

Assessing the “Revive the Northeast” (*zhenxing dongbei*) Programme: Origins, Policies and Implementation*

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ABSTRACT This article, focusing on the “revive the northeast” programme, examines four questions: why was the northeast region selected as yet another macro-site for Beijing-endorsed scheme of regional development; how does it differ from the “develop the west” scheme; what does the “revive the northeast” scheme entail in concrete policy terms; and how can we assess the impact of this scheme on the region’s economic development? While it offers a relatively positive assessment of the programme’s impact in facilitating a faster growth during 2004–06, future challenges are also noted for a sustainable development of the northeast region as a whole.

After so much was said and done on the coastal growth strategies of the 1980s and 1990s, regional schemes of development are once again in the limelight as the scholarly and policy communities within and outside China are engaging in heated discussions of the theme. Much has already been written on the “develop the west” (*xibu kaifa* 西部开发) programme poised mostly against the coastal development strategies.¹ The “rise of the central region” (*zhongbu jueqi* 中部崛起) scheme, officially pronounced for the first time in late 2005, has not yet produced substantial and distinguishable programmes and it is thus rather difficult to assess it.² The “revive the northeast” (*zhenxing dongbei* 振兴东北) policy was

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1 See Hongyi H. Lai, “China’s western developmental program,” *Modern China*, Vol. 28, No. 1 (2002), pp. 432–66; David S. G. Goodman, “The campaign to ‘open up the west,’” and Heike Holbig, “The emergence of the campaign to open up the west,” *The China Quarterly*, No. 177 (2004), pp. 317–34, 335–57; Ding Lu and William Neilson (eds.), *China’s Western Development: Domestic Strategies and Global Implications* (Singapore: World Scientific, 2004); and Barry Naughton, “The western development program,” in Barry Naughton and Dali L. Yang (eds.), *Holding China Together: Diversity and National Integration in the Post-Deng Era* (New York: Cambridge University Press, 2004), pp. 253–95.

2 The “rise of the central region” scheme was first officially mentioned in the Eleventh Five-Year Planning Guidelines (*guihua*), designed to cater to the development of Henan, Hubei, Hunan, Anhui and Jiangxi. See Guowuyuan fazhan yanjiu zhongxin, “Guanyu cunjin zhongbu jueqi zhanlue de sidian sikao” (“On four points regarding the promotion of the ‘raise the central region’ strategy”), *Diaocha yanjiu baogao* (*Investigation and Research Report*), 25 April 2005; and Hongyi Lai, “Developing Central China,” *China: An International Journal*, Vol. 5, No. 1 (2007), pp. 109–28.

decided by the central government in late 2003 and formally launched in 2004, but little has thus far been written on it.³

This article, focusing on the “revive the northeast” programme, examines four questions. Why was the northeast region selected as yet another macro-site for Beijing-endorsed scheme of regional development? How does the programme differ from the “develop the west” scheme? What does the “revive the northeast” scheme entail in concrete policy terms? And how can we assess the impact of this scheme on the region’s economic development?

Why the Northeast Region?

Why were the northeast provinces selected as the target of Beijing’s new regional development strategy? At least four reasons account for the rise of the “revive the northeast” programme in late 2003. First, the most macro-level explanation concerns the evolution over time of China’s regional development strategies. During the Maoist era the inland-centred, self-sufficiency-oriented strategy of the Third Front was in practice, generating an isomorphic (that is, similar industrial) structure of the national economy at the expense of inter-provincial trade and regional comparative advantage.⁴

The era of Deng Xiaoping brought about the demise of rampant egalitarianism by calling on the entire nation to “get rich first.” Beijing’s preferential policies and “opening” reforms enabled coastal provinces to benefit more extensively than the inland from the ever-expanding inflow of foreign direct investment.⁵ By the mid-1990s, the perils of regional disparities became noticeable and Beijing adopted measures to mitigate them, including the provision of fiscal transfers and the formation of inter-regional co-operative linkages. It was in this context that Jiang Zemin heralded a crucial change in China’s regional development strategy by announcing in 1999 the “develop the west” programme as a

3 On 5 October 2003, the Party centre and the State Council jointly issued the watershed document entitled “Certain Opinions Regarding Implementing the Strategies of Reviving the Old Industrial Bases Including the Northeast” (*Guanyu shishi dongbei diqu deng laogongye jidi zhenxing zhanlue de ruogan yijian*) (*Zhongfa* [2003] No. 11). For a recent report on the “revive the northeast” scheme, see World Bank (Poverty Reduction and Economic Management Unit), *Facilitating Investment and Innovation: A Market-Oriented Approach to Northeast Revitalization*, Report No. 34943-CN, 15 February 2006, posted at http://www.worldbank.org.cn/english/content/NE_China_ICA_Feb2006.pdf (last accessed 29 July 2007).

4 See Audrey Donnithorne, “China’s cellular economy: some economic trends since the Cultural Revolution,” *The China Quarterly*, No. 52 (1972), pp. 605–19; Barry Naughton, “The third front: defence industrialization in the Chinese interior,” *The China Quarterly*, No. 115 (1988), pp. 351–86; and Lance L. P. Gore, “The communist legacy in post-Mao economic growth,” *The China Journal*, No. 41 (1999), pp. 25–54.

5 See Peter Cheung, Jae Ho Chung and Zhimin Lin (eds.), *Provincial Strategies of Economic Reform in Post-Mao China* (Armonk, NY: M. E. Sharpe, 1998); Hans Hendreschke and Feng Chongyi (eds.), *The Political Economy of China’s Provinces: Comparative and Competitive Advantage* (London: Routledge, 1999); David Zweig, *Internationalizing China: Domestic Interests and Global Linkages* (Ithaca: Cornell University Press, 2002), chs. 2–3; and Hongyi Lai, *Reform and the Non-State Economy in China: The Political Economy of Liberalization Strategies* (New York: Palgrave-Macmillan, 2006), chs. 1–2, 5–7.

concerted effort to transform the economic foundations and infrastructure in underdeveloped regions.⁶

After Hu Jintao succeeded Jiang as the General Secretary of the Chinese Communist Party in October 2002, the concept of development took on an additional meaning. As a way of bridging regional disparities and warranting social stability, Beijing came up with a “centrally-coordinated regional development strategy” (*tongchou xietiao quyu fazhan zhanlue* 统筹协调区域发展战略) which presupposed an enhanced role of the central government. While continuing with the “develop the west” scheme, the Hu–Wen leadership announced its own regional development target – the northeast – as the “fourth engine” of China’s economic growth.⁷

Second, the “revive the northeast” scheme was closely related to the region’s drastically dwarfed place in the national economy. While the northeast region is not big in terms of territory or population (see Figure 1), its economic importance has traditionally been crucial to the nation as a whole. Dubbed “China’s eldest son” (*gongheguo de zhangzi* 共和国的长子) and the “cradle of China’s industry” (*Zhongguo gongye de yaolan* 中国工业的摇篮), the northeast boasted heavy industries and some of the largest state-owned enterprises.

With market reforms and coastal development, the northeast steadily declined to become a “problem area.” Its share in national GVIO declined from 16.5 per cent in 1978 to 9.3 per cent in 2003. The national ranking of Liaoning and Heilongjiang also plummeted from second and seventh in 1978 to fifth and fourteenth, respectively, in 2003.⁸ Furthermore, as Table 1 demonstrates, the region was the showcase for all the problems embedded in the state-run economy. In order to prevent the northeast from being a drag on the national economy, a new scheme was deemed necessary and even unavoidable.⁹

- 6 Zhang Shenxi, “Cong junheng fazhan dao fei junheng xietiao fazhan de zhanlue zhuanbian” (“The strategic change from the balanced development to unbalanced co-ordinated development”), *Jingji jingwei* (*Economic Altitude and Latitude*), No. 6 (2003), pp. 14–17; Cheng Yang, “Woguo hongguan quyu jingji fazhan zhanlue de lishi yanbian” (“Historical evolution of China’s macro-regional development strategies”), *Qiusuo* (*Exploration*), No. 9 (2004), pp. 15–18; International Institute for Applied Systems Analysis (IIASA), “Sustainable regional development in China,” posted at http://www.iiasa.ac.at/Research/SRD/back_china.htm (last accessed 30 July 2007); and Yanrui Wu, “New patterns of economic growth,” in John Wong and Hongyi Lai (eds.), *China into the Hu–Wen Era: Policy Initiatives and Challenges* (Singapore: World Scientific, 2006), pp. 237–40.
- 7 See Li Jingyu, “Dongbei diqu chengzhang wei zhongguo disida jingji zengzhangji de zhanlue sikao” (“Strategic thinking towards making the northeast the fourth economic engine for China”), *Jingji yanjiu cankao* (*Reference Materials for Economic Research*), No. 6 (2004), pp. 31–32; Cheng Xin, Yin Luo and Zhang Linhai, “Quyu fazhan yu quyu xietiao de tongyi” (“Unifying regional development with regional co-ordination”), *Zhongzhou xuekan*, No. 3 (2005), pp. 110–13; and Liu Jian and Cheng Rui, “Tongchou quyu fazhan zhanlue de siwei shihuo” (“Thoughts on the centrally co-ordinated regional development strategies”), *Dangdai caijing* (*Contemporary Finance*), No. 2 (2005), pp. 98–99.
- 8 Li Wen and Liu Chunguang, “Zhenxing dongbei zhanlue jiedu” (“Explanations for the ‘revive the northeast’ strategy”), *Xinchangzheng* (*New Long March*), No. 2 (2004), p. 7.
- 9 While the coastal portion of Liaoning province has greatly benefited from the coastal development strategy and Jilin could have been the main beneficiary of the Tumen River Area Development Project, northeast China as a whole was never the focus of a centrally-supported regional development scheme. See James Cotton, “Jilin’s coastal development strategy: China and the Tumen River cooperation,” *Asian Survey*, Vol. 36, No. 11 (1996), pp. 1086–101.

Figure 1: Key Figures of the Northeast Provinces (2005: 10,000 km²; 10,000 persons)

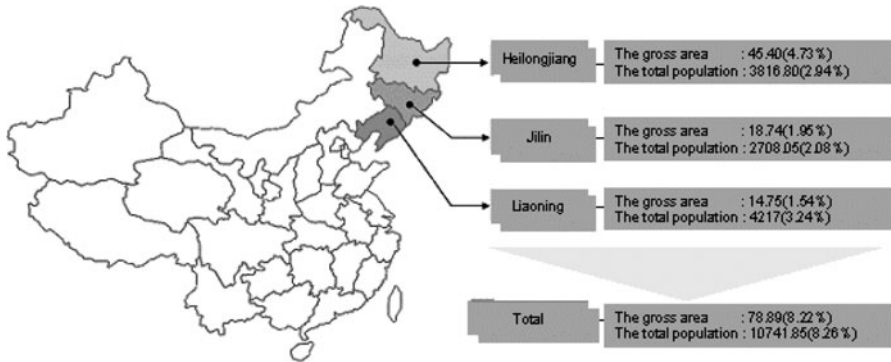


Table 1: Structural Problems of the Northeast Region (2003) (%)

	National average	Northeast
Share of state-owned enterprises	40.8	73.3
Share of medium and large enterprises	46.2	68.4
Share of enterprises with deficit	25.0	60.6

Source:

Li Kai, “Dongbei diqu guoyou jingji de xianzhuang yu tedian” (“The current situation and characteristics of the northeast region’s state-owned economy”), *Dongbei daxue xuebao* (*Dongbei University Journal*), No. 3 (2004), p. 35.

Third, the rapid decline of the region’s economic fortune and its heavy reliance on the state-owned sector meant that marketization and restructuring had a much more adverse impact here than elsewhere. In 2002, the northeast’s registered urban unemployment rate reached 5 per cent, compared to the coastal region’s 3.9 per cent and the west’s 4 per cent.¹⁰ And the region’s registered urban unemployment accounted for 18.3 per cent of the national total. Given that these figures do not include a huge number of on-the-job unemployed (*xiagang gongren* 下岗工人) who were heavily concentrated in the northeast, the actual scale of the region’s unemployment must have been much higher.¹¹

Economic decline, industrial restructuring and rising unemployment led to widespread social discontent, providing fuel for mass protests. It is not surprising that Jilin was where *falun gong* 法轮功 attracted the first and key echelon of followers.¹² According to Chinese analysts, more than half the local petitioners

10 *Zhongguo tongji nianjian 2003* (*China Statistical Yearbook 2003*) (Beijing: Zhongguo tongji chubanshe, 2003), p. 178.

11 In 2002 in Heilongjiang alone, over 6,000 state-owned enterprises with deficits had 800,000 redundant workers. And Liaoning had over two million laid-off workers during 2000–03. See “Baiwan xiagang-gong shengfu zui touting” (“Millions of on-the-job unemployed were the biggest headache for the provincial government”), *Ming pao*, 13 August 2003.

12 See Danny Schechter, *Falun Gong’s Challenge to China* (New York: Akashic Books, 2000), ch. 5.

heading to Beijing came from the northeast.¹³ In March 2002, over 30,000 laid-off workers from Liaoyang 辽阳 city, Liaoning waged demonstrations, demanding unpaid wages and accusing local officials of embezzlement. In the same month, in the Daqing 大庆 oilfields, 50,000 workers staged violent protests in disagreement over their severance packages.¹⁴

Widespread discontent threatens social stability. Given that all three provinces in the northeast have serious problems with petitioning, labour disputes and collective protests, Beijing must have thought that drastic measures were needed to remedy the worsening situation there.¹⁵ The central government must have worried that the longer the problem persisted the more serious it could grow, making local governance more difficult to manage. It was in this context that Hu Jintao toured Liaoning in June 2002 and Wen Jiabao visited the region three times in 2003 alone, eventually giving birth to the programme of “revive the northeast.”¹⁶

Last, but not least, provincial initiatives and local activism played an important role in making the “revive the northeast” scheme a national priority. Since the mid-1990s, northeast officials actively called for more support from the central government, notably the demand voiced by the northeastern group of the Central Committee at the Third Plenum in late 1998.¹⁷ Such demands did not produce immediate results, however, as it took five years before the “revive the northeast” programme was officially launched. While the issue of providing support for the northeast was discussed at the Central Work Conference on Economics and Finance (*Zhongyang caijing gongzuo huiyi*, 中央财经工作会议) in 1998, the provincial authorities and the central officials apparently had differing opinions over whether Beijing’s support should precede the region’s own efforts towards restructuring and opening.¹⁸

The “develop the west” programme, which received a high priority from the central government in the late 1990s, also worked as an obstacle. Since Jiang Zemin wished to make it his signature regional development programme,

13 Interviews at the State Council Office for Reviving the Northeast, 23 November 2004.

14 Erik Eckholm, “Leaner factories, fewer workers bring more labor unrest to China,” *New York Times*, 19 March 2002.

15 For the severe problems with collective public security incidents (*quntixing zhian shijian*) in Heilongjiang (ranked second in terms of participants per protest), Liaoning (ranked sixth) and Jilin (ranked tenth), see Jae Ho Chung, Hongyi Lai and Ming Xia, “Mounting challenges to governance in China: surveying collective protestors, religious sects and criminal organizations,” *China Journal*, No. 56 (2006), pp. 20–21.

16 See Bei Chen, “Zhongyang qidong zhenxing dongbei zhanlue” (“The centre initiates the ‘revive the northeast’ strategy”), *Jinre xinxiabao (Today’s News)*, 18 August 2003; and Tom Miller, “Reviving northeast China,” *Asia Times*, 14 September 2005.

17 See “Sanzhong quanwei de buxueyin” (“Discords at the Third Plenum of the Central Committee”), *Zhengming (Contend)*, November 1998, pp. 14–16; and Ning Yi and Dong Ning, *Dongbei zhazheng – Dongbei wenti baogao (How to Fix the Northeast: Report on the Northeast Problem)* (Beijing: Dangdai shijie chubanshe, 2004), pp. 42–43.

18 Tan Ailing, “Dongbei zhenxing guoce chutai qianhou” (“The stories behind the launch of the ‘revive the northeast’ scheme”), *Ershiyi shiji jingji daobao (21st Century Economic Herald)*, 13 August 2003. Many senior scholars like Wu Jinglian then thought that the northeast’s problem was not simply because of a lack of support from Beijing but rather because of insufficient liberation of ideas and staunch conservatism there. Interviews in Beijing in February 2006 and in Hong Kong in January 2007.

devising another regional scheme had to wait. It was only after Jiang stepped down as General Secretary that the new leadership under Hu was able to come up with a scheme specifically aimed at the northeast, perhaps partly in an effort to distinguish itself from the preceding administration.¹⁹

Yet another reason for the time lag concerns the central government’s cautious approach to working out a concrete scheme for the northeast. The report of the 16th Party Congress in November 2002 announced for the first time that “revive the northeast” would become a national priority, and the decision was confirmed by the Government’s Work Report for the First Session of the Tenth National People’s Congress in March 2003. Subsequently, Premier Wen paid three visits to the northeast in 2003, while three central state units – the National Development and Reform Commission under Zhang Guobao 张国宝, the State Council’s Development Research Centre under Chen Qingtai 陈清泰, and the Financial and Economic Committee of the National People’s Congress under Li Yining 厉以宁 – separately carried out studies of the region and development strategies for it.²⁰

On the basis of these studies and trips, Premier Wen held a State Council meeting on 10 September 2003, where policy choices for the “revive the northeast” scheme were extensively discussed.²¹ The document “Certain Opinions Regarding Implementing the Strategies of Reviving the Old Industrial Bases Including the Northeast” (*Guanyu shishi dongbei diqu deng laogongye jidi zhenxing zhanlue de ruogan yijian* 关于实施东北地区等老工业基地振兴战略的若干意见) was drafted and promulgated at the meeting. One month later, in October 2003, the Central Committee of the CCP and the State Council jointly disseminated this document, marking the official launch of the “revive the northeast” programme.²²

Comparing “Revive the Northeast” with “Develop the West”

The launch of the “revive the northeast” programme came four years after the “develop the west” scheme and it therefore seems pertinent to compare them. The two schemes share at least four characteristics. First, both signify China’s irreversible departure from the single-minded pursuit of coastal development during the Deng era. In fact, the two schemes are geared towards the second

19 Xia Wensi, “Hu Jintao zhuazhu dongbei daji Shanghaibang” (“Hu Jintao grasps the northeast and strikes the Shanghai gang”), *Kaifang* (*Open*), November 2003, pp. 18–19.

20 Interviews with officials at the State Council Office for Reviving the Northeast in December 2004 and February 2006; Wu Dongyan, “Zhenxing dongbei guoce chutai qianhou” (“The stories behind the launch of the ‘revive the northeast’ programme”), *Liaoning ribao*, 29 October 2003; and Qiao Mu, *Zhenxing dongbei (Revive the Northeast)* (Beijing: Zhongguo gongren chubanshe, 2004), p. 53.

21 See Qiao Mu, *Revive the Northeast*, pp. 51–57.

22 While, at the time, there were some competing proposals – in support of designating the central region and the pan-Pearl River Delta (*fan Zhujiang sanjiaozhou*) region – this time, the “revive the northeast” programme had an upper hand. Interviews with officials of the State Council Office for Reviving the Northeast in December 2004 and January 2006.

phase of China's developmental transition – attaining the *xiaokang* 小康 society nationwide.

Second, both the “develop the west” and the “revive the northeast” schemes deal with border regions with sizeable settlements of ethnic minorities, highlighting their national security implications. The western region borders on 14 countries, along with separatist movements in Tibet and Xinjiang, while the northeast has the three neighbours of Russia, Mongolia and North Korea. Given that social stability has of late received the highest priority in China, the need to mitigate poverty and regional disparities has become increasingly acute for these strategically crucial regions.²³

Third, the two schemes are also based on the principle of regional comparative advantage. The term comparative advantage, in this case, has a dual meaning. On one hand, it denotes the imperative that both the west and the northeast should make good use of their own endowments – the natural resources of the former and industrial foundations of the latter. On the other hand, it also highlights the need for the two regions to “complement each other” (*dongxi hudong* 东西互动) in meeting the pressing demands for natural resources and promoting industrialization.²⁴

Fourth, both the “revive the northeast” and the “develop the west” schemes are “national-priority tasks,” for which leadership small groups (*lingdao xiaozu* 领导小组) and administrative offices (*bangongshi* 办公室) were set up. At present, Premier Wen concurrently holds the chair of the leadership small groups for both schemes, of which 20 ministers are members. The administrative offices of the two programmes were also established under the State Council's National Development and Reform Commission (*fagaiwei* 发改委) (NDRC). The administrative office for the “develop the west” scheme is headed by Ma Kai 马凯, currently the Secretary-General of the State Council, while that for the “revive the northeast” scheme is Zhang Guobao, the current vice-chairman of NDRC and the former head of the administrative office for the “develop the west” programme.²⁵

23 For such reasoning in general, see Frederick C. Teiwes, “Provincial politics in China: themes and variations,” in John M. H. Lindbeck (ed.), *China: Management of a Revolutionary Society* (Seattle: University of Washington Press, 1971), pp. 116–89. In the context of the two schemes, see Hongyi H. Lai, “National unity and security in China's western development,” *Provincial China*, Vol. 8, No. 2 (2003), pp. 123–25; and Jian Jun, “Xibu kaifa dongbei zhenxing bibikan” (“Comparing the ‘develop the west’ and ‘revive the northeast’ schemes”), *Xibu dakaifa* (*The “Develop the West” Programme*), December 2004, pp. 19–20.

24 Li Guirong, “Zhenxing dongbei gongye jidi yu xibu dakaifa de hudong xiaoying yanjiu” (“Study of interactive effects between the northeast's industrial base and the ‘develop the west’ programme”), *Shengchanli yanjiu* (*Productivity Research*), No. 2 (2005), pp. 126–27.

25 Interviews in Beijing in February 2006; the website of SDRC at <http://www.ndrc.gov.cn> (last accessed 16 October 2005); and Guowuyuan zhenxing dongbei diqu deng laogongye jidi lingdao xiaozu bangongshi (ed.), *Zhenxing dongbei diqu deng laogongye jidi 2004niandu baogao* (*The 2004 Report on the Scheme of “Reviving the Northeast and Old Industrial Bases”*) (Beijing: Zhongguo caizheng jingji chubanshe, 2005), pp. 89–139. As of early 2006, there were totals of 26 personnel (*bianzhi*) for the “revive the northeast” office and 37 for the “develop the west” office.

Turning to differences between the two schemes, there are four. First, they differ on their projected duration. While no official documents explicitly state the completion date for either of the schemes, on the basis of pertinent discourses, certain differences are discernible. For the “develop the west” programme, the widely cited duration is 50 years, or until 2050, whereas for the “revive the northeast” scheme it is roughly 15–20 years, until 2020 or 2025.²⁶ The difference is natural in that the former deals with 29 per cent of the Chinese population residing in 71 per cent of the total land, while the latter deals with 8 per cent each.

Second, the two also differ in terms of their principal goals and policy targets. For the “develop the west” scheme, the main target has been improving economic and social infrastructure, such as roads, railways, water management, logistics and so on. In contrast, the “revive the northeast” programme has placed its priority on reorganizing the industrial structure of the state-owned sector while sustaining the advantages of industrial bases and human resources.²⁷ To put it briefly, the former concentrates on the “mitigation of poverty” (*fupin* 扶贫), whereas the latter focuses upon “getting rich” (*zhifu* 致富).²⁸

Third, the two schemes are also different in terms of who has been taking the main initiative. According to interviewees in China, the central government has played a more important role in “develop the west,” while central and provincial authorities have complemented each other in “revive the northeast.” The official website of the “develop the west” programme is run solely by the State Council while that of “revive the northeast” is jointly managed by the State Council, the provincial governments of Heilongjiang, Jilin and Liaoning, and the Xinhua News Agency.²⁹

Given the type of work and investment involved in these two schemes, it makes intuitive sense that the centre plays a more pivotal role in the “develop the west” programme. The infrastructure development for the western region generally entails larger sums of investment with slower returns. Furthermore, many of these projects – such as “sending the west’s electricity to the east” (*xidian dongsong* 西电东送), “transporting the west’s gas to the east” (*xiqi dongshu* 西气东输), the building of the Qinghai–Tibetan railway and so on – often span provincial boundaries, thereby necessitating Beijing’s supra-provincial co-ordination.³⁰

26 Interviews in Beijing in February 2006.

27 For different environments of the northeast, see Margot Schueller, “Liaoning: struggling with the burdens of the past,” in David S. G. Goodman (ed.), *China’s Provinces in Reform: Class, Community and Political Culture* (London: Routledge, 1997), pp. 93–121; and Gaye Christoffersen, “The political implications of Heilongjiang’s industrial structure,” in John Fitzgerald (ed.), *Rethinking China’s Provinces* (London: Routledge, 2002), pp. 221–46.

28 See Liu Pingping, “Xibu dakaifa yu zhenxing dongbei de zhengce quxiang bijiao fenxi” (“A comparative analysis of policy orientations of the ‘develop the west’ and ‘revive the northeast’ schemes”), *Sichuan jingji guanli xueyuan xuebao* (*Journal of Sichuan Economic Management College*), No. 1 (2005), p. 37.

29 See <http://www.chinawest.gov.cn> and <http://www.chinaeast.gov.cn>. Also see “Zhuanfang Zhang Guobao” (“Visiting Mr Zhang Guobao”), *Xinhua*, 22 November 2004, at http://news.xinhuanet.com/fortune/2004-11/22/content_2246814.htm (last accessed 17 October 2005).

30 Li Wanming, Li Cuijin and Xue Ping, “Xibu dakaifa de xianzhuang fenxi ji qianjing zhanwang” (“An analysis of and prospect for the ‘develop the west’ scheme”), *Xinjiang nongye jingji* (*Agricultural Economy in Xinjiang*), No. 1 (2005), pp. 28–29.

For the “revive the northeast” scheme, in contrast, Beijing has taken the position that the three provinces should focus more on the restructuring of state-owned enterprises, rationalizing the industrial structure and constructing a workable social welfare system instead of simply asking for the centre’s support.³¹ In December 2003, even before the State Council’s Office for Reviving the Northeast was established, the development and reform commissions of the three northeast provinces had already presented 100 key projects to NDRC, which later approved all of them.³²

Finally, the two schemes differ in the ways in which they secure funding for their projects. In the case of the “develop the west” programme, as a result of the region’s generally low levels of marketization and infrastructure development, as well as the unfavourable “soft (policy) environments” (*ruan huanjing* 软环境), a large inflow of foreign capital is not expected, at least until 2015. Instead, constructing “domestic linkages” (*dongxi lianxi* 东西联系) that seek to make full use of Chinese firms from the wealthy coastal region is emphasized.³³

In contrast, the “revive the northeast” scheme is geared more towards attracting foreign direct investment (FDI) which, from the region’s viewpoint, was grossly lacking because of an absence of preferential policies from Beijing.³⁴ In fact, as of 2001, the total FDI for the northeast region amounted to \$3.2 billion, 6.9 per cent of the nation’s total and less than a quarter of the FDI committed in Guangdong. Document number 36 issued by the Administrative Office of the State Council in June 2005 more specifically pointed to the FDI-oriented development strategy for the “revive the northeast” scheme by using Japanese, European and South Korean investments, while it did not emphasize any such outward strategy for the “develop the west” programme.³⁵

- 31 For this, in July 2001, the State Council approved Liaoning to carry out experimental social security reforms and in 2004 Heilongjiang and Jilin also joined the reforms. They are designed to build an urban social security system that operates independently of enterprises and public institutions, with diversified sources of funds, and offers marketized services. The government makes a contribution to insured employees’ accounts at a rate of 3.75% of their wages, and the employers 1.25%. “Certain Opinions,” Part XII and interviews in Beijing, February 2006.
- 32 “Zhang Guobao zai guoxinban jizhewhui shang de jianghua” (“Zhang Guobao’s speech at the press conference held by the State Council’s Information Office”), *Xinhua*, 2 March 2005 at http://news.xinhuanet.com/2005-03/02/content_2638389.htm (last accessed 17 October 2005).
- 33 See Sun Tianqi and Liu Wei, “Xibu kaifa yu dongbei zhenxing – liangda quyu jingji jigou de bijiao yu zhichi zhengce de sikao” (“The ‘develop the west’ and ‘revive the northeast’ schemes – comparing the economic structures and devising policies of mutual support between the two regions”), *Henan jinrong guanli xueyuan xuebao* (*Journal of Henan College of Financial Management*), No. 6 (2004), pp. 68–69; and Lu Lijun and Zheng Yanwei, *Dongbu qiye xijin de moshi yu xingwei* (*On Enterprises from the East Moving Westward: Modes and Behaviour*) (Beijing: Zhongguo jingji chubanshe, 2004).
- 34 See Guowuyuan zhenxing dongbei diqu deng laogongye jidi lingdao xiaozu bangongshi, *The 2004 Report*, pp. 332–35; and Zhang Guohong, “Waishang zhijie touzi yu jingji zengzhang – jianlun dongbei laogongye jidi zhenxing zhong liyong waizi wenti” (“Foreign direct investment and economic growth – in the context of reviving the northeast old industrial base”), *Xueshu jiaoliu* (*Scholarly Exchange*), July 2005, pp. 83–84.
- 35 For the west, see “Guowuyuan guanyu shishi xibu dakaifa ruogan zhengce cuoshi de tongzhi” (“The State Council’s announcement on several policy measures for implementing the ‘develop the west’ programme”), *Guofa*, No. 33 (2000). For the northeast, see “Guowuyuan bangongting guanyu cujin dongbei laogongye jidi jinyibu kuoda duiwai kaifang de shishi yijian” (“The State Council Administrative Office’s opinions on the implementation of measures to further open the northeast old industrial base

Policy Targets of the “Revive the Northeast” Programme

Targets of the “revive the northeast” scheme can be reconstructed from three sources. According to the document “Certain Opinions” mentioned above, jointly issued by the Party centre and the State Council, reviving all the old industrial bases at once is a daunting challenge, a task that has to progress in a step-by-step manner. It thus stipulates that old industrial bases in the central region – such as Taiyuan 太原 and Luoyang 洛阳 – will receive support in due course and that those in the west – such as Chongqing 重庆 – must make good use of the “develop the west” programme currently under way.³⁶

For the “revive the northeast” scheme, central targets were stipulated by NDRC, the Ministry of Finance, the Ministry of Agriculture and the State Tax Administration.³⁷ Targets set by the northeast provinces can be distilled from the three documents on “planning guidelines” (*guihua* 规划), all approved by the State Council Office for Reviving the Northeast.³⁸ From these materials five principal targets can be identified. First and foremost, the scheme aims at restructuring the ailing state sector, which accounted for over 70 per cent of the region’s GVIO in 2002, as compared to the coastal region’s 31 per cent.³⁹ This goal entails three dimensions: accelerating ownership reforms and separating welfare functions from enterprise management; rationalizing the structure of state-owned industrial sectors (such as downsizing primary sectors like mining); and expanding the share of the non-state economy.⁴⁰

In line with the centre’s preferences, the three provinces also underlined the acute need for thorough restructuring of their state sector. Unfortunately, provincial guidelines did not specify concrete – quantified – targets for this goal. Liaoning is the only province that stipulated the target of enhancing the share of “non-state economy” (*minying jingji* 民营经济) to 60 per cent of the province’s economy by 2010, in addition to producing 700 billion yuan of added value for non-state, non-collective sectors.⁴¹

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to the outside”), *Guobanfa*, No. 36 (2005). As of 2005, the leading trading partners for Liaoning, Heilongjiang and Jilin were Japan, Japan and Hong Kong, respectively.

36 Interviews in Beijing in February 2006.

37 Pertinent documents are found in Guowuyuan zhenxing dongbei diqu deng laogongye jidi lingdao xiaozu bangongshi, *The 2004 Report*, pp. 23–86.

38 These documents are: “Heilongjiang laogongye jidi zhenxing zongti gui Hua” (“Overall planning guidelines for reviving old industrial bases in Heilongjiang: 18 November 2004”); “Liaoningsheng laogongye jidi zhenxing gui Hua” (“Planning guidelines for reviving old industrial bases in Liaoning: 15 January 2005”); and “Zhenxing Jilinsheng laogongye jidi gui Hua gangyao” (“Summary of the planning guidelines for reviving old industrial bases in Jilin: 24 March 2005”).

39 See Lu Qing, “Zhenxing dongbei zuipa xinping zhuang jiujiu” (“The biggest worry for the ‘revive the northeast’ scheme is to put old wine in a new bottle”), *Zhongguo shangbao* (*China Commercial News*), 19 August 2003. Also refer to the State Council’s Development Research Centre, *Zhongguo jingji nianjian 2004* (*China’s Economic Almanac 2004*) (Beijing: Zhongguo jingji chubanshe, 2004), p. 178.

40 See “Certain Opinions,” especially Parts III, IV, VI, VII, and XI; and “Dui Zhonggong zhenxing dongbei laogongye jidi zhanlue zhi fenxi” (“An analysis of the CCP’s strategy of reviving northeastern old industrial bases”), *Zhonggong yanjiu* (*Studies of Chinese Communism*), October 2003, p. 51.

41 Heilongjiangsheng renmin zhengfu, “Heilongjiangsheng laogongye jidi zhenxing zongti gui Hua”;

As the second target, the central government designated six priority sectors for the northeast provinces to concentrate on with pledges of preferential support. The six were equipment manufacturing, the petrochemical industry, shipbuilding, automobile manufacturing, agricultural processing and high-tech industries (notably pharmaceuticals). Beijing announced that it would exempt selected enterprises from paying consumption-related value added taxes. With such preferential treatment, these enterprises were able to save up to 10 billion yuan per year.⁴²

In accordance with Beijing's guidelines, Heilongjiang selected equipment manufacturing, the petrochemical industry, agricultural processing and pharmaceuticals; Liaoning chose equipment manufacturing, the petrochemical industry, shipbuilding, agricultural processing and high-tech industries; and Jilin opted for the petrochemical industry, automobile manufacturing, agricultural processing and high-tech industries. Besides the six designated sectors, Heilongjiang also prioritized energy and forest development, and Liaoning focused on metallurgy and construction materials.⁴³ Heilongjiang set a goal of cultivating, by 2005, enterprises with yearly gross sales exceeding 100 billion yuan in the four sectors; Jilin aimed to increase the total sales of pharmaceuticals to 22 billion yuan; and Liaoning set a goal of increasing the added value in equipment manufacturing and construction materials to 55 and 92 billion yuan, respectively, and enhancing total sales of high-tech industries up to 300 billion yuan by 2005.

Third, as in the "develop the west" programme, the "revive the northeast" scheme also emphasizes the need to improve infrastructure. Principal projects include the upgrading of transportation and electricity networks between the northeast and north China (*huabei* 华北) regions; the construction of express railways linking Harbin and Dalian (*dongbiandao tiedao* 东边道铁道); the building of advanced ports and airport facilities particularly in Liaoning and Dalian; and the construction of extensive highway systems in Heilongjiang (*sanshe siheng liuzong* 三射四横六纵), which will make any place in the province (except for *Daxing'anling* 大兴安岭) less than a three-hour trip.⁴⁴

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Liaoningsheng renmin zhengfu, "Liaoningsheng laogongye jidi zhenxing guihua"; and Jilinsheng renmin zhengfu, "Zhenxing Jilin laogongye jidi guihua gangyao."

- 42 See Sun Shiqiang, "Wajue guojia zhengce xiaoying zhenxing dongbei jingji de zhanlue fenxi" ("An analysis of strategies for utilizing the national policy of 'reviving the northeast'"), *Qianyan (Front)*, No. 6 (2004), p. 43. In addition, the central government allowed the region to shorten the depreciation period for fixed assets by a maximum of 40%. See "Luoshi zhenxing dongbei laogongye jidi qiye suodeshui youhui zhengce chutai" ("Favourable enterprise income tax policies for materializing the revival of northeastern old industrial bases are revealed"), posted at <http://www.XINHUANET.com> on 9 October 2004 (accessed the same date).
- 43 With regard to sectoral choices by the provinces, Chinese officials mentioned two points: the decisions were based primarily on comparative advantages (*yindi zhiyi*); and enterprises outside the key six sectors were not to be exempted from the consumption-related value-added taxes. Interviews in Beijing and Heilongjiang, February 2006. Nevertheless, overall, Liaoning appears to have received more support from Beijing since 52 of the initial 100 projects approved were assigned to Liaoning in late 2003.
- 44 The central government devoted funds from treasury bonds to financing the building of infrastructure and industrial upgrading in the northeast. By 2004, it had allocated 800 million yuan for interest

The fourth target concerns the promotion of the region’s comparative advantage: agriculture and food processing. In 2003, the region accounted for 15 and 10 per cent, respectively, of China’s grain and meat production, but it is believed that much potential remains. The central government thus exempted Heilongjiang and Jilin from agricultural taxes in 2004, two years earlier than their nationwide abolition. In the agriculture-related sector, all three provinces had the same category of target: per peasant income for 2010. Heilongjiang set the goal at 4,130 yuan, Liaoning at 5,500 yuan and Jilin at 4,500 yuan. Heilongjiang also announced additional targets: to increase grain production to 60 billion catties; to raise the share of animal husbandry in gross agricultural output value to 60 per cent; and to expand the planting area for pollution-free products to 30 million *mu* 亩.⁴⁵

Fifth, as noted earlier, the “revive the northeast” scheme presupposes FDI as an important source of funding. It is widely known that the northeast is plagued with outdated technology and equipment. In 2003 in Changchun, Jilin, only 17 per cent of equipment came from the 1980s and after, while 82 per cent was from the 1970s or older; in Shenyang, Liaoning, only 13 per cent of industrial equipment is regarded as advanced.⁴⁶ In order to upgrade equipment and technology, it is essential to secure large investments, but unfortunately the northeast has been known for high levels of non-performing loans and, therefore, domestic sources of funding, other than Beijing’s grant-in-aid, would be unlikely to play a major role.⁴⁷

The only way out was naturally to open up the region and enhance the levels of foreign economic linkages. In 2002, the northeast’s foreign trade as a share of gross product was only 20.4 per cent, compared to the national average of 43.6 per cent. In the same year, the amount of FDI committed in the northeast was \$3.2 billion, only 7 per cent of the national total. Given that the region’s share in gross domestic product was 11 per cent, its level of “opening” (*kaifang* 开放) was quite low.⁴⁸ The central government has urged the region to improve

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payment on loans from treasury bonds. Guowuyuan zhenxing dongbei diqu deng laogongye jidi lingdao xiaozu bangongshi, *The 2004 Report*, pp. 103–104, 120, 131; and “2006 nian Zhongguo dongbei diqu fazhan baogao” (“A report on the development of the northeast region in China”), posted at <http://www.readfree.net/viewarticle.php?id=275831> on 8 January 2007 (last accessed 3 March 2007).

45 Guowuyuan zhenxing dongbei diqu deng laogongye jidi lingdao xiaozu bangongshi, *The 2004 Report*, pp. 95, 116–17, 129.

46 Qiao Mu, *Revive the Northeast*, p. 21; and Li Wen and Liu Chunguang, “Explanations for the ‘revive the northeast’ strategy,” p. 11.

47 As of 2002, the NPL rate for Jilin, Liaoning and Heilongjiang was higher than the national average by 49, 17 and 5%, respectively. Ba Shusong, “Zhenxing dongbei de jinrong zhichi zhanlue” (“Strategy of financially supporting the ‘revive the northeast scheme’”), *Zhongguo jingji shibao* (*China Economic Times*), 22 December 2003; and Zou Deli and Deng Binbin, “Ruhe chuzhi yinhang buliang daikuan” (“How to cope with bad debts of banks”), *Beifang jingmao* (*Economy and Trade in the North*), No. 7 (2004), pp. 86–88.

48 Jin Qiangyi, “Zhenxing dongbei laogongye jidi yu duiwai kaifangdu” (“The scheme of ‘reviving old

its “soft environments” since the northeast has long been known for its conservative and complacent attitude.⁴⁹ Beijing has also made efforts to expand the region’s contact with the outside. Wen Jiabao, for instance, briefed leaders from ASEAN nations, Japan and Korea on the “revive the northeast” scheme in September 2003, and the central government hosted an international conference on the scheme in Dalian in September 2004.⁵⁰

Liaoning was to increase its total foreign trade volume to US\$17.6 billion by 2005 and to US\$28 billion by 2010, and the rate of trade growth to an annual average of 10.5 per cent. It was also to expand its total FDI to US\$4 billion by 2005 and US\$7.2 billion by 2010, and the rate of its growth to an annual average of 12 per cent.⁵¹ Heilongjiang was to increase its foreign trade volume to US\$15 billion by 2010 and the share of trade in gross domestic product (GDP) to 15 per cent. It was also to expand total FDI to US\$2.5 billion by 2010, and the rate of its growth to an annual average of 11.8 per cent.⁵² For the period 2006–10 Jilin plans to expand its FDI inflow at 20 per cent per annum and attract a total of US\$10 billion, and to increase its foreign trade by 11 per cent a year to US\$11 billion by 2010.⁵³

Assessing the Impact of the “Revive the Northeast” Scheme

At the time of writing, it has been a little over four years since the “revive the northeast” scheme was formally launched. Obviously, that is not long enough to evaluate any regional development programme. Nor is it easy to present a concrete threshold in order to judge if the scheme has been a success or a failure. Nevertheless, a couple of preliminary observations can be offered on the impact of the scheme. First, the central government officials interviewed were of the opinion that, while the overall evaluation was “generally positive” (*hai bucuo* 还不错), progress was less good than their initial expectations.⁵⁴ Many of them

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industrial bases in the northeast’ and the level of opening”), *Yanbian daxue xuebao* (*Journal of Yanbian University*), Vol. 38, No. 1 (2005), p. 7.

49 Central government officials characterize the northeast as always “waiting for, relying on and demanding Beijing’s support” (*deng kao yao*). For the northeast’s conservatism, see Jae Ho Chung, *Central Control and Local Discretion in China* (Oxford: Oxford University Press, 2000), ch. 6.

50 Yang Liyan, “Zhenxing dongbei ji dongbeiya hezuo guoji yantaohui zailian juxing” (“International conference on the ‘revive the northeast’ and Northeast Asian co-operation held in Dalian”), *Liaoning ribao* (*Liaoning Daily*), 26 September 2004.

51 Guowuyuan zhenxing dongbei diqu deng laogongye jidi lingdao xiaozu bangongshi, *The 2004 Report*, pp. 98–99.

52 *Ibid.* pp. 132–33.

53 “Jilinsheng guomin jingji he shehui fazhan di shiyige wunian guihua gangyao” (“An outline of the eleventh five-year programme of national economic and social development of Jilin province”), ch. 1.

54 Interviews in China during 2006 and 2007; and Shi Qingwei, “Dongbei zhenxing: quyu zengzhang guaidian heshi chuxian” (“The ‘revive the northeast’ programme: when will the turning point appear?”), *Banyuetan* (*Semi-Monthly Talks*), No. 262 (2007), pp. 49–51.

attributed it to the region’s deep-rooted conservatism and a wide range of structural problems inherited from the planned era.⁵⁵

While it does not render itself easily to empirical scrutiny, official “conservatism” and corruption seem to be at the centre of the “northeastern problem.” For example, in the whole of China in 2005, 14 full or vice-provincial/ministerial-level senior officials were sentenced or being investigated for corruption. Five of them (over one-third) were from the northeast.⁵⁶ In 2005, He Guoqiang, then director of the Central Organization Department, commented that one way for the centre to support the “revive the northeast” scheme was to dispatch to the area officials from the national bureaucracy and coastal regions who were more familiar with economic affairs.⁵⁷ After his appointment as Jilin’s governor in 2004, Wang Min 王岷, who had as mayor transformed Suzhou into a star city, deplored the conservatism and inefficacy of many officials in the province.⁵⁸

However, as Table 2 demonstrates, the “revive the northeast” scheme has produced positive effects on boosting the region’s economy. The annual growth rate of the northeast’s GDP during 2001–03 was 9.9 per cent, which, after the implementation of the scheme, increased to 12.9 per cent during 2004–06, surpassing the national average by 2.6 per cent. Yet, comparatively speaking – that is, in terms of the northeast provinces’ share in national GDP – progress has been relatively insignificant (see Table 3).

As expected, there are some variations in the performances of the three provinces. A comparative assessment of provincial performance is provided below in terms of four measures: GDP growth, external economic relations, state-owned enterprise (SOE) reform and provincial targets of prioritized industrial sectors.

Let us first examine Liaoning whose GDP grew by 13.6 per cent per annum during 2004–06 – 3.4 per cent higher than during 2001–03 – over-fulfilling the target of 10 per cent.⁵⁹ Liaoning’s foreign trade grew fast at 23 per cent per annum during 2004–06 (compared to 12.2 per cent during 2001–03), surpassing the 2005 target in 2004. In contrast, its intake of FDI plummeted with –0.6 per cent per annum during 2004–06 as opposed to a positive growth of 10.3 per cent during 2001–03.⁶⁰ As for SOE reforms, during 2004–06 Liaoning carried

55 Interviews in February 2006 and January 2007.

56 See “Lianggao baogao: 14 shengbu gaoguan shou chaban” (“Two Supreme Courts report: 14 provincial and ministerial senior officials were investigated and punished”), posted at <http://www.irib.com/world-service/chinese/news/06-03-13/06031336.htm> on 13 March 2006, accessed the same day.

57 In 2005, the Central Organization Department dispatched 94 cadres to serve as provincial, prefectural and county leaders in the northeast. See “Zhongyang danwei he yanhai shengshi ganbu jin qi fu dongbei gongzuo” (“Cadres from central units and coastal provinces and cities sent to work in the northeast”), posted at <http://www.XINHUANET.com> on 15 March 2005 (accessed the same date).

58 See Han Baojiang, “Zhenxing dongbei xuxianzhi zhengfubing” (“Reviving the northeast should first cure the ‘government disease’”), *Zhongguo jingji shibao (China Economic Times)*, 5 March 2004; Wang Gang, “Zhenxing dongbei zhili xianxing” (“Disciplining officials must precede in reviving the northeast”), *Zhongguo xinwen zhouban (China News Weekly)*, 25 October 2004, pp. 26–28; and “Jilin kuaipao beihou de ‘Wang Min shudu’” (“Wang Min’s speed behind Jilin’s sprint”), at <http://news.sina.com.cn/c/2007-03-01/095412400380.shtml> (last accessed 5 March 2007).

59 The 2006 data on Liaoning are from Liaoningsheng renmin zhengfu, *Zhengfu gongzuo baogao 2007*.

60 See *Liaoning tongji nianjian (Liaoning Statistical Yearbook) 2006*, p. 405. It is not clear why this has been

Table 2: **Impact of the Scheme on the Region's Gross Domestic Product (%)**

	Average growth rate (2001–03)	Average growth rate (2004–06)
Liaoning	10.2	13.6
Heilongjiang	9.9	12.0
Jilin	9.7	13.1
Regional average	9.9	12.9

Sources:

National Bureau of Statistics, *Zhongguo tongji nianjian 2006 (Statistical Yearbook of China 2006)* (Beijing: Zhongguo tongji chubanshe, 2006), p. 63; Liaoningsheng renmin zhengfu, *Zhengfu gongzuo baogao 2007* at Zhenxingdongbeiwang (http://chinaeast.xinhuanet.com/2007-01/30/content_9175453.htm); Heilongjiangsheng renmin zhengfu, *Zhengfu gongzuo baogao 2007* at Zhenxingdongbeiwang (http://chinaeast.xinhuanet.com/2007-01/30/content_9175888.htm); and Jilinsheng renmin zhengfu, *Zhengfu gongzuo baogao 2007* at Zhenxingdongbeiwang (http://chinaeast.xinhuanet.com/2007-01/30/content_9142531.htm) (last accessed 31 January 2007).

Table 3: **The Northeast's Share in Gross National Product, 2003 and 2006 (%)**

	2003	2006
Liaoning	4.4	4.4
Heilongjiang	3.0	3.0
Jilin	1.9	2.0
Northeast	9.3	9.4

Sources:

As Table 2.

out measures of shutdown and bankruptcy against 110 SOEs in serious debt, accounting for 84 per cent of all SOEs shut down or bankrupted in the northeast. Furthermore, 85 per cent of Liaoning's large and medium-sized SOEs adopted ownership diversification schemes to reduce the overall share of state ownership. At the same time, the rate of growth in the private sector amounted to an annual average of 17.1 per cent for 2004–06, over-fulfilling the target of 15 per cent.

Concerning the five prioritized industries, Liaoning's performance has been fairly good across the board. By 2005, the total value added in the equipment manufacturing and construction materials industries amounted to 58 and 111 billion yuan respectively, over-fulfilling the targets. In 2006, too, 85 and 185 billion yuan were registered respectively. The total sales of high-tech industries also reached 330 billion yuan, surpassing the target by 30 billion. As for the service sector, while the added value surpassed the target by 17 billion yuan, the rate of growth fell short by 1.8 per cent.⁶¹

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the case. A speculative answer may be that the so-called "initial policy effects" evaporated after 2005. According to our interviewees, the provincial authorities were indeed asking Beijing to provide more preferential FDI guidelines for Liaoning. Interviews in Shenyang in December 2006.

61 *Liaoning ribao*, January 8, 2007; *Liaoning Statistical Yearbook 2006*, p. 27; and Cao Shaofeng *et al.*, *Liaoning jingji shehui xingshi fenxi yu yuce 2006 (Analysis and Forecast of Liaoning's Economic and Social Development for 2006)* (Beijing: Shehuikexue wenxian chubanshe, 2006), p. 14.

Jilin’s economy has fared quite well since the launch of the “revive the northeast” programme. During 2004–06, Jilin’s GDP grew by 13.1 per cent per annum – 3.4 per cent higher than during 2001–03 – over-fulfilling the growth target of 10 per cent.⁶² The primary, secondary and tertiary sectors registered stronger growth for 2004–06 than for 2001–03. In terms of external economic relations, Jilin’s foreign trade grew slower (9.3 per cent during 2004–06 compared to 35.4 per cent during 2001–03) whereas FDI inflows marked a sharp rise with 34.2 per cent per annum during 2004–06 as opposed to a negative growth of –1.9 per cent during 2001–03.⁶³

Rapid progress was made in Jilin’s SOE reforms in line with the plan of completing the ownership restructuring of most SOEs by 2005.⁶⁴ As of early 2005, 816 large and medium-sized SOEs were officially owned by the province and sub-provincial governments. The provincial authorities required all of them to transform their state ownership one way or another. By the end of 2005, all these enterprises were turned into stock-holding companies or other types of non-state enterprises. The fact that Jilin’s goal of SOE reform was accomplished at such a rapid pace and very few of these SOEs went into bankruptcy could be largely because the provincial government really took the programme seriously, although the outcome will need more scrutiny at a later date.⁶⁵

For the five prioritized industries, Jilin’s performance has been rather uneven. The petrochemical industry grew at 18 per cent annually, 50 per cent higher than the original target, and the sales of food-processing expanded by 32 per cent, well above the 18 per cent target. Sales in the pharmaceutical sector registered an annual average of 19 per cent growth, roughly matching the 20 per cent target. In contrast, the performance of the high-tech and auto-making industries was disappointing. In 2005, sales of electronics and software products in Jilin amounted to 11.5 billion yuan, a long way short of the ambitious target of 180 billion yuan for 2010. In 2006, the total number of automobiles produced was only 627,000, fewer than in 2003, with a target of 1.5 million set for 2010.⁶⁶

Heilongjiang’s performance was perceived by its officials to be fairly successful but lagging far behind Liaoning.⁶⁷ The GDP target for 2005 – 520 billion yuan – was accomplished one year early, in 2004, and the GDP figure for 2006

62 The 2006 data on Jilin are from Jilin tongjiju, *Jilin sheng guomin jingji he shehui fazhan tongji gongbao* (*Bulletin of Statistics on National Economic and Social Development of Jilin Province 2006*), posted at <http://www.stats.gov.cn> (accessed 28 February 2007).

63 *China Statistical Yearbook*, various years; *Jilin tongji nianjian* (*Jilin Statistical Yearbook*), various years; *Jilinsheng guomin jingji she shehui fazhan tongji gongbao*; and *Jilin sheng guomin jingji shehui fazhan tongji gongbao*, 2005, 2006, posted at <http://www.stats.gov.cn> (accessed 28 February 2007).

64 Jilin renmin zhengfu, *Zhenxing Jilin laogongye jidi guihua gangyao* (*An Outline of the Programme for Reviving Jilin’s Old Industrial Base*), posted at <http://www.chinaneast.gov.cn> on 24 March 2005, accessed 24 February 2007.

65 Interviews with provincial officials and scholars in Jilin in September 2006.

66 See “Jilin sheng gaoxin jishu qiye cheng jiqunhua fazhan qushi” (“High-tech enterprises in Jilin province show a tendency of developing in clusters”), *Jilin ribo* (*Jilin Daily*), 9 January 2006, posted at <http://www.emanu.cn/article.php?id=1344> (accessed 3 March 2007).

67 Interviews in Harbin in February 2006.

amounted to 622 billion yuan. Heilongjiang's GDP grew by 12 per cent per annum during 2004–06 – 2.1 per cent higher than that during 2001–03 – over-fulfilling the original target of 10 per cent.⁶⁸ Heilongjiang's foreign trade grew fast at a rate of 34.2 per cent per annum during 2003–06 when the volume of trade rose from US\$6.8 to 12.9 billion. In terms of FDI, too, the impact of the “revive the northeast” programme was discernible as the annual rate of increase was 18.4 per cent for 2003–06 as opposed to a mere 5.4 per cent during 2000–03.⁶⁹ The inflow of domestic capital into Heilongjiang also rose sharply with 23.1 billion yuan in 2005 alone, marking a 59 per cent increase over 2004.⁷⁰

Although progress was announced by the provincial government of Heilongjiang for its SOE reforms as well, separate effects of the “revive the northeast” scheme are difficult to discern as the number of state-owned and state-holding firms had already declined from 2,524 in 1998 and 1,588 in 2000 to 947 in 2004 and 693 in 2005.⁷¹ In 2004 and 2005, 45 and 92 province-owned enterprises had their ownership transformed, respectively, and a total of 130 SOEs went into bankruptcy. Yet, as of early 2006, fewer than 20 per cent of SOEs had gone through ownership diversification, thereby leaving much room for further reforms.⁷²

With regard to the six prioritized sectors, Heilongjiang's performance has been less than ideal. While it had set the target of reaching, by 2005, yearly gross sales exceeding 100 billion yuan in the four Beijing-supported sectors, only the petrochemical industry came close with 99.8 billion yuan in 2006. The other three sectors fell way short of the targets and the pharmaceutical industry registered a growth rate of only 4.4 per cent in 2005–06. Of the two Heilongjiang-supported sectors, the energy industry, thanks as always to the Daqing oilfields, stood out with the production value of 244 billion yuan while the forestry and timber processing sector marked a mediocre growth rate of 8.9 per cent during 2005–06.⁷³

Concluding Observations

The “revive the northeast” programme has been the signature regional developmental scheme of the Hu–Wen leadership, which has emphasized the reduction of disparities and the maintenance of social harmony. The scheme has thus far successfully stimulated faster growth in the region as a whole. The extent to which it

68 *Heilongjiang tongji nianjian 2006 (Heilongjiang Statistical Yearbook 2006* (Beijing: Zhongguo tongji chubanshe, 2006), p. 37; and *Heilongjiang sheng guomin jingji he shehui fazhan tongji gongbao* posted at <http://www.stats.gov.cn> (accessed 6 April 2007).

69 *Heilongjiang Statistical Yearbook 2006*, pp. 398, 409.

70 Interviews in Harbin in February 2006.

71 *Heilongjiang Statistical Yearbook 2005*, p. 264 and *2006*, p. 277.

72 Heilongjiang zhenxing bangongshi (Heilongjiang Office for Reviving the Northeast), “Heilongjiangsheng zhenxing laogongye jidi gongzuo jinzhans qingkuang” (“Current conditions of reviving the old industrial bases in Heilongjiang”), 20 February 2005, pp. 2–3.

73 See *Heilongjiang sheng guomin jingji she shehui fazhan tongji gongbao*.

has actually helped to contain explosive social tension in the region is not so easy to measure. Yet, the fact that no large-scale workers’ protests like those in the spring of 2002 have been staged in recent years may attest in part to the effectiveness of the programme. More specifically, the decrease in the number of petitioners heading to Beijing – by 21.4 per cent between 2003 and 2006 – suggests that the scheme may have reaped some of its intended outcomes.⁷⁴

Positive assessments notwithstanding, the northeast – and the Hu–Wen leadership for that matter – is facing formidable challenges. Statistics suggest that the initial “policy effects” may have already begun to evaporate. Combating the residues of state ownership, planned economy and diehard conservatism in the region is a daunting problem that has to be thoroughly overcome in order for the programme to sustain its success. Yet norms and culture change very slowly, if ever. In this respect, Beijing’s effort to infuse officials of the central government and coastal regions into the northeast is notable although its impact on transforming the dominant norms of the region is hard to gauge.⁷⁵

The simultaneous push for multiple schemes of regional development – the west, the central region, Pudong 浦东, Binhai 滨海 and the pan-Pearl River Delta region, in addition to the northeast – may actually dilute much of the focused effort and policy attention as the centre has only limited resources. If there is intense competition for more resources, it is not at all clear whether the northeast could emerge as the ultimate winner. In the mid to long run, the fate of the “revive the northeast” programme will determine not only the effectiveness of the Hu–Wen leadership’s strategy for governance but also the workability of its regional development programmes designed to bridge widening disparities in China.

74 Zhenxing dongbeiban, “Dongbei zhenxing sannian pinggu” (“Assessing the first three years of the ‘revive the northeast’”) at http://chinaneast.xinhuanet.com/2007-05/23/content_10091405_11.htm (last accessed 26 June 2007).

75 Xu Feng, “Dapi zhongyang he yanhai guanyuan kongjiang dongbei” (“A large number of officials from the central government and coastal regions are parachuting into the northeast”), *Nanfang zhoumo*, 24 March 2005; and Hongyi Lai, *Reform and the Non-State Economy in China*, chs. 4–5.