

Research Series on the Chinese Dream
and China's Development Path

Huiqin Yao
Zhangyong Xu *Editors*

Redevelopment of Western China



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Research Series on the Chinese Dream and China's Development Path

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Drawing on a large body of empirical studies done over the last two decades, the *Research Series on the Chinese Dream and China's Development Path* seeks to provide its readers with in-depth analyses of the past and present, and forecasts for the future course of China's development. Thanks to the adoption of Socialism with Chinese characteristics, and the implementation of comprehensive reform and opening, China has made tremendous achievements in areas such as political reform, economic development, and social construction, and is making great strides towards the realization of the Chinese dream of national rejuvenation. In addition to presenting a detailed account of many of these achievements, the authors also discuss what lessons other countries can learn from China's experience. This series will be an invaluable companion to every researcher who is trying to gain a deeper understanding of the development model, path and experience unique to China.

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Series Preface

Since China's reform and opening began in 1978, the country has come a long way on the path of Socialism with Chinese Characteristics, under the leadership of the Communist Party of China. Over thirty years of reform, efforts and sustained spectacular economic growth have turned China into the world's second largest economy and wrought many profound changes in the Chinese society. These historically significant developments have been garnering increasing attention from scholars, governments, and the general public alike around the world since the 1990s, when the newest wave of China studies began to gather steam. Some of the hottest topics have included the so-called China miracle, Chinese phenomenon, Chinese experience, Chinese path, and the Chinese model. Homegrown researchers have soon followed suit. Already hugely productive, this vibrant field is putting out a large number of books each year, with Social Sciences Academic Press alone having published hundreds of titles on a wide range of subjects.

Because most of these books have been written and published in Chinese, however, readership has been limited outside China—even among many who study China—for whom English is still the lingua franca. This language barrier has been an impediment to efforts by academia, business communities, and policy-makers in other countries to form a thorough understanding of contemporary China, of what is distinct about China's past and present may mean not only for her future but also for the future of the world. The need to remove such an impediment is both real and urgent, and the *Research Series on the Chinese Dream and China's Development Path* is my answer to the call.

This series features some of the most notable achievements from the last 20 years by scholars in China in a variety of research topics related to reform and opening. They include both theoretical explorations and empirical studies, and cover economy, society, politics, law, culture and ecology, the six areas in which reform and opening policies have had the deepest impact and farthest-reaching consequences for the country. Authors for the series have also tried to articulate their visions of the “Chinese Dream” and how the country can realize it in these fields and beyond.

All of the editors and authors for the *Research Series on the Chinese Dream and China's Development Path* are both longtime students of reform and opening and recognized authorities in their respective academic fields. Their credentials and expertise lend credibility to these books, each of which having been subject to a rigorous peer-review process for inclusion in the series. As part of the Reform and Development Program under the State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China, the series is published by Springer, a Germany-based academic publisher of international repute, and distributed overseas. I am confident that it will help fill a lacuna in studies of China in the era of reform and opening.

Xie Shouguang

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After a relatively short gestation period, the *Research Series on the Chinese Dream and China's Development Path* has started to bear fruits. We have, first and foremost, the books' authors and editors to thank for making this possible. And it was the hard work by many people at Social Sciences Academic Press and Springer, the two collaborating publishers, that made it a reality. We are deeply grateful to all of them.

Mr. Xie Shouguang, President of Social Sciences Academic Press (SSAP), is the mastermind behind the project. In addition to defining the key missions to be accomplished by it and setting down the basic parameters for the project's execution, as the work has unfolded, Mr. Xie has provided critical input pertaining to its every aspect and at every step of the way. Thanks to the deft coordination by Ms. Li Yanling, all the constantly moving parts of the project, especially those on the SSAP side, are securely held together, and as well synchronized as is feasible for a project of this scale. Ms. Gao Jing, unfailingly diligent and meticulous, makes sure every aspect of each Chinese manuscript meets the highest standards for both publishers, something of critical importance to all subsequent steps in the publishing process. That high quality if also at times stylistically as well as technically challenging scholarly writing in Chinese has turned into decent, readable English that readers see on these pages is largely thanks to Ms. Liang Fan, who oversees translator recruitment and translation quality control.

Ten other members of the SSAP staff have been intimately involved, primarily in the capacity of in-house editor, in the preparation of the Chinese manuscripts. It is time-consuming work that requires attention to details, and each of them has done this and is continuing to do this with superb skills. They are, in alphabetical order: Mr. Cai Jihui, Ms. Liu Xiaojun, Mr. Ren Wenwu, Ms. Shi Xiaolin, Ms. Song Yuehua, Mr. Tong Genxing, Ms. Wu Dan, Ms. Yao Dongmei, Ms. Yun Wei and Ms. Zhou Qiong. In addition, Xie Shouguang, and Li Yanling have also taken part in this work.

Mr. Ren Wenwu is the SSAP in-house editor for the current volume.

Our appreciation is also owed to Ms. Li Yan, Mr. Chai Ning, Ms. Wang Lei, and Ms. Xu Yi from Springer's Beijing Representative Office. Their strong support for the SSAP team in various aspects of the project helped to make the latter's work that much easier than it would have otherwise been.

We thank Ms. Yue Ling for translating this book and Ms. Luo Hongyan for her work as the polisher. The translation and draft polish process benefited greatly from the consistent and professional coordination service by Global Tone Communication Technology Co., Ltd. We thank everyone involved for their hard work.

Last, but certainly not least, it must be mentioned that funding for this project comes from the Ministry of Finance of the People's Republic of China. Our profound gratitude, if we can be forgiven for a bit of apophasis, goes without saying.

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Chapter 1

Economic Development in Western China: A Ten-Year Review

Liancheng He, Huiqin Yao, Zhangyong Xu, Lixiong Cai
and Shuwei An

The Western China Development Strategy was launched in 1999. Guided by the strategy and the Scientific Outlook on Development, the western provinces have worked hard to push through various reforms, to boost cooperation with other provinces and countries, to improve macroeconomic regulation, and to transform the way their economy advances. Despite such factors as macroeconomic fluctuations, rising production costs, the SARS outbreak, the rarely seen ice disaster and the Sichuan earthquake, their efforts yielded impressive results in economic and social fields, as evident from built-up economic strength, a bettered economic structure and profitability, progress in ecological conservation and restoration, and improved living standards. With a historical leap from *wenbao* (a stage of development at which basic survival needs are met) to *xiaokang* (moderate prosperity), the region's status in the national economy rose significantly and great progress was made towards a moderately prosperous and harmonious society. As 2009 marks ten years since the Western China Development Strategy was launched, a retrospective study would be highly useful for us to learn from past successes and failures, and to better inform future policy makers on the development of the region.

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1.1 Economic Profile in Earlier Years and Goals of the Strategy

1.1.1 Economic Profile of Western China Before the Strategy Was Adopted

Western China is where the Chinese civilization originated and grew into maturity, and where the first two thirds of China's 3000-year written history mainly took place. For a long period in the modern times, due to its landlocked location as well as China's spatially unbalanced economic strategies, Western China lagged behind the rest of the country in economic performance. The situation improved after the founding of the People's Republic of China, especially following the adoption of the Reform and Opening-up policy. While the economic reform and restructuring accelerated, the region reported impressive economic growth and much elevated standard of living. However, with China shifting its economic focus further away from the west to the east, and with the formulation of Deng Xiaoping's strategic vision for the eastern (coastal) and western areas in 1988, the western provinces became virtually a source of human, financial, and other support for their eastern counterparts which were deemed a testing ground for broader national reforms. This caused the east-west disparity to persist. Here, we will look back on the economic profile of western China in a 50-year time frame, that is, from the founding of the People's Republic of China till the proposal of the Western China Development Strategy in 1998.

1. Major economic indicators: uneven performance

From 1952 to 1998, the nominal GDP of western China grew by 117.3 times. The last two decades (1978–1998) reported a 20.5-fold increase, far greater than the 5.72 fold increase in the previous 26 years. The overall trend throughout the period was accelerated growth. The real average annual growth in the first 26 years stood at 6.90% with the fastest growth seen in Qinghai province (9.06%) and seven provinces and autonomous regions reporting a growth above the national average (6.88%). The growth picked up speed in the 20 years after the launch of the Reform and Opening-up policy, with the average annual growth hitting 9.45%, much higher than the previous level. The fastest growth was achieved in Xinjiang (10.62%), and three provinces and autonomous regions witnessed a growth rate faster than the national average (9.82%). The nominal per capita GDP grew by 52 times during the same period and 75% of that was achieved after the launch of the Reform and Opening-up policy. In terms of fiscal income and expenditure, substantial growth was seen during the 41 years from 1957 to 1998, with the income up 30 times and the expenditure 76 times.

However, a comparative study shows that the west lagged behind the east by all these indicators. As can be seen in Fig. 1.1, during the 26 years before the Reform and Opening-up, the GDP of the west grew faster than the national average level, though slower than the east as a whole; but in the 20 years that followed, especially

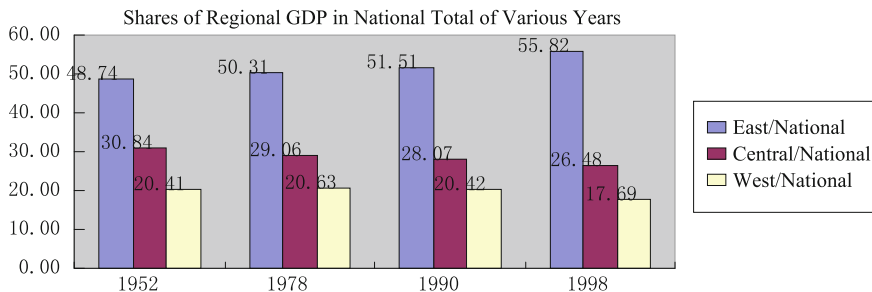


Fig. 1.1 Shares of regional GDP in national total of various years

the last eight years of that period, its growth fell far behind the eastern and central regions, as well as the national average. Correspondingly, the share of the west in the GDP of China rose during the early years but fell in the two decades afterwards from 20.63% in 1978 to 17.69% in 1998.¹ As for the per capita GDP, in 1952, the western region reported a level 69.5% of the national average, which was reduced to 68% in 1978 and further down to 57.9% in 1998. The share of its fiscal revenue in the national total decreased greatly between 1957 and 1978 (from 19.64% to 13.21%) and then rose sharply to 22.81% in 1990; however, a big fall followed and the figure was down to 18.99% in 1998, with a similar fall occurring during the same period, i.e. 1990–1998 in the share of its fiscal expenditure in the national total (from 29.09% to 24.09%). Such comparisons show that the Reform and Opening-up did not narrow the gap between the east and the west, but widened it to a large extent. This trend had been especially clear since the middle years of the Reform, pushing down the overall status of the west in the Chinese economy.

2. Industrial structure: imbalance and backwardness

From 1952 to 1998, the industrial structure improved significantly in western China. The ratio between the primary, secondary and tertiary industries changed from 66:16:18 to 37:43:20 in 1978 and then to 25:41:34 in 1998, a trend that was not unusual. However, when one compares the region’s 1998 ratio to the national level and that of the eastern region, one would find the primary industry had a disproportionately high share, plus such problems as low marketization, backward technology, and a low level of per unit yield. the secondary industry, on the contrary, had a share lower than the national average and the level of the east, by 7 and 8 percentage points respectively, and the businesses operating in the industry, many of which were military enterprises, were typically resource intensive, thus playing a less than prominent role in driving up the economy. The weakness in the light industry development set back the efforts to improve people’s livelihood. The contribution of the tertiary industry was the closest to the national level, but it did

¹Data of the western region and the country are calculated by adding up the nominal figures of each province, autonomous region and municipality.

not mean that the tertiary industry fared better than other sectors in the western region, for apart from the output value, the use of state-of-the-art technology must also be taken into consideration when judging the industrial structure. In western China, the tertiary industry consisted mainly of traditional trade, commerce and tourism, while IT, finance and other new services remained largely underdeveloped. Moreover, due to the slow progress of reforms and other reasons, the overall caliber of human resources cannot meet the requirements of modern services. In terms of sources of funding, the businesses in the western region were mainly state-owned, many hobbled by outdated technology and business models and unable to survive without government funding. The underdeveloped private sector is both a result of inadequate market force and a factor to widen the east-west gap in marketization, and the regional economy thus had a low viability and capacity for development.

3. Sustainable development: willingness to invest versus capacity to invest

Since the Reform and Opening-up policy was launched, investment in infrastructure (used to boost extensive “reproduction on an extended scale” as Marx termed it) and technical upgrading (used to boost intensive “reproduction on an extended scale”) has kept rising. Investment in these two aspects increased from RMB 21.894 billion and RMB 9.312 billion in 1985 to RMB 246.045 billion and RMB 87.113 billion in 1998, clearly showing the willingness of the western region to catch up with others. However, given the region’s GDP figure, both categories of investment fell as a percentage of the national total. The trend was particularly pronounced for investment in technical upgrading which accounted for 30% of the two categories of investment combined in 1985 and 26% in 1998. Its share in national total was 3 percentage points lower than those of the eastern and central regions. This pointed to the inadequacies in R&D and long-term economic development. In addition, a low level of investment in fixed assets resulted in poor infrastructure, water conservancy facilities, road network, power grid, and a low coverage of telecommunication services in the western region; together with degraded ecological environment, vast desertification, serious soil erosion, low capacity for industrial restructuring, and delayed development of industrialization, urbanization, IT and the service sector.

4. Living standard and society: underdevelopment and livelihood problems

In the early years after the founding of the People’s Republic of China, the western region trailed the country in both per capita consumption and disposable income of urban residents, though the per capita income of rural residents in some areas was slightly higher than the national average. Things improved in the first few years of the Reform era, but not significantly. Apart from the four autonomous regions of Ningxia, Xinjiang, Inner Mongolia, and Guangxi which reported better-than-average per capita consumption—perhaps as a result of preferential policies for minority groups, the income level in the region was generally below the national average. While the western provinces came closer to the national average in per capita consumption and urban income, the gap in rural income widened. By 1998 the western provinces, but for a few exceptions, did worse in the three

measures than in the beginning of the Reform era (see Table 1.1). The worst drop in per capita consumption occurred in Ningxia where it decreased from 139.7 to 68.9% of the national average; in terms of per capita disposable income of urban residents, Xinjiang suffered the sharpest decline, from 99.8 to 75.8% of the national average; and in rural income, the largest drop was seen in Gansu, from around the same as the national average to 65% of it. Thus, research literature on income distribution since the beginning of the Reform and Opening-up usually blames the east-west gap for the rising Gini coefficient.

Secondary and higher education developed rapidly in the west after the founding of the People's Republic of China. The total secondary school enrolment rose from 479,000 in 1952 to 14.885 million in 1998 and the college student enrolment increased from 32,000 to 734,000 during the same period, providing strong intellectual support to economic development. The figures, however, were disproportionately low given the fact that the population of the region accounts for 29% of the national total. And after 1990, the region's secondary school and college enrolment even dropped as a percentage of the national total (from 22.16 and 26.81 to 21.52 and 23.62% in 1998, respectively).

The socioeconomic backwardness of Western China had presented itself as a formidable challenge to the sustainable growth of the entire economy, the national strategy of building a moderately prosperous society and achieving overall modernization, as well as the ecological security, ethnic solidarity, national defense, and resource security of the country. Therefore, at that time, in order to promote further economic and social development in China, it was imperative that we speed up the

Table 1.1 Per capita income and consumption in western provinces

	Per capita consumption (RMB)			Urban per capita disposable income (RMB)			Rural per capita disposable income (RMB)		
	1952	1978	1998	1957	1980	1998	1957	1978	1998
National	142	184	2972	235	439	5425	73	134	2162
Chongqing			2224			5467			1720
Sichuan	51	149	2040	185	429※	5412		120	1972
Guizhou	52	146	2121	197	360	5127	68	127	1789
Yunnan	50	128	1511	151	316	4565	64	109	1334
Tibet	54	156	2059	192	404	6043	66	131	1387
Shaanxi			1551		487※				1232
Gansu	81	173	1852		381	4220	76	134	1406
Qinghai	80	168	1612		403	4010	93	101	1393
Ningxia	94	257	2047			4240		113	1425
Xinjiang	92	214	1947	220	438	4112	102	116	1721
Inner Mongolia	122	217	2745		482※	5001	125	119	1600
Guangxi	99	207	2141		370	4353		131	1981

Note ※ indicates data of 1981

Source based on *China Statistical Yearbook 1990–1999*

development of the west. According to the *General Plan for Western China Development during the 10th Five-year Plan Period*, to launch the Western China Development Strategy is a major step to take in order to implement Deng Xiaoping's "two overall situations" strategy for the east and the west, narrow urban-rural gaps, reinforce ethnic solidarity, ensure border security and social stability, and promote social progress. It is also urgently required for the restructuring of regional economies, giving better play to regional advantages, a more reasonable distribution of productive forces, and an improved overall economic efficiency and level. It is important for the expansion of domestic demand, the broadening of market space, and the maintenance of sustained, rapid and healthy development of the national economy." "Considering the general context of socialist modernization, it is a must that we propose with special emphasis the Western China Development Strategy and the acceleration of development in the central and western regions as a major strategic mission. In doing so, we will promote the coordinated development of different regions and achieve major steps towards the great rejuvenation of the Chinese nation in the 21st century." Western China Development, therefore, bears high economic and political significance.

1.1.2 Proposition and Goals of the Western China Development Strategy

In the 1980s, in response to the unbalanced economic development in China, Deng Xiaoping proposed the "two overall situations" strategy: one overall situation is that the coastal areas should open up to the outside world with quickened steps and the central and western regions should offer support for that; while the other overall situation is that when coastal areas develop to a certain level, they should spare more efforts to help the central and western regions. After two decades of reform and opening up, the east accounted for over half of the economic aggregate of China and further economic development was seriously restricted by market conditions. The Western China Development Strategy is exactly in line with Deng's deployment and it is an obligation of the east to support the strategy. Moreover, Western China Development will open up vast market and facilitate the industrial upgrade of the east. As such, Jiang Zemin pointed out in Xi'an on June 9, 1999, that it was time to promote the development of western China. Then, on September 22 of the same year, a decision was adopted at the Fifth Plenary Session of the 14th CPC Central Committee to launch the Western China Development Strategy. In early 2000, a leadership office was established for Western China development under the State Council and a dedicated working meeting was held to make specific arrangements. Western China Development was thus launched.

The guideline of the Western China Development Strategy is that the strategy must be based firmly on the reality, efforts must be aggressive but not rash, and we must be prepared for a strenuous way ahead; plans shall be well-coordinated and adequately demonstrated as fully in line with the innate law of how things progress

and major development tasks shall all be implemented in a sound and concrete manner; priorities shall be clearly defined, goals fulfilled step by step with focus on key parts and major conflicts, and resources pooled to tackle crucial problems relevant to the overall situation; we shall promote Western China Development effectively by deepening the reform, stepping up our effort to open further up, and striving for technological and institutional innovations. The general strategic goal is to change fundamentally the situation that the west lags behind other regions, significantly narrow the regional gaps and build western China into a place of economic prosperity, social progress, stability, ethnic solidarity, natural beauty, and well-off life by the end of the 21st century when China basically completes its modernization process after generations of conscientious effort.

1.2 Achievements of Western China Development, 1998–2008

Starting from June 1999, Western China Development has been going on for an entire decade (for the convenience of comparison, we hereby take the year 1998 as the baseline year). Over the decade, thanks to the leadership of the CPC Central Committee and the State Council and to the efforts of the people, especially people in the west, Western China Development has made smooth progress and great achievements.

1.2.1 Continuous, Steady and Rapid Economic Growth

Since 1998, western China has seen rapid economic growth for quite a long time with stability. Leaps have been achieved in both the economic aggregate and in per capita terms, laying a solid foundation for the attainment of the strategic goals of Western China Development.

The average annual GDP growth was 11.42% which was higher than the national average of 9.64% and the highest decade average since the founding of the People's Republic of China. Inner Mongolia, in particular, witnessed the highest growth in China for seven consecutive years starting from 2002 and its average annual growth throughout the decade was up to 16%. Following it were Shaanxi and Tibet whose growth rates stood respectively at 12.18 and 9.47%. Yunnan was the only western province with an annual growth rate lower than the national level, and all western provinces achieved a growth rate above the national average of 9% in 2008.

Growth accelerated during the ten years. From 1999 to 2007, the GDP growth rate of western China rose from 7.96 to 14.52%, up by 0.94 percentage point per year on average. Though the growth rate lowered slightly in 2008 due to natural disasters and poor external environment, it was still high at 12.38%.

The share of the west in the national GDP first rose and then dropped. In 1998, the GDP of the west was RMB 1464.738 billion and in 2008 it was up to RMB 5825.658 billion, up by RMB 436.092 billion annually on average. But despite such rapid growth, the share in the national GDP still lowered from 17.69% in 1998 to 17.02% in 2003 because the economic aggregate of China grew even more rapidly during the period. In 2004, surging demand for resources pushed up the prices and the west, rich in various resources as it was, saw its economic growth soar and its share in national GDP was up to 17.93%. However, the high price level was not sustainable. The economic growth of western China returned to a normal rate higher than the national average during 2005–2008 and its share in the national GDP increased from the lowest point of 16.98–17.80%, narrowing the gap between the west and the east (see Table 1.2).

The average per capita income nearly quadrupled, moving western China from the low-income category to the middle-income group. Between 1998 and 2007, the per capita GDP of western China rose from RMB 4122.6 to RMB 13,186.44, up by 2.2 times. The fastest growth was seen in Inner Mongolia whose per capita GDP was up by nearly four times to RMB 25,326.9, the highest among all western provinces. The rise was also sharp in Shaanxi and Ningxia where it was respectively 3.8 and 2.45 times of the original. These were the only three provinces that achieved a growth rate higher than the national average. In terms of absolute value, the increment was respectively RMB 10,741.45 and RMB 10,424.89 in Shaanxi and Xinjiang, which ranked 2nd and 3rd among all western provinces. Such growth in per capita GDP represented a long stride of western China towards a moderately prosperous society.

1.2.2 New Steps of Economic Restructuring Improves Regional, Urban-Rural and Industrial Coordination

Continuous improvement of the economic structure is an important objective and a major characteristic of economic development. Since 1999, positive changes have occurred to the economic structure of western China. The tertiary industry has had a growing share (see Fig. 1.3), urbanization has seen faster progress (see Fig. 1.4), and economic development has become better coordinated both within a region and between regions. As the Western China Development Strategy was rolled out, policies and measures were introduced one after another and the regional economy became better coordinated. The western region accounted for a larger share in the national GDP, and the GDP of various sub-regions grew remarkably between 1998 and 2008. In 2008, the GDP of southwestern China registered RMB 2703.232 billion, 3.49 times the level of 1998; the figure of northwestern China was 4.27 times its 1998 level (see Fig. 1.2); and both Inner Mongolia and Guangxi achieved a regional GDP 4.82 times their originals. For the entire decade, Inner Mongolia took the lead in western China's economic boom thanks to its unique advantages in resource endowment, creating the "Inner Mongolia phenomenon".

Table 1.2 GDP of western provinces, 1998–2008 (*unit* RMB 100 million)

Region	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Chongqing	1429.3	1479.7	1589.3	1749.8	1971.3	2250.6	2691.5	3069.1	3486.2	4122.51	5099.66
Sichuan	3580.3	3711.6	4010.3	4421.8	4875.1	5456.3	6379.6	7385.1	8637.8	10,505.30	12,506.25
Guizhou	841.9	911.9	993.5	1084.9	1185	1356.1	1677.8	1942	2267.43	2741.90	3333.4
Yunnan	1793.9	1855.7	1955.1	2074.7	2232.3	2465.3	3081.9	3472.3	4001.87	4741.31	5700.1
Tibet	91.2	105.6	117.5	138.7	161.4	184.5	220.3	250.6	290.05	342.19	395.91
Shaanxi	1381.5	1487.6	1660.9	1844.3	2036	2398.6	3175.6	3674.8	4383.91	5465.79	6851.32
Gansu	869.8	932	983.4	1072.5	1161.4	1304.6	1688.5	1928.1	2275	2702.40	3176.11
Qinghai	220.2	238.4	263.6	301	341.1	390.2	466.1	543.2	641.05	783.61	961.53
Ningxia	227.5	241.5	265.6	298.4	329.3	385.3	537.1	599.4	706.98	889.20	1098.51
Xinjiang	1116.7	1168.6	1364.4	1485.5	1598.3	1877.6	2248.8	2639.6	3018.98	3523.16	4203.41
Inner Mongolia	1192.3	1268.2	1401	1545.8	1734.3	2150.4	3020	3822.8	4790	6091.12	7761.8
Guangxi	1903	1953.3	2050.1	2231.2	2455.4	2735.1	3433.5	4063.3	4801.98	5955.65	7171.58
Western China	14,647.6	15,354.1	16,654.7	18,248.6	20,080.9	22,954.6	28,620.7	33,390.3	39,301.25	47,864.14	58,259.58

Source Data for the years 1998–2007 are based on China Statistical Yearbook 1999–2008; data for 2008 came from statistical communiqués 2009 of relevant provinces

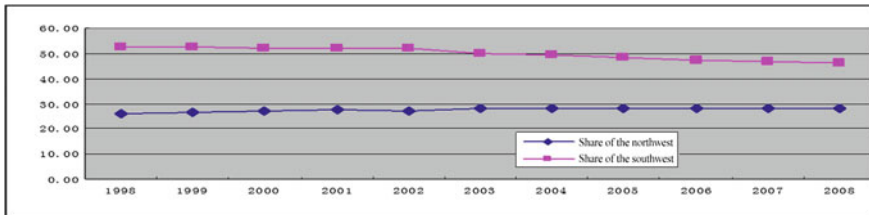


Fig. 1.2 Shares of northwestern and southwestern China in the GDP of western China, 1998–2008

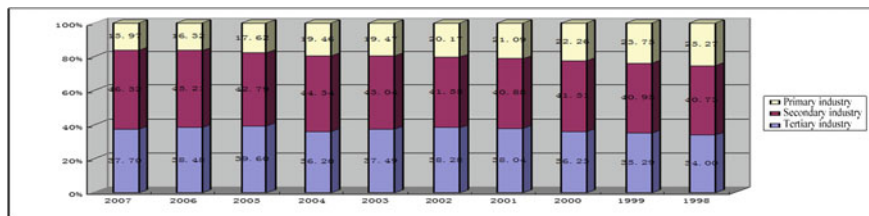


Fig. 1.3 Change in the shares of the three industries in western China, 1998–2007

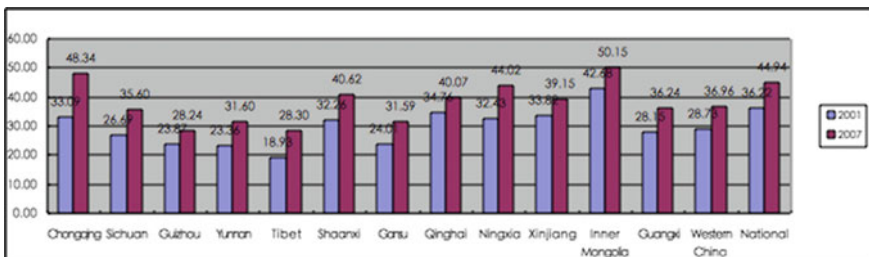


Fig. 1.4 Urbanization in China, western China, and individual western provinces

The five provinces and municipalities of the northwest, which used to be the least developed, now started to catch up with a strong momentum, pushing their share in the total GDP of western China up from 26.05% in 1998 to 28.34% in 2006. Though the share fell back down slightly in the following years, it was still around 28%. The southwest, though achieved good results too, did not see very attractive growth compared to other regions and its share in the GDP of western China fell from 52.82 to 46.4% in 2008. Investment in fixed assets, a more sensitive indicator heralding the future economic trend, also surged. Compared with the levels of 1998, the figure of northwestern China rose by 5.65 times, that of southwestern China by 5.51 times, and that of Inner Mongolia and Guangxi combined by 6.54 times. The rise was more significant in the northwestern region than in the southwestern region. This shows that while all sub-regions saw relatively high economic growth, underdeveloped ones had stronger momentum for the future.

The industrial structure improved too, showing a clear shift towards advanced industries. Between 1998 and 2007, the output value of the tertiary industry in western China increased from RMB 501.58 billion to RMB 1804.694 billion and the share in the national total was up from 34 to 37.7% (the highest was 39.6% of 2005). The share of the secondary industry was up from 40.73 to 46.32%. The primary industry saw its aggregate surge from RMB 372.75 billion to RMB 764.508 billion while its share dropped from 25.27 to 15.97%. Industrialization progressed rapidly with electricity, equipment manufacturing, and energy industries showing high competitiveness. The tertiary industry accounted for a growing share and its modernization level kept improving. Transportation and post & communications services witnessed fast growth. In 2007, a total of 29,411 km of railways and 1,339,419 km of highways were in operation in western China, both accounting for more than 37% of the national total. The total value of the post & communications services registered RMB 397.7 billion, more than 20% of the national total. Wholesale, retailing, accommodation, catering, and finance all achieved relatively rapid growth, too.

As urbanization progressed, urban and rural development became more coordinated. In 2007, the urbanization rate of western China was 36.96%, up by 8.23 percentage points when compared with the 28.73% of 2001. Though the figure was still 0.5 percentage point lower than the national level, the gap narrowed. In 2001, only Inner Mongolia had a higher urbanization rate than the national level, while in 2007, it was joined by Chongqing. Urbanization brought more people into cities. Between 2001 and 2007, urban population grew by 5.348 million annually, while rural population decreased by 4.07 million in western China, accounting for respectively 24.82 and 26.43% of the national totals. Massive migration from rural to urban areas promoted the balance between urban and rural development. With relevant policies issued, farmland was converted back into forests and grazing grass back into prairie, a campaign was launched to build new socialist countryside, and infrastructure such as roads, communications facilities, and power supply in rural areas was improved greatly. As a result, the economic development in rural and urban areas became more balanced.

1.2.3 Improved Economic Quality, Large Increase in Local Revenue, and Preliminary Achievements in Energy Efficiency and Ecological Development

Since the launch of the Western China Development Strategy, as the national economy develops, fiscal revenues have been growing rapidly and the overall economic efficiency has improved greatly. Meanwhile, the Scientific Outlook on Development has brought about positive results to the effort to reduce energy consumption and emissions, as well as improvement to the overall efficiency of the economy.

As Table 1.3 shows, over the ten years, local budgetary revenues more than quadrupled and for western China, it increased from RMB 94.624 billion in 1998 to