

**CHINA'S WESTERN DEVELOPMENT
STRATEGY: TEN YEARS ON**

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Executive Summary

1. Compared to the eastern and central regions, the western region is the least economically developed region in China. Unequal regional economic development has widened over the last three decades.
2. During the 1980s and 1990s, the Chinese government implemented coast-biased regional development policies. These policies have further aggravated regional income inequality.
3. Since the late 1990s, Chinese leaders have been increasingly concerned with the huge gap between the wealthy eastern and poor western regions, and the deteriorating developmental trend. In response, the central government adopted the “Great Western Development” (GWD) strategy in 1999.
4. The GWD strategy is the key strategy adopted by the Chinese government to tackle the pressing issue of widening regional economic disparity in China.
5. The main policies and measures of the GWD strategy include providing preferential policies to the backward western region, in terms of taxation rates, land use rights and favorable bank loans, and facilitating huge fiscal transfers to western China. The government has also invested heavily on western transportation and other infrastructure improvement.
6. The GWD strategy seemed effective in stalling the widening development gap between the western and eastern and central regions. The share of western region in total GDP of China increased to 18.7% in 2010 from 17.1% in 2000.
7. However, in terms of balanced regional growth and developing the western region into a growth engine for sustainable national development, the GWD strategy has yet to achieve its aims.

8. The contribution of the western region to China's overall economy has not improved greatly, and the government's efforts since the late 1990s to achieve more balanced regional development have yet to bear much fruit.
9. The current Chinese leadership seems to be taking a proactive but unchanging stance on the GWD strategy. Similar western development policies as those in the past ten years are likely to be adopted.
10. Nevertheless, the emphasis will be on infrastructure improvement, environmental protection and social development of the western region for the next 10 years. These new initiatives have been incorporated into China's 12th Five-year Program for National Social and Economic Development (2011-2015).
11. Unfavorable geographical conditions remain one the biggest challenges faced by the central government. Other challenges include the lack of economies of scale, weak industrial agglomeration, excessive exploitation of resources and generally low technological levels in the western region. The central government has yet to find an effective solution to the issue of regional inequality in China.