

Reshaping Economic Geography of China: “Four Little Dragons” and a New Round of China's Western Development

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Abstract: The reshaping of China's economic geography is evolving silently: “Four Little Dragons” (Sichuan, Chongqing, Inner Mongolia, and Guangxi) in Western China are now leading China’s economic growth. During the “11th Five-Year Plan” period, the average annual growth rate of “The Four Little Dragons” is 19.47%, compared with 16.49% of the whole country, 15.49% of the East. It is result of the law of the industrial transfers and driven by the policy for a new Round of the Western Development. However, in terms of economic volume and level, Eastern China is still the main force of China's comprehensive national strength and the propeller of China’s modernization process. In the new round of development, the regional gap and competition advantage may occur in the new fields, including construction of the modern transportation infrastructures such as high-speed-rail, opening-up, new strategic industries and industrial chain advantages, etc. In “Twelve Five-Year Plan Period” and the next 10 years, the West need accelerated developments in many fields including transit network construction, industrial development, opening-up, resource development and local harness, and post-Wenchuan Earthquake reconstruction, and promote the policies “beneficial directly to the people's livelihood” so that people in the West can get the real benefits during this period.

Key words: Reshaping of China's economic geography, Western Development, “Four Little Dragons”

1. Foreword

In 2009, the World Bank published its annual World Development Reports with the theme of “reshape the world’s economic geography”.^③ In the Chinese version of these reports, Hu Angang, a renowned economics professor in China, wrote the preface and extended the theme to “reshape the Economic Geography of China”. He pointed out in the preface: just like the feature of the world’s economic geography, China’s economic geography is also uneven, which is prominently shown in three inclinations, i.e. coastalization, urbanization, urban

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^③ Hu Angang: *How to Reshape China’s Economic Geography*; Bruce Ross-Larson, the principal editor: *World Development Report 2009: Reshaping Economic Geography*, translated by Hu Guangyu, Tsinghua University Press, March, 2009 (Chinese version)

agglomeration. Ten eastern provinces and municipalities occupied 41.8% of China's total GDP in 1978, while in 2007 it rose to 55.2%. However, in recent years, these situations have been changing. The reshaping of China's economic geography is evolving silently.

2. Three tiers of China's economic development and the next five-year leaders

China's economy is showing a new phenomenon: driven by the industrial transfer law. Several national leadings "seven little dragons" stood out in the central and western regions. As a famous analysis company, China International Capital Corporation Limited (hereafter shortened as CICC), put forward its latest macro-analysis report^① that the "seven little dragons" will be leading national economic growth in the next five years. If this estimation is correct and such phenomenon becomes a major trend, China's development pattern will be remarkably changed. When scheming the "The Twelfth Five-year Plan", it should be paid particular attention to and well considered.

In its macro-economic report on 10th, September, 2010, CICC said: "three tiers of China's economic development are forming and next 5-year economy leaders are emerging." The report also stated that the past 40 years of experienced industrial chain transfer from Japan to other countries in East Asia, can be linked with a leading economic growth for several years. . The China's large-scale transfer of industrial chain today will make the economy of some provinces and municipalities in Central and Western regions stand out.

Put forward in the report, China's economic geography is forming three tiers:

The first tier refers to the coastal provinces. The Pearl River Delta and the Yangtze River Delta economic regions have experienced a process of high-speed industrialization and urbanization in the past 30 years. But today, they are facing many problems: rising production cost, large-scale transfer of labor-intensive industries; a decline of foreign trade caused by international financial crisis, etc. These problems result in an economy recession and undermine their leading positions in China's economic growth. They have to seek new developing modes, and adjust economic structures to form high-end industrial systems and improve external environment so that they can rise up again to lead China's economy toward a higher-level growth.

The second tier is the Central and Western regions, known as "seven little dragons", in which industrial chains were successfully linked. It includes six provinces and one municipality, namely, Anhui, Hunan, Hubei, Sichuan, Inner Mongolia, Guangxi, and Chongqing. In the next five years, they will lead the national economic growth and form the second tier. The advantages for their leading economic growth encompass: increasing policy support, advantageous geographical location and convenient transportation, improved infrastructure facilities, advantageous labor cost, good industrial foundation, influx of foreign capital and

^① China International Capital Corporation Limited, Macro-economic Report of 10th, Sep. 2010, Ju Juan, Three Tiers of China's Economic Growth, "Seven Little Dragons" Will Lead China's Next Five-year Economy

private capital, etc. The “seven little dragons” will become the leader in China’s next five-year economic growth.

The third tier refers to the Northeastern region and the rest five provinces in the Central and Western regions, known as “eight little tigers”. This report didn’t give the specific names, but in our points of view, they are: three Northeastern provinces, Henan, Jiangxi, Shaanxi, Shanxi, Xinjiang. Compared with the second tier, this one falls behind in terms of the scale of industrial chain received due to the problems of transportation and industrial foundation. In future, its growth rate may be slightly slower than the second tier’s. However, the third tier is in the period of economic take-off and will grow at a rate even higher than that of the first one.

This report also mentioned the view of “the rise of the core city agglomerations” and spoke highly of such cities as Wuhan, Chongqing, Changsha, Hefei, and Chengdu, especially Wuhan and Chongqing. The report concluded: “Wuhan and Chongqing will be likely to become 2 fastest-growing cities among China’s metropolises. What’s more, they are growing with a fairly high quality and have a potential to become central and western “Shenzhen” and “Shanghai” and can assist in promoting the development of their neighboring cities. Changsha, Hefei, Chengdu will also grow at a high rate and promote the development of their peripheral areas. ”

We hold the opinion^① that the CICC’s analysis and judgment are accurate in terms of economic growth rate and period of five years. Basically, the reason why “seven little dragons” will become the future leader of China’s five-year economic growth is that the industrial transfer law works in the economic operation. What’s more ,it is closely connected with the attraction and motivation caused by policies on the Rise of the Central Regions and the new round of Western Development put forward by the central government. The law and policies are beginning to exert their power. Therefore, the “seven little dragons” will be certain to lead the national economic development. As a result, regions in which domestic demand is expanded will be explored widely so that China’s economy can grow at a stably fast speed and the gap in regional development will be further narrowed.

The western “four little dragons” are especially conspicuous. As shown in the Table one: in terms of annual average growth in 2005-2009, the “four little dragons” lead in China, with growth rate up to 19.47%, 2.98% higher than that of the whole country, which was 16.49%, 3.98 higher than that of the eastern 10 provinces and municipalities (excluding northeastern provinces), which were 15.49%; Inner Magnolia also stood out ,whose annual average growth reached up to 25.67%, 9.18% higher than that of the whole country (approx. 1.56 times higher), 10.18% higher than that of the eastern provinces (1.66 times higher); while in the eastern region, the growth rate was lower than that of the whole country; the annual average growth rate of the “eight little tigers” was roughly equal to that of the whole country. (See chart 1, 2 and table 1)

^① Lin Ling, Liu Shiqing, *How Sichuan, One of “Seven Little Dragons”, Will Act in “Twelfth Five-year Plan”*, Sichuan Academy of Social Sciences, Strategy Reference, 2010, No.21, (Submitted to Provincial Standing Committee on 18th,Nov.2010)

Chart 1 : Western “four little dragons” led China’s growth rate
(2005-2009 Annual Average Growth Rate)

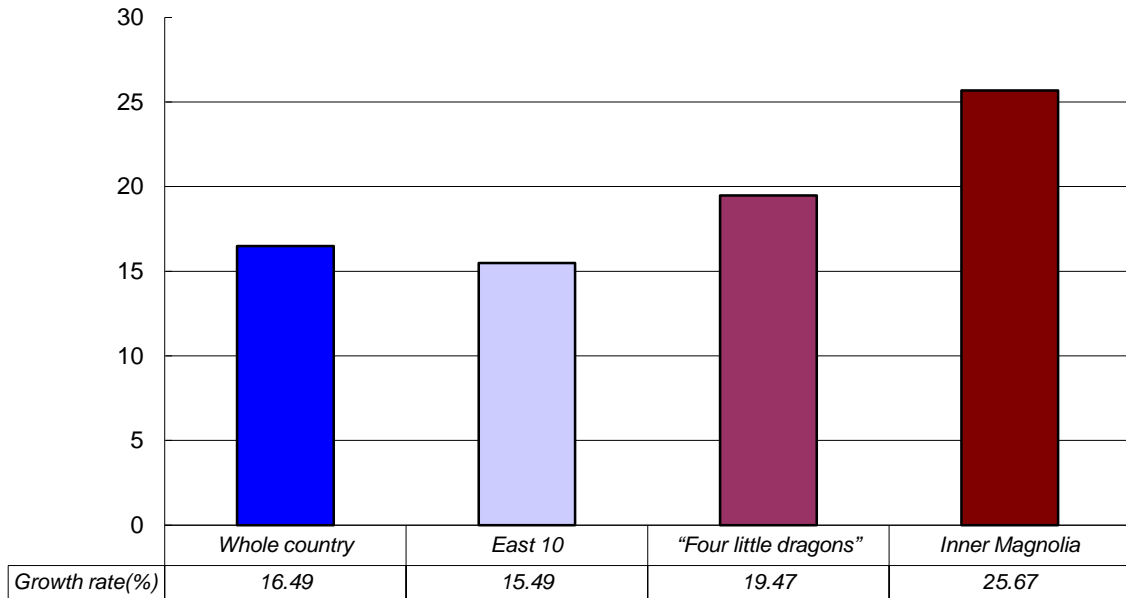


Chart 2: Western “four little dragons” led China’s growth rate
(2005-2009 Accumulative Growth Rate)

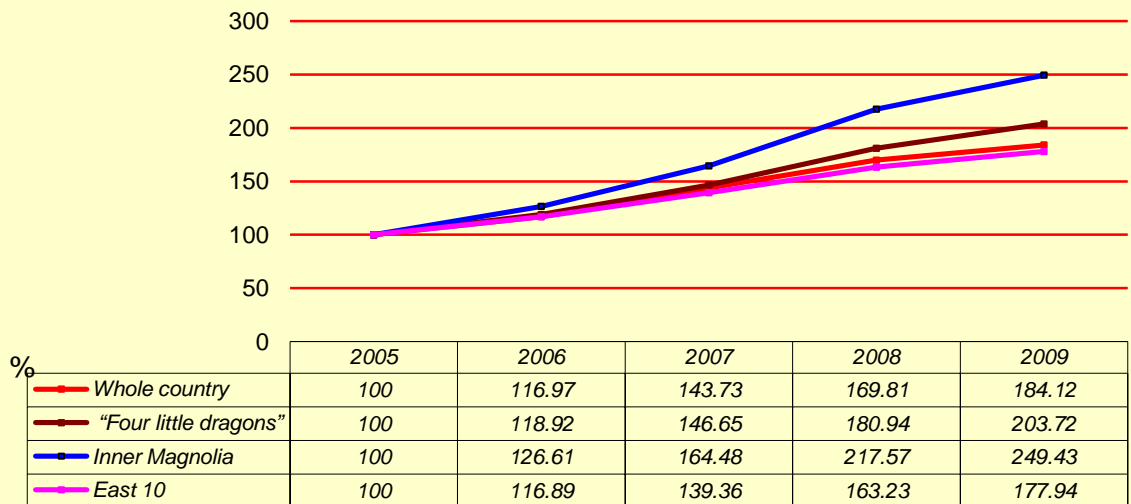


Table 1: “Four little dragons” led in China’s growth rate (2005-2009)

	GDP Total (100 million Yuan)					GDP Index (Previous year=100)					05-09 annual average growth rate(%)
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009	
Whole country	184937.4	216314.4	265810.3	314045.4	340506.9	111.3	112.7	114.2	109.6	109.1	16.49
“4 little dragons”	18741.95	22287.88	27485.11	33912.09	38180.7						19.47
Chongqing	3467.72	3907.23	4676.13	5793.66	6530.01	111.7	112.4	115.9	114.5	114.9	17.14
Sichuan	7385.10	8690.24	10562.39	12601.23	14151.28	112.6	113.5	114.5	111.0	114.5	17.65
Inner Mongolia	3905.03	4944.25	6423.18	8496.20	9740.25	123.8	119.1	119.2	117.8	116.9	25.67
Guangxi	3984.10	4746.16	5823.41	7021.00	7759.16	113.1	113.6	115.1	112.8	113.9	18.13
“7 little dragons”	37278.41	43706.52	53619.03	65647.64	74264.31						18.80
Anhui	5350.17	6112.50	7360.92	8851.66	10062.82	111.0	112.5	114.2	112.7	112.9	17.11
Hubei	6590.19	7617.47	9333.40	11328.89	12961.10	112.1	113.2	114.6	113.4	113.5	18.42
Hunan	6596.10	7688.67	9439.60	11555.00	13059.69	112.2	112.8	115.0	113.9	113.7	18.62
“8 little tigers”	42593.85	49642.24	59670.6	72211.82	78019.04						16.34
Liaoning	8047.26	9304.52	11164.30	13668.58	15212.49	112.7	114.2	115.0	113.4	113.1	17.26
Jilin	3620.27	4275.12	5284.69	6426.10	7278.75	112.1	115.0	116.1	116.0	113.6	19.08
Heilongjiang	5513.70	6211.80	7104.00	8314.37	8587.00	111.6	112.1	112.0	111.8	111.4	11.71
Henan	10587.42	12362.79	15012.46	18018.53	19480.46	114.2	114.4	114.6	112.1	110.9	16.47
Jiangxi	4056.76	4820.53	5800.25	6971.05	7655.18	112.8	112.3	113.2	113.2	113.1	17.20
Shaanxi	3933.72	4743.61	5757.29	7314.58	8169.80	113.7	113.9	115.8	116.4	113.6	20.05
Shanxi	4230.53	4878.61	6024.45	7315.40	7358.31	113.5	112.8	115.9	108.5	105.4	14.84
Xinjiang	2604.19	3045.26	3523.16	4183.21	4277.05	110.9	111.0	112.2	111.0	108.1	13.21
Eastern 10	110528.22	129197.59	154029.73	180416.57	196674.41						15.49
Beijing	6969.52	8117.78	9846.81	11115.00	12153.03	112.1	113.0	114.5	109.1	110.2	14.91
Tianjin	3905.64	4462.74	5252.76	6719.01	7521.85	114.9	114.7	115.5	116.5	116.5	17.80
Hebei	10012.11	11467.60	13607.32	16011.97	17235.48	113.4	113.4	112.8	110.1	110.0	14.54
Shanghai	9247.66	10572.24	12494.01	14069.86	15046.45	111.4	112.7	115.2	109.7	108.2	12.94
Jiangsu	18598.69	21742.05	26018.48	30981.98	34457.30	114.5	114.9	114.9	112.7	112.4	16.67
Zhejiang	13417.68	15718.47	18753.73	21462.69	22990.35	112.8	113.9	114.7	110.1	108.9	14.41
Fujian	6554.69	7583.85	9248.53	10823.01	12236.53	111.6	114.8	115.2	113.0	112.3	16.89
Shandong	18366.87	21900.19	25776.91	30933.28	33896.65	115.0	114.7	114.2	112.0	112.2	16.55
Guangdong	22557.37	26587.76	31777.01	36796.71	39482.56	114.1	114.8	114.9	110.4	109.7	15.02
Henan	897.99	1044.91	1254.17	1503.06	1654.21	110.5	113.2	115.8	110.3	111.7	16.50

Note: (1) GDP in table 2-1, GDP index in table 2-4, regional GDP and index are based on *China Statistical Yearbook 2010*. (2) Data of 2005-2008 were revised after the second economic general survey. (3) Absolute values are calculated per the prices of the year, while indices calculated per the constant prices. (4) The values of “seven little dragons” are summed by the data of six provinces and one municipality, i.e. Anhui, Hunan, Hubei, Sichuan, Inner Mongolia, Guangxi, Chongqing. (5) The data of “Eastern Regions” are summed excluding three northeastern provinces (i.e. Liaoning, Heilongjiang, they belong to “eight little tigers”). (6) Only relevant provinces and municipalities are listed in this table just for a concentrated analysis of their features.

3. Eastern coastal regions will undergo remarkable changes and lead in China’s modernization

It should be pointed out that CICC said the “seven little dragons” led China’s economy from the point of view of the growth rate. As a matter of fact, the increasingly wide gap between the East and the West should be taken seriously. The eastern coastal regions are still the main force that boosts China’s comprehensive national strength and modernization. The “four little dragons” and “seven little dragons” are leading the economic growth, while in the coastal regions, the industrial structure and economic development mode will be remarkably promoted, transportation will enter a new era of high-speed-rail

early, the urbanization level will be substantially improved, opening-up will take a new leap forward, the aim of fully building a well-to-do society will be achieved ahead of time, strength guiding China to achieve modernization will be gathered together, and thus this region will become the leader in China's modernization process. The "seven little dragons" should notice this trend and pay particular attention to the coastal development and change, study and introduce its experience, strength cooperation, and promote their own strength to further reduce the gap between the East and the West and keep pace with the eastern development.

4. Regional gap and competition advantage may occur in the new fields

It should also be noted that the regional gap and competition advantage may occur in some new fields in the new round of development in 2011-2015 and in the far future.

-Construction of the modern transportation infrastructures such as high-speed-rail. The construction of high-speed-rail will still take on gradient development pattern and the regional gap between the East and the West is still prominent. In the East, the construction of high-speed rails and cross-sea bridges are in full swing. One-hour convenient and quick transportation networks within the urban cluster are available to remarkably change and promote the eastern new advantages. In the Center, the Wuhan-Guangzhou high-speed rail has been put into use. While in the West, Chengdu, Chongqing, Xi'an slightly lag behind.

-Opening-up. The eastern opening-up trend shows no signs of slowing down but takes on new promotion, which is especially manifested in: building of Shanghai International Shipping Center and International Financial Center, new trial reforms for the Pearl River Delta Hong Kong-Shenzhen Integration, The Western Taiwan Straits Economic Zone, and new advantages brought by China-ASEAN 10+1 summit, CEPA, the expanding of the coastal three major urban groups to the extended zone and industry upgrading, etc. It is uplifting to see that China's opening-up is assuming a new pattern of interaction between the East and the West. Industries and capitals are transferring to the East at an increasingly fast speed. Not only the border areas but also the western inland areas are boosting the opening-up pace. Of these areas, Xinjiang is a most prominent new star.

-New strategic industries and industrial chain advantages. The industrial transfer and industrial chain advantages play a vital role in deciding whether the "seven little dragons" can lead or not. From the point of view of the total amount and level, the eastern advantages and the trend of continuing to lead will still exist, which are not only reflected in such characteristic fields as cross-sea bridge, seaport building and ocean economy, etc., but also in modern manufacturing industry, new strategic industries. As the East develops rapidly and progresses with each passing day, it will still play a leading economic role in China. A heartening change occurred in recent years, that is, the central and western cities were gaining momentum in carrying on the industries and industrial chain transfer. On the basis of such change, the CICC predicted that "seven little dragons" will lead China's next five-year economic development, which should be worthy of particular attention.

-Urban agglomeration and growth pole. The competition among core cities and the rise of core urban groups will become the key aspects of the advantages of the future regional competition. The new developing momentum in the central region is especially prominent. CICC's report is the first to mention that central and western cities should be placed in the same level. However, the actual fact is that the

central region grows so rapidly that it goes far beyond this analysis. The advantages arising from the Wuhan-Guangzhou High-speed-Rail and industrial transfer will help this area far exceed the western region. Such trend should draw our close attention in future.

-Resource exploitation and policy reform. China has entered a resource-limited growth phase, which will last a fairly long period of time. Meanwhile, the government has begun to take drastic measures to advance the reform of the resource policy. The reform will result in a restructuring of the pattern of interest and regional advantages. Xinjiang and Inner Mongolia have obviously benefited from it. If considering the influence of international financial situation, the resource development and policy reform will exert much profounder effect.

-National policies and strategic deployment for a leap-forward development in the ethnic regions. Tibetan regions in Xinjiang, Tibet, Sichuan, Yunnan, Gansu, Qinghai have obtained unprecedented opportunities.

-Opportunities of the new round of the Western Development. The central government has put forward policies of the Western Development, claiming that priority, special importance, special policies and project inclination should be given to the Western Development among the four regions. The new-round deployment of the Western Development has played a more important role in the law of industrial transfer.

Those who can seize the opportunities above can take the precedence and hold the initiative in reshaping China's economic geography.

5. How "four little dragons" play their leading roles

The period of the "Twelfth Five-year Plan" and next 10 years will be the critical period to fully build a well-to-do society. Can the western "four little dragons" assume and achieve the "little dragon" role? How to understand and grasp the new competition and opportunity? During the new round of Western Development and the "Twelfth Five-year Plan", both the central and local governments have made all-around arrangements on various aspects, such as, transportation, industries, regions, urban, people's livelihood, ecology, etc. This article discusses some understandings of how to achieve the leading role for the "four little dragons" and some suggestions on how to assume the leading role in transportation, industries, opening-up, cities, and resources, etc. and also suggestions on the urgent task of the "Twelfth Five-year Plan"

-Construction of transportation and high-speed-rail networks. Two tasks for the western transportation construction: making up for the deficiency and catching up. The construction of high-speed-rail networks is the crux in the procedure.

-Industrial strategy. The role that the industrial transfer law plays in changing the regional pattern is becoming increasingly prominent. The industrial strategy for the western provinces is to build "four bases" in the new round of Western Development, namely, State Key Energy Source Base, State Key Resource Intensive-processing Base, State Key Equipment Manufacturing Base, State Key Strategic New Industries Base. It should be especially noted that the industrial transfer receiving, new strategic industries developing and industrial chain building should be placed in a prominent position.

-Urban strategy. 1) Particular attention should be given to building the western centre cities such as Chongqing, Chengdu, Xi'an into an international metropolis. 2) The process should be actively promoted of urbanization, urban agglomeration, growth pole and regional incorporation. Taking the advantages of the construction of high-speed transportation, the process of urban incorporation and integration should be boosted.

-Hinterland strategy. The western center cities should attach importance to the development of the hinterland, which has not drawn their attention yet. Besides, they should finish the construction of one-hour urban agglomeration as soon as possible. This is also what they should do to make up for the deficiency. The demand for high-speed transportation networks and one-hour urban agglomeration are urgent for both the under-developed hinterlands and the central cities.

-Opening-up strategy. 1) Opening-up toward the West should be actively advanced from the national strategic viewpoint, and the opening-up process and the cooperation mechanisms ,such as 10+1, 10+3, Shanghai Cooperation Organization (SCO), CEPA, etc. should be further promoted;2) Sichuan and Chongqing should cooperate to build an inland opening-up region; 3) Southwest, Northwest, Western Delta Economic Zone should cooperate to promote the opening-up; 4) industrial foundation should be enhanced and foreign trade channels should be established.

In addition, do combine resource strategy with the advantage of industrial chain, explore policies that can directly benefit people's livelihood, and keep away from "the poverty of plenty"; the construction of the ecological barriers in the upper reaches of the river will be a long-term task for the west, and make elaborate efforts to develop ecological economy and ecological culture; grasp the opportunities of infrastructure building, leap-forward development of social construction, industrial structure restructuring and upgrading, and counterpart aid during the post-Wenchuan Earthquake reconstruction; the ethnic regions and revolutionary areas should grasp the policy of the leap-forward development; pay particular attention to boosting the policy exploration of "directly benefit people's livelihood ", making ordinary people get true benefit from the "Twelfth Five-year Plan" and "leading growth".

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