

# The Reconstruction of China's Regional Economic Pattern under the Background of "The Belt and Road" Strategy

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*The research is financed by Hefei Social Science Federation of the People's Republic of China (2017 Provincial Leaders Delineate Hefei Social Science Project).*

*The research is financed by Philosophy and Social Sciences of Anhui Province of the People's Republic of China. No. AHSKZ2016D07.*

## Abstract

The excessive development structure between China regions is generated in the process of industrialization and urbanization, and it is concentrated in an unequal spatial structure. The strategic concept of "The Belt and Road" provides an opportunity for the coordinated development of China's regional economy. On the one hand, it helps to promote economic transformation and upgrading in eastern China. On the other hand, it is helpful to realize the rising of central China and the opening of the western border zone, and optimize the regional development pattern. In this study, we propose that the regional coordination should be established by using "The Belt and Road" strategy. First of all, building a multi-center urban network to stimulate the economic development in the central and western regions; secondly, balancing the interests of different regions with a multi-level regional coordination mechanism and finally, forming a new pattern of coordinated regional development with institutionalized regional ecosystems.

**Keywords:** The Belt and Road, regional imbalance, multi-center, regional coordination mechanism, institution

## 1. The Current Situation of Regional Economic Development in China

According to the gradient differences in regional economic development in China, China can be divided into eastern, central, northeastern and western regions. Affected by various factors, the imbalanced development status has gradually emerged among the regional economies and the pattern of eastern fast and western slow has been shown. The unbalanced economic development in such regions shows that there are significant differences in the performance of regional economic development levels from the static cross-section. In terms of dynamic characteristics, the economic development speed of different regions is obviously different. As early as 1998, Zhao Jianxin (1998), a Chinese scholar, proposed an index suitable for measuring the level of regional economic development in China. It is considered that the measurement of regional economy should be compared and analyzed from the point of view of per capita nature, and the measurement indicators are divided into three categories. This index system reflects the development of regional economy in a comprehensive way. Therefore, we make a comparative analysis of the current situation of regional economic development in China by adopting these three kinds of indicators.

First, output indicators: On the one hand, the regional GDP per capita gap is significant. According to (China Statistical Yearbook 2017), the per capita GDP of the eastern region in 2016 was as high as 82,465.8 Yuan, while the western region hovered around 40,000 Yuan at 43,122.8 Yuan. This shows that the per capita GDP in the eastern region is almost 1.9 times in comparison to the western region, which shows considerably larger gap. In addition, the per capita GDP in the central region is also almost 42909.5 Yuan for the eastern region, while the northeast region is 48368 Yuan which is higher than the central and western regions, but it lags far behind the eastern region. On the other hand, the proportion of output value of the three major industries in each region is also quite different. Judging from the proportion of output value of the industrial structure, the service industries in the economically developed east are quite developed, accounting for a large proportion of the three major industries and much higher than the proportion of service industries in the economically backward central and western regions. For example, in Beijing, the added value of the three major industries in 2016 was 12.979 billion Yuan, 494.444 billion Yuan and 2059.49 billion Yuan respectively; while the added value of Shanxi's three major industries in 2016 was 169.385 billion Yuan, 949.072 billion Yuan and 821.502 billion Yuan respectively. It can be seen that the proportions of the three major industries in the central and western regions are not balanced.

Second, income indicators: On the one hand, the proportion of fiscal revenue in various regions shows an imbalance. From the perspective of local general public budget, there are also significant differences between eastern and western regions. For example, in 2016, when the public budget revenue in Guangdong reached 1039.035 billion Yuan, only about 30 billion Yuan was spent in areas such as Qinghai and Ningxia. The disparity can be disproportionately large. On the other hand, the discrepancy of disposable income among residents in each region is also relatively large. From the disposable income of residents, the per capita

disposable income in the eastern region in 2016 was 30,654.7 Yuan, that in the central region was 2,000,6.2 Yuan, that in the western region was 18,406.8 Yuan, and that in the northeast region was 22,351.5 Yuan, which shows great inequality between things.

Finally, life quality indicators: The health care system in eastern China is relatively sound and the infrastructure construction is relatively systematic and complete as compared with the central and western regions, the quality of life of the people in the eastern region is significantly superior.

## **2. The Reasons of Unbalanced Regional Economic Development in China**

The imbalanced development pattern among such regional economies is a outlay of regional inequality, not only as an unequal spatial structure but also as a mark of policy. By analyzing the reasons, we can find that the imbalance of regional development is not only affected by geographical location factors, but also the result of policy and institutional choices. Henceforth, it is mainly affected by the following factors.

### *2.1 Geographical Location Factors*

Geographically speaking, the coastal areas in China's east are habitat, mostly flat, with developed sea and land transport. This has greatly facilitated the exchange between the eastern region and other regions and has formed a natural and open environment. The inland central and western regions coupled with the topography are more complicated, limiting its exchange with the external environment, the formation of a more closed environment. Differences in geographical environment have led to the formation of different cultures among different regions. The eastern region has greatly promoted its economic development and rapidly opened up its distance from other regions by virtue of its superior geographical location and cultural environment. From a resource and environmental point of view, the eastern region contains rich mineral resources and is easy to develop, providing strong support for the economic development in the eastern region. However, although the western region is rich in natural resources and other conditions, the complex topography has greatly limited the development of its resources. Therefore, in summary, the resources and environment in the eastern region are superior to those in the central and western regions.

### *2.2 Policy Factors*

The formation of uneven regional economic development in China is not only the result of spatial and geographical location, but also affected by national policies. Before the reform and opening up, under the influence of the balanced development of regional economy and the requirements of the international and domestic environments at that time, China adopted a strategy of balanced regional economic development, with a focus on strengthening economic development and policy performance and narrowing the gap between inland areas and coastal areas. Under this strategic thinking, the development of the eastern region is limited, while the development of the central and western regions is difficult to develop for various reasons, directly resulting in China's overall level of development and its rate of development, lagging behind rest of the world. After the reform and opening up, China gradually readjusted its strategic plans for regional economic development and implemented a gradient-shifting imbalance development strategy. The government vigorously stepped up economic development in the eastern region by setting up special economic zones and opening coastal cities in order to promote its foreign exchange and increase investment in the eastern region and also give tax relief so as to help uplifting of the eastern part of the country. Under the strong influence of the government, China formed a developed economy in the eastern region and an economically backward economy in the central and western regions during this period. As the widening of the regional economic gap threatens the overall stability of the country, scholars put forward the idea of coordinated regional development at the end of the 20th century. However, although China has followed all the policies under the guiding ideology to promote the economic development in the central and western regions, so far it has had a little success and the pattern of uneven regional development has not changed.

### *2.3 Institutional Factors*

Institutional factors are the environment on which regional economic development depends. Different institutional environments have different impacts on the development of regional economy. W. Richard Scott (1995) argues that the system consists of three elements, normative elements, regulatory elements and imitative elements, all of which have different proportions in different institutional environments and have different impacts. Zhang Xiusheng (2008) believes that a good institutional environment can transform the potential productivity and resource advantages of an area into a realistic advantage of economic development. Huang Hui (2013) believes that an effective institutional environment not only improves the production factors in the region but also attracts the production factors outside the region. In other words, the institutional environment will affect the development of the regional economy. In China, the eastern region benefited from the cultural atmosphere of opening up and innovation and the economy was full of vitality, forming a fair, just, rational and

efficient institutional environment. This institutional environment in turn promoted the economic development in the eastern region and realized the effective utilization of its potential production elements and became the object of imitation learning in the central and western regions but this facilitation effect is not obvious thereon. Therefore, the institutional environment has become one of the important causes for deepening the economic gap between the central and western regions and the eastern region.

### **3. The Opportunities for China's Regional Economic Development under "The Belt and Road" Strategy**

In 2013, the Chair Xi Jinping put forward the great strategic concept of "The Belt and Road", during his visit abroad, hoping to strengthen regional economic cooperation and achieve a new breakthrough in China's economic development. The proposal of the "The Belt and Road" strategy is not only conducive to promoting international regional exchanges and cooperation, but will also have a major impact on China's domestic regional economic pattern and promote the pace of opening to the west. Specifically, "The Belt and Road" not only contributes to the economic transformation in eastern China, but also promotes the rise of central China, and promotes the construction of the western region into an open highland along the border. Through the interconnecting relations in the central and western regions, the development of the central region will be further promoted, and a new round of reform and opening to the outside world will be formed (Gao Hucheng, 2014).

#### *3.1 Promoting the Transformation and Upgrading of the Eastern Region*

In "The Belt and Road", the eastern region, as the starting point for the northern, central and southern lines, occupies a superior geographical position. The strong economic development in the eastern region will effectively drive the development of regional economy along the line and radiate the economic vitality from the center to the periphery. In turn, the prosperity of the regional economy along the "The Belt and Road" will also lead to the economic opening up in the eastern region, deepen the reform in the eastern region, build the innovative and open main body, and promote the industrial restructuring and upgrading. Moreover, thanks to the support of national policies, the economic construction and social development in the eastern region have been relatively complete, and a great deal of capital and wealth have gathered there, providing a strong backing for further development of the eastern region. With "The Belt and Road", the eastern region can shift some of its production capacity to the border areas and use its superior geographical location to attract investment to achieve higher levels, wider areas and a wider perspective.

#### *3.2 Promoting the Rise of the Central Heartland*

Central area is located in a hub and intermediate transition zone connecting the western region and the eastern region. With a good geographical advantage, the central region will become an important channel for the interconnection of things in "The Belt and Road". Therefore, on the one hand, the central region can strengthen exchanges and cooperation with the eastern region, enhance the quality of cooperation and enhance its own level of opening to the outside world. On the other hand, the central region can also step up its all-round development towards the west and realize the coordinated development of regional economy through the Yangtze River economic belt.

#### *3.3 Promoting Opening Up to the Outside World Along the Western Border*

In the western part of China, which lies in the hinterland of China and bordering on foreign countries, the lack of land-sea transport and the complex topography have greatly hindered economic development over the long term. The implementation of "The Belt and Road" has made the western region an important open base and window for connecting China and the border areas. Taking advantage of this location, the western region is expected to achieve a breakthrough in economic development. Firstly, a batch of key urban agglomerations can be nurtured and the radiation effects of these urban agglomerations can be used to drive the overall development of the western region. Secondly, the economic corridor along the border can be built to enable substantive exchanges and cooperation between the western region and the border countries which can in turn promote the economic development in the western region. Finally, we should make full use of the energy advantages in this region to form a win-win situation featuring the "bridgehead" for the land in the west and the mutually beneficial energy cooperation with western countries.

#### *3.4 Revitalizing the Economic Vitality of the Northeast*

In "The Belt and Road", the three northeastern provinces are included in the Far East Economic Circle and become key development areas for the "Maritime Silk Road" in Northeast Asia. Therefore, we can make use of the relatively strong industrial base and resources in Northeast China to carry out economic and trade cooperation with Russia and other countries to promote the industrial transformation and upgrading of the northeast region. This can fundamentally break the bottleneck of development, adjust the industrial structure, inject new impetus to economic development and activate the economic vitality in the northeast.

#### 4. Countermeasures for Realizing Coordinated Regional Development of China under the Strategy of "The Belt and Road"

The proposed, "The Belt and Road" not only helps China to achieve a more open economy, but also complies with the tide of international globalization. Moreover, it is also conducive to the coordinated development of China's regional economy. First of all, we can use the "The Belt and Road" to select suitable cities in the central and western regions as the key supporting targets and to build some central cities in these regions, forming a multi-center urban network structure with the core cities in the eastern region. Secondly, in the economic cooperation along the line, we should establish a regional coordination mechanism to safeguard the discourse right in the central and western regions and get rid of its dependence on the eastern region. Finally, building an institutionalized regional ecosystem, this would break through the unbalanced regional economic development structure.

##### 4.1 Constructing A Multi-Center Urban Network structure

The development of China's regional economy is highly dependent on the central city, and the central cities in the eastern region are much larger than those in the central and western regions, showing a pattern of more in the eastern and less in the western. However, this over-reliance on the central city actually shows a very poor urban system and an uneven development structure with a gradient. In this structure, the upper-level cities enjoy dominance in the lower-level cities, and the wealth created by the society converges on the central cities. Under the strategy of "The Belt and Road", it is necessary to step up efforts to foster and nurture the central cities in the western region in order to break the pattern of east fast and west slow, and construct a network structure of multi-center cities. To drive the development of the surrounding area through economic radiation of the central city and then narrow the gap between regional economic developments to achieve a more coordinated regional development specifically, first of all, evaluate the cities with potential for development in the central and western regions and select a number of potential cities as their targets of support. For example, the government can build science and technology city in Hefei, create Guanzhong city in Xi'an, and construct inland reform and opening up heights in Ningxia. Secondly, the government should introduce relevant policies and measures to support and accelerate the development of these cities in terms of increasing investment, and reducing tax-related preferential policies. Finally, the requisite measures are planned in the central cities to come across prosperity in the central and western regions and to drive the development of these regions. Gradually implementing those measures and narrowing the economic gap with the eastern region and forming a situation of contending with the eastern region and breaking the imbalanced regional economic pattern. In the end, the central city will present a network-like distribution and the margins as the central city will no longer emerge as ancillary and dominate characters. Instead, it will become an important button for connecting different central cities and play an important role of promoting the coordinated development of the economy as a whole.

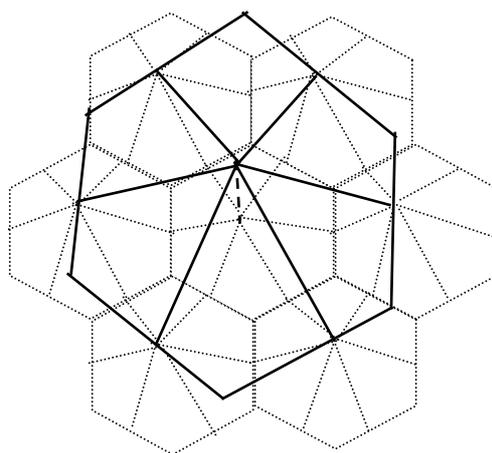


Figure1. Network Structure

This networked organizational structure breaks the seal of unbalanced regional economic structure, the economy in the eastern region no longer has absolute authority, and the policy community and its coalition are able to dissipate this network structure. As a node of the network structure sequential cities appear. No single city can assume the mission of integrating the highest economic and cultural centers. The scholarly image compares this network structure to the arrangement of pomegranate kernels: some pomegranate kernels are arranged directly in the outer skin with some pomegranates arranged in a more monolayer position with evenly distributed segments from the inside to the outside (Zhang Kangzhi, 2008). By constructing a multi-center urban

network structure, it will be helpful to balance the economic development among different regions and rely on each other's advantages and resources to form a network structure of risk and responsibility sharing. Here, we should note that this is not what Galtung (1971) called a "homogeneously centered and nowhere-marginalized" homogeneous society. Boulding (1997) also criticized that such a homogenized society is impossible to achieve. The major significance of this variety of network structures lies in its openness and unbalanced regional economic structure that can be eliminated in this network structure.

#### 4.2 Establishing A Multi-level Regional Coordination Mechanism

"The Belt and Road" strategy not only covers China's eastern, central and western regions, but also covers more than 60 countries and regions in the world. It is a challenging regional cooperation program. If we want to achieve the goal of regional cooperation, we should first balance the interests among the regions in China, play the role of regional co-innovation and achieve the coordinated development of the region. Therefore, this requires the establishment of a regional coordination mechanism to balance the interests of all regions so as to better achieve the cooperative development of regional economies. The establishment of a regional coordination mechanism helps to put China's eastern, central and western regions on an equal footing and guarantees that all regions have equal rights to speak. On the other hand, it is conducive to using the coordination mechanism in the central and western regions to get rid of the dependence on the eastern region and to break through the inequality in the regional economic structure. To build a regional coordination mechanism, firstly, diversify the participants. Because regional coordination is not only concerned with the interests of provinces, cities and regional governments, but also will have an important impact on enterprises and citizens in various regions. Therefore, we need to listen to a wide range of voices and balance the interests of all parties. Second, build a multi-level regional coordination mechanism. Conflicts arise through cooperation. Under "The Belt and Road" strategy, there will inevitably be divergence of interests between regions in the process of cooperation. Therefore, it is necessary to achieve the multi-level construction of a regional coordination mechanism. The provincial and municipal governments should make every effort to solve the conflicts of interest between the province and other provinces under "The Belt and Road", and unsolvable issues reported to the coordination platforms in various regions, and the conflicts among the regions and with other regions handled by the regional coordination platforms. Finally, the central government has to do the ultimate co-ordination. The establishments of a regional coordination mechanism under "The Belt and Road" strategy will help balance the interests of various regions and achieve the coordinated development of regional economies.

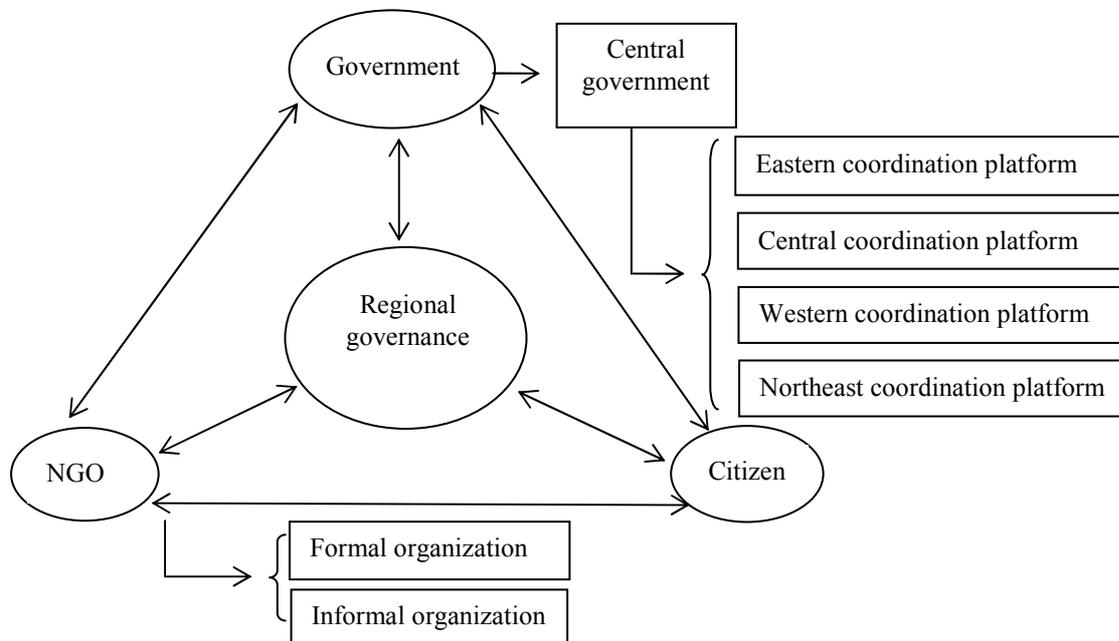


Figure 2. Regional Governance

#### 4.3 Building An Institutionalized Regional Ecosystem

Regional ecosystem is an environment in which regional economic development depends. It includes not only the internal environment but also the external environment in the region. In the course of the gradual expansion of the regional economic gap in China, the regional ecosystem plays an important role, which mainly includes

the four major mechanisms. In the process of economic game among the four major regions in China, the non-linear mechanism reflects the diversity of its internal and external environment. However, the regional economic differences are also generated on the basis of their diversity and traits. Feedback coordination mechanism is mainly manifested in the advantages and disadvantages for each region, regional ecosystems can give some feedback to adjust the wrong behavior to achieve the purpose of promoting regional economic development. Synergetic symbiosis emphasizes that the development of regional economy can't be separated from the open cooperation with other regions. Recycling mechanism said that the development of regional economy should have a certain degree of self-healing ability. In response to the imbalance in the development of China's regional economy and the strategic plan of "One Belt, One Road", the diversity of regional economic development has been further strengthened. This also means that it welcomes opportunities and challenges, and this strategic plan also calls for closer cooperation and cooperation among regions. Therefore, it is necessary to make use of the institutional environment to optimize the regional ecosystem and achieve the balanced development of China's regional economy. First of all, we must make use of regulatory pillars to ensure the development of the central and western regions from the objective conditions and to increase policy support to the central and western regions. Second, we must also play the important role of normative pillar to form a concept of development that will provide the internal impetus for the sustainable economic development in central and western regions. Lastly, it is possible to use imitative props and to use this pillar to learn good practices in other areas.

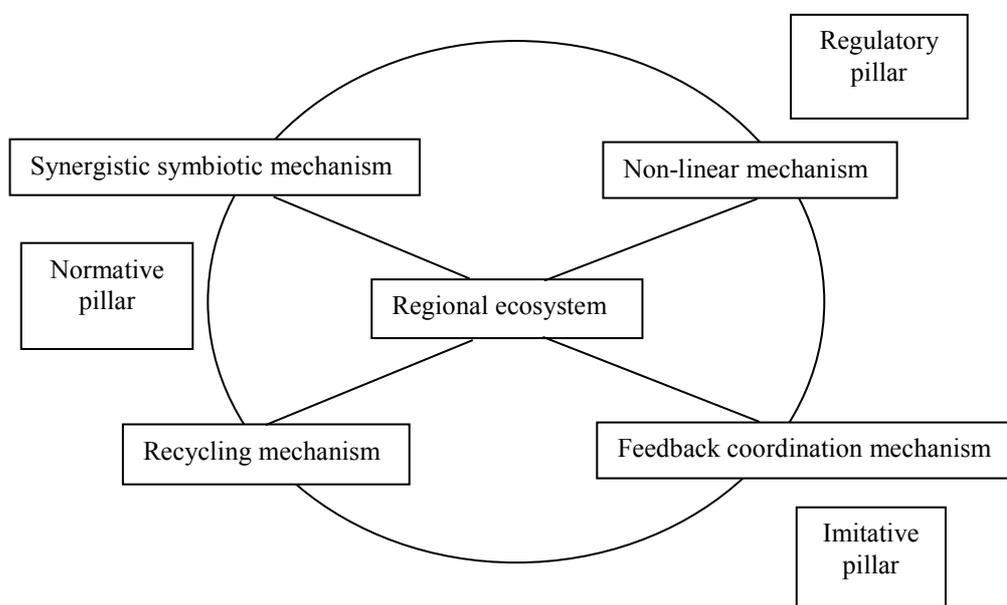


Figure 3. Regional Ecosystem

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