



Challenges for the Future of Chongqing's Economy

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重慶城市形象標志，是一個城市的符號。圖案以巴渝文化的歷史淵源和精神內涵為設計元素，展示了重慶人勇于奉獻的愛國精神和百折不撓的英雄氣概，兼容開放的寬廣胸懷。





1. Background information on Chongqing

- By the end of 2013, the overall population in Chongqing is 33 million, 60% of which is the rural inhabitant.
- Chongqing has typical characteristics of dual economy structure.
- State owned enterprises still dominate certain sectors of the economy. However, private enterprises are playing catch-up.
- As an inland city, Chongqing should adopt progressive policy in opening up.
- Chongqing is one of the five traditional industry bases which need revitalization and reconstruction.



- Chongqing is the primary city where Three Gorges Migrants were settled. Fast growth is needed to create more job opportunities.
- Located at conjunction area between West and East China, Chongqing needs to facilitate development of transportation and logistic industry.
- As an engine of growth in Western China, Chongqing should focus on environmental protection and sustainable development.



- Chongqing is the biggest city and economic centre in the upper reaches of Yangtze River, significant node and hubs along Yangtze River Economic Belt.
- Chongqing is located at the start point of Silk Road Economic Belt and has direct train services to Europe (*Yuxinou Railway*).
- In the coming decades, China's development path can be summarized as 'One Belt and One Road' and 'Yangtze River Economic Belt' strategies. Due to the geographic location, Chongqing plays a significant role in China's future development.



2. Challenges for Chongqing's Economy

1. Balancing development of rural and urban areas
2. Facilitating the reform of SOEs
3. Promoting the provision of public services
4. Focusing on open economy
5. Industry restructuring
6. Facilitating the development of logistic and transportation
7. Environmental protection

2. Challenges for the Chongqing's Economy Development

1. Due to the typical characteristics of dual economy, it is necessary for Chongqing to balance rural and urban development. In 2007, Chongqing has been approved as national pilot area for rural and urban integration. Urbanization is the primary tool to narrow the economic gap between the urban and the rural.
- Reform on household registration system: providing former rural population with equalized urban social welfare. Over 3.6 million rural population has been transferred into urban citizen in last three years, which significantly increases the degree of agricultural specialization.





- Chongqing adopted strategy of ‘Five Major Functional Districts’ to avoid excessive urban expansion; optimize spatial lay out of city; coordinate development of both big and small size cities and connect urbanization with industrialization and agricultural modernization.
- Five Major Functional Districts are ‘Urban Core District’, ‘Urban Extended District’, ‘Urban New Development District’, ‘Ecological Conservation District’ and ‘Ecological Protection District’.



- ‘Urban Core District’ and ‘Urban Extended District’ together compose the central urban area of Chongqing and is positioned as financial and business centre, modern service industry centre, science and education centre, and important gateway for opening up.
- Urban New Development District: areas within one-hour-economic-circle. It is the important component of the metropolitan area, primary area for population and industry agglomeration. It is also positioned as an important manufacturing base and satellite city on the edge of central Chongqing.



- The northeast and southeast of Chongqing is characterized as ‘Ecological Conservation District’ and ‘Ecological Protection District’, focusing primarily on green, low carbon and sustainable development. Excessive development is prohibited in order to reduce human interference on nature.
- By 2020, the main urban area will accommodate 12 million population, surrounded by 20 satellite cities, each having a population of 300 to 500 thousand inhabitants. The overall urbanization rate will reach to 70%.



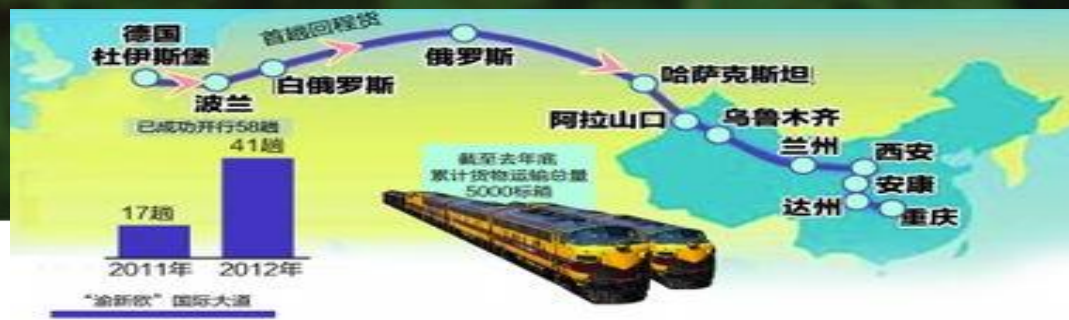
2. Chongqing needs to facilitate reform of State-owned enterprises to improve its efficiency and profitability. The first step is to push for a diversified ownership and shareholding structure. SOEs are expected to introduce shareholders from private company and hire private entrepreneurs as chief executive officers.
3. Promotion of public services is also in urgent need. Current scenario is to absorb funds from private investments via PPP projects.



4. As an inland city, Chongqing should focus on open economy.
 - Since 1978, China has adopted progressive policy in reform and opening up. However, majority of FDI and foreign trade has been concentrated in eastern China. Statistics shows that total value of FDI in China amounted to 150 billion USD, while the FDI in the eight east coast provinces amounted to 100 billion USD. Import and export value in eastern provinces also account for 80% of total value of China. Therefore, the economic gap between east coastal and inland China can be attributed to the degree of openness.



- Openness is about attitude, culture and institution. The degree of openness is not necessarily associated with geographic location.
- For instance, Germany is an inland country while Spain and France are adjacent to the ocean. No one would argue that Germany is less open than Spain, France and other coastal countries in Europe.
- To push the development of an open economy in an inland city, at least three aspects should be in evidence: (1) improve transportation accessibility, (2) improve efficiency of the customs clearance process (3) build a platform to assist an open economy



- **improve transportation accessibility**
- To improve transportation accessibility, inland city could rely on land transportation, waterborne transportation and air cargo transportation.
- Chongqing produces 100 million laptops and printers annually, 40 percent of which is sold to Europe. It takes more than one month to transport to Europe via the waterborne. To reduce time and cost, Chongqing lunches direct train services to Europe (*Yuxinou*).



- At present, direct trains run regularly from Chongqing to Europe once a day. However, the most biggest challenge is to organize backhaul cargo. There isn't much cargo when the train returns from Europe.
- To address this problem, Chongqing has been approved as one of China's four first-tier port terminal open to international trade (the other three first-tier port terminal is Beijing, Shanghai, Guangzhou). At present, Chongqing is constructing European goods mall, aiming at importing luxury goods from Europe.
- There are 200 million population within a radius of 500 km and 500 million population within a radius of 1000 km. The market potential is very large.



- Another advantage in Chongqing is Yangtze River, which is known as a ‘golden waterway’. Goods in Chongqing can be transported to Shanghai or Ningbo and ultimately reach to Asia-pacific region at lower price. However, there are over 200 bridges along Yangtze river which undermine efficiency of this water traffic.
- In 2000, total number of passengers in Chongqing airport is 3 million. This number increased to 30 million in 2013. In the last five years, Chongqing airport became world’s fastest growing airport.



- **Improve efficiency of custom clearance process**
- Custom clearance refers to how freight enters the port, and the processes involved before the goods leave the terminal gates on the way to its point of consumption. To improve the efficiency, it is necessary to unify other inland airports and cities via sharing information and services.



- **Build platform to assist development of open economy**
- In a narrow sense, open economy platform may refer to the bonded zone. There are two bonded Areas in Chongqing, Xiyong Bonded Area and Cuntan Bonded Area. In 2013, total value of international trade in Chongqing is 68.7 billion dollar while the two bonded areas accounted for 58% (40 billion dollar).



- In recent years, Chongqing government focus primarily on three tasks.
- The first is to attract oversea investment. In 2003 the utilized FDI in Chongqing was 456 million dollar, accounted 5% of GDP. The ratio increased to 10.6 billion and accounted 15 % of GDP in 2013. By 2020 actually-utilized FDI in Chongqing is expected to reach to 25% of GDP.
- Among the total value of FDI, 45% was invested in manufacturing industry, 30 % in real estate and urban construction and the remaining 25% was invested in commercial and services industry.



- The second task is to facilitate development of processing trade. Compared with coastal regions, inland area is disadvantageous in reaping benefit from processing trade due to the high shipping cost.
- Chongqing's processing trade mainly depends upon computer, laptop, printer, and cell phone. Majority of supplies and ingredients are produced and combined in local area. The cost is thus much lower as it does not need import spare parts and supplies.



- The third is to facilitate development of trade in service.
 - Cross-border Ecommerce
 - Bonded Commodity Trading
 - Offshore Settlement
 - Big Data Services
 - Other trading within bonded area.





5. Traditional industrial sectors such as automotive manufacturing in Chongqing have gradually lost its competitiveness. In 2009, laptop and PC manufacturers accessed to Chongqing and IT industry plays an increasingly important role.
- However, this is far from enough. Next step is to develop the new energy industry, especially new energy vehicle. Led by Changan Automotive Group, Chongqing is capable of producing 2.5 million vehicles annually.



- Other industrial sectors such as equipment manufacturing, medicine and chemical industry, outsourcing as well as financial services are also developing rapidly.
- It is estimated that total industrial output will reach to 3500 billion RMB and create direct or indirect employment opportunities for 5 million people.



6. Since Chongqing is located at joint area between East and West China, to improve accessibility the local government should focus on development of transportation and logistic systems.
 - Airport: Passenger flow in Chongqing Jiangbei Airport has tripled in last ten years. In the coming five years, passenger and cargo handling capacity will reach to 45 million and 1 million tons respectively.



- **Shipping port:** Cargo handling capacity of Chongqing Port has reached to 150 million tons and will increase to 200 million tons in the coming five years.
- **Web and internet:** Over 1 million internet servers are under construction, with an aim to improve data transmission and exchange capability.
- **Railway:** Mileage of constructed and railroads under construction has reached to 3000 km. The *Yuxinou* Train that runs to Europe is expected to increase to three times per day in future.
- **Highway:** Mileage of constructed highway and those under construction has reached to 3000 km and all the 38 counties are connected. It takes less than 4 hours to travel from any county to the central city area by car.



7. As the engine of growth in west China, Chongqing should lay more emphasize on environmental protection and sustainable development. There are two ecological reservation regions in northeast and southeast Chongqing.





• THANKS !