

THE OVEREXPLOITATION OF CHINA'S RESOURCE-RICH REGIONS

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EAI Background Brief No. 825

Date of Publication: 13 June 2013

Executive Summary

1. For decades, the resource-rich regions of China have made tremendous contribution to national industrial and economic development. Strategic mineral resources such as oil, natural gas and coal are fueling China's economic growth and meeting domestic energy demand.
2. Nevertheless, the economic contribution made by these regions to China's GDP comes at the cost of their own development. Many of these regions are less industrialized than the prosperous eastern regions and are now struggling to pursue a sustainable development path.
3. The overexploitation of resources has negatively impacted China's resource-rich regions as most natural resources are finite. These regions will likely face an explosive accumulation of economic, social and political problems with the depletion of these resources.
4. Resource exploitation has polluted local rivers, lakes and wetlands and produced heavy and toxic smoke that affects local air quality. Mining and other resource extraction activities have destroyed valuable farmlands and scenic areas. The local ecological deficit is increasing in these regions, posing a deadly threat to the environment and human life.
5. The overexploitation of resource-rich regions inhabited by ethnic minorities has given rise to a strong sense of internal colonialism. Resource exploitation projects have already triggered serious protests and such ethnic unrest can easily escalate.
6. To the local minority community, the state-owned enterprises (SOE)-controlled mining projects are eroding their rights and benefits as the economic rewards have disproportionately gone to outsiders, leaving little for the local community.

7. The SOEs, through their monopoly of resource-exploitation industries, have widened income disparities between the Hans and the minority groups, and between employees in the state and private sectors.
8. For many years, the Chinese central government has imposed very low resource taxes, thus contributing little to the local revenue of these regions. To rectify the situation, Beijing has amended its resource tax system to ensure a fairer resource distribution among regions since 2010.
9. To avoid the “Resource Curse” or “Dutch Disease” effect and pursue sustainable economic development, the resource-rich regions have to undertake painful industrial restructuring and reduce their dependence on the resource-intensive sectors.