

Strategies for Sustainable Development of the Great West

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Introduction

- ◆ The Western Region
 - ◆ Inner Mongolia, Guangxi, Chongqing, Sichuan, Guizhou, Yunnan, Tibet, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.
 - ◆ 内蒙古、广西、重庆、四川、贵州、云南、西藏、陕西、甘肃、青海、宁夏以及新疆
 - ◆ The Western Region is not homogeneous. Chongqing, Sichuan and Shaanxi are significantly better off than the other provinces and autonomous regions.
 - ◆ Most of the disparity in GDP per capita and other economic and social development indicators is due to the disparity between urban and rural areas.
- ◆ The Meaning of Sustainability—sustainability depends critically on economic viability. If an investment project does not make money or at least break even and hold some promise of making money, it will be terminated eventually, and its workers will become unemployed again. The provincial/regional/local governments have a responsibility to make sure that investment projects undertaken by both local and non-local investors are economically viable over time.

Comparison of Economic Development Indicators

- ◆ GDP
- ◆ Natural Resources
- ◆ Human Resources

Indicators of Economic and Social Development

	National	Eastern	Central	Western	Northeastern
	Total	Region	Region	Region	Region
Population					
Population at the Year-end (10 000 persons)	130756	46388	35202.0	35976	10757
Gross Domestic Product (100 million yuan)	183084.8	109924.6	37230.3	33493.3	17140.8
Per Capita Gross Domestic Product (yuan)	14040	23768	10608	9338	15982
Per Capita Gross Domestic Product (US\$)	1713	2900	1294	1140	1950
Output of Major Industrial Products per capita					
Coal (ton)	1.7	0.6	2.6	2.3	1.7
Crude Oil (kg)	138.7	144.9	16.6	125.2	588.2
Electricity (kwh)	1912.2	2432.1	1614.3	1696.8	1797.6
Crude Steel (kg)	270.2	420.3	213.1	126.6	350.4
Cement (kg)	817.4	1188.6	684.0	613.1	521.9
Post and Telecommunication Services					
Total Business Revenue (100 million yuan)	12028.5	6503.2	2098.9	2351.4	1041.9
Business Revenue per capita (yuan)	919.9	1401.9	596.2	653.6	968.6
Domestic Trade					
Total Retail Sales of Consumer Goods (100 million yuan)	67176.6	36973.8	13184.5	11580.5	6219.9
Retail Sales of Consumer Goods per capita (yuan)	5137.6	7970.6	3745.4	3219.0	5782.2

Indicators of Economic and Social Development

	National	Eastern	Central	Western	Northeastern
	Total	Region	Region	Region	Region
Government Finance					
Local Government Revenue (100 million yuan)	14884.2	8955.0	2263.7	2464.8	1200.6
Local Government Expenditure (100 million yuan)	25154.3	11564.4	4713.9	6252.7	2623.3
Local Government Revenue per capita (yuan)	1138.3	1930.5	643.1	685.1	1116.1
Local Government Expenditure per capita (yuan)	1923.8	2493.0	1339.1	1738.0	2438.7
Foreign Trade					
Total Value of Imports and Exports (100 million USD)	14219.1	12781.6	415.1	451.3	571.1
Exports	7619.5	6798.0	244.2	257.6	319.7
Imports	6599.5	5983.5	170.9	193.8	251.3
Exports/GDP (%)	34.1	50.7	5.4	6.3	15.3
Imports/GDP (%)	29.5	44.6	3.8	4.7	12.0

Indicators of Economic and Social Development

	National	Eastern	Central	Western	Northeastern
	Total	Region	Region	Region	Region
Education					
Institutions of Higher Education					
Number of Institutions per million persons (unit/ million persons)	1.4	1.5	1.3	1.2	1.7
New Student Enrollment per 1000 persons (person/1000 persons)	3.9	4.5	3.9	3.0	4.6
Student Enrollment per 1000 persons (person/1000 persons)	11.9	13.9	12.1	9.2	14.9
Number of Graduates per 1000 persons (person/1000 persons)	2.3	2.8	2.3	1.8	3.1
Health Care					
Number of Hospitals per 10000 persons (unit/10000 persons)	2.3	2.1	1.9	2.8	3.0
Hospitals and Health Centers	0.5	0.4	0.4	0.6	0.5
Medical Technical Personnel (person/1000 persons)	3.4	3.7	3.2	3.1	4.5
Doctors	1.5	1.6	1.3	1.4	2.0
Number of Hospital Beds (Bed/1000 persons)	2.6	2.7	2.3	2.4	3.6
Hospitals and Health Centers	2.4	2.5	2.2	2.3	3.3
People's Livelihood					
Per Capita Disposable Income of Urban Households (yuan)	10493	13375	8809	8783	8730
Per Capita Net Income of Rural Households (yuan)	3255	4720	2957	2379	3379

Number of Durable Consumer Goods Owned per 100 Urban Households

Item	Eastern Region	Central Region	Western Region	Northeastern Region
Motorcycle (unit)	37.97	21.76	16.77	9.78
Bicycle (unit)	149.46	113.66	93.57	98.00
Automobile (unit)	6.11	1.26	2.57	1.26
Washing Machine (set)	95.85	96.85	95.63	90.98
Electric Fan (set)	205.00	207.67	143.28	63.52
Refrigerator (set)	94.80	90.73	88.00	83.55
Color Television Set (set)	146.84	128.98	130.52	119.50
Computer (set)	57.31	33.17	32.28	29.36
Hi-Fi Stereo Component System (set)	34.69	24.85	29.94	16.79
Tape Recorder (set)	46.89	32.39	34.84	38.66
Camera (set)	60.15	37.24	40.63	39.23
Air conditioner (unit)	122.99	80.28	55.41	9.32
Smoke Absorber (unit)	82.14	53.71	55.85	77.66
Mobile Telephone (unit)	156.08	124.05	130.41	116.85

Number of Durable Consumer Goods Owned per 100 Rural Households

Item	Eastern Region	Central Region	Western Region	Northeastern Region
Washing Machine (unit)	55.54	36.39	31.69	63.00
Electric Fan (unit)	213.22	171.37	89.16	32.74
Refrigerator (unit)	40.11	14.84	10.55	19.67
Air Conditioner (unit)	18.71	3.56	0.81	0.33
Exhaust Fan (unit)	15.02	1.83	1.00	4.80
Bicycle (unit)	146.08	96.23	57.94	81.62
Motorcycle (unit)	64.54	37.15	32.59	40.49
Telephone Set (set)	86.29	57.14	46.02	76.54
Mobile Telephone (set)	78.89	55.35	44.14	58.73
Hi-Fi Stereo Component System (unit)	18.39	8.44	12.47	9.81
Beep-pager (unit)	0.53	0.36	0.24	0.21
Black and White TV Set (unit)	17.22	29.64	22.43	10.45
Color TV Set (unit)	107.26	81.01	78.40	99.01
Video-recorder (unit)	5.51	1.41	2.05	2.44
Radio Cassette Player (unit)	12.39	6.88	13.45	9.63
Camera (set)	7.48	2.46	2.13	3.77
Computer (set)	6.20	0.95	0.42	1.19

Short-Term Strategies

- ◆ Reduction/abolition of agricultural taxes—This has already been accomplished.
- ◆ Redistribution through transfer payments from the Central Government
- ◆ Redistribution through subsidies from the Central Government
- ◆ Revenue sharing with the Central Government
- ◆ Redistribution through direct expenditures by the Central Government, e.g., education, health care
- ◆ Promoting small and medium enterprises by removing restrictions on their operations provided that they do not break any laws.

Intermediate Term Strategies

- ◆ New sources of revenue
- ◆ Social provision of social services
- ◆ Attracting and retaining talents
- ◆ Attracting and retaining capital
- ◆ Development of new technologies and infrastructure that exploit Western resources
- ◆ Regional cooperation and planning

New Sources of Revenue

- ◆ Sharing of natural resource taxes between the Central Government and the provincial/regional governments
- ◆ Introduction of property taxes as a dedicated source of revenue for sub-provincial local governmental units. This should reduce the necessity of “selling” land leases.

Social Provision of Social Services

- ◆ Education—compulsory 12-year basic education, technical and vocational education; distance learning; reducing the digital divide—the internet is a great equalizer if used appropriately.
- ◆ Health care—public health education, free health care for low-income households.
- ◆ Pension—assumption of historical unfunded liabilities by the central and provincial governments through a centrally managed national pension fund.
- ◆ The objective is to create hope and opportunity and enhance security.

Attracting and Retaining Talents

- ◆ Economic sustainability requires a continuing supply of appropriate manpower, skills and talents.
- ◆ Talented individuals must feel that there are promising opportunities. The current compensation may be low but there should be the potential of a great future.
- ◆ The availability and quality of social services such as education and health care are essential for the attraction and retention of talents.
- ◆ Special incentives for new graduates to work for a few years in the Western Region before pursuing graduate studies.
- ◆ Special post-graduation service requirements for new graduates in certain professional schools.

Attracting and Retaining Capital

- ◆ Identifying comparative advantage and potential core competence.
- ◆ Provision of infrastructure—information, communication, and transportation.
- ◆ Low taxes (central government tax incentives for new investment in low-GDP per capita provinces/regions/municipalities).
- ◆ Low land and facility costs (the shopping mall model).
- ◆ Open markets (no restrictions on exports to and imports from other provinces/regions/municipalities)—efficiency and economies of scale—central government enforcement makes it credible and benefits everyone.
- ◆ An educated and trainable labour force.
- ◆ Social provision of social services such as education and health care, and even housing.
- ◆ Equitable and uniform enforcement of the applicable laws, rules and regulations.

Attracting and Retaining Capital

- ◆ The provincial/regional/local governments must follow through on agreements and commitments; they must also honour prior commitments made by previous administrations. Predatory behavior should be avoided.
- ◆ Non-local investors must be given the opportunity to be successful--they must be allowed to make money—it is win-win. The province and locality benefits from sustained employment and increase in GDP, the non-local investor makes money, the employment and income in turn generate demand for other goods and services. The burden of the provincial/local government is reduced. The revenue is increased to the extent that there are enterprise and individual taxes. The best advertisement for any province/locality is an investor who has made real money and who increases his/her investment continuously.

Attracting and Retaining Capital

- ◆ National treatment for all non-local investors—China no longer needs additional foreign exchange, investors from other provinces/regions are just as desirable if not more than foreign investors. Foreign investors however can bring technology, knowhow, business methods and models that are not otherwise available in China.
- ◆ Ruinous competition among provinces and localities should be avoided.

Development of New Technologies and Infrastructure

- ◆ Clean coal strategy (desulphurization, coal liquefaction, coal gasification, in situ electricity generation)
- ◆ Hydroelectric, solar, wind and thermal technologies for electricity generation
- ◆ New technologies of electricity transmission
- ◆ Construction of pipeline systems
- ◆ New technologies for water conservation
- ◆ Development of new crop varieties that are drought-resistant

Regional Cooperation and Planning

- ◆ A de facto “regional free trade area”—in order to encourage non-local investors to invest in the Western Region (e.g., the ASEAN Free Trade Area)
- ◆ Avoidance of duplication and ruinous competition

Long-Term Strategies

- ◆ The “New Silk Road”
- ◆ The revival of dirigibles (Airships)
- ◆ Self-sustaining educational and innovation system

The “New Silk Road”

- ◆ A Eurasian Continental Land Bridge that passes through Russia only can reduce the transportation time between Western China and Europe to approximately five days.
- ◆ The Land Bridge can be based on both railroads and highways (and pipelines).
- ◆ Early Chinese international trade was carried out over land along the “Silk Road.”
- ◆ With the Land Bridge, the West can once again be international “ports,” and does not have to rely on the East Coast exclusively.
- ◆ Light industry can be established in the West, based on lower cost land, labour and cost of living, and proximity to the European markets.

The “New Silk Road”

- ◆ The advantages of the West over the East include the increase in the reliability and timeliness of delivery (five days versus a couple of months), the possibility of warehousing in Western China for European customers, with the resulting cost savings in terms of storage, inventory, transactions, and credit costs.
- ◆ The advantage of timeliness to market is especially important for certain goods such as garments because their demands change quickly as fashion and seasons change.
- ◆ The Land Bridge can also serve the East Coast, Korea and Japan (e.g., the shipment of automobiles).
- ◆ The Land Bridge should also bring significant economic benefits to Russia and hence Russia is likely to cooperate,

The Revival of Dirigibles (Airships)

- ◆ Airships were popular in the early 20th Century. They were large and had long ranges (they could cross the Atlantic). They were discontinued after a series of fatal accidents due to the explosion of the hydrogen used for flotation.
- ◆ New construction materials are now available to make airships lighter and stronger; helium can be used instead of the highly inflammable hydrogen.
- ◆ They can be brought back as a fast means of freight transport.
- ◆ They are not limited by pre-existing roads or tracks and can go door to door, eliminating costly mode changes and infrastructural investments. They are ideal where the population density is low.

Self-Sustaining Educational and Innovation System

- ◆ Eventually the educational system must be made self-sustaining—this means that it must be capable of not only training the manpower needed at the provincial and local levels but also the teachers needed to do the training so that the supply can be continually renewed.
- ◆ The innovation system must also be localized (it can be at either the enterprise level or at the provincial level) so that new or improved products can be continually introduced and new or improved processes can be continually implemented. Innovation is necessary for long-term economic sustainability and competitiveness.

Concluding Remarks

- ◆ Economic viability is the key to sustainability. It is the responsibility of the provincial and local leaders to make sure that investments by non-local investors are economically viable and sustainable.
- ◆ Human capital is critical in the long run.
- ◆ Significant capital investment is required for some of the long-term strategies but the returns can be very high. The ultimate goal is a Western Region that is just as prosperous as the Eastern Region.