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SICHUAN

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Executive Summary

1 The Primary Task of the New Era—Construction of a New Socialist Countryside

1.1 The construction of a “new socialist countryside” is one of the Central Government’s top policy priorities for the 21st century. This coincides with the introduction of preferential policies on agriculture, the countryside and farmers, known as “three agricultural issues”, and is key to the building of an overall well-off society. Between 2003 and 2007, the Central Government released a series of four “No.1 Documents” for this purpose, outlining a whole new set of Policies and policy frameworks on the development of the countryside.

1.2 The concept of “a new socialist countryside” first appeared in the “No.1 Document” of 2006 with a policy focus on the countryside. The new policy prescribes that, aside from driving the development of the countryside through industrialisation, it should encompass driving the rural economy by, among other things, township enterprises, peasant workers, infrastructure construction and social undertakings. It also encourages the development of featured, eco- as well as sustainable agriculture, and places greater emphasis on food safety and environmental protection, all of which points to China’s break away from the US agricultural development model. The policies on the so-called “three agricultural issues” herald a new historical age.

1.3 The Central Government has increased spending on the so-called “three agricultural issues”, repealed agricultural taxes and put more resources in rural education and healthcare systems. It is also seeking to establish a sounder agricultural allowance system, develop professional farmer co-operatives, build a clean rural energy system and a modern agricultural industrial system to improve the sustainability of agricultural development. The Central Government is taking a more holistic view of the “food chain” and taking account of local factors in order to devise its development strategies. The measures are similar to the mainstream of strategies in the European Union.

1.4 Sichuan proposed developing modern agriculture in the provincial “No.1 Document”, but continues to adopt the old development model and has failed to echo the Central Government thinking on new policies on the “three agricultural issues”. Guangxi proposed a unique project named “Enriched by Culture”, which was in line with the Central Government’s demand to “explore different functions for agriculture”. Yunnan is still in the planning stage. Meanwhile, Guizhou has put forward a plan to develop 100 villages as models of “new socialist countryside”.

1.5 China’s rural co-operative healthcare system was a big success in the 1970s; however it disintegrated during later agricultural reforms, leading to the downgrading of rural healthcare in recent years and soaring medical costs. One of China’s most important initiatives was to push forward a new rural co-operative healthcare system since 2002, which aims at improving the health of farmers and reducing the cases of poverty caused by illnesses in rural areas. The Central Government plans to realise the goal of covering every rural resident with the new rural co-operative healthcare system by 2010, and since 2006 the Central and local governments have been drastically increasing spending and subsidies in this respect. The Four Provinces/Regions have made considerable efforts to actively respond to these initiatives.

2 Trends and Updates on the Four Provinces/Regions

2.1 Sichuan Province — Sichuan’s Problem of “Left-behind Children”

2.1.1 In China, when peasant workers move to cities to find work, they often leave their children behind to live and receive education in the rural areas. This has led to the problem of large numbers of so-called “left-behind children” of which Sichuan has the largest nationwide.

2.1.2 “Left-behind children” suffer from reduced family education and incomplete formal schooling as a result of long-absent parents. These children face various other difficulties including placing their studies in jeopardy, a lower quality of life, risks to personal safety, complex psychological illnesses and personality deficiencies. At the same time, other serious problems are occurring such as high accidental death rates

for rural youths and increased crime rates. The aforementioned problems have drawn widespread attention from society and the Sichuan Provincial Government and other local governments have adopted certain remedial measures.

2.1.3 The problem of “left-behind children” is sure to have an impact on the sustainable supply of peasant workers and may possibly bring about fundamental policy changes in the residency registration system, the education system and rural development models.

2.1.4 Hong Kong enterprises could consider helping the second generation of peasant workers by providing educational allowances or making specific arrangements, such as establishing schools for the children of peasant workers through collective donations. This will help ensure the supply of peasant workers and improve the social image of Hong Kong enterprises.

2.2 Guangxi Zhuang Autonomous Region—Guangxi Strives to Become a Transnational Trade Zone and a Regional International Logistics Base

2.2.1 Guangxi plans to develop the Beibu Gulf Rim (Guangxi) Economic Zone (環北部灣(廣西)經濟區) into a regional international logistics base, business and trading base, processing and manufacturing base, and information exchange centre in the context of the China—ASEAN Free Trade Area.

2.2.2 Chongzuo city (崇左市) in Guangxi has proposed that Guangxi should learn from the experience of the Sino-Russia “Suifenhe—Pogranichny” Trade Complex (“綏一波”貿易綜合體) and establish a “transnational trade zone” with Vietnam in border cities like Pingxiang (憑祥) and Dongxing (東興). This could be supported by preferential policies on tax, border crossing freedoms and an “inside national border, outside customs territory” policy.

- 2.2.3 Nanning (南寧) is the centre of Guangxi's service industry and is at the heart of Guangxi's transport network, hence capable of becoming the transport hub between China and ASEAN. Guangxi has plans to establish a regional international logistics base in the Liangqing District (良慶區) of Nanning, and has put forward preliminary ideas on the functional orientation of the base, its development strategy and the establishment of a special customs supervision area in the district.
- 2.2.4 The establishment of such a base will undermine Guangdong's locomotive role in the Pan-Pearl River Delta region and will exert corresponding competition pressures on the region.
- 2.2.5 Hong Kong should learn from Guangxi's development experience and integrate local development strategies with the national strategy to win over more resources and policy support. It should participate in the Beibu Gulf Rim development and co-operation in different ways in order to benefit all parties involved.

2.3 Yunnan Province — Yunnan Adjusts Maximum Retail Prices of Drugs

- 2.3.1 Between January and March 2007, Yunnan lowered the maximum retail price for hundreds of drugs, which not only failed to benefit consumers, but also put considerable pressure on the local pharmaceutical firms.
- 2.3.2 Expensive drug prices are the product of market reforms in the healthcare system in the Mainland. The government has approved a mechanism under which hospitals can "sustain themselves by profiting from drug sales". Drug distributors, hospitals and doctors often collude with each other and loopholes exist in the approval procedures for new drugs and drug price mechanisms. The results are abnormally high drug prices and the peculiar phenomenon where "the more expensive the drug is, the higher its sales; the cheaper the drug is, the more likely it will disappear from the market". At the same time, another consequence is the increasing dominance of high-priced drugs of foreign companies and joint ventures in the urban drug market, with low-priced domestic drugs squeezed into rural areas and the retail market.

2.3.3 The Ministry of Health is planning to reform the current drug system. In the future, the distribution of drugs will not be solely controlled by the market, but will take into account of social benefits.

2.3.4 Enterprises are highly likely to be required to shoulder further costs associated with employees' healthcare insurance in the impending healthcare system reform in the Mainland. This means higher labour costs for Hong Kong enterprises located in the PRD Region and an erosion of their competitive edge.

2.4 Guizhou Province — the Transformation of Guizhou's Poverty Alleviation Policies and Local Development

2.4.1 Guizhou is one of the poorest provinces in China. Poverty alleviation in Guizhou is helping to create a harmonious society and strengthen the province's self-development capacity.

2.4.2 The approach Guizhou initially adopted to alleviate poverty was government-guided and dependent on the distribution of subsidized goods and financial allowances. It has been changed to focus on improving the rural infrastructure and transport networks, which has been helped by cities of Dalian, Qingdao, Ningbo and Shenzhen. In recent years, Guizhou has even launched a diversified poverty alleviation campaign with social participation. The campaign emphasized a balanced economy, society, population and ecology as well as agricultural industrialization. It had achieved considerable success.

2.4.3 Guizhou's poverty alleviation policies basically fall into the area of the "three agricultural issues". However, some policies have blindly pursued industrialisation and followed an exploitation-oriented approach on poverty alleviation which caused local ecological damage and resource wastage.

- 2.4.4 There is still a significant development gap between Guizhou and Hong Kong, and their economic modes are barely compatible. Thus it is hard for Hong Kong to transfer its experience to Guizhou and unlikely to attract investment from Guizhou enterprises or encourage Guizhou residents to travel to Hong Kong. Even if it did, the benefits are small.
- 2.4.5 Hong Kong could participate in the poverty relief plans on the Mainland in order to establish in Hong Kong a China identity and a culture which cherishes social responsibility and moral conscience.

3 Personnel Changes in the Four Provinces/Regions

In April 2007, Guizhou appointed new members for the CPC Provincial Standing Committee. There were some changes of leaders in some cities in Guangxi, Yunnan and Sichuan.

1 The Primary Task of the New Era — Construction of a New Socialist Countryside

The Central Government's "No. 1 Documents" in recent years have proposed a series of policies to increase peasants' income and are transforming as preferential policies on agriculture in the new era. This demonstrates that the Central Government is according top priority to the "three agricultural issues (countryside, farmers and agriculture)"

Since the objective of "building an overall well-off society" was advocated in 2002, the change in the Central Government's strategy has become clear. Premier Wen Jiabao (溫家寶) opined that "the objective of building an overall well-off society is important, yet the difficulties all rest with the countryside". Hence, in January 2003, the Central Government brought up the idea that the "three agricultural issues" were the top of the priorities and focus had to be placed on the development of peasants — the biggest group of disadvantaged minority — in order to succeed in building an overall well-off society.

1.1 A Pragmatic Strategy Change : Overall Well-off and Harmonious Society

At the early stage of reform and opening, Deng Xiaoping (鄧小平) "explored the way carefully" and let some regions and people be better off earlier. If it were to polarize to two extremes, the reform might have been failed. China is widely known for its over-supply of labour and the total labour force is close to twice that of the aggregate of all developed countries. Governments of developed countries have yet to face issues of unemployment, social security, social instability and strikes etc. Which political or social system, government or political party in this world could solve the employment issue of such a huge labour force? It is easy to set the market free and yet difficult to solve the problems arising thus from. In recent years, China has to face the problems caused by the entry to the market of the biggest labour pool in the world. In the past, surplus labour was a hidden issue. Urban and rural formed a bi-polar structure and rural labour was confined to the countryside. There was urban and rural disparity yet the conflict was not direct. Now other factors are not wholly set free while entry of labour to market is totally uncontrolled. The influx of hundreds of

millions of poor peasants to the cities has great impact on the cities and countryside. Hence, if the “three agricultural issues” can be solved, from a positive aspect it could enable the gradual build up of a well-off and harmonious society; from a negative aspect, it could pacify the farmers and achieve social and political stabilization.

In January 2003, at the Central Government’s Meeting on Works in the Countryside held after the 16th National Congress of the CPC, Hu Jintao (胡錦濤) proposed the directive, i.e. to strengthen slanting inputs to the countryside, to spend the additional financial capital on public expenses of countryside below county level and the agricultural investment on items related to farmers below village level. This directive has become clear in the CPC soon after the objective of building an overall well-off society was advocated. The change of investment direction was nevertheless difficult. Though pressed by the CPC Central Committee, hardly were any public expenses added to countryside below county level, or any investment spent on items required by farmers below village level in 2003. The forfeiture of land was getting even worse, and more than 30 million acres of farmland was reduced in a year¹. This was the largest forfeiture of land since the reform and opening and over 30 million farmers lost their farmland which intensified the social conflict. There was high economic growth on one hand and on the other unrivalled exploitation of resources and energy. The new CPC Central Team of leaders showed determination and said that the “three agricultural issues” were the top of the priorities at the Meeting on Works in the Countryside. The severe situation of agriculture and the countryside in 2003 had attributed to the macroeconomic-control in 2004.

After the confirmation of tenure at the 16th National Congress of the CPC in 2002, there was a change in strategies. Hu Jintao stressed that “the three agricultural issues” were the top priorities. Issues on policy and reform were later discussed at the Third Plenary Session of the 16th Central Committee in 2003. The directive of pure pursuit of GDP was abandoned and changed to an integrated approach. Five plans were proposed, with the targeted urban-rural plan put at first. After the Third Plenary Session, the ideas were clearly defined as “scientific

¹ “Wen Tiejun explains the proposal on construction of new countryside—the speech (abstract) of Professor Wen Tiejun at the ‘Seminar on Modernization of Agriculture in Beijing’ ” (“溫鐵軍詳解新農村建設提出始末 —溫鐵軍教授在‘北京市農業現代化研討會’上的演講（節選）”), Guangxi County Economy Net, 16 Oct 2006,

http://www.gxcounty.com/Article/ShowArticle/29759_1.html.

http://www.gxcounty.com/Article/ShowArticle/29759_2.html.

http://www.gxcounty.com/Article/ShowArticle/29759_3.html.

http://www.gxcounty.com/Article/ShowArticle/29759_4.html.

outlook on development”. The announcement of “scientific outlook on development” reflected a change of pre-requisite — people oriented; and the objective was clear — sustainable development. A series of new ideas was then proposed, such as efficient economy, cycling economy and a resource-saving society. To change the growth mode and the behavioural model under the original directive of pure pursuit of GDP, there was a series of changes on strategies.

1.2 The Long-missed “No. 1 Document”

On 30 December 2003, 18 years after the unveil of the “No. 1 Document” in 1986, which was agricultural-related, Hu Jintao signed the *CPC Central Committee and State Council’s Opinions on Several Policies to Increase Income of Peasants* which became the no. 1 promulgated document in 2004. It was stated that focus would be put on agriculture again and the “three agricultural issues” were at top priority. That “No. 1 Document” proposed a series of measures to increase peasants’ income and put into practice Hu Jintao’s ideas proposed at the January 2003 Meeting on Works in the Countryside: to spend more on public expenses of countryside below county level and more agricultural investment on items related to farmers. By 2007, four “No. 1 Documents” directing works on the “three agricultural issues” have been promulgated. A complete set of new strategies and policy frameworks on countryside development was unveiled.

From 1982 to 1985, the “No. 1 Documents” of the Central Government were on reforms on agriculture and the countryside. The four Documents were recently concluded as: “break through of rigid mechanisms” in 1982; “the production contract system was a great invention” in 1983; “the contracting of land unchanged for 15 years” in 1984; “expansion of market adjustment mechanism” in 1985². The co-operative agricultural system of People’s Commune was gradually replaced by peasants’ sharing of farmland or contracting of land. In 1985 the agricultural products were regulated by the market, i.e. a ruin of control and restriction on urban-rural trade formerly under planned economy to open up the market reforms of cities. The original People’s Commune System was abandoned and only the article on co-ownership of countryside land was retained and stipulated in the Constitution. In the first half of 1980s, the rural market reforms have led to a great leap of agricultural production and economic

² “Central Government’s ‘No. 1 Documents’ on ‘three agricultural issues’ since reform and opening” (“改革開放以來中央關於‘三農’問題的‘一號文件’”), Xinhuanet, 9 February 2006.

development in the countryside. Nevertheless after 1985, the rural economic development slowed down. Firstly, the reform of cities and industries has led to the growth of large enterprises which defeated township enterprises in the market. The decline of the once prosperous township enterprises in southern Suzhou was a prominent example. Secondly, agricultural production relied on the highly guaranteed procurement from government. After 1985, subsidies as well as guaranteed procurement reduced while the costs of inputs soared. Production was increased but not the harvest. There was financial loss in agricultural production so farmers lost the incentives. Food price fluctuated and farmers' income became stagnant. The income and consumption disparities between urban and rural residents enlarged after 1985, even more severe than that before 1979. The "No. 1 Document" of 1986 re-stated agriculture as the foundation of national economy and stressed to increase inputs. Yet there were no effects. After 1986 the status and importance of policy on countryside, agriculture and farmers declined and since then no "No. 1 Documents" on agricultural policies were promulgated.

The 16th National Congress of the CPC in 2002 re-emphasized the "three agricultural issues". The "three agricultural issues" were not only an economic issue (the under-development of rural economy suppresses the long-term development of national economy) but also a social issue (including peasant workers being exploited and discriminated in developed regions; the family, marital, children and community problems for those left behind in the villages) and a political issue (the conflict of interests of peasants and local officials and governments; the aggravating conflicts in government forfeiture and peasants' loss of land). The situation worsened and became a critical part in the change of the overall political, economic and social development strategy by the new Central Team of leaders (of the 16th National Congress of the CPC). It became the top of the priorities with regard to its urgency. Yet the changes of development strategy had a gradual progress which could be seen from the "No. 1 Documents" since 2004.

The "No. 1 Document" of 2004 focused in fostering peasants' income. It basically followed the market reforms after the abandonment of People's Commune in the 1980s. Focus was on increasing inputs of agricultural resources and technology as well as the path of "specialization, centralization and industrialization". It was similar to the agricultural industrialization in developed and developing countries since the 1950s in the policies for developing non-

agricultural channels including hiring-out for work, expanding income channels, reducing tax and subsidizing food production³.

The “No. 1 Document” in 2005 aimed at establishing a long-term mechanism for improving food production and income of peasants. Compared with last year, more emphasis was on “improving construction of agricultural foundation and infrastructure, speeding up agricultural technology improvement and heightening agricultural integrated productivity”. Agriculture was the major industry in rural areas and development of secondary and tertiary industries as well as hiring-out for work were no longer mentioned⁴.

On 11 October 2005, the *CPC Central Committee’s Proposal on the Formulation of the 11th Five-Year Plan on National Economy and Social Development* was endorsed at the Fifth Plenary Session of the 16th Central Committee. The request on building of “new socialist countryside” was proposed again⁵.

Chen Xiwen, Deputy Director of the Office of the Central Leading Group on Financial Affairs (中共中央財經領導小組辦公室副主任陳錫文)⁶, who has been leading the draft of the “No. 1 Documents” since 2003, explained the reasons for proposing the construction of “new socialist countryside” :

³ *CPC Central Committee and State Council’s Opinions on Several Policies to Increase Income of Peasants* (《中共中央、國務院關於促進農民增加收入若干政策的意見》), 8 February 2004.

⁴ *CPC Central Committee and State Council’s Opinions on Several Policies to Strengthen Works in the Countryside and Heighten Agricultural Integrated Productivity* (《中共中央、國務院關於進一步加強農村工作提高農業綜合生產能力若干政策的意見》), 30 January 2005.

⁵ According to Professor Wen Tiejun of Renmin University (人民大學教授溫鐵軍), the new village campaign (foreign) + trial of construction of new countryside (domestic) + numerous primary experiences on relieving conflicts of the “three agricultural issues” (local) = “construction of new socialist countryside”. After 2003, the Central leaders advocated to study the results of the trial construction schemes. See “Wen Tiejun explains the proposal on construction of new countryside—the speech (abstract) of Professor Wen Tiejun at the ‘Seminar on Modernization of Agriculture in Beijing’ ” (“溫鐵軍詳解新農村建設提出始末——溫鐵軍教授在‘北京市農業現代化研討會’上的演講(節選) ”), Guangxi County Economy Net, 16 Oct 2006.

⁶ In China’s political system, the Party is the policy maker and the Government is the executor. The Central Leading Group on Financial Affairs formulates financial policies for the ministries under State Council to administer. There is a group on agriculture under the Central Leading Group on Financial Affairs to oversee the nationwide agricultural policies. The Head of the Leading Group is the Premier and the Office serves the function of a secretariat. The Deputy Director Chen Xiwen is in-charge-of agricultural policies and is at the rank of minister. He was also the main drafter of the “No. 1 Documents” on agriculture in the 1980s.

First, the agricultural foundation in China was not yet solid. In 2005 food production resumed to 484 million tonnes, yet it could not meet demand and was still 30 million tonnes below the historical peak. Restriction on agricultural development by shortage of farmland and water was becoming prominent. Hence, investment on agriculture has to be increased to improve production conditions, technological level and land productivity.

Second, the expanding urban-rural disparity has to be dealt with seriously. In 2005, the rural per capita net income was RMB 3,255 while the urban disposable income was RMB 10,493. The ratio between them was 3.22 : 1. At the same time, there was huge urban-rural disparity in respect of levels in basic infrastructure, education, health and culture. All these restricted improvement in the peasants' living quality.

Third, the foundation for "industry nurturing agriculture and cities supporting villages" has been laid. In 2000, China's GDP was RMB 8.95 trillion(萬億), financial income was RMB 1.34 trillion and fixed assets investment was RMB 3.3 trillion. In 2005, GDP rose to RMB 18.2 trillion, financial income to RMB 3.16 trillion and fixed assets investment to RMB 8.86 trillion. These indexes have doubled during the "10th Five-Year Plan" period.

Fourth, there was need for enlarging domestic demand. The low income and purchasing power of peasants have affected the implementation of enlarging domestic demand. In 2005, the retail volume of social consumption goods contributed by county level or below only amounted to 32.9% of the aggregate.

Fifth, there was request for the building of a socialist harmonious society to achieve social fairness and justice and to have the results of economic and social development be enjoyed by all the people⁷.

The proposal of "new socialist countryside" went beyond the three "No.1 Documents" of 2003 to 2005 and the "No. 1 Documents" of the 1980s which were restricted to the scope of the "three agricultural issues". The aim was to coordinate urban-rural economic and social development, manage worker-peasant relationship and to include it as a major part under the "scientific outlook

⁷ "Chen Xiwen explains the construction of new socialist countryside" ("陳錫文詳解建設社會主義新農村"), Chinanet, 22 February 2006, <http://www.china.com.cn/chinese/2006/Feb/1131323.htm#a2>.

on development”. The objective was to speed up the construction of mechanism which could change the polarized urban-rural system, implement a system for urban and rural employment i.e. to remove the economic and social urban-rural and worker-peasant disparities and provide peasants with the same non-discriminative treatment. Concrete policies included “industry nurturing agriculture and cities supporting villages” and “giving more to countryside, taking less from it and breathing new life to it”. Through financial redistribution (transfer) and other policies, systems and measures, economic and social resources were to be concentrated in the countryside and agriculture⁸.

The policy of “new socialist countryside” first appeared in the Central Government’s “No. 1 Document” in February 2006 and was passed in the “11th Five-Year Plan” and became a national policy endorsed by the National People’s Congress⁹.

The focus was on countryside, and not agriculture. On top of industrialization of agriculture, the rural economy also included township and town enterprises (especially labour-intensive enterprises and service industries) and the move out of peasant workers to work in cities. This rectified the 2005 “No.1 Document” which focused on agriculture only and more importantly to stand out the policies on strengthening countryside infrastructure construction (farming, ecology, basic infrastructure, village planning and management of residents’ living conditions) and developing rural social undertakings (namely education, training, health, culture, social security and civilized customs). Even in the aspect of agricultural industrialization, the 2006 “No. 1 Document” generalized two new directions from the piecemeal ideas in the past:

1. Based on the principles of high volume, quality and efficiency as well as the requirements on ecology and safety, agricultural structure was optimized and featured and eco-farming as well as green food products were developed. Famous brand names were

⁸ “CPC Central Committee and State Council’s Several Opinions on Promoting Construction of New Socialist Countryside”(“中共中央、國務院關於推進社會主義新農村建設的若干意見”), 31 December 2005 (Xinhua News Agency, 21 February 2006).

⁹ The “11th Five-Year Plan” has 14 sections. The first states ideologies and development objectives and the second is on the construction of new socialist countryside. See “PRC Outline of the 11th Five-Year Plan on National Economy and Social Development (full version)” (“中華人民共和國國民經濟和社會發展第十一個五年規劃綱要(全文)”), Xinhuanet, 16 March 2006, http://news3.xinhuanet.com/misc/2006-03/16/content_4309517.htm.

to be protected and healthy husbandry methods were to be promoted.

2. Expedited the development of a cycling and resource-saving agriculture that economizes in the use of land, water, fertilizers, pesticides and seeds. Encouraged the production and use of energy- and fuel-saving mechanical and processing equipment. Improved the production efficiencies of agricultural inputs and enhanced the prevention of pollution arising from agriculture.

The policy on the “three agricultural issues” in 2006 inherited the principles of high production and highly-efficient industrialization long advocated in the past but added requirements on safety and ecology which combine to form the practice of healthy husbandry. This was a very meaningful move and would be extended to cultivation at the next stage. The cycling agriculture, as part of cycling economy, was not eco-farming in the narrow perspective. On one hand, it took care of the whole process of agricultural production — the production chain. On the other, pollution arising from agriculture was taken into account and the negative externalities from agricultural production were not excluded but reflected in the cost calculation. These two new directions symbolized China’s break away from last century’s productivist paradigm stemmed from the US and the beginning of a new historical age in China’s policies on agriculture or the “three agricultural issues”.

The construction of new socialist countryside was inaugurated nationwide in 2006. The Central Government’s spending on the “three agricultural issues” reached RMB 339.7 billion equivalent to a 14% increase. Agricultural taxes were repealed and inputs in rural education and healthcare were increased. The new subsidies on education during the “11th Five-Year Plan” would reach RMB 218.2 billion. The country would invest RMB 20 billion in five years to reconstruct the houses and equipment in hospitals in townships and some counties. By 2008, it is aimed to establish new co-operative healthcare and medical aid systems in all countryside¹⁰.

¹⁰ Mengna, “The construction of ‘new countryside’ in full force with 14% increase in Central Government’s spending” (孟娜：“新農村”建設全面啓動，中央財政投入增加 14%)，China Economy (Guangxi) Net, 6 March 2006, <http://www.gxce.cn/jjgc/ShowArticle.asp?ArticleID=12476>.

The Central Government's "No. 1 Document" of 2007 showed further progress on the new concept of the policies on the "three agricultural issues". The first task in the construction of "new socialist countryside" was the development of modern agriculture. The content of modern agriculture was more comprehensive than that in the 2006 "No. 1 Document" and was different from the modernized and industrialized paradigms in the past. With respect to system, the Central Government has determined to make the agricultural allowance system sounder, rather than abandonment of subsidies as advocated under market economy of the neo-classical stream (including the principles adopted by international organisation like WTO). In compliance with the policies of "industry nurturing agriculture and cities supporting villages", the "No. 1 Document" expanded the coverage and scope of the allowances. To overcome the restrictions of small-scale peasant economy and family farms, the Central Government has not avoided a co-operative mode in farming. "The development of professional farmer co-operatives" raised in the "No. 1 Document" was a new way of thinking. Under these new thoughts, various policies are proposed:

1. Speed up development of rural clean energy including marsh gas and straw gasification, solar energy, wind and hydro energy. More important is to associate the development of rural clean energy with countryside cleansing: "the integrated treatment and transformation of faeces, straw, rubbish and sewage".
2. Foster the sustainability of agriculture namely cycling, eco- and organic farming¹¹. The policy issues include rural environmental protection and management of pollution arising from agriculture and pollution of river, lake and sea water. This goes beyond the scope of agricultural industry.
3. Develop multi-functional agriculture as a way to healthily develop modern agricultural industries. Under this policy, besides stabilization, self-sufficiency of food production and support to leading enterprises (large enterprises) on agricultural industrialization, other policies include:

¹¹ Though it states "it can speed up development if conditions allow", it is a great policy change to have this mentioned for the first time in the No. 1 Document. Organic farming and industrialized agriculture are opposites and in some developed countries are competing substitutes.

- a) Develop healthy husbandry — strengthen the safe management of mash to maintain safe quality of breeding animals. Establish and complete the animal identification and tracing back system of epidemic diseases.
- b) Develop featured agriculture — not only the production of featured products but “taking advantage of local natural and human factors; catering to people’s increasingly diversified material needs, and develop products or industries that are special and niche, new and unusual, exquisite and beautiful that suit local circumstances with focus on landscaping, featured husbandry and rural tourism”. Focus is to be put on specialized villages and townships with diversified categories.
- c) Advance the development of biomass industries including bio energy, bio-based products and biomass raw materials¹².
- d) Strengthen the safety supervision and market orientation of agricultural products. These include the quality tracing of agricultural products; certification of harmless, green and organic products; management of trademarks, origins of production and brands of agricultural products; labelling of products like genetically-modified foods or liquid milk; supervision system on food and drug safety and quality¹³.

The concept of “new socialist countryside” is like “socialism with Chinese characteristics”. A detailed analysis would discover its transition: since the last century, especially after the 2nd World War, the US model of agricultural industrialization pursued increase of production and reduction in costs. It did not take into account the effects of various factors beyond direct agricultural inputs and outputs (i.e. externalities as in the scope of economics or productivist

¹² Biomass means organic matter that can be renewed and recycled. Modern biomass industry is to utilize those organic matter including crops, trees and plants and their residues, faeces and organic wastes as raw materials, as well as marginal land (desertified or infertile, salty / alkaline or slanting) and energy plantations on the water surface. They are to be used for production of bio-based products, biofuels and bio energy through industrial transformation. Bio-based products refer to eco-friendly chemical products such as biodegradable plastics made from residual lignocellulose like straw (except food grains).

¹³ *CPC Central Government and State Council’s Several Opinions on Pro-active Development of Modern Agriculture and Solidly Promoting the Construction of “New Socialist Countryside”* (《中共中央、國務院關於積極發展現代農業扎實推進社會主義新農村建設的若干意見》), Xinhuanet, 29 January 2007.

paradigm). It was changed to a trans-industry approach and taking a holistic view of the food chain and into account of place-based factors. It covered all local historical, social, cultural, political, economic and natural environment factors, conditions and situation. The latter was the mainstream of strategies in the European Union (EU) and OECD for the development of agriculture, countryside and farmers¹⁴.

On 23 April 2007, the Politburo of the CPC studied the issue of standardization of agriculture and food safety. Around 70 to 80 people attended including members of the Politburo, related Ministers and Governors of different provinces. In the conclusion, Hu Jintao proposed full quality supervision “from the farmland to the eating table”. The group study was the prelude of the promulgation of a new Central policy or policy change. The control from farmland through to eating table was a totally new concept and would become the policy in future. Experiences from foreign countries showed that this is not only food safety or standardization of agriculture. It makes use of the concept of food chain to link up urban and rural, urban consumption and rural production & transportation, rural production and environment preservation & public health. The policy changes cover various scopes of the new socialist countryside and go beyond the “three agricultural issues” to become an entire social issue. As shown by the process and direction of policy transition of EU and OECD, the “three agricultural issues” relate to the modernization of the whole society, as unveiled in the No. 1 Documents of 2006 and 2007.

¹⁴ EU’s transition of rural development policies is similar to the mode of policy transition on the “three agricultural issues” in China. EU’s policies are more advanced than China’s and future changes on the new socialist countryside policy can be forecast in China. EU’s policy transition was : the early stage of Common Agricultural Policy was mainly for increasing production. Focus was on inputs and co-ordination with downstream industries. Human capital was later added. Less Favoured Area was added from the 1970s to provide regional specific policies. The “Agreement on the Reform of Guidelines 2000” was formulated in 1999 and policies were divided into two pillars : the first was the original market reform and utilized income subsidies to sustain agricultural production; the second was a new one to create public goods that were through non-market trades or commercialization including countryside development and environmental protection. There were further reforms in June 2003 mainly to re-deploy funds from the first pillar to the second starting from 2005. At the Salzburg Conference (薩爾斯堡會議) in November 2003, agricultural policies were re-positioned to include strategies on rural sustainable development, balanced urban-rural relationship, diversification of rural economy, rural community-oriented, food safety and quality, animals’ rights and preservation of rural environment, provision of public services to the countryside, pursuit of integration of economy and society, and on regional collaboration from lower level to upper level.

For reforms on the EU may refer to : European Commission, *The EU Rural Development Policy, 2007-2013*, Fact Sheet, Luxembourg, 2006. For OECD may refer to : *Reinventing Rural Policy*, OECD Policy Brief, October 2006 and OECD, *The New Rural Paradigm: Policies and Governance*, June 2006.

1.3 Situation of Sichuan

Sichuan's 2007 "No. 1 Document"

To follow suit the Central Government, Sichuan's 2007 "No.1 Document", *Opinions on Speeding up Development of Modern Agriculture and Solidly Promoting the Construction of "New Socialist Countryside"*, was unveiled in early February. In 2007, the development of modern agriculture would be the first task for promoting the construction of new countryside. There were nine specified tasks including the strengthening of inputs in the construction of modern agriculture, construction of industrial system for developing modern agriculture, development of industrialized operations for promoting modern agriculture and enhancing infrastructure construction to support modern agriculture. On top of the nine tasks, also stated in the *Opinions* was the overall demand on the works of the "three agricultural issues", namely to restore increase in food production and a 6% increase in per capita net income of peasants.

Besides, the *Guidelines (draft) in the Construction of New Socialist Countryside in Sichuan (2006 – 2020)* (referred to as *Guidelines (draft)* below) have been unveiled. "To move forward in three stages" was proposed in the *Guidelines (draft)*: The first stage till 2010 and in line with the "Five-Year Plan"; the second stage till 2020 and in line with building an overall well-off society; the third stage till 2050 and in line with modernization. The number of villages to reach the target of new countryside at various stages were specified as: 10% at first stage, 30% at second and basically completed at third stage¹⁵.

As revealed from the "No. 1 Document" and *Guidelines (draft)*, the Provincial Government just adopts the slogan and terms of the Central Government and repeats some of the policies stated in the Central Government's "No. 1 Document". More importantly, it continues to adopt the old model of industrialized agriculture and puts emphasis on quantity and volume indexes. The Central Government's new thinking and proposals on the "three agricultural issues" and the reasons behind cannot be reflected in the new policy documents. Two points are noted:

¹⁵ "Clear directions guide the early fulfilment of new countryside construction in Sichuan" ("明確的方向指引四川新農村建設早日實現"), Sichuan On-line, 12 March 2007, <http://www.scol.com.cn/comment/zjsp/20070312/200731290848.htm>.

First, the proposal and transition of policies on the “three agricultural issues” are from top down. The local government is only the receptor and there are no extensive local consultation and discussion. Hence besides a duplication of terms, the real content and intention of policy changes can hardly be grasped by the local government and reflected and expressed in the provincial documents.

Second, the input-output model of industrialization has long been established at different levels of governments as an economic policy. Take the “scientific outlook on development” as an example: the local governments have yet to depict it clearly in the local “five-year plans”. Not surprisingly, the new thinking in the 2006 and 2007 “No. 1 Documents” can hardly be understood and adopted by local governments.

Objectives of the Guidelines in the Construction of New Socialist Countryside in Sichuan (2006 – 2020)

Agricultural Production

- Total food production to be stabilized at 35 million tonnes and be self-sufficient within the Province.

- By 2010, animal husbandry and fishing would account for 55% and 3.5% of the gross output of agriculture, forestry, husbandry and fishing. By 2020, volume of animal husbandry to increase to around 60% and Sichuan to be positioned as a strong province in animal husbandry.

- By 2010, the farmland for special fruits and vegetables to increase to 8 and 16 million acres. Edible mushrooms to reach 2.5 billion sacks. By 2020, farmland for special fruits and vegetables would reach 10 and 18 million acres respectively while edible mushrooms would reach 3.5 billion sacks.

- By 2010, the farmland for Chinese herbs and tea leaves to increase to 1.8 and 2.5 million acres. Export of tea leaves to reach 20% of

total production. By 2020, farmland for Chinese herbs and tea leaves to reach 2 and 3 million acres respectively with 30% of tea leaves are for exports.

- By 2010, economic forests and artificial bamboo forests to reach 17 and 12 million acres while by 2020, they are to reach 20 and 15 million acres respectively.

Besides, supporting facilities include the nurturing of leading enterprises, industrial colonies and professional farmer co-operative economic organizations. Others include the push forward of standardized agricultural production and construction of sites for quality agricultural products¹⁶.

1.4 Situation of Guangxi Zhuang Autonomous Region

In early 2006, members of CPC Committee of Guangxi Zhuang Autonomous Region and the Government convened meetings to discuss works on countryside and mobilization meeting for construction of new socialist countryside at selected sites. The *Proposal for Construction of New Socialist Countryside at Selected Sites* was formulated in response to the Central Government's "No. 1 Document".

Guangxi is the first to compile the plan for the construction of new socialist countryside. The implementation of construction of "new socialist countryside" has to be started from "five fundamentals" (infrastructure, industry, quality, security and organization). There are "three '-tions', five constructions and six 'new' " (three '-tions' are agricultural fructification, countryside industrialization and countryside modernization; five constructions are infrastructure (road, water, electricity, marsh gas), education (secondary and primary schools, village-level cultural centres), healthcare (community hospitals, birth control service centres), daily living facilities (housing, village appearance) and environmental facilities; six 'new' are developing new economy, creating new life, modelling new civilized customs, constructing new village looks, building

¹⁶ "Clear directions guide the early fulfilment of new countryside construction in Sichuan" ("明確的方向指引四川新農村建設早日實現"), Sichuan On-line, 12 March 2007, <http://www.scol.com.cn/comment/zjsp/20070312/200731290848.htm>.

new mechanism and nurturing new peasants). The Construction Department also proposed the “1211 Project” and endeavoured to create ten exemplary urbanized counties and 22 exemplary well-off towns, build 100 exemplary villages and revamp 1,000 small villages by 2010. The Transport Department stated by the end of “11th Five-Year Plan”, there would be requisites for paving bitumen/cement roads in townships and roads in villages. Over 50% of the administrative villages would have bitumen/cement roads.

In January 2007, Guangxi launched the “Enriched by Culture” project which was different from other provinces in the programme of construction of “new socialist countryside”.

There are five typical “Enriched by Culture” project models, including Yangshuo (陽朔), Jingxi(靖西), Hengxian(橫縣), Gongcheng(恭城) and Beiliu(北流). Each of the five models has its own characteristics : the outdoor performance of *Impression of Sister Liusan* on-the-scene is a well-known element of the Yangshuo model. Countryside development is driven by large cultural projects and peasants are not just farmers, but become actors to gain extra income. The Jingxi model stresses on ethnic culture and builds ecological museums, unearths ethnic cultural resources and establishes ethnic cultural brand. The Hengxian model emphasizes the power of culture and knowledge and makes use of cultural organizations like libraries as carriers and “knowledge engineering” as a means to help peasants enhance scientific knowledge and wealth-making skills to earn more money. The Gongcheng model highlights leisure cultural tourism and makes use of distinctive village cultures to develop rural tourism. The Beiliu model treasures environmental protection and makes local peasants actively improve environmental quality and the harmony between human and environment when they organize cultural undertakings¹⁷. Among the five, Yangshuo and Gongcheng have considerable tourism foundations and Yangshuo has the best development with the help of Guilin (桂林). The other three models are still under planning and may not be successful. Anyway, Guangxi has echoed the 2007 Central Government’s “No. 1 Document” in “exploring the multi-functions of agriculture”.

¹⁷ Hu Lingling, Lin Derong, “Guangxi develops new ‘Enriched by Culture’ project in the countryside” (胡玲玲、林德榮：“廣西推新農村‘文化致富’工程”), Guangxi County Economy Net, 19 January 2007, http://www.gxcounty.com/Article/ShowArticle/33890_1.html.

1.5 Situation of Yunnan

Similar to other provincial governments, Yunnan has promulgated the *Opinions for the Implementation of the “CPC Central Committee & State Council’s Several Opinions on Moving Forward the Construction of New Socialist Countryside”*. Yet there is little progress. Provinces like Sichuan have devised planning guidelines yet Yunnan is still at the stage of drafting the *Guidelines for the Construction of New Socialist Countryside (2006- 2010)*.

1.6 Situation of Guizhou

100 Selected Villages

The Guizhou Government promulgated the *Opinions for the Implementation of Moving Forward the Construction of New Socialist Countryside by CPC Committee of Guizhou Province and Guizhou People’s Government* and decided to construct “new socialist countryside” at 100 selected villages (referred below as “100 selected villages”) during the period of “11th Five-Year Plan”. The construction of selected villages would be planned at one go with sequential implementation. In five years, villages that are originally well-off, with sufficient food or poverty-stricken are able to respectively reach the assessment standards (of that stage) under the trial socialist village construction programme.

The foci of the “100 selected villages” project are “three constructions”, “three improvements” and “five enhancements”. “Three constructions” mean basic farmland, predominant industries and public facilities. “Three improvements” refer to roads in townships, water provision for people and animals, and living conditions. “Five enhancements” are income of peasants, quality of peasants, social securities, democratic management levels and civilization levels of village customs.

1.7 New Rural Co-operative Healthcare System as Important Task of Rural Social undertaking

Rural healthcare is one of the important tasks of China's countryside development. It not only determines the health status of rural residents, but also associates with the wealth status of peasants. The results of the 2nd and 3rd National Health Services Survey in 1998 and 2003 showed that in 1998, 23.3% of poverty-stricken rural households were caused by illnesses or injuries. It rose to 33.4% in 2003 and was the first among the reasons causing poverty in rural households. The traditional reasons of "little labour force" and "poor natural conditions" ranked 2nd and 3rd with ratios of 27.1% and 17.2%.

In fact, the rise of medical fees far surpassed the increase in income. In 1993 to 2003, the per capita net income of rural resident increased 1.85 times while the average medical fee and hospitalization fee rose 5.76 times and 3.32 times (see the Table below). The hospitalization fee of each rural resident was equal to his annual net income. This has not taken into account the travelling expenses to cities and the fees incurred by the accompanied family members¹⁸.

Table 1-1 : Urban and Rural Medical Fees in China

Year	Average Medical Fee (RMB)		Average Hospitalization Fee			
			Amount (RMB)		Share of Per Capita Rural Net Income and Urban Disposable Income	
	Urban	Rural	Urban	Rural	Urban	Rural
1993	32.4	12.9	1,703	613	66.1%	66.5%
1998	106.1	41.9	4,086	1,544	75.3%	71.4%
2003	219.0	91.0	7,606	2,649	89.8%	101.0%

Source : Results of the 2nd and 3rd National Health Services Survey in 1998 and 2003, *China Statistical Yearbook 2004*.

The crucial point is that 79.1% of rural residents do not have any medical insurance plans and all medical fees are paid from their family savings. Hence, peasants do not have the money to be sick or be healed. 30.3% of rural patients do not go to hospitals though advised by doctors. All these cause serious

¹⁸ According to the 2nd National Health Services Survey in 1998, the fee for rural resident was RMB 318 which was 21% of the per capita hospitalization fee.

social, economic and healthcare problems in the countryside and among the peasants.

The above-mentioned issues appeared in late 1970s and early 1980s after China commissioned the rural economic reforms, implemented the household responsibility system and abandoned the Production Team and People's Commune and the issues became increasingly serious. Before the reform, the rural population was not deficient in medical care and drugs as at the time of People's Commune in 1976, 90% of peasants joined the rural co-operative healthcare scheme. Through such scheme, basic medical services and social health security could be obtained.

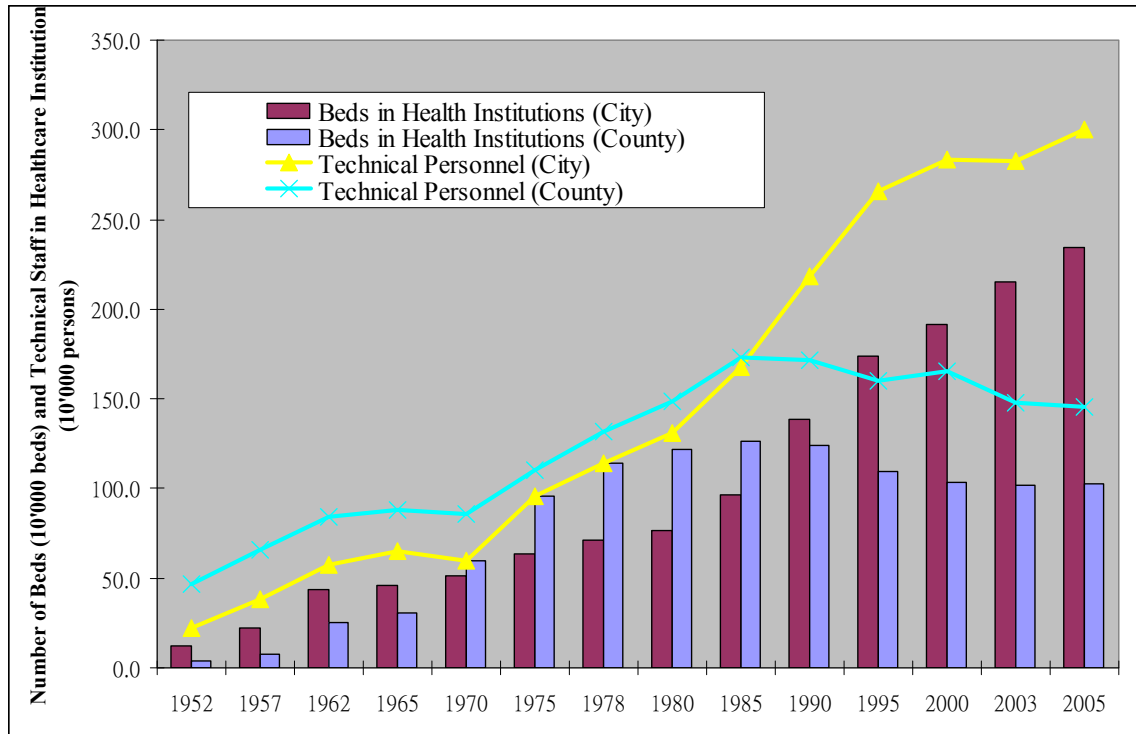
China's rural co-operative healthcare scheme sprouted at the time of the rural co-operative societies in late 1950s. In 1965 Mao Zedong (毛澤東) proposed to "put the focus of healthcare in the countryside". China built a tri-partite healthcare system comprising "co-operative medical care", "healthcare net consisted of three-tiers - counties, townships and villages" and "barefoot doctors"¹⁹. Peasants just needed to pay a very low co-operative medical fee (say RMB 1-2 per year) and pay a registration fee every time (say a few cents). No fees were required for drugs and hospitalized fees were borne by the Production Unit. The three-tiered medical system treated or transferred patients. Barefoot doctors healed simple diseases and took charge of local healthcare works. In the 1970s, China's rural co-operative healthcare scheme gained overwhelming success and was acclaimed by the World Bank and World Health Organization as "the only exemplary developing country in dealing with funds on healthcare"²⁰.

In mid-1980s, China revamped the healthcare system through market reforms. Together with the abandonment of the People's Commune, the rural co-operative healthcare scheme was basically disintegrated. The nation put most of the medical resources in urban areas and there was decline in healthcare facilities and personnel in the rural areas. In 2005, the number of beds and technical staff serving rural patients at county level or below was even lower than that in 1985 (refer to the Figure below).

¹⁹ Xia Xinzhen, "Historical inspection on rural co-operative healthcare system" (夏杏珍: "農村合作醫療體制的歷史考察"), *Research on Contemporary Chinese History*, vol.10 (September 2003), no.5, pp.110-118.

²⁰ After the 1980s, many developing countries have learnt from China's experience and established similar rural co-operative healthcare schemes. The most successful one is India and the scheme is still in operation.

Figure 1-1 : Number of Beds and Technical Staff in Healthcare Institutions in China



Source: *China Statistical Yearbook 2006*

In view of the worsening of healthcare system in the countryside, the Central Government proposed in 2002 to gradually establish new rural co-operative schemes in the whole nation. The objectives were to raise the health conditions of peasants and relieve illness-induced poverty. The Scheme was organized, led and supported by the government and participated by peasants voluntarily. Through personal subscription, group support and government subsidy, it was aimed to develop into a rural medical mutual-support scheme mainly to finance serious illnesses. Since 2003, the scheme has been test-run in some of the counties (cities). Peasants joining the scheme paid RMB 10 per year and the government subsidized RMB 20 which was equally shared by the Central and local governments. .

The SARS in 2003 and the subsequent bird-flu have alarmed the Central Government on the importance of community healthcare. It decided to expedite the new rural co-operative healthcare scheme and increase inputs in this aspect.

The Central Government increased the number of trial spots for the new rural co-operative scheme and planned to have a penetration rate of 40% in counties (cities, districts) in 2006; in 2008 to basically implement nationwide; in 2010 to basically cover rural residents.

Starting from 2006, the Central Government raised the subsidies for participating peasants of Central & Western regions (except urban areas) from RMB 10 to RMB 20. Local governments' subsidies increased proportionately. The newly-added local subsidies were mainly borne by the provincial governments in order not to raise the financial burden on poor counties. The newly-added Central and local subsidies should be used in the Fund for serious illnesses and appropriately for making up small amount of medical fees. Moreover, the government strengthened the control on the Fund and requested the Fund be deposited and used separately to make sure all the monies were used in subsidizing peasants' healthcare²¹.

Through the efforts of the Central Government, the coverage of the new rural co-operative healthcare scheme expanded gradually and by the end of 2006, the penetration rate into counties (cities, districts) was 51%, beyond the 40% target as planned. 410 million peasants have participated. 420 million cases have been compensated with gross compensation amount of RMB 24.2 billion. Over the four years, RMB 18.9 billion has been injected by various levels of governments²². Wen Jiabao said in the Government Working Report 2007 that the scheme would penetrate into more than 80% of counties in 2007. The Central Government would appropriate RMB 10.1 billion of subsidies, i.e. RMB 5.8 billion more compared with 2006.

The four south-western provinces responded pro-actively to the Central Government's policies and promoted new rural co-operative healthcare schemes which achieved good progress. (See Table1-2)

²¹ PRC Ministry of Health, "Notice on Speeding up the Trial Run of New Rural Co-operative Healthcare Scheme" ("關於加快推進新型農村合作醫療試點工作的通知"), 10 January 2006.

²² Sayings of Wuyi (吳儀) at the Working Meeting on the Nation's New Rural Co-operative Healthcare Scheme, 22 January 2007.

Table 1-2 : Progress of Rural Co-operative Healthcare Schemes in the Four South-western Provinces / Regions

Region	Progress
Sichuan	As of end of 2006, RMB 998 million were injected by governments. 26.8 million peasants from 73 counties (cities, districts) participated with participation rate of 78.2%. 19.84 million peasants have been compensated with gross amount of RMB 711 million.
Guangxi	As of 31 March 2007, 67 counties have joined with 23.84 million participants and a participation rate of 76.4%. 1.733 million peasants have been compensated with gross amount of RMB 123 million. Among which, RMB 90.74 million was for hospitalized treatment, i.e. RMB 505 per capita, and RMB 18 million for out-patient services.
Yunnan	As of end of 2006, 52 counties have joined with 14.19 million participants and a participation rate of 85%. Participation rate of extremely difficult group was 97%. RMB 1.04 billion was solicited. RMB 180 million was compensated to 26.52 million out-patient cases and RMB 570 million paid to 1.16 million hospitalized cases. Actual subsidies accounted for 1/3 of total medical expenses incurred by patients.
Guizhou	As of end of 2006, 34 counties have joined with 9.19 million peasants. RMB 350 million was solicited and 3.3 million peasants were benefited.

Source :

1. “20 million peasants enjoyed compensation of RMB 700 million under the rural co-operative scheme in 3 years” (“我省 2,000 萬農民 3 年享受新農合補償超 7 億”), Sichuan On-line, 24 April 2007.
2. “Guangxi new rural co-operative healthcare scheme would cover 36 million rural population” (“廣西新型農村合作醫療將覆蓋 3,600 萬農業人口”), Xinhuanet Guangxi Channel, 25 April 2007.
3. Yunnan Provincial People’s Government, “Sound system, standardized management, promoting new rural co-operative healthcare scheme in full force” (“健全制度，規範管理，全面推行新型農村合作醫療”), 22 January 2007.
4. “3.3 million peasants benefited from the new rural co-operative healthcare scheme” (“330 萬農民受益新型農村合作醫療”), *Guizhou Daily*, 20 March 2007.

Nevertheless, the new rural co-operative healthcare scheme cannot fully resolve rural co-operative healthcare issues. The new scheme mainly helps “serious illnesses” and “hospitalized treatment” and basically does not cover community health and treatment of common diseases (like fever and cold). The scheme requests patients to pay first and get rebates from the fund and there are upper limits. This requires participants to have certain financial strengths so not many can be benefited at the end and peasants may not be willing to join in the long-term. In general, the coverage of the new rural co-operative healthcare scheme does not reach the level attained by the People’s Commune Scheme during pre-opening stage. Even the World Health Organization has cast doubts on the effectiveness of this new scheme. From the sayings of Central leaders and Wen Jiabao’s Government Working Report 2007, the new rural co-operative healthcare

scheme might be a transitional arrangement. China may possibly re-utilize the three-tiered (county, township, village) healthcare net, complemented by other community healthcare services, to establish a holistic rural healthcare system.

2 Trends and Updates on the Four Provinces/Region

2.1 Economic Performance of the Four Provinces/Region

The overall economy of the Four Provinces/Region grew steadily and rapidly between January and March 2007. The growth rates of the GDP of Sichuan, Guangxi and Yunnan all surpassed the national average of 11.1%, with Guangxi reaching the highest, 15.3%, and the other two also higher than 13%.

Table 2-1: Economic Performance of the Four Southwestern Provinces/Region, the First Quarter of 2007

Region	Gross Domestic Product		Value-Added of the Industrial Enterprises above Designated Size		Urban Investment in Fixed Asset	
	Jan-Mar (RMB 100 M)	Year-on-year growth	Jan-Mar	Year-on-year growth	Jan-Mar (RMB 100 M)	Year-on-year growth
Nationwide	50,287	11.1%	-	18.3%	17,526	23.7%
Guangdong	6,126	13.5%	2,613	17.8%	1,468	19.0%
Sichuan	2,033	13.5%	724	24.0%	919	26.7%
Guangxi	1,160	15.3%	326	26.2%	425	35.7%
Yunnan	872	13.6%	351	21.0%	332	10.9%
Guizhou	-	-	180	19.1%	-	-

Note: Local statistics is preliminary, which may be subject to adjustment in the future, and may differ from the statistics published by the National Bureau of Statistics later.

Sources:

1. Website of the National Bureau of Statistics: <http://www.stats.gov.cn>.
2. Sichuan Statistics and Information Net: <http://www.sc.stats.gov.cn>.
3. Guangxi Statistics and Information Net: <http://www.gxtj.gov.cn>.
4. Yunnan Statistics and Information Net: <http://www.stats.yn.gov.cn>.
5. Guangdong Statistics and Information Net: <http://www.gdstats.gov.cn>.

In industrial production, the industrial value-added of all the four provinces grew more rapidly than the national average, but their growth rates varied. The industrial value-added of Sichuan and Guangxi increased faster, with their growth rates between January and March 1.4% and 1.6% higher than those between January and February respectively. On the other hand, the growth rate of Yunnan fell by 2.3% and that of Guizhou fell by 3.3%, which is lower than 20%.

As to foreign trade, the four provinces/region kept a steady growth, but their performance in import and export showed a considerable difference. The growth rates of export in the four provinces/region of the first quarter declined compared with the first two months, and were lower than the national average. The export of Sichuan contracted the most, reaching 21.9%. Yunnan replaced Sichuan as the fastest growing exporter, with the growth rate standing at over 35%, which was still 4.7% lower than the first two months. On the contrary, the growth rates of the import of the four provinces/region picked up. The import of Yunnan increased by 34.5% in the first quarter, the fastest in the four provinces/region. Sichuan also saw its import recovering to positive growth.

The four provinces/region generally enjoyed trade surpluses, and Sichuan still had the highest. Yunnan was the only province that suffered a slight trade deficit, and the value was roughly equal to that of the first two months.

Table 2-2: Imports and Exports of the Four Provinces/Region, the First Quarter of 2007

Region	Export		Import		Import and Export Surplus
	Jan-Mar (USD 100 M)	Year-on-Year Growth	Jan-Mar (USD 100 M)	Year-on-Year Growth	Jan-Mar (USD 100 M)
Nationwide	2,520.8	27.8%	2,056.3	18.2%	464.5
Guangdong	747.3	28.3%	564.0	18.7%	183.3
Sichuan	15.7	25.7%	10.0	0.8%	5.7
Guangxi	8.8	20.5%	8.1	21.3%	0.7
Yunnan	8.8	36.0%	9.4	34.5%	-0.6
Guizhou	2.5	27.6%	1.7	16.3%	0.8

Note: 1. Statistics in this table was compiled by the location of commodity management units.

2. Negative number in the “Import and Export Surplus” denotes trade deficits.

Sources: *China's Customs Statistics* (Monthly Exports & Imports), No. 211, March 2007, pp16—

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2.2 Trends and Updates on Sichuan

2.2.1 Economic Performance of Sichuan

Boosted by the booming consumer market and the steady and rapid growth of investment and foreign trade, Sichuan's economy kept enjoying fast growth between January and March 2007. The GDP expanded by 13.5%, and the economic growth was largely driven by industry, which contributed 55.7%, 2.6% higher compared with the same period of preceding year²³.

Table 2-3: Sichuan's Major Economic Indicators, January to March, 2007

Items	Jan-Mar (RMB 100 million)	Year-on-Year Growth
GDP	2,033	13.5%
The Primary Industry	269	5.1%
The Secondary Industry	924	18.9%
The Tertiary Industry	840	10.8%
Total Retail Sales of Consumer Goods	918	14.7%
Foreign Trade (USD 100 million)	26	14.7%
Rural Cash Income Per Capita (RMB)	1,059	14.5%
Government Revenue	192	34.3%

Note: Local statistics is preliminary, which may be subject to adjustment in the future, and may differ from the statistics published by the National Bureau of Statistics later.

Source: Sichuan Statistics and Information Net: <http://www.sc.stats.gov.cn>.

Industrial production saw rapid development, and the growth rate of the industrial value-added was 0.1% higher compared with the same period of last year. This was mainly driven by the heavy industry, and its value-added stood at RMB 48.75 billion, an increase of 24.9%, 2.8% higher than the light industry.

Consumption demand also kept booming, and the growth rate of the total retail sales of consumer goods was 0.9 higher than the same period of last year. March saw the retail sales of accommodation and catering industry grow by

²³ "Sichuan's GDP reached RMB 203.26 billion in the first quarter, a 13.5% year-on-year growth", Website of the Ministry of Commerce, 25 April 2007: <http://big5.mofcom.gov.cn/gate/big5/provincedata.mofcom.gov.cn/hottxt/disp.asp?pid=23497>.

21% on a year-on-year basis, driving the accumulated retail sales expanding rapidly, reaching 17.4%, 2.7% higher than the retail and wholesale industry²⁴.

Although 5.1% lower than the same period of last year, total investment in fixed assets still grew by 26.7%, and the investment structure was also improved. Investments in the equipment manufacturing industry and the hi-tech industry, two of Sichuan's superior industries, increased by 59.5% and 44.4% respectively.

As to foreign trade, the import and export of hi-tech products became the highlight. Between January and March, the total value of Sichuan's import and export in the related areas reached USD 720 million, and the latter grew by 82%, much higher than the national average, which also accounted for 20.7% of Sichuan's total export, a record new high²⁵.

Although the overall performance of Sichuan's economy during the first quarter is promising, agricultural and industrial production may be plagued by such problems as the severe spring drought in some areas and the demands on energy conservation.

2.2.2 Updates of Sichuan — “Left-behind Children”

The reform and opening since the end of the 1970s has stimulated millions of peasant workers to leave their home town in the less developed central-western regions to work in the well developed coastal regions. According to the 2005 Census, 147 million workers have left their home town to earn a living. Sichuan accounted for 16.4% of inter-provincial floating population and is the largest population outflow province²⁶. Working outside has brought enormous income to peasant worker families and improved their material life. Nevertheless,

²⁴ Ibid. “Sichuan's accommodation and catering industry grew by 17.4% compared with the same period of preceding year”, Department of Commerce of Sichuan Province, 18 April 2007: <http://big5.mofcom.gov.cn/gate/big5/provincedata.mofcom.gov.cn/hottxt/disp.asp?pid=22981>.

²⁵ “Sichuan's export of hi-tech products grew by 31.7% compared with the same period of preceding year”, Province and City Data Online, 20 April 2007: <http://provincedata.mofcom.gov.cn/hottxt/disp.asp?pid=23180>.

²⁶ Du Peng, Li Yinan, Wang Penghu and Lin Wei, “The impact of floating population outflow on family” (杜鵬、李一男、王澎湖、林偉：“流動人口外出對其家庭的影響”), *Journal of Population Studies*, vol.1, 2007.

the outflow of youngsters has resulted in rural areas comprising mainly of “women – children – aged”, i.e. a “38·61·99” social structure²⁷. Other problems include farmland left abandoned, drop in agricultural productivity, lack of support to the aged and children taken care of by grandparents rather than by parents.

Recently, issues related to “left-behind children” i.e. lack of support in daily living, lack of supervision in behaviour and coaching in studying are becoming more serious. By definition, “left-behind children” mean children who stay in their origins of residency without the company of both parents as one or both of their parents have moved out to work in other cities. In general, these children are between the ages of 0 to 16.

Sichuan is a large province in terms of the number of peasant workers and “left-behind children”. Over 10 million peasant workers move out to work every year and around 3.65 to 5.5 million children are left-behind according to survey results. These children lack parental care.

Sichuan Psychological Society has done survey on 387 “left-behind children”. Near 80% have psychological problems, among which 106 have anxiety, 107 have depression and 88 are easily irritated. “Left-behind” has negative impact on children, namely unstable study results, distortion of moral standards and psychological disorder²⁸. If such disorders are not rectified, left-behind children could easily turn out to commit offences. There were many cases of “left-behind children” torturing the aged in 2006 just because they wanted to watch TV or wanted to get some money for playing games.²⁹ The growing up situation of “left-behind children” is thus attracting wide social attention.

²⁷ The Women’s Day, Children’s Day and Chung Yeung Festival are used to represent the three groups. “38” represents women, “61” represents children and “99” represents the aged. The phenomenon of “38·61·99” means the move out of young male labours making the composition of the countryside mainly by women, children and the aged. These are called “left-behind families” and are commonly seen in the countryside.

²⁸ “Give a home to the left-behind children” (“給留守兒童一個家”), *People’s Daily*, 7 Feb 2006.

²⁹ “What to do with the 20 million left-behind children in the countryside?” (“農村 2,000 萬留守兒童怎麼辦?”), Xinhuanet, 18 December 2006,

http://news.xinhuanet.com/edu/2006-12/18/content_5501288.htm.

Reasons for the Generation of “Left-behind Children”

The reasons for the generation of “left-behind children” vary but it is a decision after the parents’ overall consideration of income, cost of living and children’s education. Parents have no alternative but to make this decision which is sensible. The major reasons are:

1. Income level : The low income and status of peasant workers in cities is the main reason for leaving children behind. According to the 2006 statistics of State Statistics Bureau, the average monthly income of peasant workers in cities was RMB 966 and average expenditure was RMB 463³⁰. Net revenue per month was RMB503. This was much higher than the income earned through agriculture in the countryside yet not sufficient to bring up children in cities.
2. Career characteristics : Peasant workers mainly work as construction workers, taxi drivers, manufacturing workers, catering service workers and hawkers. These jobs require long working hours and are exhausted and unstable. Workers have no time and energy to take care of their children.
3. Expensive and imperfect education system : Children of peasant workers have to pay temporary study fees or sponsorship fees which are much higher than the normal study fees in the government schools in cities. The existing schools in cities for children of labours are cheaper but teaching is not systematic, teachers are not qualified and teaching quality is poor. Moreover, students must sit for the university entrance examination in their origins of residency and the examination questions are not the same. It is thus a pragmatic choice to stay behind.
4. Moreover, some children have to stay in the countryside to take care of the older relatives or younger brothers or sisters.

³⁰ State Statistics Bureau, “Survey on Peasant Workers (II): Daily Living and Education” (“農民工生活調查之二：生活和教育狀況”), http://www.stats.gov.cn/tjfx/fxbg/t20061011_402358719.htm.

Current Situation of “Left-behind Children”

According to the 5th Population Census, in 2000, there were 22.9045 million “left-behind children” of ages 0 to 14. This accounted for 8.05% of the total number of children in China. They were mainly concentrated in less-developed agricultural regions like Sichuan (四川), Jiangxi (江西), Anhui (安徽), Hunan (湖南) where young labours move out to work in coastal regions. Sichuan has the highest share of 14.94%. The imbalanced development within Guangdong and Hainan (海南) has led to intra-provincial labour mobility and the generation of many “left-behind children”. With regard to the percentage of “left-behind children” as against the total population of children in the province/city, Chongqing (重慶) reached 22.3% with Sichuan amounting to 18.7% which came third after Chongqing and Jiangxi (江西) (19.4%)³¹. In these three provinces/city, about 1/5 of children were not living with their parents and became “orphans”. (See Table 2-4)

Table 2-4 : Distribution of “Left-behind Children” of Ages 0-14

Rank	Province	Provincial Share of “Left-behind Children” in the National Total	% of “Left-behind Children” Vs Total Children Population in the Province
1	Sichuan	14.94%	18.71%
2	Guangdong	10.28%	11.62%
3	Jiangxi	8.45%	19.38%
4	Anhui	7.58%	11.55%
5	Hunan	7.46%	12.53%
6	Hainan	6.38%	12.62%
7	Chongqing	6.22%	22.32%
8	Hubei	5.92%	10.40%
9	Jiangsu	4.68%	7.41%
10	Henan	4.46%	4.24%
	Others	23.63%	-
	Total	100.00%	8.05%

Source: Duan Chengrong, Zhou Fulin, “Research on condition of left-behind children in China”, *Population Research*, vol. 1, 2005.

³¹ Duan Chengrong, Zhou Fulin, “Research on condition of left-behind children in China” (段成榮、周福林：“我國留守兒童狀況研究”), *Population Research*, vol.1, 2005.

Ideally, children should live with their parents and a healthy family structure can provide a good environment for the healthy development and shaping of character for children. Chinese tradition has high esteem for big families composed of several generations so children can learn the family morals imperceptibly and other skills, knowledge, values and behavioral virtues. Statistics show that over half (56.17%) of the “left-behind children” cannot live with their parents and 20.6% live with their grandparents (see Table 2-5). Lack of parental care has great adverse impact on the physical development, shaping of mental character, cultural and skill set training.

Table 2-5 : Family Structure of “Left-behind Children”

Family Type of “Left-behind Children”	Share in Total Number of Families of “Left-behind Children”
Children staying alone	4.41%
Alone with father	2.46%
Alone with mother	7.37%
With father and other family members	8.04%
With mother and other family members	25.96%
With family members other than parents	51.76%
With grandparents	20.60%
Total :	100.00%

Source: same as above table

Survey on “left-behind children” in Sichuan shows they are mainly in the countryside. The more primitive is the village the higher the percentage of “left-behind children”. The number is directly proportional to the number of outgoing peasant workers.

Main Difficulties

As a result of long-absent parents, “left-behind children” are forced to live with grandparents or other relatives. They face difficulties in studying, sustaining daily quality of life, personal safety and shaping of mental character.

Concerns on Studies

Chinese tradition put much emphasis on children's education. As the saying in *San Zi Jing* 《三字經》, "It's the parents' fault not to educate his son well." Parents are children's primary teachers and family education is crucial to children's grow up. The pre-requisite is that parents have to be with their children and communicate with them instantaneously. This is exactly what "left-behind children" are deprived of. The incompleteness or even absence of family education has caused many concerns on the studies of "left-behind children" :

1. Many children miss their parents so much that they cannot concentrate in classes resulting in decline in quality of school work. After school, nobody supervises them and they are not serious about their homework and are unable to seek help when they encounter problems. Children lose interests and initiatives in studying and the study results are thus poor. Parents are not with "left-behind children" physically so they cannot supervise or make appropriate compliments or punishments on them.
2. Many children are being taken care of by grandparents who are not well-educated and are not physically strong. Many old people are illiterate and cannot efficiently supervise children's studies. They have their own health problems and to look after several numbers of grandchildren at the same time is physically beyond their capability. Quite a number of old people even think "studying is useless" or are afraid of being blamed by their sons so they are not serious about their grandchildren being absent from school. All these have negative impact on children's studies.
3. Many "left-behind children" have to change schools and thus the syllabus of studies frequently. Many children are in a state of "sometimes left-behind and sometimes move with their parents". Children's guardians may also change schools for children due to various reasons (e.g. health conditions of grandparents, family conflicts). Different schools have different syllabus levels and teaching methods and children find it hard to accommodate. As a result, they hate to go to school or even escape from school.

For those who study at village schools, many are inferior to others in study results and conduct. The repeat and dropout rates are much higher³². With regard to study results, 40% of “left-behind children” are quite below average and usually they constitute the worse students in class. With respect to behaviour, 50% are at average and quite bad. Experts have done a survey on 300 “left-behind children” in Sichuan. 57% have delinquent behavior, 35% have told lies, 30% have offensive behaviour and 41% have destructive behaviour. Teachers find the problems of these “left-behind children” annoying.

Decline in Living Standards

Our ancestors are used to poor living standards and pay no attention on nutrition as far as they have sufficient to eat and wear. The older generations are reluctant to spend the money received from the younger generations. Hence, many “left-behind children” are having very poor living standards and nutrition and would have nothing to eat when their grandparents are sick. Children know that their parents are working hard to earn money so they lead thrifty lives. Lack of supervision on personal hygiene also leads to poor hygienic practices. All these lead to decline in living standards.

Risks on Personal Safety

Lack of parental supervision on “left-behind children” attributes to high risks on their personal safety. There are frequent reports on car accidents or children being drowned. Accidents become the top killer for children between the ages of 0 to 14³³. During emergencies, “left-behind children” hardly have any abilities to save themselves. In 2005, at the “5.31” flooding at the town of Hetang in the city of Lianyuan in Hunan Province (湖南省漣源市荷塘鎮), 12 children died among which 11 were “left-behind children”³⁴. There are also cases of “left-behind girls” being sexually assaulted.

³² The Study Report on “Construction of New Socialist Countryside and Population Mobility” by the China Population Association in Hunan (中國人口學會赴湖南“社會主義新農村建設與人口流動”專題調研報告), May 2006.

³³ “What do we use to protect our children?” (“我們拿什麼保護孩子?”), Interactive Encyclopaedia, <http://www.hoodong.com>.

³⁴ “They are the most easily hurt people at present” (“他們是當下中國最容易受傷害的人”), People’s Net, <http://politics.people.com.cn/GB/8198/30572/65299/4426236.html>.

Issues on Mental Character

“Left-behind children” are deprived of parental care and they could be regarded as “orphans” or “children of single parent”. They lack a sense of safety and trust to the external environment and can easily result in personality defects and psychological disorders. Many “left-behind children” are autistic and unsociable, easily irritated and have a vengeful attitude to the community. In recent years the rate of juvenile delinquency in the countryside has surged. Survey conducted by the Ministry of Public Security showed that juveniles being assaulted or committing offences mostly occur in the countryside and of which “left-behind children” make up the majority³⁵.

Measures to Deal with “Left-behind Children” in Sichuan

To solve the issue, the Leading Team for Care of Sichuan’s “Left-behind Children” (The Team) is set up. It is led by Sichuan Provincial Communist Youth League and joined by twelve units including Ministry of Publicity of CPC Provincial Committee and Department of Education. Up to April 2007, 107 thousands of volunteers have been recruited to help “left-behind children” one by one. At the same time, 1,500 “homes for left-behind children” have been established with the help of schools, the community and the local people. A “Foundation for left-behind children” has been set up with donations up to 12 millions and a series of measures has been established. The Chinese Estates Group of Hong Kong (香港華人置業有限公司) donated HKD 5 million for establishment of the “homes for left-behind children” in Sichuan, including the launch of 100 charity projects³⁶.

³⁵ Zhang Yulin, “Rural family at ‘leave hometown’ era — how ‘outflow of peasant workers’ affects the rural structure of China” (張玉林：“‘離土’時代的農村家庭——‘民工潮’如何解構鄉土中國”), China Sociology Net, <http://www.sociology.cass.cn>.

³⁶ “Opening of tender for the first lot of charity projects of ‘homes for left-behind children’ ” (“團省委留守學生之家 首批公益項目開標”), Sichuan News Net, 29 April 2007, <http://scnews.newssc.org/system/2007/04/29/010333248.shtml>.

Impact of “Left-behind Children” on China’s Social Development

Negative Impact of “Left-behind Children” on Social Development

Those young labourers who migrate to cities to work are the elite in the countryside and they have better education and technical skills compared with those staying behind. Faced with this rigorous situation, the next generation may not be the elite any more and the qualities of the next few generations would decline. The dynamics for sustainable development in the countryside are thus weakened.

“Left-behind children” are the protagonists of the “poverty vicious circle”. Their poverty is also embodied in their mental and social abilities. They have poor or even no plans for the future. When they grow up they have two roads to choose: (1) following their parents to work as cheap labourers in the cities; (2) earn a poor living from the limited farmland resources. Poverty is inherited from generation to generation as a vicious circle and those people would even become the social rebels³⁷.

From “Outflow of Peasant Workers” to “Left-behind Children” and Rural Development

The majority of peasant workers who move out to work in cities originally hope to raise the standards of living and education for the next generation. Yet they turn out to find that the living standard of the “left-behind children” falls on the contrary, and education is not improved either. The children are disobedient and have mental illnesses, become juvenile delinquents and may even lose their lives due to accidents. This would stimulate the countryside and farmers to review whether the policy of moving out to work is sensible. If these problems could not be solved and controlled effectively, the migration of peasants to cities could hardly be sustained. The social problems brought by “left-behind children” also induce instability to the development of China’s society and countryside.

³⁷ Sichuan Working Committee on Care for Next Generation, “Survey Report on Sichuan’s ‘Left-behind Children’ ” (四川省關心下一代工作委員會：“四川‘留守學生’狀況調查報告”), April to May 2005.

In fact, the migration of peasants to cities is a way out for the surplus labour in the countryside. Yet it brings many issues to the countryside : traditional farming skills cannot be passed on to the next generation who are not keen on farming. Farming changes from intensive to extensive operation. The productivity of the “38.61.99” village community drops. Farmland is used for producing crops for just one to two seasons instead of three. Farmland becomes abandoned which affects the supply of food. The traditional family structure of generations living together exists in name only as the young core is always absent. This has led to weakening of family education and made the inheritance of culture, moral virtues and crafts difficult. The village community faces an unreasonable age composition, which inhibits the pass on of history, customs practices and social traditions on one hand, and on the other short of elite in the local community and even political, economic, cultural and educational organizations to be trained as successors.

The first generation of “left-behind children” has grown up and followed their fathers and brothers to move out to work. The problem of “left-behind children” is now at its second generation and the problems are accumulating and aggravating. The threat of decomposition of village community intensifies.

Implications for Hong Kong

“Left-behind children” is a by-product of the opening of China to make use of cheap rural labour force to foster economic development. The negative impact caused by “left-behind children” has rigorous and long-lasting effects on the development of the countryside and farmers. Sichuan, as the largest exporting province of peasant workers, is most seriously impacted. Different levels of governments are taking remedial measures.

The Central Government is concerned about the problems caused by the second generation of “left-behind children”. Many academics have proposed a change of the residency registration system and provide to the migrated workers and their families benefits similar to residents of cities and towns, including education, healthcare and social security. These would completely change the urban and rural management system established since 1949 and lead to a revamp of China’s social structure and government management systems.

In general, the social impact brought about by “left-behind children” would affect the sustainability of “outflow of peasant workers”. Different levels of Mainland governments, farmers and the countryside would probably put development focus within the province or county and would not encourage peasants to move out to work. This would affect the Hong Kong enterprises in the Pearl River Delta (PRD) which rely on the supply of cheap peasant workers.

Hong Kong enterprises should consider helping the second generation of peasant workers by providing educational allowances or making specific arrangements, such as establishing schools for the children of peasant workers through collective donations. First, education quality can be maintained. Second, sufficient number of peasant workers can be retained and they would not move inland or to the Yangtze River Delta. Third, the social image of Hong Kong enterprises at the PRD can be enhanced.

Most importantly, there are fundamental changes on the economic development policies following the new planning ideas of the 16th National People’s Congress and the 11th Five-Year Plan. Economic development, whether local or foreign enterprises (including HK) are involved, should follow the principle of sustainability, namely friendliness to environment and social harmony. The Chinese government would not only consider production and economic growth simply from supply-demand market prices as advocated by neo-classical economists, rather the government thinks highly of the externalities advocated by the same group of economists. As a result, economic growth during the 11th Five-Year Plan is not the restrictive performance index, but rather the friendliness to environment, which is enforced top down from the Central Government to lower level governments. The gradual rise of protection to peasant workers and minimum wages are also the results of political pressure topped down from Central to lower level governments. Hong Kong enterprises are now internalizing those externalities so they now face various problems and pressure on surge of costs. This process has only started and following the progression of Central policies, all the direct and indirect costs of externalities would have to be borne by enterprises, not by the government or the community or the workers themselves in the Mainland.

The problem of “left-behind children” and peasant workers cannot be separated. It relates to the inheritance and development of the rural society as well as urban-rural relationship and is thus key to the modernization and sustainable development of China in future. The Central Government would pay high attention to the issue and work out solutions. According to the European Union

and international experiences, China would localize the strategy for economic development and shift from capital-oriented (including foreign capital) to people-oriented (local people) and towards an integrated local development approach.

To cater for these important strategic changes in the Mainland, Hong Kong has to change the development mode. Hong Kong businessmen in the PRD and other areas have to localize and shift from a plundering approach to the mode of sustainable development. Hong Kong has to take up the responsibility for a long-run sustainable development in the PRD and the rest of China.

2.3 Trends and updates on Guangxi's Autonomous Region

2.3.1 Economic performance of Guangxi

The overall economy of Guangxi fared well during the first quarter of 2007. Consumption and investment saw strong expansion and the GDP also grew rapidly. Guangxi's GDP saw a 15.3% expansion, which is the highest quarterly growth since 1995³⁸. It is also the 14th consecutive quarter that Guangxi's GDP growth has exceeded 11%. Industry was the biggest driving force behind the economic growth, contributing 53.1%³⁹.

Table 2-6: Guangxi's Major Economic Indicators, January to March, 2007

Items	Jan-Mar(RMB 100 million)	Year-on-year Growth
GDP	1,160	15.3%
The Primary Industry	122	6.7%
The Secondary Industry	543	20.0%
The Tertiary Industry	495	12.7%
Total Retail Sales of Consumer Goods	458	15.5%
Foreign Trade (USD 100 million)	17	20.8%
Government Revenue	157	28.6%
Consumer Price Index (%)	103.6	3.6

Note: Local statistics is preliminary, which may be subject to adjustment in the future, and may differ from the statistics published by the National Bureau of Statistics later.

Source: Guangxi Statistics and Information Net: [http : //www.gxtj.gov.cn](http://www.gxtj.gov.cn)

The growth of the value-added of the industrial enterprises above designated size set a record new high in nearly ten years, and the sugar manufacturing industry, the machinery industry, power industry and auto industry, among other major industries, all witnessed rapid growth. The growth of industrial production was mainly driven by the heavy industry, which grew by 28.5%. Light industry also saw visible growth, reaching 22.7%, and 3.9% higher than the same period of last year.

The growth of the retail sales of consumer goods in the first quarter was the highest among the same periods in 11 years, reaching 15.5%. Urban and rural

³⁸ "Guangxi's economic growth made a strong start in the first quarter", Guangxi Statistics and Information Net, 27 April 2007: http://www.gxtj.gov.cn/economy_news/news_display.asp?sendid=12232.

³⁹ "Provincial economy made a good and swift start", Guangxi Statistics and Information Net, 24 April 2007: http://www.gxtj.gov.cn/economy_news/news_display.asp?sendid=12193.

consumer markets realized roughly balanced development, with the former and the latter growing by 16.4% and 14.1% respectively. One of the highlights was the sales of the auto market, whose retails sales grew by 450 million RMB compared with the same period of preceding year, a 22.8% increase⁴⁰.

Investments in fixed assets saw overwhelming growth in the three main industries. The primary and secondary industries experienced more rapid development, growing by 65.5% and 66% respectively. Investment structure was further optimized. Regulated industries received further regulation, while investments in the superior and featured industries developed rapidly⁴¹.

Guangxi's foreign trade was basically balanced, and its trade with the USA boomed. The first quarter saw the total value of Guangxi's trade with the USA reach 206 million USD, a 63.9% year-on-year growth, and the volumes of import and export increased by 150% and 18.8% respectively. The USA has become the second largest trade partner of Guangxi⁴².

Although favourable conditions abound in the operation of Guangxi's economy, hidden problems remain. First, agricultural production may receive negative impact due to the abnormal weather conditions and the rising prices of agricultural materials recently. Second, the follow-up between industrial production and sales needs to be improved. Although it was higher in the first quarter than in the first two months, the ratio of the sales of industrial products still remains as low as 86.6%.

2.3.2 Updates of Guangxi Zhuang Autonomous Region – Guangxi Strives to Become a Transnational Trade Zone and a Regional International Logistics Base

⁴⁰ “Guangxi's consumer market displayed six highlights in the first quarter”, Guangxi Statistics and Information Net, April 25th 2007: http://www.gxtj.gov.cn/economy_news/news_display.asp?sendid=12207

⁴¹ “Investment in fixed assets in Guangxi grew rapidly”, Guangxi Statistics and Information Net, 27 April 2007: http://www.gxtj.gov.cn/economy_news/news_display.asp?sendid=12231

⁴² “Guangxi's trade volume to the USA was USD206 million in the first quarter, increasing by 63.9%”, Guangxi Statistics and Information Net, 21 April 2007: http://www.gx.xinhuanet.com/newscenter/2007-04/21/content_9854412.htm.

Both the developments of Guangxi and the China-ASEAN free trade would rely on the changes in the Beibu Gulf Rim (Guangxi) Economic Zone (環北部灣(廣西)經濟區)⁴³. The Beibu Gulf Rim (Guangxi) Economic Zone covers an area of over 40,000 km² and is composed of prefecture-level cities of Nanning, Beihai, Qinzhou, Fangchenggang, Yulin and Chongzuo (南寧、北海、欽州、防城港、玉林、崇左). It has a 1,600-km coastline at the top of Beibu Gulf and is the only economic territory that connects China and ASEAN by both land and sea access.

In March 2006, the Planning, Construction and Management Committee of the Beibu Gulf (Guangxi) Economic Zone was set up to coordinate the infrastructure development, distribution of major industries, utilization of coastal resources and the management of master planning of the coastal cities. Its objective is to push the Beibu Gulf cities to jointly create and coordinate an international platform of co-operation between China and ASEAN. The Vice-chairman of the Autonomous Region and the Committee Director Chen Wu (陳武) says, “Guangxi’s objective is to become an important door in southwest China and develop as a regional international logistics base, business and trading base, processing and manufacturing base as well as an information exchange centre in the context of China – ASEAN Free Trade Area⁴⁴.”

Qinzhou and Fangchenggang focus on construction of harbour facilities and export-processing zones. Yulin mainly focuses on transport improvement to reap the benefits radiated from Guangdong. The foci of Chongzuo and Nanning (南寧) have yet to be determined.

China and ASEAN would establish a China – ASEAN Free Trade Area in 2010, which is only three years from now. Focus is now on how to push the construction of the Area. The Central Government and Guangxi Regional Government are at exploratory stage⁴⁵. Local governments thus have room to

⁴³ There are three major economic zones in the “11th Five-Year Plan” on development of the western region : Beibu Gulf Rim (Guangxi) Economic Zone, Chengdu-Chongqing (成渝) Economic Zone and Guanzhong-Tianshui (關中-天水) Economic Zone. Refer to the planning documents of the National Development and Reform Commission and the Office of the Leading Group for Western Region Development of the State Council.

⁴⁴ Lijia, Zhang Hongsheng, “Beibu Gulf cities trigger new development of China-ASEAN Free Trade Area” (李嘉、張虹生：“北部灣城市群‘撬動’中國—東盟自貿區新增長極”), Xinhuanet Guangxi Channel, 17 January 2007, http://big5.xinhuanet.com/gate/big5/www.gx.xinhuanet.com/ca/2007-01/18/content_9130016.htm.

⁴⁵ There are no concrete details in the “five-year plans” of Central and local governments on the issue of ASEAN Free Trade Area. The Guangxi Regional Government is still discussing with the Central Authorities on the issue, e.g. the Pan Beibu Gulf Economic Co-operation Seminar 2007 was held on 26 and

participate. Officials of cities of Chongzuo(prefecture-level) (崇左市(地級市)) and Pingxiang (county-level, managed by the former) (憑祥市(縣級市)) have proposed the setting up of trial transnational free trade zones at the China-Vietnam border.

Figure 2-1 : Map of Guangxi Zhuang Autonomous Region



Source: People’s Net, <http://unn.people.com.cn/GB/4585240.html>

Chongzuo Struggles for the Setting up of “Transnational Trade Zone”

Ban Zhongbo(班忠柏), The Secretary of the CPC Committee of Pingxiang City, proposed that approval should be made for the trial of transnational trade zones at China-Vietnam border. In 2000, the State Council approved the set up of “Jiegao Border Trade Zone”(“姐告邊境貿易區”) in the city of Ruili in Yunnan Province (雲南省瑞麗市) to enjoy “inside national border, outside customs territory” policy and the results were satisfactory. In February 2002, the Heilongjiang (黑龍江) Provincial Government together with the Russian Primorsky Krai (俄羅斯濱海邊疆區) Government set up the “Suifenhe—Pogranichny” Trade Complex (“綏一波”貿易綜合體) near the

27 July. The three agenda included Beibu Gulf economic co-operation and construction of China-ASEAN Free Trade Area.

Suifenhe (綏芬河) land crossing to implement a more open trade policy. In July 2005, the China-Kazakhstan Korgas International Border Co-operation Centre (中哈霍爾果斯國際邊境合作中心) was established in the city of Korgas (霍爾果斯) in Xinjiang (新疆). Preferential policies similar to those in free trade zones were implemented. The city of Korgas is similar in nature to the cities of Pingxiang and Dongxing (東興) as border cities. At present, border cities like the county of Hekou (河口縣) and the city of Huichun (輝春市) are applying for similar treatment. Hence, Guangxi should strive for setting up transnational trade zones at the cities of Pingxiang and Dongxing with Vietnam and fight for “inside national border, outside customs territory” policy.

Reference Drawn from “Suifenhe—Pogranichny” Trade Complex

Luo Dianlong (羅殿龍), The Secretary of CPC Committee of Chongzuo City referred to the “Suifenhe—Pogranichny” Trade Complex near the Suifenhe land crossing set up by the Heilongjiang Provincial Government and the Russian Primorsky Krai Government. The Complex comprises a total site area of 4.53km², of which 1.53km² is within the Chinese border and 3km² within the Russian border. The construction of the Complex started in 2003 jointly by Shanghai Shimao Group (上海世貿集團) and Russia Seafront Information Analysis Company (俄羅斯濱海信息公司) at a total investment of RMB 3,300 million. The co-built Complex is a boundary-free passage at the Sino-Russia border with special economic policies and comprises functions of trade, tourism, exhibitions and logistics, etc.

China-Vietnam co-operation is a bit sluggish when compared with the Sino-Russia co-operation due to the following reasons — first, while there are huge numbers of cross-border co-operation zones, checkpoints and trade zones, there is yet no real transnational trade zone. Second, there is passing through of too many checkpoints: goods from the Puzhai Border Trade Zone in the city of Pingxiang in Guangxi (廣西憑祥市浦寨邊貿區) via the Tan Thanh checkpoint of Vietnam (越南新清口岸區) to reach Vietnam have to pass through four checkpoints, i.e. one second-level checkpoint (from inland to Puzhai) and one first-level checkpoint (export from Puzhai) in both China and Vietnam. In comparison, there are only two checkpoints for the “Suifenhe—Pogranichny” Trade Complex. Third, there is vicious competition between China and Vietnam: Tan Thanh of Vietnam offers tax reduction to attract businessmen from Puzhai to rent shops at Tan Thanh. This results in over-demand for shops in Tan

Thanh but high shop vacancies in Puzhai. Such kind of unhealthy competition could be eliminated if Puzhai-Tan Thanh is jointly developed by the Sino-Vietnamese governments. Fourth, resource advantages are not complementary: the resource advantages are just explored at primitive levels and are not complementary to each other. These kind of problems can be solved by drawing reference to the experiences of the “Suifenhe—Pogranichny” Trade Complex.

Luo Dianlong suggested Guangxi to set up transnational economic zones with Vietnam such as “Puzhai – Tan Thanh”(“浦寨—新清”) free trade zone, “Pingxiang Nonghuai – Vietnam Dong Dang” (“憑祥弄懷—越南同登”) free trade zone, “Pingxiang border economic co-operation zone – Vietnam Lang Son” (“憑祥邊境經濟合作區—越南諒山”) free trade zone or “Dongxing – Mong Cai” (“東興—芒街”) free trade zone. The Secretary of the CPC Committee of Pingxiang City Ban Zhongbo suggested the following preferential policies should be applied to the China-Vietnam transnational trade zones: (1) Preferential tax – activities in the trade zone should be exempted from import tax and value-added tax on imported links. Tax is to be levied only when goods leave the zone. (2) Free access of people, vehicles and goods – relaxation of control at first-level checkpoints so citizens of China, Vietnam and third-party countries can move freely in the trade zone. Vehicles and goods are allowed to move freely and currencies converted freely. (3) China, Vietnam and third-party countries can set up offices in the trade zone - there should be zero tax and export processing enterprises should enjoy “inside national border, outside customs territory” policy.

Preparation Made by First-Level Local Government

In March 2005, promoted by the Vietnam Chamber of Commerce and Industry (越南工商總會), the cities of Chongzuo and Pingxiang in Guangxi proposed to Lang Son Province of Vietnam for the set up of transnational processing trade zone and received encouraging response. In mid-April 2005, Chongzuo Municipal Government signed with Vietnam Lang Son Provincial People’s Committee the *China-Vietnam (Pingxiang – Lang Son) Transnational Processing Trade Zone Co-operation Letter of Intent* (《中越(憑祥—諒山) 跨國加工貿易區合作框架意向書》). Riding on the principle of “promoted by government, operated by enterprise, pioneered by trade, supported by industry and pulled by tourism”, it aims to establish the largest transnational processing trade zone at China-Vietnam border. That zone extends from the Nanshan goods examination centre (南山驗貨場) at the city of Pingxiang through the Youyiguan (友誼關) to Lang Son of Vietnam i.e. “city of Pingxiang in Guangxi — counties of

Gaolu and Wenming in Lang Son of Vietnam”(“中國廣西憑祥市—越南諒山高祿、文朗縣”). It comprises functions of trade, processing, warehousing and tourism and has implemented the policy of “inside national border, outside customs territory” in areas of supervision and processing trade. Good progress is noted in making transportation of goods more convenient.

Luo Dianlong opined that the experiences of Suifenhe in Heilongjiang and Ruili in Yunnan supported that the set up of China-Vietnam transnational processing trade zone would expand cross-border trade and increase Guangxi-Vietnam gross import-export trade volume. It would also benefit the development of processing trade, enlarge the share of industrial economy and raise the tax revenue of border cities. It would boost the economy of Pingxiang, increase the income of residents in the border, and more importantly benefit Guangxi in the participation of the construction of China-ASEAN Free Trade Area and China-Vietnam “Two Corridors and One Ring” as well as the economic co-operation of Pan Beibu Gulf⁴⁶.

Nanning Positioned as Regional International Logistics Base

In 2006, Guangxi officially defined the positioning of Beibu Gulf (Guangxi) Economic Zone to be developed as a regional logistics base, business and trading base, processing & manufacturing base as well as an information exchange centre. This is different from the original positioning. In 2005 when the Beibu Gulf (Guangxi) Economic Zone was first developed, it was aimed to be developed as a regional processing and manufacturing centre, logistics centre, business and trading centre, financial centre and cultural exchange centre⁴⁷. Now, the “five centres” are suppressed as “three bases and one centre” with logistics at the top. The priority will be on Nanning.

Different from Beihai, Qinzhou, Fangchenggang and other places, Nanning is the political, economic and cultural centre of Guangxi. It is also the passage to the ocean in the southwest, the hub of the three coastal harbours and the permanent venue for the China – ASEAN Expo. Besides, the economic volume is

⁴⁶ The above suggestions are quoted from Pang Geping, “Guangxi’s expeditious construction of the transnational trade zone would push forward the construction of free trade zone” (龐革平：“廣西加快跨國貿易區建設將推動自貿區建設”), Xinhuanet Guangxi Channel, 1 March 2007, http://www.gx.xinhuanet.com/newscenter/2007-03/01/content_9390813.htm .

⁴⁷ Feng Feiyong, Li Yinyan (馮飛勇、李銀雁): Same as the above quotation.

larger and tertiary industry accounts for 53% with service industry as the core industry. Though industries are comparatively less developed, Nanning is already the most intensive and advanced service industry centre in Guangxi. Logistics cannot be developed without the support of other associated service industries⁴⁸.

Guangxi has an advantageous location and is an important China-ASEAN sea and land passage as well as an important door, front and hub for full China-ASEAN co-operation. Professionals in Guangxi think Guangxi should face ASEAN and plan processing industries systematically and develop enterprises in processing trade that are export-oriented and target ASEAN markets. It should also take the advantage of its low labour cost to attract industries from all over the world and the transfer of industries from developed regions in the Mainland. On the import side, it should have a nationwide vision. Imports from ASEAN have to face Guangxi as well as other provinces to foster the development of Guangxi while serving the whole nation.

Transport is however most crucial. Associated facilities to Haikou (海口) are insufficient in Guangxi. There are good natural harbours, but insufficient links with the transport network of other provinces. For Mainland goods that ship westwards to Southeast Asia and Europe, the route from Guangxi should be the shortest. Nevertheless, if the internal operations system in Guangxi is not satisfactory, including inadequacy and inefficiency of land transport links with other provinces, enterprises would rather ship goods through Shanghai or Zhanjiang (湛江) instead. Guangxi and Nanning are actively building intra- and inter- provincial rail and road networks. The expressway from Nanning to Youyiguan (友誼關) border has been commissioned which takes only three hours single-way. Nanning, as the capital of the Autonomous Region, is the centre of the intra-provincial transport backbone. The Guangxi Government is applying for the construction of Nanning-Guangzhou express railway (a three-hour ride) and the Guiyang (貴陽)-Guangzhou express railway has already been approved by the Central Government. This rail passes through Guangxi and has stations at Guilin (桂林) and Gongcheng (恭城). The Luo-Zhan Railway (洛湛鐵路) under construction would also pass through Guangxi with Nanning as centre. Passengers and freight from other provinces can thus be absorbed⁴⁹.

⁴⁸ Yu Shanshan (虞珊珊) : same as the above quotation.

⁴⁹ Fang Huiling, Miao Lixin, "Logistics should be a perfect chain" (方慧玲、繆立新：“物流業應是一條完美的鏈”), Guangxi News Net, 19 January 2007, <http://news.gxnews.com.cn/staticpages/20070119/newgx45aff75a-932244.shtml>.

Geographically, Nanning falls at the intersection of the ASEAN, South and Southwest China Economic Circles. In the north are Guangxi's old industrial bases of Liuzhou (柳州) and Guilin; In the south are the new coastal industrial bases; on the east-west axis are the PRD and ASEAN. Nanning should become the transport hub of China – ASEAN and thus an international logistics base in the region.

From 2002 to 2005, the freight trade volume of Nanning rose from 32.82 million tonnes to 73.26 million tonnes at an annual growth rate of 30.1%. As of 2005, the contribution of logistics industry to economic growth reached 14.4%. Such a fast growth paves the foundation for Nanning to become a regional international logistics base.

Through the extension of its coastal port function, Guangxi plans to establish a port zone and a large bonded centre in Nanning. It is to be connected with the logistics, business and trading bases such as the logistics zones in Yulin (玉林) & Chongzuo (崇左) and the export processing zone in Beihai (北海) to materialize the joint development of coastal port and logistics zone⁵⁰.

Blueprint of Planning

According to officials of Guangxi Autonomous Region Commercial Affairs Department and Nanning Development and Reform Commission, the regional international logistics base would be near to the town of Nama at Liangqing district of Nanning (南寧市良慶區那馬鎮).

1. Functional Orientation

The logistics base would comprise seven functional zones namely bonded logistics, export-processing, business and trade logistics, general logistics, commercial affairs (general office), supporting facilities and park.

⁵⁰ Feng Feiyong, Li Yinyan (馮飛勇、李銀雁) : Same as the above quotation.

2. Development Strategy

(i) construction of comprehensive logistics zone and integrated services zone (ii) planning of bonded logistics centre, express customs clearance point and development of international logistics services (iii) development of commercial delivery making use of the zone's geographical advantages (iv) construction of research centre, information management centre and a platform for public services (v) formation and optimization of industry supply chains (vi) construction of good environment for development of modern logistics zone.

3. Preliminary Ideas on the Establishment of a Special Customs Supervision Area

The Special Customs Supervision Area includes the bonded zone, export processing zone, bonded logistics zone, bonded port zone, bonded logistics centre (type A & B)⁵¹, bonded warehouse and export supervision warehouse. According to survey results and the practicability of the situation in Guangxi, plans are underway to apply from China Customs and the State Council for the setting up of bonded logistics centre (type B) and export processing zone in Nanning with a view to making Nanning a large logistics, business and trading base connecting ports, airports and cross-border checkpoints. Moreover, application is being made for the setting up of bonded logistics centre (type B) in Fangchenggang to connect with the logistics zones in Yulin & Chongzuo and the

⁵¹ A bonded logistics centre (type A) is a mode of tax arrangement in customs clearance. It is an area based on a logistics company, to facilitate the internal logistics demand of international groups for bonded warehousing, simple processing and delivery. This model is currently under trial run in Minhang District (閔行區) of Shanghai. A bonded logistics centre (type A) is sub-divided into "a public logistics centre" and "a private logistics centre". "A public logistics centre" is a customs clearance area operated by a legal entity within China specialised in logistics warehousing who provides integrated bonded warehousing services to the public. "A private logistics centre" is a customs clearance area operated by a legal entity within China who provides bonded warehousing services to private enterprises..

A bonded logistics centre (type B) refers to spatial centralization of bonded logistics enterprises in one area which is of certain scale, provides integrated services, and links up domestic and overseas markets. In this area, a number of bonded logistics enterprises are found running bonded warehousing, delivery, intermediate transfer, simple processing and import-export trade. It is a closed customs clearance area. The Customs has closed regional and network management in a bonded logistics centre (type B) similar to the model in the export-processing zone. It operates 24-hour round-the-clock. The model is under trial run at the Suzhou Industrial Park Zone (蘇州工業園區).

export processing zone in Beihai to form a network of logistics, business and trading bases at the Beibu Gulf (Guangxi) Economic Zone. This realizes the objective of establishing Guangxi as a regional logistics, business and trading base of China – ASEAN as advocated by the Guangxi Government⁵².

Implications for Hong Kong

If Guangxi gets the support of the Central Government to become a transnational trade zone and a regional international logistics base, Guangxi would become comparatively independent in the Pan-PRD (Pearl River Delta) and its economic status would rise substantially. This would not only undermine Guangdong's locomotive role in the region but also marginalize Hong Kong further. The Beibu Gulf Economic Zone in Guangxi would have diversion effect and the development of local heavy industries would also exert competition pressure in the PRD.

The development strategy of the Beibu Gulf Rim Economic Zone is a typical model of creating competitive advantages and changing the unfavourable comparative advantages through making use of policy and investment factors. This fully complies with the requirements for global competition. On top of internal planning and investment, more importantly Guangxi has created a strategy which is relatively holistic. It is based on the country's benefits and integrates local development and benefits with the country's benefits. It can therefore easily gain the support of the Central Government in areas of strategy, policy and resources. The development of Beibu Gulf Rim (Guangxi) Economic Zone is affiliated to the Pan-Beibu Gulf Economic Co-operation. Nevertheless by adding international elements, it can be escalated to a national policy level and adds much room to Guangxi's local development strategies in the political, economic and social aspects.

Though may not follow suit Guangxi, Hong Kong should, under "one country, two systems", integrate local development strategies with the national strategy in a bid to harmonize with the country's strategies to win over more

⁵² Expressions on the planning blueprint of Nanning as a regional international logistics base, quoted from Wen Caiyun, "Nanning would construct a regional international logistics base, unveiling six development strategies" (南寧市區域性國際物流基地規劃藍圖的表述, 引自文彩雲: "南寧將建區域國際物流基地, 六大發展策略出爐"), Guangxi News Net, 10 January 2007, <http://news.gxnews.com.cn/staticpages/20070110/newgx45a42821-921814.shtml> .

resources and policy support. It can also lay a more macro vision and long-term mission on domestic development strategies.

To participate in Guangxi's Beibu Gulf Rim economic development and Pan-Beibu Gulf economic co-operation in the capacities of government agencies, enterprises and academic communities in various ways is a good plug in point. Various aspects of benefits would be generated.

2.4 Trends and Updates on Yunnan

2.4.1 Economic Performance of Yunnan

Between January and March 2007, Yunnan's economy enjoyed spectacular development. Industry saw breakthroughs, consumer market boomed, and foreign trade kept expanding. The GDP growth in the first quarter was 13.6%, a 4.4% increase than the same period of last year. The secondary industry was the fastest growing sector, 7.9% higher than the same period of last year. Industrial production grew rapidly, and the light and heavy industries experienced balanced development, with their value-added expanding by 17.1% and 26.5% respectively⁵³.

Boosted by the recently heated stock market, investment in Yunnan was red hot. Investment gains such as interest revenues and dividends shot up exponentially, driving the income of Yunnan's urban dwellers growing rapidly, and the average income rose by 17.9% compared with the same period of preceding year⁵⁴. The increase of income helped the growth of consumer markets, and the growth rates of the retail sales of Yunnan's urban and rural consumer markets picked up again, increasing by 16.2% and 14.2% respectively⁵⁵.

The growth rates of the investments in Yunnan's power industry and real estate in the first quarter fell by 41.1% and 20.9%, and this is one of the major causes that the growth rate of investment in fixed assets fell sharply, which was only 10.9%, 20% lower compared with the same period of preceding year.

Yunnan's performance in foreign trade was excellent, which saw the total volumes of import and export grow by 35.2%, an 12.9% increase than the same period of last year and nearly 12% higher than the national average. The largest volumes of imported and exported products were resource-oriented iron ore

⁵³ "Provincial national economy took on a promising trend in the first quarter", Yunnan Statistics and Information Net, 20 April 2007:

<http://www.stats.yn.gov.cn/ynstjjwz/4685150987348869120/20070420/120610.html>

⁵⁴ "Yunnan's urban residents income grew rapidly in the first quarter of this year", Xinhua Net Yunnan Channel, 15 April 2007: http://www.yn.xinhuanet.com/gov/2007-04/15/content_9791707.htm

⁵⁵ "Yunnan's consumer market displayed five main features in the first quarter", China Statistics and Information Net, 16 April 2007:

http://www.stats.gov.cn/was40/gitjj_detail.jsp?channelid=57792&record=43

and non-ferrous metal, 86.5% and 30.4% higher than the same period of last year respectively, followed by mechanical and electrical products⁵⁶.

Yunnan's economy faces a few hidden problems. Apart from energy conservation and energy supply, which are yet to be dealt with, spring drought may affect the steady growth of Yunnan's grain production. The sharply slowing down of investment expansion may also slow down the economic development in the long run.

Table 2-7: Yunnan's Major Economic Indicators, January to March, 2007

Items	Jan-Mar(RMB 100 million)	Year-on-Year Growth
GDP	827	13.6%
The Primary Industry	83	4.9%
The Secondary Industry	456	17.4%
The Tertiary Industry	333	11.1%
Total Retail Sales of Consumer Goods	303	15.3%
Foreign Trade (USD 100 million)	18.15	35.2%
Urban Disposal Income Per Capita (RMB)	3,156	18.9%

Note: Local statistics is preliminary, which may be subject to adjustment in the future, and may differ from the statistics published by the National Bureau of Statistics later.

Source: Yunnan Statistics and Information Net: <http://www.stats.yn.gov.cn>.

2.4.2 Updates of Yunnan – Yunnan Adjusts Maximum Retail Prices of Drugs

In compliance with the request of the National Development and Reform Commission, Yunnan lowered the maximum retail prices for 354 drugs⁵⁷ at the end of January 2007 and in mid-March adjusted the maximum retail prices of 278 Chinese drugs. This was the biggest adjustment of Chinese drug prices in terms of scale and coverage and the average price dropped by 15% with biggest rate at 81% equivalent to an reduced amount of RMB5,000 million. Such adjustment nevertheless does not receive positive response from Yunnan consumers and Kunming (昆明) Hospital said the effect is minimal. Chinese drug

⁵⁶ "Total value of the province's import and export exceeded 180 million USD in the first quarter", Yun Net, April 13th 2007: <http://yunnan.yunnan.cn/4453/2007/04/13/90@519234.htm>

⁵⁷ "Some are quick and some are slow in lowering drug prices in Kunming" ("藥品降價昆明行動有快慢"), *Chuncheng Wanbao*, 27 January 2007.

factories however are being heavily affected and some are facing “life and death” situation⁵⁸.

In Yunnan, it is not uncommon to see this phenomenon where consumers have no benefits while the interests of local producers are damaged. From 1996 to January 2007, the country had reduced the prices of drugs for 20 times. Such price reduction had evaded RMB 40 billion virtual values⁵⁹. 2,400 categories of drugs are included in the government price-controlled list which accounts for 20% of those circulated in market and 60%⁶⁰ of market sales. The National Development and Reform Commission has made the rectification of drug prices one of the nine pricing policies in 2006. In 2006, the reduced volume was over RMB 20 billion (according to the market sales volume before price reduction)⁶¹. Mainland residents yet do not benefit from reduction in price and high medical and drug costs still exist in the healthcare system⁶². Drug prices rise reversely. Mainland policy departments and academics attribute the problem to defects in the healthcare system. Professionals said local people do not benefit from lowered drug prices and the pharmaceutical industries lose profits over RMB100 billion and tax losses are RMB 40 billion.

The market reform on the healthcare system in the past 20 years is being criticized as unsuccessful. There are three unsatisfactory areas: people, government and hospital. The high drug price is one of the by-products of the healthcare system.

⁵⁸ “Lowering of Chinese drug prices by National Development and Reform Commission makes local drug factories face ‘life and death’ ” (“發改委發出中成藥降價令部分本土藥廠面臨‘生死大考’”), *Chuncheng Wanbao*, 16 March 2007.

⁵⁹ “New policies on drug prices and the 10-year suffering : problem tracing from drug price setting” (“藥價新政與十年之殤：從藥品定價源頭上找問題”), *Xinmin Weekly*, 1 March 2007, <http://www.sachina.edu.cn/Htmldata/news/2007/03/3424.html> .

⁶⁰ “Ineffectiveness of lowering drug prices for 17 times : National Development and Reform Commission explains the phenomenon of high medical fees” (“藥價降了 17 次收效不明顯，發改委解讀看病貴現象”), *Xinhuanet*, 31 October 2005, http://news3.xinhuanet.com/fortune/2005-10/31/content_3707704.htm .

⁶¹ “2006 nine pricing policies have promising results” (“2006 年推出九大價格政策措施取明顯成效”), *Xinhuanet*, 21 March 2007, http://news.xinhuanet.com/politics/2007-03/21/content_5876698.htm .

⁶² “Revision for *Measures for Drug Registration*” (“《藥品註冊管理方法》再修訂”), *21st Century Business Herald*, 2 May 2007.

Reform on China's Healthcare System and Drug Price

According to statistics of the Ministry of Health, from 1980 to 2005, residents' average expenses on out-patient and hospitalized services raised by 77 times and 116 times respectively while their disposable income for the same period increased only by 16 times⁶³. This unproportional rise in income and expenses creates the serious social problem of "difficult and expensive to get medical services." Education, medical and housing are "three new mountains" pressing on the people and become the focus of discussion at the 2007 National People's Congress and Political Consultation Conference.

The reform on China's healthcare system started in 1979 when the then Minister of Health Qian Xinzong (錢信忠) proposed to "use economic means to manage healthcare". The Ministry of Health applied "fixed subsidies, economic measurement as well as punishment and reward by results". In August 1984, the Ministry of Health drafted the *Report on Several Policies Concerning Healthcare Reform* and proposed to "reform, relax policies, delegate power, raise funds in various ways and expand development of the healthcare industry". Under this policy, reform on healthcare started in 1985⁶⁴.

Like other reforms, the Mainland government did not provide money when implementing the healthcare reforms. In September 1992, the State Council announced the *Opinions on the Deepening of Healthcare Reform* and the concept of "relying on the country for construction, relying on yourself for daily living" became the tide. Hospitals were requested to support and sustain themselves by other skills and side-products and the results were satisfactory.⁶⁵ Governments gave fixed subsidies to hospitals and doctors were requested to increase revenue by economic means. "Special surgery, care and ward" thus became prevalent.

Government had approved a mechanism under which hospitals could sustain themselves by profiting from drug sales. A 15% price upward adjustment was allowed in drug sales as subsidies to hospitals. During the time of planned

⁶³"Hospital maintenance fees rise 116 times in 25 years : Deputy Minister of Health explains the reasons for high medical fees" ("住院費 25 年增 116 倍 衛生部副部長解釋看病貴原因"), *The Beijing News*, 13 April 2007.

⁶⁴ Tao Jianqun, "20 years of medical reforms: : Where is the way?" (陶建群, "醫改 20 年 : 路在何方?"), *Chinese Times* (vol. 18 2005), reprinted on South China Net, 29 September 2005, <http://www.southcn.com/nflr/llzhuanti/ylgg/fxpl/200509290296.htm>.

⁶⁵ "25 years of healthcare reform in China" ("中國 25 年醫改路"), Phoenix Net, 29 November 2006, http://big5.phoenixtv.com:82/gate/big5/news.phoenixtv.com/special/lhyg/2/200611/1129_781_40617.shtml.

economy, the price of drugs was strictly controlled by the country and a 15% increase would not have much pressure on consumers. Nevertheless, in the 1980s to 1990s the control on price of drugs was relaxed to introduce market competition. Enterprises were allowed to fix the prices of original or imitated drugs rather than following the centrally-controlled levels. Hospitals were keen to choose high-priced drugs to increase revenue and the independence of enterprises in fixing drug prices was in line with hospitals' will. These resulted in "nominally high drug prices" and the peculiar phenomenon of "the more expensive the drug is, the higher the sales; the cheaper it is, the more likely it will disappear from the market".

Mainland professionals all claim that healthcare reform is difficult. The circulation system of pharmaceutical products is a crucial link. In 2003, expenses on drugs accounted for 52% of total expenses on healthcare, which was much higher than that in most other countries, i.e. 15% to 40%. Medical and pharmaceutical products are the prime interests of benefits different sectors are contesting on. The circulation mechanism is formed by manufacturing enterprises, distribution enterprises, hospitals and regulatory bodies and which together determine the cost and the ultimate sales price of drugs.

During planned economy, the sales price was determined by the production cost. Government might also subsidize certain drugs in consideration of their social benefits. When it is put under market mechanism to enhance competition and to increase creativity and cost-saving capabilities of enterprises, there are fundamental changes to the circulation mechanism of the drug trade (see the Figure below). Circulation costs in the wholesale aspect, promotion costs in the area of entry to hospitals and the management costs (including the stipulated and hidden costs) borne by regulatory bodies now all have to be reflected in the costing structure. The surge in costs deduced from the various links far exceeds the expected reduction in manufacturing cost. This leads to rigorous rise of drug prices.

Figure 2-2 ; Costing Structure and Circulation Mechanism of Drug Trade

We shall discuss in the following the increase in cost of drugs in respect of various areas - hospitals, circulation enterprises, manufacturers and government regulatory bodies.

Hospitals

In the Mainland, the combined medical and pharmaceutical system results in 80% of drugs to reach ultimate users (patients) through hospitals. The 15% price upward adjustment leads to a proportional price mark up. When faced with a relatively stable number of patients, hospitals would try to issue higher priced and larger amount of drugs to generate more economic benefits. Though government uses a procurement tendering system with a view to lowering the drug cost, nevertheless the use of drugs is professional and doctors can use their rights to prescribe or the excuse of bad drug effectiveness to avoid using low-priced drugs. Instead, they choose higher priced drugs, of similar effect, especially those from joint-venture or foreign enterprises. This leads to the peculiar phenomenon where “the tendered prices are becoming higher and higher, and the low-priced tendered drugs would disappear”.

New drugs have to go through various assessments before they can be used in hospitals including pharmaceutical, warehousing, doctors’ acceptance, cost evaluation, drug store control and assessment by the finance manager. All these involve high promotion fees and distributors have to mark up the price of drugs to recoup the promotion fees and the rebates involved. The high mark-up of drug prices is an open secret between hospitals and distributors⁶⁶.

⁶⁶“The secret of drug price” (“藥價之謎”), *Caijing Magazine*, 26 December 2005. As reported, the related promotion fees account for 30 to 40% of drug price.

Circulation Enterprises

Prior to the medical reform, the wholesale and sales activities were monopolized by state-owned enterprises. After the reform, wholesale enterprises have set up lower level units, mostly run by local people or privately-owned, to promote sales flexibly. After the entry of international pharmaceutical firms, circulation of drugs has become commercial as those manufacturers would manage local sales through branch offices in the Mainland. As drugs are knowledge-intensive and specialized and the effects on different people would vary, enterprises thus can make use of brands, dosages and names to differentiate similar products.

The connection between a hospital and a sales enterprise affects the result of tender award. In promoting new drugs, the relationships between low level enterprises and hospitals and doctors become very direct. Private and individual enterprises can keep track of the prescribed quantities of individual doctors through the computer system and arrange rebates to their personal accounts. Pharmaceutical firms can rebate hospitals in the form of sponsoring hospitals' projects and this can be up to millions of dollars⁶⁷. To conclude, most economic benefits are seized by circulation enterprises, hospitals and doctors rather than by the public as there is lack of government control and intervention. This is against the original intention of improving efficiency through economic incentives under a new healthcare system.

Manufacturing Enterprises and Government Regulatory Bodies

The Central Government has approved the State Food and Drug Administration to manage and supervise the quality and price of drugs.

Drugs are divided into “government-priced drugs” and “individually-priced and originally-manufactured drugs”. The former is mainly “imitated drug” and the latter is “individually-priced imitated” or “originally-manufactured” drug by enterprise. State-owned pharmaceutical firms usually produce imitated drugs while foreign-owned or joint-venture factories can make use of their patents and other advantages to apply for “individually-pricing right” or “originally-

⁶⁷ “Where are the over one thousand kinds of reduced price drugs?” (“千餘種降價藥哪兒去了?”), South China Net, 20 January 2005, <http://www.southcn.com/nflr/11zhuanti/y1gg/ygzl/200509140379.htm>.

manufacturing” accreditation and escape from the government’s price control. Those enlisted under the government price control mechanism are mostly state-owned pharmaceutical firms. They are small in scale and financially not sound enough to pay to hospitals the high promotion fees. This is further impacted by the fact that the government lowers the drug prices often. When drug prices drop, they have to promote the drugs to the next lower level market. Products of state-owned factories thus are forced to pull out from ministry-level hospitals in first-level cities to second- or third-level municipal hospitals. At the end, they could only serve county- or village-level hospitals and low-end retail level not covered by foreign enterprises.

In fact, “individually-priced imitated drugs” and “government-priced drugs” are similar in nature. The State Food and Drug Administration (SFDA) is in-charge of the approval and regulation of drugs and has supreme power. There is a gap in the regulatory role and bribery is serious.

The drug management system in China is similar to that performed by the US Food and Drug Administration (USFDA), yet there are many loopholes. In the approval of new drugs, imitated drugs that come to the market the first time are also regarded as new drugs. No clinical tests are needed if new remarks are added for drugs already enlisted in the pharmacopoeia and the approval time ranges from 12 to 18 months. The application for new usage and dosage of a particular drug takes three years from clinical test application to final approval. Yet in the US, the approval for a new drug can take six to eight years and the approval procedure is strict.

There are nearly 6,000 pharmaceutical enterprises in China whereas in the US there are only hundreds. Mainland enterprises compete to register new drugs in a bid to get the individual pricing right. In 2004, SFDA received 10,009 applications for new drugs whereas for the same period the USFDA received only 148 applications.

It is reported an enterprise would require millions of public relations fees from application to approval of individual pricing right for a new drug. In the process of registration, traders would add some useless ingredients in the imitated drugs to apply for new names and brands. Or they would change the product specification, e.g. the dosage of the same product (i.e. 500mg, 1g, 2g etc.). Most of the applications can “easily” obtain approvals from the SFDA. The Commissioner of SFDA, Head of Department of Medical Device and Head of

Department of Drug Registration were all criminally prosecuted or detained in 2005 to 2006⁶⁸. This showed that there are many issues and cases of bribery and negligence of duties during the approval and regulatory processes.

On 20 April 2007, a seminar was hosted by the SFDA to solicit opinions in revising the *Measures for Drug Registration*. The new *Measures* were planned for implementation in the first half of 2007⁶⁹.

All the above has led to high drug prices in the Mainland. Statistics of Ministry of Health showed that the per capita drug fee for out-patients at hospitals rose from RMB 25.6 in 1995 to RMB 66.0 in 2005, accounted for over half of the overall out-patient medical fees. Medical services still are financially sustained by drug fees and the phenomenon is serious (refer to the Table below).

Table2-8 : Per Capita Medical Fee of Out-patient at Comprehensive Hospital

Year	Per Capita Medical Fee (RMB)	Among Which :		Share of Medical Fee (%)	
		Drug Fee	Check and Treatment Fee	Drug Fee	Check and Treatment Fee
1995	39.9	25.6	9.1	64.2%	22.8%
2000	85.8	50.3	16.8	58.6%	19.6%
2004	118.0	62.0	35.1	52.5%	29.7%
2005	126.9	66.0	37.8	52.0%	29.8%

Remark : In 2000, treatment fee was not included in the Check and Treatment Fee

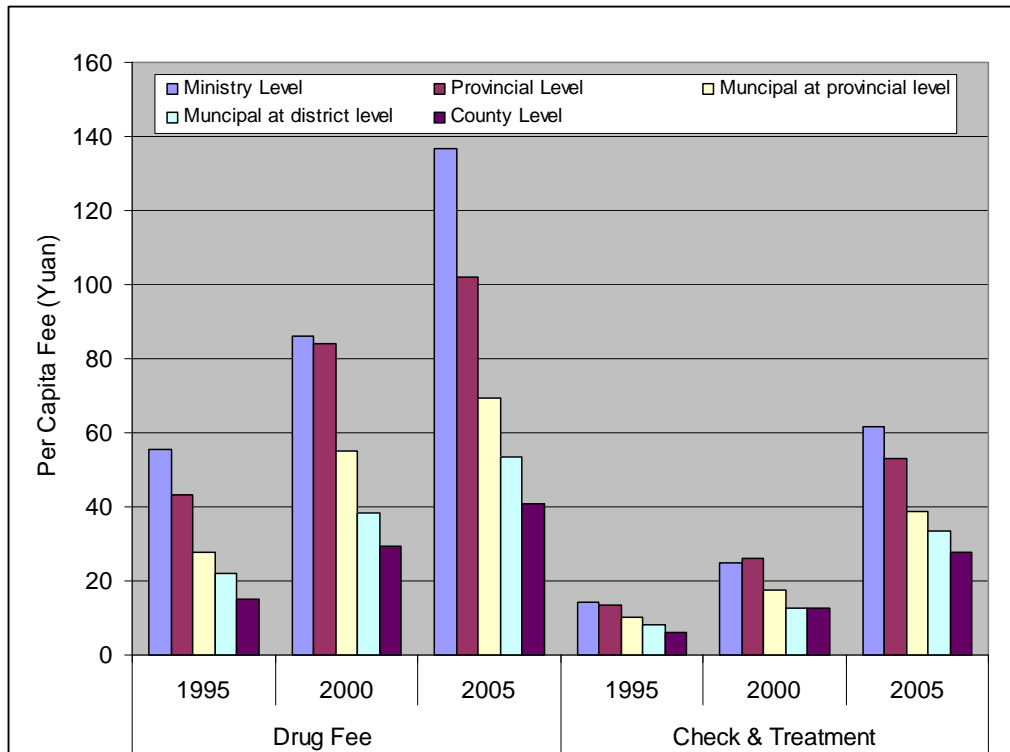
Source: Website of China Ministry of Health

A very interesting phenomenon is observed when looking into the fees of different levels of hospitals in details (see the Figure below).

⁶⁸ “Storm on drug supervision expedites reform on examination and approval and the six examination and approval rights are controversial” (“藥監風暴加速行政審批改革 六大審批權存爭議”), Phoenix Net, 29 January 2007, http://news.phoenixtv.com/mainland/200701/0129_17_69278.shtml.

⁶⁹ “Revision for *Measures for Drug Registration*” (“《藥品註冊管理方法》再修訂”), *21st Century Business Herald*, 2 May 2007.

Figure 2-3 : Per Capita Drug Fee and Check & Treatment Fee of Out-patient at Various Level of Hospital



Remark : In 2000, treatment fee was not included in the Check and Treatment Fee
 Source: Website of China Ministry of Health

Ministry-level hospitals are supported by the State in areas of facilities, scale of operations and professional staff and they are located at first-level cities. They exceed county-level hospitals in terms of means of treatment and skill levels and should charge higher check and treatment fees.

In 2005, the per capita check and treatment fees charged by ministry- and county-level hospitals were RMB 61.8 and RMB 27.9 respectively. The difference was RMB 33.9 or 122%. The per capita drug fees charged on out-patients were RMB 136.7 and RMB 41 respectively. The difference was RMB 95.7 or 233%. If drugs sales are standardized, the difference in drug fees should be small and the difference should at least be smaller than that for treatment fees. On the contrary, there was a structural and stepwise decreasing trend for drug fees corresponding to the descending levels of hospitals. It proved that “products of state-owned factories are compelled by high-priced products of foreign and joint-venture enterprises out of the urban drug market”.

The Development Trend of Healthcare System and Pharmaceutical Reform in China

China's healthcare reform that started in the 1980s taking reference of the US marketization model has resulted in the soaring of drug fees and widespread grievances from the public. The healthcare system is becoming very brittle and at the verge of collapse. The original social healthcare system loses its original function as a result of the marketization. The healthcare departments of China were being heavily criticized in their handling of SARS in 2003 and subsequently the bird-flu.

The Government led by Hu Jintao and Wen Jiabao was determined to revamp the healthcare system. In July 2005, the *Research Report on China's Healthcare Reform* conducted by the Development Research Centre of the State Council was endorsed. The conclusion that "the healthcare reform was unsuccessful" was publicly announced. In October 2006, at the 35th Group Study of the Politburo, Hu Jintao emphasized the social benefits of public healthcare and the unshirkable responsibility of raising the health status of the people. This signalled the denial of the marketization of healthcare system in the past twenty years and the return to its social welfare aspects. Hu Jintao also proposed to construct a national basic drug management system with a view to rebuilding the drug production and circulation orders, lowering the nominal drug prices and guaranteeing public use of basic drugs. Wen Jiabao stressed in the Government Working Report 2007 "to speed up the reform and development on healthcare, to focus on developing a basic healthcare system for urban and rural residents, and to formulate and deepen healthcare reform policies."

Recently, Mainland professionals have proposed many suggestions on reform of the drug trade and "the separation of prescribing from dispensing" is one of the mainstreams. The Ministry of Health is in the process of formulating healthcare reform policies. According to Gaoqiang, the Minister of Health (衛生部部長高強), the manufacturing and circulation of drugs would have to embody social benefits and not simply adjusted by market⁷⁰.

⁷⁰"The new healthcare reform highlights social benefits and government responsibility" ("新醫改凸顯公益性質與政府責任"), *Guangming Daily*, 16 January 2007.

Implications for and Impact on Hong Kong from Reforms in Mainland's Healthcare and Pharmaceutical Industry

The living conditions in the Mainland and the PRD are gradually improving. Though many Hong Kong people have properties in the PRD, those who choose to reside there are mostly due to reasons of work or family union. Only a few retirees would permanently reside there because of the expensive and unfair healthcare system. Retirees are inclined to stay in Hong Kong to enjoy the comprehensive medical services. They might lose all their savings for the treatment of one to two illnesses under the “high fee, large prescription, large check-up”⁷¹ medical system in the Mainland.

Reforms on the healthcare system are underway and the Mainland Government may request local enterprises to shoulder the medical insurance fees for staff further, including the healthcare insurance for workers from foreign provinces (“migrant workers”). This would raise the labour costs for Hong Kong enterprises in the PRD that are labour-intensive and affect the price competitiveness. The Central Government may also request local governments to provide healthcare welfare to migrant workers similar to local people. It is still unknown whether it would increase the financial expenses of local government. If so, local government may change their attitude towards migrant workers. Migrant workers can choose other local jobs other than those in foreign-owned factories and supply of workers to foreign-owned factories is thus diluted. Hong Kong enterprises may have to face the problem of labour shortage further. Faced with rising labour costs, more employment opportunities as well as wages and welfare for migrant workers, Hong Kong enterprises cannot expect wages to be maintained at current levels. Neither can they rely on the government to suppress wages. Rather they should increase investment and raise industry level and efficiency to add values and offset the pressure on wage rise.

The healthcare reform in the late 20th century based on the US model proved to be unsuccessful. The healthcare system embodies huge external social benefits which cannot be catered purely by a capitalist market mode. Hence, the step up of economic benefits of the healthcare system may not automatically increase overall social benefits but may turn out the opposite. The “social benefits aspect of public healthcare” stressed by Hu Jintao should be the leading philosophy in the reform on healthcare in future.

⁷¹ “High fee, large prescription and large check-up” refers to the typical high medical fees, prescription of large number of drugs and large number of unnecessary check-ups.

2.5 Trends and Updates on Guizhou

2.5.1 Economic Performance of Guizhou

Between January and March 2007, Guizhou's economy grew steadily, and fared well in industrial production and foreign trade.

The total value of production of the industrial enterprises above the designated size increased by 19.1%, higher than the national average and 2.1% higher than the same period of last year. Heavy industry saw faster growth, reaching 21.4% and 7% higher than the light industry. The industrial growth was largely driven by the five major sectors, namely power industry, non-ferrous metallurgy, beverage industry, tobacco industry, and the chemical industry, all of which contributed 80.8%⁷².

Guizhou's foreign trade in import and export also grew rapidly, 23.2% higher than the same period of preceding year. The import and export of state-owned enterprises and private enterprises increased by 19.6% and 8.6%, offsetting the impact of the dwindling foreign trade volumes of foreign enterprises and collective enterprises. General trade also saw rapid growth, reaching 29.3% and 23% higher than the processing trade⁷³.

Guizhou's government revenue and expenditure increased steadily, and the latter expanded more quickly and reached 272 million RMB, an increase of 31% and 10% higher than the growth of revenue. Among the rapidly expansive expenditure items were urban and rural community affairs, public security, healthcare, social security, and employment and education, all of which belong to public service sector, growing by 46.5%, 43%, 38.6%, 34.4% and 29.6% respectively. To some extent, this shows that the Guizhou provincial government

⁷² "Guizhou: the value-added of the industrial enterprises above designated size reached RMB 1.80 million in the first quarter", Chinese Radio Network, 24 April 2007: http://www.cnr.cn/guizhou/xw/gzxw/200704/t20070424_504450399.html

⁷³ "Guizhou's import and export grew rapidly in the first quarter of this year", Xinhua Net Guizhou Channel, 16 April 2007: http://www.gz.xinhuanet.com/xwpc/2007-04/16/content_9798901.htm

is putting more emphasis on people's livelihood, especially on the "Three Agricultural Issues"⁷⁴.

Table 2-9: Guizhou's Major Economic Indicators, January to March, 2007

Items	Jan-Mar(RMB 100 million)	Year-on-Year Growth
Urban Investment in Fixed Assets	192	16.7%
Foreign Trade (USD 100 million)	4	23.2%
Government Revenue	67	20.9%

Note: Local statistics is preliminary, which may be subject to adjustment in the future, and may differ from the statistics published by the National Bureau of Statistics later.

Sources:

1. Website of the National Bureau of Statistics: <http://www.stats.gov.cn>.
2. Xinhua Net Guizhou Channel: <http://www.gz.xinhuanet.com>.

2.5.2 Updates of Guizhou — The Transformation of Guizhou's Poverty Alleviation Policies and Local Development

In the past 20 to 30 years, the economic development in China has achieved impressive results. Yet in 2005, there were 23.65 million people in the countryside still living in hunger. According to the standard of the United Nations, per capita daily consumption is USD 1. China has at least 200 million people living in poverty, which ranks second in the world⁷⁵ and is still a big poverty-stricken nation. Guizhou is one of the provinces having the biggest share of poor people and most serious poverty problems.

Status and Formation of Poverty in Guizhou

Guizhou is very under-developed when comparing with regions within or outside China. In 1985, before large-scale poverty alleviation work started,

⁷⁴ "Guizhou's government revenue grew steadily in the first quarter and the government put more emphasis on ordinary people's livelihood", Xinhua Net Guizhou Channel, 16 April 2007: http://www.gz.xinhuanet.com/xwpd/2007-04/13/content_9778185.htm.

⁷⁵ "200 million people with per capita daily consumption less than USD 1 : the number of poor people in our nation is just less than that of India and the 'blood selling mode' of poverty alleviation makes us worried" ("2 億人每天人均消費不足 1 美元，我國貧困人口總數僅次於印度，'賣血式' 脫貧讓人擔憂"), *Sanqin Daily*, 16 May 2006, p.A12. If purchasing power parity is used, and not official exchange rate, the situation is different. 2005 International Monetary Fund's result on purchasing power parity showed China's GDP in equivalent USD was 4.46 times of that based on official exchange rate.

there were 15 million poor people in Guizhou. After 20 years, the number of poor people dropped to 2.55 million in 2006, yet still accounted for 12% of the national total. There had not been any fundamental changes on the low economic development level. In 2005, the per capita GDP of Guizhou ranked behind the provinces of Gansu (甘肅) and Xizang (西藏) and was the last nationwide. With regard to the urban and rural income levels, Guizhou also ranked among the lowest. Of the 89 county-level districts in the Province, 50 were prioritised as key poor regions to be alleviated, ranked second together with Shanxi (陝西) just after Yunnan (雲南). The United Nations' *Report of Human Development 2005* described - the human development index of Guizhou only exceeded that of Namibia (納米比亞) in south-west Africa⁷⁶.

Table 2-10 : 2005 Per Capita GDP of Guizhou and Some Provinces

Region		Rank	Per Capita GDP (RMB/person)	Compared with the National Average
Whole Country		-	14,040	-
Eastern	Shanghai	1	51,474	367%
	Guangdong	5	24,435	174%
Central	Hubei	16	11,431	81%
	Henan	17	10,426	74%
Western	Xizang	25	9,114	65%
	Gansu	30	7,477	53%
	Guizhou	31	5,052	36%

Source : *China Statistical Yearbook 2006*

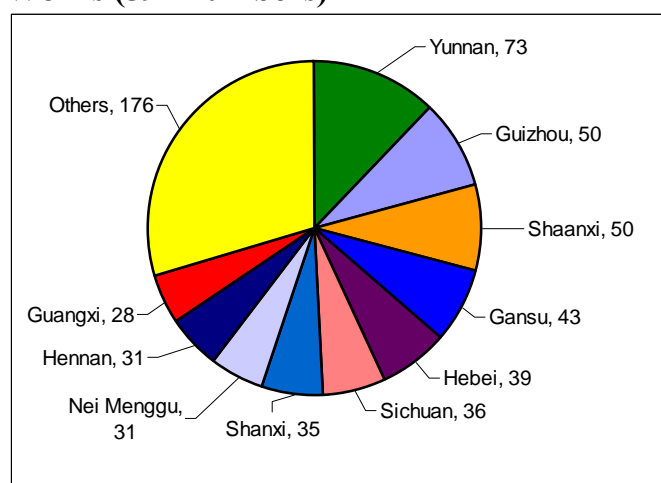
Table 2-11 : 2005 Urban and Rural Income in Guizhou and Some Provinces

		Annual Average Per Capita Disposable Income of Urban Household			Per Capita Net Income of Rural Household		
		Rank	Income (RMB)	Compared with the National Average	Rank	Income (RMB)	Compared with the National Average
Whole Country		-	10,493	-	-	3,255	-
Eastern	Shanghai	1	18,645	178%	1	8,248	253%
	Guangdong	4	14,770	141%	6	4,690	144%
Central	Hubei	18	8,786	84%	15	3,099	95%
	Henan	20	8,668	83%	21	2,871	88%
Western	Xizang	11	9,431	90%	27	2,078	64%
	Gansu	29	8,087	77%	31	1,980	61%
	Guizhou	26	8,151	78%	30	1,877	58%

Source : *China Statistical Yearbook 2006*

⁷⁶ In the United Nations Development Programme, *Report of Human Development 2005* (聯合國的開發計劃署 : 《2005 年人類發展報告》), p.59.

Figure 2-4 : Distribution of Key Counties for Poverty Alleviation Works (592 numbers)



Source : Website of the State Council Leading Group Office of Poverty Alleviation & Development (國務院扶貧辦)

There are many factors that attribute to Guizhou’s poverty : natural geographical barriers caused by the mountainous landscape; ruin of geology and ecology due to water and soil drain and stone desertification caused by over exploitation; insufficient transportation and infrastructure that obstructs the flow of people and trade which in turn hinders economic development.

The lack of resources limits the provision of medical services and education and social cultures are under-developed. The labour force is of low quality and does not have the ability to self-develop and the knowledge, skills and abilities to grasp economic opportunities or handle disasters. There are not enough healthcare support services and the poor villagers cannot afford the high medical fees and many are impoverished due to illnesses.

The Significance of Poverty Alleviation in Guizhou

Different levels of governments have been taking the poverty in Guizhou seriously and alleviation works have been implemented over the years. Such measures have far-reaching economic, social and political significance. Firstly, the principle of “common prosperity of all people” is put into effect. The poverty alleviation in Guizhou is a reflection of social righteousness and fairness

as well as government responsibility in line with the traditional core values of “the rich and the poor are equal”, i.e. social righteousness and fairness as stressed in Government’s Working Report in March 2007.

Secondly, the carry out of poverty alleviation works benefits social stability. Regional disparity would intensify social conflicts and induce instability. Poverty alleviation of under-developed regions helps build a harmonious society and reduce the obstacles for reform and economic development.

Thirdly, poverty alleviation can enhance the self-development dynamics of Guizhou and pave way for its leap over development. This enables Guizhou to become one of the generators for development in future and not as a hindrance.

The Model and Transformation of Guizhou’s Poverty Alleviation Policies

1. “Blood Transfusion Type” Poverty Alleviation through Financial Subsidies

Before the early 1980s, China had no systematic or organized policies on poverty alleviation. The country purely gave relief materials to help poor regions, including provision of materials such as clothes and financial subsidies. Materials and funds were “transfused” to sustain people’s basic needs e.g. in 1980, the Central Government offered fixed subsidies to eight provinces/regions including Guizhou and appropriated RMB 89 million to assist regions of ethnic minorities in Guizhou⁷⁷.

Yet this kind of “transfusion” aroused controversies. Firstly, it could not alter the under-developed status of poor regions. Government’s subsidies could raise temporary consumption but could not create development dynamics. Moreover, under planned economy, the western regions like Guizhou were exporting raw materials to the eastern regions at low prices and buying back high value-added products from the eastern regions. In reality, it was the eastern regions that were “sucking blood” from the western regions through sheared prices.

⁷⁷ “Chronology of Major Ethnic Works (1980) (“民族工作大事記 (1980 年) ”), Xinhuanet, 6 December 2005, http://big5.xinhuanet.com/gate/big5/news.xinhuanet.com/ziliao/2005-12/06/content_3884335.htm.

Unless prices of raw materials were raised, it could not be regarded as a “transfusion”.

2. “Blood Production Type” Poverty Alleviation through Development

In the late 1980s, the policy of poverty alleviation through development was implemented in poor regions. The ability to self-develop was nurtured i.e. a productive type of poverty alleviation mechanism. China started poverty alleviation works in 1986 and set up the State Council Leading Group of Poverty Alleviation and Development under which an Office was set up to coordinate and launch large-scale poverty alleviation and development works. Systematic and organized poverty alleviation works in Guizhou started at this time and the focus changed from direct subsidies in the past to integrated regional economic development led by government.

Leading Groups and Offices of poverty alleviation and development were set up in poor counties in Guizhou and poverty alleviation stations were established in poor townships. The government also improved rural transport infrastructure and built roads within the province to improve access. Many were alleyways to the villages to let peasants sell surplus products to other areas to foster economic development and increase peasants’ income. Tourism was developed from the rich resources to allow local people and small services enterprises to reap benefits from development in tourism⁷⁸.

Between 1994 and 2000 was the period for the “National Assault on Poverty Plan”. It was an important period for poverty alleviation in Guizhou and the Central Government injected RMB 9.44 billion during that period, which was three times the amount from 1986 to 1993⁷⁹, to alleviate poverty. The poverty alleviation projects that were carried out in the late 1980s were continued. Projects on exploitation of drinking water and irrigation works were implemented instead of providing subsidies. It was coupled with comprehensive input of technology and capital to increase food production. Besides, schools were built and small loans were granted to help peasants develop husbandry and cultivation. The most distinguished part was the coordination among eastern and western regions in

⁷⁸ “Economic volume far below Yunnan, yet Guizhou’s ‘poverty alleviation’ ranks top three” (“經濟總量遠不及雲南，貴州‘減貧率’列前三名”), *Lianhe Zaobao*, 29 January 2007, p.16.

⁷⁹ “Guizhou’s present poverty alleviation and development still rigorous” (“貴州省當前扶貧開發形勢依然嚴峻”), Sannong Data Net, 22 July 2003, <http://www.sannong.gov.cn/was40/detail?record=12&channelid=45528&presearchword=>.

poverty alleviation. The forces from Party organizations, government departments, enterprises and different social sectors in the eastern provinces and cities were pulled to complement Guizhou's sparse human and capital resources.

In 1996, Dalian (大連), Qingdao (青島), Ningbo (寧波) and Shenzhen (深圳) were designated to help Guizhou. The four cities donated funds and injected resources to alleviate poverty in areas of science and education, knowledge, healthcare and exploitation of internal and external markets. The competitive advantages of the eastern regions and Guizhou were combined to develop economic and social co-operation covering areas of industry, agriculture, culture and healthcare. Results were promising.

During this period, the export of personnel and labour was actively promoted. The eastern cities provided employment training subsidies to Guizhou and relied on the training organizations in Guizhou to improve the competitiveness of peasants. Up to 2006, Guizhou has exported over 150,000 people⁸⁰ to the four cities. If other outflow workers were counted, 370,000 people have moved to Shenzhen alone and earned more than RMB 10 billion⁸¹. Such export of labour not only helps increase income of Guizhou people, but also relieves the pressure of increasing population on rural land use. This provides conditions for the systematic operations of farmland.

3. New Era of Poverty Alleviation (From 2001)

In May 2001, the *Guidelines for Poverty Alleviation and Development in the Countryside (2001-2010)* was promulgated which marked a new era on poverty alleviation. There was participation of social forces and aspects of economy, society and population ecology were all looked after. More focus was put on resource integration, use of technology and preservation of ecology. Local circumstances were taken into account and the modes of “transfusion” and “production” were complementary to each other.

From 2001, Guizhou used money to relocate peasants living under really bad and unproductive environment. This helped preserve ecologically brittle

⁸⁰ “The assistance of Dalian, Qingdao, Shenzhen, Ningbo to Guizhou has promising results” (“大連青島深圳寧波對口幫扶貴州力度大成效顯著”), *Economic Daily*, 9 November 2006, p.9.

⁸¹ “370,000 Guizhou peasant workers with accumulated income of over 10 billion” (“37萬貴州籍勞務工，累計勞務收入超百億”), *Nanfang Daily*, 2 November 2006, p.C03.

areas and provide poor peasants with accommodation and opportunities for earning more income.

The “hundred townships and thousand villages” poverty alleviation project in Guizhou was the focus in 2004. Guizhou implemented biased policies for 100 poverty-stricken category-1 townships / towns with an aim to improving conditions of the whole village. The indigent situation was improved through departmental coordination, centralization of capital and forces and participation of poor peasants. The projects included improving peasants’ living standards, reconstruction of marsh gas pools and power network that helped preserve environment, as well as farming of technology-integrated mixed corns. By 2006, 3,442 poverty-stricken villages had launched such scheme and the per capita income of the peasants in such category-1 townships / towns reached RMB1,008, which was 29% higher compared with 2001⁸². The preliminary results were satisfactory.

In recently years, Guizhou has tried to foster agricultural industrialization to alleviate poverty. The government injected capital and arranged technological training. With poor peasants as base, technology support facilities and processing enterprises were made use of to develop the processing of agricultural by-products. This has become the backbone industry to help peasants and production bases for agricultural commercial products were formed. The development of bio-energy was another trial of the Guizhou Provincial Government. Guizhou made use of its rich resources of barbadonuts to develop bio-diesel and has some achievements in the research of industrialized production technology⁸³. Industrialization of barbadonut bio-diesel is one of Guizhou’s poverty alleviation policies which bring capital, new poverty alleviation mode, advanced ideas and management system to the Province.

Conclusion on Guizhou’s Existing Poverty Alleviation Works

The poverty alleviation works in Guizhou have positive impact on the development of poor regions. The successful experience of Bijie (畢節) was a good example. In the 1980s, Bijie was in a vicious circle of “expanding population – shortage of food – damage of ecology”. Stone desertification was

⁸²“The implementation of ‘hundred townships and thousand villages’ project:Guizhou’s poverty alleviation and development has promising results” (“實施‘百鄉千村’工程，貴州扶貧開發工作成效顯著”), *Economic Daily*, 11 April 2007, p.9.

⁸³ Details can be found in the 11th Consultancy Report (April 2006).

serious, agricultural land was scattered and land was drained. The United Nations confirmed it as a place not suitable for human inhabitation. In 1998, proposed by Hu Jintao, the then Secretary of CPC Committee of Guizhou Province, and approved by the State Council, a “poverty alleviation and development as well as ecological construction trial zone” was set up in Bijie of Guizhou. Through afforestation of farmland, resuming planting of vegetation on hillside, soil solidification and raising food production, the principle of “reduction in land without reduction in production” was realised. More importantly, the farming and cultivation structure was adjusted in some townships and towns to form a “resource recycling chain” in which man and nature were in harmony. Although Bijie is still one of the poorest regions in China, it has started the way for sustainable development and become one of the regions in Guizhou with fastest development⁸⁴.

Table 2-12 : Economic, Social and Ecological Index of Bijie in 1988 and 2005

Index	1988	2005
Regional GDP (RMB 100 M)	23	232
Poor Population (10K)	312.2	59.8
Population Natural Growth Rate	19.9%	8.6%
Per Capita Net Income of Peasant(RMB)	226	1876
Financial Income (RMB 100M)	3	35

Source : “From ‘a lot of cultivation and little harvest’ to ‘little cultivation and a lot of harvest’ – report on Bijie’s ‘poverty alleviation and development as well as ecological construction trial zone’ ” (“從廣種薄收到少種多收——來自貴州畢節‘開發扶貧、生態建設’試驗區的報告”), Website of the State Council Leading Group Office of Poverty Alleviation & Development, 5 September 2006, http://www.cpad.gov.cn/data/2006/0905/article_2822.htm.

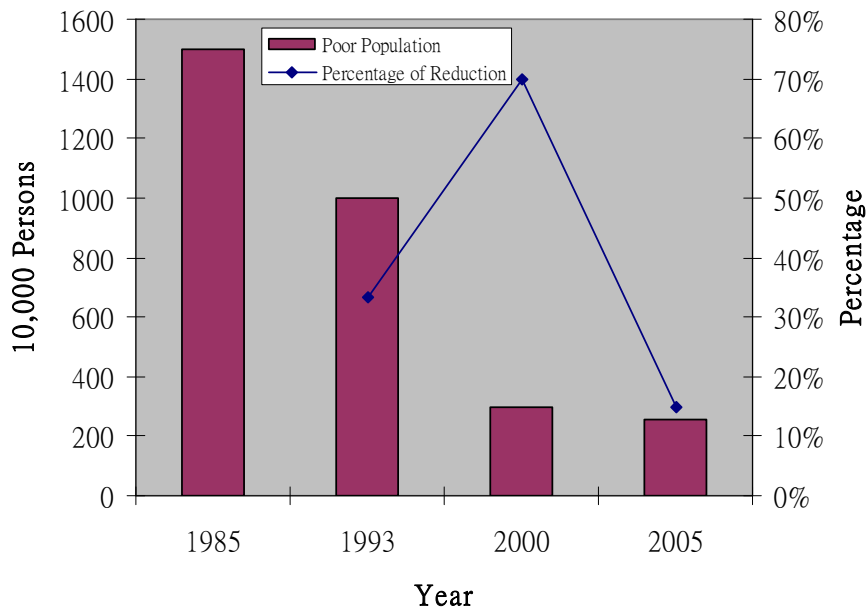
In some Guizhou regions, the unchecked exploitation on poverty alleviation has adverse effects on the local environment and people. This becomes “blood selling type” poverty relief and reduces the effectiveness of poverty relief works. For example when exploitation of the western regions was advocated in 2000, Guizhou started large-scale industrialization to support “west-to-east electricity transmission”. The process only brought additional financial income to

⁸⁴ “From ‘a lot of cultivation and little harvest’ to ‘little cultivation and a lot of harvest’ – report on Bijie’s ‘poverty alleviation and development as well as ecological construction trial zone’ ” (“從廣種薄收到少種多收——來自貴州畢節‘開發扶貧、生態建設’試驗區的報告”), Website of the State Council Leading Group Office of Poverty Alleviation & Development, 5 September 2006, http://www.cpad.gov.cn/data/2006/0905/article_2822.htm.

the local government but no improvement in local employment. There was also damage to the ecology causing “ecological poverty”.

In recent years, the pace of poverty alleviation in Guizhou has slowed down (see the Figure below). On one hand, after the pro-active stage, those left are in remote mountainous areas and regions with widespread endemic diseases. Their conditions are extremely poor and poverty alleviation is far more difficult and a lot more resources and time have to be allocated. On the other, those who have been lifted out of poverty would sometimes become poor again so resources have to be spent to consolidate the results. It is not possible to completely alleviate poverty in Guizhou in the short-run. Guizhou still cannot be as developed as those regions in the eastern part for a long period of time in future⁸⁵.

Figure 2-4 : Drop of Number of Poor People in Guizhou



Source : “Guizhou’s present poverty alleviation and development still rigorous” (“貴州省當前扶貧開發形勢依然嚴峻”), Sannong Data Net, 22 July 2003, <http://www.sannong.gov.cn/was40/detail?record=12&channelid=45528&presearchword=>.

⁸⁵“200 million people with per capita daily consumption less than US\$1 : the number of poor people in our nation is just less than that of India and the ‘blood selling mode’ of poverty alleviation makes us worried” (“2 億人每天人均消費不足 1 美元，我國貧困人口總數僅次於印度，‘賣血式’ 脫貧讓人擔憂”), *Sanqin Daily*, 16 May 2006, p.A12.

Guizhou's poverty alleviation policies basically fall within the area of the "three agricultural issues". Most of the poor population is in the countryside or belongs to ethnic minorities. Guizhou Government has pursued the policy of "resource recycling chain" in some of the areas⁸⁶ to preserve and make use of the local ecological conditions, yet the policy of industrialization basically belongs to the scope of agricultural industrialization. Focus is on scale economies and product commercialization. Guizhou is just a remote mountainous province with poor comparative advantages and the commercialized products can hardly compete in the market. Input of resources would be wasted and would create a vicious circle of brain drain and damages to ecology (especially the pollution caused by agricultural industrialization, that is the pollution arising from agriculture as mentioned in the Central Government's "No. 1 Documents" of 2006 and 2007). Poverty-stricken villages in stone-desertified areas are a kind of market failure, a conclusion agreed internationally.

Hence, OECD and the European Union (EU) have abandoned the market measures on agricultural commercial products and launched an integrated development strategy in poor regions⁸⁷ not restricted to agriculture. This is in line with the idea of "exploration of multi functions of agriculture" as stated in the Central's Government "No. 1 Document" of 2007 i.e. to expand rural economy from agriculture to other aspects and to expand rural development from activities confined to the countryside to urban-rural relations as well as cities. The various activities include: rural tourism, processing of agricultural products (especially unique products like fruits, vegetables, dairy products, meat, honey, jam, wine, vinegar and seasonings, noodles and other staple food), handicrafts (potteries, clay, wood and bamboo, metal as well as paintings) and the restoration of ecology, scenery and cultural relics subsidized by government. These projects do not require huge investment and can be easily commissioned at low risk. These can be easily carried out in poor regions as local historical, cultural, social and natural resources can be deployed, which is at low risk and can hardly be substituted.

Europe and the US recently promote local food with a view to preserving and developing local traditional farming, rural community life and

⁸⁶ "Resource recycling chain" is the link in the usage, disposal and collection of resources. Resources are circulated in the closed system of "usage – categorized collection – re-usage – categorized re-collection" and thus can be re-used. They are not like wastes produced in the traditional production / consumption process which would accumulate and affect the environment.

⁸⁷ Jan Douwe van der Ploeg and Henk Renting, "Impact and potential: a comparative review of European rural development practices", *Sociologia Ruralis*, 40:4 (October 2000), pp.530-543. For discussion on multi-functional agriculture, see Anne Moxnes Jervell and Desmond A. Jolly, "Beyond food: towards a multifunctional agriculture", Centre for Food Policy, Norwegian Agricultural Economics Research Institute, *Working Paper*, 2003-19.

ecology. In consideration of culture, environmental protection, local economy, food safety and public health, imported rural products, which are standardized and industrialized and transported from distant apart, are substituted by locally produced products.

Such overseas development strategies may be more practical and sustainable for Guizhou than agricultural or rural industrialization. Take Guangxi Gongcheng Yao Autonomous County (廣西恭城瑤族自治縣) as an example. It is mountainous and the land is barren. In the late 1980s, households started to grow fruits and in over 10 years poverty has been lifted and the economic conditions have changed⁸⁸. In the mid-1990s, Anxi of Fujian (福建安溪縣) was a poverty-stricken county. It gave up industrialization and concentrated in the cultivation, production and sales of Wulong tea and has become one of the richest counties in China in the 21st century. Drawing on the Mainland and foreign experiences and actively promoted by the Central Government's policies on the "three agricultural issues", there will be new opportunities on the poverty alleviation of Guizhou and the whole country.

Implications for Hong Kong and Suggestions

The above analysis shows that Guizhou is still at very low level of development and there is still a significant development gap between Guizhou and Hong Kong. Guizhou is endowed with rich resources, sufficient labour force and ecological advantages while Hong Kong has international competitive edge in finance, information and logistics. Guizhou and Hong Kong should be able to complement each other yet this does not imply any potential for co-operation. Take tourism as an example, Guizhou is developing tourism and the supporting facilities need to be improved. Hong Kong, strong in urban tourism and hotel management, has to make substantial adjustment in the principle and mode of operations before it can cater to Guizhou's needs. Hong Kong's mode of urban tourism focuses on shopping, eating and city culture and targets high income tourists. Tourism in Hong Kong is operated by big enterprise groups running with a high-end modernized mode. This is different from rural tourism that emphasizes on customs of ethnic minorities and natural ecology. The experiences of Hong Kong thus can hardly be transferred. As a developed society, Hong Kong residents are becoming more interested in ecology, natural scenery and cultural tourism.

⁸⁸ Liang Chaoran, *Gongcheng Mode : Double Cycling of Eco-agriculture and Rural Economy Community* (梁超然主編：《恭城模式：生態農業與農村經濟社會的雙重循環》), Guangxi People's Press (Nanning, 1996).

Hong Kong can work with Guizhou to arrange people of Hong Kong and other developed cities to experience the village life, ecology and culture of Guizhou. The add values would be greater than shopping and theme park tours, yet the scale would be quite limited.

Due to Guizhou's low economic development level, small business scale and low income level, it is hard to attract investment from Guizhou enterprises or encourage Guizhou residents to travel to Hong Kong. The revenue so generated is too small to arouse Guizhou Government's interests to offer support and co-operation. Hence, it would be more appropriate for Hong Kong to focus on themes like "assist Guizhou's poverty alleviation" and "encourage Hong Kong enterprises to invest in Guizhou".

Many charitable organizations like World Vision (Hong Kong Office) are coordinating poverty alleviation works in China, including fund-raising, capital utilization and manoeuvre of personnel. Many Hong Kong people are actively participating in poverty alleviation such as building schools in poor regions or donation of medicines. This helps improve the image of Hong Kong in the Mainland and strengthen the interaction in social development between Hong Kong and Guizhou. In fact, when coastal cities in the Mainland are helping Guizhou to alleviate poverty, Hong Kong, as the wealthiest city in China, should follow suit in a bid to establish in Hong Kong a China identity and a culture which cherishes social responsibility and moral conscience.

3 Personnel Changes in the Four Provinces/Region

The new Standing Committee of Guizhou's Provincial CPC Committee was elected in April 2007. Leadership changes only took place at a few states and cities in Guangxi, Yunnan and Sichuan.

3.1 Personnel Changes in Guangxi—Major Leadership Changes in the CPC Committees of Guilin City(桂林市), Yulin City(玉林市) and Hechi City(河池市)⁸⁹

Gao Xiong(高雄) is appointed as the Secretary of the CPC Committee of Guilin City and no longer serves as the Secretary of the CPC Committee of Yulin City.

Native to Rongcheng(荣城), Shandong province, Gao Xiong was born in 1955. He formerly serves as the Deputy Secretary of Nanning Municipal Committee of Communist Youth League of China, the Deputy Secretary of the CPC Committee of Guilin City, and the Secretary of the CPC Committee of Baise Prefecture (百色). He became the Secretary of the CPC Committee of Yulin City in September 2006. He has served as the Secretary of the CPC Committee of Guilin since April 2007.

—The appointment is a traditional cross-regional appointment in the Mainland, which aims to enrich the experience of local officials. Although they are both prefecture-level cities, Guilin city is of more importance than Yulin city in terms of political status. Thus, this appointment means that opportunities for promotion exist.

⁸⁹ Xinhua Net Guangxi Channel: http://www.gx.xinhuanet.com/gxzw/2007-04/17/content_9807334.htm. Information about the resumes comes from Hong Dou Community: http://hongdou.gxnews.com.cn/forumview.asp?topic_id=1475289%20.

Wen Ming(文明) is appointed as the Secretary of the CPC Committee of Yulin City and the member of its Standing Committee

Native to Nanning(南寧), Guangxi, Wen Ming was born in 1951. He formerly served as the Deputy Special Commissioner to Baise Prefecture of Guangxi Zhuang Autonomous Region, the Deputy Secretary-General of the People's Government of Guangxi Zhuang Autonomous Region, the Deputy Director-General of the General Office of the People's Government of Guangxi Zhuang Autonomous Region, and the Secretary of Party Leadership Group and the Director-General of the Department of Water Resources of Guangxi Zhuang Autonomous Region. He has served as the Secretary of the CPC Committee of Yulin City since April 2007.

—It is common practice for the departments at the provincial level to exchange their officials with local officials. The main purpose is to diversify and enrich the working experience of these officials, but also coordinate the relations between these departments and local governments through them.

Yang Caishou(楊才壽) is promoted as the Secretary of the CPC Committee of Hechi City

Native to Guigang(貴港), Guangxi, Yang Caishou was born in 1951. He formerly served as the Director-General of the Poverty Alleviation and Development Office of Guangxi and the Deputy Secretary of Hechi Prefecture. He became the Mayor of Hechi City in October 2002. He has served as the Secretary of the CPC Committee of Hechi City since April 2007.

3.2 Personnel Changes in Yunnan—New Leaders Appointed in Several Cities and States of Yunnan

Qiu Yaosheng(岳躍生) is appointed as the Mayor of Qujing City(曲靖市)

Qiu Yaosheng was born in 1958. He formerly served as the Deputy Mayor of Kaiyuan City(開遠市) and the Deputy Director-General of the Economic Commission of Yunnan Province. He was appointed as the Deputy Secretary of the CPC Committee of Qujing City and the Acting Mayor of Qujing City in March 2007.

Dao Linyin(刀林蔭) is appointed as Mayor of Xishuang Banna Autonomous State (西雙版納傣族自治州長)

Native to Jinghong (景洪), Yunnan province, Dao Linyin was born in 1959 and is of Dai nationality. She formerly served as the Deputy Director of Organization Department of the CPC Committee of Xishuang Banna Dai Autonomous State, and the Director of the Personnel Bureau and the Deputy Mayor in the same state. She became the Deputy Secretary of the CPC Committee of Xishuang Banna Dai Autonomous State and its Acting Mayor in 2005.

—The above two promoted officials both served first as the acting mayors, and then were inaugurated as the mayors only after the formal endorsement of local people's congresses.

3.3 Personnel Changes in Sichuan—New Leaders Appointed in Several Cities and States of Sichuan⁹⁰

Zhai Zhanyi(翟占一) is appointed as the Secretary of the CPC Committee of Ziyang City

Native to Jining(濟寧), Shandong province, Zhai Zhanyi was born in 1956. He formerly served in the military. After demobilization, he served successively as the Deputy Secretary of the CPC Disciplinary Inspection Committee of Guangyuan City, the Director of Organization Department of the CPC Committee of Guangyuan City and the Deputy Secretary of the CPC Committee of Guangyuan City. He became the Deputy Secretary of the CPC Committee of Ziyang City(資陽市) and its Mayor in February 2006. He has served as the Secretary of the CPC Committee of Ziyang City since April 2007.

⁹⁰ Military and Politics Online: <http://www.ourzg.com/bbs/read.php?tid=49472&page=2>.

3.4 Personnel Changes in Guizhou—The New Standing Committee of the CPC Committee of Guizhou Province Elected

On 28 April 2007, a new Standing Committee was elected during the first plenary session of the Tenth CPC Committee of Guizhou Province. The members of the new Standing Committee encompassed all the major leaders from the party, the government and the military at the provincial level, plus the Secretary of the CPC Committee of Guiyang, the provincial capital. The appointment of Chen Yiqin, the Special Commissioner and the Deputy Secretary of the CPC Committee of Tongren Prefecture(銅仁地區), as the member of the Standing Committee is unconventional, which shows that she is being specially groomed and is likely to be promoted. The names and the resumes of the members of the Standing Committee are listed below⁹¹:

Shi Zongyuan(石宗源) elected again as the member of the Standing Committee of the CPC Committee of Guizhou Province, the Secretary of the CPC Committee of Guizhou Province, and the Director-General of the People's Congress of Guizhou Province

Native to Baoding City(保定市), Hebei Province, Shi Zongyuan was born in 1946 and is of Hui nationality. He formerly served as the Director-General of the Department of Publicity of Gansu Province, and the Deputy Secretary of the CPC Committee of Jilin Province and the the Director-General of the Department of Publicity of Jilin Province concurrently. He became the Director-General of the General Administration of Press and Publication and the Secretary of its Party Leadership Group and the Director-General of the National Copyright Administration concurrently in October 2000. He was appointed as the Secretary of the CPC Committee of Guizhou Province in December 2005 and was elected as the Director-General of the Provincial People's Congress during the fourth session of the Tenth People's Congress of Guizhou Province. He was the alternate members of the 14th and 15th Central Committee of CPC, and member of the 16th Central Committee of CPC.

⁹¹ The resumes of the newly elected members of the Standing Committee of the CPC Committee of Guizhou Province, Xinhua Net Guizhou Channel: http://www.gz.xinhuanet.com/xwpd/2007-04/29/content_9928948.htm.

Lin Shusen(林樹森) elected as the member of the Standing Committee of the CPC Committee of Guizhou Province and the Deputy Secretary of the CPC Committee of Guizhou Province

For the resume of Lin Shusen, please see our August 2006 report (the third issue)

Wang Fuyu(王富玉) elected as the member of the Standing Committee of the CPC Committee of Guizhou Province and the Deputy Secretary of the CPC Committee of Guizhou Province

Native to Tanghe(唐河), Henan province, Wang Fuyu was born in 1952 and is of Hui nationality. He formerly served as the Deputy Mayor of Shi Jiazhuang City(石家莊市) of Hebei Province, the Deputy Mayor of Haikou City(海口市) of Hainan Province, the Secretary of the CPC Committee of and Mayor of Qiongsan(瓊山市) City, and the Secretary of the CPC Committee of Sanya City(三亞市), among other positions. He served as the Deputy Secretary of the CPC Committee of Hainan Province and the Secretary of the CPC Committee of Haikou City between May 2002 and December 2004. He has been the Deputy Secretary of the CPC Committee of Guizhou Province since December 2004.

Wang Zhengfu (王正福) elected as the member of the Standing Committee of the CPC Committee of Guizhou Province and the Secretary of the CPC Disciplinary Inspection Committee of Guizhou Province

Native to Kaili(凱里), Guizhou Province, Wang Zhengfu was born in 1947 and is of Miao nationality. He formerly served as the Deputy Secretary of the CPC Committee of Kaili City and its Mayor, and the Deputy Secretary of the CPC Committee of Qian Dongnan State(黔東南州) and its Mayor. He became the member of the Standing Committee of the CPC Committee of Guizhou Province, the Deputy Governor of Guizhou Province and the Mayor of Qian Dongnan State in March 1998. He served as the member of the Standing Committee of the

CPC Committee of Guizhou Province and the Deputy Governor of Guizhou Province between March 1998 and March 2002. He served as the member of the Standing Committee of the CPC Committee of Guizhou Province and the Executive Deputy Governor of Guizhou Province between March 2002 and November 2006. He has been the member of the Standing Committee of the CPC Committee of Guizhou Province and the Secretary of the CPC Disciplinary Inspection Committee of Guizhou Province since November 2006. He was an alternate member of the 15th Central Committee of CPC and became a full member of the 15th Central Committee of CPC during its fifth plenary session. He was also an alternate member of the 16th Central Committee of CPC.

Wang Xiaodong(王曉東) elected as the member of the Standing Committee of the CPC Committee of Guizhou Province

Native to Xinfeng(信豐), Jiangxi Province, Wang Xiaodong was born in 1960. He formerly served as the Deputy Director of the Social Education Office of the CPC Committee of Jiangxi Province (equivalent of a division chief), and the Chief of the Party Construction, Political and Law Division under the Policy Research Institute of the CPC Committee of Jiangxi Province. In 1993, he was appointed to be a division-chief-level secretary to the General Office of the CPC Committee of Guizhou Province and then served as the Deputy Secretary-General and the Director in the same department. He served as the Secretary of the CPC Committee of Guiyang City of Guizhou Province between January 2000 and December 2000. He has been the member of the Standing Committee of the CPC Committee of Guizhou Province and the Secretary of the CPC Committee of Guiyang City.

Long Chaoyun(龍超雲) elected as the member of the Standing Committee of the CPC Committee of Guizhou Province

Native to Jinping(錦屏), Guizhou province, Long Chaoyun was born in 1952 and is of Dong nationality. She formerly served as the Deputy Secretary and Secretary of Guizhou Provincial Committee of Communist Youth League of China, and the Deputy Secretaries of the CPC Committee of Zunyi(遵義) Prefecture and of Zunyi City. She

served as the Vice Governor of Guizhou Province between January 1998 and April 2002, as the member of the Standing Committee of the CPC Committee of Guizhou Province and Vice Governor between April 2002 and January 2003, and as the member of the Standing Committee of the CPC Committee of Guizhou Province and the President of the Trade Union of Guizhou Province between January 2003 and August 2004. She has been the member of the Standing Committee of the CPC Committee of Guizhou Province, the President of the Trade Union of Guizhou Province and the Secretary of the CPC Committee of Guizhou University since August 2004. She was a member to the Tenth Chinese People's Political Consultative Conference.

Li Jun(李軍) elected as the member of the Standing Committee of the CPC Committee of Guizhou Province

Native to Anxiang(安鄉), Hunan Province, Li Jun was born in 1962. He formerly served as the Deputy Director of the Research Institute and the Chief of United Front Work Division under the General Office of the Central Committee of CPC. He served as the member of the Party Leadership Group of Guizhou Provincial Government and the Governor Assistant (equivalent of the chief of a provincial department) between July 2003 and December 2004. He has been the member of the Standing Committee of the CPC Committee of Guizhou Province and the Director-General of the Department of Publicity of Guizhou Province since December 2004.

Zhang Shaonong(張少農) elected as the member of the Standing Committee of the CPC Committee of Guizhou Province

Native to Qin County(沁縣), Shanxi Province, Zhang Shaonong was born in 1954 and is of Han nationality. He formerly served as the Deputy Secretary of Shanxi Provincial Committee of Communist Youth League of China, member of the CPC Committee of Xinzhou(忻州) Prefecture of Shanxi Province, the Secretary of the CPC Committee of Xinzhou City, the Deputy Director-General of the Foreign Affairs Office of Shanxi Province, and the Deputy Secretary of the CPC Committee of Yunchen(運城) Prefecture of Shanxi Province, the Deputy Secretary of the CPC Committee of Yunchen City and its

Mayor. He served as the Secretary of the CPC Committee of Jincheng City(晋城市) of Shanxi Province between March 2001 and January 2005. He has been the member of the Standing Committee of the CPC Committee of Guizhou Province and the Director-General of the Organization Department of the CPC Committee of Guizhou Province.

Zhang Qunshan(張群山) elected as the member of the Standing Committee of the CPC Committee of Guizhou Province

Native to Xingtai(邢臺), Hebei Province, Zhang Qunshan was born in 1953 and is of Han nationality. He formerly served as the Director-General of the Department of Machinery of Guizhou Province, the General Manager of China National Automotive Industry Guizhou Import and Export Corporation, and the Director-General of the Department of Foreign Trade and Economic Cooperation of Guizhou Province. He was the Deputy Secretary of the CPC Committee of Bijie(畢節) Prefecture of Guizhou Province between December 2001 and March 2003, the Director-General of the Economic and Trade Commission of Guizhou Province and the Secretary of its CPC Committee between March 2003 and November 2003, and the Deputy Governor of Guizhou Province and the Director-General of the Economic and Trade Commission of Guizhou Province between November 2003 and March 2006. He has been the member of the Standing Committee of the CPC Committee of Guizhou Province, the Secretary-General of the CPC Committee of Guizhou Province, and the Director-General of the General Office of the CPC Committee of Guizhou Province.

Huang Kangsheng(黃康生) elected as the member of the Standing Committee of the CPC Committee of Guizhou Province

Native to Ceheng(冊亨), Guizhou Province, Huang Kangsheng was born in 1952 and is of Buyi nationality. He held various positions in the local governments in Guizhou before he became the Deputy Secretary of the CPC Committee of Qian Xinan State(黔西南州) and its Mayor. He served as the Deputy Director-General of the People's Congress of Guizhou Province between January 2003 and April 2007. He has been the member of the Standing Committee of the CPC Committee of Guizhou Province and the Deputy Director-General of the People's

Congress of Guizhou Province since April 2007. He was also the member to the Standing Committee of the Tenth National People's Congress and its Ethnicity Committee.

Cui Yadong(崔亞東) elected as the member of the Standing Committee of the CPC Committee of Guizhou Province

Native to Li County(蠡縣), Hebei Province, Cui Yadong was born in 1954. He held various positions in the local public security apparatus of Anhui province before he became the Deputy Director-General of the provincial Department of Public Security. He served as the Director-General of the Department of Public Security and the Secretary of its party committee between July 2001 and November 2006. He served as the member of the Standing Committee of the CPC Committee of Guizhou Province, Secretary of Political and Law Committee of the CPC Committee of Guizhou Province, and the Director-General of the Department of Public Security of Guizhou province and the Secretary of its party committee between December 2006 and April 2007. He has been the member of the Standing Committee of the CPC Committee of Guizhou Province, Secretary of Political and Law Committee of the CPC Committee of Guizhou Province, the Director-General of the Department of Public Security of Guizhou province and the Secretary of its party committee, and the First Political Commissar of Guizhou Contingent under the Chinese People's Armed Forces and the First Secretary of its party committee.

Qiu Xingbai(丘型柏) elected as the member of the Standing Committee of the CPC Committee of Guizhou Province

Native to Xin County(新縣), Henan Province, Qiu Xingbai was born in 1953. He held various positions at various levels in the military before becoming the Division Commander of the 31st Division of the 14th Army Corps of the People's Liberation Army. He was the Division Commander of the 31st Division of the 14th Army Corps of the People's Liberation Army between August 1995 and January 2001, the Vice Commander-in-Chief of the Tibetan Military Region between January 2001 and May 2005, the Commander-in-Chief of Guizhou Military Region between May 2005 and June 2005, and the member of the CPC

Committee of Chengdu Military Region and the Commander-in-Chief of Guizhou Military Region between June 2005 and April 2007. He has been the member of the Standing Committee of the CPC Committee of Guizhou Province, the member of the CPC Committee of Chengdu Military Region and the Commander-in-Chief of Guizhou Military Region since April 2007.

Chen Yiqin(譙貽琴) elected as the member of the Standing Committee of the CPC Committee of Guizhou Province

Native to Zhijin(織金), Guizhou province, Chen Yiqin was born in 1959 and is of Bai nationality. She formerly served as the Vice President of the Party School of the CPC Committee of Guizhou Province and the Deputy Secretary of the School's party committee. She served as the Secretary of the Party Leadership Group and the Vice President of the Academy of Social Sciences of Guizhou Province between February 1999 and December 2001, the Deputy Secretary of the CPC Committee of Qian Nan State(黔南州) of Guizhou Province between December 2001 and January 2003, and the Deputy Secretary of the CPC Committee of Tongren Prefecture of Guizhou Province and the Prefecture's Special Commissioner between January 2003 and April 2007. She has been the member of the Standing Committee of the CPC Committee of Guizhou Province, the Deputy Secretary of the CPC Committee of Tongren Prefecture of Guizhou Province and the Prefecture's Special Commissioner since April 2007.

Appendix :

Appendix I : Statistical Data for the Pan-PRD Provinces/ Region

Major Economic Indicators for Guangdong and the Four Southwestern Provinces/ Region

Table 1 : Economic Performance of the Four Southwestern Provinces/ Region, March 2007

Province / Region	Gross Domestic Product		Industrial Value-added		Urban Investment	
	Jan - Mar (RMB 100 Million)	Increase over the Previous Year	Jan - Mar (RMB 100 Million)	Increase over the Previous Year	Jan - Mar (RMB 100 Million)	Increase over the Previous Year
National Total	50,287	11.1%	-	18.3%	14,544	25.3%
Guangdong	6,126	13.0%	2,613	17.8%	1,154	15.4%
Sichuan	2,033	13.5%	724	24.0%	784	28.2%
Guangxi	1,160	15.3%	326	26.2%	363	49.5%
Yunnan	872	13.6%	351	21.0%	332	10.9%
Guizhou	458	13.8%	180	19.1%	192	16.7%

Source:

1. National Bureau of Statistics of China, <http://www.stats.gov.cn/tjsj/>.
2. Bureau of Statistics of Guangdong, <http://www.gdstats.gov.cn/>

Table 2 : Social and Personal Consumption in the Four Southwestern Provinces/ Region, January to March 2007

Province / Region	Total Retail Sales of Consumer Goods		Per Capita Net Cash Income of Rural Households, January-March (RMB 100 Million)	Urban per capita disposable income, January-March (RMB)	Consumer Price Index In March
	March (RMB 100 Million)	Increase over the Previous Year			
Sichuan	289	16.4%	1,059	3,268	103.25%
Guangxi	147	15.6%	985	3,528	103.57%
Yunnan	98	13.9%	706	3,156	103.45%
Guizhou	62	13.4%	557	2,942	103.47%

Source: National Bureau of Statistics of China, <http://www.stats.gov.cn/tjsj/>.

Table 3 : Total Value of Foreign Trade for the Four Southwestern Provinces/ Region, January to March 2007

Province / Region	Imports and Exports by regions				Imports and Exports by Foreign Enterprises	
	January to March (USD 100 million)	Compared with the same period last year	% of national total	Trade balance (USD 100 million)**	January to March (USD 100 million)	% of Provincial/regional total
Sichuan	25.7	14.7%	0.6%	5.7	9.0	35.0%
Guangxi	16.9	20.8%	0.4%	0.7	5.5	32.7%
Yunnan	18.2	35.2%	0.4%	-0.6	1.2	6.7%
Guizhou	4.1	23.2%	0.1%	0.8	0.4	10.8%

Note:

* Enterprises engaging in foreign trade are registered according to the places in which they operate.

** Negative means trade deficit.

Source:

1. *China's Customs Statistics* (Monthly Exports & Imports), Series No. 210, Feb 2007.

2. National Bureau of Statistics of China, <http://www.stats.gov.cn/tjsj/>.

Table 4: Finances of the Four Southwestern Provinces/Region, January to March 2007

Province/ Region	Budgetary income (funds not included)		Budgetary expenditure (funds not included)	
	Jan - Mar (RMB 100 Million)	Increase over the Previous Year	Jan - Mar (RMB 100 Million)	Increase over the Previous Year
Sichuan	192	34.3%	265	28.2%
Guangxi	92	23.8%	169	25.9%
Yunnan	112	32.7%	145	16.7%
Guizhou	67	20.9%	115	31.0%

Source: National Bureau of Statistics of China, <http://www.stats.gov.cn/tjsj/>.

Appendix II : Glossary

Agricultural Industrialization	農業產業化
Beibu Gulf Rim (Guangxi) Economic Zone	環北部灣(廣西)經濟區
Bio-based Product	生物基產品
Biofuel	生物燃料
Biomass Industry	生物質產業
China—ASEAN Free Trade Area	中國—東盟自由貿易區
Construction of a New Socialist Countryside	社會主義新農村建設
Cultural Tourism	文化旅遊
Eco-tourism	生態旅遊
Enriched By Culture	文化致富
European Union (Short Form: EU)	歐洲聯盟(簡稱歐盟)
Food Chain	食物鏈
Harmonious Society	和諧社會
Left-behind Children	留守兒童
Organisation for Economic Co-operation and Development (Short Form: OECD)	經濟合作與發展組織
Pharmaceutical Firm	藥廠
Poverty Alleviation	扶貧
Scientific Outlook on Development	科學發展觀

Sino-Russia “Suifenhe—Pogranichny”
Trade Complex

中俄“綏一波”貿易綜合體

The Ministry of Health

衛生部

The Planning, Construction and
Management Committee of the Beibu
Gulf (Guangxi) Economic Zone

北部灣（廣西）經濟區規劃建設管理委員
會

Three Agricultural Issues

“三農”問題

Township Enterprises

鄉鎮企業

Transnational Trade Zone

跨國貿易區