POLITICAL ECONOMY OF THE ACCELERATED GROWTH IN WESTERN CHINA: VARIATION IN THE LOCAL GROWTH PATTERNS

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ABSTRACT

POLITICAL ECONOMY OF THE ACCELERATED GROWTH IN WESTERN CHINA: VARIATION IN THE LOCAL GROWTH PATTERNS

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This dissertation investigates the context and dynamics of the accelerated growth in western China since the mid-2000s through an examination of the mid and large-sized cities. In particular, the dissertation addresses the puzzle of how and why the cities in western China differ in their growth paths. The dissertation develops an understanding of how some cities in western China, such as Chengdu, Chongqing, Xi'an, and Guiyang, have remarkably progressed with opening up and sectoral diversification and upgrading, while some others, such as Lanzhou, have owed a great deal of their accelerated growth to infrastructure investments and the price boom in natural-resource commodities and their adjacent industries. On the other hand, both successful and mediocre cities share two particular problems with the accelerated growth: comparatively high share of the construction sector, and the surging debt stock on the part of local governments, which is linked to debt-financed infrastructure investments. With regard to how China's state-permeated, decentralized political economy operates in western China, the dissertation concludes that while a proactive and aggressive local leadership is the key to upgrading the industrial structure and forging close ties with global markets, the central government wields a significant capacity in defining the conditions of local

development through place-targeted policy measures such as large-scale infrastructure investments, administrative arrangements, fiscal support, personnel appointments and as well as by way of specifying cyclical macroeconomic priorities.

Keywords: Western China, Political Economy, Local Development, Lanzhou, Guiyang

ÖZ

BATI ÇİN'DE HIZLANAN BÜYÜMENİN POLİTİK EKONOMİSİ: YEREL BÜYÜME BİÇİMLERİNDE FARKLILAŞMA

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Bu tez, orta ve büyük ölçekli şehirleri inceleyerek 2000'li yılların ortalarından bu yana batı Çin'de gözlemlenen hızlanmış büyümenin bağlamını ve dinamiklerini araştırmaktadır. Daha özel olarak tez, batı Çin'deki şehirlerin büyüme biçimlerinin nasıl ve neden farklılaştığı bulmacasını ele almaktadır. Tez Chengdu, Chongqing, Xi'an ve Guiyang gibi batı Çin'deki bazı şehirlerin nasıl dışa açılma ve sektörel çeşitliliği artırma ve niteliği yükseltme konusunda dikkat çekici bir ilerleme kaydettiğine, buna karşın, Lanzhou gibi diğer bazı şehirlerin ise hızlanan büyümelerini daha çok doğal kaynak ürünlerindeki ve onlarla ilişkili sanayilerdeki fiyat artışına ve altyapı yatırımlarına borçlu olduğuna dair bir anlayış geliştirmektedir. Öte yandan, hem başarılı hem de ortalama performans gösteren şehirler hızlanan büyümeyle ilgili iki sorunu paylaşmaktadır: inşaat sektörünün nispeten yüksek payı ve borçlarla finanse edilen altyapı yatırımlarıyla bağlantılı olarak yerel yönetimlerin artan borç stoku. Çin'in devlet nüfuzlu, ademi merkezileşmiş politik ekonomisinin batı Çin'de nasıl işlediğine ilişkin olarak tez, proaktif ve agresif bir yerel liderliğin endüstriyel yapıyı iyileştirme ve küresel pazarlarla yakın ilişkiler kurmada esas etken olduğu sonucuna varmıştır. Bununla birlikte merkezi hükümet büyük ölçekli altyapı yatırımları, idari düzenlemeler,

mali destek, personel atamaları gibi yer-hedefli politikalar ve ayrıca dönemsel makroekonomik öncelikleri belirleme yoluyla yerel kalkınma koşullarını belirlemede önemli bir kapasiteye sahiptir.

Anahtar Kelimeler: Batı Çin, Politik Ekonomi, Yerel Kalkınma, Lanzhou, Guiyang

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ABBREVIATIONS

ADBC	Agricultural Development Bank of China
BRI	Belt and Road Initiative
CeBS	Chengdu Bureau of Statistics
CoBS	Chongqing Bureau of Statistics
CAGR	Compound Annual Growth Rate
CCP	Chinese Communist Party
CDB	China Development Bank
CEIC	CEIC Data
ETDZ	Economic and Technological Development Zone
FCS	Fiscal Contracting System
FDI	Foreign direct investment
FIA	Fixed Asset Investment
FYP	Five-Year Plan
FYPWDP	Five-Year Plan of the Western Development Program
GBS	Guiyang Bureau of Statistics
GDP	Gross Domestic Product
GRP	Gross Regional Product
LBC	Lanzhou Bureau of Commerce
LBS	Lanzhou Bureau of Statistics
LGFV	Local Government Financing Vehicle
LNA	Lanzhou New Area
LNABS	Lanzhou New Area Bureau of Statistics
LZDRC	Lanzhou Branch of the National Development and Reform Commission
MNC	Multinational Corporation
NBS	National Bureau of Statistics
NDRC	National Development and Reform Commission
OIA	Old Industrial Areas
PRC	People's Republic of China

R&D	Research and Development
RMB	Renminbi
SC	State Council
SCE	State-controlled Enterprises
SEZ	Special Economic Zones
SOE	State-owned Enterprises
USD	United States Dollar
WDP	Western Development Program
XBS	Xi'an Bureau of Statistics

CHAPTER 1

INTRODUCTION

After the founding of the People's Republic of China (PRC) in 1949, China had been a centrally-planned economy by the late 1970s with quite limited ties to overseas economies. During the so-called reform era, the symbolic starting point of which was the Third Plenum of the Eleventh Central Committee of the Chinese Communist Party (CCP) in December 1978, China has gradually become a market economy firmly entangled with global trade and production networks (Breslin 2007, 41).

Thanks to the steady, high growth trend of the reform era, China has managed to become not only an upper-middle income economy but also the world's second-largest economy. China has also become an important magnet for the global supply chains of numerous sectors, and thereby a leading manufacturing and trading economy (Dicken 2011, 32-3). More recently, reflecting a qualitative change in its engagement with the world, China has emerged as a leading source of outward foreign direct investment (FDI) and long-term financing for infrastructure investments in almost all parts of the globe (Gallagher 2016; Wang and Lu 2016).

The political processes and social and institutional underpinnings of China's economic success have attracted much research. For one thing, China has clear advantages in its natural endowments, such as a large reserve of labour, a vast domestic market, a long coastline suitable for deep seaports, and geographical proximity to the industrialized countries such as Japan, Korea, and Taiwan (Kroeber 2016, 43-45). However, there is no doubt also a policy side to the "China miracle". Most explanations of China's extraordinary achievement agree that the Chinese state's capacity to implement unorthodox and adaptive policies during the reform era has played a significant role (Naughton and Tsai 2015). China has, only

selectively, and certainly incrementally, adopted the macroeconomic policies espoused by neoliberalism, such as privatization, deregulation, and trade liberalization (Wu 2010). Unlike most countries, China largely keeps cross-border capital controls intact. Also, the state continues to dominate the domestic banking sector. The state in China continues to be involved en masse in production through state-owned enterprises (SOEs) and state-controlled enterprises (SCEs).[1] Finally, the Chinese state has relatively great capacity in planning industrial policy and urbanization (Lim 2016; McNally 2012; Naughton and Tsai 2015).

Yet, at the same time, it is widely concurred that the roots of China's success extend beyond the capacity of the Chinese central government. Under the broad processes of marketization, decentralization, and globalization, the central government has hardly acted as an all-powerful agent. In many instances, China's central government has adapted to the "imperatives" of global markets. Also, being granted significant discretionary economic powers, local governments have emerged as one of the primary actors of economic governance in China. Therefore, rather than constituting a variant of the centralized state-led capitalism observed in the classical developmental states of East Asia, China's political economy might be better described, as Nölke et al. (2015) suggest, as state-*permeated* capitalism.

China's state-permeated and considerably decentralized capitalism has its own problems, such as generating widespread environmental degradation, ubiquitous corruption, and relatively high social inequality (Cheung 2012, 3). Furthermore, the Chinese economy's growth has become highly dependent on debt-financed investments, especially after the Global Financial Crisis (GFC) of 2008. Even one year before the outbreak of that crisis, Wen Jiabao, then premier, famously pointed out over-reliance on investment as one of the fundamental imbalances of the Chinese economy (Lardy 2015, 104; Mossavar-Tahmani et al. 2016, 18). In order

[1] In the official Chinese classification, the term "state-controlled enterprise" (国有控股企业 *guoyou konggu qiye*) refers to enterprises in which the largest paid-in capital contributor is the state, with a contribution usually over 50 per cent (see NBS 2017, 13th section, *explanatory notes on main statistical indicators*).

to counter the stagnating ramifications of the GFC, Beijing adopted a series of stimulus packages and eased the credit market for several years after 2008. Banking on those stimulus packages, the central and local governments made excessive investments, most prominently in infrastructure (Garnaut et al. 2016, 1; Kroeber 2016, 219). The investment rush of the post-GFC era then piled up debt stocks, especially of local governments and SOEs (Krolikowski 2017, 44).

For the last few years, Beijing has been attempting to address some macroeconomic imbalances, not least soaring debt and overdependence on investments as a growth source, by shifting to a new "growth model". Usually packaged under the term "New Normal", financial de-risking and less reliance on investments as a growth source have become new macroeconomic concerns. This macroeconomic shift has been accompanied by a remarkable drop in growth rates, which have been hovering below seven per cent since 2015, down from around ten per cent during the years following the GFC. The Chinese leadership has been troubled to strike a balance between tolerating a slower growth rate for the sake of macroeconomic balance and stimulating economic growth, which is arguably the most important source of the CCP's legitimacy (Pettis 2017; Yu and Mitchell 2019).

An additional major problem facing China is that its economic development during recent decades has been marked by widening regional disparity. City-regions in eastern China, centred around Guangzhou, Shenzhen, Beijing, Tianjin, and Shanghai, have risen to generate a disproportionate share of the country's Gross Domestic Product (GDP) (Yeung and Shen 2009). Industrial development and increasing engagement with the global economy have mostly concentrated in the eastern region. The conjunction of marketization and globalization has paved the way for the concentration of industrial activities in coastal China. Relatedly, the coastal areas have developed reasonably diversified industrial structures, whereas the inland areas broadly continue to rely on a few pillar sectors, most on agricultural input-based industries or resource-based industries, such as ferrous and

non-ferrous metal pressing industries, petroleum refining, and non-metal mineral production (He 2009). The regional disparities and variations are topics of the current research.

1.1. Research aim and questions

Many observers underline that the Chinese state has certain features reminiscent of the East Asian developmental state, the ideal-typical examples of which are Japan, South Korea, and Taiwan (e.g., Breslin 2011; Horesh and Lim 2017). The Chinese state indeed shares several defining characteristics with the developmental states, such as subsidizing domestic sectors to enhance their international competitiveness, high-investment rates, export-orientation, and the state's control over finance.

However, there are limitations to the developmental state concept in understanding China's political economy. Derived from the experiences of relatively small economies, the developmental state concept assumes very centralized economic governance (Howell 2006, 283). China, like other large developing countries, such as India and Brazil, however, differs from these developmental states in its size, geographical and social diversity, and relatively strong local governments (Chung 1999b, 1; Howell 2006). Within the context of decentralization, marketization, and globalization, local governments, private enterprises, and in most places, foreign investors have emerged as important actors along with the central state (Wei 2015, 7). In the end, we have a "polymorphous state with a complex mix of local state formations, policies and economies" (Howell 2006, 291-2), rather than the highly centralized economic order observed in East Asian developmental states.

Another source of complexity that cuts across the local heterogeneity of China's political economy is remarkable macro-regional disparities. In order to reduce the economic development gaps among regions, China's central government has been following long-term regional development plans since the late 1990s. The Western

Development Program (WDP)[2], which is arguably the most comprehensive of the regional development plans, was launched in 2000. The WDP aims to spur economic development in western China, the least developed region, via a variety of policies, including preferential tax arrangements, fiscal transfers, subsidized loans, and infrastructural investments.

The western region has attained relatively high growth rates during the WDP era, well surpassing national averages. The extent to which the WDP has contributed to industrialization and opening-up in the region, however, is contentious. According to critics, it has mostly failed to trigger private investments in the region. Rather than contributing to industrial development, the WDP has encouraged excessive investments, mostly concentrated on infrastructure, as a way of creating growth itself.

On the other hand, as more optimistic observers note, there are reasons to regard the WDP as somewhat successful as well. For instance, the three largest cities of the region, namely Chongqing, Chengdu, and Xi'an, have emerged as vibrant growth poles in which the advanced sectors are thriving. They have also developed strong overseas trade and production links.

The records of the middle-sized cities of western China, including Guiyang, Lanzhou, and Urumqi, are rather mixed since their degree of success in sectoral diversification and upgrading[3], and opening-up have differed. Guiyang stands out as a relative success story while Lanzhou and Urumqi's experiences have been

[2] The original title of the program is *xibu da kaifa* (西部大开发). Various English translations have been used to denote *xibu da kaifa*, such as "Great Western Development," "Open Up the West," "Develop the West," and "Western Development." I use the last one.

[3] Industrial upgrading is a term most strongly associated with the global value chain (GVC) literature. The term, as employed in GVC literature, refers to the shift of firms from low-value to relatively high-value activities within the global value chain (e.g., Zhu and He 2016). As a city-level investigation, this research uses the term, together with *sectoral diversification*, to refer to a process through which a city shifts to an industrial structure in which advanced sectors grow more important (for a similar use of the term see Lin and Shen 2018, 120).

mediocre at best. How and why the cities of western China differ in their growth paths constitute the puzzle addressed by this dissertation. This research does so in three-steps. It first surveys the experiences of the three largest cities of western China. Second, it makes a focused comparison between Guiyang, the high-achiever case, and Lanzhou, the laggard case. Finally, the research examines in-depth Lanzhou's laggard performance in opening-up, and industrial upgrading and diversification.

This research, thus, poses three main questions, as follows:

1. What are the contours of economic transformation over the recent decade in the three largest cities of western China, Chongqing, Chengdu, and Xi'an?

2. How have the growth patterns of Lanzhou and Guiyang differed over the recent decade?

3. What accounts for Lanzhou's mediocre performance in opening-up and sectoral diversification and upgrading?

The first question is addressed through a review of existing academic research and statistical data. In addressing the second question, I employ an analytical procedure loosely inspired by recent debates in comparative political economy. This procedure aims to identify major sources of growth in a locality by parsing the Gross Regional Product (GRP). In doing so, I suggest to draw on the categories of two different ways of calculating GDP, that is the expenditure and the value-added approaches. According to the expenditure approach, GDP/GRP, by definition, is equal to the sum of gross capital formation, final consumption expenditure of households and government, and net exports.[4] Gauging the relative share of each of these components in GRP helps, most importantly, to understand whether growth in a city is investment-reliant, as often assumed in narratives about

[4] Definitions of these components of GDP by China's national accounting system can be found in NBS 2017, 3rd section, *explanatory notes on main statistical indicators*.

economic growth in western China. In the next step, GRP is dissected according to the logic of the value-added approach. According to the value-added approach, GDP/GRP is equal to the sum of the value-added generated by different sectors of the economy. This analysis helps to elucidate the dynamics of growth at the sectoral level and how much the cities concerned have progressed in sectoral diversification or upgrading. The sectoral level analysis also sheds light on the relative weight of the "controversial" sectors, as a WDP sceptic might call them, such as the construction industry.

In dealing with the third question, I follow the framework developed by Jae Ho Chung to analyse the development paths of Chinese cities. Chung (1999b) subsumes the factors that may shape development paths in Chinese cities into three broad categories: natural conditions and historical legacy; administrative arrangements and target policies designated by the central and provincial governments; and finally, local leadership. This three-fold set of factors is substantiated by engaging with previous research on the political economy of development in Chinese cities, especially previous studies on cities with some similarities to Guiyang and Lanzhou, including small- and medium-sized cities, inland cities, and old industrial cities.

1.2. Methods, data sources, and contributions

As the research questions imply, this research undertakes two principal tasks: a) investigating the diverging growth patterns in cities of western China through an analysis of opening-up, sectoral diversification and upgrading; and b) investigating the causes of the sluggish economic transformation in western China with insights from Lanzhou. The first task has been undertaken in two steps. Firstly, Chapter 5 makes an analysis on Chongqing, Chengdu, and Xi'an by reviewing and synthesizing existing research and data around the themes of this research. Secondly, Chapter 6 investigates the similarities and differences of Lanzhou and Guiyang with regard to the sectoral diversification and opening up via a

comparative case study. The second task is engaged in Chapter 7 through an in-depth single case study of Lanzhou.

While the selection of successful cases, namely Chengdu, Chongqing, Xi'an, and Guiyang, is intended to understand the mechanisms and factors leading to success, Lanzhou, the laggard case, is taken as a typical example of numerous slowly-transforming cities in western China. In other words, the successful cases and Lanzhou represent two faces of the economic change in western China over the recent decade. Lanzhou and Guiyang, the cases of the focused comparison, show contrasting features concerning their economic transformations over the past decade, whereas they had much in common in terms of conditions of economic development at the turn of the century. The single case study of Lanzhou aims to delineate the factors leading to subpar performance in a city, with implications for cities with ordinary economic performance in the region.

The main sources of data are statistical data on the economies of the cities concerned, semi-structured interviews conducted in Lanzhou, and official documents issued by the central or local governments. These sources are joined by a large number of media reports and commentaries, published in English or Mandarin, and existing scholarly literature on local development in China, and western China in particular.

Statistics are supplied mainly by three sources. The first group of sources includes the statistical yearbooks and bulletins of the cities, which are usually published by the local statistical bureaus, and China's national statistical yearbooks, published by the National Bureau of Statistics of China (NBS). The second is comprised of data tables in the form of spreadsheets downloaded from the CNKI's (中国知网) China Statistical Yearbooks Database (also called the "China Data Insights" [CDI]). The third is CEIC Data's China data section, which provides customizable datasets for a variety of topics by utilizing data published by the NBS and Chinese ministries and departments.

Policy documents used in the research range from the Five-Year Plans of the Western Development Program to the relevant policy guidelines issued by the National Development and Reform Commission (NDRC) [5] and to local development plans and promotional brochures published by official bureaus in Lanzhou.

I conducted more than 40 semi-structured interviews in Lanzhou, inclusive of the Lanzhou New Area (LNA), during three separate rounds in July and September of 2017 and May 2018, though not all of them are cited in the manuscript (see Appendix B *List of Interviews*). Interviewees included local officials, entrepreneurs, managers, scholars, journalists, and residents of Lanzhou. The interviews crucially helped to corroborate some insights and information hinted at by other sources, thereby helping with the data triangulation. They were also tremendously useful in discovering aspects of the puzzle which I had not previously noticed. Most of the interviews were arranged either by initially contacting interviewees via e-mail and phone or through on-site visits. I was introduced to several interviewees through the personal networks of my supervisors and myself in Lanzhou. In some cases, as defined by the "snowballing" technique, potential interviewees were suggested by other interviewees. In addition to the interviews, I also collected some unpublished official local data during fieldwork.

This dissertation makes three contributions.[6] First, the dissertation develops a breadth of understanding about the accelerated growth in western China, which is a relatively recent and understudied phenomenon. A great deal of the work on the economic development in the western region has to date focused on the macro-regional level. Studies that take a city-level approach have mostly addressed the

[5] The NDRC is China's leading planning agency. Though formally a ministerial agency, the NDRC practically has, to quote Heilmann (2017, 77-78), "inter-ministerial planning and coordinating" functions. The NDRC is also responsible for planning regional development programs.

[6] Contributions are briefly put here. An expanded discussion on the findings can be found in the Conclusion Chapter.

region's largest cities, Chongqing, Chengdu, and Xi'an. This dissertation reviews and synthesizes the work on the three largest cities and makes intensive, original research on two middle-sized cities. In doing so, the dissertation uses, among others, sectoral-level data, which is underexplored by existing research.

Second, in-depth case study on Lanzhou, which draws on a wealth of original data including field interviews, is a contribution itself as there are only a few comprehensive surveys, both in English and Mandarin, on contemporary Lanzhou economy. This investigation into Lanzhou also generates insights on the causes of sluggish development evident in some parts of western China.

Finally, the findings of the dissertation add to the literature on local economic development in China. The evidence accumulated from different cities of western China has allowed making analytical inferences on how China's state-permeated, decentralized political economy operates in the region.

1.3. Limitations and delimitations

The limitations of the research warrant mention. During the fieldwork in Lanzhou, some of my interview requests were ignored or declined. It is impossible to know, in most cases, the real reasons for such refusals. Prospective interviewees might have been unwilling to give an interview simply because they were busy at the suggested interview time(s) or felt unable to adequately inform the researcher on the topic. Yet in some cases, a sense of insecurity about talking to an outsider, possibly about issues perceived as sensitive, was certainly involved.[7] The individuals who consented to interviews mostly refrained from speaking about

[7] This is a common challenge facing researchers who conduct surveys or interviews in China. Facing a similar problem while collecting data in Xi'an through a questionnaire, Qiu (2005, 268), for instance, reverted to intermediation via a local think tank: "…I requested assistance from one of the most important think-tanks in the province. The think-tank agreed to assist me by permitting me to use its name with the respondents as long as it would remain anonymous in the research report."

local politics which are, again, usually seen as a sensitive topic. As an outsider with few local connections, I had difficulties getting interviewees to talk about local political processes and conflicting agendas in Lanzhou.[8]

Another source of limitation concerns the availability of statistical data. Most importantly, the Guiyang-Lanzhou comparison performed in Chapter 6 has some limitations due to the lack of data, for instance, on the sectoral composition of gross capital formation and value-added of particular tertiary industries. Similarly, as the data regarding central fiscal transfers goes no further down than to the provincial level, Chapter 7 lacks a clear picture of transfers made to Lanzhou. Finally, a general problem regarding the very quality of local economic data in China should be noted. As succinctly put by Chan (2007, 400), local officials, at times, "tweak and manipulate the numbers to their advantage".

The delimitations that define the research's boundaries should be highlighted as well. This research takes the city as the unit of analysis and limits itself to large and middle-sized cities in western China. In other words, the research does not look to smaller cities or units below the city in its attempts to examine the political economy of accelerated growth in western China. The main themes of this research regarding economic growth are sectoral diversification and upgrading, and opening-up. As the chosen themes might imply, I do not approach economic development in its wider sense. A more comprehensive definition of economic development would pay attention to indicators of well-being, such as access to health and education services, and thus to the issues of poverty alleviation and social welfare provision (see Peet and Hartwick 2009, 6-13). The analytical and normative limitations of approaching economic development in its narrower sense should be acknowledged.

[8] Hu and Hassink (2017a, 229) underline, based on experience, the usefulness of being introduced by senior academics from the Chinese Academy of Sciences, a leading research institute affiliated with the central government, to "forge trustful relations (*guangxi*) with local authorities" at fieldwork sites.

1.4. Thesis outline

Chapter 2 discusses the analytical perspectives employed in this research. The chapter first introduces the growth pattern approach I have suggested to analyse the diverse growth dynamics of Chinese cities. Then the chapter surveys the literature on local political economies in China in order to carve out analytical perspectives for interpreting the factors that may shape local growth patterns.

Chapter 3 overviews macro-regional disparities in the reform era from a chronological point of view. The first part of the chapter focuses on the period from 1978 to the mid-2000s, when regional disparities substantially widened. That section documents the drivers of regional disparity during that period. The second part of the chapter surveys the narrowing of regional disparities since the mid-2000s amid the central government's turn to coordinated regional development and broader macroeconomic trends. Finally, the chapter introduces the implications, current and potential, of China's "New Normal" for the regional disparity.

Chapter 4 outlines the contours of economic development in western China within the context of the Western Development Plan. The chapter first introduces the geographical and demographic conditions of western China and outlines its economic development from 1949 to the reform era. The second section discusses the motivations behind the WDP. The third section makes regional, provincial, and city-level observations regarding economic growth in the WDP era.

Chapter 5 surveys the dynamics of economic development in Chongqing, Chengdu, and Xi'an. The chapter first takes stock of the empirical evidence regarding their success in industrial diversification and opening-up. Afterwards, it moves to assess suspected problems with their accelerated growth, such as debt accumulation, over-reliance on infrastructure, and possible investment retreat.

Chapter 6 compares the diverging growth models of Lanzhou and Guiyang over the last decade. In doing so, it aims to unpack the dynamics of accelerated growth in western China at the city level and substantiate the differences and

commonalities between Lanzhou's and Guiyang's growth models. These cities can be regarded as contrasting cases since Guiyang has progressed remarkably toward industrial diversification and upgrading, and opening-up, while Lanzhou has experienced a much slower transformation. The chapter compares the growth patterns of these cities by employing the analytical procedure elaborated in Chapter 2. This chapter is also comparative in a double sense, as it compares indicators of Lanzhou and Guiyang with those of certain other selected cities and nationwide indicators. Thus, in addition to substantiating the diverging growth models in western China, the expanded comparison yields insights which are helpful to assess some widely held assumptions about development in western China.

Chapter 7 offers a contextual analysis of Lanzhou's economic development over the last decade and develops an understanding of the city's lacklustre economic transformation. In doing so, the chapter rests on the framework of the three-fold factors elaborated in Chapter 2.

Conclusion chapter reviews the arguments developed in the previous chapters. The chapter also elaborates on the economic development prospects of western China and identifies areas for future research.

CHAPTER 2

VARIATION IN LOCAL GROWTH PATTERNS IN CHINA: ANALYTICAL PERSPECTIVES

This chapter aims to craft an analytical framework for dealing with the variation in the development trajectories of Chinese cities. The local development in China stands as an intersecting research area to which political scientists, economic geographers, and China studies scholars have jointly contributed. Existing work on the local development in China reflects cross-disciplinary and varied research themes or agendas. This chapter engages with the extensive literature in two particular ways. First, it makes a theoretical discussion on the very issue of variation at the local level, which informs the conceptual orientation of the research. Secondly, the chapter engages with in-depth or comparative case studies on political economies of particular locales in China, which helps with the elaboration of mechanisms, intricacies, and aspects of local development in the country.

2.1. From local models to local growth patterns

In contemporary China, local governments are delegated with some autonomy in managing economic affairs. The extent of autonomy the local governments enjoy varies according to their rank in China's four-tiered subnational administrative hierarchy. The administrative divisions, in order of hierarchy, are provincial-level units, prefectural-level units, county-level units, and finally township-level units. Table 1 demonstrates different administrative types within the same level, and also how many of each type there are. There are also special administrative statuses. One such status, the deputy-provincial city (副省级 *fushengji*), needs brief mention. The fifteen deputy provincial cities, Chengdu and Xi'an being examples in western China, have considerable autonomy in managing economic affairs as well as closer

and more direct ties with the central governments compared to prefectural-level cities (Heilmann 2017, 85). Given the various levels of administrative rank and statuses, each granted with some discretionary power, the policymaking and implementation in China have a multi-layered quality.

Table 1 China's four-tiered subnational administrative divisions

Provincial-level units: Provinces (22); centrally managed municipalities (4); autonomous regions (5)
Prefectural-level units: Prefectures (45); prefectural-level cities (288)
County-level units: Counties; county-level cities; urban districts
Township-level units: Towns; townships; township-level sub-districts

Source: adapted from Heilmann (2017, 85-6)

This multi-layered governance structure, combined with China's sizeable territory, brings about substantial local variation within the country. The thrust of literature focusing on local developmental models in China is derived from these features: since China is a large, decentralized country, in which subnational governments have significant capacities in managing economic affairs in their respective area of authority, efforts for theorizing Chinese capitalism should focus on subnational developmental trajectories (see Tsai 2016, 3; Rithmire 2014; Howell 2006, 283; Zhu and He 2016, 1456; Zhang and Peck 2014).

Zhang and Peck (2014), for instance, aim to understand the diverse local economic models in China through the concept of variegated capitalism. They (2014, 7) contend that Chinese capitalism should be understood as an entity "jointly constituted with a range of regional 'models' of capitalism" and that "exploring regional formations of Chinese capitalism … is part and parcel of understanding the (constitution of the) model itself" (Zhang and Peck 2014, 7). Distinctive central-local regulatory relations and transnational economic connections, they argue, play important roles in the formation of different regional models (Zhang and Peck 2014, 22). In a similar vein, Kellee Tsai (2016) examines local areas in China in which she identifies different types of "cosmopolitan capitalisms". With

the emergence of cosmopolitan capitalisms in Guangdong province, Wenzhou city, and Zhongguancun area in Beijing, she argues, Chinese diaspora or multinational companies have had significant agency. Lim and Horesh (2016) compare the diverging developmental trajectories of two province-level jurisdictions, namely, Chongqing and Guangdong. The authors point out the place-specific conditions and their entanglement with the national policies and transnational market forces as the key aspects of local models. They (2016, 2) posit that the differentiated local trajectories have been shaped by the "geographically and historically grounded expressions of the joint demands of national regulation and transnational capital reproduction." Zhu and He (2015) examine the diverging models at a cluster-level with cases from Ningbo and Yongkang cities. Their study (2016) takes the source of the leading agency (i.e., the local or central) and the market orientation (i.e., the export- or domestic-oriented) as the defining features of developmental models. The authors (2016, 1469) identify two different developmental trajectories within two industrial clusters located in the very same province, namely Zhejiang. One is dubbed as "the grass-roots, export-oriented model" and the other as the "government-led, domestic-oriented model".

On the other hand, the local developmental models in China are often discussed with references either to prosperous, globalized, or high-achiever areas. Perhaps this is not surprising since the very idea of the model often, if not always, assumes a somewhat durable superior economic performance and a coherence with the institutional underpinnings on which the model rests.[9] That makes it problematic

[9] The varieties of capitalism (VoC) approach, as developed by Hall and Soskice (2001), which has been the most influential school in the comparative political economy over the last decade, explicitly defines models as successful cases (see also Nölke and Vliegenthart 2009, 672-3). Though Zhang and Peck's view on the capitalist variation significantly differs from the VoC perspective, they (2014, 22), still tend to put a similar emphasis on success and more certainly to coherence: "Regional 'models', to warrant the label, must be shown to display a measure of distinctive institutional-cum-developmental integrity, and they must be more than chips from the national block." Apart from the comparative political economy literature, a rather conventional understanding of the idea of model similarly often assumes a certain efficiency and success. An example of this sort can be found in Donaldson's (2015, 195) work on regional equality: "Some regions had policies that were sufficiently consistent and successful to be labelled models."

to follow the logic of these studies and transfer concepts from them to investigate cities like Lanzhou and Guiyang. While the former does not have an above-average performance, the latter has only recently become high-achiever with its growth performance and FDI attraction. Also, despite its recent leaps in some advanced sectors, Guiyang's economy is still anchored on traditional industries including tobacco, metallurgy, and chemical raw materials. This study, thus, takes a different approach. Taking inspiration from recent advances from comparative capitalism literature,[10] I argue for an analytical procedure which aims to construe the growth patterns by identifying the major sources of growth in a locality. The growth sources are suggested to be identified by parsing the local GRPs along the lines of expenditure approach to GDP and sectoral growth figures. That is to say, this analytical procedure dissects the different components of economic growth, including those at the sectoral level. Such a sectoral-level analysis helps to assess the sectoral diversification, or lack thereof. Also, the procedure allows for the generation of insights regarding soundness and sustainability of growth sources in a locality. With being investment-reliant, particularly with infrastructure investments, many Chinese cities have rested on unbalanced and unsustainable growth sources. Though not having the highly stylized concepts as observed with the literature on local models, the growth pattern procedure might inductively generate comprehensive insights regarding the growth dynamics of localities.

[10] I have taken a distant inspiration from Baccaro and Pontusson (2016). In their path-breaking study, Baccaro and Pontusson (2016) develop a novel way to approach the cross-national capitalist variety. They suggest focusing on the "relative importance of different components of aggregate demand" (Baccaro and Pontusson 2016, 176) to identify the differentiated dynamics of growth among the advanced industrial economies. I do not aim to apply their model to the local economic trajectories in China, which would be quite futile, if not impossible, to do. Yet two particular features of their approach have been inspiring for the current research. The first is the idea of disaggregating the sources of growth. Second, the approach opens new ground for approaching the capitalist variation from a point of view which is not efficiency centred (see Streeck's comment- Streeck 2016, 245). This inspiration from their study has led me to reflect on a similar efficiency bias extant in the current discussions on the local models in China.

Chapter 6, where Lanzhou and Guiyang's growth dynamics are compared, is centred on the growth pattern procedure introduced here. It also provides analytical pointers for Chapters 5 and 7.

2.2. What shapes local growth patterns: Insights from the literature on local economic development in China

As noted above, another body of work probes into the particular mechanisms, intricacies, and aspects of local political economies in China through in-depth or comparative case studies. Local development in the reform China has long been a research topic for students of China studies. That said, Rithmire (2014, 166) observes a subnational turn in the work on China's political economy with many scholars who "have in the past decade turned their attention to identifying and explaining subnational variation in economic development and reform within China." Two distinguishing features of these "new regionalists", to quote Rithmire, are discernible. First, they regard the central-local relations in China as under-institutionalized and fraught with ambiguities. As such, the new regionalists assume a substantial degree of variation across local governments in terms of the implementation of the central visions. Second, the distinct geographical, historical, and institutional conditions of localities are given greater causal weight in the formation of varied paths of economic development (Rithmire 2014, 168-171).

It is possible to identify studies fitting this new regionalist rubric. Some studies attempt to compare the development trajectories of city pairs (Chung et al. 1999a). In doing so, Chung and his collaborators, for instance, give particular importance to local-level factors such as local history, natural conditions, and the agency of the local leadership. What causes the differentiation in development paths among counties remains the central question in Bulman's work (2016). He argues that the local cadre behaviour, which is itself conditioned by local institutions, explains the diverging developmental outcomes among the counties on which he has made a comparative investigation (Bulman 2016, 2). Other scholars contrast the varied developmental models at the provincial level, as Chen and Dickson (2018) have

done in the case of Chongqing and Guangdong. Echoing Bulman (2016), they regard the different priorities of local leaders as a fundamental factor that shapes antithetical local models. Their interpretation also puts an emphasis on place-specific conditions such as pressing social issues and the "timing of development" (i.e., being a late developer or not). Some studies focus on the variation of particular aspects of economic policy across localities in China. Ratigan (2017), for instance, investigates the differing approaches of provinces to social policy. While some provinces pursue a social policy prioritizing education, others place more importance on poverty alleviation. According to Ratigan (2017), what causes the divergence is not needs or wealth but the strategies of the local leadership, which, in part, are formed by local realities.

Among existing studies, the question closest to the research questions raised in this research, to the knowledge of the author, is asked by Chung et al. (1999a).[11] He, with his collaborators, attempts to explain the divergent economic development paths for several cities located at various administrative levels, ranging from provincial to deputy-provincial to prefectural and county levels. The scope of this research is the economic development in cities of western China over the recent decade, within the context of the Western Development Program. The most intensively studied cases of the research are Lanzhou and Guiyang, which are middle-sized prefecture-level cities. Though Chung (1999b) provides a very useful ground for developing a framework for analysing economic development in Chinese cities, we, therefore, require case-specific modifications as well as complements made through engagement with cognate strands of literature. Studies that focus on the political economy of development in small and medium-sized cities, inland cities, and old industrial areas (OIAs)[12] will be of help, in one way or

[11] William Hurst (2006, 466) considers this volume as a "first step toward more systematic comparison of localities in the study of Chinese urban politics".

[12]Though the "old industrial area" is a scholarly concept, the term, at the same time, finds itself in the Chinese policy lexicon as *lao gongye qu* (老工业区). A succinct definition of Chinese OIAs can be found in Hu and Hassink (2017b): "China′s OIAs can be regarded as natural resource-based (e.g., mining, forestry, petroleum) and heavy industrial (steel,

another, in making needed modifications and expansions on Chung's framework. The rest of the chapter engages with this task and elaborates on underlying factors that may shape the contours of local political economies in China.

2.2.1. Underlying factors that shape the local political economies in China

Chung (1999b) subsumes the factors that may shape the path of development of a Chinese city into three broad categories: natural conditions and historical legacy; administrative arrangements and target policies designated by central and provincial governments[13]; and finally, the local leadership. I will respectively elaborate on each.

2.2.1.1. Natural conditions and historical legacy

Natural conditions refer to the given geographical and demographical features and natural endowments. The location of a city, primarily its proximity to deep-water ports, significantly affects its economic prospects (Chung 1999b, 4). The topography as well is an aspect of a city's natural condition, which affects several aspects of urban construction, not least the housing prices in a city. Climate may

iron, machinery and shipbuilding, etc.) territorial complexes, as well as regions specialized in light industries (e.g., textile), which were developed under the 1949–1976 centralist regime and gradually became economically stagnated in the course of market reforms."

[13] The original framework developed by Chung (1999) is intended to use for cities at various levels of administrative hierarchy, ranging from provincial to deputy-provincial to prefectural and county level. Depending on the administrative level of the city, the importance of provincial government differs. For the deputy provincial-level cities, there is observed, in some cases, tension and competition between these cities and the provinces they belong to (for Hubei-Wuhan competition see Solinger 1996, 21; for Shandong-Qingdao competition see Chung 1999c). But in the case of Lanzhou, a prefectural-level city administratively inferior to the Gansu province, there is no such power game. Lanzhou is the showcase city for Gansu province, which is to be supported by all means available. For that reason, I will mostly focus on target policies granted by the central government. Lanzhou is not alone in this respect. Despite being a deputy-provincial city in western China, Chengdu, in contrast to Wuhan and Qingdao, has received the utmost support from its provincial government (Van Grunsven and Wang 2014, 193-4).

also affect the decisions of extra-local investors as well as the workforce who are considering moving to a specific area (Wei 2015, 6).

Historical conditions, the other given feature of a locality, are cultural, political, and economic legacies of the past (Chung 1999b, 4). A city's economic legacy, from the Maoist era (1949-1976) or earlier, undoubtedly has an impact on its development path in the reform era. For instance, the Third Front campaign, initiated in 1964, which aimed to relocate numerous industrial plants and their workers into central and western China, transformed some cities into heavy industry bases, including Xi'an, Chengdu, and Lanzhou (Wu and Gaubatz 2013, 81-82). Reflecting the importance of inherited industrial structure, some of those cities would be later categorized as old industrial areas (OIAs) (Hu and Hassink 2017b). Another example of the historical legacy's lingering effect can be found in the diasporic connections of southeast China. Being the ancestral home of many overseas Chinese, Guangdong, and Fujian provinces, the pioneers of the opening-up to the world, attracted considerable foreign investments from the overseas Chinese (Wu and Gaubatz 2013, 115; Yao 2009, 225).

2.2.1.2. Administrative arrangements and target policies designated by the central government

It is certainly true that the local governments in the reform China have attained remarkable autonomy. However, the central government retains significant fiscal and administrative capabilities to affect the conditions of economic development in provinces and cities (Solinger 1996). Fiscal transfers from the centre to provinces represent the former's persisting fiscal leverage. With the tax sharing system initiated in 1994, the central government has increased its tax revenue share at the expense of local governments.[14] This change has resulted in a remarkable increase in the centre's fiscal leverage over the sub-national governments (Huang

[14] Chapter 3 discusses the fiscal reforms in detail.

and Chen 2012, 534). Provincial and sub-provincial governments, consequently, have become more dependent on the central government's fiscal transfers, which can take three forms: tax rebate, general-purpose transfer, and special-purpose transfer. While the first two are rule-based transfers calculated on a given formula for each province, the latter, which is the largest component among them, is allocated according to policy priorities as conceived by the centre. In the allocation of special-purpose transfers, political influence and bargaining power of provinces are involved (Huang and Chen 2012; Lim 2016, 13).

The central government's support may also take the form of conferring special administrative titles and privileges which would, in turn, enable the local governments to offer preferential policies to attract investment (Chung 1999b, 4; Wu 2015, 120). These types of important titles include a special economic zone of various categories (e.g., national-level economic and technological development zone, export-processing zone, or free-trade zone), deputy-provincial city status, or most recently the National New Area (Dunford and Liu 2018, 414).[15] According to Solinger (1996, 26-28), for instance, it was the special privileges designated by the centre that enabled Wuhan's economic rise. Beijing's decision to bestow the title of "centrally planned city" in 1984 gave Wuhan a much greater authority in foreign trade, which, in turn, triggered foreign investment and foreign trade in the city.[16] Similarly, Cheung (1999, 24-5) highlights how the title of the special economic zone granted to Shenzhen in 1980 paved the way for inward foreign investments to the city. Shenzhen, in the 1980s, attracted much more FDI than Guangzhou, the capital of Guangdong province to which Shenzhen belongs as well. Besides conferring special economic titles, the central governments may support a locality by "dispatch[ing] powerful central figures to rule a city" (Chung 1999b, 5)

[15] The National New Areas are cities constructed from scratch in adjacent areas of main cities. They are designed in a way to attract investment in high-tech sectors. New Areas are under the supervision of the NDRC and supported by the central government with preferential taxation policies and fiscal resources (Martinez 2018).

[16] The centrally planned cities are given a degree of autonomy on par with the provinces (Cheung 1999, 20).

or appointing figures with a strong track record (see discussion on Guiyang and Guizhou's recent leaders in Chapter 6).

Moreover, the central government can also help improve the local business environment via large infrastructure investments funded by central government coffers, especially in the energy, telecommunications, and transportation sectors (Wong, Lin, and Lee 2017, 8). The importance of this kind of central government support is particularly pronounced for economic development in western China to overcome the region's challenging geographical bottlenecks. The WDP itself can be seen primarily as a grand investment scheme (Lu and Deng 2013). We might go further and argue that the central state support, in any form, has been relatively prominent in driving economic development in western China as the region, by and large, is beset by geographical disadvantages (Goodman 2004, 318; Shih 2004). In relatively prosperous areas, which are concentrated in coastal China, the local governments have stronger capacities, including a larger fiscal base and easier access to foreign investments, which enable them to be less dependent on the central state (Howell 2006, 283).

In sum, the central government has the capacity to stimulate economic development in localities, *inter alia*, through fiscal transfers, the allocation of special titles and preferential arrangements, favourable personnel appointments, and financing for large scale infrastructure investments.

2.2.1.3. Local leadership

Although the central government has the capacity to impose policies over the local government and monitor their implementation, it is the local governments that are assumed to "drive local economic growth" (Wu 2015, 119). In Bulman's (2016, 7) words, "economic and fiscal decentralization provide local governments with the ability to promote economic growth, and centralized political control provides local cadres with the incentive to promote economic growth." The main mechanism for the central government's control is the cadre promotion system,

which stipulates that the promotion of local personnel is primarily dependent on their performance in fostering economic growth in their jurisdiction (Li and Zhou 2005, 1746; Donaldson 2009, 423; Dunford and Liu 2018, 410). This "incentivized development" (Bulman 2016) has been one of the most crucial factors behind China's overall economic dynamism in the reform era (see Hu and Hassink 2017a, 227).

Given their high-level autonomy in economic governance, local governments are expected to find innovative ways to reach the broad goals the central government asks them to meet. Yet, the extent to which local governments follow, re-interpret, or resist the central vision varies (Lim 2016, 5; Cheung 2015, 16-17). The differentiation in the local governments' behaviour regarding compliance with the centre is related to, inter alia, the local leaders' (i.e., usually local party secretary and governor/mayor, and, to some extent, vice secretary and vice governors) career prospects (Donaldson 2009, 434; see more on this below). The previous career is also important. For instance, the development of high-tech sectors in Xi'an is somewhat indebted to then vice-president of Shaanxi Province, who previously was the head of the China-Singapore Suzhou Industrial Park, in the coastal province of Jiangsu (Walcott 2003, 632). Similarly, Huang Qifan, mayor of Chongqing from 2009 to 2016, who pioneered the Chongqing's transformation into a notebook production cluster with investments from the global lead firms, previously gained a wealth of practical experience in dealing with businesses during his long tenure in Shanghai (Gao et al. 2018, 12).

Apart from the centrally-requested goals, the local governments themselves are expected to put forward developmental targets, as China's central-local relations allows such a leadership role (Hu and Hassink 2017a, 228). This kind of targets might include the pioneering or encouragement of new sectors in the city via targeted policies, just as in the case of Zaozhuang (Hu 2017). Local leadership may also attempt to reach extra-local (i.e., provincial, national, or transnational) forces to secure resources and a variety of supports (Hu and Hassink 2017a, 231; Chung

1999b, 5). For instance, Zaozhuang leadership was able to secure a high-speed railway station in the city by convincing the central government departments. The city's leadership also managed to attract many tourists from Taiwan by making use of some historical connections between the city and Taiwan (Hu and Hassink 2017a, 231). In a similar vein, local governments could initiate a bottom-up process to link the local economic actors to the global markets as it has been done in Shiling in Guangzhou (Lyu and Lynda 2015).

A question follows from that discussion: why are some leaders more successful than others in pursuing developmental goals? Several propositions regarding what factors shape local leadership's economic policy behaviour can be discerned from the literature:

- The leaders who are "tied to planned economy" (i.e., mostly working for SOEs) are assumed to be more conservative and less innovative (Solinger 1999, 3).
- The leaders with no career advancement prospects, mostly due to the age limits, are more likely to be less ambitious (Donaldson 2009).
- If a leader is a native of the given locality, they are more likely to pay attention to the local interests, including the local rent-seeking agendas (Donaldson 2009).
- GDP-ism[17] may lead the local leadership to stick with the dominant industries and "maintaining the old path" (Hu 2017, 242). This, in turn, reduces the willingness for diversifying the local economy by mobilizing resources to this end.

Then, how can we assess the performance of a local leader or a team of leaders? One way to address this question is to find out whether or not they could reach the goals formulated in local development plans – if they are statistical ones such as

[17] This oft-used term refers to a common pattern among China's local leaders. To clarify, the leaders often perceive high GDP growth rates as the most crucial goal, sometimes at the expense of the environment, fiscal feasibility, or the interest of the disempowered social groups (see Zhang 2014, 137).

growth targets. Evaluations of local government performance can also be made by tracing policy initiatives noted above; that is, securing extra-local resources, linking local actors with global markets, and pioneering or incentivizing the development of new sectors and industrial renewal. An additional indicative "measure" to assess the performance of local leaders might be to probe whether a leader is promoted to a higher post after her/his tenure in a given local government. Many studies find that better economic performance increases the likelihood of promotion (Li and Zhou 2005; Choi 2012; Bo 2015, 101; see also Chung 1999c, 119).

Some studies attribute a small role to the local governments of western China in driving local economic growth. Victor Shih's (2004) perspective, for instance, assumes a quite limited role for local governments in explaining accelerated development in the western region. He argues that the WDP fell short of attracting foreign and private investment and encouraging competitiveness in the region. The accelerated growth in the western region, according to him, mainly resulted from massive state investments, some of which were wasteful (Shih 2004, 440-2). Similarly, Vermeer questions the very ability of subsidy and fiscal transfer policies employed through the WDP to create an efficient economy in western China (Vermeer, 2004, 424). He also questions whether the industrial expansion created through central subsidies under the WDP is sustainable, especially in the case of reduced or halted central subsidies (Vermeer, 2004, 412). Apart from these earlier and rather pessimistic assessments, some recent studies, which examine the recent successful economic performance in some western areas, give greater causal weight to the support of the central government. Yu, for instance, explains Chengdu's successful transformation into a hub of electronics and information technology sectors largely with references to the central government's support in the form of fiscal and preferential administrative arrangements (Yu 2015, Chapter 9).

On the other hand, this scepticism regarding the capability of local governments in western China is contested by other studies. For instance, Lim and Horesh (2016, 19) contend, in their work on the Chongqing "model", that provincial governments in western China might play a significant and pioneering role in local economic development as they attempt to catch up with their coastal counterparts. According to their account, the Chongqing government took over important initiatives for upgrading the infrastructure and modernizing SOEs. The Chongqing government also sought "scale jumping" by seeking to attract large MNCs (Lim and Horesh 2016, 19). The government also forged partnerships with foreign governments, as in the case of the Chongqing-Singapore partnership (Lim and Horesh 2016, 15). Explaining Chongqing's transformation into a manufacturing base for global notebook markets, Gao et al. (2017, 237) as well underline the municipal government's role in "improving urban infrastructure, creating markets via public procurement, offering preferential policies, and guaranteeing low land and real estate prices". Investigating the motivations of incoming foreign enterprises into Xi'an in the 1980s and 1990s, Qiu (2005, 275) also highlights the networks of local government in drawing extra-local investments.

Additionally, getting approval from the central government for the preferential policies or special administrative titles might be attributable to the local government itself, as it means outmanoeuvring the rival peers, which compete for similar treatment from the centre. The Shaanxi provincial government, for instance, was successful in convincing the central government to include their provincial-level project into the NDRC's plan, which aims to elevate Xi'an's urban development and economic capacity by integrating the adjacent Xianyang city (Jaros 2016, 657). Other studies foreground how local governments in western China have pioneered economic regionalisation with the neighbouring countries (for Yunnan case see Su 2014; for Xinjiang case see Li 2016).

The point to underline here is that being more dependent on the central government due to disadvantages, not least the location, does not necessarily rule out the

potential for a western local government to successfully pursue a developmentalist agenda. Clearly, local governments in western China can capitalise on the central government's support to reach a level where sustainable and "endogenous" growth is arguably possible.

To sum up, local leaderships have considerable autonomy, and indeed the task, to foster economic development in their jurisdictions. Whether a team of leaders in a locality is successful in doing so can be interpreted via the "indicators" suggested above, that is attaining the pre-set growth targets, securing extra-local resources, pioneering new sectors, initiating a bottom-up process to link the local economic actors to global markets, and the ensuing appointment of a leader after her tenure in a local government. Success or otherwise, then, can be discussed with references to propositions regarding the factors influencing the local leadership's economic behaviour pointed out above, including previous career, origin, and career prospects.

2.3. Summary

The analytical perspectives employed in this research are derived from two related strands of the literature. The first strand is comprised of studies that aim to conceptualize the local economic variation in China. After a discussion on the broad tendencies in that group of studies, this chapter has introduced the growth pattern procedure, which I have suggested to analyse the varied growth dynamics in Chinese cities. This analytical procedure, it has been argued, is particularly useful for analysing the economic development of ordinary cities, which are not highly globalized or higher-achiever. Chapter 6, where I compare the diverging growth dynamics of Lanzhou and Guiyang over the last decade, is centred on the growth pattern procedure. Chapter 5's analysis on the industrial diversification experiences of Chongqing, Chengdu, and Xi'an, and Chapter 7's in-depth investigation into Lanzhou's economy similarly derive analytical pointers from this procedure.

The other strand of the literature that the chapter has engaged with focuses on the underlying dynamics that shape the particular local political economies in China. Following Chung (1999a), the second section of the chapter has divided the factors that may shape the local economic development paths into three broad categories: natural conditions and historical legacy, administrative arrangements and target policies designated by the central government, and the local leadership. I have elaborated on each category by drawing on broader discussions on local development in China. That section also has specified some indicators to assess the relative significance of the different types of the central government supports for local economic development, including the fiscal, administrative, and (infrastructural) investment supports. Finally, the chapter has noted several propositions regarding the factors influencing local leaderships' economic behaviour and singled out some points of reference to evaluate a leader's performance during her tenure in a local government.

CHAPTER 3

REGIONAL DISPARITY IN CHINA IN THE REFORM ERA: AN OVERVIEW

3.1. Introduction

China has achieved tremendous economic growth in the reform era. This success in attaining high and steady growth trend, on the other hand, is marked with significant disparities among China's regions, urban and rural areas, and social strata. This chapter aims to overview China's political economy in the reform era with a focus on regional disparity. As some studies use the phrase, i.e., *regional disparity*, to refer to other spatial disparities, such as urban-rural disparities or inter-provincial disparities, it is necessary to point out that regional disparity here refers to macro-regional inequality.

Since the early years of the PRC, China has adopted various schemes of macro-regional divisions. The First Five Year Plan (hereafter FYP) delineated provinces into two main blocks: the coastal and inland regions. This scheme from the early 1960s to early 1970s was replaced by a three-fold classification which was based on the first, second, and third fronts (Niu and Chen 2004, 53). The Sixth FYP (1981-1985) turned back to earlier division as the coastal and inland. The Seventh FYP (1986-1990) introduced a threefold macro-regional classification based on the eastern, central, and western regions. The same categorization was used with the Ninth FYP (1996-2000) and the Tenth FYP (2001-2005) while the Eighth FYP (1991-1995), in the meantime, reverted to the earlier two-region division of the coastal and inland regions. Since the Eleventh FYP (2006-10), China has adopted a macro-regional approach which comprises four blocks as the eastern, central,

western, and northeast regions (Wei 2013, 3). This research uses the most recent four-region classification.[18]

China has 31 provincial-level units (hereafter used interchangeably with *province*) which consist of 22 provinces, five autonomous regions, and four centrally administered municipalities.[19] The eastern region includes provinces of Hebei, Shandong, Jiangsu, Zhejiang, Fujian, Guangdong, and Hainan; and three centrally administered municipalities, that is, Beijing, Tianjin, and Shanghai. The northeast region includes Heilongjiang, Jilin, and Liaoning provinces. The central provinces are Shanxi, Henan, Anhui, Hubei, Jiangxi, and Hunan. The western region contains Shaanxi, Qinghai, Sichuan, Guizhou, Yunnan, and Gansu provinces, Chongqing – a centrally administered municipality – and the autonomous regions of Guangxi, Inner Mongolia, Ningxia, Tibet, and Xinjiang.[20] Figure 1 illustrates China's provinces and the macro-regions.

During the reform era, China, as a whole, inclusive of all macro-regions, has attained a long period of fast-paced economic growth. The pace of development across macro-regions, however, varies significantly. From the outset of reforms through the mid-2000s, the eastern region has emerged, by far, as the economically most dynamic part of the country, whereas the western, central, and northeast regions lagged behind. Population, industry, and foreign investments all have been disproportionately concentrated in the large cities of the eastern region. As such, the economic development gap between the eastern region and the rest has substantially increased during the reform era. China's industrial development and

[18] For alternative classifications adopted across the literature, see Fan and Sun (2008, 4).

[19] China also has two special administrative regions, namely Hong Kong and Macao. China also regards Taiwan, a state with a disputed status, as one of its provinces.

[20] The way in which the macro-regions are defined has changed over time. Liaoning province, for instance, which is a part of the northeast region according to most recent classification, was once regarded as a part of eastern China. Similarly, Guangxi, a seaboard province in south China, is now officially classified as a western province (see the next chapter).

increasing engagement with the global economy have mostly taken place in the eastern region. One might go a step further to argue that oft-cited features pointed out by the rising China narratives, such as the world's factory, China's emergence as one of the largest markets for luxury consumer goods, and the blooming of Chinese multinational companies, mainly represents the story of eastern China (see Table 2). In a demonstration of this, one may look to the disproportionate weight of eastern metropolitan cities within China's economy. The largest 11 cities of eastern China, as measured by economic size, represent less than 10 per cent of the country's population, whereas they account for around 23 per cent of the GDP (see Table 3).

Figure 1 China's macro-regions

Source: Figure by author; vector map obtained from https://mapsvg.com/maps/china. Note: The maps used throughout the manuscript refers to the de facto boundaries of China, excluding the disputed territories.

Table 2 Selected private Chinese multinationals

Company	Rank in the Fortune Global 500	City of Origin (Province)
Huawei	61	Shenzhen (Guangdong)
Alibaba	182	Hangzhou (Zhejiang)
Legend (a.k.a. Lenovo)	212	Beijing
Geely Automobile	220	Hangzhou (Zhejiang)
Tencent	237	Shenzhen (Guangdong)
Midea	312	Foshan (Guangdong)
Haier	448	Qingdao (Shandong)
Xiaomi	468	Beijing

Source: Fortune 2019

Table 3 China's largest 15 cities by economic size

	GRP (billion RMB, 2015)	Population 2010 Census (1000 person)
Shanghai	2565.92	23019.15
Beijing	2368.57	19612.00
Guangzhou	1831.38	12701.90
Shenzhen	1801.41	10358.40
Tianjin	1679.47	12938.22
Chongqing*	1587.22	28846.20
Suzhou	1476.14	10465.99
Wuhan*	1090.56	9785.39
Chengdu*	1080.12	14047.63
Hangzhou	1005.02	8700.40
Nanjing	986.16	8004.68
Qingdao	930.01	8715.10
Wuxi	868.59	6372.62
Changsha*	851.01	7044.12
Foshan	813.37	7197.40
Share of listed eastern cities in national total, per cent	23.82	9.56

Source: CEIC. Note: The cities marked with * are not coastal cities. Chongqing and Chengdu are located in the western region, and Changsha and Wuhan are cities of the central region. The census data is used for population as it provides more accurate figures that are based on the actual population residing in the cities.

The disparity between the eastern region and the rest has started to somewhat narrow since the mid-2000s. Despite this, as Table 4 displays, the eastern region still generates more than half of China's GDP while it only accounts for around 38 per cent of the population. More than 80 per cent of Chinese exports is originated from the eastern region. Per capita disposable income in the eastern region in 2016 was, respectively, 1.6, 1.5, and 1.3 times that of the western, central, and northeast regions.

Table 4 Selected indicators of the macro-regions, 2016

	Population (10000)	Population, per cent of China	GDP, per cent of China	Annual Per Capita Disposable Income of Households (RMB)	Exports, per cent of China
Eastern	52951	38.4	52.6	30654.7	82.9
Central	36709	26.6	20.6	20006.2	7.4
Western	37414	27.1	20.1	18406.8	7.2
Northeast	10910	7.9	6.7	22351.5	2.5

Source: NBS 2017, Table 25-17

Looking to the inter-provincial wealth disparities as measured by GRP per capita, eastern provinces, including Shanghai, Jiangsu, Zhejiang, Beijing, Tianjin, Liaoning, Shandong, Fujian, Guangdong are ranked among the areas with highest per capita. Figure 2 represents the GRP per capita of provinces as classified into six categories by following the Jenks natural breaks classification method.[21] Western provinces of Qinghai, Gansu, Guizhou, Yunnan, Xinjiang, Tibet, Guangxi, and Sichuan belong to lowest-ranked two groups. Yet assuming all western provinces as poorest ones, as the narrative on the macro-regional inequality might imply, does not hold true (see also Goodman 2014, 320). For instance, Inner

[21] Jenks natural breaks is a method of classifying the data in a way to minimize the within-range variance and maximizes the cross-range variance. Bulman (2016) inspired me to use this classification method.

Mongolia's per capita income is on par with some eastern provinces.[22] Or Chongqing, Shaanxi, and Ningxia have higher-levels of income than provinces in the central region, except Hubei. Yet four of the poorest five provinces belong to the western region. Another thing to keep in mind is that some areas within the relatively developed western provinces are crucially lagged behind.

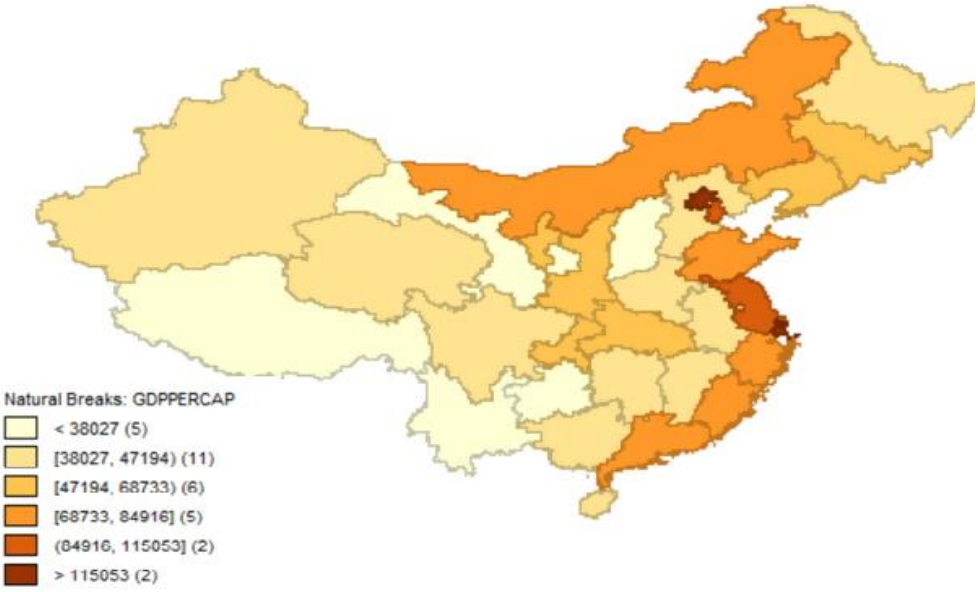

Figure 2 Classification of provinces by GRP per capita, RMB

Source: GRP per capita data from CEIC. Figure by author; shape file map obtained from https://gadm.org/download_country_v3.html.

The rest of this chapter outlines the macro-regional disparities in the reform era from a chronological point of view. The first part of the chapter focuses on the period from 1978 to the mid-2000s, when the regional disparities substantially

[22] The income level in Inner Mongolia is unexpectedly placed within the range of eastern provinces. According to Fan and Sun (2008, 13, footnote 14), Inner Mongolia's economic success can be explained, in part, with the emergence of successful firms producing dairy products. Yili, a dairy products firm of Inner Mongolia, for instance, ranked 811th in the Forbes Global 2000. Also, Inner Mongolia has rich mineral resources, including coal, natural gas, and some rare-earth metals there. Cochrane et al. (2019, 7) also point out the soaring demand for the rare earths as a crucial reason behind the Inner Mongolia's fast economic growth (see also Wei 2013, 11-2).

widened. That section documents the drivers of the regional disparities in that period. The second part of the chapter surveys the narrowing of regional disparities since the mid-2000s amid the central government's turn to the coordinated regional development and broader macroeconomic trends. Finally, the chapter introduces the implications, current or potential, of China's New Normal over the regional disparity.

3.2. From 1978 to the early 2000s: Widening regional disparity

Before the establishment of the People's Republic of China in 1949, industries were concentrated in coastal China (Yao 2009, 218). During the planned economy of Mao Zedong's leadership (1949-1976), regional development policies sought to ameliorate the "structural" development gap between the coastal and interior areas. Concurrent with this balanced regional development policy, as of the 1970s, some inland provinces came to have a higher per capita income level than the eastern provinces. Inland provinces unevenly benefited from the pro-interior regional policies.

The economic reforms that began in 1978 heralded a new policy context that side-lined the previously pursued balanced regional development policy. The gradual elimination of mechanisms of Chinese socialism, such as collective work units, price controls, and lifelong employment, would fundamentally change China's planned economy by setting the stage for a market economy. Similarly, delegating the local governments with discretionary power in economic management and fiscal revenue collection and spending and the increasing engagement with foreign investments and foreign markets would transform the political-economic landscape in China (Guthrie 2006, chapter 2). These processes of marketization, decentralization, and globalization have brought about significant results for regional development.

From the early 1980s to early 1990s, the central government gave primacy to foster economic development in the coastal region (Grewal and Ahmed 2011, 162; Wei

2013, 1). Consistent with the government's aim, and combined with its natural advantages, the eastern region attained an economic dynamism far ahead of the rest.[23] Even though the gap in growth pace between the eastern region and other regions started in the 1980s, it was the early 1990s through the late 1990s when the gap began to widen dramatically (Wei 2013, 9; Fan and Sun 2008, 7-8). The growth rate between 1991 and 1998 was 14.7 per cent for the eastern region – surpassing the growth rates of the northeast, central, and western regions, respectively, by 5.2, 2.7, and 4.3 percentage points (Wei 2013, 9). The widening gap in growth rates corresponded with China's full-fledged turn to the market economy since the early 1990s. Differing from the earlier decade, the 1990s witnessed more decisive and comprehensive reforms to forge a market economy with closer engagement with foreign investment and foreign markets (Naughton 2007, 100-7).

From the late 1990s to mid-2000s, partly as a result of the newly formulated redistributive regional policies, the divergence of growth rates started to narrow down – though the eastern region was still growing faster than the rest (Wei 2013, 9; see Table 5). In 2006, the eastern region came to account for 55.7 per cent of China's GDP, up from 43.6 per cent in 1980. The share of western, central, and northeast regions in China's GDP decreased in the corresponding period, respectively, 3.3, 3.6, and 5.2 percentage points (Wei 2013, 17). As such, regional economic development has come to be characterized by the polarization of the east and the rest.

The central government justified its commitment to give priority to the eastern region with efficiency considerations. The region has favourable initial conditions such as the presence of an educated workforce, strong social connections with overseas Chinese, and an advantageous location for forging external economic

[23] The coastal provinces, indeed, had been historically more advanced than their central and western counterparts. As Wu and Gaubatz (2013, 82) note, despite the policies to address the disparity between coastal China and interior, including the Third Front, eastern China was still accounting for about 60 per cent of China's industrial output by the late 1970s (see also Donaldson 2015, 189).

links. Chinese leaders were anticipating the gradual widening of regional inequality in the early years of the reform era. Deng Xiaoping, *de facto* leader of the CCP since the late 1970s and almost to his death in 1997 (Breslin 2007, 41), had a firm conviction that the state should give precedence to the development of coastal areas which would subsequently trigger the development of interior areas through the trickle-down effect (Bramall 2009, 485-6; Golley 2010, 127; Kamal-Chaoui, Leman, and Rufei 2009, 25). The Seventh and Eighth FYPs (1986-1990 and 1991-1995) prioritized eastern China as the "first movers of reforms" (Huang and Luo 2009, 199; see also Kamal-Chaoui, Leman, and Rufei 2009, 25; 199; Yu 2015, 123).

Table 5 GRP growth rates in macro-regions

	Nation	Eastern	Northeast	Central	Western
1980-1990	9.4	10.2	8.1	8.8	8.8
1991-1998	12.7	14.7	9.5	12.0	10.4
1999-2006	11.3	12.2	10.6	10.6	10.7

Source: adapted from Wei (2013, 9).

Drawing on its superior demographic, geographical, and infrastructural assets, combined with the central government's strong support and preferential policies, eastern China not only enticed overseas capital but even capital from inland China which sought to take advantage of profitable business opportunities there (Solinger 1996, 18). Similarly, the region lured the educated workforce from other regions (Solinger 1996, 18-9). Some observers even identify a state-guided wealth transfer from the interior to coastal China as the former had to sell raw materials to factories in the latter at "state-fixed low prices" (Lai 2002, 439; see also Tian 2004, 620; Donaldson 2015, 194).

A contingent tendency in global capitalism coincided with China's reforms and opening-up. In the 1970s, multinational corporations (MNCs) started to increasingly offshore parts of their production to the Asian countries. China, with even lower-production costs than the newly industrialized countries of East Asia –

South Korea, Taiwan, Hong Kong, and Singapore – emerged as a suitable place for the MNCs to move in (Dicken 2011, 29- 32; Zhang and Peck 2014, 14; Kroeber 2016, 45).

The confluence of these local, national, and transnational factors has brought about the widening of regional disparity between the eastern region and the rest. The following section unpacks these factors and examines how they were played out in the emergence of the regional development gaps from the 1980s to the mid-2000s.

3.2.1. Drivers of regional disparity in the reform China

As already noted, the reasons behind the widening income gap across Chinese regions are related to both the central government policies, market conditions, and China's increasing engagement with global production networks and global markets. Among the central government policies, zoning arrangements and fiscal reforms have played particularly important roles. The former has worked to empower the chosen areas with certain preferential policies. The latter has triggered the widening gap in fiscal capacity across provinces. The increasing engagement with foreign investors and global markets and the emerging market mechanisms have paved the way for the agglomeration of manufacturing industries along coastal China.

3.2.1.1. Zoning arrangements

Many eastern provinces took preferential policies from the central government since 1980 to attract foreign investments. The earliest step in this regard was the establishment of the Special Economic Zones (SEZs) in four cities in 1980. Three of the SEZs – Shenzhen, Zhuhai, and Shantou – were located in Guangdong province, while the other, Xiamen, being in Fujian (Huang and Luo 2009, 198-9). The SEZs were granted with the right to offer preferential policies to attract foreign investments (Donaldson 2015, 192-193; Wu and Gaubatz 2013, 114). The Chinese leadership was willing to attract modern management techniques and technology

of foreign firms to the country. However, the leadership wanted to do so incrementally by giving priority to the coastal cities. The SEZs were established as experimental sites in pursuit of these goals (Wu and Gaubatz 2013, 112-3). These zones, indeed, would emerge as important destinations for FDI flows to China (Donaldson 2015, 193).

The central government's preference for Guangdong and Fujian as the host of the first SEZs indicates that within eastern China, southern provinces were prioritized (Wei 2013, 14). This was not without reason. The government was expecting that foreign investments would be pioneered by the overseas Chinese among whose ancestors originated from Guangdong and Fujian are many (Wu and Gaubatz 2013, 114-5; Solinger 1996,17). What Wu and Gaubatz's (2013, 115) notes about the cultural and historical connections between these provinces and overseas Chinese populations is worth quoting:

> …the central government recognized that the overseas Chinese community was a potential source of productive capital. Towns along the southeast coast in Guangdong and Fujian have been the ancestral homes to many overseas Chinese. The hope was that historical and cultural links would lure them back. The SEZs are close to the setting-off points for three of the most important dialect groups among overseas Chinese: the Cantonese (spoken in Shenzhen and Zhuhai), which predominates in Hong Kong; the Fujianese (spoken in Xiamen), which is used by 85 percent of Taiwan's population and much of Singapore's…

In line with this expectation, the investments from Hong Kong, for instance, would become the primary source of foreign investment in Guangdong province in the 1980s and 1990s (Zhang and Peck 2014, 16; Tsai 2016, 16).

The central government extended this method of creating special zones to some other coastal cities since the mid-1980s. Following the same logic of attracting foreign investment, the central government declared the Open Coastal Cities in 1984 and Open Coastal Economic Areas in 1985 (Wu and Gaubatz 2013, 113). Another type of special zone formulated by Beijing is the economic and technological development zones (ETDZs). Fourteen ETDZs were established

between 1984 and 1988, all of which were located in the eastern cities (Chen and Lu 2009, 250). Preferential zoning arrangements would be applied to inland areas only after the early 1990s.

A feature commonly held by the different types of special zones is the right to offer preferential policies to attract foreign investment. These involve the reduction of, or even exemption from, the income tax for a specified period, and an exemption from customs duties on FDI's imported equipment (Yao 2009, 229). These zoning arrangements have contributed to the eastern provinces to emerge as the catalysts of China's integration to global production networks and global markets.

3.2.1.2. Fiscal reforms

The so-called fiscal contracting system (FCS), introduced in 1980, also worked to the advantage of the prosperous provinces. While previously there had been a centralized revenue collection and allocation in place, the FCS engendered the decentralization of tax administration by delegating the subnational governments a considerable autonomy in tax levying and revenue expenditure (Huang and Luo 2009, 201; Tsai 2004, 5-6). Under the FCS, the provinces were expected to hand in a specified amount of their revenues to the centre while they were allowed to retain the remaining part (Bramall 2009, 483-4; Yao 2009, 226).[24] Before the introduction of the FCS, the relatively prosperous provinces had to dispatch the bulk of their revenues to the centre. In the early 1970s, for instance, Shanghai used to send around 90 per cent of its revenues to the central government (Donaldson 2015, 191). Later in the reform era, Shanghai would be able to retain a significant share of its fiscal revenues, which, in turn, increased its fiscal capacity to finance

[24] Revenue sharing rules and rates were specified for each province through a negotiation between the provinces and the central government (Naughton 2007, 432).

the public services and infrastructure provision in the city (Yeung and Shen 2009, 304-5).[25]

Even though the enhanced tax levying authority was useful for local governments to incentivize private businesses to move in their jurisdictions through tax reductions, the FCS had two negative implications for the regional disparity.[26] First, it caused the disparity in budgetary revenues across provinces to widen. In other words, the gap in fiscal capacities between the prosperous and relatively poorer provinces to support the local economy widened. Second, the FCS weakened the central governments' fiscal base, thus, its capacity to follow redistributive policies, regional or otherwise (Tsai 2004, 14).

An additional source that has widened the fiscal revenue gap between the prosperous and lag behind localities, is the gradual commodification of land Despite the fact that land constitutionally belongs to the state, local governments were allowed to lease the land under their respective areas of authority with a legal change dated 1988 (Lu 2014, 42). As Lu (2014, 42) maintains, the commodification of land set the stage for the real estate sector to flourish:

> An amendment to China's Constitution in 1988 officially legalized the transfer of land use rights through leasing and subleasing transactions among users, developers, and local governments. With this change, the real estate sector has become an important component of the urban economy and property development a key business sector.

Housing prices have dramatically risen since the mid-1990s (Kroeber 2016, 79). In parallel with the flourishing real estate sectors and booming property prices,

[25] Provision of infrastructure, in the form of roads, ports, electricity provision, and telecommunication networks, is often cited as a crucial aspect of successful Chinese cities. Kroeber (2016, 45), for instance, regards China's modernized infrastructure as one of its most important advantages over other developing countries.

[26] Utilizing tax reductions as an incentive caused a remarkable decline in total budgetary revenue in proportional terms. The ratio of the total budgetary revenue to GDP decreased to 11.2 per cent in 1994 from 28.4 per cent in 1979 (Tsai 2004, 10; see also Kroeber 2016, 115).

revenues from land leasing have become a crucial fiscal source for local governments, amounting one-third of local governments' revenue in 2009 (Lu 2014, 47). Even though the land-based revenue raising has become an essential source for cities across China, coastal cities have benefited much more from this type of revenue than the inland cities (Li, H. 2016, 42).

3.2.1.3. Agglomeration of manufacturing in the eastern region

Manufacturing activities began to concentrate increasingly in eastern China, especially after the early 1990s (He 2009). The region's share in China's manufacturing output increased from 52.1 per cent in 1990 to 73.3 per cent in 2013 (Wei 2013, 18). Four eastern provinces alone accounted for around 40 per cent of China's industrial output in 2005. Guangdong, Shandong, Jiangsu, and Zhejiang, respectively, generated 12.27, 11.20, 10.93, and 7.43 per cent of the national industrial output (Chen and Lu 2009, 242). In addition to these provinces, Fujian and Shanghai have also emerged as core areas of manufacturing industries (He 2009, 262). The relative weight of some of the provinces, which had become manufacturing centres during the pre-reform era, such as Shaanxi, Gansu, and Liaoning, noticeably dropped (Chen and Luo 2009, 242).

The concentration of manufacturing in the eastern region has a marked causal linkage with China's increasing engagement with the global economy. The share of foreign capital in the most agglomerated manufacturing industries was more than 45 per cent in 2004. Those industries exported more than 55 per cent of their output (He 2009, 263). Also, foreign lead firms often magnate numerous local supplier firms around themselves, thereby triggering concentration (Chen and Luo 2009, 259-60). Further supporting this contention, the least concentrated, or dispersed, industries are either domestic market-oriented ones – such as beverage manufacturing, food processing and manufacturing, tobacco processing, and medical and pharmaceutical products industries – or resources-based industries, such as ferrous and non-ferrous metal pressing industries, petroleum refining, and

non-metal mineral products (He 2009, 262-3). Thus, following Canfei He (He 2009, 259-60), it is fair to say that the conjunction of marketization and globalization have paved the way for industrial agglomeration in coastal China. While the agglomeration of the manufacturing industry has contributed to productivity increases, it has widened regional disparities (Chen and Luo 2009).

The industrial concentration in the eastern region induced millions of rural workers to migrate there, usually on a temporary basis. What led the workers to stay temporarily in the destination city concerns the *hukou* (户口) system. The household registration system (i.e., the hukou system), introduced in 1958, grants each citizen a hukou that specifies the administrative unit which one is registered to as a resident and not allowed to leave to reside somewhere else without official permission. It is mainly divided into two types as rural and urban hukou.[27] Launched in the planned economy era, the hukou system primarily aims to control rural to urban migration (Wu and Gaubatz 2013, 96), or "immobilize the peasantry", with the words of Chan (2018, 82). In the reform era, however, restrictions on labour mobility have been relaxed without abolishing the hukou system, which has paved the way for the underemployed rural workforce to temporarily migrate to areas with job opportunities (Huang and Luo 2009, 208; Chan 2018). The central government has done so and endorsed the rural to urban migration in the reform era in order to supply the industry with cheap labour (Fan, Kanbur and Zhang 2011, 51-2). China's army of migrant workers, often working under abusive conditions for low wages, accounts for a crucial component of the comparative price advantages of the Chinese manufacturing industry (Chan 2018, 83). Thriving cities in eastern China have drawn the most of the interprovincial and rural-to-urban migration, while western and central provinces have constituted the biggest sources of migrants (Wu and Gaubatz 2013, 99). The population without local hukou (i.e.,

[27] Rural migrant workers are not eligible to benefit from regular urban welfare and social services in the destination city (Chan 2018, 82). They do not hold the hope of becoming regular urban residents and thereby retain a feel of belonging to the home in the countryside (Lim 2016, 17).

the migrants) represented 30 per cent of Shanghai's population and 29 per cent of Guangdong's population in the late 2000s (Yao and Tong 2014, 219). According to the 2010 Census, the number of migrant workers increased to 260 million (cited in Dunford and Liu 2018, 419).

Under the processes of preferential zoning arrangements, fiscal reforms, and the agglomeration of the manufacturing in the coastal provinces, the economic development in the reform China cross-regionally polarized. Three city-regions of coastal China – Pearl River Delta (PRD), Yangtze River Delta (YRD), and Bohai Bay Area (BBA) – have emerged as China's economic powerhouses with a dynamism far ahead of the rest. These city clusters are centred on leading cities of Guangzhou and Shenzhen in the PRD, Shanghai in the YRD, and Beijing in the BBA. Combined, these three city-regions comprised 54 per cent of GDP and 85 per cent of inward FDI in 2005 (Wu and Gaubatz 2013, 86; see Table 6).

The PRD refers to nine cities of Guangdong province: Dongguan, Foshan, Guangzhou, Jiangmen, Shenzhen, Zhongshan, Zhuhai, and part of Huizhou and Zhaoqing. Of them, Guangzhou, Shenzhen, Dongguan, Foshan, Zhongshan, and Zhuhai are particularly strong centres of economic activity (Yeung and Shen 2009, 297, 302). The PRD region's fast-paced development is closely linked with the investments from Hong Kong. From the early years of reform and opening-up, many Hong Kong industrialists relocated their production units to the cities of PRD. The PRD eventually gained traction as a prominent region not only for Hong Kong investments but also Asian and Western MNCs (Yeung and Shen 2009, 300; Wu and Gaubatz 2013, 87). The transformation of Shenzhen, which was a small fishing town back in the pre-reform era, is striking. The city, an approximately one-hour ride away from Hong Kong, and being granted with a variety of preferential policies, has emerged as the most attractive location for investments from Hong Kong. Cheaper land and labour costs in such a proximate Chinese city have lured the Hong Kong investors (Yao 2009, 224-5; Summers 2018, 22). Shenzhen has eventually come to incubate many Chinese multinational information technology

firms, including Huawei and Tencent (Cochrane et al. 2019, 6). The Chinese city with the largest export volume was Shenzhen in 2005 (See Table 6).

Table 6 Selected indicators of Guangzhou, Shenzhen, Shanghai, and Beijing

	Guangzhou	Shenzhen	Shanghai	Beijing	China
Average annual growth rate of GDP, fixed price, per cent 1981-2005	14.1	26.6	10.2	10.3	9.8
GDP (RMB billion)					
1980	5.8	0.3	31.2	13.9	454.6
1990	32.0	17.2	78.2	50.1	1,871.8
2005	515.4	495.1	916.4	688.6	18,395.6
Exports (USD Billion)					
1980	0.19	0.01	4.27	0.59	18.12
1990	2.36	8.15	5.32	1.12	62.09
2005	26.67	101.52	90.74	17.10	761.95
Realized foreign investment					
1980	0.03	0.03	0.02	n/a	1.98
1990	0.27	0.52	0.18	0.39	10.29
2005	2.84	4.02	6.85	3.53	63.81

Source: Adapted from Yeung and Shen (2009, 297-8).

The Yangtze River Delta refers to the region that consists of Shanghai, eight Jiangsu, and seven Zhejiang cities. In 2005, the YRD region generated 18.6 per cent of China's GDP, though contained only 7.1 per cent of its population (Yeung and Shen 2009, 308). Shanghai, Suzhou, Wuxi, Nanjing, Hangzhou, and Ningbo are the largest cities of the region by economic size (Wei, Y.D. 2014, 199). After witnessing relatively low economic growth rates in the 1980s and the early 1990s, Shanghai subsequently would emerge as a leading centre of business services, such as trade, finance, insurance, and logistics, and become an attractive spot for MNCs, some of which even set the city as their regional headquarters (Wei, Y.D. 2014, 203). The YRD has broadly emerged as a global centre of the information technology industry (Wei, Y.D. 2014). Suzhou, for instance, due to the close links established with Taiwanese companies, has grown as a hub of the information technology industry, which accounts for about one-third a share of the city's total industrial output (Wei, Y.D. 2014, 199, 204).

The Bohai Bay Area refers to Beijing and Tianjin municipalities and the Hebei province, where Shijiazhuang and Tangshan are the lead cities.[28] This region's economy, unlike the YRD and PRD, did not attain a fast-paced development in the 1980s and most of the 1990s. The BBA would develop in later stages of the reform era. Despite that the region, on the whole, is still less developed than the YRD and PRD, it stands out as an important economic pole of the country (Yao and Tong 2014, 212). Also, the region's economy is not as export-oriented as that of the PRD and YRD. Yet the BBA, in particular Beijing, has its strengths, not the least being a leading research and innovation centre of the country and hosting the headquarters of most of the national companies. Zhongguancun area on the northwest of Beijing is nicknamed the "Chinese Silicon Valley". Hosting several prestigious universities and research institutes, such as Peking University and Tsinghua University, Zhongguancun has spawned many high-tech firms, including Lenovo (Wu and Gaubatz 2013, 127). Zhongguancun has emerged as a favourite spot for domestic and foreign venture capital investing in technology firms and start-ups (Zhang and Peck 2014, 19).

3.3. Since the mid-2000s: Regional disparities narrowing

Since the mid-to-late 2000s, as the western, central, and northeast regions have started to attain growth rates higher than the eastern region, the regional disparities started to narrow. The central government's regional development policies played a crucial role in this turn. Also, manufacturing activities started to increasingly migrate to inland regions in parallel with the surging labour and land costs in the eastern region.

[28] In a less common classification, the region is defined together with Liaoning Peninsula in the north and the Shandong Peninsula in the south and called Greater Bohai Bay area (Yeung and Shen 2009, 310).

3.3.1. Recalibration of regional development policies

In the mid-1990s, the Chinese leadership became more concerned that the widening regional economic gaps might emerge as a threat to country's stability (Wei and Fang 2006, 139; Saich 2001, 150; Donaldson 2015, 188). Since then, the central government adopted various policy measures to alleviate the disparities between the eastern region and the rest (Wei 2013, 1). According to Naughton, it was indeed that the 1980s and early 1990s were the exceptions to the "regionally balanced growth" policies which had prevailed since the PRC's founding up until that point (Naughton 2004, 255). In search of balanced regional development, the CCP leadership had followed policies to support inland provinces from the very beginning of the PRC. In other words, the gradual return to a balanced regional development policy from the mid-1990s marked the end of a rather exceptional period of coastal-biased regional policy.

The reform of central-local fiscal relations in 1994 marked an earlier step to address the widening regional disparities. The fiscal reform of 1994, which ended the fiscal contracting system that had prevailed since 1980, instituted a tax sharing system (分税制 *fenshuizhi*) that would remarkably increase the central government's share of budgetary revenue vis-à-vis local governments, thereby, its financial capacity to implement redistributive regional development policies (Fan and Wan 2016, 4; Naughton 2004, 260). According to the new tax sharing system, the central government and the local government would take, respectively, 75 per cent and 25 per cent of the value-added tax (Naughton 2007, 433). A similar fixed share for the central and local governments was ascertained for other tax types. Local governments were only allowed to retain the whole revenue from the business tax and the corporate income tax paid by local enterprises (Kroeber 2016, 116). As a result of the new system, the share of central government revenues in total government revenues rose from around 22 per cent in 1993 to 56 per cent in 1994 and hovered above 50 per cent in the ensuing years (Huang and Luo 2009, 202; Zhan 2009, 454). Under the previous fiscal contracting system, local

governments often had pursued tax reliefs for businesses. As the new taxation system reduced the local government's ability to give tax relief, it also increased China's total budgetary revenue. This is reflected in the increasing share of budgetary revenues in GDP after 1996 (Naughton 2007, 433-4).[29]

Despite some initial steps in the early-to-mid 1990s, it is fair to say that an outright turn towards a balanced regional development took place after 1999, as is evidenced with the initiation of long-term regional development programs. Among them, the Western Development Program came first, which Jiang Zemin, then the general secretary of the CCP, announced in 1999.[30] It was formally adopted in 2000, and the State Council issued guiding documents that specify the principles and priorities of the WDP (Bramall 2009, 489; Summers 2011, 145-146).

Other long-term regional development programs are the Reviving the Northeast Programme (RNP) and the Rise of Central China Programme (RCCP) (Donaldson 2015, 200-1). The former was initiated in 2003 and the latter in the next year. The northeast region – covering Liaoning, Jilin, and Heilongjiang provinces – became a favourable place for state investments and grew relatively affluent in the era of the planned economy. The region's leading cities include Shenyang, Dalian, Harbin, and Changchun. By the mid-1980s, the northeast region was a leading production base, for example, for crude oil, steel, iron, and automobiles (Zhang 2008, 111-2). The relative importance of the region in the Chinese economy

[29] Despite resulting in an increase of the central government's fiscal capacity, the tax sharing system has not fundamentally changed the divergence of fiscal revenue across provinces. In 2015, for instance, per capita fiscal revenue was highest, in descending order, in Shanghai, Beijing, Tianjin, Jiangsu, Zhejiang, and Guangdong. Per capita fiscal revenue in Shanghai was about eight times larger than Gansu's ratio, the last ranked province (See MoF 2015, the table entitled "Per Capita Fiscal Revenue and Expenditure of All Provinces, Autonomous Regions and Municipalities Directly under the Central Government in 2015").

[30] It might be interesting to note that Deng Xiaoping had earlier anticipated the "end of the century" as a suitable time to start turning back to a coordinated regional development policy (see Bramall 2009, 487). Indeed, Jiang Zemin, in his speech on the WDP in 1999, referred to the Deng Xiaoping's staged regional development vision (Golley 2010, 127).

diminished in the course of the reforms and opening-up. While the region comprised around 15 per cent of China's GDP in 1980, its share dropped to around 10 per cent by 2004 (Zhang 2008, 112). SOEs continue to form a larger part of the manufacturing in the region. Despite the closure and privatization of thousands of SOEs, as of 2006, SOEs and SCEs formed 53, 63, and 86 per cent of the industrial value-added, respectively, in Liaoning, Jilin, and Heilongjiang – well surpassing the nationwide ratio of 35.7 per cent (Yao 2009, 233-4).

The large-scale privatization policy since the mid-1990s has led the northeast provinces into a downward economic trajectory and widespread unemployment. For instance, in 2002, the unemployment rate in the region was higher than the eastern and western regions (Chung, Lai, and Joo 2009, 111). As such, the RNP policy measures cover social policies towards the laid-off workers of the privatized SOEs and for settling the redundant employees of existing SOEs (Yao 2009, 233; Zhang 2008, 113). The RNP policies also include the reform and modernization of SOEs and various forms of preferential taxation policies (Zhang 2008, 113-4).

Similar to the western region, northeast China's industrial structure is rested primarily on the heavy industries and natural resources. As those industries used to account for a significant share of the local income and employment, it has been daunting to realize industrial renewal and diversification. In a sense, as Yao contends (2009, 233), the industrial legacy of the region has hampered its industrial prospects in the reform era. For this reason, rearranging the industrial structure of SOEs and the facilitation of non-state sector investments were given special importance in the RNP (Chung, Lai, and Joo 2009, 115, 117).

The central region was established as a base of grain cultivation, coal and metal (e.g., steel and copper) production, and power generation since the planned era (Yang 2014, 248). Similar to the western and northeast regions, the industry in the central region is dominated by SOEs and concentrated on heavy industry branches (Lai 2007, 117). While the RCCP still puts an emphasis on the further development of energy generation and resource-based industries, the central government

simultaneously encouraged the relocation of labour-intensive industries from coastal China to the region (Lai 2007, 22; Yang 2014, 253). The RCCP set a goal of developing the region's transportation infrastructure (Yang 2014, 249-51; Lai 2007, 121-2). The program also includes tax reductions and subsidies in agriculture (Lai 2007, 122).

Concurrent with the regional development programs, all five-year plans, beginning with the Tenth FYP (2001-2005), would emphasize the need for increasing the support for the development of lagging regions (Fan 2006, 712; NDRC 2016c, chapter 37 section 1). Since the mid-to-late 2000s, the lag behind regions have started to maintain a growth momentum ahead of the eastern region. The turning point for the western region, according to Wei (2013, 8), was 2007 when the region's GRP growth rate surpassed that of the eastern region. After 2008, Wei notes in somewhere else that growth rates in the northeast, central, and western regions have been higher than the growth rate of the eastern region (Wei, H. 2014, 232).

3.3.2. Moving inland: Changing geography of manufacturing

Industrial migration from coastal China to the central and western provinces has become a noticeable phenomenon since the early 2000s (Ang 2018; Cochrane et al. 2019; Zhu and Lan 2016; He and Wang 2012; Zhang 2014). The share of total gross value-added of manufacturing increased, from 2005 to 2015, ten percentage points in the central region and eight percentage points in the western region (Cochrane et al. 2019, 7). Similarly, from 2005 to 2010, as Ang notes (2018, 5-7), the share of the coastal region in all of the four sub-groups of manufacturing – energy and mining, labour-intensive, capital-intensive, and technology-intensive industries – declined to the central and western regions' advantage. For instance, as early as 2007, Lai (2007, 125) notes of "an influx of investment from Guangdong and Hong Kong" to the central province of Hunan. Tracing the "beyond the province" domestic investments from the provincial reports, Ang

(2018, 5-6) finds that this type of investment in the central provinces of Anhui, Hubei, Hunan, Henan, and Jiangxi has risen rapidly since the mid-2000s.

The industrial transfer to central and western China became a high-order official policy in 2010 with the adoption of the State Council circular entitled "Guiding principles on industrial transfer to the central and western regions" (Ang 2018, 11; see also Zhang 2014, 140). Industrial transfers might take the form of establishing new production facilities, outsourcing to inland regions, or strengthening supply chains between the coastal and inland regions (Zhu and Pickles 2014, 49; Ang 2018, 5).

Several factors have driven the inward industrial transfer. First, infrastructure investments brought about by the regional development programs have provided a proper physical base for industrial transfer by way of enhancing connectivity between the coast and inland (Ang 2018, 10). Second, in parallel with their increasing disposable incomes, the inland regions have become more attractive destinations for manufacturers as a market (Cochrane 2019, 7; He and Wang 2012, 368). Yet a more critical force behind the inward industrial migration has to do with the surging manufacturing costs in the eastern areas. "As the coast industrialized and prospered", as Ang (2018, 11) puts, "factor inputs (for example, electricity, land and manufacturing facilities) spiked in cost." The annual average manufacturing wage per worker was 72,092 and 30,288 yuan, respectively, in the eastern and western regions in 2013 (Ang 2018, 14; see also Yu 2015, 130 and Zhang 2014, 141).[31] A considerable difference is evident for the cost of land as well. While the average price per hectare of land in 2011 was 18.36 billion yuan in the eastern region, it was 5.57 billion yuan in the western region (Ang 2018, 13).

Facing the increasing manufacturing costs, the apparel manufacturers from the eastern region, for instance, is observed to have followed three different strategies:

[31] Though the central and western regions still retain their labour cost advantages vis-a-vis the eastern region, the gap between the former and latter has been recently narrowing (Cohcrane et al. 2019, 14).

upgrading, moving to inland regions or moving to low-cost countries (Zhu and Pickles 2014; see also Zhang and Peck 2014, 17). An example noted by Zhu and Pickles (2014, 55) well illustrates the motivation and unfolding of inward industrial migration:

> For example, the Youngor Group, China's leading menswear manufacturer based in the eastern region, Ningbo, Zhejiang province, has turned to a delocalisation strategy. Youngor started to go west in 2004, when a manufacturing base was built in Chongqing for 100 million yuan (US$14.65 million). The labour force and energy resources in Chongqing are relatively cheap compared with Zhejiang province. Subsequently, Youngor invested an additional 100 million yuan (US$14.65 million) to increase productivity in the Chongqing plant and now this base can produce 15,000 shirts every day, with a planned increase to 24,000 per day by 2011. As domestic markets have grown, Youngor has been increasingly able to sell most of its products locally in the western region, further saving Youngor on transportation and logistics costs. In 2005, Youngor established a cotton textile company in Xinjiang, and has now begun to expand its value chain into raw material production. More than 2,000 employees were hired locally in Chongqing and over 1,000 employees in Xinjiang.

Besides the cost factors, the changing industrialization priorities of the coastal areas have accelerated the inward industrial migration. More and more local governments in the coastal areas set a goal of shifting from low-end and labour-intensive investments to the more high-end ones (Ang 2018, 11). Also, the augmented environmental safeguards in coastal areas have induced some firms to consider moving to inland cities. The over-concentration of industrial activities in eastern China, especially in the Pearl River Delta and the Yangtze River Delta, since the early years of the reform era has put the environment under strain therein. As a result, as Wei puts, some coastal provinces have begun to "raise the entry threshold of industries" (Wei 2013, 24). Those investments that are no longer wanted by the coastal local governments, however, may stand out as appealing opportunities for the inland local governments. As Yang and He (2017, 582-3) notes, the transplantation of Foxconn, a world-leading electronics equipment manufacturer, from the coastal cities to interior cities is related to the diverging investment priorities of local governments in the coastal and inland provinces:

> While Foxconn was not welcomed by Shenzhen municipal government and Guangdong provincial government in implementing the industrial upgrading strategy since the mid 2000s, local governments in inland China have listed as the 'top project' in government agenda to attract Foxconn to establish factories.

Reflecting the new economic dynamism in the interior, a reduction in the labour migration to coastal provinces has become evident (Cochrane et al., 2019, 10). More and more rural migrant workers from inland provinces have been opting for migrating to the booming cities in their own provinces rather than the coastal areas (Economist Intelligent Unit [EIU] 2012, 6). Chengdu, for instance, has become a magnet for Sichuan's rural migrants (EIU 2012, 17; Qin 2015, 22-3). Similarly, Chongqing has drawn back thousands of migrant workers in recent years, who previously left the city for job opportunities elsewhere (Yang 2017, 27; see also JLL 2013, 7). Temporary labour shortages observed in coastal areas since 2010 has to do with the increasing job opportunities in the inland regions (Zhang 2014, 139).[32]

The industrial transfer towards China's interior has given a boost to the industrialization in the central and western regions, thereby contributing to reducing regional disparities. Several other factors, as discussed above, such as the central government's elevated fiscal support and preferential policies, have been in force to bring an economic dynamism into the inland regions. However, it would be misleading to regard the macro-regional convergence as irreversible. The evolving macroeconomic policy priorities and trends might give rise to countervailing effects. For the last few years, Beijing has set out to address some macroeconomic imbalances, such as soaring debts, particularly of local

[32] Temporary labour shortages occurred in the coastal areas is an aspect of wider change in China's demography. The working-age population, between 15 and 59, has been shrinking since 2011 (Cai and Lu 2013, 55-6). Some economists identify the so-called Lewis turning period in the Chinese labour market. In a Lewis-type surplus labour market, the flow of labour from the countryside meets the urban economy's demand. In so far as the labour flow from countryside is abounded, the wages (of the migrant workers) remain relatively stable and well below of the productivity increases. The temporary labour shortages and faster growth rate of migrant worker wages are, therefore, regarded as indications of the end of Lewis-type surplus labour market (Garnaut et al. 2016, 4-5).

governments, and the overdependence on investments as a growth source, by shifting to a new "growth model". Usually packaged under the term of "New Normal", the headline policy measures in this respect are financial de-risking, curbing overcapacity in several heavy industrial sectors, and decreasing the importance of investments as a growth source in favour of consumption. Introducing these policy measures comes with a price: economic slowdown. And crucially, the ramifications of these policy measures over the localities vary. It is reported that, in 2015, several inland provinces were affected more by the slowdown in the Chinese economy than the coastal provinces (Economist 2016). Similarly, Summers (2018, 34) comments that in early 2015, the less developed and more investment-reliant provinces in general recorded the weakest economic growth.

3.4. The New Normal and its implications for the inland regions

Since the early 2000s, China has turned to an investment-led growth path (Lardy 2015, 104). As early as 2007, Wen Jiabao, then premier, famously pointed out the over-reliance on the investment as one of the fundamental imbalances of the Chinese economy. When Wen Jiabao made this comment, the share of investment was around 40 per cent (Mossavar-Tahmani et al. 2016, 18). The role of investment in driving the economic growth would become even more prominent as the state issued a series of stimulus packages from 2008 to 2010, which is estimated to amount to more than nine billion RMB, to offset the stagnating effects of the Global Financial Crisis (GFC), not least the shrinking exports (Kroeber 2016, 216). Banking on the stimulus packages, the central and local governments made excessive investments, most prominently in infrastructure (Kroeber 2016, 219; Krolikowski 2017, 43; Garnaut et al. 2016, 1).

The point to underline here is that such high investment share in GDP is not considered as a good sign. It not only may indicate somewhat "unnatural" growth, usually through construction, but also the accumulation of debt, which may amount

to the extent that local governments would have difficulties in servicing. The New Normal vision aims to decrease the significance of investment as a source of growth, not least to constrain the debt-accumulation. The investment rush of the post-GFC era has piled the debt stocks, especially of local governments and SOEs. The debt-to-GDP ratio rose from 130 per cent in 2008 to 280 per cent in 2014 (Krolikowski 2017, 44). As will be discussed in Chapter 5, western provinces broadly have a higher debt-to-GRP ratio. That is to say, inland areas are likely to be affected more by the policy measures of financial de-risking and stricter control of infrastructure investments.

In a similar vein, the central government's directive to curb overcapacity in some sectors, mostly in natural resources and their adjacent industries, may affect the inland areas more. This is the case because sectors targeted with the overcapacity curbing measures, such as steel, iron, and aluminium, occupy a relatively large place in the economies of many inland provinces (Yan 2016, 30-31). As shown in Table 7, the production capacity in cement, ferroalloy, steel product, and coal started to contract after they peaked in 2013 or 2014.

Table 7 Production capacity in cement, ferroalloy, steel product, and coal, ton million

	Cement	Ferroalloy	Steel Product	Coal
2009	1643.9	22105.6	694.0	3115.3
2010	1881.9	24428.3	802.7	3428.4
2011	2099.2	27956.4	886.1	3764.4
2012	2209.8	31293	955.7	3945.1
2013	2419.2	37095.7	1082	3974.3
2014	2492.0	37976.3	1125.1	3873.9
2015	2359.1	36664	1034.6	3746.5
2016	2410.3	35546.5	1048.1	3410.6
2017	2330.8	32887	1046.4	3523.5
2018	2207.7	31234	1105.5	3683

Source: CEIC

It is known that global demand and an attendant price boom in several natural-resource commodities in the 2000s have given a helping hand to the economies of

inland provinces. Crucially yet, the commodity boom is over.[33] A report by the Economist (2016) highlights how the end of the commodity boom might have affected the stalled regional convergence in China in the last few years:

> There are three reasons why convergence has stalled. The main one is that the commodity boom is over. Both coal and steel prices fell by two-thirds between 2011 and the end of 2015, before recovering somewhat this year. Commodity-producing provinces have been hammered. Gansu produces 90 % of the country's nickel. Inner Mongolia and Shanxi account for half of coal production. In all but four of the 21 inland provinces, mining and metals account for a higher share of GDP than the national average.

As China is striving for a new growth model, which rests less on heavy industries and debt-financed investments and more on consumption and higher-end industries, some inland areas are likely to experience these shifts as an economic slowdown. Relying on a few pillar sectors, usually resource-based ones, and the infrastructure investments as growth drivers might result in sub-optimal economic growth in the inland provinces. If inland areas are to have resilient economies, they should, instead, seek for sectoral diversification. This contention is supported by the experiences of western cities with relatively vigorous economies such as Chengdu, Chongqing, Xi'an, and Guiyang (see Chapter 5 and 6).

The extent to which the central government will be determined to pursue the targets of overcapacity reduction, less reliance on investment as a growth source, and financial de-risking remains to be seen. It might be posited that the New Normal does not signify a linear rupture with the past monetary and fiscal policies. In the face of the downward pressures in the Chinese economy, the central government, indeed, has resorted several times to the investment stimulating measures in the last couple of years. Therefore, it is more appropriate to consider the New Normal as a policy context where some policy elements from the past growth model,

[33] It might be interesting to note that China's surging demand, along with that of India, was a crucial factor behind the commodity boom (Dicken 2011, 32).

though in their recalibrated forms, sit uneasily with the targets set out in the New Normal vision (Yu and Mitchell 2019; Lee 2019).

3.5. Conclusion

This chapter has made a chronological overview of the regional disparity in the reform China. The chapter has first surveyed the drivers of the widening regional disparity from the outset of the reforms through the mid-2000s. Then it has sought to develop an answer as to how and why the regional disparity started to narrow since the mid-2000s. Finally, the chapter has introduced the implications, current or potential, of China's New Normal over the regional disparity.

The chapter has elaborated on the central government's zoning arrangements and the decentralizing fiscal reforms, and finally the agglomeration of manufacturing in the eastern region as vital forces behind the widening regional disparities. The central government's zoning arrangements granted coastal areas with a variety of preferential policies at the early stages of the reform era which have helped them to emerge as attractive places for the foreign investment. The fiscal reforms have enhanced the fiscal capacity of the relatively prosperous provinces, thereby helping the local governments there to provide better infrastructure and services. In conjunction with these factors, China's increasing engagement with global production networks and global markets has paved the way for a very disproportionate concentration of manufacturing in the eastern region.

Drawing on the coastal location, cultural and historical ties with the overseas Chinese, and the preferential policies, many areas of the eastern region – most notably the Pearl River Delta, the Yangtze River Delta, and the Bohai Bay Area – have gained a strong development momentum. In line with the massive inward foreign direct investments, these city-regions have become highly prominent hubs within the global production networks. Large cities of the eastern region not only become poles of inward foreign investments but also for the domestic investments and population. Once often dubbed as the factory of the world for the low-end

goods, those areas have been transforming into globally prominent centres for the advanced sectors over the recent decade, not only in terms of production but also research and development.

The second section of the chapter has illustrated that the western, central, and northeast regions have started to outpace the economic growth in the eastern region since the mid-to-late 2000s. It is put forward that this turn owes much to the central government's regional development programmes, which have provided the inland provinces with fiscal supports, infrastructure investments, and favourable administrative arrangements. Also, the industrial transfer en masse from the eastern region to the inland regions stands out as an additional crucial force behind the narrowing regional disparity. The surging labour and land costs in the former and augmented infrastructure in the latter have been pointed out as main drivers of the industrial transfers.

While the narrowing of the gap between the eastern region and the rest has been evident since the mid-2000s, the analysis above has also underlined suspicions regarding the non-resilience of the fast-paced development in inland regions. There are indications that China's changing policy environment towards a slower-yet-higher quality growth is limiting the growth sources that some inland areas used to exploit. These sources have been identified as debt-financed infrastructure investments and the resource-based heavy industries. Counterpoised to them, the financial de-risking targets the former, and the over-capacity curbing measures put a limit on the latter as emerging macroeconomic concerns, if not the priorities.

CHAPTER 4

THE CONTOURS OF THE ACCELERATED GROWTH IN WESTERN CHINA (2000-2016)

This chapter aims to outline the contours of the economic development in western China within the context of the Western Development Plan. The chapter first introduces the geographical and demographic conditions of western China and outlines its economic development from 1949 to the reform era. The second section discusses the motivations behind the WDP and its policy measures. The third section makes regional, provincial, and city-level observations regarding economic growth in the WDP era.

4.1. Geographical and demographic conditions and economic development in western China: An overview

The WDP covers 12 provincial-level units, that is the provinces of Shaanxi, Sichuan, Yunnan, Guizhou, Gansu, and Qinghai; the autonomous regions of Tibet, Xinjiang, Ningxia, Guangxi, and Inner Mongolia; and finally the Chongqing municipality.[34] Among these, Guangxi and Inner Mongolia are not conventionally regarded as provinces of western China, which are instead taken as parts of eastern and central, respectively (Lai 2002, 433; Naughton 2004, 255). Additionally, the WDP covers three autonomous prefectures bordering western China but are part of non-western provinces. These are the Yanbian Korean autonomous prefecture (Jilin province), the Enshi Tujia and Miao autonomous prefecture (Hubei province), and the Xiangxi Tujia autonomous prefecture (Hunan province) (Wei 2013, 4)

[34] Chongqing was designated as a provincial-level municipality in 1997. Previously, it had been a part of Sichuan Province.

The western region covers 70.9 per cent of China's land, a significant portion of which, however, is occupied by massive mountains (e.g., the Kunlun Mountains, Qilian Mountains, Himalayan Mountains) and large deserts (e.g., the Gobi and Taklamakan deserts; see Figure 3).[35] Particularly the far west, including Tibet, Qinghai, and Xinjiang have quite low population densities. Xinjiang has the highest figure among them, with a population density of 12 persons per square kilometre in 2000. (Niu and Chen 2004, 58-9).

Figure 3 China physical map

Source: Australian National University, CartoGIS. Available at https://asiapacific.anu.edu.au/mapsonline/base-maps/china-provinces-2

Remoteness from the coast and deep-water ports is a common condition for all provinces in the region, except Guangxi. Almost all parts of western China suffer

[35] Though not directly related with the present discussion, it may be important to note that the existing large mountains, plateaus, and deserts are a challenge for not only the region but the whole country in terms of agricultural production capacity. As Wang (2014, 24) maintains: "With the amount of arable land per capita less than 40 percent of the world average, it is indeed remarkable that China has so far successfully guaranteed the grain provision for the population."

from one or more of the disadvantageous geographical conditions such as water shortages, deserted areas, arid climate, rugged terrain, and poor accessibility (Naughton 2004, 276; Yu 2010, 444). These conditions often create unfavourable effects for attracting investment. In geographical terms, it is also common to divide western China into the northwest and southwest (Summers 2011, 140). The northwest provinces – Shaanxi, Gansu, Qinghai, Xinjiang, Ningxia, and Tibet – have largely arid climates. Those provinces, except Shaanxi, are sparsely populated (Naughton 2004, 276). The southwest, covering Sichuan, Chongqing, Guizhou, and Yunnan, is mountainous too yet less arid and more densely populated relative to the north.[36]

Table 8 Selected indicators of the WDP provinces, 2015

	Population, 10000 person	GRP, 100 mn RMB	GRP per capita, RMB
Chongqing	3017	15717.27	52321
Sichuan	8204	30053.10	37775
Shaanxi	3793	18021.86	47626
Yunnan	4742	13619.17	28806
Guizhou	3530	10502.56	29847
Gansu	2600	6790.32	26165
Xinjiang	2360	9324.80	40036
Qinghai	588	2417.05	41252
Tibet	324	1026.39	31999
Ningxia	688	2911.77	43805
Inner Mongolia	2511	17831.51	71101
Guangxi	4796	16803.12	35190

Source: NBS 2016, Tables 3-9; 3-10; 2-6.

Slightly less than one-third of China's population resides in the WDP provinces (Niu and Chen 2004, 59). The region has two crucial features that enhance its importance on the part of the central government. First, it hosts a large share of China's several mineral reserves as well as owns a great potential of solar and wind energy and hydropower (Lai 2002, 445; Summers 2011, 143; Niu and Chen 2004,

[36] The population density in Chongqing and Chengdu is even higher than in eastern China (Summers 2011, 161).

67). More than 80 per cent of China's natural gas output, for instance, comes from the region (NBS 2017, Table 25-17). Secondly, the region is home to about two-thirds of China's ethnic minority population (Niu and Chen 2004, 59). In Tibet and Xinjiang, the majority of the population are ethnic minorities. Ningxia, Qinghai, Inner Mongolia, Guizhou, Yunnan, and Guangxi as well have large communities of the non-Han ethnicities (Goodman 2004, 322-3).

Western China is the least developed macro-region and has a heavy concentration of underdeveloped areas. Yet this was not the case during the planned era. In the pre-reform era, due to the pro-interior regional policies, the income gap between western and coastal China narrowed. The PRC in its early years attempted to build western China as a heavy industrial base by taking advantage of the region's abundant raw materials. Fan (2004,84) notes that one-third of the national key industrial construction projects in the First FYP (1953-1957) were allocated to western China (see also Lin and Liu 2006, 4).

Another big push for the region's development came with the Third Front policy, which was initiated in 1964 and followed until around the mid-1970s (Fan 2004, 85). The Third Front policy dictated the relocation of some factories in heavy industrial sectors, not least military-related ones, to the Third Front areas. The Third Front areas in western China include Sichuan, Yunnan, Guizhou, Gansu, Qinghai, Ningxia, and parts of Shaanxi (Niu and Chen 2004, 53). One motivation behind the relocation of industries to western China was to shelter the assets originally located in coastal China which were conceived of more vulnerable to potential foreign attacks (Wu and Gaubatz 2013, 81-2).[37] That relocation policy also led the educated workforce to migrate to western China (Wu and Gaubatz 2013, 81-2). Even some major universities in eastern China moved their main

[37] The Chinese leadership in the early 1960s was concerned about a potential war within the context of China's split with the Soviet Union and the Vietnam War. The China-US rapprochement, as reflected in the US president Richard Nixon's China visit in 1972, partly explains the Third Front policy's abandonment later in the mid-1970s (Lai 2007, 127; Summer 2018, 20).

campus to inland cities, as in the case of Shanghai Jiaotong University's relocation to Xi'an, the capital of Shaanxi province (Walcott 2003, 626).

In line with the central government's preferential treatment, some western provinces became more prosperous than some of their coastal peers by the 1970s. That said, a noticeable intra-regional income difference should be noted. Provinces in the southwest remained poorer compared to the northwest provinces. While the average GRP per capita in the northwest provinces was on par with the national average in 1978, that of the southwest provinces was around 57 per cent of the national average (Naughton 2004, 277; see also Table 9; and Fan 2004, 84-5).

The pro-interior regional development policy lost steam between 1973 and 1978 (Fan 2004, 87). And, as discussed in the previous chapter, later in the 1980s, the regional policy favouring inland regions would be fully reversed in favour of eastern China (Wu and Gaubatz 2013, 83). The western provinces started to have difficulties in catching up the high growth rates of the eastern provinces since the early 1980s. The SOE reforms, which entailed the privatization, downsizing, closure, or restructuring of SOEs, further deteriorated the growth prospects in many industrialized areas of the interior, including western China (Hu and Hassink 2017b, 3). This relative downward trend was more pronounced with the northwest provinces. Qinghai, Ningxia, Gansu, and Tibet witnessed dramatic declines in their relative ranking as measured by GDP per capita (see Table 9). Differing from those northwest provinces, Xinjiang experienced a remarkable improvement in its relative position, which is cited as an exceptional success story of the 1990s (Goodman 2004, 320).[38] With the ranking of southwest provinces, which were not as prosperous as the northwest ones, we observe some slight improvements from 1978 to 2000. It is important to note that these upward moves in their relative rank happened quite likely due to the relative decline of provinces in central and northeast China, which are the other lag behind macro-regions.

[38] Fan and Sun (2008, 12) maintains that Xinjiang's growth in the 1990s was aided with its trade with the newly independent Central Asian countries.

Table 9 Changing rank of the western provinces by GRP per capita, 1978 and 2000

	1978	2000	Change over time
Qinghai	7	22	-15
Tibet	9	29	-20
Ningxia	10	21	-11
Gansu	14	30	-16
Xinjiang	20	12	8
Shaanxi	21	18	3
Sichuan	26	24	2
Yunnan	29	27	2
Guizhou	31	31	0

Source: NBS data via CEIC, calculated by the author. The table does not include Chongqing, which became a province-level unit in 1997.

4.2. Western Development Program: Motivations and policy measures

The State Council (SC) issued a policy guideline in 2000 which is entitled "Notice of the State Council on Implementing Several Policy Measures for the Development of the Western Region". The SC also established a Small Leading Group[39] on Developing the West, led by Premier Zhu Rongji, which would be in charge of the implementation of policy measures (Saich 2001, 151). The ultimate goal identified by the guideline was to transform the region into one with "prosperous economy, advanced society, stable life, national unity and beautiful sceneries by the middle of the 21st century" (State Council 2000). It follows from this statement that even though the economic development might be its most important theme, the WDP also involves measures regarding minority integration, environmental improvement, and social welfare.

Many parts of the region, as noted above, have challenging geographical and environmental conditions. Water shortages and desertification are particularly acute problems with some areas in the northwest (Lai 2002, 444). The WDP also

[39] Small leading groups (SLG) comprise two types: those managed by the CCP and ones managed by the SC. Both types have supra-ministerial powers to coordinate the policy areas that cut across ministerial responsibilities (see Zheng and Chen 2015, 67).

clearly aims to address the discontent observable with minorities by stimulating economic development and enhancing state capacity in minority populated locales (Naughton 2004, 265; Goodman 2004, 319; Summers 2011, 143). The inclusion of Guangxi and Inner Mongolia to the WDP appears as yet another evidence of the WDP's minority aspect as those autonomous regions are home to large minority populations (Naughton 2004, 265; Tian 2004, 620). The expected outcomes of the regional development strategies towards western and central China, as pointed out by Zhu Rongji, then premier, includes "national unity, safeguard social stability and consolidate border defense" (Zhu 2000). Reflecting these concerns, the State Council's guiding document identifies key tasks and strategic objectives as follows (State Council 2000):

> accelerating the construction of infrastructure facilities; strengthening the protection and development of environment; consolidating the basic status of agriculture, adjusting the structure of industry, and developing characteristic tourism; developing undertakings of science and technology, education, culture and sanitation.

Another aspect of the WDP, which is less emphasized by the official discourse, relates to energy considerations. Western China has traditionally been a significant source of energy consumed in eastern China. The WDP's energy agenda involves projects either to connect energy resources to eastern electricity grids or transfer oil and gas via pipelines to the east, including the West-East Power Transmission Project and the West-East Gas Pipeline Project (Naughton 2004, 270; Golley 2010, 127).

Reflecting its multiple motivations, the WDP emerged, and evolved in an expansionary manner over time, as a multi-faceted program which covers policies in such realms as infrastructure investment, environmental projects, poverty alleviation, rural restructuring, industrial restructuring, and industrial relocation. And the supports accrued with the WDP have taken the form of fiscal transfers, subsidized loans, preferential administrative and tax arrangements, technical support, and so on.

The infrastructure provision, which is supposed to be an initial condition for the development industry, arguably is lying at the core of the WDP (Vermeer 2004, 402). Transportation and energy projects constitute the mainstay of infrastructure provisions, ranging from interprovincial highways and railways, airports to energy generation, and transmission projects (Naughton 2004, 269; Tian 2004, 622-3; Summers 2011, 146). The WDP has mobilised the central government funds for major infrastructure projects (Bramall 2009, 489; Naughton 2004, 267; McNally 2004, 440). According to Lu and Deng's calculation (2013, 253), the share of national funds used for financing the investments in fixed assets, mostly consist of infrastructure investments, received by the western region increased throughout the 2000s by reaching 41.15 per cent in 2010 from 25.93 per cent in 2000. In addition to central government funds, policy banks such as the China Development Bank and the Agricultural Development Bank of China were ordered to provide concessional loans for infrastructural projects in western China (Bramall 2009, 490; Lu and Deng 2013, 254; see also Shih 2004, 438-40).

Another core part of the WDP measures concerns the fiscal transfers from the central government. The fiscal transfers have supported the local governments in western China to finance programs in environmental protection, education, human resources development, health care, social security, poverty alleviation, and the like (Wei, H. 2014, 227). The relative weight of fiscal transfers from the central government to western China in the national total rose to 39.42 per cent in 2010 from 29.01 per cent in 1999 (Lu and Deng 2013, 251).

The WDP aims to make cities in western China more capable of attracting investments from foreign and domestic investors. Companies based in other parts of China are provided impetus to relocate to, or open branches in, western China through a variety of preferential policies and incentives, not least tax reductions (Zhu and Pickles 2014; Wei 2013, 24). For foreign investments, the corporate income tax reduced to 15 per cent, the usual rate of which is around 30 per cent (Naughton 2004, 272; Wei, H. 2014, 227; Lai 2002, 457). Naughton (2004, 272)

also notes that most of the preferential policies designated for foreign investments have been extended to domestic firms as well. These preferential policies have helped cities of western China attract firms from coastal China, especially in labour-intensive industries, such as textile (Yu 2010, 445).

The WDP also envisions restructuring the industry and pushing forward the market reforms in the region (Naughton 2004, 264-5). While the market reforms rapidly changed the industry and investment environment in coastal China, the western region had embraced the reforms at a slower pace. The share of industrial output by SOEs remained relatively large in western China, while the private sector mostly was confined to the small-scale enterprises (Naughton 2004, 282). Another problem regarding the industrial structure in the region, especially in the northwest, was the relative weight of the heavy industrial sectors.[40] The region plainly needed diversification in industry. Naughton's (2004, 284) observation on the inordinate weight of heavy industry in the western region is illuminating:

> From the 1950s through the 1970s, the Chinese government poured massive amounts of heavy industrial investment into the West, targeting sectors with strategic importance, which were also almost invariably capital and technology intensive. The legacy of past industrial investment decisions is particularly evident in the northwestern provinces. The 1995 Industrial Census reveals that the industrial output structure of these provinces is dominated by energy production and refining, ferrous and nonferrous metallurgy, and electricity. These heavy industrial sectors on average account for 23.7 percent of the national output value; in the five northwestern provinces, they account for 46.8 percent, twice as much.

The WDP's support for environmental protection and rehabilitation; poverty alleviation; and science, technology, and education need a mention as well. As for environmental rehabilitation, the restoration of forest and grasslands has been incentivized (Naughton 2004, 273; Tian 2004, 624). Some plans have been devised to fight against the desertification and for the conservation of soil and water (Wei, H. 2014, 228; Lu and Deng 2013, 261). According to Wei's calculation (2014, 229), from 2001 to 2010, 64.7 per cent of the central poverty alleviation funds were

[40] This paragraph heavily draws on Naughton 2004.

allocated to western China. In order to develop western China's capacities in science, technology, and education, special funds have been provided to universities in the region (Tian 2004, 625). Also, some policies have been adopted to incentivize the eastern professionals to go to the west, on an ad-hoc or long-term basis, to contribute various industrial, technological, and administrative undertakings therein (Naughton 2004, 275; Lu and Deng 2013, 255; Tian 2004, 625).

4.3. Accelerated growth in western China

Many evaluations of the WDP in the early or mid-2000s were pessimistic about its capability to narrow regional inequality. The challenges noted include the lack of entrepreneurship tradition in the region (Tian 2004, 630; Lai 2002, 459). For instance, Shih (2004, 442), with reference to a banker in Qinghai province, notes that "…private entrepreneurs faced even more discrimination in western China because bank officials in the region were used to only doing business with SOEs." An additional hindrance pointed out was the possibility, and indeed actual cases, of misuse of allocated funds by local officials (Yu 2010, 442; Lai 2002, 459; Tian 2004, 632).[41]

Some researchers question how useful it is to rely excessively on the infrastructure investments as a growth source, a trend that the WDP stimulated. Instead of developing infrastructure to lay a better ground for the investment environment, infrastructure investment was regarded in many instances as a way of creating growth itself (Naughton 2004, 282; Shih 2004). Even though it may not be essentially harmful to rest on infrastructure investments to trigger growth, some of them were likely to turn out to be low-return or even wasteful (Naughton 2004, 292).

[41] The local officials' conservative economic notions and corruption observed in the northeast region as well are regarded as an obstacle before the regional development (see Chung, Lai, and Joo 2009, 120-1).

What led the earlier assessments to be rather pessimistic might have to do with the fact that many economic indicators of the region either remained flat or even worsened in the early 2000s. Comparing 1995-1999 with 2000-2007, Grewal and Ahmed (2011, 163), for instance, find that the share of the western region in China's GDP slightly decreased. They also observe for the early 2000s that private investors showed little interest in heading to western China (Grewal and Ahmed 2011, 167-8). In a parallel vein, Golley (2010, 141) finds, as of 2007, little evidence for suggesting that the WDP provided the "impetus for industrial development in the region." Tian (2004, 631) as well was pessimistic about the prospects of investment inflow to the region:

> So despite much fanfare and promotion of the western region, government policy and investment have so far failed to induce the substantial inflow of other forms of investment in the western region. Therefore, there is still a long way to go before foreign and other non-state investors become confident and willing to invest in the region given the current conditions there.

On the other hand, looking from the mid-2010s, there are more reasons to consider the WDP as a somewhat successful initiative. For one thing, the western region, on the aggregate level, has registered an accelerated growth and progressed with opening-up since the mid-to-late 2000s. As Wei Houkai notes (2013, 8-10), a senior professor at the Chinese Academy of Social Sciences, while the western region's growth rate in the 1999-2006 period remained lower than that of the eastern region, the year 2007 marked a turning point when the former's growth rate surpassed the latter's. Wei, elsewhere, states that the average annual GRP growth rate of the region from 2007 to 2011 was 13.9 per cent, which overtook that of the national average of 12.6 per cent (Wei, H. 2014, 232). In support of this, Cochrane et al. (2019, 4) indicate that eight of the ten provinces with the highest growth rate in gross value-added from 2010 to 2015 are the western ones (see also Summer 2018, 33).[42]

[42] These western provinces are Chongqing (ranked first), Guizhou (second), Tibet (fourth), Yunnan (fifth), Shaanxi (sixth), Qinghai (seventh), Sichuan (eighth), and Xinjiang (tenth) (Cochrane et al. 2019, 4).

Moreover, the western region has gained industrialization momentum within the WDP era. The share of industrial value-added in total GRP rose from 31.9 per cent in 2001 to 43 per cent in 2011 (Wei, H. 2014, 230; see also Cochrane et al. 2019, 7). Wei Houkai (2014, 233) also identifies that the gap between the per capita income of households in western and eastern China has narrowed since 2006. Similarly, the western region's share in China's total exports increased to 7.2 per cent in 2016 from 3.6 per cent in 2002 (NBS 2003, Table 2-7; NBS 2017, Table 25-17). A similar upward trend is the case with the FDI flows into the region. While the share of FDI flows into the western region in China's total inward FDI was 4.9 per cent in 2000, it increased to 10.2 per cent in 2010 (Yu 2015, 127).

On balance, therefore, the WDP might have, at least, slightly narrowed the disparity between eastern and western China as well as to some extent aided the region's industrialization and opening-up (see also Yu 2015, 121; Donaldson 2015, 198). In retrospect, it appears that some observers' earlier anticipation that the WDP might enforce the processes of economic development and globalization in the region have realized, though not to the desired extent and unevenly across western China (see for instance McNally 2004, 447).

However, even the rather optimistic assessments on WDP underline several challenges that western China continues facing. The industrial diversification remains to be a challenge, as the region has largely rested on the expansion of resource-based industries (Wei, H. 2014, 233). Second, excessive dependence on capital investments evident with the region implies, to say the least, an imbalanced growth orientation (Wei, H. 2014, 236). Relatedly, there are suspicions regarding how many of the debt-financed infrastructure investments will turn out profitable enough to repay the debt (Shih 2004, 441). Finally, as evidenced by the increasing urban-rural income ratio, the urban-rural disparity has continued to widen in the region during the WDP era (Lu and Deng 2013, 258-9; see also McNally 2004, 430).

The extent to which they have been successful in attaining economic vibrancy varies across provinces of western China. From 2000 to 2015, some of them fairly improved their ranking, as measured by GRP per capita, while some others declined (see Table 10).[43]

Table 10 Changing rank of the western provinces by GRP per capita, 2000 and 2015

	Rank in 2000	Rank in 2015	Change over time
Ningxia	21	15	6
Chongqing	17	11	6
Qinghai	22	17	5
Shaanxi	18	14	4
Guizhou	31	29	2
Tibet	29	28	1
Sichuan	24	23	1
Gansu	30	31	-1
Yunnan	27	30	-3
Xinjiang	12	20	-8

Source: CEIC, calculated by author

City-level consideration might be helpful for a fuller assessment of western development. This is especially so given that urban areas are the sites where some core objectives of the WDP are expected to occur, such as industrial restructuring. Differing from the region-wide and province-level assessments presented above, a city-level survey of indicators of change might have led the observers to portray the WDP as a more successful policy programme as some cities in the region, the largest ones in particular, have made significant achievements in terms of industrial diversification and opening-up. For instance, while Sichuan, as shown in Table 10, has only slightly improved its relative position in terms of GDP per capita,

[43] The relative decline of some provinces has happened, in part, due to the climbing of other western provinces. Yunnan, for instance, declined by three ranks, two of which was due to the relative rise of Guizhou and Tibet. The table excludes the Inner Mongolia and Guangxi, which are included in the WDP but conventionally not regarded as part of the western region.

Chengdu, the capital of Sichuan, has achieved such an outstanding performance that it is dubbed as a "rising economic star in western China" (Yu 2015, chapter 9). Like Chengdu, Chongqing and Xi'an as well are often cited as success stories due to their thriving economies. The prominence of these cities is probably not surprising since provinces, as Jaros (2016, 639, 646) argues, often tend to focus their efforts on the largest cities or metropolitan areas. This is seen as more promising for levelling up the provinces' profiles, as these cities/areas have a greater potential for developing advanced sectors and forging external economic links (see also EIU 2012). That said, not all capital cities of western provinces have gained an upward economic trajectory experienced on par with Chengdu, Chongqing, and Xi'an. Of the middle-sized of western China, only Guiyang's indicators appear as impressive as those of the former.

Considering the population size, GDP volume, and the level of integration into the global economy (i.e., exports and imports, and FDI), it is possible to classify the large- and middle-sized cities of western China into a few categories (see Table 11).

- Chongqing, Chengdu, and Xi'an: These are the largest cities of western China. These cities are relatively well-integrated to global production networks and have a high level of cross-border trade. Over the recent years, they have turned out to be sites where scores of multinational corporations, including those ranked in the Fortune Global 500, have started sizable manufacturing or service operations (Summers 2011; 160; Yu 2015, 125). Their growth rates in the WDP era are quite high relative to the national average and most of the other cities of western China. The compound annual growth rate of per capita GDP for 2001-2016 is 15.25, 13.33, and 13.57 per cent, respectively, for Chongqing, Chengdu, and Xi'an (CEIC, author's calculation by using current prices. This reference and note apply to the data cited for the other cities below).

- Kunming: Kunming, the capital city of Yunnan province, which borders Vietnam, Laos, and Myanmar, has a high level of international trade.[44] Since its economic scale and population size are fairly smaller than the three largest cities of the region, Kunming is located in between the largest and middle-sized cities. Its growth rate in the WDP era remains below the national average.

- Urumqi and Guiyang: These middle-sized cities, relative to other middle- and small-sized cities, are more integrated to cross-border trade and investment networks. Guiyang has pulled ahead of Urumqi in terms of FDI attraction in recent years. Urumqi is a relatively well-off city by western China standards. However, its growth performance over the WDP era is sluggish with a meagre growth rate, that is 9.08 per cent for 2001-2016, fairly below the national growth rate. Guiyang stands out as a high-achiever of the WDP era with an annual average growth of 14.35 per cent for the same period.

- Lanzhou: A middle-sized city with a quite low level of integration to cross-border trade and investment networks. The city's economic growth is slightly lower than the national average during the WDP era, with 11.55 per cent.

The varied pace of growth and performance in opening-up across cities of western China warrants investigation. The next chapter surveys the experience of the three largest cities in the region. Chapter 6 makes a focused comparison between a subpar (i.e., Lanzhou) and a high-achiever (i.e., Guiyang) middle-sized city.

[44] Yunnan provincial government is credited with a pro-active policy to forge closer trade and production links with Myanmar, Laos, Thailand, and Vietnam (see Su 2014).

Table 11 Selected indicators of large- and middle-sized cities of western China, 2014

	GDP, (RMB, 100 million)	Population, (10000 person)	Total Value of Imports and Export (USD million)	Utilized FDI (USD million)	Per capita GRP, (RMB)	CAGR of Per Capita GRP, (2001-2016, per cent)
Chongqing	14262.60	33752.0*	57107.00	4233.48	48288	15.25
Chengdu	10056.59	1210.74	55844.39	8760	70019	13.33
Xi'an	5492.64	815.29	24982.97	3703.1	63794	13.57
Kunming	3712.99	550.50	29394.32	2237.14	56236	10.73
Urumqi	2461.47	266.91	8284.58	183.09	70428	9.08
Lanzhou	2000.94	374.67	4556.49	2.76	54771	11.55
Guiyang	2497.27	382.91	15114.09	761.74	55018	14.35

Source: NBS 2015; CEIC. Note: CAGR of per capita GRP is calculated by using the current prices. *Containing an exceptionally large proportion of rural area, Chongqing's non-agricultural population is around 13 million.

4.4. Conclusion

This chapter has first introduced the western region's geographical and demographic conditions and outlined its economic development over the PRC history. Next, it has unpacked the motivations and the content of the WDP. Then it has moved to address its core task: surveying the economic development trends in western China within the WDP era. This survey has shown that the region as a whole has recorded an accelerated growth since the mid-2000s. The western region's growth rates from the mid-2000s have outpaced not only the eastern region but also the central and the northeast regions. It seems fair to argue that support accrued with the WDP, whether fiscal, infrastructural, or administrative, have provided a conducive context for the western region's accelerated growth. When it comes to how far the region has narrowed the development gap with eastern China, however, the disparity between eastern and western China has only slightly narrowed. The aggregate indicators at the regional level also suggest that the western region has somewhat progressed with industrialization and opening-up. Provinces and cities in the region, perhaps unsurprisingly, have unevenly developed during the WDP era. The above analysis has identified Chongqing,

Chengdu, Xi'an, and Guiyang as the cities with above-average economic performance.

Despite the overall accelerated growth trend, the economic development in the western region remains to be fraught with several issues. The resource-based industries continue to be the mainstay sectors in many locales of western China, which implies some difficulties with the industrial diversification and renewal. Second, the over-reliance on infrastructure investments is evident in western China. As will be discussed in the next chapter, the excessive infrastructure investments share might signal an imbalanced growth orientation with implications regarding, among others, the debt-accumulation and sustainability. Third, the economic development in western China over the recent decade hints an urban bias as evidenced with the widening urban-rural disparity.

It should be underlined that whatever the results achieved to date, the goal of developing the western region has a long time-frame. Additionally, the Chinese leadership is still committed to developing western China (Yu 2015, 129). The Belt and Road Initiative (BRI), which seeks to level up trade and investment connectivity between China and Central Asia, the Middle East, Africa, and Europe, is hoped to provide leverage for the development of western China. The Thirteenth FYP underlines that goal: "We will … ensure that the Belt and Road Initiative is able to better drive development in this region [western China]'" (NDRC, 2016c, Chapter 37, Section 1).[45] Indeed, as discussed in the next chapter, western cities have captured some benefits from the BRI, certainly in terms of strengthening their connections with overseas markets.

[45] BRI, in a sense, can be thought as a consolidation of earlier Chinese plans to better integrate inland regions with the neighbouring countries (see Summers 2016). As early as 2002, Lai (2002, 457-8) notes that: "The Chinese government seeks to give the region a key role in international trade. It plans to make the Eurasian Land Bridge a new silk road, expanding markets in Central Asia for export of the west's light industrial goods and increasing the import of machinery and even raw materials needed in the west"

CHAPTER 5

CHONGQING, CHENGDU, AND XI'AN: FRONT RUNNERS OF SECTORAL DIVERSIFICATION AND OPENING-UP IN WESTERN CHINA

Chongqing and Chengdu and – and Xi'an, to a lesser extent – have been emerging as manufacturing poles of China with very strong growth records over the recent decade. Chongqing, Chengdu, and Xi'an (hereafter used interchangeably with the word *trio* as an abbreviation) have been capturing a large amount of investment that relocated from coastal China and abroad increasingly since the late 2000s. They have gone a long way in diversifying their economies and gaining a foothold in advanced sectors. Similarly, they have established strong, albeit at varying degrees, links with the global markets. As such, the trio seems to fundamentally differ from the areas which owe their accelerated growth in the WDP era mostly to the price boom in resources, the boost in the existing heavy industries, or infrastructure investments. Even so, there are some indications that excessive dependence on the debt-financed infrastructure has involved in the trio's striking growth performance.

This chapter makes an investigation into the dynamics of economic growth in Chongqing, Chengdu, and Xi'an. The chapter first takes stock of the empirical evidence regarding their success in industrial diversification and opening-up. Afterwards, it moves to assess the suspected problems with their accelerated growth.

5.1. Sectoral diversification and opening-up

The trio has recently gained traction as new bases in various branches of the electronics industry including manufacturing of personal computers, communication equipment, and integrated circuits and related service activities,

such as design and software development (Van Grunsven and Wang 2014, 179; EUI 2012, 17). In doing this, they have built on the enhanced infrastructural capability that the WDP supports have helped to build up (Van Grunsven and Wang 2014, 193). The importance of newly built technological zones and industrial parks and enhanced transportation connectivity with the rest of China have been particularly prominent. It is also important to highlight the role of an industrial base and expertise dating back to the Mao era in their industrial renewal and diversification. For instance, Chengdu was chosen as a major spot for relocating electronic research institutes and manufacturers under the Third Front project. During the pre-reform period, the city also developed some expertise in the defence-related industries, including the aircraft industry (Van Grunsven and Wang 2014, 186; Qin 2015, 22; for Chongqing see Gao et al. 2017, 252; for Xi'an see Walcott 2003, 638). Cochrane et al.'s (2019, 6) observation regarding the emergence of Chongqing and Sichuan, the capital of which is Chengdu, as major destinations for relocating high-tech manufacturers succinctly put together these factors:

> Though more distant from major shipping routes, the two provinces [i.e. Chongqing and Sichuan] were successful in revamping factories from China's earlier period of state-led industrialization, which channeled capital into the country's interior. The combination of large industrial facilities and a more qualifed labor force—a legacy of China's earlier inward-led industrialization—proved a powerful draw for global manufacturers seeking to cut costs. Chongqing now counts as China's largest manufacturer of laptop computers and is also the largest producer of laptops globally, while factories in Sichuan are among China's largest producers of microchips. The opening of an overland rail route from Chongqing to Germany in 2010 did not hurt, with provincial exports from Chongqing and Sichuan increasing by a factor of three following the route's completion.

Chongqing, Chengdu, and Xi'an have several advantages over the smaller cities in the western region. First and foremost, they have larger populations, therefore larger markets, a larger pool of talent, and finally a larger reserve of the labour force. They also own strong higher education and research bases, as evidenced with the number of universities they locate (Yu 2015, 140; Gao et al. 2017, 252).

Moreover, their ranks in China's administrative hierarchy are higher than prefectural-level cities of western China, including Guiyang, Kunming, Urumqi, and Lanzhou. While Chongqing is a provincial-level city, Chengdu and Xi'an are deputy-provincial cities that, compared to the prefectural-level cities, have more autonomy in managing economic affairs and closer and more direct ties with the central government. Perhaps due to these features, the central government seems to have given priority to their development as front runners in the western region. For instance, while the industrial supports listed in the five-year plan of WDP for the twelfth five-year period (FYPWDP) are fairly dispersed across cities, the ones listed in the eleventh FYPWDP are concentrated in the trio (see NDRC 2007, Box 8).

The trio concurrently has advantages in labour and land costs over their coastal peers. Yang's (2017, 27) comparison of labour and land costs in Dongguan – a city of Guangdong which used to host one of the largest personal computer clusters in China – and Chongqing – which has attracted relocating personal computer firms from Guangdong – is also illustrative. While the minimum monthly wages in Chongqing are about 20 per cent lower than those in Dongguan, land prices are 50 per cent or lower in the former. Wage differentials for the qualified labour between western cities and large cities are also noteworthy. As Gao et al. (2018, 16) note, while an R&D personnel's monthly wage is around 30.000 RMB in Beijing, Shanghai, and Guangzhou, the same job is paid around 15,000 RMB in Chongqing.

Thus, it is not inconceivable that these cities have emerged as favourable places for companies which seek to relocate from coastal China in the face of rising costs or for the ones from abroad. All three cities have started to attract a large volume of foreign investment since the mid-2000s. While FDI inflow into Chengdu and Chongqing has started to surge earlier than Xi'an, the latter has witnessed a slow-paced yet a more stable upward trend with foreign investments (see Figure 4).

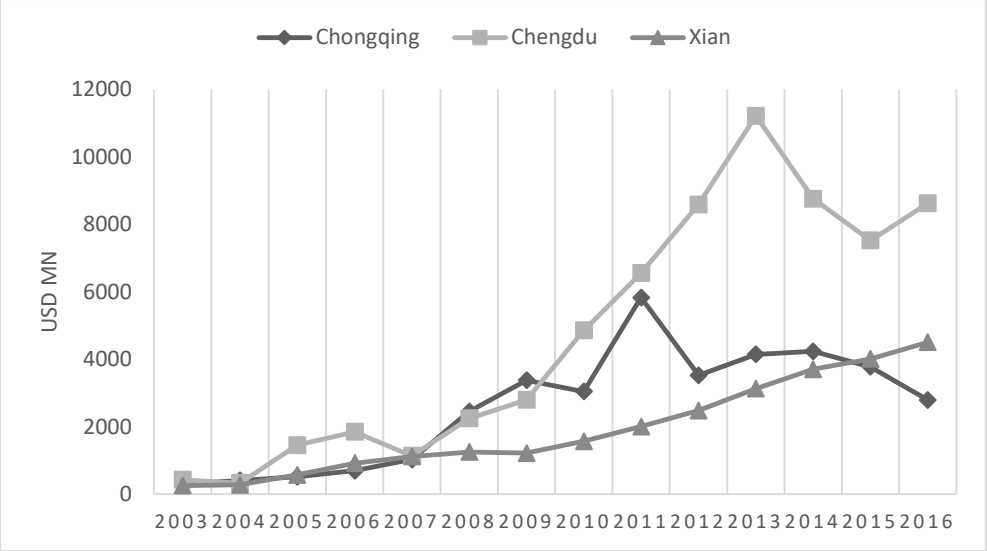

Figure 4 FDI inflow into Chongqing, Chengdu, and Xi'an

Source: CEIC, calculated by the author

In parallel with the surging FDI, Chongqing and Chengdu's exports have considerably increased since 2010 (see Figure 5). The information technology (IT) industry accounted for about half of Chongqing's total exports in 2014 (Gao et al. 2017, 239). Even though similarly attracting a significant amount of FDI, Xian's exports remained visibly lower than the other two. This might be an indication that portions of foreign investment inflow are primarily domestic-oriented. Indeed, Walcott (2003, 630) notes that Xi'an's high-tech industries in the 1990s were domestic market-oriented, marking a contrast to the export-oriented high-tech industries in coastal China.[46]

[46] Different market orientations of inward FDI is observed in other parts of China. For instance, while Shanghai has a larger FDI stock than Shenzhen, its exports figures fall behind of the latter. This is explained, again, by the market orientation of the FDI flowing into Shanghai, some of which target the domestic market. In Shenzhen, by contrast, FDI is more export-oriented (Yeung and Shen 2009, 298, 316).

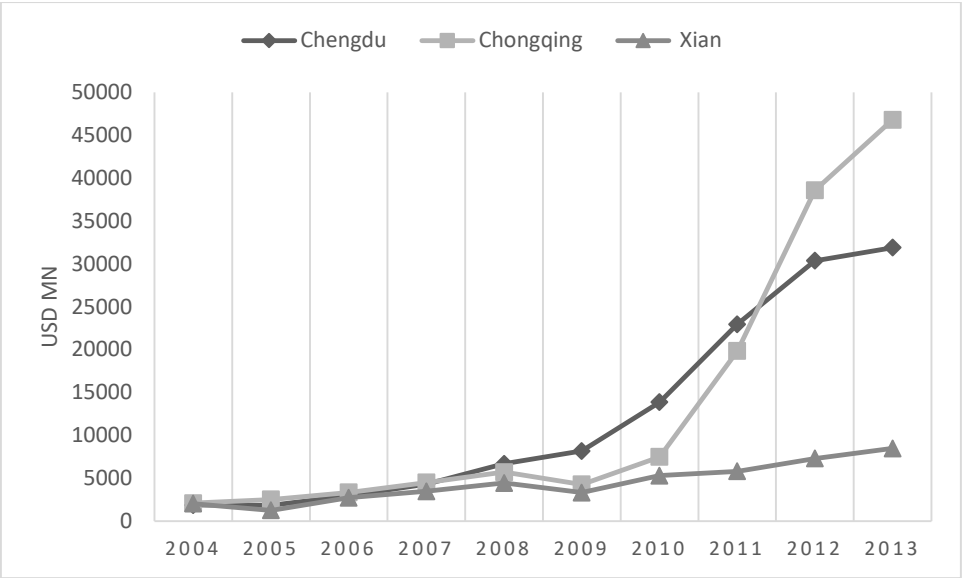

Figure 5 Exports of Chongqing, Chengdu, and Xi'an

Source: CEIC

What follows makes further observations individually how Chongqing, Chengdu, and Xi'an have been diversifying and upgrading their economies.

5.1.1. Chongqing

Chongqing has grown an important hub for notebook manufacturing in which the global heavyweights of the sector have large manufacturing units. The Hewlett Packard's (HP) arrival to the city in 2009 has been followed by Foxconn[47] (2009), ASUS (2011), Acer (2011), Toshiba (2012), and scores of smaller supplier firms. The bulk share of these firms' global notebook production has come to take place

[47] Foxconn, a Taiwanese company with one of the world's largest production capacity in electronics manufacturing, is positioned at the centre of supply chains in China's electronics industry. Zhang (2014, 141) underscores multiple aspects of the company's importance: "It [Foxconn] was ranked 43th largest company on the Fortune 500 list in 2012. Foxconn is China's largest private employer with a workforce of over 1.4 million. It is also the largest exporter in China, with a gross import and export value of US$ 244.6 billion, or 4.1 per cent of China's total volume. As the premium EMS [electronics manufacturing services] supplier to Apple, Nokia, Dell, and HP, and so on, this electronics goliath also sources supplies and designs parts, and uses its enormous size and military-style efficiency to assemble and speed a wide range of products to market."

in Chongqing (Gao et al. 2018, 10). As of 2013, just four years after the arrival of HP, the first lead firm of computer manufacturing that arrived in the city, Chongqing has successfully incubated a notebook industry cluster which produces about 25 per cent of the total world output in the sector (Gao et al. 2017, 231-2). Personal computer industry came to account for ten per cent of Chongqing total industrial output in 2013, from almost zero in 2008 (Yang and He 2017, 586).

While a combination of large pool of workforce, strong higher education institutions, improved infrastructure in recent years, and lower labour and land costs explains much of Chongqing's attraction on the part of relocating computer manufacturers, the question of why Chongqing, and not some other inland city with similar features (e.g., Wuhan), or a city in India, remains to be addressed. Part of the answer lies in the Chongqing municipal government's dedicated efforts to attract lead firms and their suppliers in the computer industry. Gao et al.'s (2018, 9) vivid portrayal of the Chongqing government's pro-active investment policy is worth quoting at length:

> In 2009, HP was actively seeking new manufacturing bases and had shortlisted India, Malaysia, Indonesia and some cities in China. Owing to its landlocked geographical location, and the absence of a notebook computer industry, Chongqing was not on the list. Determined to improve the odds, the CMG [Chongqing Municipal Government] adopted a proactive strategy by establishing relations with key actors. To build trust, Mayor Huang Qifan visited HP's US headquarters to offer very favourable terms, including a commitment to increase local content to over 80% so as to reduce freight costs to and from an inland location. To reduce further the disadvantages of Chongqing's inland location, the CMG took advantage of its enabling capacity by promising bonded zones, an international airport and the Chongqing– Xinjiang–Europe scheduled freight train as ways of improving national and international accessibility and logistics. This initiative was subsequently copied by many other Chinese cities. The CMG also offered HP tax concessions and a governmental commitment to purchase 100,000 notebooks annually for three years. These and other favourable terms persuaded HP to pilot the manufacture of 1.3 million notebooks in Chongqing and, on successful completion, to choose Chongqing as its major notebook production base.

Chongqing's government also worked toward attracting the strategic partners of HP, most notably Foxconn, and scores of smaller suppliers in order to establish the whole computer production chain in the city (Yang and He 2017, 586). It is interesting to note that the Chongqing municipal government itself, not the central government, in cooperation with HP, launched the China-Europe cargo railway project, which would subsequently be regarded as a central element of the BRI (Gao et al. 2017, 249).[48] Another innovative local policy, which helped to keep the living costs, thereby labour costs, relatively low, is the control of housing prices in conjunction with the control of land prices. The local government also has implemented a programme to supply affordable public housing (Chen and Dickson 2018, 9; Gao et al. 2018, 16).[49]

Chongqing's manufacturing sector is currently led by advanced industries such as motor vehicles; communication equipment, computer and other electronic equipment; railway, ship, aviation and other transporting equipment; and electrical machinery and equipment (see Table 12). By contrast, in 2008, traditional heavy industries represented the backbone of manufacturing. The city's top five industries by value-added were, in decreasing order, transportation equipment; electric power and hot power production and supply; raw chemical materials and chemical products; non-metal mineral products; and smelting and pressing of ferrous metals (Chongqing Bureau of Statistics 2006, Table 11-5). The shifting

[48] Only sometime after the initiation of the Chongqing-Duisburg railway cargo route, the development of the China-Europe railway cargo networks was elevated to a national policy goal. The NDRC issued in 2016 a detailed five-year plan which outlines China's plans for the development of China-Europe railway cargo networks. In a few years' spans, several other Chinese-European city pairs launched railway cargo such as Yiwu-Madrid, Suzhou-Warsaw, Chengdu-Rotterdam, Zhengzhou-Hamburg, and so on. Though currently forming a small fraction of China's cross-border cargo volume, railway freight offers a faster option than the sea freight and a cheaper option than the air freight. As such, it stands out as a preferable option for particular types of goods, mostly ones with high value-added, or for the time-sensitive orders (Shepard 2018; Summers 2018, 93-4).

[49] Gao et al. (2018, 16) note two particular measures that helped suppress housing prices in the city: "First, land prices cannot exceed one-third of property prices, which places a ceiling on land and property prices. Second, real estate property transactions cannot exceed 30% of Chongqing's fixed assets transactions."

industrial structure over the recent decade, thus, illustrates that Chongqing has diversified its economy with the thriving advanced sectors. Also, in parallel with its transformation into a global manufacturing base in information technology equipment, logistics, financial, and other business services have developed in Chongqing (Gao et al. 2017, 250-1).

Table 12 Gross industrial output value by sector, Chongqing, 2016

	10000 RMB	per cent
Total	239065803	
Motor vehicles	53400544	22.3
Communication equipment, computer and other electronic equipment	40239394	16.8
Railway, ship, aviation and other transporting equipment	15764566	6.6
Non-metallic mineral products	12671434	5.3
Electrical machinery and equipment	11913187	5.0

Source: CoBS 2017, Table 12-6. Note: Data covers only the enterprises above the scale.

5.1.2. Chengdu and Xi'an

Chengdu has attracted an enormous amount of foreign investments in recent years. The city attracted only 0.3 per cent of total inward FDI to China in 2000, while this figure rose to 6.5 per cent in 2011 (Yu 2015, 137). Some leading computer and electronics manufacturers, including Intel, Dell, and Foxconn, have built large manufacturing and assembly plants in the city (Yu 2015, 136-137; Zhang 2014, 140). Investments by these lead firms have generated a magnet effect for a large number of local and international suppliers, thereby contributing to the formation of industrial agglomeration in Chengdu (Van Grunsven and Wang 2014, 184).

The share of manufacturing in Chengdu's GRP has considerably increased from 28.1 per cent in 2000 to 37.6 per cent in 2015 (Chengdu Bureau of Statistics, 2016, Table 2-6). This increase in industrial capacity has been largely brought about by the advanced sectors. Computer, communications, and other electronic equipment production has become a pillar sector in the city, with over 22 per cent of total

manufacturing output in 2016. It is followed by the transport equipment sector with about 15 per cent share (see Table 13; see also Yu 2015, 126). The city's attractions, in the eyes of incoming companies, include industrial zones and parks with good infrastructure, transport facilities, relatively low labour and land costs, an abundance of labour, and a well-trained workforce that is also conversant in English (Van Grunsven and Wang 2014, 191; EUI 2012, 17). Producer services sectors as well, including financial services and leasing, have gathered a development momentum (Qin 2015, 22). The financial industry's contribution GRP rose from 5.7 per cent in 2000 to 11.6 in 2015. Leasing and business services sector has come to account for 1.4 per cent of the city's GRP in 2000 to 3.8 in 2015 (Chengdu Bureau of Statistics, 2016, Table 2-6). As Summers (2011, 156) notes, the existence of these MNCs, combined with Chengdu's expanding logistics and transportation networks, enables the city to turn to an important centre for the global supply chains in certain sectors. From an alternative point of view, it would not have convinced Intel, a major global producer of computer chips, to relocate its major manufacturing operations to the city, if there was no such associating development in business services. Another testament to its booming economy, Chengdu, according to a survey conducted in 2017, was among the top ten most attractive cities for returning overseas-educated talent (China Daily 2017b).

Table 13 Chengdu's largest five manufacturing sectors and their share in gross industrial output, 2016, per cent

Computer, communications and other electronic equipment	22.28
Railway, ship, aviation and other transporting equipment	14.89
General equipment	4.92
Agricultural and side-line food processing industry	4.27
Non-metallic mineral products industry	4.10

Source: CeBS 2016, Table 10-2.

Xi'an has attained rapid economic growth especially after 2005 (Jaros 2016, 649). Investments dated back to the centrally-planned economy of the Mao era contributed to the development of several defence-related industries in Xi'an, not

least in aviation and automobile sectors (Qiu 2005, 267; Walcott 2003, 631; Jones Lang LaSalle [JLL] 2014, 16). The city has been an education and research base with many universities and research institutes (Jaros 2016, 649; Walcott 2003).[50] The city holds several major universities including Xi'an Jiaotong University, Northwest Polytechnic University, the Northwest Agriculture and Forestry University, and Xi'an University along with numerous technical schools. These institutions provide a large pool of educated workforce in technical and engineering fields (Walcott 2003, 635; JLL 2014).

Reflecting this strong research and education assets, Xi'an was a high-tech base even in the 1990s, far ahead of Chongqing and Chengdu in terms of gross output figures (Walcott 2003, 628-9; see also Vermeer 2004, 403,419). What has been changing in recent years, as illustrated in Figure 5, is the inflow of large volumes of FDI in high-tech sectors. Samsung, for instance, committed an investment valued around 30 billion dollars (Jaros 2016, 658). Other corporations who have established R&D centres and factories in Xi'an, including Schneider Electric, IBM, and Intel (JLL 2014). The electronic equipment and communication equipment sectors combined accounted for 21 per cent of the city's total manufacturing value-added. Other leading manufacturing sectors are the motor vehicle manufacturing and the railways, shipbuilding, aerospace and other transportation equipment, respectively, with, 12 and 10 per cent of total manufacturing value-added (Xi'an Bureau of Statistics 2016, Table 12-7). Xi'an's economy is led by these advanced sectors whereas traditional heavy industries such as chemical materials, metallurgy and agricultural products industries, such as the alcohol, beverages, and tea and food manufacturing, are of secondary importance (see Table 14).

[50] A supporting evidence of Xi'an's relatively strong educational endowment is that Shaanxi province is ranked as the fifth province in terms of share population with high school degree or above (Cochrane et al. 2019, 15).

Table 14 Xi'an's largest five manufacturing sectors and their share in total manufacturing value-added, per cent

Motor Vehicles	12.8
Communication Equipment, Computers and other Electronic Equipment	11.7
Railways, Shipbuilding, Aerospace and Other Transportation Equipment	10.4
Electric Equipment and Machinery	10.1
Production and Supply of Electric Power and Heat Power	7.4

Source: Xi'an Bureau of Statistics 2016, Table 12-7. Note: Values concern the industrial enterprises above the designated size.

In order to put into perspective how far Chengdu and Xi'an have advanced in economic development and opening-up, it is useful to compare their basic indicators with those of other deputy-provincial cities from other macro-regions.[51] Table 14 compares related indicators of Chengdu and Xi'an with Changchun and Harbin from the northeast; Wuhan from central China; and Qingdao, Nanjing, and Hangzhou from eastern China. Xi'an and Chengdu's growth rates between 2005 and 2016 were ahead of others (China national CAGR for 2005-16 is 12.73). Additionally, it appears that Chengdu, surpassing even its coastal counterparts, attracted the highest volume of FDI between 2005-2016. Xi'an attracted more foreign investment than Changchun and Harbin. In proportion to its economic size, the foreign investment attracted by Xi'an is certainly not less than that of Wuhan and Nanjing. On the other hand, a comparison of their per capita GRPs shows that Xi'an and Chengdu still have a long way to go to catch up with the level of prosperity in Wuhan, Nanjing, Hangzhou, and Qingdao.

[51] Chongqing is not included here since it is not a deputy-provincial city and has a much larger population than those cities. Chongqing also defies a comparison to be made with other centrally administered cities as it has a very higher non-urban population compared to other three centrally administered municipalities, namely Tianjin, Beijing, and Shanghai (Chan 2007, 388; see also Bramall 2009, 488).

Table 15 Selected indicators of some deputy-provincial cities

	Population (2010 Census), thousand person	Per capita GRP, 2016 RMB	2005-2016 CAGR GRP per capita (%)	Cumulative FDI (2005-2016), USD million
Chengdu	14047.625	76960	13.2	65592.53
Xi'an	8467.837	71647	14.34	26467.82
Changchun	7677.089	79434	11.90	12446.76
Harbin	10635.971	63445	11.66	20872.73
Qingdao	8715.1	111302	11.64	48310.83
Wuhan	9785.392	111469	12.71	43164.20
Nanjing	8004.68	129194	12.29	32895.14
Hangzhou	8700.4	124286	9.71	52354.20

Source: CEIC, calculated by the author. Note: Cumulative FDI indicates the sum of annual FDI volumes during the 2005-2016 period. In CAGR's calculation, current prices are used.

5.2. Problems with the accelerated growth: Debt accumulation, over-reliance on infrastructure, and possible investment retreat?

Despite that Chengdu, Chongqing, and Xi'an have attained a higher-than-average growth trend and progressed much with respect to the industrial diversification and upgrading and opening-up, there is some evidence implying downsides with their growth dynamics. These are over-use of debt, relatedly over-reliance on the debt-financed infrastructure construction as a growth source, and finally the possibility of investment retreat from the region.

The local government finance constitutes a crucial problematic area regarding local economic development in China. First, the fiscal reform of 1994, as discussed in Chapter 3, increases the share of tax revenue that the central government receives at the expense of local governments. Curbing the revenue of the local governments without easing their responsibilities in the provision of public services have often caused the local governments to run budgetary deficits (Kroeber 2016, 117). In other words, the 1994 tax sharing reforms recentralized the fiscal revenue whereas decentralised the expenditure responsibilities (Li, H. 2016, 29). As a result, local governments have increasingly needed to raise revenue from other sources (Zhan

2009, 447-8; Zhan 2011, 497-9; Saich 2001, 156). Main sources of local government income other than tax revenue are the fiscal transfers from the central government, the extra-budgetary revenues, and the debt. The central government transfers are, for the most part, first sent to provinces and then to lower-level units via the provinces. Extra-budgetary revenue sources entail ad hoc fees and charges, which are often criticized with being arbitrary and prompt protests in localities, especially in rural areas (Naughton 2007, 439; Zhan 2011, 502-3). The land leasing fees form the largest part of extra-budgetary revenues (Wu 2010, 653-4; Wu 2016, 4; Fan and Wan 2016, 13).

Land not only comprises the largest source of extra-budgetary revenue but also performs as a central element of the local borrowing practices. To be more specific, the land is used as collateral to secure debt, and the debt repayment itself is often projected to be made by land lease fees (Wu 2016, 3; Kroeber 2016, 119). As the law prohibits the local government borrowing, the so-called local government financing vehicles (LGFVs) are employed in doing so (Tsui 2011, 698). Kroeber (2016, 119) provides an illustrating account of how the land-based revenue raising has gained prominence among local governments:

> To get around the formal prohibition on local government borrowing, cities usually transferred land assets into a special-purpose company; such companies later became known as "local government financing vehicles." This company would then use the land as collateral for a bank loan. Repayment of the loan was financed by sales or leases of the land. Since land values skyrocketed during the early 2000s, the collateral often wound up worth far more than was necessary to repay the loans, so at the end of the project whatever was left over could be used as collateral for a new loan. By 2010 or so, net revenues from land sales and leases accounted for about 20 percent of local government revenues.

The land-based revenue-raising praxis is linked to another suspected problem with the accelerated growth in western China, that is the over-reliance on the debt-financed infrastructure construction as a source of growth. It is possible to identify a "land-infrastructure-leverage strategy", to quote Tsui (2011), in urban development, which explains, in part, how the debt-financed infrastructure zeal has

come into existence across Chinese cities. In search of higher growth rates, local governments are eager to spur infrastructure construction, often without proper cost-benefit analysis. What incentivizes the infrastructure construction concerns some institutional factors embedded in China's political economy. The first factor is the land-based financing mechanism which is described above. Another factor relates to China's cadre promotion system. The promotion prospects of local officials, as discussed in Chapter 2, are based on achievements during their tenure, not least economic achievements. Because infrastructure construction shows its result immediately in local GRP, local officials regard it as a good way of spurring growth rates (Li and Liyang 2016; Kroeber 2016, 114). While the reward of infrastructure investments is immediate, their cost, that is the repayment of loans required for the investment, is a matter of a somewhat distant future. This is the case because infrastructure investments are usually realized through loans with long repayment schedules. The local officials tend to regard the repayment of loans, which is often due after a decade or later, not their problems. In Shih's words, "They knew they will not be held responsible if these loans failed to perform a decade or longer on down the road" (Shih 2004, 438-9). As such, debt-financed infrastructure investments appear as a relatively easy way of propping up growth without much personal risk. Tsui's (2011, 691) comment on the rationale of debt-financed infrastructure investments as a combination of the cadre promotion system and the specificity of infrastructure investments, in terms of the time lag between benefit and cost, succinctly summarizes the elements of the discussion so far:

> The pressure on local cadres to perform is all the more palpable due to their short terms in office (often five years). Changing the guard often ushers in new rounds of grandiose investment plans and races to fulfil those targets, as officials work to polish their resumes just in time for the next round of jockeying for coveted positions in the bureaucracy. Such an incentive system fosters a myopic cost-benefit calculus: long-term losses may be steeply discounted, while short-term gains are grossly exaggerated. Bank financed infrastructure loans are well suited to accommodate the incentives above, boosting short-term economic growth, but with debt burdens befalling future administrations.

In light of this discussion, the debt indicators and the weight of infrastructure construction might entail useful clues about the soundness and sustainability of the growth trend in a locality.[52] No doubt, the WDP provides a facilitating ground for the debt-financed infrastructure both on the part of the borrowing local governments in the western region and the banks as lenders. Both parties might easily justify their decision with a reference to the WDP, a central level grand policy scheme (Shih 2004, 438-9). Besides the WDP, counter-cyclical stimulus packages that the central government have adopted also triggered the debt-financed infrastructure investments. The local government debt, which dramatically risen in 2008-2009 and the subsequent a few years, along with the series of stimulus packages adopted by the central government vis-à-vis stagnating effects of the GFC (Zhang 2014, 147-8; Xiao et al. 2015, 152). What follows seeks to assess the debt levels and the existence, or otherwise, of the over-reliance on the infrastructure construction in Chongqing, Chengdu, and Xi'an.

Any attempt to assess Chongqing, Chengdu, and Xi'an's indebtedness faces two particular problems. First, statistics regarding the local debt are not always available, especially for the local governments below the provincial-level (see Xiao et al. 2015, 151).[53] Second, and relatedly, the local governments in China revert to some opaque ways for securing debt, which may not count as the local debt (i.e., off-the-book debts) in the official statistics (see Wu 2016, 2). Most of the local debt is secured from capital markets through the local government financing vehicles (LGFVs), which ostensibly are private entities (Xiao et al. 2015, 152; Wu 2016,

[52] The International Monetary Fund, the World Bank, and the leading rating agencies, among others, regard the local government debt as a crucial source of instability for the Chinese economy (see Sano 2014, 4).

[53] Scholars seek to get around the lack of data by developing estimations. Xiao et al. (2015, 151), for instance, notes that they have not been able to provide detailed data on the debt and liabilities of Foshan, a prefectural city in Guangdong. They, instead, have rested on a reported debt figure, which appears somewhat realistic to them after their interviews with local officials.

3).[54] Accordingly, depending on the very definition of debt, the estimates of local debt vary significantly (see Sano 2014, 7).

For Chongqing, a provincial-level city, debt statistics are more accessible. Chongqing's debt-to-GDP ratio is estimated to be around 60 per cent, as of 2013, which ranked the city in second place among the provincial-level units (Wu 2016, 6; see also Chen and Dickson 2018, 13). This relatively higher level debt-to-GRP ratio is evident with most other western provinces, most starkly, in descending order, in Guizhou, Chongqing, Yunnan, Qinghai, and Gansu. Though not as stark as them, Shaanxi and Sichuan as well have above-average debt-to-GRP ratios (Wu 2016, 6). One factor that decreases the financial strain of western provinces seems to be the central government transfers. This observation is derived from comparing the local government's debt against the "provincial *budgetary* fiscal revenue" and "the provincial fiscal revenue" (i.e., total revenue). The latter is a more inclusive category which includes the transfers from the central government (see Figure 11a and 11b in Wu 2016, 6-7). In Chongqing, for instance, being the single largest source of revenue, the central government transfers formed more than one-third of the city's total revenue in 2012 (Cohen 2015, 169-170). In the Sichuan province, the corresponding figure was even higher, with around 46 per cent in 2013 (Ministry of Finance [MoF] 2013). Huang and Chen (2012, 540-1) found that since the mid-2000s the transfers to western provinces have outpaced the transfer made to eastern provinces, making western China the largest recipient at the macro-regional level.

On the other hand, since the central government transfer to the sub-provincial level units are, for the most part, made via the provincial governments, city-level statistical resources, including those of Xi'an and Chengdu, do not include such an item. The local budgetary balance may have some indications regarding the local debt in the cities concerned. In Xi'an, for instance, local budgetary deficit (i.e.,

[54] It might be interesting to note that even a report by China's National Audit Office (CNAO 2013) calls some financing methods as "highly concealed."

budgetary revenue minus budgetary expenditure) rose remarkably rose from 2008 to 2015 (see Table 16). This does not prove that Xi'an's debt stock is surging, as the budget deficit can be tackled in two other ways: extra-budgetary revenues and the central government transfers. Yet the ever-deteriorating budgetary balance itself is indicative of some downsides with Xi'an's economy. In contrast to Xi'an, Chengdu's fiscal revenue has outweighed its fiscal expenditure over recent years (Chengdu Bureau of Statistics 2016, Table 6-1). It appears from this discussion that Chongqing has accumulated a significant amount of debt and Xi'an's has run ever-expanding budgetary deficits over the recent years, while Chengdu's fiscal balance, at least according to the revenue/expenditure data, has kept sound.

Table 16 Budgetary deficit in Xi'an, RMB 100 million

2002	-9.30
2003	-3.70
2004	-12.00
2005	-24.69
2006	-33.33
2007	-48.33
2008	-81.38
2009	-95.45
2010	-129.76
2011	-176.03
2012	-200.53
2013	-227.83
2014	-235.75
2015	-266.25

Source: Xi'an Bureau of Statistics 2016, Table 6-1

Both of the two main sources for local governments to cover up the budgetary deficit (i.e., the central transfers and the land-based revenue-raising), may not be sustainable in the long run. There are reasons to doubt, for instance, whether the central government will retain the high-level of fiscal transfers to local governments in the years to come. At the end of the day, the central government's capacity to make fiscal transfers depends on its own revenue which, in turn, depends on the economy's growth rate (Fan and Wu 2016, 16-17; Sano 2014, 3). Of note, the growth rate of the Chinese economy has declined to single digits since

2011, while it was over 10 per cent during most of the 2000s. Similarly, another major source of revenue (i.e., land leasing) has a natural limit and also poses risks. First, the land at the discretion of cities is not unlimited (Wu 2016, 7). Second, the land-based revenue of local governments fluctuates in parallel with the economic growth and housing prices (Sano 2014, 6). In summary, the budgetary deficits evident in Xi'an and high debt-to-GRP ratio in Chongqing may pose fiscal problems in the mid-to-long run, which may amount to a local debt default and a subsequent economic stagnation, if not crisis.

Our assessment on the infrastructure's weight in the local economy in Chongqing, Xi'an, and Chengdu suggests mixed results again. The share of the construction sector– a good indicator for physical infrastructure investments – in Chongqing and Xi'an is relatively high. This is most starkly case with Xi'an. While the share of construction in China's GDP reached at most 7 per cent from 2010 to 2015, in Xi'an that ratio hovered well over 10 per cent in the corresponding years. In Chongqing as well construction sector comprises a fairly higher share in GRP than the China average. Differing from Xi'an and Chongqing, the relative weight of the construction sector in Chengdu remained in a range close to the China-wide ratio. By contrast, the share of construction in those cities remained certainly closer to, or in case of Chongqing, even lower than, the China-wide ratio in 1995, before the WDP launched. Construction's weight in the local economy in Xi'an and Chongqing for 2010-2015 is not only higher than the China-wide ratio but also so compared to their own terms in 1995 and 2000 (see Table 17).

Finally, the possibility of investment retreat poses a risk for Chongqing, Chengdu, and Xi'an. In so far as the trade conflict between China and the United States under the Donald Trump administration lead some multinationals companies operating in China to move out other countries, one might expect a certain degree of slowdown in the economies of Chengdu, Chongqing, and Xi'an. It is reported that some companies, including HP, Foxconn, Microsoft, and Dell, are considering moving part of their manufacturing operations out of China, especially the

Table 17 Construction's share in GRP/GDP, Xi'an, Chengdu, Chongqing, China, per cent

	Xi'an	Chengdu	Chongqing	China
1995	6.9	6.2	5.1	6.1
2000	9.1	8.1	7.0	5.5
2010	12.4	7.5	8.4	6.6
2011	12.5	n/a	8.5	6.7
2012	12.6	7.8	8.8	6.8
2013	13.0	7.6	9.3	6.9
2014	13.3	7.0	9.5	7.0
2015	13.3	6.7	9.6	6.8

Source: Xi'an Bureau of Statistics 2016, Table 3-5; Chengdu Bureau of Statistics 2014 and 2016, Table 2-6; Chongqing Bureau of Statistics 2017, Table 2-6; NBS 2017, Table 3-2, calculated by author

manufacturing operations producing for the United States market (Wu and Wang 2019; Reuters 2019). In the case of Chengdu, Van Grunsven and Wang (2014, 196) point out that the recent development of the electronics industry largely owes to foreign investment and forging an endogenous development path for the industry remains to be a challenge for the city. This chapter's analysis allows for the extension of this fixation to Chongqing and Xi'an. Furthermore, as Dai (2016, 274) maintains, what has made possible the rapid development of the information and communication technology industry in inland cities has to do with the industry's less location-dependent character. The very same factor might make the firms in that sector more susceptible to move out. Triggered by the trade war or otherwise, the possibility of investment retreat from Chongqing, Chengdu, and Xi'an, as well as its repercussions, remain to be seen.

5.3. Conclusion

This chapter has investigated the dynamics of accelerated economic growth in Chongqing, Chengdu, and Xi'an. The chapter first takes stock of the empirical evidence regarding their success in industrial diversification and opening-up.

Afterwards, it has moved to assess the suspected problems with their accelerated growth.

These cities all have gone a long way in sectoral diversification and upgrading with the rapid development of some advanced sectors, not least the electronics industry. They have also attracted a large amount of FDI since the mid-2000s, often surpassing the volumes that coastal cities have attracted. These three cities have some advantages in land and labour cost over their coastal peers. They have combined the cost advantages with increasing local infrastructural capacity and a variety of preferential policies to attract investments from both coastal China and abroad.

I also have examined whether those cities hold two well-known "curses" in local development in China, and western China in particular: being over-indebted and over-dependent on infrastructure investments. Chongqing's situation concerning the debt seems highly problematic since it has accumulated a significant amount of debt stock, which makes the city the second most indebted provincial-level unit in the country. In the case of Xi'an, the existing piece of evidence implies that the city has run ever-expanding budgetary deficits over recent years. Judging from the positive budgetary balance, Chengdu's fiscal situation seems to be less problematic. I have concluded that the budgetary deficits evident in Xi'an and high debt-to-GRP ratio in Chongqing may deteriorate their economic performance in the mid-to-long run.

When it comes to over-dependence on infrastructure construction as a growth source, Xi'an's situation appears as the most problematic one among them. In Xi'an, the construction sector's share in GRP almost amounted to twice as much of the nation-wide ratio for 2010-2015. Though not extreme as Xi'an, in Chongqing as well the construction industry comprises a fairly higher share in GRP than is the case with China in general. Construction's weight in Xi'an and Chongqing's economies for 2010-2015 is not only higher than the China-wide ratio but also considerably so compared to their own terms in 1995 and 2000. This raises

suspicions regarding the quality and sustainability of their very high growth rates in recent years. Chengdu, here again, appears to have a sounder position with a share of construction in a range close to the nation-wide ratio.

Finally, the chapter has pointed to the possibility of investment retreat from Chongqing, Chengdu, and Xi'an and its repercussions. It is reported that the US-China trade conflict has led some foreign companies, such as Dell, HP, and Foxconn, which have large manufacturing and services operations in those cities, to consider moving out China. Such investment outflow not only would bring about stagnating effects but also undermine the development of the electronics industry in these cities, which, to date, has mostly been dependent on the foreign lead firms.

The findings of this chapter on Chongqing, Chengdu, and Xi'an, which are front runners of sectoral diversification and opening-up in western China, will serve as pointers and yardsticks in the next chapter's analysis on Lanzhou and Guiyang's economic transformation in the recent decade.

CHAPTER 6

GROWTH PATTERNS IN MIDDLE-SIZED CITIES OF WESTERN CHINA: LANZHOU AND GUIYANG COMPARED

This chapter aims to compare the growth patterns of Lanzhou and Guiyang over the last decade. Despite having both reached an accelerated growth, these cities can be by and large considered as contrasting cases, since Guiyang has embarked on building up advanced sectors of the economy and progressed with opening-up, while Lanzhou has been experiencing a much slower transformation. Comparatively unpacking their growth patterns allows shedding light on the different experiences of economic transformation in western China. While Guiyang's stands out as a high-achiever, Lanzhou's sluggish transformation is representative of a number of cities of western China. This chapter compares the growth patterns of these cities by employing the analytical procedure elaborated in Chapter 2.

There are two dimensions of comparison in this chapter, as it compares not only indicators of Lanzhou and Guiyang, but also references the two cities against the background of other selected cities and nationwide data. Thus, in addition to substantiating the diverging growth patterns in western China, this expanded comparison yields insights which are helpful to assess some widely held assumptions regarding the distinctive dynamics of development in western China.

Some argue that the WDP deepened dependence on state investment rather than help stimulate foreign and private investment in the region (e.g., Shih 2004; Grewal and Ahmed 2011, 167-8; Golley 2010, 141). Also, in the early to mid-2000s, some scholars maintain that the over-reliance on infrastructure investments in western China, mostly financed either from the state's coffers or local government debt, cast doubt on the sustainability of growth with "endogenous" dynamics (e.g.,

Naughton 2004; Vermeer 2004; Niu and Chen 2004, 74). Have cities of western China been over-reliant on investment, and infrastructure investment in particular? To what extent have they been able to stimulate foreign and private investments? How successful are they in diversifying and upgrading the local industrial structure? By developing some answers to these questions, the chapter aims to contribute to the ongoing discussions regarding economic development in western China.

The chapter starts with a discussion of the case selection, and elaborates on the logic of the comparison employed. This part identifies several other cities, comparable in terms of economic scale and population size, with Lanzhou and Guiyang. The next section compares Lanzhou and Guiyang's growth and opening-up indicators with each other, as well as with the other selected cities. Comparing Lanzhou and Guiyang's basic economic indicators with this reference group will provide a ground which can highlight areas in which Lanzhou and Guiyang demonstrate high achievement, are lagging behind, or are just average, thus shedding light on their relative position. The following section parses the sources of growth in Lanzhou and Guiyang by examining the composition of their GRPs and sectoral-level trends therein.

6.1. Laying the ground for comparison

Both Lanzhou and Guiyang are prefecture-level cities with populations of 3.7 and 4.6 million in 2015, respectively. They are highly urbanized cities, with well above 70 per cent of their population residing in urban areas (see Table 18). The comparable cities chosen for comparison, accordingly, have a similar level of urbanization and population size.

The group of comparable cities were selected through a three-step elaboration. As population size affects a city's economic prospects to a remarkable extent, I first identified prefecture-level cities whose population size, according to the China 2010 Census data, was at a similar level as that of Lanzhou and Guiyang. Lanzhou had approximately 3.6 million residents, and Guiyang 4.3 million, at this time. The

census population dataset, which includes all prefectural Chinese cities, was downloaded from CEIC Data and reworked on a spreadsheet to rank the cities by population. The goal at that stage was to identify cities whose population not more than a few hundred thousand residents smaller than Lanzhou's population, and not larger than a few hundred thousand more than Guiyang's population. That corresponds to cities with populations ranging from roughly 3 to 4.5 million residents. The second step was to check whether the urban population was above 50 per cent of the total population, with a minimum absolute value of 2 million. Since Lanzhou and Guiyang are quite urbanized by Chinese standards, comparable cities would be those with a majority of residents living in urban areas. Paying attention to urban population is important, as many otherwise comparable cities have more rural population than urban population (e.g., Siping in Jilin province or Deyang in Sichuan province).

This step eliminated many cities that are aligned with the first criterion. In the last step, few more cities were eliminated, as their economic size is significantly larger than that of Lanzhou (e.g., Changzhou in Jiangsu), which is the smaller one of our two cases. I finally ended up with around a dozen cities. Among these, several especially relevant cases were selected as follows: Guiyang, Urumqi, Jilin City (hereafter Jilin)[55], Lianyungang, Taiyuan, and Zhongshan. At least one city from each macro-region was included.

Urumqi, like Guiyang and Lanzhou, is located in western China. Zhongshan was selected for contrasting purposes, as it is a relatively prosperous city located in Guangdong. To add nuance to the simplified eastern-western divide, I added Lianyungang in Jiangsu province, another seaboard city in eastern China with average economic prosperity. Jilin (in Jilin province) and Taiyuan (in Shanxi

[55] Jilin (吉林) is also the name of the province to which Jilin city belongs.

province), located in the northeast and central China, respectively, were chosen as they are, like Lanzhou and Guiyang, old heavy industrial areas in transition.

It is necessary to note two complexities concerning China's population statistics. First, there is a difference between the long-term resident population (常住人口 *changzhu renkou*) and *hukou* population. While the former refers to de facto population, the latter only includes people with the local household registration certificate. Cities, especially relatively affluent ones, are home to a very large number of temporary migrants without local *hukou*, who are either rural *hukou* holders of their own province, or *hukou* holders of other cities.

As Gibson and Li (2016, 2) note, the de facto population of Shenzhen according to the 2000 Census was around 7 million, while its population with *hukou* was just above 1 million (see also Wu and Gaubatz 2013, 72-3).[56] There are many cities like Shenzhen which attract a large number of migrant workers with their vibrant economies. Even cities with ordinary economic prosperity, such as Lanzhou, become a destination for economic immigration from nearby rural areas. Since the *changzhu* population data refer to the de facto number of people residing in a city, it is more appropriate for undertaking economic evaluations.[57]

An additional complexity with the population data is the use of two different definitions of an urban area in the Chinese official documents and data. One definition only includes the so-called city districts – *shiqu* (市区). This classification is based on an administrative division, covering the districts which are under the direct control of a municipality. The second definition, however, includes urban areas, as classified by the NBS, that are not city districts in terms of

[56] When it comes to the provincial level, we see opposite examples. For instance, the de facto population is substantially less than the *hukou* population in Anhui, a "migrant-provider province" (Gibson and Li 2016, 5).

[57] Indeed, an NBS decision dated to 2003 stipulated that the local governments have to start to use the *changzhu* population in the calculation of GRP per capita (see Chan and Wang 2008, 32).

administrative status. The NBS' classification defines the urban area by population density and contiguity of the built-up area. Thus, the second definition of the urban area, called *chengzhen* (城镇), encompasses urbanized areas regardless of their administrative status while excluding some areas of city districts that do not meet the criteria of population density and contiguity of built-up areas (Chan 2007, 386-7; Qin and Zhang 2014). Since the purpose of defining the urban population is to assist in understanding the economic structure, *chengzhen* population is a better indicator than *shiqu* population. In other words, *chengzhen* population better reflects the relative weight of industry and services vis-à-vis primary sectors.

Table 18 Selected indicators of Lanzhou, Guiyang, and comparable cities

	Region	De facto Census Population 2010 (10000 person)	Urban *(chengzhen)* population 2015 (10000 person)	Total de facto population, 2015 (10000 person)	GRP 2015 (RMB billion)	GRP per capita 2015 (RMB)
Lanzhou	Western	361.616	298.96	369.31	209.60	56972
Guiyang	Western	432.261	338.55	462.18	289.12	63003
Urumqi	Western	311.028	300.00	355.00	263.16	74340
Taiyuan	Central	420.159	364.51	431.87	273.53	63483
Jilin	Northeast	441.468	223.05	426.24	239.42	56076
Lianyungang	Eastern	439.391	270.68	449.64	218.57	48977
Zhongshan	Eastern	312.130	282.83	320.96	305.28	95365

Source: The census population data are taken from the CEIC. The *chengzhen* population is taken from the websites of cities' statistical bureaus or the local statistical bulletins. Urumqi's urban population is an estimation made by subtracting rural population (乡村 *xiangcun*) from de facto total population (see Urumqi Bureau of Statistics 2016). For Jilin, yearbooks and bulletins do not contain de facto population data. The data shared in the table is of the registered population. The de facto population should be a bit higher.

The following section surveys Lanzhou and Guiyang's growth and opening-up indicators in comparison with other selected cities.

6.2. Lanzhou and Guiyang's WDP era economic performance in a nutshell: Growth and opening-up indicators

Lanzhou and Guiyang stagnated during the second half of the 1990s. Lanzhou's compound annual growth rate (CAGR) of GRP per capita for the 1996-2000 period was 6,0 per cent (LBS 2016 Table 1-6, calculated by author), while Guiyang's CAGR of per capita for 1995-2001 was 4,34 per cent (CEIC and China Data Center, calculated by author).[58] Starting in the early 2000s, however, they started to record fairly high growth rates. Guiyang has had better performance than Lanzhou in this regard. The former's CAGR of GRP per capita for the 2001-2016 period was 14.35 per cent, while the corresponding figure for Lanzhou was 11.55 per cent. Guiyang's growth rate is not only higher than that of Lanzhou but also higher than other selected cities, with the exception of Lianyungang. Guiyang also clearly outperformed the China-wide annual growth rate of GRP per capita. Lanzhou's growth rate is only higher than Zhongshan and Urumqi and is lower than the China-wide national average (see Table 19).

In 2001, Guiyang was the second poorest among the selected cities by per capita GRP, being only ahead of Lianyungang. As of 2016, Guiyang overtook Jilin and Lanzhou and almost caught up with Taiyuan in terms of GRP per capita (CEIC).

Table 19 Selected cities- Compound annual growth rate of GRP per capita 2001-2016, per cent

Lanzhou	11.55
Guiyang	14.35
Urumqi	9.08
Taiyuan	12.05
Jilin	12.16
Lianyungang	4.65
Zhongshan	9.19
China	12.88

Source: CEIC; calculated by author. Note: current prices

[58] For Guiyang, I took the data from 1995, instead of 1996, since 1996 saw a contraction of the city's economy which would result in a misleading comparison.

Opening-up and forging links with foreign companies and markets has been a major emphasis in Chinese official discourse on western development. The value of inward foreign direct investment and exports are taken here as the primary indicators of how much a city has been integrated into global production and trade networks.

While Guiyang has been extremely successful across the board in recent years in attracting foreign investments, Lanzhou has seen little success.[59] In 2016 and 2017, Guiyang outranked all of its peers in terms of inward FDI figures, including those located in coastal China, that is Zhongshan and Lianyungang. Given this, it is not surprising to see that Guiyang was ranked as the most successful city in China in 2015 according to an index based on indicators such as growth in FDI and GDP (EIU 2015, 5). Guiyang has attracted considerable attention from international media outlets with its lure to the global heavyweights of the information technology industry (see below).

The volume of inward FDI to Lanzhou, on the other hand, has remained negligible. The city is ranked last among the selected cities by volume of FDI inflow. Even other subpar cases like Jilin and Urumqi attracted much more FDI than Lanzhou. While Jilin has attracted an annual FDI averaging above 250 million USD since the mid-2000s, the annual average for Urumqi is 100 million USD. FDI flows into Lanzhou in the corresponding period were quite tiny, with an annual average slightly above 30 million USD (see Figure 6).

[59] It is worth asking whether the inward FDI differentials between Lanzhou and Guiyang result from the latter's advantages in some initial conditions such as education. Lanzhou, however, has strong educational assets. Liu Yajun, former vice mayor of Lanzhou, relatedly tell as follows (Liu 2002, 83): "Lanzhou is one of the major scientific research bases of China with over 700 research institutes, nine key state research laboratories, 13 universities and colleges and 200,000 scientific research people. People providing science and technology services in the urban area accounts for 2.11 per cent of Lanzhou's 15 industries' total which is higher than the average figure in other western cities (1.30), cities in the whole country (1.12) and big cities in the country (1.78)." Also, the share of the population with a high school degree or above is higher in Gansu province, the capital city of which is Lanzhou, than most of the other western provinces, including Sichuan, Guizhou, Yunnan, Qinghai, Tibet, and Xinjiang (Cochrane et al. 2019, 15).

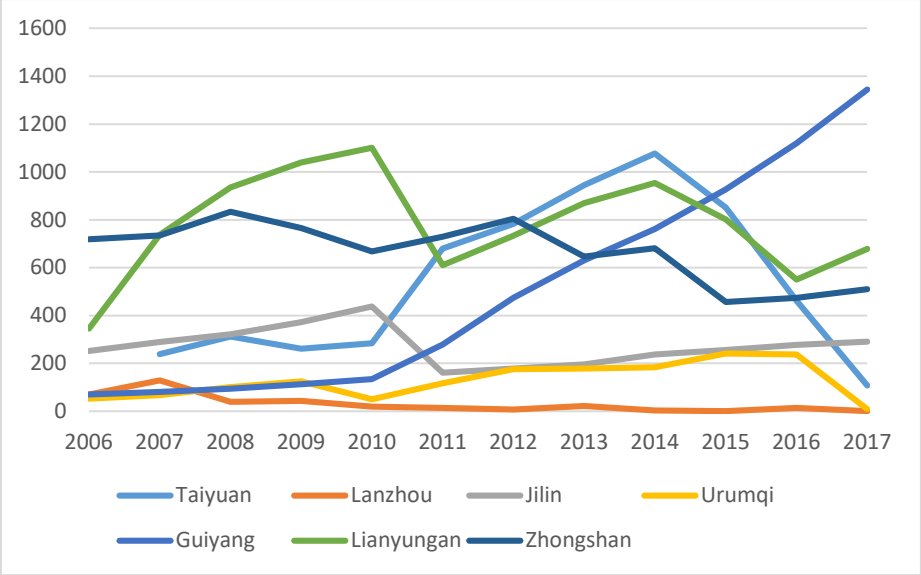

Figure 6 Utilized foreign direct investment, USD million

Source: CEIC, calculated by the author

When it comes to exports, both Lanzhou and Guiyang recorded an impressive increase from 2012 to 2015. Factors behind this upward move are not easily discernable.[60] Given the size of FDI it has attracted, Guiyang's increased exports are not as puzzling as in the case of Lanzhou. One might hypothesize that the increase in Lanzhou's exports was caused by newly-arrived companies in the Lanzhou New Area (LNA).[61] But this does not hold true, as the share of exports originating from the LNA in 2015 accounted for less than 10 per cent of Lanzhou's total exports (LBS 2016, Table 3-15).

[60] During the field interviews in Lanzhou, the author noticed that local government departments, with the exception of the Lanzhou Customs, did not hold the data concerning the export goods and destinations of specific goods produced in Lanzhou. The Customs supplied the author only with major destinations data, which does not tell much without any information about the major export goods.

[61] The National New Areas are residential and industrial zones constructed from scratch in areas adjacent to cities. They are designed in a way to attract investment in high-tech sectors under preferential policies. The LNA was approved by the State Council in 2012 (see the next chapter).

Another possible explanation might lie in the stimulation that the Belt and Road Initiative is supposed to provide. Yet, counter-intuitively, in 2016 and 2017, at a time when one might expect the BRI to yield positive results, a downward trend in Lanzhou's exports is evident. The same goes for Guiyang. It is important to note that this V-typed trend is not present with the other selected cities (see Table 20). The explanation, therefore, should be location-specific rather than a nationwide factor such as a change in the RMB exchange rate. The most probable explanation is that the initial upward and the subsequent downward trend in Guiyang and Lanzhou's export volumes are linked to price fluctuations in exported goods, which is most likely to happen with natural-resource commodities, agricultural products and adjacent industries, which make up a significant share of the economies of both Lanzhou and Guiyang.

Table 20 Total export, selected cities, USD million

	Guiyang	Lanzhou	Urumqi	Jilin	Lianyungang	Taiyuan	Zhongshan
2007	1232	565	3451	562	1846	4392	17297
2008	1410	586	4804	817	2290	5942	18702
2009	1263	306	2968	412	1950	1944	17736
2010	834	912	4436	552	2600	3138	22504
2011	2780	1229	6695	574	3736	5029	24546
2012	4214	2691	8063	491	3600	4242	24644
2013	5579	3593	6399	519	3783	5294	26474
2014	7272	4007	7216	851	4355	6570	27878
2015	7897	4459	4811	615	4059	6592	28006
2016	3288	3318	4206	448	3683	n/a	26660
2017	2271	1079	5330	631	3907	n/a	30278

Source: CEIC. Lanzhou's 2016 and 2017 data is taken from LBS 2018, Table 1-5. Listed as RMB in the source, the data was converted to USD by using the yearly average exchange rates from the OECD, https://data.oecd.org/conversion/exchange-rates.htm

An additional observation to derive from the cross-city comparison of export volumes is that with the exception of the period from 2012 to 2015, Guiyang and Lanzhou's export volumes fell behind the export volumes of Urumqi, Lianyungang, Taiyuan, and Zhongshan. While this is not something inexplicable for Lanzhou, a city with a low level of transnational linkages, as demonstrated by its inward FDI

figures, Guiyang's low level of exports, given the increase of inbound FDI in advanced sectors in recent years, is somewhat unexpected. Guiyang's situation in this respect might be similar to that of Xi'an, where high-tech sectors widely target the domestic market (see Walcott 2003, 630).

6.3. Sources of accelerated growth in Lanzhou and Guiyang

This section probes the sources of growth in Lanzhou and Guiyang by drawing on the categories of two different methods of calculating GDP: the expenditure approach and the value-added approach. According to the expenditure approach, GDP (or gross regional product [GRP] for our purposes), by definition, is equal to the sum of gross capital formation, final consumption expenditure of households and government, and net exports. Gauging relative weight of capital formation (hereafter used interchangeably with *investment*), consumption, and net exports helps to understand, most importantly, whether growth in a city is investment-reliant, as often assumed in narratives on economic growth in western China. Thereafter, a sectoral level analysis, which draws on the logic of the value-added approach, follows. According to the value-added approach, GDP/GRP is equal to the sum of value-added generated by various sectors of the economy. Such an analysis helps to assess how the cities progressed in sectoral diversification and upgrading.

Even though the partial data available impede the effort to fully follow the lines of expenditure and value-added approaches to some extent, the analysis has still yielded valuable insights for understanding the growth dynamics of Lanzhou and Guiyang.

6.3.1 Growth dynamics by expenditure approach

Since the early 2000s, China has turned to an investment-led growth path (Lardy 2015, 104). The post-GFC era witnessed a further consolidation in the significance of investment as a source of growth. While the share of capital formation in China's

GDP was 40.6 per cent and 41.2 per cent in 2005 and 2006, respectively, it increased to 46.3 per cent and 47.9 per cent in 2008 and 2009. In 2016 and 2017, the figure dropped to 44.1 per cent and then 44.4 per cent (NBS 2018, Table 3-11).

Even considering the recent decline, these are still unusually high levels. Investment ratios hovering around the mid-40's are not only a historic high within China but also relative to other countries. Even other Asian developmental states such as Japan, South Korea, and Taiwan did not witness comparable levels of investment. At its peak, investment's share in GDP was 41.4 for South Korea, 39.6 for Taiwan, and 39.5 per cent in Japan (Mossavar-Tahmani et al. 2016, 19; see also Zhang 2016, 3). As for the other large, middle-income economies, investment's share in GDP generally remains below 40 per cent, while final consumption is usually above 60 per cent (Yu and Zhang 2015, 2080-1).

Over-reliance on investment, and infrastructural investment in particular, signifies an imbalance, since it may be motivated by a desire to prop up growth rates and compensate for low rates of consumption. Also, the way in which the investments are financed might be a sign of another imbalance: debt accumulation (see Krolikowski 2017, 43-4, Kroeber 2016, 219; Garnaut et al. 2016, 1).

Lanzhou's growth has been clearly led by investment, with a much higher share of GRP comprised of capital formation than the national average. The capital formation's share in Lanzhou's GRP has been over 60 per cent since 2010, up from 49.9 and 51.4 per cent in 2005 and 2006 (see Table 21).

Investments as a percentage of GRP are higher than the national average in Guiyang as well, albeit less so than in Lanzhou. In both cities, the share of investment has surged in the post-GFC era in tandem with the China-wide trend (see Table 22).

Table 21 Components of GRP by expenditure approach, Lanzhou, per cent

	Final consumption	Gross capital formation	Net exports
1995	51.1	38.7	n/a
2005	48.3	49.9	4.1
2006	47.1	51.4	4.6
2007	45.1	54.2	4.3
2008	43.1	57.7	3.8
2009	42.7	58.7	0.9
2010	40.1	60.2	4.2
2011	40.1	60.8	2.8
2012	38.7	62.9	8.0
2013	37.1	65.7	10.6
2014	37.1	65.7	10.6
2015	39.1	66.1	11.5
2016	39.7	65.9	7.2
2017	42.6	61.8	0.8

Source: LBS 2016, Table 1-5; LBS 2018, Table 1-5, calculated by the author. Note: The sum of net exports, capital formation, and final consumption reasonably exceed 100 per cent. This may result from double counting. The same caveat applies to Lanzhou data in Table 22.

Table 22 Components of GRP by expenditure approach, Guiyang, per cent

	Final consumption	Gross capital formation	Net exports
2005	55.85	44.50	-0.53
2006	56.45	44.43	-0.88
2007	56.25	44.74	-0.99
2008	54.13	50.21	-4.34
2009	55.99	46.24	-2.23
2010	55.19	46.38	-1.57
2011	49.55	52.92	-2.47
2012	47.13	57.49	-4.03
2013	46.20	58.42	-4.62
2014	45.63	58.83	-4.46
2015	48.63	56.68	-5.31

Source: GBS various years, general survey" section. Note: The total may slightly exceed or fall under 100 due to rounding.

The high level of investment in Lanzhou and Guiyang is not exceptional in western China. Chengdu, for instance, has an even higher investment rate for the 2005-

2014 period (see Table 23). This investment reliant growth is by no means limited to the western cities. Taiyuan, Lianyungang, and Jilin also have an investment share above 50 per cent for the corresponding period, which puts them well above the national average. Zhongshan is an outlier here, featuring an ideal-typical example of an export-oriented coastal city with net exports contributing a high percentage of GRP, while investment accounts for a fairly low share (see Table 23). In Foshan, for instance, another city in Guangdong province with a quite similar GRP composition, the share of gross capital formation has never hit a rate higher than 30 per cent, with the share of exports consistently above 20 per cent of GRP (Xiao et al. 2015, 36). This observation is consistent with a broader trend of comparatively high investment in the central and western regions (Cochrane et al. 2019, 11).

Table 23 Components of GRP by expenditure approach, selected cities and China, 2005-2014, per cent

	Final consumption	Gross capital formation	Net exports
Lanzhou	41.9	58.7	5.4
Guiyang	52.2	50.4	-2.61
Jilin	42.6	70.1	-12.66
Lianyungang	46.2	54.9	n/a
Taiyuan	44.7	55.3	0.05
Zhongshan	44.0	36.7	19.3
Chengdu	43.5	63.2	n/a
China	50.3	44.9	4.7

Source: Calculated by the author by using data from statistical yearbooks of the cities.
Note: The total may slightly exceed or fall under 100 due to rounding. Taiyuan's figure covers 2006-2014.

The relatively high contribution of net exports to GRP in Lanzhou warrants a brief mention. Even though Lanzhou's exports, as shown in Table 19, stayed broadly less than the exports of selected cities, net exports make a relatively high contribution to Lanzhou's GRP. This simply results from that Lanzhou's imports remained remarkably low. This unusually wide gap between Lanzhou's exports

and imports may be related to the tiny existence of foreign investments in the city. This is so because exports by China's foreign-invested enterprises, in general, involves a large imported content (see Breslin 2007, 143-147). To exemplify, when an iPhone is assembled in China to be exported, many of the intermediate components are supplied from other countries. Exporting goods manufactured by domestic enterprises, as is the case with Lanzhou, does not involve such an export-import nexus.

Available data about capital formation on the sectoral level are also relevant for the discussion that follows in the next section. In Guiyang in 2015, the "information transmission, computer service and software" industry comprised of about 18.5 per cent of all capital formation (GBS 2016, Table 2-6). This is consistent with the increasing share of value-added by high-tech sectors in Guiyang, which will be discussed below. In Lanzhou, the share of high-tech industries in value-added is overall quite stagnant.

The next section complements the discussion so far by dissecting the GRPs of Guiyang and Lanzhou's and identifying major sources of growth at the sectoral level.

6.3.2 Growth dynamics by sectoral value-added

Lanzhou and Guiyang alike have a heavy industrial legacy dating back to the centrally-planned economy of the pre-reform era. Along with heavy industrial sectors like metallurgy, chemical manufacturing, and mineral-based industries, and industries with agricultural inputs, like the tobacco industry, have traditionally been a major part of the manufacturing sector in both cities.

This same industrial structure can be seen in many inland areas. The industrial diversification evident in the coastal provinces is not present in most of the inland provinces, which instead continue to rely on heavy industry and industries based on agricultural inputs. He Canfei, a prominent Chinese economic geographer at

Peking University, clearly underlines the differences in industrial diversification between the coastal and inland provinces (He 2009, 271):

> Due to marketization and globalization, the inland provinces are able to fully exploit their comparative advantages based on natural resources, leading to a higher level of industrial specialization. For instance, in 2004, the top four industries in inland provinces included typical resource-based or resource-processing industries such as ferrous metal smelting and pressing, non-ferrous metal smelting and pressing, non-metal mineral products, food processing, petroleum refining and coking, chemical materials and products, and tobacco processing. The coastal provinces have upgraded their industrial structures and begun to specialize in more advanced industries, including telecommunications and electronic equipment, transportation equipment, general and specific-purpose machinery, petroleum refining and coking, electrical machinery and equipment, chemical industries, and ferrous metal smelting and pressing. Therefore, geographic agglomeration of labor-intensive industries in the coastal region caused industrial diversification in the coastal provinces in the 1990s, while the agglomeration of advanced industries has caused industrial specialization along the coast recently.

Though many inland areas have difficulties in diversifying their manufacturing structure towards more advanced sectors, the previous chapter has illustrated that Chongqing, Chengdu, and Xi'an have recently succeeded in doing so. What is the situation in Guiyang and Lanzhou in this respect? Addressing this question requires examining which branches of secondary and tertiary industries contribute most to their GRPs.

The tertiary industry has been growing faster than the secondary industry since the mid-2000s in both in Lanzhou and Guiyang. In Lanzhou, the tertiary industry grew to become the largest component of GRP in 2005 for the first time, and grew to around 60 per cent of GRP in 2017 (see Figure 7). In Guiyang, the tertiary industry became the largest part of GRP in 2008 and accounted for slightly less than 60 per cent of GRP in 2017 (see Figure 8). A crucial difference between them is that while the development of manufacturing in Lanzhou flattened or even contracted in some years, manufacturing in Guiyang kept growing (see below).

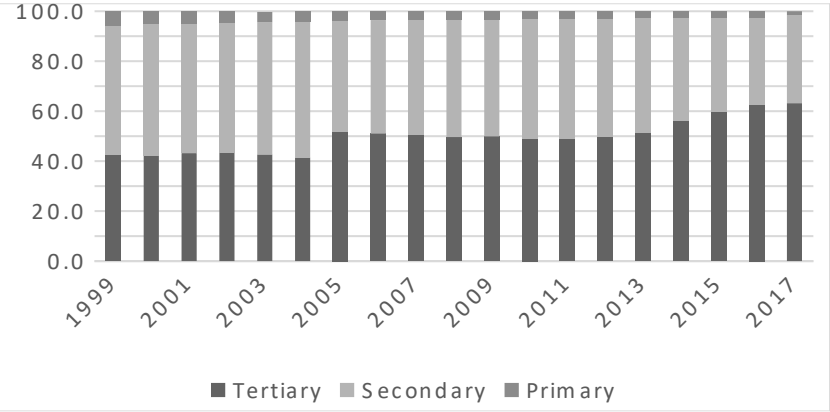

Figure 7 Composition of GRP by three sectors, Lanzhou, 1999-2017
Source: National Bureau of Statistics of China via CEIC

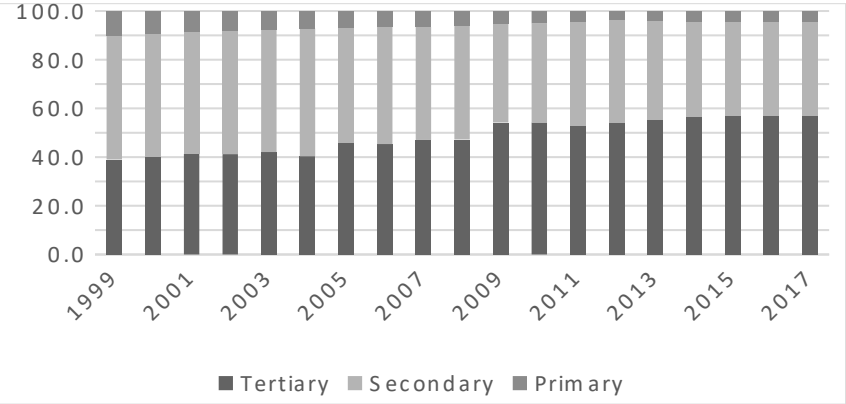

Figure 8 Composition of GRP by three sectors, Guiyang, 1999-2017
Source: National Bureau of Statistics of China via CEIC

6.3.2.1. Development trends in secondary sectors

A noticeable increase in construction, a major component of the secondary sector, is apparent in both cities. The construction industry, in value-added terms, has come to account for around a quarter or more of secondary industry in Lanzhou since 2010. The construction industry's share in Guiyang is even more pronounced, peaking in 2015 with about 35 per cent of secondary industry. As such, the

construction industry's share of GRP has been increasing in the last few years in both cities, accounting for more than 10 per cent.

This rate is high relative to the other selected middle-sized cities. The corresponding figure was around 6.5 per cent in Jilin, 6 per cent in Urumqi, and below 3 per cent in Zhongshan from 2010 to 2015 (calculated by author Jilin Bureau of Statistics 2017, Table 2-1; Urumqi Bureau of Statistics 2015, Table 3-4; Zhongshan Bureau of Statistics 2016, page 36). Among the selected cities, Lianyungang is closest to Lanzhou and Guiyang in terms of construction's share in GRP, with a rate slightly above 9 per cent. It is also notable that construction's share in China's GDP was lower than 7 per cent from 2010 to 2015 (NBS 2017, Table 3-2).

Table 24 Share of construction, Lanzhou and Guiyang, per cent

	Lanzhou		**Guiyang**	
	construction share in secondary industry	construction share in GRP	construction share in secondary industry	construction share in GRP
2005	20.92	9.2	14.73	7.0
2006	20.49	9.3	16.27	7.9
2007	20.29	9.3	18.36	8.5
2008	19.41	9.4	21.21	10.0
2009	23.62	11.1	21.92	8.9
2010	24.59	11.8	22.80	9.3
2011	24.26	11.7	22.48	9.5
2012	24.48	11.7	25.45	10.7
2013	26.48	11.6	28.32	11.5
2014	28.48	11.7	30.57	12.0
2015	32.14	12.0	35.58	13.6

Source: LBS 2016, Table 1-5; GBS various years, "General Survey" section, calculated by author.

On the other hand, the relatively prominent role of construction in Lanzhou and Guiyang is not exceptional by the standards of western China. For instance, construction's share in GRP averaged over 12 per cent in Xi'an and over 9 per cent in Chongqing during the 2010-2015 period (Xi'an Bureau of Statistics 2016, Table 3-5; Chongqing Bureau of Statistics 2017, Table 2-6; see also the previous chapter).

It appears from this discussion that local governments in western China, in general, tend to rely more on physical infrastructure and residential or commercial construction.

The declining relative share of manufacturing in the GRPs of Lanzhou and Guiyang is attributable to the relatively slow growth in manufacturing vis-a-vis construction and tertiary sectors. Looking only at Lanzhou in 2014 and 2015, value-added by manufacturing contracted in absolute terms (see Table 25). In Guiyang, though no decline in absolute terms was observed, construction and tertiary sectors have nonetheless grown faster than manufacturing.

Table 25 Share of manufacturing in GRP, Lanzhou and Guiyang, per cent

	Lanzhou	Guiyang
2005	31.99	40.39
2006	33.27	40.52
2007	33.83	37.89
2008	35.05	37.01
2009	33.28	31.74
2010	33.87	31.45
2011	34.19	32.89
2012	34.41	31.45
2013	32.38	29.17
2014	28.24	27.15
2015	24.57	24.70

Source: LBS 2016, 1-5; GBS, various years, “General Survey” section, calculated by author.

Heavy industries and the tobacco industry are the mainstay of Lanzhou’s manufacturing value-added. While the petroleum processing, coking and nuclear fuel processing industry was the city’s single largest industry until 2013, it would later be surpassed by the tobacco industry. These are followed by the electricity and heat production and supply industries. These three branches of manufacturing combined account for about half of the total industrial value-added in Lanzhou. Manufacturing branches of secondary importance are the non-ferrous metal

smelting and pressing industry, chemical raw materials and chemical manufacturing, and the non-metallic mineral products industry (see Table 26).

As such, it appears that the industries that were developed during the pre-reform era still constitute the backbone of manufacturing in Lanzhou. Indeed, many inland cities, finding themselves unable to diversify their manufacturing industries, continue to rely on the traditional industries of the pre-reform era. A similar observation is made, for instance, for Harbin, a major city and old industrial area in northeast China (Xie et al. 2016, 31).

Table 26 Value-added of major manufacturing industries, Lanzhou, 10000 RMB

	Petroleum processing, coking and nuclear fuel processing	**Tobacco industry**	**Electricity and heat production and supply**	**Non-metallic mineral products industry**	**Non-Ferrous metal smelting and pressing industry**	**Chemical raw materials and chemical manufacturing**
2010	752073	422115	45846	204827	240246	377089
2011	1358197	636264	56610	192588	250241	413145
2012	1557035	849647	49679	261681	331294	402942
2013	1474842	958834	54695	328718	322975	385323
2014	1099987	1113936	61559	304624	398541	349406
2015	855649	1233684	663373	242141	367251	277653
2016	908513	1044806	596768	229590	524545	255913

Source: LBS, various years, “Industry” section. Data covers only the enterprises above the scale.

Guiyang’s inherited industrial structure is similar to that of Lanzhou. The largest contributor to manufacturing value-added in Guiyang is, by far, the tobacco industry. It is followed by chemical raw materials and chemical manufacturing, and pharmaceutical manufacturing, which is the only high-tech sector among the top manufacturing branches as defined by China’s official classification (see below). Other major sectors include electricity and heat production and supply, non-ferrous metal smelting and pressing industry, and non-metallic mineral products industry (see Table 27).

Table 27 Value-added by major manufacturing industries, Guiyang, 10000 RMB

	Non-Ferrous metal smelting and pressing industry	Tobacco industry	Electricity and heat production and supply	Non-metallic mineral products industry	Chemical raw materials and chemical manufacturing	Pharmaceutical manufacturing
2010	197460	749952	324345	99858	272707	422014
2011	123102	993420	268743	164141	520209	331319
2012	300494	1418524	308199	134361	683133	403065
2013	310245	1710200	124805	290904	715139	483891
2014	359650	1811568	370879	359650	561024	678803
2015	320738	1749330	397823	347548	734432	731369
2016	328356	1584820	427977	443789	881619	871552

Source: GBS, various years, "Industry" section. Data covers only the enterprises above the scale

Guiyang, on the other hand, differs from Lanzhou in the growing importance of some high-tech manufacturing in recent years. According to Chinese official classification, high-tech sectors in manufacturing include six main categories; pharmaceutical manufacturing, aviation, spacecraft and equipment manufacturing, electronic equipment and communication equipment manufacturing, computer and office equipment manufacturing; medical equipment and apparatus manufacturing, and information product manufacturing (NBS 2017, Table 20-13). Among these, pharmaceutical manufacturing already ranked as Guiyang's one of the largest sectors in terms of value-added. Value-added by some other sectors, which might be seen as a surrogate for high-tech sectors,[62] including communications, computers and other electronic equipment and railway, marine, aerospace and other transportation equipment manufacturing, were about to catch up with the value-added by the non-ferrous metal smelting and pressing industry, which ranked

[62] High-tech sectors as classified in China nationwide yearbook are not available in Guiyang's and Lanzhou's yearbooks. That is why the surrogate sectors are taken. Even for the surrogate sectors, data for Lanzhou and Guiyang are not complete. Also, some sectors are not listed in the yearbooks of these cities, possibly implying non-existence.

last among the top six manufacturing sectors. The value-added by the high-tech sectors has been steadily increasing in recent years (see Table 28).

Lanzhou, however, has been much less successful in stimulating high-tech sectors. With the exception of pharmaceutical manufacturing, high-tech related sectors are not contributing significantly to Lanzhou's economy (see Table 29; see also Xu 2014, 48). For instance, value-added by the automobile industry, communications, computers and other electronic equipment, or railway, marine, aerospace and other transportation equipment manufacturing is negligible. The value-added by high-tech sectors in Guiyang is much higher than in the whole of Gansu province.[63]

Table 28 Value-added of selected high-tech sectors, Guiyang, 10000 RMB

	Automobile industry	Communication, computers and other electronic equipment	Railway, marine, aerospace and other transportation equipment	Pharmaceutical manufacturing	Total high-tech value-added in manufacturing	High-tech share in manufacturing value-added
2011	n/a	166554	n/a	331319	531753	14.1
2012	101722	122064	138006	403065	659543	14.5
2013	157294	216120	166465	483891	874825	15.8
2014	200369	102478	157767	678803	961343	15.2
2015	292454	202720	277864	731369	1220895	17.1
2016	287831	178973	289287	871552	1421679	18.2

Source: GBS 2017, Table 7-14; GBS 2016, Table 7-1. Note: there are some inconsistencies with 2014 figures in 2015 and 2014 yearbooks, albeit very small ones. I used the figures from the latest.

As the experiences of coastal cities as well as Chengdu, Chongqing, and Xi'an, demonstrate, industrial diversification goes hand in hand with the stimulation of private investments, domestic or foreign. In Lanzhou, unlike those cities, state-controlled enterprises continue to constitute the bulk of the manufacturing industry, where around 75 per cent of the local value-added by manufacturing is generated by SCEs. In Guiyang, SCEs also accounted for a clear majority in manufacturing value-added until recently, when their weight began to decrease over the last few

[63] Lanzhou yearbooks do not contain data about the total value-added by high-tech sectors.

years from around 65 per cent in the early 2010s to about 50 per cent in 2016 (see Table 30). This differential between Lanzhou and Guiyang in itself is revealing of Lanzhou's laggard performance in industrial diversification.

Table 29 Value-added of selected high-tech sectors, Lanzhou, 10000 RMB

	Automobile industry	Communications, computers and other electronic equipment	Railway, marine, aerospace and other transportation equipment manufacturing	Pharmaceutical manufacturing	Total high-tech value-added in manufacturing (Gansu)
2011	n/a	5531	n/a	117016	n/a
2012	n/a	13023	n/a	149141	n/a
2013	7026	13111	17820	177739	569000
2014	2531	9495	n/a	137680	520000
2015	28371	10258	n/a	169873	595000
2016	23210	34059	n/a	208245	n/a

Source: LBS various years, "Industry" section; Gansu Bureau of Statistics various years, "Industry" section.

Table 30 Manufacturing value-added and share of state-controlled enterprises, Lanzhou and Guiyang

	Lanzhou			**Guiyang**		
	Total manufacturing value-added	Value-added of SCEs, RMB million	Share of SCEs in total manufacturing value-added, per cent	Total manufacturing value-added	Value-added of SCEs, RMB million	Share of SCEs in total manufacturing value-added, per cent
2010	37267	29392	78.9	32987	21747	65.9
2011	46503	40080	86.2	37821	24621	65.1
2012	53815	44353	82.4	45568	31281	68.6
2013	57510	45620	79.3	55235	35073	63.5
2014	56500	43350	76.7	63345	37213	58.7
2015	51500	38790	75.3	71228	39143	54.9
2016	50200	36990	73.7	78281	40671	51.9

Source: LBS various years, "Industry" section. GBS various years, "Industry" section. Notes: In the figures regarding the value-added, decimals fractions are removed. Data covers only the enterprises above the scale

6.3.2.2. New growth sources in tertiary sectors

Guiyang has experienced a tremendous leap in its high-tech economy with the growth in information and computer services. In particular, the city's big data sector has been booming in recent years, to such an extent that Guiyang has

emerged as one of the most important big data centres in China (EIU 2015, 3; Wong, Lin, and Lee 2017, 8). The growth rates of "information transmission, software industry and computer services" have been high and steady: 17.5 per cent in 2012, 9.5 per cent in 2013, 12.5 per cent in 2014, 15.1 per cent in 2016, and 38.7 per cent in 2017 (GBS various years, Table 2-5). Leading multinational and Chinese corporations in the information technology industry, including Microsoft, Apple, Huawei, Tencent, China Unicom, and Foxconn, now have data centres in Guiyang (Roxburgh 2017; Economist 2018). Also, Guiyang houses the headquarters of some leading national firms in big data-related sectors, such as the Truck Alliance, China's largest truck hailing company, which matches truckers and shippers (Yu and Jun 2017). There are cooperation contracts between Beijing's Zhongguancun Science Park, dubbed the "Silicon Valley of China", and Guiyang.

The local government's determination to use Guiyang's advantages, such as the cool climate, availability of low-cost energy and relatively cheap land, to boost the big data sector seems to have paid off. (Kuhn 2017; EIU 2015, 8; Wong, Lin, and Lee 2017, 15). The government's commitment is indeed underscored as a crucial factor behind the development of the big data industry in Guiyang (see Li 2018). Chen Gang, Guiyang's party secretary from 2013 to 2017, is in particular seen as having played a critical role in the development of big data sector in the city. Chen has considerable experience with the information technology sector since he previously led the Zhongguancun Science Park in Beijing (Economist 2018; Bloomberg 2016). The central government's support for Guiyang should be highlighted as well. Guiyang was declared as the first big data pilot zone in the country by the central government. Beijing also appointed leaders with previous experience and accomplishments to Guiyang and Guizhou province, of which Guiyang is the capital, as in the case of Chen Gang (Kenderdine 2017).

Guizhou province has had a number of high-profile leaders in recent years with close connections to President Xi Jinping. Li Zhanshu, a protégé of Xi, was party secretary of Guizhou from 2010 to 2012 when he reportedly tried to improve the

business environment by reducing red tape and making an infrastructure push (Yang Z. 2017). Chen Miner, another protégé of Xi, was Guizhou's governor in 2013-2015 and the party secretary in 2015-2017. Miner had spent most of his previous career in Zhejiang, a prosperous coastal province (ChinaVitae no date; Wong 2017). In sum, Guiyang owes its success in fostering the growth of the information technology sector to a combination of the policies of its leaders and the central government's support.

In the case of Lanzhou, one such rising tertiary sector is tourism. The tourism industry's share in GRP climbed from 3.4 per cent in 2006 to 5.8 per cent in 2010, and then to 13.9 per cent in 2015 (LBS 2016, Table 1-5, author's calculation). Three factors in particular that have contributed to the tourism industry's development in Lanzhou are discernable. First, the city has been connected with most major cities by high-speed railway in recent years, which greatly enhanced its accessibility (2017LZ09C; see the next chapter).[64] Second, Lanzhou, once one of the most polluted cities in China, has improved its air quality remarkably (Tong and Shi 2015, 58). Lanzhou's improvement in air quality is often praised in the national media (see Xinhua 2017). This might have improved Lanzhou's appeal as a touristic attraction. Finally, the Lanzhou and Gansu governments have developed a city-marketing strategy by capitalizing on Lanzhou's historical and natural features, such as being a key part of the old Silk Road and the "pearl of the Yellow River" (Guo 2017, 112-3).

6.4. Conclusion

This chapter rests on the premise that parsing the GRP of Lanzhou and Guiyang by following the expenditure and value-added approaches to GDP would help

[64] Interviews are coded for reference purposes by using the location and date they took place. For instance, 2017LZ09C indicates that the interview took place in Lanzhou in 07/2017. The letter at the end is used to differ an interview from one another conducted at the same place and year and month. Details of the interviews can be found in Appendix B *List of Interviews*.

understand the sources of accelerated growth that they have attained over the recent decade. Although fully tracing the lines of the expenditure and value-added approaches has not been possible due to unavailable or incomplete data, the chapter's analysis has yielded valuable insights to understanding the commonalities and differences in Lanzhou and Guiyang's growth dynamics.

First, it is clear that capital formation has accounted for a higher than national average share in both cities' growth. Lanzhou, in particular, has an especially high level of investment. As mentioned above, if capital formation constitutes a high enough share of GDP/GRP, it is usually seen as excessive and problematic. This is because, firstly, the over-reliance on investment usually implies a debt-driven push, most typically through infrastructure construction. Local governments tend to carry out some infrastructure projects despite the fact that they are anticipated to result in low-returns from the outset. China's cadre promotion system, which rewards the high-growth performance of local leaders, incentivizes such an investment-reliant model. In both Guiyang and Lanzhou, construction's share in GRP is found to have been higher than the nationwide average and other comparable cities. This finding lends some support to the argument of (infrastructure) investment-reliant growth in western China.

Sectoral level analysis has yielded telling indications as well, as in the case of Guiyang's sectoral diversification and upgrading. Even though heavy industries still supply a large share of value-added by manufacturing, high-tech manufacturing sectors like communications, computers and other electronic equipment, and railway, marine, aerospace and other transportation equipment manufacturing have grown in importance in Guiyang's economy. Apart from manufacturing, the information transmission, software and computer services industries have been nourishing in the city.

In Lanzhou, manufacturing value-added has been stagnant or even decreasing in the last few years. The value-added of the high-tech sectors remains quite tiny. The only high-tech sector with some notable presence is pharmaceutical manufacturing.

The tertiary industry has been developing at a faster pace than manufacturing in recent years. Among tertiary sectors, tourism has become a new source of growth in recent years.

It is certainly true, on the other hand, that state-controlled enterprises in both cities have significant weight in the local manufacturing sectors. While Guiyang has decreased its dependence on SCEs by stimulating private investments, Lanzhou's situation in that respect is grim, with around 75 per cent of manufacturing in the hands of SCEs. The upsurge in FDI inflow in recent years, as described above, partly explains this transformation in Guiyang. Lanzhou has been extremely unsuccessful in attracting FDI, with the lowest volume among the comparable middle-sized cities (see also Yang et al. 2016, 27).

Both cities experienced a surge in export volumes from 2012 to 2015, which then returned to the pre-2012 levels in 2016 and 2017. Given its very limited transnational ties, as reflected in quite a low level of inward FDI, what is surprising in the case of Lanzhou is not the export volumes of 2016 and 2017, but the surge in 2012-2015. The above analysis has hypothesized that this surge happened as a result of price fluctuations in exported goods, most likely related to natural resources and agricultural products and their adjacent industries, which have a fair weight in the economies of both cities.

Guiyang's low level of exports seems counterintuitive at first, as the city has witnessed a considerable inflow of FDI in advanced sectors in recent years. Yet as the previous chapter has highlighted, Xi'an's export level is substantially lower than that of Chengdu and Chongqing, although Xi'an has attracted large volumes of FDI. Guiyang's FDI into advanced sectors, as with Xi'an, might be largely oriented toward the domestic market. This raises a question to be addressed in future research.

In sum, Lanzhou and Guiyang appear to be on different growth paths. Lanzhou's transformation towards sectoral diversification and upgrading and opening-up has

been much slower than that of Guiyang. The latter has taken confident steps in these areas, thus seeming to follow the footsteps of Chengdu, Chongqing, and Xi'an. And yet, construction's relatively large share in Guiyang's economy – even bigger than is the case with Lanzhou – and its debt implications need closer attention.

CHAPTER 7

POLITICAL ECONOMY OF LANZHOU'S GROWTH PATTERN: INTERPRETING LACKLUSTRE ECONOMIC DEVELOPMENT

7.1. Introduction

Writing in the early 2000s, Hongyi Lai (2002, 462), the author of one of most cited papers on the WDP, stated that three particular cities in western China were advantageously positioned to eventually become production and trade centres. Lanzhou was one of them:

> "Chongqing, Xi'an, and Lanzhou, in particular, are densely populated, have an extensive educational system that includes academic research, and can offer cheap land and inexpensive labor. These cities may thus become centers of production and distribution for manufactured goods."

In retrospect, Lai's expectation for Chongqing and Xi'an have realized to a considerable extent, whereas Lanzhou's economic transformation continues to lag behind. As Chapter 5 and Chapter 6 have highlighted, the three largest cities in western China – Chengdu, Chongqing, and Xi'an – and also Guiyang, a middle-sized city in the region, have achieved visible success in diversifying and upgrading their economies. They have also attracted substantial quantities of foreign investment, particularly since the late 2000s.

Compared to these cities, Lanzhou's record in sectoral diversification and upgrading and opening-up has been markedly subpar. However, Lanzhou is not alone in this regard. Many other Chinese old industrial cities, whose pillar sectors are usually natural resource-based or heavy industrial sectors, have experienced difficulties with the industrial transformation (see Hassink et al. 2018, 192-3). Lanzhou, therefore, can be taken as yet another instance of the phenomenon of sluggish transformation in Chinese cities.

To briefly reiterate the findings of the previous chapter, Lanzhou's growth rate for the 2000-2015 period is lower than the China average. By the same measure, Lanzhou also remains behind four of the six selected mid-sized cities, as well as most of the other major cities in western China, such as Chengdu, Chongqing, and Xi'an. Lanzhou's exports have remained relatively low, and it has been extremely unsuccessful in attracting foreign investment. Also, as Lanzhou's continuing dependence on SCEs and stagnant manufacturing value-added suggest, it has not been stimulating much private investment in manufacturing. The city's manufacturing continues to be largely dependent on heavy industries and the ones processing agricultural goods.

This stagnation in the value-added of manufacturing is not present in the other cities examined. The value-added of high-tech sectors in manufacturing are quite tiny. The only exception in this regard is pharmaceutical manufacturing, which was barely among the top ten manufacturing industries by value-added in 2015. Construction and tertiary sectors have constituted the city's major growth drivers. The tourism sector, in particular, has emerged as a major growth-boosting sector in recent years, which grew from only 5.8 per cent of GRP in 2010 to 13.9 per cent in 2015.

This chapter provides a contextual analysis of Lanzhou's economic development over the last decade and develops an understanding of the city's lacklustre economic transformation. In doing so, the chapter relies on a framework based on three main factors, as described in the analytical framework chapter, that is natural conditions and historical legacy, administrative arrangements and target policies designated by the central government, and finally, the local leadership. The data sources it draws on consist of semi-structured interviews conducted in Lanzhou, official documents issued by the central or local governments, unpublished data on the Lanzhou New Area, news and reports, and finally extant academic work. Interviewees include local officials, entrepreneurs, managers, reporters, scholars and experts, and finally residents of Lanzhou. Though the time-span for this

chapter covers the period from the mid-2000s until the last few years, it makes a closer analysis of the period after the late 2000s, which has been a period of opportunity for cities in western China. As the cases of Chongqing, Chengdu, Xi'an, and most recently Guiyang show, the years when the western cities experienced extraordinary success in capturing foreign and high-tech investments corresponded roughly with the late 2000s on. The Lanzhou New Area is discussed in detail since it has emerged as a pivotal site for concentrating the city's economic development since its establishment in 2012.

Two conclusions emerge from this chapter's analysis. It finds indications that the local governments, i.e., the Lanzhou municipal and Gansu provincial governments, have not been successful in creating an environment conducive to sectoral diversification and opening-up. While the local leadership's mediocre performance is pointed out as the main factor linked to the Lanzhou's slow transformation, the city's natural and historical constraints, the timing of the central government's preferential policies, and nearby cities with larger size and better endowments are argued to have played a part as well.

The next three sections, respectively, discuss the natural conditions and historical legacy of the city, central government policies targeting Lanzhou, and the local leadership, with an aim to gauge how they have affected the city's economic development trajectory. Thereafter, a section that investigates the LNA as a microcosm of Lanzhou's challenges and prospects follows. The final section brings all the findings together and concludes.

7.2. Natural conditions and historical legacy

Lanzhou, the capital of Gansu province, had a population of 3.7 million in 2017. The city is composed of 5 districts; Chengguan, Anning, Qilihe, Xigu and Honggu, and 3 counties; Gaolan, Yongdeng, and Yuzhong. While Chengguan is the administrative and commercial centre, Xigu and Qilihe host many industrial compounds and Anning has several universities (Zhang and Shi 2011; Tong and

Shi 2015, 52). Gansu province borders Xinjiang to the west, Ningxia and Inner Mongolia to the north, Shaanxi to the east, Qinghai to the south and west, and Sichuan to the south.

The Han ethnicity makes up 92 per cent of Lanzhou's population, according to the 2010 National Census. While the Hui ethnicity forms around 5 per cent of the rest, some other minorities, including Tibetans, and Dongxiangs, and Salars have small communities in the city (Bird 2017, 147-8).

Lanzhou has historically been a crucial centre on the route linking China's northwestern frontiers with the east (Gaubatz 1996, 46). Lanzhou is widely seen as the centre of northwestern China, and a bridge to surrounding provinces and cities (see for instance Liu 2002,82). Over the last few years, several high-speed railways routes have been added to Lanzhou's conventional railway connections (see below). All China-Europe railways that follow the Kazakhstan route pass through Lanzhou, which illustrates its importance as a transportation corridor.

The city is established on the banks of Yellow River. It is a valley type city sandwiched between mountain ranges on the north and south. The city has a semi-arid and continental climate (Tong and Shi 2015, 51, 58). There are deserts and deserted areas in Lanzhou's surrounding, which presents a number of challenges. The Lanzhou-Xinjiang railway, for instance, needs to be protected from gales in the Gobi Desert via windproof walls (Monteleone 2018). Lanzhou's rugged terrain brings about some extra costs in other ways as well. The Lanzhou New Area's construction, for example, required the local government to level hundreds of hills (Phillips 2017). From being one of the most polluted cities in China not so long ago, Lanzhou has gone a long way in improving air quality in recent years (Williams 2017, 28).

Lanzhou has a strong base in several heavy industries including oil refining, ferrous and non-ferrous metals, the roots of which dated back to the very first five-year plan carried out in 1953-1957 (Tong and Shi 2015, 55; Guo 2017). Lanzhou was

one of the cities specified for industrial development by the first FYP (Gaubatz 1996, 54). Before the PRC's establishment, modern manufacturing sectors in the city were fairly underdeveloped (Chang 2008, 86).

Figure 9 Lanzhou downtown
Source: by author

Under the Third Front policy, lasting from 1964 to mid-1970s, the central government relocated several heavy industry plants to Lanzhou, most of which originated from eastern China. Along with the factories, some of their employees, including many skilled workers, moved to Lanzhou at this time (Guo 2017, 104-6; Gaubatz 1996, 54). Lanzhou's population tripled from the early 1950s to 1970s (Wu and Gaubatz 2013, 79) and the city emerged as the second-largest city in China's northwest, just after Xi'an. It was also connected with railways to all major adjacent cities as early as the 1950s (Tong and Shi 2015, 55). Due to its transformation into an important industrial centre, the city was relatively affluent in the late 1970s.

Lanzhou, however, would later turn out to be one of the losers of the reform era which saw the reversal of policies that favoured inland China. The city has witnessed outflows of capital and educated workers, and a consequent decline in its competitiveness vis-à-vis coastal China (see Yang et al. 2016, 28; Xu 2014, 48; 2017LZ09C).

The capacity for research and higher education in Lanzhou are relatively highly developed compared to most of the other cities in the northwest, such as Urumqi, Xining, and Yinchuan (Xu 2014, 51; Lai 2002, 462). Lanzhou has several large universities, including Lanzhou University, Northwest Normal University, Lanzhou Jiaotong. Founded in 1909, Lanzhou University is a prominent research university which is included in "Project 985," which aims to elevate 39 selected universities to internationally competitive universities. Lanzhou is also among 12 cities that host a regional branch of the Chinese Academy of Sciences. It is noted, however, that graduates of these universities often seek to move out in search of better work opportunities in other areas of China (2018LZ05C).

In sum, the city's assets, in terms of natural conditions and historical legacy, include a strong education base, industrial expertise in several sectors, and a good geographical location with the potential to emerge as a regional centre of logistics and perhaps even trade and production – a potential augmented by the Belt and Road Initiative.

On the other hand, some of its geographical and historical features seem to have worked against the economic development of the city. The dearth of land suited for urban construction causes the housing prices to be higher than would normally be expected for a mid-sized, inland city. This topographical problem also results in deficiencies in urban development. For instance, due to the lack of appropriate land, the LNA was constructed approximately 70 kilometres away from Lanzhou's urban core (Zhang and Shi 2016, 1531), which results in an unwillingness to move among people and companies, despite the far lower rent prices therein.

7.2.1 Lanzhou's industrial legacy: asset or problem?

Lanzhou's heavy industrial legacy seems to have complicated the efforts towards industrial diversification and renewal. The existing industrial structure is anchored on a few branches of heavy industry which have absorbed the city's industrial skills. The difficulties of industrial renewal in the old industrial areas, in and beyond China, are well-known (for a similar situation in Harbin see Xie et al. 2016, 33). As Yin and Liu (2012, S129) maintain, the concepts of "path dependence" and "lock-in effects" are widely employed, particularly in the economic geography literature, to discuss this phenomenon:

> In most of the applications of the path dependence concept, typically in understanding old industrial regions, "path dependence" is seen as a negative feature, whereby a region or locality becomes over-reliant on a particular self-reinforcing industrial-technological path that renders the regional economy increasingly structurally and technologically rigid, restricting its capacity to absorb new ideas, and ultimately limiting its ability to effectively respond to changing competitive environments. Amongst these applications, Grabher's (1993) concept of "lock-in" is the most thorough and convincing.

Also, there is enough evidence to argue that once SOEs, like the ones dominating the heavy industries in Lanzhou, have been established as large pools of employment, the local governments tend to see their survival as a matter of political stability and, consequently, support them with subsidies (Tsai 2004, 14).[65] Arthur Kroeber, a leading commentator on the Chinese economy, (2016, 114) explain the incentives and mechanisms of local government subsidies to inefficient SOEs:

> If an operating factory runs into trouble, local officials have both the incentives and the means to keep it in business, even if doing so makes no economic sense. Reported GDP will suffer if the plant stops producing, and

[65] Opting for the needed yet destabilizing reforms seems unattractive according to the logic of Chinese elite politics. Victor Shih (2004, 434) specifies a common pattern of behaviour among Chinese officials: "…everyone from the premier on down has a strong disincentive to carry out fundamental reforms that can potentially jeopardize short-term stability or prevent solutions to what are perceived to be more pressing issues." This pattern derives from the cadre promotion system that rewards the visible achievements recorded during one's tenure in an administrative position (see also Kroeber 2016, 114).

> the laid-off workers could present a threat to social stability. Local governments control supplies of land and electric power and other utilities, have influence over the credit policies of local bank branches, are able to strong-arm local companies and government units to purchase goods from preferred local suppliers, and can set up trade barriers that make it hard for companies from other jurisdictions either to compete or to acquire local champions.

Moreover, SOEs and SCEs in Lanzhou, as noted by some interviewees, tend to protect their advantages and dominance in their sectors. Large SOEs and SCEs are in particular resistant to transformation (2017LZ09E). As such, the industrial legacy in Lanzhou and the surrounding vested interests have created a path-dependence which is highly resistant to transformation (Guo 2017, 10). The preponderance of SOEs and SCEs in Lanzhou has also been observed to increase the potential for corruption within the local government (2017LZ09C).

7.3. Central government policies

Economic development in western China is relatively dependent on the central government's fiscal and policy support due to the region's natural, geographical and historical disadvantages (Goodman 2004, 318; Vermeer 2004, 408). As previously noted, as a result of the economic decentralization of the reform era, the local governments have the ability to design and the responsibility to promote economic growth in their jurisdictions. The central government still plays a crucial role in shaping the context of local economic development, however (Solinger 1996).

First of all, the central government can support localities via large infrastructure investments, including the construction of highways, railways, airports, and so forth. The government can also confer localities special administrative power, mostly in the form of a special zone status which would, in turn, allow local governments to offer preferential policies to attract investment (Wu 2015, 120). These zoning methods were widely employed by the central government during the reform era. Moreover, the central government may support a locality by

"dispatch[ing] powerful central figures to rule a city" (Chung 1999b, 5) or appointing figures with a strong track record. Finally, the central government also has fiscal leverage over the local governments. Following the recentralization of tax sharing between the central and local governments in 1994, the latter has become increasingly dependent on the former's fiscal transfers.

The following sections discuss these three types of central government support given to Lanzhou, namely infrastructure investments, granting special administrative titles, and fiscal transfers.

7.3.1. Infrastructure investments targeting Lanzhou

The five-year plans of the WDP (FYPWDP), which are issued by the NDRC, have identified projects to be constructed with central government support. Lanzhou, like other cities of western China, has greatly benefited from these investments. The 11th FYPWDP lists two particular construction projects benefiting Lanzhou: Lanzhou-Chongqing railway and Lanzhou airport renovation and expansion (NDRC 2007). The 12th FYPWDP designates several infrastructure projects for Lanzhou: Lanzhou-Chengdu oil pipeline, the construction of the Lanzhou New Area, construction of high-speed railways from Lanzhou to Chengdu, Xi'an, and Urumqi (NDRC 2010). The Lanzhou-Urumqi, Lanzhou-Xi'an, and Lanzhou-Chongqing high-speed railway lines were completed in the last few years, and the Chengdu route is currently under construction. Thanks to these investments, Lanzhou's connectivity and accessibility have dramatically improved. Lanzhou has become connected not only to major cities in western China but also many in the east, including Beijing, via continuous high-speed railway routes or a combination of high-speed and conventional railway routes.

The city also has a new train station, the Lanzhou West Railway Station, which is primarily dedicated to high-speed train routes. The Lanzhou Zhongchuan International Airport, located within a few kilometres of the LNA, has been expanded (Lanzhou Bureau of Commerce [LBC] 2017). A high-speed inter-city

railway from the Airport to Lanzhou's urban core was completed in 2015. The enhanced transportation connectivity of Lanzhou is noted as a crucial facilitator for the growing tourism industry in the city (2017LZ09C). By reducing transportation costs, the improved transportation and logistics connectivity might facilitate external firms to move to places with relatively low labour and land cost like Lanzhou (see Huang and Luo 2009, 204-7).

Table 31 High-speed railways crossing Lanzhou

Railway routes	Destination city	Status
Lan-Xin (兰新)	Urumqi	Opened in 2014
Lan-Baoji (宝鸡)	Baoji (Xi'an)	Opened in 2017
Lan-Yu (兰渝)	Chongqing	Opened in 2017
Lan-Cheng (兰成)	Chengdu	Under construction

Source: NDRC 2016a,41 and various media.

In addition to transportation projects, several other investments have enhanced Lanzhou's logistical and port capacities. The Lanzhou Railway Port for external trade (铁路口岸 *tielu kouan*) and the Lanzhou Free Trade Zone (also called the Bonded Area), both located in the LNA, started operation in 2016 and 2015, respectively. Also, the thirteenth FYP-WDP states that the development of the Gansu-Lanzhou International Land Port (甘肃兰州国际陆港 *Gansu Lanzhou guoji lu gang*) should be supported (NDRC 2016a, 13).

7.3.2. Lanzhou's special administrative titles

Being conferred a special administrative title enables the local governments to offer preferential policies to attract investment (Chung 1999b, 4; Wu 2015,120). These special titles granted by the central government to localities include the special economic zones, national-level economic and technological development zones, high-tech development zones, national new areas and so on.

As discussed in Chapter 3, during the 1980s and most of the 1990s, special administrative titles were almost exclusively given to localities in coastal China. Earlier special titles granted to Lanzhou were intended to form two state-level development zones, namely, the Lanzhou Economic and Technological Development Zone and the Lanzhou New and High Technology Industrial Development Zone, which are the only state-level development zones in Gansu province (Guo 2013, 61). As Guo notes (2013, 61), the latter was established in 1998 and was one of the 27 high-tech industrial zones in China at the time. The former, established in 1993, includes more than 20 large and medium-sized companies and scores of smaller enterprises, as well as several colleges and scientific research institutions (Guo 2013, 61). Given that economic and technological zones and high-tech industrial zones were opened in inland China only after the early 1990s (see Chen and Lu 2009, 250-1), it would be fair to say Lanzhou was not particularly disadvantaged in being granted with special zones relative to its western peers.

In recent years, the so-called National New Area (国家级新区 *guojiaji xinqu*) status has gained prominence. Currently, there are 19 NNAs, most of which were approved between 2014 and 2017. NNAs are supervised by the NDRC and are able to get preferential financial backing from the central government (Martinez 2018, 196). These areas are designed to attract investment, especially in high-tech sectors, under preferential policies. They can be thought of as new cities with residential and industrial components (China Daily 2017a; Martinez 2018). In 2012, the State Council approved the establishment of the "Lanzhou New Area" (LNA) (Shao 2015, 14). Considering that there were only four state-level national new areas in China other than the LNA at that time, we may infer the importance given to Lanzhou as a growth pole in the northwest of the country. As with some other new areas, the LNA's management involves the provincial government (i.e., Gansu) along with Lanzhou's municipal government (2017LNA09A; for Zhengbian New Area example see Wu 2015, 96). Located in the northwest part of Lanzhou, the LNA covers 806 square kilometre area (Fang and Yu 2016, 34; Shao 2015, 78).

As Li notes (2015, 82), the NDRC, together with some ministries, defines priorities and development pathways for state-level new areas. They can be seen as localities where national macro-economic vision is crystallized. In an earlier NDRC document (2010, 22), the LNA is defined, among other things, as a pilot area for receiving industrial transfers from eastern China and an important platform for the westward opening-up strategy. A more recent document published by a local official bureau highlights two other features of the LNA: as a "national important industry base" and "important economic growth pole of the northwest region" (LNA 2017, 2). Among the ambitions ascribed to the LNA, it can be argued that the top priority is to become an area for industrial transfers from other parts of the country under preferential tax policies and financial supports (Tong and Shi 2015, 59; Li 2015, 84).

Furthermore, the LNA is intended to facilitate the development of Lanzhou as a transportation hub and logistics centre in western China (Tong and Shi 2015, 56). As noted earlier, the LNA entails a free trade zone and a railway port for external trade. The FTZ has different functional sections dedicated to manufacturing, processing, warehousing, and customs services (LBC 2017).

Sectors given priority in the LNA include equipment manufacturing, bio-medicine, the petrochemical industry, new materials, new energy, modern logistics, and culture and tourism (LNA 2017, 6-7; Shao 2015, 219). Among these sectors, new materials, new energy, modern logistics and culture and tourism are relatively new sectors in Lanzhou, which demonstrates the local government's attempts at industrial diversification and upgrading. The LNA is also expected to gradually become a new destination for heavy industrial enterprises moving from Lanzhou's urban districts so that the urban centre can have more space for residential, recreational or commercial uses (Tong and Shi 2015, 57). The local government has been encouraging and in some cases forcing the SOEs located in the urban districts to move to the LNA (Yong et al. 2016, 32).

Lanzhou also enjoys some other special administrative titles. The NDRC's plan for China-Europe railways designates Lanzhou as one of 12 key inland main supply zones (内陆主要货源地带点 *neilu zhuyao huoyuan didai dian*) and one of 16 important railway hubs (重要铁路枢纽带点 *zhongyao tielu shuniu dai dian*) (NDRC 2016b, 8). Lanzhou-Xining is listed by the 12th FYPWDP as one of the 11 key economic zones in western China (NDRC 2010, 4-5).[66] This support to the Lanzhou-Xining area was reiterated by the NDRC in 2017 when the area was declared among the five selected regional clusters to be supported (Xin and Ren 2017). The 13th FYP-WDP (NDRC 2016a, 51) spots Lanzhou among the priority areas for two "strategic emerging industries": high-end equipment manufacturing in the petroleum sector and biomedicine.

In view of all this, it can be concluded that the central government has been willing, at least in last few years, to trigger Lanzhou's transformation into a regional growth pole and a logistics hub. To this end, the central government has granted preferential administrative titles to Lanzhou. On the other hand, one may say that the support for Lanzhou has been conferred rather late. The timing of the LNA's establishment is a case in point. Within a few years of the establishment of the LNA, many other NNAs were approved by the State Council. This has diluted the advantage of Lanzhou in having a new area, as the other NNAs have emerged as rivals in capturing relocating investments and becoming logistical hubs for domestic and international trade. Additionally, the central government did not particularly favour Lanzhou and Gansu in terms of leadership appointments. The leaders of Lanzhou and Gansu over the recent decade were not selected from among the "powerful central figures" or officials with a strong track record (see local leadership section in this Chapter).

[66] There is no page number in the cited NDRC document. I have coded the page numbers as they appear in the PDF reader.

7.3.3. Fiscal transfers to Lanzhou

Sub-provincial units can receive transfers from the central government either directly or indirectly through their provincial government. As available fiscal transfer data go at most to the provincial level, the central fiscal transfers made to cities are the most difficult aspect of central government support to figure out. Given the lack of fiscal transfer data, one might instead try to reach some understanding of Lanzhou's level of dependence on the central government's fiscal transfers through an evaluation of indirect indicators.

One such a helpful indicator is the ratio of budgetary revenue to the budgetary expenditure of the local government. Lanzhou's budgetary revenue-to-expenditure ratio is significantly lower than those of Guiyang and Urumqi, which are western cities comparable to Lanzhou in terms of size (see Table 32). Indeed, in only a handful of provincial capital cities, the corresponding ratio is as low as that of Lanzhou, such as Nanning, Xining, and Harbin (NBS Portal no date).[67] It is also important to note that Lanzhou's revenue-to-expenditure ratio was higher in the late 1990s compared to the 2000s. While the ratio was above 80 per cent from 1997 to 1999, it hovered around 50 per cent from mid-2000s through 2010s (LBS 2016, Tables 9-1; 9-2; 9-3; 9-4; 9-5).

It is possible for local governments to finance the budgetary deficits with some extra-budgetary income, but, again, Lanzhou's extra-budgetary revenue data is not available. The remaining options to cover the deficit are debt and transfers from the central government. Assuming that it is difficult to sustain such high levels of debt for a prolonged period – throughout the 2000s and 2010s – Lanzhou is likely

[67] The relevant page on the portal is available at http://data.stats.gov.cn/english/easyquery.htm?cn=E0105. The low revenue-to-expenditure in those cities might concern to the relative weight of SOEs (2017LZ07A). As SOEs generally have low-profit rates and redundant worker issue, they often need to get subsidies from local governments. Indeed, Xining and Harbin, alike Lanzhou, are known with the greater weight of SOEs in the local economy.

to have resorted to central government fiscal transfers (2018LZ05C9).[68] The transfers made to Gansu province point to this possibility. Accounting for 67 per cent of total revenue in 2013, the central government fiscal transfers to Gansu government were relatively high, even by the standards of western China (CEIC). The corresponding figure was 35 per cent in Chongqing in 2012 and 46 per cent in Sichuan in 2013 (for Chongqing Cohen 2015, 169-170; for Sichuan MoF 2013).

Table 32 Budgetary revenue-to-expenditure ratio, Lanzhou, Guiyang, and Urumqi, per cent

	Urumqi	Lanzhou	Guiyang
2003	117.0	56.2	80.3
2004	117.9	61.0	82.9
2005	123.3	57.6	86.1
2006	115.1	52.5	69.8
2007	107.5	56.0	71.3
2008	101.6	51.0	62.5
2009	84.8	47.6	62.0
2010	92.7	49.5	66.7
2011	86.5	49.3	67.5
2012	85.3	51.2	69.0
2013	85.5	51.4	70.4
2014	84.1	54.4	73.9
2015	82.5	53.8	74.3
2016	88.5	50.8	69.7
2017	87.4	53.9	65.3

Source: CEIC, calculated by author.

7.4. Local leadership

The Lanzhou local leadership is credited with dramatic success in air quality improvement by reducing the toxic particulates' density, particularly after 2011 (Tong and Shi 2015, 58). The Lanzhou government's methods to improve air quality were reportedly emulated by some other cities such as Shijiazhuang and Zhengzhou (Xinhua 2017). In a measurement of small particulate matter (i.e.,

[68] Commenting on the budgetary deficit in Shaanxi, Vermeer (2004, 408) employs similar reasoning and concludes that it is "almost fully covered by central government subsidies."

PM2.5) concentrations in Chinese cities, Lanzhou ranked in the middle of the list in 2013, although it was once among the most polluted cities in China. This is a better performance than many cities, including Xi'an, Chengdu, Urumqi and Taiyuan (Tan 2014). The local leadership has also been successful in creating a well-regulated mass transportation system with hybrid or fully electric public buses.

On the other hand, it does not seem that the Lanzhou government, or the Gansu government, its administrative superior, have been successful in fostering economic development over the past decade. Previous chapters have highlighted that while Chengdu, Chongqing, Xi'an, and Guiyang have achieved major successes in attaining above-average growth rates, attracting FDI and diversifying the local economy through an enhanced contribution of the high-tech sectors since the late 2000s, Lanzhou's performance has been subpar in these respects.

For assessing the local leadership's performance, it might also help to check whether the local government could reach the goals formulated in local development plans. In retrospect comparing the target announced in the outline of Lanzhou's 12th five-year plan (2011-2015), published by the Lanzhou branch of the NDRC (LZDRC), with the realized figures demonstrates that Lanzhou fell short of several goals (for the targets see LZDRC 2011; for the realized figures see LBS 2016, Table 1-5). Though these targets are anticipatory and not compulsory, the gap between them is significant. For instance, while the GRP target was to reach about 250 billion RMB in 2015, the realized figure was 208.09 billion RMB. Falling short of the targets is even more disappointing in the LNA. The LNA was anticipated to reach a GRP around 50 billion RMB in 2015, whereas the realized figure was only 12.5 billion (LZDRC 2011; LNA 2018), which demonstrates that the development pace in the LNA has clearly been lagging behind the expectations.

Even though these indicators definitely give a certain impression about the performance of the local leadership, they may not exactly reflect the success, or lack thereof, of the local government. This is because the two other sets of factors affect local economic development at the same time. Those factors are, according

to our analytical framework, the natural conditions and historical legacy, and central government support. It is thus necessary to go beyond the general indicators to gauge the performance of the local leadership. Existing literature helps by providing some insights for evaluating the local leadership performance. Before moving to discuss them, an analytical issue warrants a brief mention here. While it is relatively easy to associate achievements with particular leaders, as they are reported by news and reports and highlighted by the scholarly literature, failures or under-achievement are more difficult to pin down on particular leaders. It is rare to come by critical commentaries that assess the performance of individual leaders. Also, interviewees I talked with in Lanzhou usually refrained from talking directly about individual leaders by name. Therefore, the assessment here focusses on the local leadership, a rather anonymous category, instead of individual leaders.

Previous work provides some useful insights on what kind of strategies have been implemented by successful local leaderships. Successful local governments are generally attributed with a willingness to "take risk and explore new possibilities" (Chung 1999b, 11). As discussed in detail in Chapter 2, the strategies pursued by successful local governments might include:

- pioneering or encouragement of new sectors;
- reaching out extra-local (i.e., provincial, national, or transnational) forces to secure resources and a variety of support;
- initiating a bottom-up process to link the local economic actors to global markets.

As the discussion so far might imply, Lanzhou, by no means stands as a showcase example in any of these policy areas. This is not to say, however, that the local leadership has failed to do anything meaningful in pioneering new sectors, securing extra-local sources, and forging overseas connections. The local government, for instance, has successfully fostered the tourism sector in Lanzhou to such an extent that it has recently become an important driver of growth. Similarly, it was the Gansu and Lanzhou governments who convinced the central government to grant

Lanzhou the privilege to establish a national new area (2017LZ09E), as well as convincing certain large Chinese companies to invest in the LNA (see below). Lanzhou has increased its overseas freight connectivity and launched multimodal (i.e., train plus trucks) freight routes with Kathmandu, in 2016, and Islamabad in 2018 (Kerry Logistics 2018). Overall, however, the Lanzhou government is not associated, either in the media or by interviewees, with a successful economic transformation story, as is the case, for instance, with the Guiyang-Guizhou governments.

An additional indicative "measure" to assess the performance of local leaders, as noted in Chapter 2, is to probe whether a leader is promoted to a higher post after her/his tenure in a given local government. Many studies find that better economic performance increases the likelihood of promotion (Li and Zhou 2005; Choi 2012; Bo 2015, 101; see also Chung 1999c, 119). The highest official position in provinces and cities are the party secretaries (Choi 2012, 967; Bo 2015, 96).[69] As listed below, three of the four local leaders over the last decade, i.e., the Lanzhou and Gansu party secretaries, were expelled from the CCP with the accusations of corruption and bribery.[70] We cannot know for a certainty whether these charges were raised due to the alleged corruption, or from fighting between factions within the CCP.[71] It is known that the centre is selectively taking action against corrupt officials (Qiao 2013, 192). The post assumed by Lu Hao, the only leader among

[69] In China's political system, the government and the party structures co-exist as separate entities. This dual structure is the case in provinces and cities as well. The party leaders (i.e., the party secretaries) outrank the leaders of government structure, which are governors in provinces and mayors in cities (Bo 2015, 96).

[70] As there was an ongoing corruption investigation into the last governor and party-chief of Lanzhou at the time of my fieldwork, the current officials, as noted by several interviewees, tended to be risk-averse. Relatedly, a rather grim atmosphere for growth expectations was prevalent.

[71] Wang Sanyun, the Gansu Party Secretary from 2011 to 2017, for instance, is known for his ties to the Communist Youth League faction, which is associated with the Hu Jintao-Wen Jiabao administration and stands as the rival of the Princelings faction, with which the president Xi Jinping is associated (DuoWei 2012; Chen and Dickson 2018, 16).

the four who is not expelled from the party should be seen at best as an equivalent rank. Being a member or the chairman of NPC committees is basically an honorary position without power (Li and Zhou 2005, 1747). However, it seems safe, at least, to say that the ensuing career records of the local party secretaries do not invalidate the assessment that the local leaders in Gansu-Lanzhou have not had much success in triggering a local economic transformation. If these corruption charges are indeed genuine, one can assume that rent-seeking has been somewhat prevalent in Lanzhou, which may have hindered local economic development.[72]

- Lu Hao (陆浩): Gansu party secretary from 2006 to 2011. Afterwards, he assumed several posts in Beijing, such as the deputy chairman of the 11th National People's Congress Foreign Affairs Committee and the chairman of the 12th National People's Congress Environmental and Resource Protection Committee.
- Wang Sanyun (王三运): Gansu party secretary from 2011 to 2017, sentenced to jail for accepting a bribe.
- Lu Wucheng (陆武成): Lanzhou party secretary from 2008 to 2012, fired from the party and sentenced to jail.
- Yu Haiyan(虞海燕): Lanzhou party secretary from 2012 to 2016, sentenced to jail for accepting a bribe.

Source: renshi.people.com.cn and various media

Then what may shape the economic behaviour of local leaders? Previous studies underscore, inter alia, previous career, origin, and career prospects as crucial factors. If a leader is a native of the given locality, they are more likely, other things being equal, to pay attention to the local interests, including rent-seeking agendas (Donaldson 2009). This observation can be logically extended to leaders who have

[72] Even though rent-seeking may mean to prioritize the individual gain over the "public interest" and rule-based business environment, it would be misleading to assume that there is always a negative correlation between corruption and economic development. The recent past witnessed numerous local leaders who had a good economic track record yet involved in corruption. Local leaders of booming Beijing in the early 1990s were a case in point (see Bo 2000).

spent a long time in a locality. Lu Hao, Lu Wucheng, and Yu Haiyan all spent a large part of their careers in Lanzhou or other parts of Gansu. They have not gained significant administrative experience in prosperous areas in coastal China. Drawing on Solinger's (1993, 3) proposition that the leaders who are "tied to planned economy" (i.e., mostly working for SOEs) are assumed to be more conservative and less innovative, one might speculate that the previous careers of Gansu-Lanzhou leaders has been one of the reasons behind the stagnant level of private and foreign investment flowing into Lanzhou.

Wang Sanyun, who came to assume the position of Gansu's provincial party secretary after previous experiences in Sichuan, Guizhou, Anhui and Fujian provinces, seems to differ from the other three leaders in terms of his previous career pattern. On the other hand, he came to Gansu when he was 59 years old. That means he quite possibly held no expectation of a further appointment after his tenure in Gansu since the retirement age for the provincial level officials is 65 (Zhong 2015, 111; for a comment on Wang's career prospects see DuoWei 2012). Therefore, with no career advancement prospects, he might have been somewhat complacent with regards to the problems in Lanzhou's economy (on the nexus of career prospects and leadership performance, see Donaldson 2009).

As noted, the development pace in the LNA has clearly been lagging behind the expectations. The next section makes a closer analysis of the LNA's slow-paced development.

7.5. LNA as a microcosm of Lanzhou's challenges and prospects

The LNA's slower than expected development is even admitted by some local officials (2017LNA09A). As with the GRP, the population living in the LNA has been remaining remarkably behind the targeted level. This is in spite of the fact that some companies which relocated from Lanzhou's urban core to the LNA called on their employees to move to the LNA (2017LNA07C), and that there are

significantly lower rents available than in the urban core. The LNA's population was reported at around 110,000 in 2012 (Zhao and Xue 2017). According to the LNA Bureau of Statistics (LNABS 2018), the long-term resident population (i.e., the de facto population) was 140,600, 140,280, and 151,200, respectively, in 2015, 2016, and 2017.

The Lanzhou New Area's development seems to have been beset by several challenges. First of all, it is located fairly far from the Lanzhou's urban core. The distance between the main city and the new area amounts to about 70 km, which makes the LNA the farthest new area from its main city (Xu, Li, and Ma 2017, 25). Second, urban infrastructure in the LNA is still underdeveloped as evidenced, for instance, by the lack of a full-fledged hospital. However, the biggest problem that has kept people from moving into the LNA is the lack of jobs (2018LNA05F). The number of actually operating firms in the LNA is much smaller than noted on the LNA's official website. Many companies seem to have only registered but have not started to operate. Also, an almost total lack of FDI inflow to the LNA should be noted (see also Yang et al. 2016, 27).

Mired in these difficulties, the LNA has been anything but a showcase new area like the Liangjiang New Area of Chongqing or the Guian New Area in Guiyang. Liangjiang has turned out to be a "manufacturing hub for automobiles and computers" (Lim and Horesh 2016, 15), and Guian New Area is a rising venue for the electronics and information technology sectors. In the course of the three rounds of field visits made to Lanzhou and the LNA from spring 2017 to summer 2018, the author was able to observe the LNA's change over time. It was apparent that there was not much headway in the time between the visits. Some companies which came to the FTZ for production and processing were even observed to have withdrawn later. For instance, the Pasnew, one of the largest electronics companies in the FTZ, as cited by the Lanzhou Bureau of Commerce (2017), withdrew in 2018 due to decreasing tax incentives (2018LNA05B).

On the other hand, evaluations of the LNA's progress should pay attention to the fact that it is still in the early stages of development. A member of the LNA Research Office referenced the experience of the Zhengdong New Area (Henan province) (2017LNA09A). Though it developed very slowly in its early stages, the Zhengdong New Area is now home to 2.5 million people.[73] The reasons to be optimistic for the future of the LNA include some arrangements and infrastructural investments which are underway and might show their tangible effects in the mid-to-long term. The Free Trade Zone in the LNA, for instance, could gradually transform into an important export processing zone in western China by attracting firms from coastal China, as Lanzhou's connectivity with Central and South Asia and Europe for railway cargo have been increasing in recent years. In a similar vein, the fledgling railway port for external trade (铁路口岸 *tielu kouan*) in the LNA with the adjacent warehouses and customs bureau has the potential to become a logistical hub for China's westward and southward exports (for a similar comment see Xu, Li, and Ma 2017, 26). Lanzhou-Almaty (2015), Lanzhou-Minsk (2016), and Lanzhou-Hamburg (2016) railway freight routes have been launched starting from the railway port in the LNA (LBC 2017; LNA 2017). This sort of freight connectivity could help Lanzhou and the LNA to overcome their bottlenecks and gradually turn into a more viable location for companies shifting to western China.

Furthermore, some large companies have opened factories in the LNA in order to benefit from the preferential tax and land policies. Examples include the Amer (正威国际集团) and Geely (吉利汽车), which are regularly listed in the Fortune Global 500 – a widely-watched ranking of the largest 500 multinational corporations. Another interesting example is the Scisky (水性科天), a high-tech

[73] Once called a ghost town, Zhengdong New Area has become a vibrant site of manufacturing. The new area's fast transformation owes much to the establishment of a large factory by the Foxconn in 2011. Foxconn-Zhengzhou Park employs around 300,000 workers (Zhang 2014, 144).

company in the new materials industry, originally from Anhui. The Scisky has moved its biggest production plant into the LNA.

Despite the potential for success and some encouraging developments, the overall trend in the LNA regarding the investment attraction remains sluggish. Lack of FDI inflow into the LNA needs a brief mention here. It seems fair to say that the comparatively low volume of FDI in Lanzhou cannot be attributed to the lack of central government support, as it has invested in infrastructure projects that have increased Lanzhou's connectivity with China's other major cities, as well as granting crucial up-scaling titles to Lanzhou which allow granting preferential policies for companies. The local leadership might have done an inadequate job of providing an institutional environment capable of convincing foreign investors to start manufacturing or service operations in Lanzhou. The leadership, instead, might have chosen to focus on the short term goal of increasing GRP by favouring the extant pillar sectors, instead of devising longer-term policies for sectoral diversification (Chang 2008, 92; Guo 2017, 109).

Figure 10 Lanzhou Railway Port, Lanzhou New Area
Source: author

Aside from this, some factors beyond the capabilities of local leadership seem to have limited Lanzhou's opening up. The existence of strong nearby rival cities such as Xi'an is one such factor (2017LZ09F; 2017OC09A; 2017OC07A). Xi'an, which also hosts a new area just as Lanzhou, is bigger than Lanzhou and has a larger highly educated workforce. As such, it might be seen as a rather appealing choice for foreign companies which seek to establish themselves in western China in order to benefit from the incentives coming with the WDP or BRI. Xi'an also enjoys the advantages of being an early starter, as the city was already attracting, albeit not on a large scale, FDI in high-tech sectors even in the late 1990s/early 2000s (2017OC07A).

Figure 11 "Construct the Silk Road Economic Belt", a banner in the Lanzhou Railway Port, Lanzhou New Area

Source: author

Similarly, in its bid to become a logistical hub for China's westward exports, Lanzhou has to compete with cities like Chengdu, Chongqing, and Xi'an. Thus, the local government's ambition to turn the LNA into a prominent national hub of logistics and transportation and a processing area for exports requires a persistent effort (LBC 2017). Moreover, as China's westward overseas rail freight routes, at

least currently, need subsidies by local governments to be commercially viable, Lanzhou's relative capacity to compete becomes even more limited. Cities like Chengdu and Xi'an and their provinces have a much larger fiscal base to support the infant international freight sector than Lanzhou and Gansu (2018LNA05G). In the words of Li Hanyin (Li 2015,44), a professor at and the director of the CCP Gansu Provincial Party School of Economic and Social Research Institute, Lanzhou is at least ten years behind Shaanxi and 20 years behind Shanghai with regard to financial opportunities. The limited fiscal capacity of Lanzhou has indeed become apparent by way of the laggard development of Lanzhou's initiative in overseas rail freight. The rail freight routes from Lanzhou to Minsk and Hamburg, both initiated in 2016, were halted the following year due to the dearth of subsidies available (2018LNA05G).

Considering the surge of FDI in Chongqing, Chengdu, and Xi'an after the late 2000s, it is also important to remember that the rise of a city is time-contingent (Van Grunsven and Wang 2014, 195). Lanzhou, and the LNA as well, may grasp an opportunity in the future to realize its latent potential. The BRI itself offers a good policy context for capturing such an opportunity. Time-contingent factors so far have played out mostly to the disadvantage of Lanzhou. Just a few years after the opening of the LNA, for instance, many other new national new areas were approved by the State Council. This proliferation of NNAs has decreased the advantage of Lanzhou in having a new area (Xu, Li, and Ma 2017, 25). Secondly, the so-called New Normal of the Chinese economy, so long as have caused a decrease in the central government's fiscal support and tightening credit conditions, has been detrimental to the current needs of the LNA. The LNA appears to need financial support for a few years to arrive at a level where it might become a reasonably self-sustaining area (2018LZ05D).

7.6. Conclusion

Two conclusions emerge from the chapter's analysis. It finds indications that the local governments, i.e., the Lanzhou municipal and the Gansu provincial governments, have not been very successful in creating an environment conducive to sectoral diversification and upgrading and opening up. While the local leadership's mediocre performance has been pointed out as the main factor linked to Lanzhou's slow transformation, it has been argued that the city's natural and historical constraints, the timing of the central government's preferential policies, the central government's selection of local leaders, and finally, nearby cities with larger size and better endowments have played a role as well.

The Gansu-Lanzhou governments are not associated, either in the media or by interviewees and extant academic papers, with a successful economic transformation story, as is the case, for instance, with Xi'an, Chongqing, and Guiyang. The local governments' efforts to pioneering or encouraging new sectors, reaching out to extra-local sources, or initiating a bottom-up process to link the local economic actors to the global markets have remained minuscule. The chapter has supported this fixation on the local leadership with a discussion on the features of individual leaders in Gansu and Lanzhou. Three of the four local leaders examined spent long years in Lanzhou, which might have resulted in a deeper entanglement with local agendas and interests. On a related note, they might be more conservative in their economic notions, and therefore less innovative in catalysing the growth of Lanzhou's economy in the face of fierce competition among Chinese cities.

On the other hand, some other constraints beyond the will and capacity of local actors are also linked to Lanzhou's lacklustre performance. The city's natural conditions, such as rugged terrain and a dearth of land suitable for urban development have resulted in several disadvantages for the local economy. The industrial legacy in Lanzhou might have created a lock-in effect, as well. It might

bring about destabilizing results in the short-term and a surge in unemployment to push for a radical change in the city's industrial structure.

The chapter's discussion on the infrastructural investments and special administrative arrangements favouring Lanzhou has concluded that it is difficult to say the city suffers from neglect on the part of the central government. Also, according to our estimate, the central government directly, or indirectly via the Gansu provincial government, has transferred considerable fiscal subsidies to the Lanzhou government. Furthermore, the LNA's approval as China's 5th National New Area demonstrates that the central government has been willing, at least in last few years, to elevate Lanzhou into a regional growth pole and a logistics hub. On the other hand, the timing of the supports is seen as suboptimal. Within a few years of the establishment of the LNA, many other NNAs were approved by the State Council. This has diluted the Lanzhou's advantage in having a new area, as the other NNAs have emerged as rivals for capturing relocating investments and becoming a logistical hub for the domestic and international trade. The central government also did not particularly favour Lanzhou and Gansu in terms of leadership appointments. The leaders of Lanzhou and Gansu over the recent decade were not selected from among the "powerful central figures" or officials with a notably strong track record.

Additionally, the existence of nearby cities such as Xi'an and Chengdu, which possess a larger local market and fiscal capacity, a larger educated workforce, and enjoy the advantages of being an early developer in western China, seems to have decreased the allure of Lanzhou and the preferential policies it offers.

Even though Lanzhou has come to hold some infrastructural capacity under the central government's preferential policies and fiscal supports, for the foreseeable future, Lanzhou will be in need of continuing central government support to emerging as a regional growth pole and a logistics hub. China's macroeconomic concerns under the New Normal, however, might adversely affect Lanzhou's economic interests. In this respect, austerity policies intended to decrease financial

risk and a possible reduction in fiscal transfers from the central government in the context of China's slower economic growth are of great significance for Lanzhou's economic prospects. Counterbalancing this, the Belt and Road Initiative is expected bring about opportunities for Lanzhou.

CHAPTER 8

CONCLUSION

This chapter reviews the arguments developed in the previous chapters. The chapter also elaborates on the economic development prospects of western China and identifies areas for future research.

From the outset of reforms through the mid-2000s, the eastern region of China developed faster than the western, central, and northeast regions. Due to the combination of its natural endowments and the central government's coastal-biased regional policy in the earlier stages of the reform era, eastern China emerged as the country's economically most dynamic region. Under the decentralizing fiscal and administrative reforms, the eastern provinces have successfully stimulated investments in a variety of industries. In particular, three city-regions – Pearl River Delta, the Yangtze River Delta, and the Bohai Bay Area – have become prominent hubs within the global production networks.

The eastern region continues to account for a disproportionately higher percentage of China's economy. However, the development gap between the eastern region and the rest of the country has somewhat narrowed since the mid-to-late 2000s, as the western, central, and northeast regions have started to attain higher growth rates than the eastern region. The central government's turn to a more balanced regional development policy, since the late 1990s, has certainly played a crucial role in the narrowed the disparity between the east and the rest. Under the regional development programs, the inland provinces started to receive more fiscal support, infrastructure investments, and preferential policies from the central government. An additional factor in narrowing the gap has been the industrial transfer en masse from the eastern region to the inland regions. This movement has occurred as a result of the surging labour and land costs in the eastern region and the augmented

infrastructure of the inland regions. The relatively large cities of inland regions, such as Wuhan and Zhengzhou in the central region and Chengdu, Chongqing, and Xi'an in the western region, have become new growth poles with thriving advanced sectors.

8.1. Different patterns of accelerated growth in western China

As noted, Chengdu, Chongqing, and Xi'an have all undergone a process of sectoral diversification and upgrading, with the rapid development of some advanced sectors, including the different branches of the electronics industry. In Chongqing, for instance, the largest five manufacturing sectors in 2008, as measured by value-added, included traditional resource-based industries such as raw chemical materials and chemical products, electric power and hot power production and supply, and smelting and pressing of ferrous metals. Only eight years later, in 2016, these three sectors were replaced by three advanced sectors: communication equipment, computer and other electronic equipment; railway, ship, aviation and other transporting equipment; and electrical machinery and equipment. The communication equipment, computer and other electronic equipment sector alone came to account for 16.8 per cent of the city's total manufacturing value-added.

Chengdu, Chongqing, and Xi'an have also attracted a large amount of FDI since the mid-2000s, often surpassing the volumes that coastal cities have attracted. They have combined the cost advantages with increasing local infrastructural capacity and a variety of preferential policies to attract investments from both coastal China and abroad. The existing work, as discussed in Chapter 5, highlights how the local governments have pursued pro-active policies to attract lead firms in the electronics industry and their suppliers.

Guiyang, a middle-sized city in western China, has also attained considerable success sectoral diversification and opening up. Some high-tech manufacturing sectors, such as communications, computers and other electronic equipment; railway, marine, aerospace and other transportation equipment manufacturing; and

the information transmission, software and computer services have grown in importance in Guiyang's economy. In the last few years, the city has even come to attract more FDI than some coastal cities of comparable size, such as Zhongshan.

Yet not all areas of western China have achieved similar levels of performance in sectoral diversification or in forging strong links with global markets. Many cities, instead, have owed a great deal of their accelerated growth since the mid-2000s to the price boom in natural-resource commodities and their adjacent industries and infrastructure investments. Unlike Chengdu, Chongqing, and Xi'an, many cities continue to rely on agricultural input-based industries or resource-based heavy industries. Lanzhou, for instance, has experienced notably slower transformation and sectoral diversification.

Traditional sectors continue to be the mainstay of Lanzhou's manufacturing industry. The three branches of manufacturing – petroleum processing, coking and nuclear fuel processing, the tobacco industry, and electricity and heat production and supply industries- combine to account for about half of the total industrial value-added in Lanzhou. These industries are followed by the non-ferrous metal smelting and pressing industry, chemical raw materials and chemical manufacturing industry, and non-metallic mineral products industry.

As the experiences of coastal cities, and of Chengdu, Chongqing, and Xi'an, demonstrate, sectoral diversification goes hand in hand with the stimulation of private investments, both domestic and foreign. In Lanzhou, unlike those cities, state-controlled enterprises continue to constitute the bulk of the manufacturing industry, where around three-quarters of the local manufacturing value-added is generated by SCEs.

8.2. Shared problems with the accelerated growth: Investment-reliance and debt accumulation

Investments have accounted for a relatively higher share of GRP in both large and middle-sized cities of western China. In Chapter 6, seven cities, including Chengdu, Guiyang, and Lanzhou from western China and Taiyuan, Lianyungang, Jilin, and Zhongshan from other regions, were compared concerning the composition of their GRPs for the 2005 to 2014 period. It has been shown that Lanzhou, Guiyang, and Chengdu had a higher-than-national average share of investments.[74] Yet the comparison has also shown that this investment-reliant growth has by no means been limited to the western cities. The cities of Taiyuan, Lianyungang, and Jilin also had an investment share above 50 per cent for the corresponding period, which also puts them well above the national average.

What is rather specific to cities of western China, with the exception of Chengdu and Urumqi, is the comparatively high share (around 10 per cent) of the construction sector in local GRPs since the late 2000s. This lends some support to a commonly held view that local governments in western China tend to rely more on physical infrastructure and residential or commercial construction.

Another major concern concerning the accelerated growth in western China relates to the surging debt stock on the part of local governments, which is linked to debt-financed infrastructure investments. As discussed in Chapter 5, the debt-to-GRP ratio is relatively high in most western provinces. Guizhou, Chongqing, Yunnan, Qinghai, Gansu, Shaanxi, and Sichuan all have above-average debt-to-GRP ratios. Guizhou and Chongqing are ranked as the most indebted provincial-level units within China. Indicative of the debt-reliance of western China, Xi'an (in Chapter 5), Lanzhou, Urumqi, and Guiyang (in Chapter 7) are each found to have deteriorating budgetary balances since the late 2000s. The relatively high debt stocks and the rising budgetary deficits, as argued in previous chapters, may pose

[74] Urumqi and Xi'an were not included in the comparison due to the lack of data.

fiscal problems in the mid-to-long term, and could even result in local debt default and subsequent economic stagnation, if not crisis.

8.3. Causes of the sluggish economic transformation in western China: Insights from Lanzhou

Lanzhou's subpar economic record over the last decade, as Chapter 7 has concluded, is primarily linked with the local government's poor performance. This fixation is corroborated through several types of evidence. Firstly, it has been emphasized that the Gansu-Lanzhou governments are not associated, not in the media nor by interviewees and extant academic papers, with a successful economic transformation story. For instance, there is plenty of media reports or academic works that highlight the successful strategies of Chongqing and Guiyang governments. Secondly, the chapter's analysis has highlighted how there is a significant gap between the targets formulated in local development plans and the realized figures. The pace of development has been much slower than that projected by local leadership, most notably evident in the Lanzhou New Area. It has been underlined that even some local officials in the LNA admit that the LNA has fallen short of its anticipated development pace. Thirdly, it has been probed whether individual leaders in Gansu-Lanzhou were promoted to a higher post after their tenures in Gansu or Lanzhou. Findings regarding this, albeit by no means taken as definitive indicators, do not contradict the assessment that the local governments in Gansu and Lanzhou have not shown remarkable success in triggering local economic transformation.

On the other hand, some constraints, beyond the will and capacity of local actors, are also evident in Lanzhou. The city's challenging geography and the dearth of land for urban development have resulted in disadvantages for the local economy. Lanzhou's heavy industrial legacy, anchored on a few pillar sectors and dominated by SCEs, has created a path-dependence which is highly resistant to change. The local government itself might have opted for focusing on the short-term goal of increasing GRP, by resting on the extant pillar sectors, instead of initiating longer-

term policies for sectoral diversification. To push for radical change in the city's industrial structure may have destabilizing effects in the short-term, including a surge in unemployment.

Additional difficulties facing Lanzhou is to have strong competitor cities in neighbouring provinces. Xi'an, in particular, has been identified as a strong rival and a potentially better option for investors who willing to take advantage of the BRI and the WDP. In addition to sharing the several comparative advantages of Lanzhou, Xi'an has a larger market, a larger pool of talent, and a more extensive base in manufacturing and services.

An additional finding on the subpar economic performance of Lanzhou relates to the timing of central government policies. It is clear, through infrastructural investments and the granting of special administrative titles, that the central government has committed to elevating Lanzhou to a regional growth pole and a logistics hub. The timing of this central support has not always been ideal for Lanzhou. For instance, within a few years of the Lanzhou New Area's establishment in 2012, many other National New Areas were also approved by the State Council. In so doing, the State Council diminished the advantage of Lanzhou in having a new area. Other NNAs emerged as potential rivals, for capturing relocating investments and becoming logistical hubs for domestic and international trade. The central government also did not particularly favour Lanzhou and Gansu in terms of leadership appointments. The leaders of Lanzhou and Gansu over the recent decade were not selected from among the "powerful central figures" or officials with a notably strong track record.

Guiyang's success in opening-up and industrial upgrading may offer insight into Lanzhou's failure. The local leadership in Guiyang chose the niche sector of big data to diversify and upgrade the local economy. The arrival of local champions like Tencent, China Unicom, and Huawei, has been followed by multinationals such as Apple and Microsoft. Though it is difficult to determine the exact factors that enticed national giants to arrive in Guiyang, it can be assumed that the high-

profile local leaders and their close ties to Beijing may have played a role. Also, it is interesting to observe that all recent local leaders of Guizhou, the administrative superior of Guiyang, have spent some of their career in prosperous coastal China. Their previous career, therefore, might have enabled to gain experience in working with private, domestic or foreign, investors. This previous career pattern stands in contrast with the profiles of the recent local leaders in Gansu-Lanzhou. Three of the four local leaders examined spent long years in Lanzhou, which may have led to a deeper entanglement with local agendas and interests. Similarly, their long-term experience in Lanzhou may have affected their economic notions. Since state-controlled enterprises are predominant actors in Lanzhou's economy, this may have resulted in a conservative understanding of the economy, and inertia to diversify and upgrade Lanzhou's economy.

The analysis of Lanzhou's economic performance offers potential insight into other stagnant areas of China. In explaining how a city's economic development can remain laggard, despite central supports, this study highlights the significance of non-innovative and rather complacent local leadership. There is no question that Disadvantageous geographical conditions and the lock-in effects of the inherited industrial structure have hampered Lanzhou's economic transformation prospects. However, other things aside, the extraordinarily tiny volume of FDI inflows to the city, and the LNA's sleepy landscape, more than five years after its establishment, point to leadership inertia.

In view of those findings from both successful and mediocre cities, this dissertation has reached an overall conclusion on how China's state-permeated, decentralized political economy operates in western China: *While a proactive and aggressive local leadership is the key to upgrading the industrial structure and forging close ties with global markets, the central government wields a significant capacity in defining the conditions of local development through place-targeted policy measures such as large-scale infrastructure investments, administrative*

arrangements, fiscal support, personnel appointments and as well as by way of specifying cyclical macroeconomic priorities.

8.4. Prospects for economic development in western China and future research

The New Normal of the Chinese economy, with features including a decreasing amount of financial support from the central government, the tightening of credit conditions, and the curbing of overcapacity within heavy industries, has profound implications for the regional disparity in general and economic development in western China.

Tight credit conditions may force local governments to rely less on infrastructure investments. That is a challenge facing the local governments in western China which tend to resort to the infrastructure investments, at some excessive levels, to prop up the growth.

Policy measures aiming to control local government spending may result in reducing business subsidies. The early signs of subsidy reductions are evident in Lanzhou. As mentioned in Chapter 7, some companies, which had previously moved to the LNA due to the preferential tax and subsidy policies, withdrew later in tandem with decreasing subsidies. The Lanzhou-Hamburg and the Lanzhou-Belarus railway cargo services were halted for the same reason. This observation, regarding Lanzhou, lends support to previous research that highlights the stagnating effects of the New Normal in old industrial areas (e.g., Hu and Hassink 2017b).

As discussed in Chapter 3, the capacity reduction is underway in several sectors. A sustained emphasis on curbing overcapacity in the years to come may cause drops in the value-added of some heavy industrial sectors. Implications of this will be more pronounced in inland provinces, which are, in general, more dependent on

these sectors. Future research should focus on how China's new macroeconomic concerns are affecting the development dynamics of western China.

The central government's current policy agenda concurrently involves elements that are expected to foster the western region's economic development. The Belt and Road Initiative, for instance, is providing opportunities for the provinces in the region to attract investment and increase overseas trade. Furthermore, the central government is incentivizing the process of industrial transfer from coastal cities to the western and central regions. These two particular favourable processes as well appear as the research themes for further investigation.

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APPENDICES

A. APPROVAL OF METU HUMAN SUBJECTS ETHICS COMMITTEE

UYGULAMALI ETİK ARAŞTIRMA MERKEZİ
APPLIED ETHICS RESEARCH CENTER

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MIDDLE EAST TECHNICAL UNIVERSITY

Sayı: 28620816 /355

07 HAZİRAN 2017

Konu: Değerlendirme Sonucu

Gönderen: ODTÜ İnsan Araştırmaları Etik Kurulu (İAEK)

İlgi: İnsan Araştırmaları Etik Kurulu Başvurusu

Sayın Yrd. Doç. Dr. Ceren ERGENÇ;

Danışmanlığını yaptığınız doktora öğrencisi Veysel TEKDAL'ın ***"Batı Çin'de Kalkınmayı Sağlamak: Lanzhou Şehri Üzerine Bir Vaka Çalışması"*** başlıklı araştırması İnsan Araştırmaları Etik Kurulu tarafından uygun görülerek gerekli onay **2017-SOS-105** protokol numarası ile **01.07.2017 – 26.09.2018** tarihleri arasında geçerli olmak üzere verilmiştir.

Bilgilerinize saygılarımla sunarım.

Prof. Dr. Ş. Halil TURAN
Başkan V

Prof. Dr. Ayhan SOL
Üye

Prof. Dr. Ayhan Gürbüz DEMİR
Üye

Doç. Dr. Yaşar KONDAKÇI
Üye

Doç. Dr. Zana ÇITAK
Üye

BULUNAMADI
Yrd. Doç. Dr. Pınar KAYGAN
Üye

Yrd. Doç. Dr. Emre SELÇUK
Üye

B. LIST OF INTERVIEWS

Interview Code	Interview Location	Interview Date	Interviewee
2017LZ07A	Lanzhou (LZ)	07/2017	Professor, Northwest Normal University
2017LZ07B	LZ	07/2017	Reporter, Lanzhou Daily
2017LNA07A	Lanzhou New Area (LNA)	07/2017	Manager, Amer Company in LNA
2017LNA07B	LNA	07/2017	Employee, Scisky Company in LNA
2017LNA07C	LNA	07/2017	Employee, Lanshi Company
2017OC09A	Online communication	09/2017	Professor, Lanzhou University
2017LZ09B	LZ	09/2017	Researcher, the Party School of the CCP
2017LZ09C	LZ	09/2017	Researcher, the Party School of the CCP
2017LZ09D	LZ	09/2017	Manager, the Gansu-Lanzhou International Land Port
2017LNA09A	LNA	09/2017	Member of the LNA Research Office
2017LZ09E	LZ	09/2017	Professor, Northwest Normal University
2017LZ09F	LZ	09/2017	Professor, Northwest Normal University
2018LZ05A	LZ	05/2018	Professor, Lanzhou University
2018LNA05A	LNA	05/2018	Manager, a local electronics firm in LNA
2018LNA05B	LNA	05/2018	Official, from the Free Trade Zone in LNA
2018LNA05C	LNA	05/2018	Manager, Zhouer Company
2018LZ05B	LZ	05/2018	Professor, Northwest Normal University
2018LZ05C	LZ	05/2018	Professor, Lanzhou University
2018LNA05D	LNA	05/2018	Manager, Foci Company
2018LNA05E	LNA	05/2018	Manager, Sany Company

2018LNA05F	LNA	05/2018	LNA resident, Cab driver
2018LNA05G	LNA	05/2018	Two Managers, Railway Port, LNA
2018LZ05D	LZ	05/2018	Associate Professor, Chinese Academy of Social Sciences, Gansu Branch
2017OC07A	Online Communication	Several times, starting in July 2017	Business adviser, the owner of www.lanzhounewarea.com

C. CURRICULUM VITAE

PERSONAL INFORMATION

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Date and Place of Birth: February 13, 1987, Van

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EDUCATION

Degree	Institution	Year of Graduation
MS	METU, International Relations	2013
BA	Hacettepe University, International Relations	2010

WORK EXPERIENCE

Year	Place	Position
2010-Present	Eskisehir Osmangazi University	Research Assistant

AWARDS

Taiwan Ministry of Education, Huayu Scholarship, for Mandarin Education in Taiwan, for 2012/13 Spring Semester.

Middle East Technical University, Research Fund for Dissertations, 2017. (BAP-07-03-2017-011) (TRY 30.937)

The Scientific and Technological Research Council of Turkey, Scholarship for Doctoral Research Abroad, 2017. (1059B141601253) (3 month*USD 1800 = USD 5400)

PROFESSIONAL ACTIVITIES

Reviewer for *Review of International Political Economy (2018), Journal of Contemporary European Studies* (2019).

Organizing Committee Member at 7th Annual Congress of Asian Political and International Studies Association, 25-26 October 2013, Middle East Technical University, Ankara, Turkey.

FOREIGN LANGUAGES

English- fluent

Mandarin- intermediate

PUBLICATIONS

1. 2017, "World Order and Hegemony: neo-Gramscian perspectives", in Faruk Yalvaç (Ed.), Historical Materialism and International Relations (pp. 215-248). Ankara: Imge Publishing. (in Turkish).
2. 2018, "China's Belt and Road Initiative: at the crossroads of challenges and ambitions", Pacific Review, 31 (3): 373-390.

ACADEMIC PRESENTATIONS

"The Role of Intellectuals in policy-making in the post-Mao China: Case of the Labour Contract Law", 6th Asian Political and International Studies Association Congress, 30 November-1 December 2012, City University of Hong Kong.

"Public Intellectual in the Chinese context: A comparative perspective", 7th Annual Conference of the Nordic Institute of Asian Studies, 4-8 November 2013, Southern University of Denmark.

"Neo-Gramscianism: Did it fail as a project?", 13th Middle East Technical University International Relations Conference, 25-27 June 2014, Middle East Technical University.

"Decolonising IR perspectives on the rise of China", 9th Pan-European International Studies Conference, European International Studies Association, 23-26 September 2015, Sicily, Italy.

(with Ceren Ergenç) "Chinese Capitalism and Emerging Cities in Western China", Association of American Geographers Annual Meeting, April 5-9, 2017, Boston.

"Beyond the neo-Gramscian Hegemony: the rise of China in the global economic order as a state-directed capitalism" European International Studies Association, 12th Pan-European Conference on International Relations, September 12-15, 2018, Prague.

"Political Economy of the Accelerated Growth in Western China: Lanzhou City in Perspective", The 11th International Convention of Asia Scholars, 16-19 July 2019, Leiden University.

D. TÜRKÇE ÖZET / TURKISH SUMMARY

BATI ÇİN'DE HIZLANAN BÜYÜMENİN POLİTİK EKONOMİSİ: YEREL BÜYÜME BİÇİMLERİNDE FARKLILAŞMA

Giriş

Çin Halk Cumhuriyeti'nin 1949'da kurulmasından 1970'lerin sonuna kadar Çin, dış ekonomilerle oldukça sınırlı bağları olan merkezi planlı bir ekonomiydi. Sembolik başlangıç noktası Aralık 1978'deki Çin Komünist Partisi (ÇKP) On Birinci Merkez Komitesinin Üçüncü Genel Kurulu olan reform döneminde Çin küresel ticaret ve üretim ağlarıyla bütünleşmiş bir piyasa ekonomisi haline geldi (Breslin 2007, 41).

Reform dönemindeki yüksek ve istikrarlı büyüme sayesinde Çin, yalnızca bir üst-orta gelir ekonomi değil, aynı zamanda dünyanın en büyük ikinci ekonomisi olmayı başardı. Çin ayrıca birçok sektörün küresel tedarik zinciri için önemli bir mıknatıs ve böylece önde gelen bir imalat ve ticaret ekonomisi haline geldi (Dicken 2011, 32-3). Daha yakın bir zamanda Çin, dünyayla olan ilişkisinde niteliksel bir değişiklik ifade edecek biçimde yurt dışına doğrudan yabancı yatırımların (DYY) ve dünyanın hemen her yerindeki altyapı yatırımları için uzun vadeli finansmanın önemli bir kaynağı olarak ortaya çıktı (Gallagher 2016; Wang ve Lu 2016).

Çin'in ekonomik başarısına yol açan siyasal süreçler ve bu başarının toplumsal ve kurumsal dayanakları çok sayıda araştırmaya konu olmuştur. Öncelikle, Çin, büyük bir emek rezervi, geniş bir iç pazar, derin limanlar için elverişli uzun bir sahil şeridi ve Japonya, Kore ve Tayvan gibi sanayileşmiş ülkelere coğrafi yakınlık gibi doğal koşullarında açık bir avantaja sahiptir (Kroeber 2016, 43-45).

Bununla birlikte "Çin mucizesinin" bir politika yönünün de bulunduğu açıktır. Çin'in olağanüstü başarısına yönelik açıklamaların çoğu, Çin hükümetinin reform

döneminde ortodoks olmayan ve uyarlanabilir politikalar uygulama kapasitesinin bu başarıda önemli bir rol oynadığı konusunda hemfikirdir (Naughton ve Tsai 2015). Çin, neoliberalizm tarafından benimsenen özelleştirme, kuralsızlaştırma ve ticaretin serbestleştirilmesi gibi makroekonomik politikaları yalnızca seçimli olarak ve kesinlikle aşamalı biçimde hayata geçirmiştir (Wu 2010). Çoğu ülkenin aksine Çin, sınır ötesi sermaye kontrollerini büyük ölçüde korumaktadır. Ayrıca devlet, bankacılık sektöründeki hâkimiyetini sürdürmektedir. Çin'de devlet, devlete ait işletmeler ve devlet tarafından kontrol edilen işletmeler[75] aracılığıyla üretimde önemli bir yer tutmaya devam etmektedir. Son olarak Çin devleti, sanayi politikası ve kentleşmenin planlaması konusunda nispeten büyük bir kapasiteye sahiptir (Lim 2016; Naughton ve Tsai 2015).

Bununla birlikte, aynı zamanda, Çin'in başarısının temellerinin Çin merkezi hükümetinin kapasitesinin ötesine uzandığı konusunda büyük ölçüde bir fikir birliği mevcuttur. Geniş çaplı piyasalaştırma, ademi merkezileştirme ve küreselleşme süreçleri söz konusuyken, merkezi hükümeti her şeye muktedir bir aktör olarak görmek doğru olmayacaktır. Pek çok durumda Çin merkezi hükümeti, küresel piyasaların "gereklerine" uyum sağlamıştır. Ayrıca yerel yönetimler, kendilerine önemli ekonomik takdir yetkileri verilmesi sebebiyle Çin'de ekonomik yönetişimin başlıca aktörlerinden biri olarak ortaya çıkmıştır. Bu nedenle Çin'in politik ekonomisinin, Doğu Asya'nın klasik kalkınmacı devletlerinde gözlenen merkezileşmiş devlet kapitalizmin farklı bir biçimi yerine, devlet *nüfuzlu* kapitalizm olarak tanımlanması daha uygun olabilir (Nölke vd. 2015).

Çin'in devlet nüfuzlu ve büyük ölçüde ademi merkezileştirilmiş kapitalizminin geniş çaplı çevresel bozulma, yaygın yolsuzluk ve göreli olarak yüksek sosyal eşitsizlik üretme gibi kendine özgü sorunları vardır. Dahası, Çin ekonomisinin büyümesi, özellikle 2008 Küresel Finansal Krizinden (KFK) sonra borçla finanse

[75] Çin resmi sınıflandırmasında, "devlet kontrolündeki teşebbüs" (国有控股企业 guoyou konggu qiye) terimi, en büyük sermaye payının devlete ait olduğu, ki genellikle yüzde 50'nin üzerindedir, işletmeleri ifade eder (bkz. NBS 2017, 13. bölüm, temel istatistiksel göstergeler hakkında açıklayıcı notlar).

edilen yatırımlara büyük ölçüde bağımlı hale gelmiştir. Hatta 2008 krizinin başlamasından bir yıl önce dönemin başbakanı Wen Jiabao, Çin ekonomisinin en önemli dengesizliklerinden biri olarak yatırıma aşırı bağımlılığa dikkat çekmiştir (Lardy 2015, 104; Mossavar-Tahmani vd. 2016, 18). KFK'nin durgunlaştırıcı etkilerine karşı koymak için Pekin, bir dizi teşvik paketi hayata geçirdi ve 2008'i izleyen birkaç yıl boyunca kredi piyasasını gevşetti. Merkezi ve yerel yönetimler bu teşvik paketlerine dayanarak başta altyapı alanında olmak üzere çok büyük yatırımlar yaptı (Garnaut vd. 2016, 1; Kroeber 2016, 219). KFK sonrası dönemdeki yatırım hamlesi, ilerleyen zamanlarda yerel yönetimler ve devlete ait işletmelerinki başta olmak üzere borç stoklarını artırdı (Krolikowski 2017, 44).

Son birkaç yıldır Pekin, yeni bir "büyüme modeline" geçerek, özellikle artan borç ve büyüme kaynağı olarak yatırımlara aşırı bağımlılık gibi bazı makroekonomik dengesizlikleri çözmeye çalışmaktadır. Genellikle "Yeni Normal" terimi altında ifade edilen makroekonomik değişim, finansal risk azaltımı ve büyüme kaynağı olarak yatırımlara daha az bağımlılık gibi hedefleri öncelikli hale getirmiş durumdadır. Bu makroekonomik değişime büyüme oranlarında önemli bir düşüş eşlik etmiştir. KFK'yi takip eden yıllarda yaklaşık yüzde on civarında seyreden büyüme oranı 2015'ten bu yana yüzde yedinin altında kalmıştır. Çin yönetimi, makroekonomik denge adına daha yavaş bir büyüme oranını kabul etmekle, ÇKP'nin meşruiyetinin muhtemelen en önemli kaynağı olan ekonomik büyümeyi teşvik etmek arasında bir denge sağlamaya çalışmaktadır (Pettis 2017).

Çin'in karşı karşıya olduğu bir diğer büyük sorun, son on yıllardaki ekonomik dönüşümün bölgesel eşitsizliği artırmış olmasıdır. Çin'in doğusundaki Guangzhou, Shenzhen, Pekin, Tianjin ve Şangay merkezli şehir bölgeleri, ülkenin Gayri Safi Yurt İçi Hasılasının (GSYH) orantısız bir bölümünü oluşturur hale gelmişlerdir (Yeung ve Shen 2009).[76] Endüstriyel gelişme ve küresel ekonomiyle artan bütünleşme büyük ölçüde ülkenin doğu bölgesinde yoğunlaşmıştır. Piyasalaştırma

[76] Çin'deki yer adları çevrilirken eğer Türkçe'de yaygın olarak başvurulan kullanımları (örneğin Pekin) yoksa standart romanizasyonlar kullanılmıştır.

ve küreselleşmenin birleşimi, sanayi faaliyetlerinin kıyı Çin'de yoğunlaşmasının önünü açmıştır. Bununla bağlantılı olarak, ülkenin iç kısımları çoğunluğu tarımsal girdiye dayalı sanayiler veya demir ve demir dışı metal presleme, petrol arıtımı ve metal dışı mineral üretimi gibi az sayıda sektöre büyük ölçüde dayanmaya devam ederken, kıyı kesimleri oldukça çeşitlilik kazanmış sanayi yapıları geliştirmiştir (He 2009). Bölgesel eşitsizlikler ve farklılaşmalar mevcut araştırmanın konularıdır.

Araştırmanın amacı ve soruları

Birçok gözlemci, Çin devletinin, ideal-tipik örnekleri Japonya, Güney Kore ve Tayvan olan Doğu Asya kalkınmacı devletinin birçok temel özelliğini taşıdığının altını çizer (örneğin Breslin 2011; Horesh ve Lim 2017). Çin devleti gerçekten de kalkınmacı devletlerin uluslararası rekabet gücünü artırmak için yerel sektörleri sübvanse etme, yüksek yatırım oranları, ihracata odaklılık ve devletin finans üzerindeki kontrolü gibi birçok tanımlayıcı özelliğini paylaşmaktadır.

Bununla birlikte kalkınmacı devlet kavramı, Çin'in politik ekonomisinin anlaşılması konusunda sınırlılıklara sahiptir. Nispeten küçük ekonomilerin deneyimlerinden türetilen kalkınmacı devlet kavramı, oldukça merkezileşmiş bir ekonomik yönetişim varsaymaktadır (Howell 2006, 283). Ancak Çin, Hindistan ve Brezilya gibi diğer büyük gelişmekte olan ülkelere benzer şekilde, büyüklüğü, coğrafi ve sosyal çeşitliliği ve nispeten güçlü yerel yönetimleri bakımından bu kalkınmacı devletlerden farklılık göstermektedir (Chung 1999b, 1; Howell 2006). Ademi merkezileştirme, piyasalaştırma ve küreselleşme bağlamında yerel yönetimler, özel sektör ve çoğu yerde yabancı yatırımcılar, merkezi devletin yanında önemli aktörler olarak ortaya çıkmıştır (Wei 2015, 7). Sonuç olarak, Doğu Asya'daki kalkınmacı devletlerde gözlemlenen oldukça merkezileşmiş ekonomik düzen yerine, "yerel devlet oluşumlarının, politikalarının ve ekonomilerinin komplike bir karışımını içeren çok biçimli bir devlet" söz konusudur (Howell 2006, 291-2).

Çin politik ekonomisinin yerel heterojenliğini kesen bir diğer kompleksite kaynağı da önemli boyuttaki makro-bölgesel eşitsizliklerdir. Bölgeler arasındaki ekonomik gelişmişlik farklarını azaltmak amacıyla Çin merkezi hükümeti, 1990'ların sonlarından bu yana uzun vadeli bölgesel kalkınma planları geliştirmektedir. Bölgesel kalkınma planlarının muhtemelen en kapsamlısı olan Batı Kalkınma Programı (BKP) 2000 yılında başlatılmıştır. BKP, ayrıcalıklı vergi düzenlemeleri, mali transferler, sübvansiyonlu krediler ve altyapı yatırımları dâhil olmak üzere çeşitli politikalar yoluyla Çin en az gelişmiş bölgesi olan batı bölgesinde ekonomik kalkınmayı teşvik etmeyi amaçlamaktadır.

Batı bölgesi, BKP döneminde göreli olarak yüksek büyüme oranlarına ulaşmış ve ulusal büyüme ortalamalarını aşmıştır. Bununla birlikte BKP'nin bölgedeki sanayileşme ve dışa açılmaya ne derece katkıda bulunduğu tartışmalıdır. Eleştirel yaklaşanlara göre program, bölgedeki özel yatırımları tetikleme konusunda büyük ölçüde başarısız olmuştur. Endüstriyel kalkınmaya katkıda bulunmak yerine BKP, büyümeyi yaratmanın bir yolu olarak çoğunlukla altyapıya odaklanan ölçüsüz yatırımları teşvik etmiştir.

Öte yandan, daha iyimser gözlemcilerin belirttiği üzere BKP'yi bir dereceye kadar başarılı kabul etmek için de sebepler mevcuttur. Örneğin, bölgenin en büyük üç kenti olan Chongqing, Chengdu ve Xi'an, ileri sektörlerin geliştiği canlı büyüme bölgeleri olarak ortaya çıkmıştır. Bu kentler ayrıca güçlü dış ticaret ve üretim bağlantıları geliştirmişlerdir.

Guiyang, Lanzhou ve Urumçi dâhil olmak üzere batı Çin'in orta büyüklükteki kentlerinin performansları, sektörel çeşitlendirme ve niteliği yükseltme[77] ve dışa açılmadaki başarı dereceleri farklı olduğundan daha tartışmalıdır. Guiyang göreli

[77] Endüstriyel yükseltme, en yaygın olarak küresel değer zinciri (GVC) literatüründe kullanılmaktadır. Bu literatür de kullanıldığı şekliyle terim, firmaların küresel değer zinciri içerisinde düşük değerli faaliyetlerden görece yüksek değerli faaliyetlere kaymasını ifade eder (örneğin, Zhu ve He 2016). Kent düzeyinde yapılmış bir araştırma olarak bu çalışma, terimi, bir kentin gelişmiş sektörlerin daha önemli hale geldiği endüstriyel bir yapıya kaydığı bir süreci ifade etmek için ve de *sektörel çeşitlendirmeyle* birlikte kullanmaktadır.

bir başarı öyküsü olarak göze çarparken, Lanzhou ve Urumçi'nin deneyimleri en iyimser yoruma göre vasattır. Batı Çin kentlerinin büyüme patikalarında nasıl ve neden farklılık gösterdiği, bu tez tarafından ele alınan bilmeceyi oluşturmaktadır. Bu çalışma, söz konusu soruşturmayı üç adımda yapmıştır. Öncelikle, batı Çin'in en büyük üç kentinin deneyimleri incelenmiştir. Ardından, başarılı örnek durumundaki orta-ölçekli bir kent olan Guiyang ve oldukça yavaş bir şeklide ilerleme kaydeden orta-ölçekli bir kent olan Lanzhou arasında bir karşılaştırma yapılmıştır. Son olarak Lanzhou'nun dışa açılma, endüstriyel niteliği yükseltme ve çeşitlendirmedeki ağır ilerleyen performansı derinlemesine incelenmiştir.

Bu araştırma üç temel soruya cevap geliştirmeyi amaçlamaktadır:

1. Batı Çin'in en büyük üç kentinde, Chongqing, Chengdu ve Xi'an'da yaklaşık son on yıldaki ekonomik dönüşümün hatları nelerdir?

2. Batı Çin'in orta büyüklükteki kentleri Lanzhou ve Guiyang'in büyüme modelleri son on yılda nasıl farklılaşmıştır?

3. Lanzhou'nun dışa açılma ve sektörel çeşitlendirme ve niteliği yükseltmedeki vasat performansının nedenleri nelerdir?

İlk soru, mevcut akademik araştırmaların ve istatistiksel verilerin incelenmesi yoluyla ele alınmaktadır. İkinci soruya eğilirken, karşılaştırmalı politik ekonomideki güncel tartışmalardan genel hatlarıyla esinlenen analitik bir yöntem kullanılmaktadır. Bu yöntem temel olarak, Gayri Safi Bölgesel Hasılayı (GSBH) ayrıştırarak bir bölgedeki büyümenin temel kaynaklarını belirlemeyi amaçlamaktadır. Bunu yaparken, GSYH'yi hesaplamanın iki farklı yolunun, yani harcama ve katma değer yaklaşımlarının kategorilerinden yararlanmak önerilmektedir. Harcama yaklaşımına göre GSYH/GSBH, tanımı gereği, gayrisafi sermaye oluşumu, hane halklarının ve hükümetin nihai tüketim harcaması ve net

ihracatın toplamına eşittir.[78] Bu bileşenlerin her birinin GSBH içindeki nispi payını ölçmek, her şeyden önemlisi, bir kentteki büyümenin batı Çin'deki ekonomik büyümeyle ilgili anlatılarda sıklıkla kabul edildiği gibi yatırıma bağımlı olup olmadığını anlamaya yardımcı olur. Bir sonraki adımda GSBH, katma değer yaklaşımının mantığına göre ayrıştırılıp incelenir. Katma değer yaklaşımına göre GSYH/GSBH, ekonominin farklı sektörleri tarafından üretilen katma değerin toplamına eşittir. Bu analiz, sektörel düzeyde büyüme dinamiklerini ve ilgili kentlerin sektörel çeşitlendirme veya yükseltme konusunda ne kadar ilerleme kaydettiklerini aydınlatmaya yardımcı olur. Sektörel düzeyde yapılan analiz, ayrıca, inşaat sanayii gibi "tartışmalı" sektörlerin göreli ağırlığına da ışık tutmaktadır.

Üçüncü soruyu ele alırken, Çin kentlerinin gelişme patikalarını analiz etmek için Jae Ho Chung tarafından geliştirilen çerçeve takip edilmektedir. Chung (1999b), Çin kentlerindeki gelişme patikalarını şekillendirebilecek faktörleri üç geniş kategori içinde sınıflandırmaktadır: doğal koşullar ve tarihsel miras; merkezi hükümet ve eyalet (*province*) hükümetleri tarafından belirlenen idari düzenlemeler ve hedeflenmiş politikalar; ve son olarak, yerel liderlik. Bu üç faktör seti, küçük ve orta ölçekli kentler, ülkenin iç kısımlarındaki kentler ve eski sanayi kentleri dâhil olmak üzere, Guiyang ve Lanzhou ile bazı benzerliklere sahip Çin kentlerindeki kalkınmanın politik ekonomisi üzerine yapılmış önceki araştırmalarla bağlantı kurularak açımlanmaktadır.

Yöntemler ve veri kaynakları

Araştırma sorularının da işaret ettiği üzere, bu araştırma iki temel görevi üstlenir: a) Batı Çin kentlerindeki farklı büyüme "modellerinin" dışa açılma, sektörel çeşitlendirme ve niteliği yükseltmenin analizi yoluyla araştırılması ve b) batı Çin'in bazı bölgelerinde ağır ilerleyen ekonomik dönüşümün nedenlerinin Lanzhou'dan edinilen fikir ve bulgular yoluyla tartışılması. İlk görev, 5. Bölümde ikincil bir

[78] Bu bileşenlerin Çin ulusal gelir hesap sistemindeki tanımları için bkz. NBS 2017, 3. bölüm, temel istatistiksel göstergeler hakkında açıklayıcı notlar.

analiz ve 6. Bölümde karşılaştırılmalı vaka analizi yoluyla yerine getirilmektedir. İkinci görev, Lanzhou üzerine yapılan derinlemesine vaka incelemesi yoluyla 7. Bölümde gerçekleştirilmektedir.

Başarılı örnekler olan Chengdu, Chongqing, Xi'an ve Guiyang'ın seçilmesinin sebebi bölgede başarılı ekonomik dönüşümü mümkün kılan faktörlerin anlaşılmasına olanak sağlayacak olmalarıdır. Lanzhou kenti batı Çin'deki yavaş dönüşen çok sayıda kentin tipik bir örneği olması itibariyle seçilmiştir. Karşılaştırmalı analizin vakaları olan Lanzhou ve Guiyang, yüzyılın başlarında oldukça benzer ekonomik gelişme koşullarına sahipken son on yılda farklı büyüme patikalarında gelişim göstermişlerdir. Lanzhou üzerine yapılan derinlemesine vaka incelemesi bir şehrin ortalamanın altında performans göstermesine neden olan faktörleri belirlemeyi amaçlamaktadır ve bölgedeki benzer durumdaki kentler hakkında da fikir vericidir.

Araştırmanın temel veri kaynakları, ilgili kentlerin ekonomileri ile ilgili istatistiksel veriler, Lanzhou'da yapılan yarı yapılandırılmış görüşmeler ve merkezi veya yerel yönetimler tarafından yayınlanmış resmi belgelerdir. Bu kaynaklara İngilizce ya da Mandarin dilinde yayınlanmış çok sayıda medya raporu ve Çin'de yerel kalkınma konusundaki mevcut sosyal bilimsel literatür eşlik etmektedir.

İstatistikler temel olarak üç kaynaktan sağlanmıştır. İlk kaynak grubu, ilgili kentlerin çoğunlukla yerel istatistik büroları tarafından yayınlanan istatistik yıllıkları ve bültenlerini ve Çin Ulusal İstatistik Bürosu tarafından yayınlanan Çin ulusal istatistik yıllıklarını içerir. İkincisi, CNKI'nın (中国知网) Çin İstatistik Yıllıkları Veri Tabanından ("China Data Insights" [CDI] olarak da adlandırılır) indirilen elektronik tablolar formundaki veri tablolarından oluşur. Üçüncüsü, NBS ve Çin bakanlıkları ve ofisleri tarafından yayınlanan verileri kullanarak çeşitli konular için özelleştirilebilir veri setleri sağlayan CEIC Data'nın Çin veri bölümüdür.

Araştırmada kullanılan politika belgeleri, Batı Kalkınma Programının Beş Yıllık Planlarından, Ulusal Kalkınma ve Reform Komisyonu (NDRC)[79] tarafından yayınlanan ilgili politika belgelerine, yerel kalkınma planlarına ve Lanzhou'daki saha çalışmam sırasında toplanmış resmi tanıtım ve promosyon broşürlerine kadar uzanmaktadır.

Lanzhou'da, Lanzhou Yeni Bölgesi (LNA) dâhil olmak üzere, 2017 yılının Temmuz ve Eylül ve 2018 yılının Mayıs aylarında üç ayrı turda 40'tan fazla yarı yapılandırılmış mülakat gerçekleştirdim, ancak bu metinde hepsine referans verilmemektedir (bkz. *List of Interview*s). Görüşme yapılan kişiler arasında yerel yetkililer, girişimciler, yöneticiler, akademisyenler, uzmanlar, gazeteciler ve Lanzhou sakinleri yer aldı. Görüşmeler, diğer kaynakların ima ettiği bazı fikir ve bilgilerin doğrulanmasına ve böylece veri çeşitlemesine önemli ölçüde yardımcı oldu. Görüşmeler ayrıca bilmecenin daha önce fark etmediğim yönlerini keşfetmemde de faydalı oldular. Görüşmelerin çoğu, görüşülen kişiyle başlangıçta e-posta ve telefon yoluyla iletişime geçerek ya da doğrudan yerinde ziyaretler yoluyla düzenlendi. Bazı görüşmeciler ile akademik danışmanlarımın ya da şahsımın Lanzhou'daki kişisel ağları aracılığıyla tanıştım. Bazı durumlarda görüşme yapılacak potansiyel kişiler, görüşülen diğer kişiler tarafından önerildi. Görüşmelere ek olarak saha çalışmam sırasında, yayınlanmamış bazı resmi yerel belgeler ve veriler de topladım.

Sınırlılıklar ve sınırlar

Araştırmanın bazı sınırlılıkları olduğu muhakkaktır. Lanzhou'daki saha çalışmam sırasında, görüşme isteklerimin bazıları göz ardı edildi veya reddedildi. Çoğu durumda, bu tür geri çevirmelerin gerçek nedenlerini bilmek imkânsızdır. Aday görüşmeciler sadece önerilen görüşme zaman(lar)ında meşgul olmaları veya

[79] NDRC, Çin'in önde gelen planlama organıdır. Resmi olarak bir bakanlık düzeyinde bir kurum olmasına rağmen NDRC, pratikte, Heilmann'ın (2016, 77-78) ifadesiyle "bakanlıklar arası planlama ve eşgüdüm sağlama" işlevine sahiptir. NDRC ayrıca bölgesel kalkınma programlarının planlanmasından sorumludur.

araştırmacıya konuyla ilgili yeterince bilgi veremeyeceklerini hissetmeleri sebebiyle görüşme yapmak istememiş olabilirler. Bununla birlikte bazı durumlarda, bir yabancıyla, hassas olarak algılanan konular hakkında konuşmak konusundaki güvensizlik hissi kesinlikle mevcuttu.[80] Görüşmeleri kabul eden kişiler, tekrar etmek gerekirse, genellikle hassas bir konu olarak görülen yerel politika konuları hakkında konuşmaktan çoğunlukla kaçındılar. Az sayıda yerel bağlantıya sahip bir yabancı olarak, görüşmecilerin yerel politik süreçler ve Lanzhou'daki çatışan yerel gündemler hakkında konuşmalarını sağlamada zorluk yaşadım.

Bir diğer sınırlılık kaynağı, istatistiksel verilerin ulaşılabilirliği ile ilgilidir. Örneğin Bölüm 6'da yapılan Guiyang-Lanzhou karşılaştırması, bazı hizmet sektörlerin katma değeri konusunda olduğu gibi veri eksikliği kaynaklı bazı sınırlılıklara sahiptir. Benzer şekilde, merkezi mali transferlere ilişkin veriler eyalet düzeyinden daha aşağıya inmediğinden, Bölüm 7'de, Lanzhou'ya yapılan transferlerin net bir bilgisi mevcut değildir. Son olarak, Çin'deki yerel ekonomik verilerin kalitesine ilişkin genel bir "sorun" olduğu not edilmelidir. Chan'ın (2007, 400) kısa ve öz bir biçimde belirttiği gibi yerel yetkililer zaman zaman "rakamları kendi menfaatleri doğrultusunda ayarlıyor ve değiştiriyorlar".

Araştırmanın kapsamını tanımlayan sınırların da altı çizilmelidir. Bu araştırma, analiz birimi olarak kenti almış ve kendini batı Çin'deki büyük ve orta büyüklükteki kentlerle sınırlamıştır. Başka bir deyişle araştırma, batı Çin'deki hızlı büyümenin politik ekonomisini incelerken daha küçük kentlere veya kentten daha alt kademedeki birimlere bakmamıştır. Ekonomik büyümeyle ilgili olan bu araştırmanın ana temaları sektörel çeşitlendirme ve niteliği yükseltme ve dışa açılmadır. Seçilen temaların işaret edebileceği üzere, ekonomik kalkınmaya geniş anlamıyla yaklaşılmamaktadır. Ekonomik kalkınmanın daha kapsamlı bir tanımı,

[80] Bu, Çin'de anket veya mülakat yapan araştırmacıların yaygın olarak karşılaştığı bir zorluktur. Örneğin, Xi'an'da anket aracılığıyla veri toplarken aynı zorlukla karşı karşıya kaldığında Qiu (2005, 268), yerel bir düşünce kuruluşunun adını kullanmak yoluyla bu zorluğu aşmaya çalışmıştır "… Eyaletteki en önemli düşünce kuruluşlarından birinden yardım istedim. Düşünce kuruluşu, araştırma raporunda anonim kaldığı sürece ismini katılımcılara yönelik olarak kullanmama izin vererek bana yardım etmeyi kabul etti."

yoksulluğun azaltılması ve sosyal refahın sağlanması gibi politika alanlarını da içerir (bkz. Peet ve Hartwick 2009, 6-13). Ekonomik kalkınmaya daha dar kapsamlı yaklaşmanın analitik ve normatif sınırlılıkları olduğu kabul edilmelidir.

Tez Planı

2. Bölüm, bu araştırmada kullanılan analitik perspektifleri tartışmaktadır. Bu bölüm ilk önce, Çin şehirlerinin farklı büyüme dinamiklerini analiz etmek için önerdiğim "büyüme modeli" yaklaşımını tanıtmaktadır. Sonrasında yerel büyüme modellerini şekillendirebilecek faktörleri tespit etmek ve bunları tartışmak için Çin'deki yerel politik ekonomilerle ilgili literatürü incelemektedir. Bu bölüm ayrıca, merkezi, ekonomik ve idari destek ve (altyapı) yatırım destekleri de dahil olmak üzere, merkezi yönetim desteklerinin farklı türlerinin göreceli önemini değerlendirmek için bazı göstergeler belirlemiştir. Benzer şekilde, bölüm yerel liderlerin ekonomik davranışlarını etkileyen faktörlerle ilgili bazı önermeleri tartışmakta ve liderin bir yerel hükümetteki görevi sırasındaki performansını değerlendirmek için bazı referans noktaları belirlemektedir.

3. Bölüm, reform dönemindeki makro-bölgesel eşitsizlikler üzerine kronolojik bir bakış açısıyla genel bir tartışma yapmaktadır. Bölümün ilk kısmı, bölgesel eşitsizliklerin büyük ölçüde arttığı 1978'den 2000'lerin ortalarına kadar olan dönem üzerine odaklanmaktadır. Bu kısım, o dönemdeki bölgesel eşitsizliği ortaya çıkaran itici güçleri tartışmaktadır. Bölümün ikinci kısmı, merkezi hükümetin dengeli bölgesel kalkınmaya geçişi ve daha geniş makroekonomik eğilimler bağlamında 2000'lerin ortasından bu yana bölgesel eşitsizliklerin daralma sürecini incelemektedir. Son olarak, bölüm, Çin'de "Yeni Normal" olarak adlandırılan yakın dönemdeki makroekonomik dönüşümün bölgesel eşitsizlik üzerindeki mevcut ve muhtemel etkilerini tartışmaktadır.

4. Bölüm, Batı Kalkınma Planı bağlamında Batı Çin'de ekonomik kalkınmanın ana hatlarını çizmektedir. İlk kısım, Batı Çin'in coğrafi ve demografik koşullarını tanıtmakta ve bölgenin 1949'dan reform dönemine kadar olan ekonomik gelişimini

özetlemektedir. İkinci bölüm, Batı Kalkınma Planı'nın arkasında yatan motivasyonları tartışmaktadır. Üçüncü bölüm, BKP döneminde ekonomik büyüme ile ilgili bölge, eyalet ve şehir düzeyinde gözlemler yapmaktadır.

5. Bölüm, Chongqing, Chengdu ve Xi'an'daki ekonomik kalkınmanın dinamiklerini incelemektedir. Bu bölüm ilk önce endüstriyel çeşitlendirme ve dışa açılma konusundaki başarılarına ilişkin ampirik delillerin derlemesini yapmaktadır. Bölüm, daha sonra, borç birikimi, altyapı yatırımlarına aşırı yaslanma ve olası yatırım geri çekilmesi gibi hızlanmış büyümenin sorunlu yanlarını değerlendirmektedir.

6. Bölüm, son on yılda Lanzhou ve Guiyang'in büyüme modellerinin birbirinden nasıl farklılaştığını incelemektedir. Bunu yaparken, Batı Çin'deki hızlanan büyümenin dinamiklerini şehir düzeyinde açımlamayı ve Lanzhou ile Guiyang'ın büyüme modelleri arasındaki farkları ve ortaklıkları tartışmayı amaçlamaktadır. Lanzhou çok daha yavaş bir dönüşüm geçirirken, Guiyang endüstriyel çeşitlendirme ve nitelik yükseltme ve dışa açılma yolunda kayda değer bir şekilde ilerlediğinden, bu şehirler zıt vakalar olarak görülebilir. Bu bölüm, Bölüm 1'de açıklanan analitik izleği kullanarak bu şehirlerin büyüme modellerini karşılaştırır. Bölüm, Lanzhou ve Guiyang'ın ekonomik göstergelerini diğer belirli şehirlerin ve Çin genelinin göstergeleriyle karşılaştırdığından, çift anlamda karşılaştırmalı bir karakter arz eder. Bu nedenle, Batı Çin'deki farklı büyüme modellerini göstermenin yanı sıra, bu genişletilmiş karşılaştırma, Batı Çin'deki kalkınma hakkında yaygın olarak dillendirilen bazı varsayımların değerlendirilmesi için de faydalı ipuçları sunmaktadır.

7. Bölüm, son on yılda Lanzhou'da ekonomik kalkınmanın derinlemesine bir analizini yapmaktadır. Chengdu, Chongqing, Xi'an ve Guiyang ile karşılaştırıldığında, Lanzhou'nun endüstriyel çeşitlendirme ve nitelik yükseltme ve dışa açılma konusundaki performansı açıkça geride kalmıştır. Bu bölüm, son on yılda Lanzhou'nun ekonomik gelişiminin bağlamsal bir analizini sunmakta ve kentin ağır aksak ekonomik dönüşümüne dair bir açıklama geliştirmektedir. Bunu

yaparken, analitik çerçeve olarak Bölüm 1'de detaylandırılan üçlü faktör setinden faydalanmaktadır.

Sonuç bölümü, önceki bölümlerde geliştirilen argümanları gözden geçirmekte ve bir araya getirmektedir. Bu bölüm aynı zamanda batı Çin'de ekonomik kalkınmanın geleceğine dair beklentileri tartışmakta ve gelecekteki çalışmalar için araştırma alanları tespit etmektedir.

Bulgular

Reform döneminin başlangıcından 2000'lerin ortalarına kadar, Çin'in doğu bölgesi batı, orta ve kuzeydoğu bölgelerinden daha hızlı gelişmiştir. Bölgenin sahip olduğu doğal avantajlar ve reform döneminin ilk aşamalarında merkezi hükümetin doğuya ayrıcalıklar veren bölgesel politikasının birleşimi sonucunda doğu Çin, ülkenin ekonomik açıdan en dinamik bölgesi olarak ortaya çıkmıştır. Ademi merkeziyetçi mali ve idari reformlar altında, doğu eyaletleri çeşitli sektörlerdeki yatırımları başarıyla teşvik etmiştir. Özellikle, üç şehir bölgesi -İnci Nehri Deltası, Yangtze Nehri Deltası ve Bohai Körfezi Bölgesi- küresel üretim ağlarının önemli merkezleri haline gelmiştir.

Doğu bölgesi, Çin'in gayrisafi yurtiçi hasılasının orantısız şekilde yüksek bir yüzdesini oluşturmaya devam etmektedir. Bununla birlikte, doğu bölgesi ile ülkenin geri kalanı arasındaki gelişme farkı, 2000'li yılların ortalarından bu yana, batı, orta ve kuzeydoğu bölgelerinin doğu bölgesinden daha yüksek büyüme oranlarına ulaşmaya başlamasıyla bir ölçüde daralmaktadır. Merkezi hükümetin 1990'ların sonlarından bu yana daha dengeli bir bölgesel kalkınma politikasına geçmesi, doğuyla ülkenin geri kalanı arasındaki açılan farkın tersine çevrilmesinde kesinlikle önemli bir rol oynamıştır. Bölgesel kalkınma programları kapsamında ülkenin iç kesimlerine merkezi hükümet tarafından daha fazla mali destek, altyapı yatırımları ve imtiyazlı politikalar uygulanmaya başlandı. Farkın daralması konusunda bir diğer faktör, doğu bölgesinden iç bölgelere gerçekleşen toplu endüstriyel taşınmalar olmuştur. Bu endüstriyel taşınma doğu bölgesinde yükselen

emek ve arazi maliyetleri ve iç bölgelerin güçlendirilmiş altyapısı sonucunda meydana gelmiştir. Orta bölgedeki Wuhan ve Zhengzhou ve batı bölgesindeki Chengdu, Chongqing ve Xi'an gibi görece büyük iç şehirler, gelişen ileri sektörlerle birlikte yeni büyüme merkezleri haline gelmiştir.

Batı Çin'de hızlanan büyümenin farklı modelleri

Daha önce belirtildiği gibi Chengdu, Chongqing ve Xi'an, elektronik endüstrisinin farklı dalları dâhil olmak üzere bazı ileri sektörlerin hızlı bir şekilde gelişmesiyle birlikte, sektörel çeşitlendirme ve niteliği yükseltmede önemli bir başarı sağlamışlardır. Örneğin Chongqing'de 2008'de, en fazla katma değer üreten beş imalat sektörü, ham kimyasal malzemeler ve kimyasal ürünler, elektrik enerjisi ve ısı üretimi ve dağıtımı ve demir içeren metallerin eritilmesi ve preslenmesi gibi geleneksel kaynak temelli endüstrileri içeriyordu. Sadece sekiz yıl sonra, 2016'da, bu üç sektörün yerini üç ileri sektör aldı: iletişim ekipmanları, bilgisayar ve diğer elektronik ekipmanlar; demiryolu, gemi, havacılık ve diğer taşımacılık ekipmanları; ve elektrikli makine ve teçhizat. Tek başına iletişim ekipmanları, bilgisayar ve diğer elektronik ekipmanlar sektörü, kentin toplam sanayi katma değerinin yüzde 16,8'ini oluşturmuştur.

Chengdu, Chongqing ve Xi'an ayrıca, 2000'lerin ortalarından bu yana, çoğu zaman kıyı kentlerinin çektiği hacimleri aşan büyük miktarda DYY çekmiştir. Bu şehirler hem kıyı Çin'den hem de yurtdışından yatırımlar çekmek için maliyet avantajlarını, artan yerel altyapı kapasitesi ve çeşitli tercihli politikalarla bir araya getirmişlerdir. Bölüm 5'te tartışıldığı üzere bu çalışma, yerel yönetimlerin elektronik endüstrisindeki lider firmaları ve tedarikçilerini çekmek için proaktif politikaları uyguladıklarının altını çizmektedir.

Batı Çin'de orta büyüklükte bir kent olan Guiyang, sektörel çeşitlendirme ve dışa açılmada önemli başarılar elde etmiştir. İletişim, bilgisayar ve diğer elektronik ekipmanlar gibi bazı yüksek teknolojili imalat sektörleri; demiryolu, denizcilik, havacılık ve diğer taşımacılık ekipmanları imalatı ve bilgi iletimi, yazılım ve

bilgisayar hizmetlerinin Guiyang'ın ekonomisindeki önemi artmıştır. Hatta son birkaç yılda kent, Zhongshan gibi benzer büyüklükteki bazı kıyı kentlerinden daha fazla DYY çekmeye başlamıştır.

Ancak batı Çin'in her bölgesi sektörel çeşitlendirme veya küresel piyasalarla güçlü bağlantılar kurma konusunda benzer performans seviyelerine ulaşmamıştır. Bunun yerine pek çok kent, 2000'li yılların ortalarından itibaren hızlanan büyümelerinin önemli bir bölümünü doğal kaynak ürünlerindeki fiyat artışına ve bunlarla ilişkili endüstrilere veya altyapı yatırımlarına borçludur. Chengdu, Chongqing ve Xi'an'dan farklı olarak birçok kent tarımsal girdiye dayalı endüstrilere veya kaynak temelli ağır endüstrilere dayanmaya devam etmektedir. Örneğin Lanzhou, belirgin bir biçimde daha yavaş bir endüstriyel dönüşüm deneyimlemiştir.

Geleneksel sektörler, Lanzhou'nun imalat endüstrisinin temeli olmaya devam etmektedir. Üç üretim kolu -petrol işleme, kok ve nükleer yakıt işleme, tütün endüstrisi ve elektrik ve ısı üretim ve dağıtım endüstrileri- Lanzhou'da toplam sanayi katma değerinin yaklaşık yarısını oluşturmaktadır. Bu endüstrileri demir dışı metal eritme ve presleme, kimyasal hammadde ve kimyasal imalat endüstrisi ve metalik olmayan mineral ürünleri endüstrisi izliyor.

Kıyı kentleri ve Chengdu, Chongqing ve Xi'an'ın deneyimlerinin gösterdiği üzere, sektörel çeşitlenme yerli ya da yabancı özel yatırımların artışıyla bir arada gitmektedir. Bu kentlerden farklı olarak Lanzhou'da, devlet kontrolündeki işletmeler, imalat katma değerinin yaklaşık dörtte üçüne kaynaklık etmeye devam etmektedir.

Hızlanan büyümeye eşlik eden ortak sorunlar: Yatırıma bağımlılık ve borç birikimi

Yatırımlar, batı Çin'in hem büyük hem de orta büyüklükteki kentlerinde GSBH'nin görece daha yüksek bir payını oluşturmaktadır. 6. Bölümde batı Çin'den Chengdu, Guiyang ve Lanzhou ve diğer bölgelerden Taiyuan, Lianyungang, Jilin ve Zhongshan olmak üzere yedi kent, 2005-2014 dönemindeki GSBH'lerinin

kompozisyonuna göre karşılaştırılmış ve Lanzhou, Guiyang ve Chengdu kentlerinin ulusal ortalamadan daha yüksek yatırım paylarına sahip oldukları gösterilmiştir.[81] Bununla birlikte karşılaştırma, bu yatırıma bağımlı büyümenin hiçbir şekilde batı kentleriyle sınırlı olmadığını göstermiştir. Taiyuan, Lianyungang ve Jilin kentleri de ilgili dönemde yüzde 50'nin üzerinde bir yatırım payıyla ulusal ortalamanın üzerine yer almıştır.

Chengdu ve Urumçi dışındaki batı Çin kentlerine özgü olan şey ise 2000'lerin sonlarından bu yana yerel GSBH'lerinde inşaat sektörünün payının nispeten yüksek olmasıdır. Bu, batı Çin'deki yerel yönetimlerin fiziksel altyapıya ve konut inşaatlarına veya ticari inşaatlara dayanma eğiliminin daha yüksek olduğu yönündeki yaygın varsayımı desteklemektedir.

Batı Çin'deki hızlanmış büyüme konusundaki bir diğer önemli sorun, borçla finanse edilen altyapı yatırımları ile bağlantılı olarak yerel yönetimlerin artan borç stoku ile ilgilidir. Bölüm 5'te tartışıldığı üzere, borç/GSBH oranı çoğu batı eyaletinde görece yüksektir. Guizhou, Chongqing, Yunnan, Qinghai, Gansu, Shaanxi ve Sichuan eyaletlerinin hepsi ortalamanın üzerinde borç/GSBH oranlarına sahiptir. Guizhou ve Chongqing, Çin'de eyalet düzeyindeki birimler arasında en yüksek borca sahip olanlardır. Artan borçlanmanın dolaylı göstergesi kabul edilebilecek olan bir gösterge olarak şehirlerin bütçe dengelerine bakılmıştır. Bölüm 5'te gösterildiği üzere Xi'an ve Bölüm 7'de gösterildiği üzere Lanzhou, Urumçi ve Guiyang'ın bütçe dengeleri 2000'lerin sonundan itibaren bozulmuştur. Önceki bölümlerde de belirtildiği gibi nispeten yüksek borç stokları ve artan bütçe açıkları, orta ve uzun vadede mali sorunlar yaratabilir ve hatta yerel borç temerrüdü ve bunu izleyen bir ekonomik durgunluk ile sonuçlanabilir.

[81] Urumçi ve Xi'an veri eksikliği sebebiyle karşılaştırmaya dâhil edilmemiştir.

Batı Çin'deki ağır ilerleyen ekonomik dönüşümün nedenleri: Lanzhou'nun deneyimi üzerine yorumlar

Lanzhou'nun son on yıldaki ortalamanın altında kalan ekonomik performansı, Bölüm 7'de de belirtildiği gibi öncelikle yerel yönetimin zayıf performansı ile bağlantılıdır. Bu tespit, birkaç tür kanıtla desteklenmektedir. İlk olarak, Gansu-Lanzhou yönetimlerinin ne medyada ne de mülakatlar ve mevcut akademik yazılar tarafından başarılı bir ekonomik dönüşüm hikâyesiyle ilişkilendirilmediği vurgulanmıştır. Örneğin Chongqing ve Guiyang yerel yönetimlerin başarısını vurgulayan çokça medya raporu ve akademik çalışma mevcuttur. İkincisi yerel kalkınma planlarında formüle edilen hedefler ile gerçekleşen rakamlar arasındaki önemli bir fark olduğunun altı çizilmiştir. Gelişimin hızı, özellikle Lanzhou Yeni Alanında (LNA) açıkça görüldüğü üzere, yerel liderliğin öngördüğünden çok daha yavaş olmuştur. LNA'daki bazı yerel yetkililerin bile, LNA'nın, beklenen gelişme hızının gerisinde kaldığını kabul ettiği vurgulanmıştır. Üçüncüsü, Gansu-Lanzhou'daki liderlerin Gansu veya Lanzhou'daki görev sürelerinin ardından daha yüksek bir göreve terfi edip etmediklerine bakılmıştır. Bununla ilgili bulgular – kesin göstergeler olarak alınmayacak olmalarına rağmen – Gansu ve Lanzhou'daki yerel yönetimlerin, yerel ekonomik dönüşüme öncülük etmede dikkate değer bir başarı göstermediği değerlendirmesiyle çelişmemektedir.

Öte yandan Lanzhou'da, yerel aktörlerin irade ve kapasitelerinin ötesine geçen bazı kısıtlar da mevcuttur. Kentin zorlu coğrafyası ve kentsel gelişime uygun arazinin yetersizliği yerel ekonomi için dezavantajlara yol açmıştır.

Lanzhou'nun, az sayıda önemli sektöre bağlı ve devlet kontrolündeki işletmelerin egemen olduğu ağır sanayi mirası, değişime oldukça dirençli bir patika bağımlılığı yaratmıştır. Yerel hükümet, sektörel çeşitlendirme için daha uzun vadeli politikaları hayata geçirmek yerine, mevcut olan önemli sektörlere dayanarak GSBH'yı artırma yönündeki kısa vadeli hedefe odaklanmayı seçmiş olabilir. Nihayetinde, kentin sanayi yapısında köklü bir değişim yapma girişimi, kısa

vadede, işsizliğin artışı da dâhil olmak üzere istikrarsızlaştırıcı etkilere neden olabilecektir.

Lanzhou'nun karşı karşıya kaldığı başka bir zorluk, komşu eyaletlerde güçlü rakip kentlerin bulunmasıdır. Özellikle Xi'an, Kuşak ve Yol İnisiyatifi ve BKP'den yararlanmak isteyen yatırımcılar için güçlü bir rakip ve potansiyel olarak daha iyi bir seçenek olarak görülmektedir. Lanzhou'nun karşılaştırmalı üstünlüklerini paylaşmasına ek olarak Xi'an, daha geniş bir pazara, daha büyük bir yetenek havuzuna ve imalat ve hizmet sektörlerinde daha kapsamlı bir temele sahiptir.

Lanzhou'nun ortalamanın altındaki ekonomik performansıyla ilgili bir diğer bulgu, merkezi hükümet politikalarının zamanlaması ile ilgilidir. Merkezi hükümetin Lanzhou'yu, altyapı yatırımları ve özel idari unvanların verilmesi yoluyla bölgesel bir büyüme ve lojistik merkezi olmaya terfi ettirmeyi amaçladığı açıktır. Fakat bu merkezi desteğin zamanlaması Lanzhou açısından her zaman ideal olmamıştır. Örneğin, Lanzhou Yeni Alanı'nın 2012'de kurulmasından birkaç yıl sonra, diğer pek çok Ulusal Yeni Alan (UYA) da Devlet Şurası tarafından onaylandı. Bu durum Lanzhou'nun bir Yeni Alana sahip olmaktan kazanacağı faydayı azaltmıştır. Diğer UYA'lar, yer değiştiren yatırımları kapmak ve iç ve dış ticaret için lojistik merkezler haline gelmek konusunda potansiyel rakipler olarak ortaya çıkmıştır.

Guiyang'ın dışa açılma ve endüstriyel yükseltmedeki başarısı, Lanzhou'nun başarısızlığı hakkında fikir verebilir. Guiyang'daki yerel liderlik, yerel ekonomiyi çeşitlendirmek ve yükseltmek için "büyük veri" gibi bir niş sektörü seçmiştir. Tencent, China Unicom ve Huawei gibi dev yerel şirket gelişini Apple ve Microsoft gibi çokuluslu şirketler takip etmiştir. Ulusal devleri Guiyang'a gelmeye iten faktörleri kesin olarak belirlemek zor olsa da, yüksek profilli yerel liderlerin ve bu liderlerin Pekin'le olan yakın ilişkilerinin bunda bir rol oynadığı varsayılabilir. Ayrıca, Guiyang'ın idari üst birimi olan Guizhou'nun yakın dönemdeki tüm yerel liderlerinin kariyerlerinin bir kısmını müreffeh kıyı Çin'inde geçirdiklerini gözlemlemek ilginçtir. Dolayısıyla önceki kariyerleri, yerli veya yabancı özel yatırımla çalışma konusunda onlara deneyim kazandırmıştır.

Guizhou-Guiyang'da gözlemlenen bu önceki kariyer modeli, Gansu-Lanzhou'daki yakın dönemdeki yerel liderlerin profilleriyle tezat oluşturmaktadır. İncelenen dört yerel liderin üçü Lanzhou'da uzun yıllar geçirmiştir ve bu onların yerel gündem ve çıkarlarla daha derin bir şekilde iç içe geçmesine sebep olmuş olabilir. Benzer şekilde liderlerin Lanzhou'daki uzun dönemli deneyimlerinin, ekonomiye dair fikirlerini etkilemiş olması muhtemeldir. Devlet tarafından kontrol edilen işletmeler Lanzhou ekonomisindeki hakim aktörler olduğundan, bu durum muhafazakâr bir ekonomi anlayışı ve Lanzhou'nun ekonomisini çeşitlendirmek ve yükseltmek konusunda atalet ile sonuçlanmış olabilir.

Lanzhou'nun ekonomik performansının analizi, Çin'in ekonomik olarak durgun diğer bölgeleri için potansiyel bir bakış açısı sunuyor. Bir kentin ekonomik gelişiminin, merkezi yardımlara rağmen nasıl ağır ilerlemeye devam edebileceğini açıklarken, bu çalışma, yenilikçi olmayan ve oldukça iddiasız yerel liderliğin rolünün altını çizmektedir. Dezavantajlı coğrafi koşulların ve miras alınan endüstriyel yapının kilitleme etkilerinin, Lanzhou'nun ekonomik dönüşüm olanaklarını zorlaştırdığı kuşkusuzdur. Bununla birlikte, diğer şeyler bir yana, kuruluşunun üzerinden beşi aşkın yıl geçmesinin ardından Lanzhou Yeni Alan'ın genel olarak durgun gelişimi ve Lanzhou'nun son derecede küçük miktarda DYY çekebilmiş olması liderlik ataletine işaret etmektedir.

Batı Çin'de ekonomik gelişmeye dair beklentiler ve gelecek çalışmalar

Merkezi hükümetin yerel yönetimlere mali desteğinin azalması, kredi koşullarının sıkılaştırılması ve ağır sanayilerdeki aşırı kapasitenin azaltılması gibi amaçları içeren "Yeni Normal", genel olarak bölgesel eşitsizlik ve batı Çin'deki ekonomik gelişme üzerinde derin etkilere sahiptir.

Sıkı kredi koşulları, yerel yönetimleri altyapı yatırımlarına daha az yaslanmaya zorlayabilir. Bu, büyümeyi desteklemek için altyapı yatırımlarına aşırı seviyelerde başvurma eğilimi sergilediği tespit edilen batı Çin'deki yerel yönetimler için bir sorun olarak durmaktadır.

Yerel yönetim harcamalarını daha yakından kontrol etmeyi amaçlayan politika hamleleri şirketlere sağlanan sübvansiyonların azaltılmasına neden olabilir. Sübvansiyon kesintilerinin erken belirtileri Lanzhou'da görünür haldedir. Bölüm 7'de belirtildiği üzere, ayrıcalıklı vergi ve sübvansiyon politikaları nedeniyle Lanzhou Yeni Alana gelen bazı şirketler, daha sonra azalan sübvansiyonlara bağlı olarak geri çekilmişlerdir. Lanzhou-Hamburg ve Lanzhou-Belarus demiryolu kargo hizmetleri aynı nedenden ötürü durdurulmuştur. Lanzhou ile ilgili bu gözlem, eski sanayi bölgelerinde Yeni Normal'in durgunlaştırıcı etkilerini vurgulayan önceki araştırmaları desteklemektedir (örneğin, Hu ve Hassink 2017b).

Bölüm 3'te tartışıldığı gibi, kapasite azaltımı birçok sektörde devam etmektedir. Gelecek yıllarda aşırı kapasiteyi azaltma adımlarının devam etmesi durumunda, bazı ağır sanayi sektörlerinden elde edilen katma değerde düşüşlerin ortaya çıkması beklenmektedir. Bunun etkileri, genel olarak bu sektörlere daha fazla bağımlı olan iç kısımlardaki kentlerde daha belirgin olacaktır. Çin'in bu görece yeni makroekonomik kaygılarının batı Çin'in kalkınma dinamiklerini nasıl etkileyeceğinin incelenmesi önemlidir.

Merkezi hükümetin mevcut politika gündemi aynı zamanda, batı bölgesinin ekonomik kalkınmasını desteklemesi beklenen unsurları da içermektedir. Örneğin Kuşak ve Yol Girişimi, bölgedeki eyaletlere yatırım çekmek ve dış ticareti artırmak yönünde fırsatlar sunmaktadır. Ayrıca merkezi hükümet, kıyı kentlerinden batı ve orta bölgelere endüstriyel taşınma sürecini teşvik etmektedir. Bu iki olumlu süreç de bundan sonraki incelemeler için dikkate değer araştırma temaları olarak görünmektedir.

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