

Executive Summary

The Strategy for Developing the Western Region in China is one gigantic project guided by the central government with multiple policy objectives: a scheme to resolve the negative legacy of the high economic growth brought about by the policy of reform and opening-up, including the wider regional income gap between the Eastern Coastal Region and the Western Inland Region and the nationwide deterioration in the ecological environment; the second stage (the stage where the regions and groups that became better-off first are to help the advancement of the underdeveloped regions and groups) of Deng Xiaoping's "get-rich-first" doctrine that guided the reform and open-door policy; a policy response to the problem of ethnic minorities, the nagging issue dating back to the establishment of the People's Republic of China; and also a policy to help relieve the poverty problem in rural areas.

0. 1 Economic Background of the Strategy for Developing the Western Region

China's fast-pitched economic expansion, that began with Deng Xiao-ping's Southern Tour Lectures in 1992 as a trigger and spear-headed by the Eastern Coastal Region, decelerated by the mid-1990s, giving rise to the symptoms of the economic stagnation, such as a fall in production, the deterioration in corporate performance centering on state-owned enterprises, high unemployment rates and a decline in price level. The Chinese economy has been going through the period of structural changeover in the past several years, with mutually entangled short-term, medium-term and long-term problems presenting themselves simultaneously. The short-term challenge is to get the long-stagnant economy rolling again and to maintain a moderate pace of growth. The medium-term issue is to give a full shape to the framework of the socialist market economy set forth by the 15th Congress of the Communist Party of China held in 1997 and to get prepared for an impending accession to the World Trade Organization (WTO). Further, the

long-term task is to realize the "sustainable growth" of China's economy in order to make good on the "pledge" by the Communist Party government that China will catch up with the economic level of a semi-developed country by the middle of the 21st century.

Development of the Western Region is related to all of the above-mentioned short-, medium- and long-term issues and involves responses to each of them. But most important is its aspect as a strategy for long-term economic development. Contrary to the widespread perception, China has always attached importance to development of its inland regions, but the latest Strategy for Developing the Western Region is characterized particularly by the following: (1) it is the strategy at the national level with a perspective on development in the 21st century; (2) support from the central government is more comprehensive than for any past projects; (3) priorities under the development strategy are distinctly clear; (4) it is systematic and comprehensive as a development strategy; and (5) consideration is being given to ethnic minorities as a matter of priority. As far as the central government's investment policy is concerned, however, it follows the usual pattern of regional core development, where investment is concentrated on several areas endowed with relatively favorable development conditions, offering not so much of novelty as claimed by Chinese media. Still, the strategy clearly sets great store by the market mechanism in policy management, indicating the central government's expectations that local governments and enterprises in the Western Region will become the main players in regional development.

0. 2 Political Background of the Strategy for Developing the Western Region

In the political background of the Strategy for Developing the Western Region lies the sense of crisis held by the leadership of the Communist Party of China (hereafter CPC) that

their grip on power could be shaken. On the other hand, ahead of the 16th party Congress scheduled for the autumn of 2002, CPC General Secretary Jiang Zemin (also President of China) is under pressure to achieve something different to present to that meeting in order to establish his authority. In that sense, the Western development strategy was put forth in parallel with thought control through ideological and political work.

It was a big gambit for Jiang Zemin to embark on the work to develop the Western Region, which neither Mao Zedong nor Deng Xiaoping could do during their lifetime. At the same time, it seems to be an easy way for him to assert his authority. So, it is expected that the Strategy for Developing the Western Region will likely be pushed forward as a major political campaign from 2001, the first year of the Tenth Five-Year Plan, through the autumn of 2002, when the 16th Party Congress is to be convened.

In reality, the Western development project is the political process about allocating pieces of the "pie" to local governments in the West. It is not easy to adjust the interests of local governments over limited financial resources and projects or to coordinate the interests of the central and local governments over the power of authorization and permissions or the right to independent development. In addition, ethnic minorities' outright opposition to the Western development itself cannot be slighted.

Smooth adjustments of interests would require policy transparency. For that end, it is a matter of urgency to legislate something like the "law governing the development of the Western Region," which provides for the strategy for development, specific goals, measures and the powers and duties of the governments of all levels. Legislative work requires debate at the National People's Congress, making it possible to solicit public comments broadly and conduct open discussion without being prejudiced in favor of the narrow sectional interests

of the central government's departments and committees or local governments, holding out the prospect that at least the process of policy-making will become more transparent than at present.

0. 3 Economic Development of the Inland Region and the Strategy for Developing the Western Region

In comparison with the economy of the coastal region, the inland region's economy is characterized by (1) the small scale of production and low income of residents; (2) the low stage in the evolution of the industrial structure; (3) low labor productivity and weak market competitiveness; and (4) the low level of opening-up to the outside world and thus, limited opportunities to take in foreign direct investment. With the open door policy of economic reform focusing on the coastal region implemented against this background, the inland economy's share in China's national economy has been following the shrinking trend. But the unchecked widening of the economic disparity between the inland and coastal regions would not only adversely affect social stability but also derail a quicker and healthier development of the national economy. Time has come to accelerate economic development of the inland region, and the central government's call for comprehensive development of the Western Region has come as a quite timely move.

As a measure to safeguard the steady implementation of the Western development, the central government established the State Council Leading Group for Western Region development, headed by Premier Zhu Rongji, and unveiled the five important points in the effort to develop the West: (1) acceleration of infrastructure construction; (2) improvement of the ecological environment; (3) adjustment and rationalization of the industrial structure; (4) development of science and technology as well as education; and (5) deepening of reform and

further promotion of opening-up. But development of the Western Region needs to be undertaken with due heed paid to unified planning and scientific verification, action commensurate with capability and gradual progress backed by due procedures, and effective linkage between policy support and market mechanism.

0. 4 Tenth Five-Year Plan and the Strategy for Developing the Western Region

The Tenth Five-Year Plan, due to be launched in 2001, also gives priority to the Strategy for Developing the Western Region. While the Eighth Five-Year Plan and Ninth Five-Year Plan attached importance to a coordinated regional economic development, the proposed Western Region development under the latest Tenth Plan made it clear that the focus of the national investment policy has now shifted away from the coastal region to the Western Region. During the period of the Tenth Plan, in addition to (1) construction of the "10 big projects" centering on transportation infrastructures, three other large-scale projects are to be launched: (2) transmission of natural gas from Western to the Eastern Regions; (3) transmission of electricity from Western to Eastern Regions; and (4) diversion of water from the Yangtze River in the South to the Northern Region.

Japan's yen loans to China have been mainly geared toward infrastructure construction, producing excellent results. With funding problems looming as a bottleneck for the proposed Western development, China is counting on yen loans from Japan, which will likely face calls for more concessionary lending terms than before and for closer coordination with financial support from international financial institutions and other foreign governments.

0. 5 Poverty Alleviation Policy in Rural Areas and the Strategy for Developing the Western Region

While the Strategy for Developing the Western Region is being touted as being aimed at correcting the growing regional economic disparity, contrary to all expectations, little mention was made of the poverty problem (especially poverty in rural areas) in statements from political leaders, reports from various government agencies, or discussions by scholars or in media. Having said that, it is also true that China has been implementing the poverty relief policy through the 1990s, as demonstrated by the State Seven-Year Plan to help 80 million people get out of poverty. The plan, which was announced in 1994, was devised to raise the living standard to the minimum acceptable level in seven years to 2000 for 80 million poor people. The plan featured (1) concentrated support in poverty areas designated by the government; (2) support for poverty areas, villages and farmers to enable them to stand on their own feet in the market economy environment; and (3) resettlements of residents if conditions are too bad to allow them to support themselves. In short, it was a "development-oriented" policy for self-reliance with a strong tinge of "relief."

These policies helped reduce the incidence of poverty in rural areas (among the total rural population) to no more than 3% in 2000, though the definition of "poverty" is somewhat problematic. But China is in search of a possible shift in poverty relief policy after the conventional way of entrusting local governments with economic development gave rise to a variety of problems, including the diversion of poverty relief funds by local political bosses that blocked the scattered poor from receiving financial help and the lesser degree of the social security orientation when compared with urban areas. It is expected that in the future, China will contemplate developing more meticulous and diversified poverty-relief measures such

as the provision of small credits to impoverished individuals and support through non-governmental organizations (NGOs).

0. 6 Assessment and Prospects

As a matter of fact, nobody in China has ever explicitly spoke of the ultimate objective of the Strategy for Developing the Western Region. Strictly speaking, the five areas specified as the near-term goals of importance, which are (1) acceleration of infrastructure construction; (2) improvement of the ecological environment; (3) adjustment and rationalization of the industrial structure; (4) development of science and technology as well as education; and (5) deepening of reform and further promotion of opening-up, are simply the means of development, not the ultimate objective.

The assessment of the current state of the Western development, on the basis of these five interim goals for the sake of convenience, finds several problems, among them: (1) current individual policy measures are not thorough enough, and new legislation is needed to galvanize development assistance; (2) local governments and enterprises in the Western Region are in want of policy planning capability and awareness of the market economy as well as of the open-door policy; and (3) the present strategy fails to show a blueprint for realizing

the long-term goals of the Western Region's self-sustaining development and its acceleration, and the narrowing of the disparity between the West and the Coastal Region in the East. Given that the internal and external circumstances surrounding the Western Region development in the 21st century are markedly more severe than those seen for the Eastern Region from the 1980s through the mid-1990s, the awareness of that difference among officials of the central government and local governments concerned in the West is far behind the realities. It is hoped that China in the near future will come up with the ultimate objectives of the Strategy for Developing the Western Region, including the West's self-sustaining development and its acceleration as well as the narrowing of the gap with the Eastern Coastal Region, have lively debate on policies to realize them.

In considering Japan's responses to China's Strategy for Developing the Western Region, it has to be recognized first of all that the strategy is fundamentally geared toward the "development of select strongholds" and apart from some priority development areas, it still is difficult to bring private-sector money into the Western development. Japan's support for the Western Region will likely come mostly from yen loans. In disbursing such loans, Japan needs to evaluate their cost effectiveness anew.

(Yasuo Onishi)

Per Capita GDP by Provinces (US dollar, 1999)



