

**CHINA'S REGIONAL DEVELOPMENT
UNDER XI JINPING**

YU Hong

EAI Background Brief No. 1177

Date of Publication: 5 October 2016

Executive Summary

1. China's regional policies were biased towards the coastal eastern region from the early reform eras to the late 1990s. The state policy outlined by the late leader Deng Xiaoping focused on coastal development to attract foreign investment in export-oriented manufacturing and boost foreign trade.
2. The consequence of this policy and the geographical factors have resulted in unbalanced regional development and widening regional disparity among the eastern, central and western regions. The inequality not only inhibits sustainable development in China but also poses serious challenges to national unity and social stability.
3. Common prosperity is essential both to retaining the performative legitimacy of the Chinese Communist Party (CCP) and maintaining sustainable national economic development.
4. Xi fully understands the local development issues faced by China given his work experience at various levels of central and local governments. He has promulgated two main plans, namely, the "Third Plenum Decision of the Chinese Communist Party on Comprehensive Reform" in 2013 and the "13th Five-Year Plan for National Socioeconomic Development (2016-2020)" announced in 2016.
5. These plans reflect the major commitment of the new Chinese leaders in pursuing spatial economic egalitarianism and regional equality as prerequisites for social justice and equality.
6. Xi takes personal charge of regional development of the Beijing-Tianjin-Hebei Economic Zone, the Yangtze River Economic Belt and the northeastern region. At the Fifth Plenum of CCP's 18th Congress held in October 2015, Xi Jinping expressed his determination to achieve a breakthrough in the development of these three mega metropolitan regions by leveraging on the "One Belt, One Road" initiative.

7. Regional disparity has been narrowing modestly over the past several years. Nevertheless, the economies of the underdeveloped regions are still fragile and vulnerable as the government rather than the market is the dominant player in boosting regional economic and industrial growth.
8. These regions have yet to develop a model for self-sustained development based on a vibrant private sector and competitive entrepreneurship.
9. One of the major challenges faced by Xi Jinping is inaction in the bureaucratic system and local bureaucracy due to power centralisation and the ongoing high-profile anti-corruption campaign against corrupt officials.
10. Given that the western region is the most ecologically sensitive and environmentally fragile part of China, the trade-off between boosting western economic development and protecting the local environment by restricting industrial activities essentially poses a policy dilemma for the Chinese government.