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Session 22

Northeast China: Economy Falling Off a Cliff

Time: 17:30-18:45 , March 23 , 2016

Venue: ICC , Level 1 , Dong Yu Grand Ballroom B

Moderator: ZHANG Yansheng , Secretary-General , Academic Committee of the National Development and Reform Commission (NDRC)

Panelists:

- JIANG Youwei , Vice Governor , Jilin Province
- Pan Ligu , Mayor , Shenyang
- Chi Fulin , President , China Institute for Reform and Development

Key points:

- The problems in Northeast China boil down to problems in industrial structure and economic structure ;



- Equipment manufacturing industry is the foundation for Shenyang. We should equip China with Shenyang's industries ;
- Northeast China now stands at a critical point of its second revitalization ;
- The first revitalization was mostly investment-driven. No real breakthroughs were made in structural adjustment and institutional innovation. Many issues remained unsolved ;
- The second revitalization should focus on structural adjustment and view systemic and institutional innovation as the key to establish an advanced manufacturing base or realize the transformation and upgrading of manufacturing ;
- The low proportion of modern services in the total economy is the greatest burden that will hold back the transformation and upgrading of the manufacturing industry in Northeast China.

Synopsis:

The once beautiful Songhua River side is now anemic.

How to inject new vitality into Northeast China and realize the second revitalization is the topic of this session. The sparkle triggered by the exchanges between decision-makers and think-tank scholars will facilitate the manufacturing base in its endeavor to transform , upgrade and revitalize itself.



Why Does Northeast China Need the Second Revitalization?

The first revitalization of Northeast China took place in 2003. Back then, with state support, Northeast China focused on improving infrastructure and developing heavy industries and thus achieved historic expansion and significant GDP growth. “However, the first revitalization was mostly investment-driven. No real breakthroughs were made in structural adjustment and institutional innovation. Many issues remained unsolved,” CHI Fulin said. That is why, against the background of the transformation and upgrading of national economy, Northeast China’s problems are highlighted. It needs second revitalization.

PAN Liguo took Shenyang as an example. This city has been on a marvelous journey over the past 30 years since China switched from the planned economy to reform and opening up. But it also facing many difficulties now. Under the new circumstances, it needs to make breakthroughs and realize its second revitalization.

What Problems Need to be Solved to Achieve the Second Revitalization

JIANG Youwei, Vice Governor of Jilin province, said that Northeast China’s problems boil down to problems in industrial structure and economic structure. Systems and institutions are not market-oriented enough. Government administration and services are yet to be improved. The factor market is not developed enough. The transaction cost of factors such as property rights, technology and talents is high. Also, the capital market is not developed. Enterprises do not have a favorable production environment.

As to what problems need to be solved to achieve Northeast China’s second revitalization, CHI Fulin believed that the second revitalization should focus on structural adjustment and view systemic and institutional innovation as the



key to establishing an advanced manufacturing base or realizing the transformation and upgrading of manufacturing.

He also argued that in the course of structural adjustment of Northeast China, the low proportion of modern service industry in the economic aggregate is the heaviest burden to the transformation and upgrading of manufacturing in this region. He said that Germany is a good example, as its service contribution to GDP is as high as 70% and the producer service accounts for 70% of the service industry. The figure of Northeast China might be less than half of Germany's percentage.

CHI Fulin summarized that the major problem faced by Northeast China's second revitalization endeavor is the low-level, or, the extremely low level openness of the market. Great efforts should be devoted to addressing this serious problem.

How to Achieve Northeast China's Second Revitalization?

How to create an effective impetus to drive the revitalization of Northeast? According to CHI Fulin, Northeast China has its own development opportunities. To create the new driving force for its revitalization, hard work should mainly be devoted to opening up further and addressing major problems. Northeast China should open up further to the outside world. The National Development and Reform Commission should provide greater support. Northeast Asia, free trade zones and industrial parks should show greater support via their opening up policies. They should also find a way to further open up the market and industries.

In response to the question of how to achieve the second revitalization, PAN Liguo, Mayor of Shenyang, said that the overall approach for Shenyang is to focus on quality and efficiency as well as developing and unleashing



productivity. Hopefully, with this approach, the city can shift from the extensive growth model worshipping speed and scale to growth driven by innovation, and the industries can move from low-to-mid end to the mid-to-high end in the value chain.

PAN Liguó said that the industrial base for Shenyang is equipment manufacturing. Last year, the central government authorized Shenyang as one of the eight national pilot regions for systematic promotion for comprehensive innovation reform. This is a good opportunity as well as a challenge to Shenyang. In accordance with the goals and requirements of new industrialization, Shenyang, at the end of 2015, obtained the approval to build the high-end equipment manufacturing industrial park between China and Germany, a strategic platform for industrial cooperation between the two sides. Besides industrial cooperation, Shenyang also established an all-round partnership with German enterprises in science and technology and industrial Internet.

PAN Liguó said that Shenyang's manufacturing is in a process of shifting driving force. However, during this process, the growth of emerging industries is not enough to offset the decline of traditional industries. Thus, starting from 2015, Shenyang has been implementing the intelligent transformation and upgrading action plan. Over 3,500 enterprises in Shenyang are working on all-round upgrading featuring the expansion of competence, networking and intelligence. The government subsidizes 20% of the technical upgrading expenses in the hope of fostering new industries.

In the case of Jilin province, JIANG Youwei, Vice Governor, believed that the second revitalization requires firm commitment to restructuring and remodeling, innovation as the driving force, deepening reform, accelerated development of strategic industries, faster development of the service industry and improvement of government service and market environment.



JIANG Youwei revealed that the Provincial Party Committee and Provincial Government of Jilin , in making strategic planning , focus on bringing into full play its advantages in being the old industrial base of Northeast China , being a commodity grain production base , sound ecological environment , proximity to the border and the sea , science and technologies and culture. Based on these conditions , they strive to promote innovations in systems and mechanisms , coordinate regional development , promote ecological preservation , make comprehensive use of resources , accelerate the green development , become a part of the Belt and Road initiative and become a province with abundant human resources. Specifically , they will accelerate the structural reform on the supply side and strive to make breakthroughs in industrial transformation and upgrading , developing modern agriculture and pursuing innovation-driven development.

CHI Fulin expressed his view as follows: Northeast China does face difficulties in revitalization , however , as long as it seizes the golden opportunities brought by the whole country's transformation and upgrading , and as long as the central government gives it greater support in policies in opening up to the rest of China and other countries and Northeast China seizes the chance , over the next five to ten years , Northeast China will undergo great changes and will become an important base for the transformation and upgrading of China's manufacturing industry.