PLANNING AND DEVELOPMENT OF THE YANGTZE RIVER ECONOMIC BELT

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Various Regions Charged with Different Development Responsibilities
To Help Reach China’s Grand Plan for 2020

To achieve the grand plan to build a society of largely middle-class families by 2020, with a per capita income of US$3,000 for its 1.6 billion population, a great deal has to be done at all levels in China over the next fourteen years.

Regional development includes actively expanding the Pearl River Delta into the “9+2” Pan-Pearl River Delta Region; revitalizing the three heavy industrial provinces of the Northeast; creating China’s third National-level New Area, the Binhai New Area, after the successes of both the Shenzhen New Area and the Shanghai Pudong New Area; and extending the accomplishments of the coastal cities inland along the Yangtze River Economic Belt.

The following analysis is derived from presentations made at the 2006 Chinese Yangtze River Regional Economic Cooperation and Productivity Development Forum held in Nanjing, Jiangsu, May 8-10, 2006. Chinese government officials, business executives, members of government and non-government think tanks, and leading academicians, together with invited speakers from the United Nations, the United States, Hong Kong and Taiwan, presented their views and recommendations to help improve regional economic cooperation and productivity development in the Yangtze River Region.

The Forum was attended by Chinese Central government officials, senior regional government officials and business leaders from the Yangtze River Region, which includes eight provinces, two municipalities and an Autonomous Region along the River – the provinces of Qinghai, Sichuan, Yunnan, Hubei, Hunan, Jiangxi, Anhui and Jiangsu; the municipalities of Shanghai and Chongqing; and
the Tibet Autonomous Region. In addition, government and business representatives from three other provinces, Zhejiang, Henan and Shanxi, together with guests from the United States, Italy, India, Taiwan, Hong Kong and Thailand also attended the Forum.

This was the third meeting in 20 years concentrating on the development of the Yangtze River region, according to Wang Maolin, Chairman of the Chinese Association of Productivity Science – an indication of the Region’s importance in the overall development of the Chinese economy.

Sub-Regional Development within the Yangtze River Economic Belt

A four-year study carried out by the State Council, which is to be released this month (June 2006), projects China’s macro economy for year 2020: the Yangtze River Economic Belt is expected to account for over 50% of the country’s GDP, compared to 46% in the year 2005.

While the Yangtze River Economic Belt is taking an important lead in the Chinese economy, the growth and development of its upper, middle and lower reaches are proceeding at very different paces, resulting in a less than optimal overall economic development of the Economic Belt.

The proposed strategy is to take advantage of the strong growth of the Shanghai-led Yangtze River Delta – currently accounting for 20% of the country’s GDP and growing at a rate of 3.5% above China’s overall growth rate – as the world’s advanced manufacturing base to guide the growth of the River’s mid and upper reaches. The city of Wuhan in Hubei will be the core of the River’s middle reaches, positioning that area as a key growth zone, while the municipality of Chongqing and the city of Chengdu in Sichuan will be centers of development to drive growth for the River’s upper reaches and further into the West of China.

The Sum of the Parts Greater Than the Whole

To successfully develop this vast economic belt to its optimal level demands total cooperation from provinces and cities along the River. It is important that all should recognize that sustainable growth is interdependent on each of the players in and relating to the Region.

The stakeholders along the Yangtze River should protect the Yangtze River Economic Belt as though they are protecting their individual selves – they should view themselves as one. To further growth throughout the entire Region, it is imperative to preserve and improve its environment, wisely use its scarce natural resources, concentrate efforts in high technology innovation, and build a bank of human capital.
Environmental Efforts

Kim Sak-su, Under-Secretary-General of the United Nations, highlighted in his video address to the Forum that the ecological health of the Yangtze River is vital for both China’s development and sustainable growth.

The different rates of development in different parts of China in the past created many environmental problems in the cities, as well as related towns, because there was a lack of overall development strategy. Therefore, when developing new cities and towns, it is critical to create a master plan to secure and safeguard clean air and clean water, and to reduce pollution. The administrative entities should coordinate with the environmental policy-making and enforcement entities to avoid contradictory and counter-productive steps.

Measures should also be taken to build up the rural area through modernizing agriculture, with the key being preserving the ecological health of the Yangtze River.

Use of Natural Resources

The manufacturing industry in China has been very inefficient in the use of natural resources. It is important to restructure the production composition to achieve “low investment, reduce energy consumption, transform pollution, and increase benefit”.

Professor He Zuoxiu of the Chinese Academy of Science pointed out that if the Yangtze River Economic Belt needs to grow from its current 46% to over 50% of China’s GDP by 2020, it has to secure a much higher growth rate than the country’s overall 8% average. It needs to optimize its energy policy to support such growth. China should rely less on the consumption of coal, which takes a high toll on air quality. He highly recommended renewable energy sources such as wind power, solar energy and hydropower as sound alternatives.

Jiang Zhenghua, Vice Chairperson of the National People’s Congress, praised the great work of the engineers developing the Three Gorges Dam – they “talked” to the Yangtze River as though it was a living being; they recognized the importance of protecting the Yangtze River Economic Belt by respecting its natural resources.
High Technology Innovation

Although a large number of high tech zones concentrate in the Yangtze River Economic Belt, they do not exhibit a balanced growth, and certainly do not show strong interaction with one another. Innovation in individual enterprises is less than powerful, and that from universities and research institutions is not vigorous enough.

The 11th five-year plan boldly declares that it is important for China to secure its own technology – to move up the value chain from building its economy through the low-profit contributing manufacturing base to a higher value technology core. To support technology innovation in the Yangtze River Economic Belt, the government should introduce a stronger network of professional consulting services to help small and medium-sized enterprises become more innovative; establish incubation structures to promote technology advancement; encourage interaction among high tech zones, as well as help expand those zones’ networks into the global arena.

Build up Human Capital

It is recognized that Chinese engineers are not as innovative as their counterparts in developed countries. There is also a lack of management talent in China to lead the enterprises to compete at home and in the international market.

Besides training more talent in schools and colleges, the Forum noted that on-the-job training and executive training, as well as hiring overseas talent, are keys to alleviating the shortage of management talent.

If Chinese companies are to succeed in the international market, they need to learn the rules of the game instead of focusing on themselves alone. This means they have to understand the essence of international business culture, management principles and skills, and adjust their existing management ideas and structures in order to have a chance to succeed in international business.

Optimizing the Capacity of the Yangtze River Helps the Region and Benefits Connected Provinces

While the coastal region takes the lead in helping develop the entire Belt, specialization should be infused into different areas to secure growth. To build on the Belt’s existing industrial concentration, there should be three spheres of strengths: (1) a strong production base in petrochemical, automotive, steel and iron, and equipment manufacturing industries; (2) a viable high tech region; and (3) an extended tourism area.
The transportation structure should be organized to facilitate the movement of goods within inland China – highways, railroads, ports, airports, and express rail along the Yangtze River, together with the infrastructure and the information network.

However, it must be kept foremost in mind that the most critical element of the Yangtze River Economic Belt is the development of its Golden Waterway, which currently only moves 3% of all containers in China. To help the River realize its full potential, it is important to expand its use to provide good logistics, because waterborne transportation, compared to other means of moving goods, is lower in cost and consumes less energy, less land and fewer resources.

Optimizing the capacity of the Yangtze River Economic Belt benefits the Region and also offers opportunities for other cities and provinces to take advantage of its logistics – Zhejiang, Henan and Shanxi are notable beneficiaries, together with Hong Kong. As such, they were keen participants in the May Forum.

Shandong province, for example, though part of the Bohai Region, is connected more closely in business with the Yangtze River Economic Belt; Fujian, though in the Pearl River Delta, has 39.6% of its trade with the Yangtze River Delta; Hong Kong, though down in the south and well-aligned with the Pan-Pearl River Delta, is encouraging businesses in that area to expand their operations to the Yangtze River Economic Belt.

Yangtze River Economic Belt as a Window for China to the World

More than 400 of the world’s Fortune 500 companies have established a presence in the Yangtze River Economic Belt. To speed up the growth and expansion of this Region is to speed up the process of building a more expansive window for China to the outside world.

To maintain sustainable growth for the Region, the solution is to establish the right policy to embrace and educate its people, connect its inland cities to their urban partners, improve income distribution in both urban and rural areas, and promote trade, investment and tourism throughout this vast Region.

The success of the optimization of the Yangtze River Economic Belt is crucial to China’s fulfilling its 2020 grand development plan, and consequently the development progress of this Region should be followed closely.