

ASSESSING INDUSTRIAL DEVELOPMENT IN WESTERN CHINA

YU Hong

EAI Background Brief No. 1061

Date of Publication: 16 September 2015

Executive Summary

1. Industrialisation of western China began with the Third Front Construction project. The Third Front Construction (Third Front) era, which began in 1964, had laid the industrial foundation for the region.
2. However, many of the industrial plants constructed during the Third Front era had ceased operations due possibly to geographical inaccessibility, poor planning and bad design, the particular nature of the industries, distance from both suppliers and potential markets, and management problems faced.
3. Although the western region has achieved decent industrial development over the past decade, there are still striking industrial and economic gaps between eastern and western China.
4. With the exception of a few prosperous industrial cities such as Chongqing, Chengdu and Xi'an, the industrialisation process in western China is still at a very early stage. There is thus huge room for industrialisation in the vast area of western China.
5. In the late 1990s, to address the widening industrial and economic disparities between the eastern and the western regions and to achieve more balanced regional development, the Chinese central government launched its "Great Western Development" or "Go West" strategy.
6. The move was given added impetus with the outbreak of global economic crisis in 2008 and rising labour and land costs in the eastern region, accelerating the process of industrial transfer from the eastern cities to the central and western cities.
7. Many western cities have great potential to achieve industrial take-off given the improvements to their transport networks and other infrastructure, and the support from the central government.

8. Urbanisation is widely believed to be the key to sustainable economic growth in China and to boost industrialisation in the under-developed western region.
9. However, the western region lacks strong industrial foundation, efficient transport and logistics infrastructure, technological capability, plentiful supply of labour, a healthy industrial development environment and high quality institutions.
10. To facilitate domestic industrial transfer and achieve industrial take-off, China's western region has to do more to improve infrastructure, strengthen regional competitiveness by improving the business and investment environment, and focus more on educational development.