

Move to 'Go West' reaps encouraging rewards

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The country's "Go West" policy to develop the lagging western regions is gaining ground, a United Nations report has shown.

The heartening signs are largely from government efforts to improve trade and investment, the UN Economic and Social Commission for Asia and the Pacific (ESCAP) said in its latest annual survey of the region.

The report highlighted trade, specifically exports, of the western regions showing a more rapid rise than those of the coastal regions, even though western regions started from lower levels.

"A particularly encouraging trend for China's neighbors is the relatively rapid export growth seen in many western regions," the survey said.

"The government is encouraging this trend through extensive projects to improve cross-border transportation."

The country's Xinjiang Uygur Autonomous Region, which shares borders with Afghanistan, Kazakhstan, Kyrgyzstan, Mongolia, India, Pakistan, Russia and Tajikistan, is being seen as China's gateway to Central Asia. The region's trade with Central Asia has tripled since 2002, reaching a record \$9 billion in 2006, the report said.

In the Guangxi Zhuang Autonomous Region, cross-border trade has also grown with neighboring Vietnam, rising by close to 50 percent in 2006 to \$1.8 billion. Similarly, Yunnan province's trade links have reportedly expanded with Laos, Myanmar and Vietnam, while Mongolia and Russia have reported rapid increases in trade with the Inner Mongolia Autonomous Region.

The "Go West" policy, started in 1999, is aimed at narrowing per capita gross domestic product income disparities, currently considered among the highest in the world, the ESCAP reported.

Priorities of the western development strategy include infrastructure construction, environmental protection, industrial upgrading, human capital accumulation, and science and technology research.

The report added that growth in the western regions was also supported by greater foreign direct investment and backed by research and development.

"Foreign direct investment, a focus of the 'Go West' policy, increased substantially in a quarter of the western provinces," the survey added.

The ESCAP said that growth was reported for Tibet, Qinghai, Gansu, Xinjiang, Ningxia, Guangxi, Chongqing and Yunnan, along with a recent rapid increase in foreign direct investment in Sichuan, Inner Mongolia and Shaanxi.

Research and development spending also reportedly grew more rapidly in four of the 12 western regions - Ningxia Hui, Tibet, Inner Mongolia and Xinjiang Uygur - than most coastal provinces.

These, the ESCAP said, helped final consumption increase more "in a quarter of the western

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provinces than in the majority of coastal provinces".

Slower, steady growth

The country will see a moderate slowdown in growth this year, but remained underpinned by strong domestic demand and government social spending despite a slowing United States economy, the ESCAP also reported.

The report expected an easing in growth to 10.7 percent from 11.4 percent in 2007 - the fastest for China in 13 years - as a result of a slowdown in exports and government measures to cool growth.

"Investment continues to be the main driver of growth, remaining resilient despite government cooling measures and with support from low real interest rates," the ESCAP said.

"A slowdown in exports and the government's measures to cool the economy are the main reasons for the moderation," the survey said.

The ESCAP also downplayed any significant impact on China's economy resulting from a downturn in the US economy due to the ongoing subprime credit crisis.

"In a worse-case scenario - where the United States economy goes into a recession - the impact on China will not be as great as on other Asia-Pacific countries," it reported.

In terms of China's overall trade, the country witnessed increasing exports to the European Union last year, a shift which compensated for a steady fall in exports to the US - China's second-largest export market, the report said.

The country also witnessed a boom in trade with Africa.

Growth also came in service exports, which rose globally by an average of 16 percent over 1995-2006.

"China had the best performance in transport services exports of all Asia-Pacific countries, growing at 34 percent per year over 2000-2006," the ESCAP reported.

However, the country is facing an increasing challenge from inflation.

Last year, inflation rose dramatically to 4.8 per cent - the highest in a decade, and three times the 1.5 percent reported in 2006.

Higher international oil and food prices were identified as chief inflationary concerns.

"Rising food prices are a bigger inflationary concern than oil prices because food accounts for a far higher proportion of consumer spending. Food price inflation particularly hits low-income households," the ESCAP said in the survey.

The country's fast-paced growth was coming at an increasing cost to the environment, while the loss of arable land to manufacturing also raises concerns, the ESCAP warned.

"The destabilizing effect of growth on the environment is becoming more apparent. Air pollution, especially in large cities, is increasing the incidence of lung disease," it said.(China Daily)

