Preface

The economic openness of China and the implementation of the reforms were accompanied by profound changes in economic organization, notably in its spatial dimension. The size of the country, the importance given to regional policies and the role of decentralization have provoked great interest in regional disparities, their causes and their implications. The object of this work is to analyze the impact of Chinese openness, through various contributions, on its spatial dynamics and the resulting inequalities.

The question of Chinese openness has often been discussed and leaves no doubt. Nonetheless, it is a complex notion which is difficult to measure, especially when we wish to apply the same criteria as those used for western countries. It is thus essential that we keep in mind the size of China and consider not only its global openness, but also that of each of the regions which make up the country.

Several authors observe an increase in inequalities with respect to both growth and income, resulting from the different aptitudes of the regions to seize the new opportunities presented by the development of the markets. It is important to place this in a historical context in order to analyze the spatial disparities, as regional policy has had an important role for a long time, whether concerning redistribution, before 1978, or the valorization of comparative advantages since then. The results are, therefore, different according to whether or not the region benefited from significant subsidies from the state before the implementation of the reforms. There is, thus, an increase in inter-regional disparities.

International openness can affect these disparities via regional specialization. Indeed, the pursuit of economies of scale and the valorization of their comparative advantage leads the regions to increase their specialization, the evolution of which presents a link with their degree of openness.

Observing regional disparities leads us to think that, in the future, the development of Chinese competitiveness will be accompanied by a polarization of its industrial activity in certain privileged regions. We should, then, hope that a diffusion to other regions will limit the damaging effects of this process. We also observe an increase in productivity in the country as a
whole. Similarly, Chinese membership of the WTO will probably lead to an increase in the inequalities of income, especially between rural and urban zones. An appropriate fiscal system could compensate for losses due to a reduction in customs duties. Regional inequalities also result from the localization of direct foreign investment, the distribution of which shows a positive relation with the level of development of human capital. It has also been observed that this investment does not only have a short-term effect in promoting Chinese growth, but also has a more long-term effect through externalities, thanks to the incorporation of new know-how and the existence of a diffusion process for these effects.

In general, the institutional changes which accompanied international openness and the development of a market economy led to an increase in the disparities between different groups, – qualified and non-qualified workers, the urban and rural populations, or even the respective inhabitants of the three groups of regions: eastern, western and central. In each of these cases, there is a marked increase in the inequalities between each group and sometimes an even more marked increase within each group. Breaking down incomes according to source also leads to the conclusion that there is an increase in inequalities greatly due to localization.

However, these disparities must not hide the fact that the increase in incomes has an effect on several domains, notably in the field of health. In this case, the effects of openness are only indirect, as is shown by the study on infant mortality. Here too, we can again note an increase in the disparities between the coastal provinces and the others. The inequalities are also perceptible if we consider them at company level, as we note a certain delay for rural firms in the non-coastal regions. The differences are also a result of the existence of learning effects. Indeed, exports are all the more accompanied by improved performances if we are dealing with long-standing exporters.

Observing these facts since the implementation of the reforms leads to the conclusion that, although it has been accompanied by an improvement in performances, Chinese international openness has also been the source of an increase in inter-regional inequalities. This is not in contradiction with the development of a context of competition: however, this phenomenon implies an additional constraint for the government with respect to redistribution.

These chapters were presented as draft versions during a symposium organized by the Chinese Economy Research Institute (IDREC) at the Center for Studies and Research on International Development (CERDI), 22–23 October 1998. Some of them have been published in the _Revue d’Economie du Développement_ under the auspices of P. Guillaumont and S. Démurger.
This symposium was organized with the support of the French Ministry for Foreign Affairs and the Regional Council of the Auvergne.

I would like to thank all the authors for their participation in this work, and also Sylvette Prévost for having typed part of the manuscript. I wish to extend my thanks to J.F. Brun for his help, to Patrick Guillaumont, President of CERDI and Patrick Plane, Director of CERDI for their support.