



Analysis of the Development of Beijing, 2019

Edited by
BEIJING ACADEMY
OF SOCIAL SCIENCES

palgrave
macmillan

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Beijing Academy of Social Sciences

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Beijing, China

ISBN 978-981-15-6678-3 ISBN 978-981-15-6679-0 (eBook)
<https://doi.org/10.1007/978-981-15-6679-0>

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PART I

General Reports



Development of China's Regional Economies: Under Four Decades of Reform and Opening-up and Future Outlook

Zhao Hong

Abstract Over the past 40 years of reform and opening up, the strategic focus for China's regional economic development has shifted from unbalanced to balanced development across regions. Along with the high-speed regional economic growth, the widening development gap across regions has gradually narrowed and the regional economic landscape has undergone historical evolution. However, as the problem of unbalanced and inadequate regional development has not been completely resolved, the

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Beijing Academy of Social Sciences (ed), *Analysis of the Development of Beijing*, 2019, https://doi.org/10.1007/978-981-15-6679-0_1

endeavor to achieve coordinated regional development is still facing challenges. For some time to come, China's regional policy will continue to center on promoting coordinated regional development, so as to lay a solid foundation for high-quality economic development.

Keywords Regional economy • Reform and opening up • Development strategy

Since the beginning of reform and opening up, the CPC Central Committee and the State Council have always attached great importance to regional economic development, made continuous efforts to improve regional development strategies, coordinate the development of four regions—eastern, central, western and northwestern regions—and introduced a series of reform measures and guidelines. In the 1980s, the central government launched the strategy of unbalanced economic development across a region that's skewed toward the coastal areas, with a view to enhancing regional competitiveness. By means of reform and opening up, solid steps were taken to boost the institutional innovation and rapid growth of regional economy. In the 1990s, the strategy oriented toward “balanced and coordinated” development across regions was initiated. Between 2000 and 2006, the central government successively unveiled the strategy of large-scale development of the western region, the opinions on implementing the strategy of revitalizing old industrial bases in the northeast and other parts of the country, as well as the opinions on boosting the rise of the central region. Thanks to these coordinated efforts to facilitate eastern China's trailblazing development, western China's large-scale development, central China's rise, and northeast China's revitalization, the regional economy made remarkable achievements during the period.

Against the backdrop of new normal of China's economic growth, more targeted policies for regional economic development were introduced at the 18th CPC National Congress. The Belt and Road Initiative (BRI) proposed by President Xi in 2013 has been a support pillar of China's all-around economic growth, a new type of international relations, as well as a community with a shared future for mankind. The BRI was followed by the Beijing-Tianjin-Hebei integration initiative and the Yangtze River Economic Belt initiative, which have jointly enriched the

strategy of coordinated regional development and facilitated the formation of the existing landscape of coordinated regional development. With the strong support of national policies, China has made groundbreaking achievements in coordinated regional development and significantly improved the improper economic structure that has long plagued the country.

However, as the problem of unbalanced and inadequate regional development has not been completely resolved, there are still challenges facing the endeavor to achieve coordinated regional development. It has been made clear at the 19th CPC National Congress that “as socialism with Chinese characteristics has entered a new era, the principle contradiction facing Chinese society has evolved. What we now face is the contradiction between unbalanced and inadequate development and the people’s ever-growing needs for a better life”. Therefore, China’s regional development policies will continue to focus on further boosting coordinated development across regions, in a bid to lay a solid foundation for high-quality economic development.

1 CHINA’S REGIONAL ECONOMIC DEVELOPMENT OVER THE PAST 40 YEARS OF REFORM AND OPENING UP

Over the past 40 years of reform and opening up, the strategic focus for China’s regional economic development has shifted from unbalanced to balanced development across regions. Along with the high-speed regional economic growth, the widening development gap across regions has gradually narrowed and the regional economic landscape has undergone historical evolution. As scientific and technological innovation has become the major driver of regional economic growth, the potential of entrepreneurship and innovation has been unleashed, and the innovation system has been continuously improved. All these have contributed to the high-quality regional economic development in China.

1.1 *Constant Improvement and Prominent Leading Role of Regional Economic Development Strategies*

Following the launch of reform and opening up, to accelerate the improvement of regional economy, Deng Xiaoping showed great foresight and put forward the thoughts on “two imperatives”. It indicated that a mechanism of unbalanced development must be used to stimulate motivation, adjust

interest relations, and give full play to all parties' initiative for development. Therefore, between 1978 and 1998, China's strategy for regional economic development centered on "eastern China's trailblazing development". The eastern region achieved fruitful results in economic development by seizing the opportunity of reform and opening up. In the meanwhile, the far distance from the sea made it hard for the central and western regions to enjoy shipping-based trade facilitation, widening its economic gap with the eastern region. In a bid to reverse the trend of widening gap, the central government proposed in the Ninth Five-Year Plan to narrow the regional development gap and promote coordinated regional development. It marks the beginning of China's strategic transition to coordinated regional development, followed by continuous improvement.

1.1.1 Unbalanced Development Strategy (1978–1998)

In the early days of reform and opening up, the national economic development was underpowered and in urgent need of shifting the development model and adjusting the development strategies. Under this circumstance, the Third Plenary Session of the 11th CPC Central Committee was convened in 1978. The session made the historic decision to resolutely shift the focus of the Party's work to economic development. In line with the guiding principle of letting some people and some regions prosper before others, the unbalanced development strategy that prioritized the development of the eastern coastal areas was adopted. From 1979 to 1980, the central government successively approved the decision of setting up special economic zones in Zhuhai, Shenzhen, Shantou, and Xiamen, as a part of attempt for the market economy. The special economic zones were developed into a window to the outside world while exploring a development path to enrich the Chinese people. During the Sixth Five-Year Plan period, the Chinese government further adjusted the guidelines for regional economic development, making it clear that "coastal areas" should "promote" the development of the "interior", while the interior should "help" the coastal areas develop rapidly first.¹ In 1984, in order to further promote the opening up of coastal areas, the central government opened 14 port cities such as Dalian, Yingkou, and Qinhuangdao along the coast, and set up economic and technological

¹ An Shuwei. Evolution and Remodeling of China's Regional Economic Development over the Past 40 Years of Reform and Opening Up. *The Journal of Humanities*, 2018 (6).

development zones in these cities. The purpose was to bring in foreign capital and technologies, expand foreign trade, and promote the development of other regions.

During the Seventh Five-Year Plan period, the country was explicitly divided into three major regions: eastern, central, and western regions. The plan proposed to “accelerate the development of the eastern coastal areas while focusing on the development of energy and raw material industries in the west, in preparation for the further development of the western region”.² In 1988, Deng Xiaoping, the chief architect of China’s reform and opening up, put forward the idea of “two imperatives”. The idea was aligned to China’s reality at the time and further promoted the implementation of the unbalanced development strategy across regions. In the 1990s, the economic development in eastern, central, and western regions presented a gradient pattern. In terms of GDP, economic structure, and degree of opening up, the eastern region largely outperformed the central region that outshined the western region. A large number of capital and labor factors flowed from the central and western regions to the eastern region, contributing to a widening gap of economic development across regions. In 1995, the ratio between GDP per capita of the eastern region and that of the western region reached 2.31:1.³ In such a context, the Ninth Five-Year Plan proposed adjusting the strategies for regional economic development toward the goal of narrowing the regional economic gap over time.

1.1.2 *Coordinated Development Strategy in the Twenty-First Century (1999–2011)*

The Ninth Five-Year Plan explicitly proposed “adhering to the strategy of coordinated regional development and gradually narrow the regional development gap”. It heralded the adjustment of regional development strategies since the unbalanced development strategy could no longer satisfy the needs for regional development. After a period of theoretical discussion and preliminary research, the strategy of large-scale development of the western region was introduced in 1999, which marked the beginning of the official transition from unbalanced to coordinated

²Wei Houkai. (2011). *Modern Regional Economics (Revised Edition)*. Beijing: Economy & Management Publishing House.

³An Shuwei. Evolution and Remodeling of China’s Regional Economic Development over the Past 40 Years of Reform and Opening Up. *The Journal of Humanities*, 2018 (6).

development strategy. On the whole, following the implementation of the coordinated development strategy, a series of specific measures have been continuously improved to promote coordinated development across regions.

Overall Strategy for the Development of Four Regions

Starting from the strategy of large-scale development of the western region proposed in 1999, China officially embarked on a path of pursuing the coordinated development strategy. This has been of great significance to the coordinated development across regions and put an end to the strategy of unbalanced development. Following the launch of the strategy, China began to vigorously support the economic and infrastructure development of the western region in 2000, entering a new era marked by the eastern region supporting the development of western region. Then the infrastructure and economic development in the western region moved into the fast lane. A large number of projects were carried out to improve the basic conditions for the regional development. In 2002, the 16th CPC National Congress officially proposed “supporting the acceleration of adjustment and transformation of old industrial bases in northeast China and other places”. In 2004, the strategy to rejuvenate the old industrial bases in northeast China was launched to motivate the sustainable industrial development in the region. In 2005, in response to underdeveloped economy in the central region, the Central Economic Work Conference proposed to “energize the rise of central China”. In 2006, the adoption of the *Opinions on Promoting the Rise of Central China* marked that the strategy for the rise of central China was put into practice, encouraging the provinces in the central region to undertake industrial transfer and develop modern manufacturing.

By then, China was officially divided into four regions based on geographical features. In line with the factor endowment, development foundation, functional division of labor, and planning prospects in different regions, the differentiated strategies for regional development were set out. The long-term pursuit of differentiated and targeted strategies delivered fruitful results in economic development across regions and narrowed the regional development gap. The development strategy for the four regions established the fundamental pattern for coordinated regional development in China. The division of the four regions was initially developed from the concept of the eastern coastal area. Such division based on geographical features facilitated the introduction of development

strategies for each region, providing strategic guidance on regional economic development policies. However, after a period of practice, it became evident that more factors should be taken into consideration in a bid to further promote the regional economic development.

Development Strategy for Functional Zones

In 2007, following the launch of the development strategy for the four regions, the 17th CPC National Congress incorporated the concept of ecological progress into the strategy, with a view to further promoting coordinated regional development. Subsequently, the division of functional zones based on land functions was proposed. In 2010, the strategy of functional zoning was put forward. In 2011, the *National Plan for Developing Functional Zones* was officially unveiled, elevating the strategy of functional zoning to a national strategy.

The division of functional zones was based on the concept of ecological civilization. In line with the factor endowment, the national land was divided into zones where development must be optimized, prioritized, restricted or forbidden. According to the development strategy for functional zones, we must pay attention to the development intensity to enhance the sustainability of bearing capacity of resources in the zones for optimized development. In the zones for prioritized development, rational development is a must toward the goal of serving as the key areas for population and industrial agglomeration in the future. In the zones for restricted and forbidden development, the infrastructure construction and economic development must follow a strict plan, with a view to protecting the natural resources and avoiding damages on natural ecological environment that may lead to irreversible loss of ecological resources. The strategy of functional zoning also took the development conditions in different regions into account. For zones of restricted and forbidden development, ecological conservation for sustainable development should play a more significant role. The division of functional zones helped to clarify the endowment differences across zones, so as to work out development measures accordingly. The strategy, as a major innovation in the differentiated development of national land, has been of great significance to China's ecological progress and sustainable development.

To sum up, in the first 30 years of reform and opening up, the regional development strategy was massive and grand, providing strategic guidance on large regions composed of some provinces, autonomous regions, and municipalities. The regional economic development strategy during this

period was mentioned by many scholars and experts as the overall strategy for regional development. In fact, such top-level design for overall development ran in continuity with the coordinated development strategy, but its implementation required the support of more targeted regional policies.

1.1.3 Elevating the Strategy of Coordinated Regional Development to a New Height After the 18th CPC National Congress (2012 to Date)

In 2012, against the backdrop of new normal of China's economic growth, more targeted policies for regional economic development were introduced at the 18th CPC National Congress. In a bid to promote cross-regional economic cooperation and expand opening up and cultivate new growth point, growth zones, and city clusters, the Chinese government began to work out development strategies targeting at key zones or specific regions. Since then, China's strategy for regional economic development began to emphasize the development based on economic linkage. It was followed by the launch of the Belt and Road Initiative (BRI), the Beijing-Tianjin-Hebei integration initiative, and the Yangtze River Economic Belt initiative. All these efforts contributed to the new pattern featuring coordinated development across all regions.

BRI

BRI, also known as the Silk Road Economic Belt and twenty-first-century Maritime Silk Road initiative, was unveiled by President Xi Jinping during a state visit in the fall of 2013. In March 2015, a white paper *Vision and Proposed Actions Outlined on Jointly Building Silk Road Economic Belt and Twenty-First-Century Maritime Silk Road* was issued by China's National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce. It incorporated the cooperation principles, framework, direction, and active actions by the Chinese side. More than 5 years on, the BRI has yielded fruitful results and more than 130 countries and international organizations have signed agreements on Belt and Road cooperation with China. In March 2017, the United Nations Security Council Resolution 2344 was adopted to call on the international community to strengthen regional economic cooperation through the joint pursuit of the BRI. In May 2017, the first Belt and Road Forum for International Cooperation was successfully concluded with 279

outcomes.⁴ In 2014, the Silk Road Fund was established to provide investment and financing services for Belt and Road cooperation. In 2015, the Asian Infrastructure Investment Bank (AIIB) was set up to promote connectivity and economic integration along the Belt and Road. As such, the overall cooperation framework and mechanism have been put in place.

The BRI within the framework of international economic cooperation has strengthened infrastructure connectivity along the Belt and Road; effectively promoted the coordinated openness of China's coastal, inland, and border areas; and built a new pattern of coordinated development across all regions. Apart from boosting the maritime foreign trade in the eastern coastal areas of China, the BRI has helped build a new foundation for foreign trade between the central and western China and the Eurasian continent through railway transportation. The China-Europe Railway Express has made over 10,000 freight trips thus far to 43 cities in 15 European countries. The BRI also played a positive role to drive the economic development of relevant countries. The trade in goods between China and countries along the Belt and Road has amounted to over USD 5 trillion, the foreign direct investment has exceeded USD 60 billion, and more than 200,000 local jobs were created.⁵ The BRI has become an important underpinning for China to upgrade the open economy in an all-round manner, develop a new type of international relations, and build a community of shared future for mankind.⁶

The Beijing-Tianjin-Hebei Integration Initiative, the Yangtze River Economic Belt Initiative, and the Development of the Guangdong-Hong Kong-Macao Greater Bay Area

With a view to further promoting the economic development in various regions, China mapped out the Beijing-Tianjin-Hebei integration initiative, the Yangtze River Economic Belt initiative, and the plan for the development of the Guangdong-Hong Kong-Macao Greater Bay Area after the 18th CPC National Congress. Such efforts were made to improve

⁴The 5th Anniversary of the BRI Proposed by President Xi Jinping: Great Practice in Building a Community with a Shared Future for Mankind. *People's Daily*. October 5, 2018.

⁵The 5th Anniversary of the BRI Proposed by President Xi Jinping: Great Practice in Building a Community with a Shared Future for Mankind. *People's Daily*. October 5, 2018.

⁶Gao Guoli, Li Tianjian and Sun Wenqian. Effects, Reflections and Prospects of China's Regional Development After 40 Years of Reform and Opening Up. *Economic Review Journal*, 2018 (10).

the economic growth in the advantageous areas and enhance the leading role of the advantageous areas.

The Beijing-Tianjin-Hebei integration initiative aims at relieving Beijing of functions nonessential to its role as the capital, while exploring a new mode of optimized development in a region with a dense population. It strives to provide a demonstration for coordinated development across provincial-level administrative regions. The *Outline of the Plan for Coordinated Development of the Greater Beijing-Tianjin-Hebei Region* issued in 2015 completed the top-level design and established the overall guidelines for the regional integration. The *Beijing Urban Master Plan (2016–2035)* unveiled in 2017 officially established the spatial structure featuring “one core” (the central space for the political function) and “two wings” (the city sub-center and Xiongan New Area of Hebei Province). To undertake the nonessential functions of Beijing, the development of Beijing’s sub-center in Tongzhou District and the Xiongan New Area have been in full swing. The *Regulatory Plan for Beijing’s Sub-center (2016–2035)* was disclosed in June 2018 and approved by the CPC Central Committee and the State Council in January 2019. In November 2018, the Beijing Municipal Government and other government bodies officially moved to the city’s sub-center, which was a significant step for the sub-center to undertake the nonessential functions of the capital. In April 2018, the *Guidelines for Xiongan New Area* was approved by the CPC Central Committee and the State Council. In December 2018, the *Master Plan for Xiongan New Area (2018–2035)* was approved. Currently, through a series of cooperation framework agreements, the Greater Beijing-Tianjin-Hebei Region has taken the lead in coordinated development in key areas such as transportation connectivity, environmental protection, and industrial relocation. It laid a solid foundation for vigorously promoting the higher-quality development in the region, making it an important growth point in northern China and building the region into a world-class city cluster.

The Yangtze River Economic Belt initiative focuses on exploring the coordinated development of population, towns, industries, resources, and environment in the provinces along the Yangtze River. It aims to promote the rational use and efficient allocation of resources in the Yangtze River Basin, create a more reasonable industrial division and spatial layout, link China’s oceans with the interior, facilitate the flow of economic factors, and foster an open scheme that integrates land and sea. The *Outline of the Yangtze River Economic Belt Development Plan*, promulgated in 2016,

established a new development pattern featuring “one axis, two wings, three poles and multiple points” development pattern for the region. In response, the *Environmental Protection Plan for the Yangtze River Economic Belt* was released in 2017 jointly by the Ministry of Environmental Protection, the National Development and Reform Commission, and the Ministry of Water Resources. It stressed that environmental protection should be a priority in the development of the belt and the prerequisite for rational development. It has been an important guideline to facilitate the development of the Yangtze River Economic Belt by “promoting well-coordinated environmental conservation and avoiding excessive development”. In support of the regional development, the CPC Central Committee and the State Council successively approved the *Plan for Developing City Clusters along the Middle Reaches of the Yangtze River*, the *Chengdu-Chongqing City Cluster Development Plan*, and the *Yangtze River Delta's City Cluster Development Plan* in 2015 and 2016. These efforts enhanced strategic support for the development of the Yangtze River Economic Belt. As the engine driving the development of the belt, the Yangtze River Delta has become an exemplar of the regional economic integration in China. In June 2018, the *Three-Year Action Plan for Yangtze River Delta's Integrated Development (2018–2020)* was released based on a consensus among the “three provinces and one city” in the region. It focuses on seven key aspects for integrated development in the delta, including transportation connectivity, energy supply, industrial innovation, ubiquitous high-speed information network, environmental governance, public services, and collaborative and orderly opening up of the market. At the opening ceremony of the First China International Import Expo held in November of the same year, President Xi Jinping mentioned in his speech to “support integrated development of the Yangtze River Delta region and make it a national strategy”. In this way, the economic development of the Yangtze River Economic Belt and the Yangtze River Delta region is expected to reach a higher level.

The development of the Guangdong-Hong Kong-Macao Greater Bay Area in the Pearl River Delta region is not only a new attempt in the new era to establish a new landscape of opening up to the outside world, but also a new practice to promote the development of the “one country, two systems”.⁷ As one of the regions boasting the highest degree of openness

⁷ The *Outline of Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area* promulgated by the CPC Central Committee and the State Council. Xinhua News Agency. February 18, 2019.

and the most vigorous economy in China, the Pearl River Delta region is not only an important engine of China's regional economic growth but also an important window for China to open up to the world. In particular, thanks to the geographical advantages of its proximity to Hong Kong and Macao, it has golden opportunities of strengthening cooperation between Guangdong, Hong Kong, and Macao after the return of Hong Kong and Macao to China. As a leading regional economy with outstanding competitiveness, the Guangdong-Hong Kong-Macao Greater Bay Area has been well equipped to be a world-class bay area and city cluster. Following the signing of the Framework Agreement on Deepening Guangdong-Hong Kong-Macao Cooperation in the Development of the Greater Bay Area in Hong Kong in July 2017, the development of the Guangdong-Hong Kong-Macao Greater Bay Area started officially. In October 2018, the Hong Kong-Zhuhai-Macao Bridge was officially opened to traffic, laying a more solid foundation for the connectivity in the Guangdong-Hong Kong-Macao Greater Bay Area. In February 2019, the *Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area* was unveiled. It clarified the guiding ideology, basic principles, strategic positioning, and development objectives of the Guangdong-Hong Kong-Macao Greater Bay Area, while outlining its broad prospects in terms of spatial layout, industrial development, infrastructure, environmental, life, and opening up. The Guangdong-Hong Kong-Macao Greater Bay Area will develop into a world-class city cluster with a higher degree of opening up to the outside world, greater influence in the world, and more regional economic vitality.

The 19th CPC National Congress Made It Clear to “show firm resolve in implementing the strategy of coordinated regional development”

In 2017, the 19th CPC National Congress made “coordinated regional development” as a national strategy. According to the report at the 19th CPC National Congress, the principal contradiction facing Chinese society has evolved into the contradiction between unbalanced and inadequate development and the people's ever-growing needs for a better life. Therefore, based on the changes of such contradictions, the coordinated regional development has been elevated to a national strategy with the purpose of solving the problem of unbalanced and inadequate development. From a comprehensive and systematic perspective, it set the primary

task toward the coordinated regional development, with the focus on improving the linkage and wholeness of regional strategies at all levels and enhancing the synergy and integrity of regional development. The 19th CPC National Congress also made overall arrangements for the regional economic development, proposing to show firm resolve in implementing the coordinated regional development strategy, the innovation-driven development strategy, the rural vitalization strategy, and the sustainable development strategy, while carrying out targeted poverty alleviation.

In an effort to implement the regional coordinated development strategy and achieve coordinated regional development at an earlier date, a series of strategic policies in this regard were introduced and a more comprehensive policy system for coordinated regional development has been put in place. In terms of poverty alleviation and development, various strategic plans in support of targeted poverty alleviation have been unveiled, calling for making solid steps for poverty alleviation and development in rural areas, winning the fight against poverty, strengthening collaboration on poverty alleviation between the eastern and western regions, among others. In June 2018, the CPC Central Committee and the State Council issued the *Guidelines on the Three-Year Campaign to Win the Battle against Poverty*, making a bugle call to eliminate poverty and complete the tasks of building a moderately prosperous society. In an effort to implement the rural vitalization strategy, the CPC Central Committee and the State Council released the *National Strategic Plan for Rural Revitalization (2018–2022)* in September 2018, formulating the general policy for rural revitalization, urban-rural coordinated development, and the moderately prosperous society. With a view to raising the quality of coordinated regional development, the CPC Central Committee and the State Council issued the *Opinions on Establishing a New Mechanism for More Effective Coordinated Regional Development* in November 2018. It stressed that the strategy of coordinated regional development is a major national strategy in the new era and imposed more specific requirements on institutions and mechanisms to promote coordinated regional development. It is foreseeable that the coordinated regional development strategy will continue to serve as a top-level strategy for China's regional development, contributing to further regional economic growth in China.

1.2 *Historic Changes of the Regional Economic Structure and Greatly Enhanced Regional Coordination*

Over the past 40 years of reform and opening up, China has made remarkable achievements in socioeconomic development and historical progress in its overall national strength and international influence. The eastern region took the lead in development, the central and western regions achieved significant economic development, and the northeastern region has achieved economic recovery over time. The widening regional economic gap has started narrowing and the economy has shifted from a stage of high-speed development to high-quality development, but the regional differentiation has intensified.

1.2.1 *Regional Economy Grows Rapidly, Reaching a New High*

As opposed to slightly over RMB 300 billion in 1978, China's GDP reached RMB 82.71 trillion in 2017 (see Fig. 1.1), making it the world's second largest economy. China's share of the world economy rose from 1.8% in 1978 to 16% in 2017, second only to the United States. In terms of economic growth from 1978 to 2017, China's annual GDP growth rate was 14.5%, and considering the inflation rate of 4.8%, the actual annual growth rate was still as high as 9.3%.⁸ With the rapid development

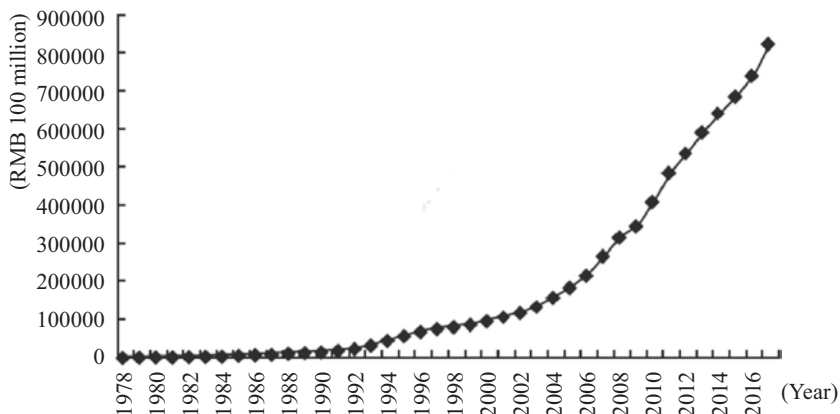


Fig. 1.1 China's GDP over the years

⁸Zhang Jianping and Shen Bo. China's Economic Achievements in the Past 40 Years of Reform and Opening Up and Its Impact on the World. *Contemporary World*, 2018 (5).

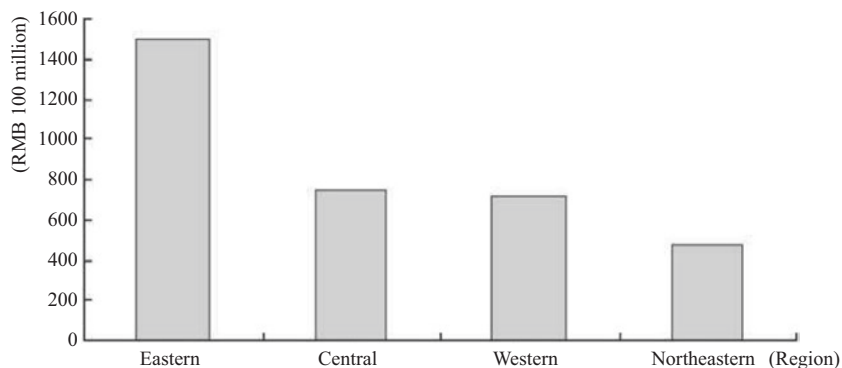


Fig. 1.2 GDP in China's four regions, 1978

of China's national economy, regional economic development has made remarkable progress. The economic output of all regions has made a quantum leap and continuously reached new highs.

The eastern region took the lead in development, entering a stage of high-quality development from that of high-speed development. As against merely RMB 151.4 billion in 1978, the regional GDP soared to about RMB 44.97 trillion in 2017 (see Figs. 1.2 and 1.3), registering an increase by 66.9 times at constant prices. In 2017, the regional GDP accounted for 52.6% of the national GDP, up by 9 percentage points since 1978. The GDP per capita in the region was about USD 11,530, close to that of a high-income economy defined by the World Bank. Since the reform and opening up, the eastern region leveraged the support of national policies to improve the region's capacity for independent innovation; prioritized the development of high-tech industries and modern service industries; and accelerated the development of independent intellectual property rights, core technologies, and recognizable brands. The technological improvement in the region triggered an influx of capital and labor factors from the central and western regions, the main sources of output in the upstream industrial chain.⁹ At the same time, the eastern region has accumulated experience for national economic development in terms of

⁹ Li Xian. The Evolution of Regional Development Gap and Regulatory Countermeasures Since the Reform and Opening-up. *Macroeconomic Management*, 2017 (7).

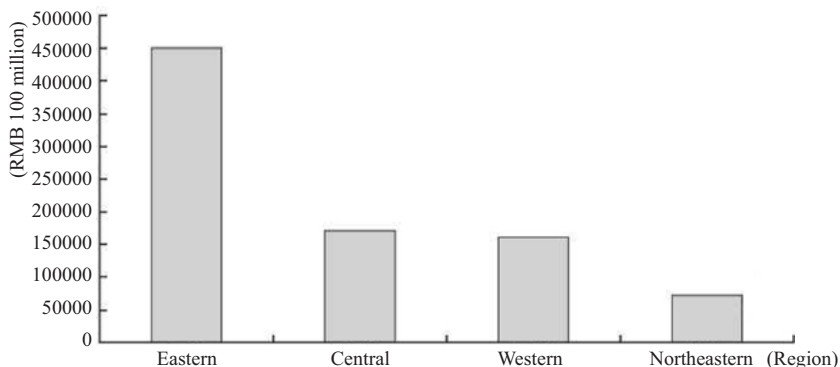


Fig. 1.3 GDP in China's four regions, 2017

institution, system, and technological innovation,¹⁰ giving full play to its leading role in national economic development.

The central region made significant progress in economic development and the capacity for sustainable development. The regional GDP surged to about RMB 17.94 trillion in 2017 from RMB 75 billion in 1978 (see Figs. 1.2 and 1.3), registering an increase by 46 times at constant prices. To put a damper on the widening regional development gap, the Chinese government has introduced a series of strategic policies since the 1990s, including the policies to promote large-scale development of the western region, fully revitalize old industrial bases in the northeast and other parts of the country, and spur the rise of the central region. As a host of strategies and policies were put into practice, the central and western regions have seen continuously improving conditions for economic development, a narrowing gap with the eastern coastal areas in terms of infrastructure and public service facilities, as well as a considerable momentum for development. In the meanwhile, thanks to the inherent advantages such as low factor costs and abundant resources, the central and western regions have actively undertaken industrial transfers from the eastern coastal areas and accelerated the process of industrialization and urbanization.¹¹ The regions have become new powers underpinning the national economic development.

¹⁰ Xu Tie. From "Unbalanced" to Coordinated Development: Changes in China's Regional Policies Since Reform and Opening Up. *Macroeconomic Management*, 2018 (11).

¹¹ http://www.stats.gov.cn/zjtj/ztfx/ggkf40n/201808/t20180829_1619600.html.

The development strategies in the western region have achieved remarkable results. The regional GDP rocketed from RMB 72.6 billion in 1978 to about RMB 17.1 trillion in 2017 (see Figs. 1.2 and 1.3), registering an increase of 46.6 times at constant prices. In the 1980s, with reform and opening up and modernization in full swing, the CPC Central Committee proposed that after achieving a certain degree of development, the coastal areas should help to accelerate the development of the central and western regions.¹² In 1999, the Chinese government officially announced the strategy of “large-scale development of the western region”. In 2001, the *Outline of the Tenth Five-Year Plan for the National Economic and Social Development of the People's Republic of China* set the guideline of “implementing the strategy for the large-scale development of the western region, accelerating the development of the central and western regions, rationally adjusting the regional economic layout, and promoting coordinated regional economic development”, while making detailed plans for the large-scale development of the western region.¹³ In China's regional economic development landscape, the western region has been of great importance. The region covers 56% of the national land and is home to 23% of the country's population. The large-scale development of the region is an indispensable prerequisite to improve the quality of the country's economic development and balance its economic structure.¹⁴ The regional development has gathered pace and began to show vitality.

The economy of the northeastern region has been on the road to recovery, with internal signs of warming up. As opposed to RMB 48.6 billion in 1978, the regional GDP rose to about RMB 5.54 trillion in 2017 (see Figs. 1.2 and 1.3), with an increase of 28.2 times at constant prices. The region has fewer provinces and the regional GDP is yet to exceed RMB 10 trillion. The old industrial bases in northeastern region are of great strategic significance. As the industrial cradle of the New China, the region has made important contributions to the development of China's industrial economy. Since the reform and opening up, the economy in the eastern coastal areas has developed rapidly, while the northeast region has been lagging significantly. Following the implementation of the strategy to revitalize the northeastern region, it has made painful efforts in the

¹²<http://finance.huanqiu.com/rall/2018-07/12572741.html>.

¹³An Shuwei. Evolution and Remodeling of China's Regional Economic Development over the Past 40 years of Reform and Opening Up. *The Journal of Humanities*, 2018 (6).

¹⁴<http://finance.huanqiu.com/rall/2018-07/12572741.html>.

institutional innovation, vigorously developed modern agriculture, revitalized the equipment manufacturing industry, accelerated the reform and restructuring of state-owned enterprises, and intensified the industrial restructuring and upgrading. In recent years, the strategy of rejuvenating the old industrial bases in the region has made solid progress. As the institutional reform and innovation in the region has gathered pace,¹⁵ the region has opened wider to the outside world and the regional economy has on the road to recovery, indicating a trend of positive development.

1.2.2 *Widening Regional Development Gap Starting to Narrow and Regional Differentiation Intensified*

Since the beginning of reform and opening up, the development gap among the four regions in China has undergone a process from expanding to narrowing. By the measure of the proportion in the national GDP, the eastern, central, western, and northeastern regions, respectively, accounted for 43.56%, 21.58%, 20.89%, and 13.98% in 1978, as against 52.56%, 20.97%, 19.98%, and 6.48% in 2017 (see Fig. 1.4). By the measure of the economic growth rate since the reform and opening up, the average annual growth rate of the eastern, central, and western regions has remained above 10%, respectively, at 11.4%, 10.4%, and 10.4%, as opposed

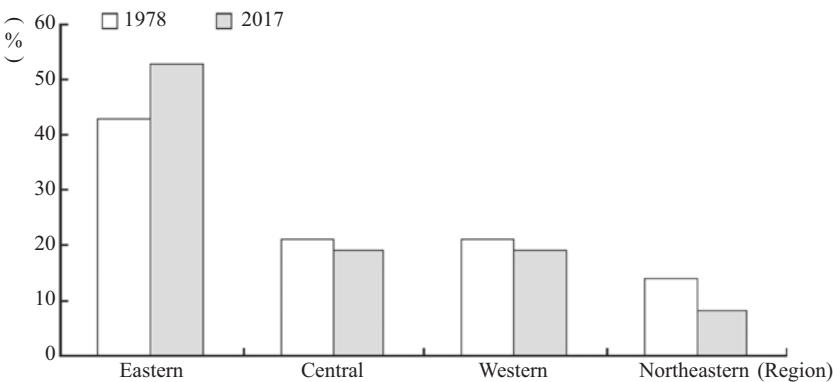


Fig. 1.4 The four regions' proportions in the national GDP, 1978 and 2017

¹⁵Xu Tie. From “Unbalanced” to Coordinated Development: Changes in China’s Regional Policies Since Reform and Opening Up. *Macroeconomic Management*, 2018 (11).