THE CHENGDU-CHONGQING ECONOMIC CIRCLE: AN EMERGING DEVELOPMENT POLE IN WESTERN CHINA

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Executive Summary

1. The mounting challenges and uncertainties amid the pandemic and the on-going China-US trade war have propelled the Chinese Communist Party (CCP) to rely on its domestic market. The “dual circulation” strategy and high-quality development initiative are for promoting technology innovation and enhancing the domestic market.

2. The economic area circling the Chengdu-Chongqing region has been earmarked as a newly designed economic growth engine for Western China and assigned a few tasks including deepening market-oriented reforms, supporting the “dual circulation” strategy and driving the country’s high-quality development.

3. The economic circle and previous Chengdu-Chongqing regional plans were established due to the regions’ favourable local conditions, including fast economic growth in recent years, abundant labour and natural resources, sound foundation and advanced progress in manufacturing industries, and critical location in terms of transportation and logistics in Western China.

4. To fulfil the new tasks, both the Chengdu and Chongqing governments made long-term plans to support their advanced industries, particularly for manufacturing and electronic information. Chengdu proposed to develop five sectors in advanced manufacturing and five in services, while Chongqing prioritises its pillar industries that produce smart products, automobiles and motorcycles, equipment and materials.

5. The two governments also announced supporting policies for upgrading infrastructure and attracting talents and investment. They also initiated inter-government cooperation platforms for the proposed economic circle such as building mutually beneficial transportation network and research and innovation parks, and formulating environmental regulations.
6. The economic circle is expected to become a significant economic growth engine for Western China and contribute to China’s dual circulation plan, mainly from the supply side. It will also strengthen Chengdu and Chongqing’s role in China’s open-up policies, such as the Belt and Road Initiative, particularly by upgrading transportation and logistics networks as well as forming industrial clusters.

7. Challenges for the economic circle are in the similarity of industrial structure and shortage of experts and talents. Although the establishment of a few special zones between the two cities are in progress, the two governments have yet to provide concrete policies to avoid competition in economic development, which may delay industrial growth and restructuring.