

# ***Analysis of the Current State of the Financial Sector in Northeastern China***

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## **Summary**

This paper examines the financial sector in the three provinces of Liaoning, Jilin, and Heilongjiang, which together constitute China's northeastern region. Since the 1990s, Northeastern China has been unable to respond to changing market needs resulting from the transition from a socialist planned economy to a market economy and its economic growth has stalled as a result. Moreover, in terms of the development level of the financial sector, there is a growing gap between the level seen in the region and the national average. In 2003, the Northeast Area Revitalization Plan was launched to restore the economic dynamism of the region, but it cannot be said to have achieved the desired effect.

Two key characteristics have emerged in Northeastern China's financial sector in recent years. The first is the emergence of growing disparities between each of the northeastern provinces in terms of the development level of their financial sectors. More specifically, there is a clear gap between Liaoning Province on the one hand, and Jilin and Heilongjiang provinces on the other. Secondly, there are intense short-term fluctuations in the development of the financial sectors in the three provinces, with the most pronounced fluctuations seen in Heilongjiang Province.

The root causes of the developmental delays affecting Northeastern China's financial sector and the growing gaps between its provinces lie in disparities in their respective economic structures and level of economic development, and the policy responses to these. The approach taken by China's financial regulators to the issues faced by Northeastern China's financial sector will be crucial in determining the future path of the region's economy.

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