

---

# Economy Reform Shifting to North China, and the Economic Development in This Area

ZHOU Liquan

⟨Nankai University⟩

## **I. The “Gap” between South China and North China in Economic Reform**

The unbalanced development among the regions of China is one characteristic of China’s market-orientated reforms and economic growth. Most previous studies have focused on the “gap” between eastern China and western China and the “gap” between north China and south China is often ignored by researchers.

The policy of reform and opening up started earlier in south China than in north China, and the economic growth in south China is higher than that in north China. Therefore, the “gap” between the south and the north is obvious.

Solving the problem of the “gap” between south and north is one key goal of the future reforms and development in China. We indicate here, that, the economic development of the BoHai Coastal Region of China will play an important role in providing a solution.

## **II. The Rapid Development of Three Manufacturing Centers**

Since the 1980s, three manufacturing centers have been created in coastal regions in China. They are the ZhuJiang Triangle Area, the ChangJiang Triangle Area and the BoHai Coastal Region (from south to north). These three centers take up less than 10% of the land area of China and but contain 35.45% of the total population, and the GDP of these areas accounts for 57% of the whole country. At the same time, in China, more than 66% of the gross industrial output value and 85% of the export value are produced in these three regions.

ZhuJiang Triangle Area and ChangJiang Triangle Area are in the south of China. The policy of reform and opening up began earlier in these regions, and now these regions have become the new quickly growing industrial centers with advanced techniques, efficient organization, and great vitality.

In north China, since the 1990s, the BoHai Coastal Region has also been developing rapidly. Will this region become the third manufacturing center with a high growth rate or not? Furthermore, can this trend drive the whole north China interest towards rapid economic development? These versions are now generating much point of view concerns and research nationally.

From the aspect of regional economic development, we can assume that the ZhuJiang

Triangle Area, ChangJiang Triangle Area, and the BoHai Coastal Region will become the key “contributors” to China’s future economic growth and international competitiveness.

### **III. A Booming Manufacturing Center in the BoHai Coastal Region**

The BoHai Coastal Region has many more old state-owned enterprises than the ZhuJiang Triangle and the ChangJiang Triangle which are new industrial regions. There are two main reason why the development of the BoHai Coastal Region is delayed. First, the old industrial structures with heavy historical burdens need to be revamped more improvements. Second, for re-allocation and a new cooperation in this region need more capacity is needed. So, how to improve the old industrial structure, create a new regional economic center, and allocate the resources more efficiently—the answer to these questions will determine the further development of the BoHai Coastal Region and the whole north China. The BoHai Coastal Region is likely become the “driver” of the economic growth in north China in the new era.

However, these three manufacturing centers in China have great differences including their regional scope, the aggregate of economic products, and development speed.

The BoHai Coastal Region is larger than either the ChangJiang Triangle Area or the ZhuJiang Triangle Area, in both regional scope and aggregate of economic products. However, the growth rate and development level of the BoHai Coastal Region lags behind that of the other two Triangle Areas.

Before 1996, the industrial growth rate of BoHai Coastal Region relative to the other two regions had kept to go down. The growth rate was not only less than the rate of Triangle Areas, but also less than the average level for the whole country.

Since 1996, the situation has become better and the growth rate has increased quickly. From 1996 to 1999, the relative industrial growth rate of the BoHai Coastal Region increased to 1.409, which is higher than the average level for the whole country. However, the aggregate growth rate was still less than that of the Triangle Areas. In 2002, the five provinces that are covered by the BoHai Coastal Region had GDP growth rates up to 10.82%. This amount exceeds Guangdong’s 10.8% (ZhuJiang Triangle), but is less than the ChangJiang Triangle’s (11.6%).

From these trend, we can assume that the BoHai Coastal Region has a good chance to become the third fastest-growing region in China’s economy. The high growth rate in this region will have strategic effects on China’s economic development. This region has the following special advantages and potentials:

The BoHai Coastal Region has abundant natural resources. The industries of petroleum, chemistry, steel, machinery, electronics and textile have rich natural and human resources behind them. This region is located at the core of the national transportation network. It has a complete transportation system with railways, highways, waterways and airlines. The technical talents are concentrated in this region, and the education level has a leading position in China. Furthermore, the region has various economic connections and trade with other developed countries and newly industrializing countries, such as Japan, Korea, the United States, and Europe Union. Therefore, we can conclude that this region has special advantages and potential to become the third fast growing region in China.

As a “radiating center”, the economic growth of the BoHai Coastal Region can be extended to the northeastern, the northwestern, and even the whole of north China, resulting in the rapid development of these areas. In future economic development, the BoHai Coastal Region will be the concentration and distribution center in north China for knowledge, information, products, capital, and talent. It also will be the international transaction center in north China.

As the “link” for the economic regions in northeastern China and south China, the BoHai Coastal Region and these regions mentioned above have huge mutual complementarity in economic terms.

#### **IV. Historial Burdens which limit the development of the BoHai Coastal Region**

In the BoHai Coastal Region is a concentration of center for old industries, which is quite different from the other two Triangle Areas. In the BoHai Coastal Region, Beijing, Tianjin, Dalian, Shenyang, Jinan, Qingdao, Shijizhuang, Anshan, and Tangshan are all the representative cities that were created in the old industrialization period under a planned economy.

Due to the technical improvements and increases of competitive ability of the new industrial cities, the old industrial cities have gradually lost their traditional advantage. Some problems, such as outdated industrial structure and technique, rigid management, low competitive ability in exports, and the poor investment environment, have been uncovered. At the end of the 1980s, the old industrial cities went into a serious economic recession.

The economic recession in the old industrial cities had great effects on China’s economy. So, at the beginning of 1990s, the central government launched technical innovation schemes and improvement for the enterprises in the old industrial cities. The pilot reforms were implemented in Shanghai, Tianjin, Shenyang, Harbin, Wuhan, and Chongqing. However, after 10 years hard work, most old industrial cities still show a lag in innovation that impedes the development of these cities, except for Shanghai’s success with policy support and the Pudong Development Plan.

As the BoHai Coastal Region develops, we find the lag in innovation for old industrial cities is impeding the development of the region. Such kinds of effects can be summarized as following:

First, the industrial structures are obviously inconsistent. Due to the lag in innovation in old industrial cities, the traditional industries have lost the international competitive ability, and the new high technology is still under-developed. The traditional labor-concentrated industries or labor/technology concentrated industries that used to have strong competitive abilities are declining. Such declines result in unemployment and reduction of labor income. The declines cause this region and north China lose the opportunity to grow fast. This opportunity is there because the labor concentrated industries should enjoy a 10-year increasing of demand now China has joined the WTO.

Second, the technology is upgraded only slowly. At the beginning of the reforms and opening up, the whole technology level of China’s manufacturers was much behind that of the developed countries. With policy support from central government, the new industrial cities in southeastern China siezed the opportunity to import new technology, improve the

2002年三个经济区各项经济指标占全国的比重 (%)

地 区	GDP	工业增加值	进出口总额 Export & Import	外商直接投资 FDI
三大制造基地占全国的比重	61.2	58.3	87.6	90.4
珠江三角洲比重	11.4	11.4	35.6	24.9
长江三角洲比重	23.2	23.2	29.8	35.3
环渤海地区比重	26.6	23.8	22.2	30.2

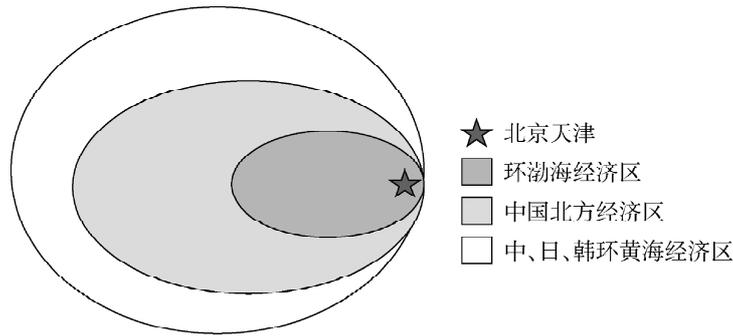


图 环渤海经济圈的发展模式

old equipment, and develop rapidly. Within the competition in technology between the new industrial cities and old industrial cities, the old industrial cities invested less in innovation, and many types of equipment there are outdated. The technology updating has become more and more important for these cities.

Third, state-owned enterprises have less ability to survive in competition. The ratio of state-owned enterprises to total enterprises is much higher in the BoHai Coastal Region than in southeastern China. This ratio is even higher than the average level for the whole country. In 1999, nationwide, the products of totally state-owned enterprises accounted for 49.28% of the gross industrial products value. In the BoHai Coastal Region, it amounted to 50.54%. At the same time, the state-owned enterprises in this region produced 25.01% of all state-owned enterprises' value, while the gross industrial production value only accounted for 24.39% of the whole value nationwide.