

# *The Background, Intent and Prospects concerning China's Frequent Formulation of Regional Development Plans*

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## **Introduction**

After entering the period for the implementation of the "11th Five-Year Program" (2006-2010), China, particularly in the last three years, has created a large number of regional development plans. The creation of regional development plans to this degree of frequency is something that hasn't been seen before, and in addition to having brought about wide-ranging debate domestically, has also attracted great interest from abroad. Why is China frequently creating regional development plans? Where are they aiming toward in approving regional development plans one after another? Will it continue creating them in the future too? These matters are questions that can often be heard from people interested in China's economic development. A section of the mass media within China has called it "a regional development plan Great Leap Forward" and said that "regional development plans are springing up everywhere", but this cannot be called accurate. This paper, after introducing the current status of the creation of regional development plans in recent years, examines the background, intent and prospects concerning the formulation of regional development plans.

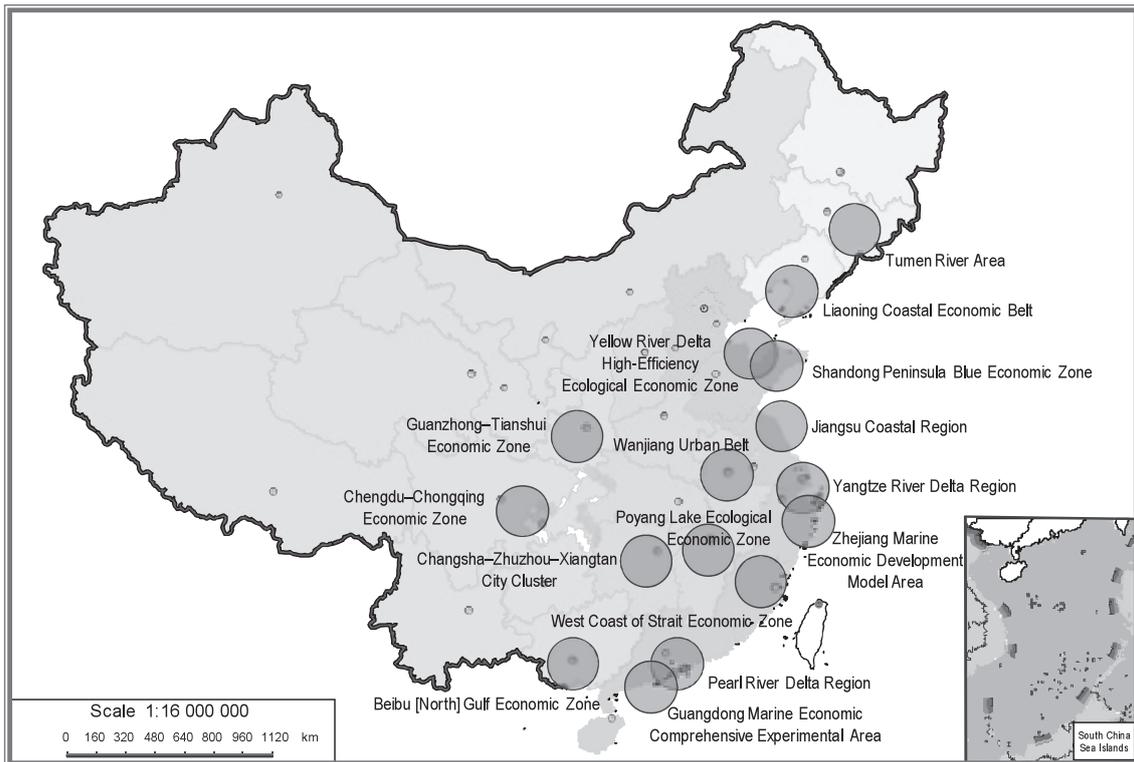
## **1. The Circumstances of the Formulation of Regional Development Plans from the Period of the "11th Five-Year Program" to the Present**

At the formulation stage of the "Outline of the 11th Five-Year Program on National Economic and Social Development of the People's Republic of China", the central government undertook a trial formulation of regional development plans, and taking the Yangtze River Delta Region and the Jingjinji (Beijing Municipality-Tianjin Municipality-Hebei Province) Metropolitan Region in the period of the "11th Five-Year Program" as models, decided to begin work on the formulation of regional development plans. The plans created from 2006 to the present can be divided into "strategic regional plans", "regional plans" and "single administrative regional development plans".

Strategic regional plans are ones that are formulated for a target region which has strategic significance. Regions having strategic significance denote the four regions of the West, the East, the Center, and the Northeast. There are three already approved strategic regional plans: the "Great Western Development Strategy Basic Plan for the 11th Five-Year Program Period (2006-2010)" (2006), the "Northeast China Revitalization Plan" (2007) and the "Plan for Promoting the Rise of the Central Region" (2009). The development plan for the East has not yet been formulated.

Regional plans are development plans that straddle administrative regions and do not include the above-mentioned strategic regional plans. Examples that can be raised as regional plans approved by the central government to 2011 are: "Guangxi Beibu [North] Gulf Economic Zone Development Plan" (2008); "Changsha-Zhuzhou-Xiangtan City Cluster Regional Plan" (2008); "Pearl River Delta Region Reform and Development Plan Outline" (2008); "Guanzhong-Tianshui Economic Zone Development Plan" (2009); "Liaoning Coastal Economic Belt Development Plan" (2009); "Jiangsu Coastal Region Development Plan" (2009); "Cooperation and Development Planning Outline of the Tumen River Area of China" (2009); "Yellow River Delta High-Efficiency Ecological Economic Zone Development Plan" (2009); Poyang Lake Ecological Economic Zone Plan" (2009); "Wanjiang Urban Belt Model Area Plan for Undertaking Industrial Shift" (2010); "Regional Plan for the Yangtze River Delta Region" (2010); "Regional Plan for the Chengdu-Chongqing Economic Zone" (2011); "Zhejiang Marine Economic Development Model Area Plan" (2011); "Shandong Peninsula Blue Economic Zone Development Plan" (2011); "West Coast of Strait Economic Zone Development Plan" (2011); and "Guangdong Marine Economic Comprehensive Experimental Area Development Plan" (2011). Work had started on formulation of the development plans concerning the Yangtze River Delta Region and the Jingjinji Metropolitan Region early on, but the approval for the "Regional Plan for the Yangtze River Delta Region" was drawn out until the end of 2010, and the plan for the Jingjinji Metropolitan Region has not yet made it to approval. This was because the formulation of the plans for the two regions had some complex problems, and there was much discussion. Besides those, other regional plans currently under formulation include the "Central China Plain Economic Zone Development Plan". The regional plans already approved are shown in Figure 1.

Single administrative regional development plans are ones where the target region does not go beyond one administrative region. They can't, in theory, be called regional plans, but they are often mistaken as regional plans in the media. Single administrative regional development plans approved by the central government that can be raised include: "Hengqin Island Development Master Plan" (2009); "Cyclic Economy of Gansu Province Master Plan" (2009); "Hainan International Tourism Island Plan Outline" (2010); "Qianhai Bay Shenzhen-Hong Kong Modern Service Industry Cooperation Zone Development Master Plan" (2010); "Chongqing Liangjiang New Area Master Plan" (2010); "Xixian New Area Master Plan" (2011); and

**Figure 1: The Geographical Distribution of the Regional Plans Approved in Recent Years**

Source: Compiled by the author

revitalization plans for several provinces in the West. In comparison with regional plans, because single administrative regional development plans target one administrative region, essentially they are local plans.

## 2. The Background to the Frequent Formulation of Regional Plans

To understand properly the background to the frequent formulation of regional plans, consideration is necessary from the perspective of systemic change in China.

From the time China formulated the "First Five-Year Plan" in 1953, they created ten five-year plans over 50 years. From the "11th Five-Year Program" they changed the expression used up to that point from *jihua* [plan]<sup>1</sup> to *guihua* [program]<sup>2</sup>. This change is not a play on words, but reflects the necessity and direction of the systemic change in China.

China began bringing in the socialist market-economy system in 1992. Entering the 2000s, the socialist market-economy system had practically been established and the important points for reform switched to the improvement of the socialist market-economy system. What was demanded was not the government undertaking compulsory oversight in all sectors as in the era of the planned economy, but limiting the target range for policy and precisely stating it. The change from "plan" to "program" is something that accompanies that change and can be called an inevitability of the systemic change. Specifically the following three points can be listed.

The first point reflects the change in fundamental thinking on macro-coordination within the government. "Plan" and "planned economy" are different concepts respectively, but the two are mistakenly interpreted as being the same, and there are instances where they are used in confusion. In the era of the planned economy there were many wide-ranging, compulsory elements to the plans. In contrast to this, "programs" are limited clearly to the target range for government policy and guide the direction for the development of the market. "Programs" define the role of the government, and clarify the key points for implementation. They reflect the national will, and play the role of showing the direction for the development of the market.

The second point reflects the progressive management method of combining together "top-down" and "bottom-up". The past "plans" emphasized a vertical management system by the government, and the power in the form of *tongzhi* (controlling by means of power and managing the country and regions) was held by the upper echelons of the government. "Programs" emphasize the interlocking of "top" and "bottom", and stress their reciprocal influence on one another in a process of *zhili*. The change from *jihua* (plan) to *guihua* (program) reflects the shift from *tongzhi* (government) to *zhili* (governance), and can be called a raising of the management level and an advance in the methods of macro-coordination within the government. Compared with the past five-year plans, the placing of emphasis on the opinions of the populace is a salient feature

<sup>1</sup> Translator's note: "计划" in Chinese.

<sup>2</sup> Translator's note: "规划" in Chinese.

for the "11th Five-Year Program". For example, after the "11th Five-Year Program" was approved by the State Council, the National Development and Reform Commission convened the "State '11th Five-Year' Guidelines Specialist Committee", and in addition to taking on board the opinions of knowledgeable people from the private sector, solicited public comment regarding the "11th Five-Year Program" as well. The program came to not be decided only within the National Development and Reform Commission (formerly the State Planning Commission).

The third point reflects the flexibility in terms of geographical space in government oversight and the improvement in the potential for implementation of the program. Accompanying the development of the economy, China has entered a period where all kinds of inconsistencies and problems have frequently occurred, and regional problems stand out in particular. Consequently the "11th Five-Year Program" emphasized the coordinated development of urban and rural areas. The "plans" to date were heavily regulated in every area, whereas the "programs" emphasize flexibility. This is because it is necessary to specify the ultimate geographical space for socio-economic activity, and programs which cannot be substantiated in terms of geographical space are ones that don't have potential for implementation.

From the above three matters the central government, by means of the "11th Five-Year Program", has carried out a policy shift from an emphasis on industrial development plans to an emphasis on regional development plans. The frequent formulating of regional plans is a substantive move in this policy shift.

### 3. The Intent behind the Frequent Formulation of Regional Plans

In China domestically there are a variety of misunderstandings, centered on the media in particular, as to the aims for regional plans being formulated, and they cause confusion for local governments.

The biggest misunderstanding: once regional plans are approved by the central government it is interpreted that they have been promoted to national strategies, and such errors make big headlines in the media. The concept of regional plans has been emphasized by the stock market also, and speculative money flows into the regions approved. Such misunderstandings have caused confusion for local governments and hurt stockholders with small-scale investments. Furthermore, there are also people who understand the approval of regional plans as giving the region concerned "independent authority", but this is also nothing more than subjective speculation, and they have not understood the true intent of the central government.

In order to understand the true intent of the State Council, which approves regional plans, it is necessary to organize theoretically the three concepts of regional strategies, regional plans, and regional policies. Regional

strategies are stipulated blueprint plans for realizing the country's macro-targets. The realization of regional strategies is dependent on the two policy tools of regional plans and regional policies. Regional plans and regional policies are things which support regional strategies as policy instruments. Consequently regional plans and regional strategies are not on the same plane. The distinction between regional plans and regional policies is as follows. Regional plans clarify the direction for the development of specific regions and are plans which coordinate the relationships of cooperation among all of the administrative districts within a region. Their objectives are to guide the course of regional development, and to form an effective structure for the division of labor in each of the administrative districts within a region. Regional policies are concrete policy instruments where the central government supports the problem target region (including underdeveloped regions, depressed regions, and over-expanded regions) and signifies the assignment of "funds" and "authority" accompanying the practical gains. In theory, regional plans are not things which give practical gains to a specific region, but play the role of providing direction for regional development. The understanding that once regional plans are approved by the central government they have been promoted to national strategies is incorrect.

To summarize the above, in the formulation of regional plans there is the basic intent of clarifying the direction for regional development. In addition, I will point out several examples regarding the concrete aims of the central government frequently formulating regional plans.

First: to promote interregional cooperation within China, and to tackle the stiff international competition caused by globalization. Since reform and opening-up, inconsistencies concerning the distribution of benefits between regions have been constantly arising, and three rounds of economic clashes<sup>3</sup> between regions have occurred. We are now entering the fourth. Such clashes have brought massive waste of resources and losses. Furthermore, since China acceded to the WTO in 2001, as the effects of globalization gradually permeate in, competition from overseas has been intensifying. In order to strengthen further the competitiveness of China in the global marketplace, they must overcome the internal inconsistencies and clashes, and, promoting interregional cooperation domestically, face up to international competition. Regional plans are the policy instruments necessary to promote interregional cooperation. There is an aim of inducing the integration of regional economies, through that realizing a nationwide integration, and bringing about a competitive advantage for China as a whole.

Second: to solve the "urbanization problem" (or several problems caused by the expansion of cities), the aim in the most part of the regional plans in the East. As Figure 1 shows, the regional plans approved in recent years have been concentrated in the East. The reasons for this are as follows. China's reform and opening-up has passed through

<sup>3</sup> Interregional economic clashes are economic clashes in several regions within China with a negative cycle of: duplicated and excess investment in certain sectors → a scramble for resources and energy → the closing-up of regional markets → excessive price competition. For more detail please see Zhang Keyun, "Jingti di-si lun quyuan jingji chongtu" [Be Alert about a Fourth Bout of Economic Clashes among Regions], China Business Times (29 June 2011).

more than 30 years, starting from the East. The East has gradually been entering an adjustment period for industrial structure, and the adjustment of interregional industrial distribution has also been activated. Seen from the perspective of the cyclic development of regional economies, the East makes clear the direction for subsequent industrial development, and the adjusting of industrial structure and interregional distribution of industry is required. In the case where that adjustment does not take place there is the possibility of the advanced East becoming a depressed area due to the expansion of urbanization. Consequently, the "Outline of the 12th Five-Year Program on National Economic and Social Development of the People's Republic of China" approved in 2011 has been raised as a major strategic aim for improving the urbanization problem in the East and maintaining the economic development of the region. The East is the center of China's economy, and the rolling back or decline of the economy of the East will have a great impact on China as a whole. The approving and implementing of plans for the East will contribute to the adjustment of the economic structure of the East and the improvement of the urbanization problem, and contribute to the economic development of China as a whole.

Third: to make clear the direction for the regional development that will have a great impact on the wider region or the country as a whole. The target regions for the approved regional plans are regions that have major significance for practically the whole of the country, and regional development is not only within regions, but has a great effect on other regions. For example, the Center and West where regional plans have been approved are major hub regions for economic growth within a wide range.

The thinking that once regional plans are approved they have been promoted to national strategies is inaccurate. This thinking gives excess expectation to the approved region, and leads to the misunderstanding that it will get all-out support from the central government. In reality, after a regional plan is approved, a sense of disappointment arises for the target region's local government that is almost wholly "youmingwushi" or "titular" (not having got central government support measures). This is the result of being misled by the above-mentioned thinking. Regional plans are nothing more than a means for realizing the aims of strategic regional plans, and are not to be promoted to strategies in their own right. Within the two tools for realizing the aims of regional strategies, regional plans are nothing more than a means for improving the interregional structure for industry, and are things which signify the transfer of "authority" and "funds" accompanying the practical gains of the regional strategy itself. In addition, the country's macroeconomic policy and industrial policy also give a certain degree of preferential treatment to a given region.

#### 4. The Future Prospects for Regional Plans

If the central government is able to grasp the true intent in approving regional plans, then it will become easy to make predictions about the future prospects for regional plans. There are people in the media who sarcastically use the phrases "a regional development plan Great Leap

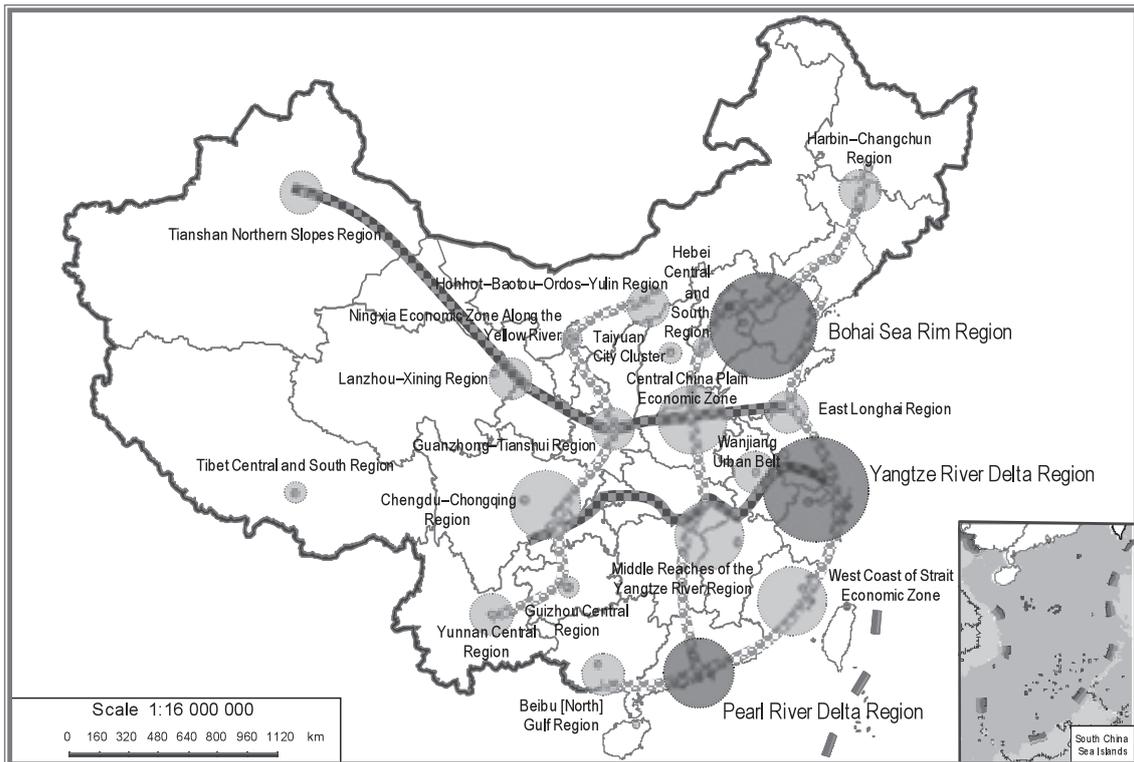
Forward" and "regional plans are springing up everywhere" about the approval of regional plans, but it is a layperson's discussion. Furthermore, there are people who insist that there cannot be central government approved plans in all regions, but this also is a layperson's opinion. Each respective region has a different division of labor capacity within China, and it is natural that the State Council approves each respective regional plan.

In the "Outline of the 12th Five-Year Program on National Economic and Social Development of the People's Republic of China" they specified: "strengthen and improve the interregional cooperation mechanisms, eliminate market barriers, promote the flow of resource factors, and urge an orderly transfer of industries". This phrase helps in understanding the intent of regional plans. In order to strengthen interregional cooperation and eliminate market barriers, they must make clear the direction for development of differing regions, and improve the structure of industrial distribution within a region. It is expected that regional plans will be created in the future also. Regional plans have been playing a vital role in the promotion of regional development and the coordination of regional relations.

What kinds of regional plans will subsequently be created? In the "Outline of the 12th Five-Year Program on National Economic and Social Development of the People's Republic of China" and the "National Principle Functional Districts Program" announced in 2011, the structure of the urbanization strategy of "Two Horizontal and Three Vertical Lines" was created (Figure 2), and three optimized development regions and 18 main development regions have been designated. Therefore it can be foreseen that the subsequent regional plans which have a high likelihood of being approved will be concentrated in the optimized development regions and main development regions that have not been approved in regional plans at the present point in time. Moreover, it is estimated that the plans which have a high likelihood of being approved in the near future include those for the Central China Plain Economic Zone and Jingjinji (Beijing Municipality-Tianjin Municipality-Hebei Province).

Particularly important is that, after regional plans are created, commensurate concrete implementation measures are necessary. If appropriate policies aren't set out, the realizing of targets for regional plans will be difficult. In addition, seen from the perspective of the situation of developed countries, there are many points to improve in China's regional plans. For example, the weakness of the systemic foundations of regional plans, the non-standardization of the plans' content, and the imprecision of the mechanisms for implementation, etc., have been raised. In order to give full play to the role of regional plans aimed at regional economic and national economic development, it is necessary to resolve as a priority the following issues.

First, to undertake the development of legislation for regional plans, and clarify the subjects and objects of the regional plans via the lawmaking process. The subjects of regional plans denote the sectors decided upon for regional plans. In the current situation, the authority to make decisions on regional plans is divided up among the central ministries and agencies for each sector. The objects of regional plans are zoned standard regions. Today in China a

**Figure 2: The Arrangement of the "Two Horizontal and Three Vertical Lines" Urbanization Strategy**

Source: "Outline of the 12th Five-Year Program on National Economic and Social Development of the People's Republic of China"

systematized regional zoning system usable for the formulation of regional plans has not been built.

Second, it is necessary to attempt standardization of regional plans. For the regional plans approved to date, the basic concept, content of the plan, and structure of the plan, etc., have not been standardized, and there is the potential for misunderstanding. It also has a negative effect on the potential for implementation of the plan. They must strive for the standardization and unification of formulation of regional plans.

Third, to clarify the mechanisms for implementation of regional plans. For some regional plans there is no detail on implementation, and they remain as "desk plans". In the implementation of plans, there are some that have not stipulated supervision and evaluation mechanisms. In addition, there are also a large number of regional plans where the adjustment mechanism for improving specific measures of the plan has not been clarified. The clarification of the subjects for implementation, the supervision and evaluation mechanisms, and the adjustment function for regional plans is required.

In order to make full play of the roles of regional plans, in the future many more improvements will be necessary. A large number of regional plans have been created, but it has to be said that considered overall they are still at the "trial" stage, and further examination and improvement are required. There are many problem points in the formulation of regional plans, but they play an essential role in the improvement of China's economic structure and the development of regional economies and the national economy. In the future too it is anticipated that many regional plans will be formulated, and regional plans

are considered things which will play a great role in the improvement of the interregional economic structure and raising the level of regional governance.

## 5. Conclusion

Against the background of China having created many regional plans in recent years, it can be said there is a certain amount of inevitability. To improve the socialist market-economy system, it is necessary that the government does not control all sectors as in the era of the planned economy, and to clarify the limited target range for policy. Using the policy tools of regional plans effectively, the promoting of interregional cooperation and development will be one of the main roles of the government in the future. Each region is at a different stage of development, and further, looked at from the perspective of the international economic environment in which China is positioned, each region is following a different development direction, and the encouraging of interregional cooperation is the main intent of regional plans being formulated. The problem of economic clashes among regions within the country has not been completely resolved, and it is anticipated that in the future also many more regional plans will be formulated. It is considered that in order for the Chinese government to realize robust and coordinated interregional development, they will continue moving forward with the development of regional management systems, also including creating legislation concerning regional plans.

[Translated by ERINA]