

GLOBAL VIEWS

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Congregated advantages

Improving city clusters will nurture new regional powerhouses for the Chinese economy

Facing the volatile external environment, reduced external demand and broken industry chains, China needs to focus on the high-quality development of its regions. The key is to nurture new economic powerhouses for the regions by improving the city clusters, industry chain clusters and the market-based allocation of factors of production, along with creating a business-friendly environment and attracting talents.

City clusters take shape in the urbanization process of populous countries. China's urbanization rate has now passed 60 percent, and several metropolitan areas and urban agglomerations have emerged, such as the Beijing-Tianjin-Hebei city cluster, the Yangtze River Delta, the Pearl River Delta, cities in the middle reaches of the Yangtze River, and the Chengdu-Chongqing area.

The development of a city cluster should focus on three circles: the megacity itself as the core with an area of 2,000-3,000 square kilometers. Centered on the core city, the metropolitan area with a radius of 100 kilometers is the second circle, and the city cluster with a radius of 200 km is the outer circle that is composed of the megacity and surrounded large, medium-sized and small cities.

Instead of only focusing on its own economy, the core city has the responsibility to drive the entire economy of the city cluster forward, which means it needs to share some resources with neighboring cities. In turn, the satellite cities must coordinate with each other to better serve the core city.

The emerging city clusters also make it possible for China to create industry chain clusters. The globalized industry chains and supply chains ruptured by the pandemic have aroused concern. Regions with relatively complete industry chains and self-contained industry clusters have recovered faster and better than those highly dependent on global supply chains. For example, in some places, more than 80 per-



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cent of the parts for the electronics manufacturing are produced locally. This model helps reduce the risks of sourcing components from around the world.

Different from the traditional division of labor that disperses horizontally around the world, the vertically integrated industry chain cluster is distributed in a region with a radius of one to three hours' driving where more than 70 percent of parts and semi-finished products are produced. During the pandemic, this model has outperformed the globalized division of labor in efficiently integrating factors of the entire industry chain, matching supply and demand sides, and boosting innovation

through benign competition along the entire chain. These regional industry chain clusters have also been able to form their core competitiveness by reducing logistics costs and making up for the shortcomings of innovation.

Improving the market-based allocation of factors of production is also key to promoting regional economic development. For various reasons, the factor market suffers from excessive administrative intervention, poor market operation and low resource allocation efficiency. In April, the Chinese government issued a guiding principle on building a more complete market-oriented allocation system for factors of production, scaling up

the efforts of nurturing new drivers for regional economies.

Against the backdrop of the pandemic, besides the counter-cyclical regulation on the demand side, greater importance should be paid to the supply side, including the market allocation of factors such as land, labor, capital, technologies and data. Any structural reform on the supply side of factors is fundamental and systematic, which is projected to bring trillion-yuan level dividends every year. As local economic growth and fiscal revenue are largely curbed currently, such reforms, offering huge returns at little or even no cost should be considered.

For example, the document

issued in April proposes deepening reform of the market-based allocation of industrial land. This will not only revitalize the industrial land that is inefficiently used and promote industrial upgrading, but also help cut the costs of land use.

Another example is the document calls for relaxing the restrictions on the urban household registration system, except for a few megacities. This will benefit migrant workers, helping them become permanent urban residents; and at the same time, it will prolong their effective working time, increase the supply of urban labor and unleash potential demographic dividends.

Continuous improvement of the

business environment will help regional development, especially in the pandemic when most enterprises are challenged. Local governments have the responsibility to promptly introduce pro-business measures. It has been recognized by all that creating a convenient business environment is a common task for all cities. However, detailed measures are skewed to some extent. The local governments should adopt the pre-entry national treatment plus negative list management, and ensure fair competition with rules. Those who take the lead in creating a fair environment for business will win the favor of investors in the next round of competition.

In addition, intellectual property protection must be further strengthened. Some innovative technologies in developed countries are likely to be commercialized in China to reap benefits from the huge Chinese market. Cities well aware of and effectively enforcing intellectual property protection will be the best choice for investors.

Finally, high-level regional development will not be realized without high-caliber human resources and entrepreneurship. Therefore, it is crucial to introduce innovative talents and entrepreneurs and improve related systems, which has released the enthusiasm for innovation and start-ups.

However, giving too much incentive to scientists and technologists will be likely to constrain other parties of the entities. It is useful to learn from developed countries' experience and mobilize three parties — scientific research institutions, scientists and technologists, and companies — to accelerate transforming scientific research results into products to realize their market value.

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ROBERT LAWRENCE KUHN

China's war on poverty

Some firsthand impressions from the front lines of the country's poverty alleviation battle

On July 31, 2019, PBS SoCal, the PBS flagship public television station serving 19 million people across Southern California, premiered the documentary *Voices from the Frontline: China's War on Poverty*.

Portraying the country's strategies and structures to eradicate absolute poverty nationwide by 2020, this was the first in-depth documentary about China's poverty alleviation campaign to be broadcast abroad.

The international film crew, including myself as host and writer, had unprecedented access to the country's massive poverty alleviation programs. We met poor villagers, local officials, special monitors — those being lifted out of poverty, those assigned to do the lifting and those recruited to do the checking.

We visited poor households in five provinces and one autonomous region — Guizhou, Gansu, Shanxi, Sichuan and Hainan provinces and the Xinjiang Uygur autonomous region — and interviewed government officials at the central, provincial, city, county, township and village levels, recording a large quantity of firsthand information about the poverty alleviation programs.

Focusing on six cases, the documentary presents an intimate record of China's "targeted poverty alleviation" and explains the "five methods" for achieving targeted poverty alleviation: industry, creating sustainable micro-businesses; relocation, moving people from remote areas; education and training; ecological compensation for

those living in environmentally vulnerable areas; and social security, medical subsidies and direct payments to those who cannot work.

It captures in verité-style grassroots stories: a young Party secretary working in a remote village; a Gansu girl who changed her fate through education; a Kazakh herder who lifted himself out of poverty by raising camels; the elderly of Guizhou who were relocated out of their remote mountain villages; the third-party evaluating teams whose independent checks enable greater accuracy and honesty; and the Party secretaries at five levels of local government who coordinate the poverty alleviation tasks and pledge to achieve their poverty-alleviation goals.

Our cameras followed Huang Haijun, the young first secretary of Lingmen village, Qiongzong county, Hainan province: providing "precision" identification of poor families, visiting impoverished households to understand their circumstances, and implementing assistance measures customized to each household. The documentary also recorded the living and working conditions of grassroots poverty alleviation workers, and it presents firsthand accounts of poverty alleviation officials at all levels.

Every poor family in China has its own file, each with its targeted plan to lift each above the line of absolute poverty — that's millions of poor families with customized plans, each monitored regularly and reported centrally.

Equally startling, local officials are dispatched to impoverished villages to manage poverty alleviation,

often for two years. Moreover, Party officials on the front lines in fighting against poverty cannot leave their current posts and cannot be promoted unless and until they fulfill their specific, numeric, poverty-alleviation goals. We watched local officials being held accountable, their careers at stake.

We recorded on camera, for the first time, the entire process of a third-party assessment of poverty alleviation, capturing the little-known story of how the assessment teams forestalled local governments from mitigating surprise inspections, as well as accounts of poor households complaining about poverty-alleviation helpers who were "no shows".

We also traveled to Huishui county in Guizhou province, where the relocation of whole villages was underway. From remote mountain hamlets, villagers were being moved to Mingtian community, 70 kilometers away.

The housing is free for villagers who relocate here. A family of four receives up to 80 square meters of living space, 20 per person. The government also covers all basic amenities, including sofas, beds, kitchenware and TVs.

Of course, not everyone from the villages wanted to move to the new communities. We spoke with the Party secretary in Daijing village whose job was to convince the few remaining villagers to relocate. It is policy that neither he nor the government can force people to relocate.

In such a massive country, with career stakes high and the poverty alleviation funding vast, cheating

and stealing are no surprise.

One aspect of the poverty alleviation that especially impressed me was the system put in place to mitigate wrongdoing. The idea is that since the third-party evaluators come from completely different regions, they will not be likely to know any of the officials whom they will be evaluating and thus not be swayed by personal relationships.

Their task is to evaluate both the successes and the challenges of the poverty alleviation process — and to assess how well officials are doing their jobs. When officials are pressured to meet their firm objectives in a compressed period of time, some may cut corners or fudge numbers.

To ensure that the local officials do not prepare for inspection visits,



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the evaluation team decides where they will go only at the last minute, often the morning of the inspection.

The State Council Leading Group Office of Poverty Alleviation and Development is to be commended for its independent checking and inspecting, and holding accountable any officials guilty of fraud or false reporting.

While 2020 is the year that China intends to eliminate all absolute poverty nationwide, 2020 is also the year of the novel coronavirus pandemic, and when one looks at how the Chinese government mobilized to fight the contagion, similarities between China's war on the pandemic and China's war on poverty are striking.

President Xi Jinping's commit-

ment and determination to defeat the virus have been evident and his same commitment and determination to eliminate absolute poverty in the country frames the documentary.

The author is a public intellectual, international corporate strategist and investment banker, and a China expert/commentator. He is a recipient of the China Reform Friendship Medal and the host and writer of Voices from the Frontline: China's War on Poverty, directed by Peter Getzels and executive produced by Adam Zhu. The author contributed this article to China Watch, a think tank powered by China Daily. The views do not necessarily reflect those of China Daily.