GDP in China at 4.9 times the national average, whereas the border prefectures of Aksu and Kashgar stand at less than one-quarter of the national average (Li, 2012).

These geographical imbalances have seen the adoption of a succession of policies designed initially to promote a more equilibrated model of co-ordinated national development and more recently a more sustainable and more equitable development path consistent with the more recent emphasis on the goal of harmonious development.
2 China: environment, ecological security and development

China’s regional disparities are a consequence of geographical factors, of the gap between rural and urban areas and of China’s choice of development strategy. China’s economic development level and population density are almost inversely proportional to its relief which descends from west to east: the Qinghai-Tibet plateau standing at 4-5,000 metres above sea level, and much of the second tier of mountains, plateaux and basins lying between 1-2,000 metres are considered relatively unsuitable for development (Figure 3). Development potential is greatest in the third and most easterly tier of plains interspersed with hills and foothills lying at 500-1,000 metres above sea level. If a line is drawn from Aihui County in Heilongjiang Province to Tengchong County in Yunnan Province, the area north-west of this line is arid with a population density of 11 people per square kilometre. The area south-east of this line is very densely inhabited by 96% of the total Chinese population. In all only just over 1.8 million square kilometres are considered suitable for industrialization and urbanization (Figure 3). Arable land per capita is also extremely limited and increasingly strongly protected.

Figure 3 Areas suitable for urban and industrial development. Source: CEC (2010)

China’s economic advance has generated serious environmental problems, particularly in environmentally fragile areas. In addition fast growth has put pressure on critical resources (agricultural land, clean air, water and energy) whose availability is limited. In 2006, these considerations led the State Council to approve general proposals for functional zoning. The adoption of this strategy involved a significant change from the earlier focus on narrow conceptions of regional economic performance to a wider concern with the carrying capacity of the environment, the sustainability of development and an equalization of the provision of public services. On the
basis of their environmental carrying capacity, the density of current development and their resource development potential, four types of regions have been identified:

(1) Optimized development zones: regions with high density land development and a declining resource and environmental carrying capacity;

(2) Prioritized development zones: regions with relatively strong resource endowment and environmental carrying capacity as well as favourable conditions for the agglomeration of economic activities and people;

(3) Restricted development zones: regions with weak resource endowment and environmental carrying capacity, poor conditions for the agglomeration of economic activities and people, and which are crucial to wider regional or national ecological security and food safety; and

(4) Prohibited development zones: legally established natural and cultural reserves, where any industrial development is prohibited.

Many of the most ecologically vulnerable areas are in western China explaining their unsuitability for economic development (Figure 3) and making the quest for a new balance between the protection of ecosystems and socio-economic development a major challenge.

3 China’s urban-rural divide
A second reason for the disparities in development is the gap between rural and urban areas. In the first 50 years of the PRC Chinese spatial inequalities have expanded in phases of industrial expansion and contracted in phases favourable to agriculture. In 2010 50.1 per cent of the population was still rural, 36.7 per cent worked in agriculture, and yet agriculture accounted for just 10.1 per cent of GDP. Clearly if 36.7 per cent of the occupied population produce just 10.1 per cent of GDP, average income will be low, although in many cases rural incomes increase as a result of remittances from some of the 200 million rural people who work as migrant workers in China’s larger cities. Of the cross-provincial flows of labour, some 90% originate from central and western regions and some 82% involve moves to eastern provinces.
Figure 4 China’s bloc areas

1. Liupan mountain area
2. Qinba mountain area
3. Wuling mountain area
4. Wameng mountain area
5. Stone desertification area (Yunnan, Guizhou, Guangxi)
6. West Yunnan mountain border area
7. Greater Khingan (south) mountains
8. Yanshan-Taishan mountain area
9. Luliang mountain area
10. Dabie mountain area
11. Luoxiao mountain area
12. Tibet
13. Tibetan autonomous areas in Sichuan, Yunnan, Gansu and Qinghai
14. Kashgar, Hotan and Kazak Autonomous Prefectures in Xinjiang
The rural-urban division is important for another reason. Most of China’s residual poverty is found in fourteen mountainous rural areas in western and central China (Figure 4): some are former revolutionary base areas, many are inhabited by minorities, all are ecologically sensitive, often the physical environment is very harsh, the incidence of natural disasters is high, most are inaccessible and without good infrastructure, in many cases out-migration results in an ageing population, many are border areas or cross provincial borders and all are areas with unresolved problems of education, health and drinking water. In recent years the government has increased support to these areas. More recently fourteen 集中连片特殊困难地区 (ji zhong lian pian teshu kunnan diqu – concentrated contiguous poor areas with special difficulties) or bloc areas were identified as the key battleground for poverty alleviation and development in the China Rural Poverty Alleviation and Development Outline (2011-2020) issued in 2011. In these areas the aims is to deal with the problems of poor households and poor areas. As far as households are concerned, the aim is to achieve ‘the two don’t worries’ (food and clothing) and ‘the three guarantees’ (basic health, education and housing). As far as area development is concerned, the solution entails the design and implementation of an innovative regional development model and system.

4 China’s evolving development strategy and Chinese regional development policies

China’s regional development strategy has passed through three phases: a balanced development strategy in 1949-78; an unbalanced strategy from 1978-mid 1990s and a co-ordinated regional development strategy since the late 1990s. In the planned economy period the development of energy, raw materials and heavy processing industries was prioritised, and the geography of development was driven by resource availability. In the mid-1960s tense relationships with the United States and its allies saw the government launch the Third Front programme relocating strategic industries in mountainous areas in central and western China. Once international tensions eased, priority was switched to the coast. After 1978, reform and opening up saw growth concentrated in eastern coastal areas. The establishment of special economic zones, open cities and open economic zones, the introduction of a wide range of other preferential policies and the mission, set out in an ‘economic development strategy for coastal areas’ put forward at the end of 1987, to develop an export-oriented economy and play a leading role in international competition led to a sharp increase in regional disparities (Figure 4).

In response in the mid-1990s the ninth Five Year Plan (FYP) indicated that economic and social development should ‘adhere to the coordinated economic development among regions, and gradually reduce the regional development disparities’, and put forward a series of policies to accelerate the development of the central and western regions: these areas were given priority in the scheduling of resource development and infrastructure projects, the prices of natural resources were adjusted in their favour, and central financial transfer payments were put in place. Nonetheless disparities continued to increase leading to a reinforcement of regional policies. In 1999 the government established the Western Development Strategy. The Tenth (2000-2005) and Eleventh (2005-2010) FYPs included proposals for co-ordinated regional development, and programmes were developed for each of the four main territorial entities. These programmes were designed to mobilise their resources, exploit their respective advantages and potentialities and increase inter-regional co-operation and the inter-regional division of labour.
The 1999 Western Development Strategy involved large-scale infrastructure projects, economic upgrading and the development of specialized local industries, managed urbanisation, and human capacity development. The 12th Five-Year Plan (FYP) for 2012-2015 attaches special emphasis to the strengthening environmental protection and geological disaster prevention, the construction of key ecological function areas and national ecological security barriers.

In 2003 the Revitalization of the Old Northeast Industrial Bases strategy was adopted. In this case, the policy regime paid special attention to restructuring and upgrading technological capabilities and reducing pollution. Measures were adopted to transform resource-based cities. During the 12th FYP, a focus is to lie on protection of black lands, wetlands, forests and grassland, as well as the promotion of ecological protection and economic transformation of mountain areas.

China’s coordinated development strategy also comprises policies for Uplifting Central China, which since 2004 has provided special support to reinforce the construction of an integrated transport system and energy and strategic material base, expanding markets in central China and strengthening competitive manufacturing and high technology industries. The 12th FYP foresees an enhancement of resource efficiency and the development of a recycling economy.

The East Coast has been strengthened in its role of spearheading China’s development with a view to enhancing its capacity to carry out independent innovation, achieve structural upgrading and a shift from capital and resource-driven to innovation-driven growth, pushing forward its social, economic and institutional transition. According to the 12th FYP, a focus will be attached to enhancing its capacity for sustainable development, as well as further improving its resource efficiency and pollution control, in order to resolve present environmental bottlenecks.

Figure 5 GDP shares of four main territorial divisions. Source: elaborated from National Bureau of Statistics data

Since 2006 the GDP growth rates in western, central and northeastern China have surpassed eastern China, and the shares of the three less developed areas have started to increase at the expense of the east coast, although absolute differences in GDP per head continue to increase.
5 Conclusions
China’s regional policy has undergone constant evolution in the light of the results of past policies and the emergence of new problems. At present these policies aim to contain the regional development disparities, to enable regions to exploit their potential advantages and to promote regional competitiveness. More recently these measures have started to address a series of other problems. The first is the gap between the spatial agglomeration of economic activities and the integration of rural migrants into urban life. Although industrialization and urbanization have propelled economic growth through increased industrial and infrastructural investment, an increased urbanisation of the rural population has the potential to add massively to domestic consumption demand as a result of changes in lifestyle and to help put in place an inward-looking rather than an export-oriented model of development. A second is the need to promote the transfer of industries from the coast to central and western China. The third derives from environmental and ecological challenges. These challenges have made environmental protection, ecological compensation and the co-ordination of economic life with the carrying capacity of the resource environment vital elements of regional development policy. In concentrating finally on economic growth, disparities in the quality and quantity of public service provision have emerged. These disparities include disparities in the provision of nine years of compulsory education and in the provision of healthcare. An equalization of basic public service provision has therefore also emerged as a regional policy objective.

References


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