

## Study on open economy development of underdeveloped regions under counter-crisis background



**Gao PING**

Jiangxi Academy of Social Sciences, Jiangxi, (Nanchang, P.R. China)  
07911@126.com

### **I. The open economy development is an inevitable choice for the rise of the underdeveloped regions.**

The coming of the international financial crisis directly affects China's export-oriented economy. In the context of the macroeconomic regulation and control of expanding domestic demand, people have some disagreements over the understanding of the main opening-up strategy actively advocated since China's reform and opening-up. I believe that the open economy development is still an inevitable choice for the rise of the underdeveloped regions. The open economy development has a very important strategic significance to the underdeveloped regions either from the theory prospect or from the practice prospect.

*1. The open economy is the urgent need for making the economy aggregate bigger and accelerating the rise.*

To make an overview of the 30-year development history of reform and opening-up, the rapid growth of China's economy is closely related to the expansion of opening to the outside world. From the development course of the developed regions, the energetic open economy development is the only way to rapidly promote the economic strength. The broader the opening to the outside world is, the higher the economic development will be.

Taking Guangdong as an example, its average annual GDP growth rate was 13.6% from 1978 to 2007, due to the international financial crisis, its economy gradually transited from the high growth phase to the sub-high growth phase from 2008: its GDP growth rate was 10.4%, 9.7%, 12.4% and 10% successively from 2008 to 2011. The most successful experience for the rapid growth of Guangdong's economy is the energetic development of open economy.

The open economy will play a huge promotion and demonstration role in the economic growth of the underdeveloped regions, and is an economic growth engine for the underdeveloped regions. In recent years, Jiangxi Province takes the opening-up as the main strategy, accelerating the opening of industry, agriculture, infrastructure and service to the outside world; therefore, the open economy has achieved a major breakthrough and effectively promoted the sustained rapid economic growth. In 2010, the total import-export volume throughout the whole province reached 21.45 billion US dollars with an increase of 67.9%, surpassed Guangxi, Henan, Xinjiang, ranking No. 15 in the whole country, and No. 3 in central regions, which is 4.8 times of 2005, and the five-year average annual growth rate was 36.8%, ranking No. 1 in the whole country.

The foreign investments in actual use were 5.1 billion US dollars with an increase of 26.8%, which is double that of 2005, and the five-year average annual growth rate was 14.9%. The fixed investments in Jiangxi increased from 216.9 billion Yuan at the end of "Tenth Five-Year Plan" period to 877.5 billion Yuan in "Eleventh Five-Year Plan" period with an average annual growth of 32.3%, and the increments were mainly the attracting investment funds. The average annual growth rate of foreign investments in use was 16.1%, the average annual growth rate of more than 50 million Yuan of project funds from outside the province in use was 32.5%, and the attracting investments accounted for more than half of the fixed investments in Jiangxi Province during five years. In 2010, an average of 6.5 projects with the funds of more than 50 million Yuan were approved each day, an average of 8.4 projects were put into operation in the industrial park each day throughout the whole province, and the tax revenues brought by the open economy accounted for 50% of the total tax revenues and more than 40% of the total financial revenues throughout the whole province. As an underdeveloped region, Jiangxi proves once again that only the development of the open economy can massively absorb foreign investments to form a fixed investment growth mechanism.

2. *The open economy is the objective requirement of the rapid advance of industrialization and urbanization.*

The industrialization and urbanization of the underdeveloped regions with larger share of agriculture can be accelerated only through the opening-up and large-scale transitional industry transfer. The 30-year development history of the reform and opening-up in the coastal developed regions shows that the open economy development is an effective way of accelerating the industrialization and urbanization, Guangdong, Jiangsu, Zhejiang and other Provinces cost only 20 years to enter

the middle and later stage as well as the final stage from the initial stage of the industrialization and urbanization through investment attracting, large-scale international transitional industry transferring, industrial cluster, industrial park, and specialized industrial town developing, rapid urban framework widening, as well as fast population concentrating, and the urbanization rate of these three cities reached 66.5%, 61.9% and 62.3% separately in 2011.

In the new century, Jiangxi accelerated the pace of opening-up, and the open economy had made great progress; the continuous acceleration of industrialization and urbanization realized the transition from the agriculture-oriented development pattern to the industry-oriented development pattern. In 2011, the whole province realized 561.19 billion Yuan of the industrial added value, accounting for 48.4% of the total output value, which rose by 21.4 percentage points compared with that in 2000; three industrial structures were optimized to 10.1:56.9:31.1 from 24.2:35.0:40.8, and the second industry rose by 21.9 percentage points in 2011. With the strong promotion of industrialization, the urbanization rate of the whole country increased from 27.7% in 2000 to 45.7% in 2011 with an increase of 18%.

3. *The open economy creates a large number of employment opportunities of non-agricultural industries, and accelerates the transfer of agricultural surplus population.*

Most of the underdeveloped regions are populated regions and agricultural regions with a large agricultural surplus population which need to be transferred to the secondary and tertiary industries. With the reform of China's economic structure and forms of ownership, the employment opportunities provided by the state-owned economic units are declining, and the employment opportunities provided by the private economy, non-public enterprises, and foreign-funded enterprises are continuously increasing, the Pearl River Delta, Yangtze River Delta and Min Delta regions with the

fastest-growing open economy not only solve the employment of urban residents, but also employ more than 100 million migrant workers through the development of the export-oriented economy. In 2011, Jiangxi Province newly employed and transferred 550,000 rural labors, and arranged 1.74 million people for employment in the industrial parks. It can say that the development of open economy and industrial park has become the important way for employment transfer of surplus rural labors in the underdeveloped regions.

*4. The transformation from a resourceful province to an economic province can be realized through the open economy development.*

Most of the underdeveloped regions are rich in resources, and are the important energy and material base in China. Taking Jiangxi as an example, Jiangxi is rich in mineral resources, and is a major non-ferrous, rare, and rare-earth mineral base in China; there are 33 minerals in 89 proved mineral reserves ranking top five in the country, among them, copper, tungsten, tantalum, gold, silver, uranium and other minerals rank first, rare-earth, selenium, lithium and other minerals rank second; copper, tungsten, uranium and thorium, tantalum and niobium, as well as rare-earth are known as "five golden flowers" in Jiangxi Province. The reserves of iron ore in Jiangxi are considerable, and there are large-scale manganese ores with good quality; the abundant surface water resources are a potential advantage of Jiangxi Province, the average annual precipitation is 1600 mm in the whole province, and the total runoff ranks seventh in the country. The theoretical reserves of hydroenergy are more than 6.82 million kilowatts in the whole province. There are 6.1089 million kilowatts of hydropower resources can be developed, occupying an important position in the country. However, the development of the underdeveloped regions based on the traditional mode has caused serious resource destruction and ecological environment deterioration over

the years. Therefore, to completely change this situation, the open economy must be developed by making full advantage of the international and domestic resources and markets, as well as giving full play to the basic role of market in resource allocation, in order to achieve the best allocation of resources, give play to the best value of resources, and overcome the restrictions in fund, technology, market, management and other aspects, realizing the transition from the resourceful province to the economic province.

**II. The underdeveloped regions shall make a path selection to further enlarge the opening-up.**

Under the influence of the global financial crisis, China's export demand drops significantly, which has a great impact on the open economy. As for the underdeveloped regions, the global financial crisis not only affects the economic development, but also brings a great opportunity. In recent years, the development pace of the export-oriented economy of Jiangxi is relatively fast, and the achievements are significant. From the view of the horizontal comparison, there is still a wide gap between the underdeveloped regions and the developed regions, and the share of the underdeveloped regions in the entire economic system is still small. The insufficient development of foreign trade in the underdeveloped regions is still an important factor restricting the economic development and rise; on the contrary, it also shows that there is more room for development of foreign trade in the underdeveloped regions, especially in the post financial crisis era, the acceleration of opening-up by improving the economic openness, increasing the imports and exports, and utilizing the scale and level of foreign investments is still our important task.

*1. The low cost advantage shall be kept up.*

In recent years, the underdeveloped regions have largely undertaken the eastern industry transfer with the low cost advantages of lands, resources, and labors, making considerable

progress in the open economy. However, as the situation changes, the international and regional competitions of industry transfer undertaking become more and more fierce and China is facing the competition of India and the ASEAN countries. India, Vietnam and other emerging market countries are very similar to China in factor endowment, market potential, urban and rural structures and other aspects, but they have obvious advantages in the average labor costs. Some Southeast Asian countries are taking advantages of cheap labors and resources to attract the industry transfers of the developed countries and regions such as Europe, America, Japan, South Korea, Hong Kong, Macao and Taiwan. At the same time, the coastal developed regions tend to be cautious of some industry transfers outside the province to avoid the industrial hollowness in the process of industrial transformation and upgrading, and Guangdong, Zhejiang, and Fujian have tended to encourage the transfer of non-competitive industries to the underdeveloped regions in the province. All the above constitutes a tremendous competitive pressure on the underdeveloped regions, and the underdeveloped regions can remain invincible in the industry transfer undertaking only with the low cost advantage.

*2. The investment environment shall be further improved by taking the simulation of the investment environment in the developed regions as the goal.*

First, the foreign investment service system shall be optimized, to achieve the fast docking with the coastal economic rules. It is important to learn actively from all the effective policy measures in the developed coastal regions; it is important to cancel all the cancelled administrative approval items in the coastal regions, and the items which are not cancelled can be appropriately simplified with practice; it is important to resolutely break all the conventions and policy constraints hindering the open economy development. Second, the

system of customs clearance for port services shall be optimized, to further improve the customs, inspection and quarantine, and other foreign-related institutions, simplify the customs procedures, improve the port function, and reduce the enterprise clearance costs. Third, the finance and taxation support shall be increased. The special fund for transitional industry transfer shall be established to support the credit guarantee institution for small and medium-sized enterprises to provide the credit guarantees for the industry transfer enterprises, and to open a green channel for credit aid.

*3. The high-tech industry shall be cultivated and the advanced manufacturing industry shall be developed to avoid the long-term low industrial level in the process of industry transfer undertaking.*

At present, the industry transfer from the developed countries and the developed coastal regions to the central and western underdeveloped regions is comprehensive, and the transfer of the high-tech industries and the advanced manufacturing industries is an inevitable trend of development. New material, new energy, and new appliance investments has begun to be centralized in the central and western underdeveloped regions, and the production base of the photovoltaic industry, high-tech products such as computers and communication equipment, as well as equipment manufacturing industry shows the gradual transfer trend to the central and western regions. The underdeveloped central and western regions shall make the long-term development plans for the high-tech industries and the advanced manufacturing industries, form the new ideas and mechanisms of the local industrial structure adjustment, and lay the foundation for the long-term industry upgrading and the economic structure optimization. Based on the existing strengths, and combined with the new characteristic of international capital flows, the introduction of the middle manufacturing sector shall be extended to the introduction of the sales,

research and development, the industrial chain shall rise to high point quickly, and the focus shall be centralized on the investments of multinational companies (especially the world's top 500 enterprises) and the promotion of the supporting industrial clusters.

*4. The foreign trade product structure shall be optimized and the export scale shall be expanded.*

The world economic slowdown brings greater pressure to the export expansion. Therefore, the underdeveloped regions shall turn crisis into opportunity, accelerate the adjustment of foreign trade structure, strengthen the market competitiveness, expand the export scale, and seek for the breakthrough with efforts. The first is to seek for the breakthrough in commodity structure. The adaptability of the traditional export commodities shall be adjusted by taking the market as the orientation and the technical innovation as the support, to accelerate the realization of the strategic change of export commodities from the general manufactured products to the high-tech, high value-added and deep processed products, and to improve the export proportion of the mechanical and electrical products as well as the high-tech products. The brand building shall be promoted, the large-scale export industry system shall be formed, and the market competitiveness of the products shall be strengthened. The quality and grade of the light industrial products, textiles and other products with a comparative advantage shall be improved, and the value added of the products shall be increased. The second is to seek for the breakthrough in market structure. According to the requirements of diverse and all-round developments, Europe, the Middle

East, Africa, South America, Eastern Europe and Russia, Commonwealth of Independent States and other emerging markets shall be developed with great efforts while consolidating and developing Hong Kong and Macao, Japan, America and Southeast Asia markets.

*5. The service outsourcing development shall be accelerated.*

The service outsourcing and transferring has become an important part of international trade with an average increase speed of 20%, and the new mainstream form of international industry transfer. China has become the third largest international outsourcing base after India and the Philippines. To completely change the foreign trade situations of small scale, low profits and less value, the underdeveloped regions must stand on the forefront of the international trade development, seize the opportunity to accelerate transfer of international service, and take the outsourcing industry as a breakthrough, to vigorously undertake the international service outsourcing, rapidly expand the overall size of the outsourcing enterprises, and build the service outsourcing brand. It is necessary to accelerate the cultivation of large and medium-sized service outsourcing enterprises, undertake the service outsourcing businesses of multinational companies in China, improve the service development level, and expand the service trade scale. It is also important to support the service outsourcing enterprises to obtain the international certification and to explore the international market, create a public service platform of service outsourcing information, build an external service exchange platform, complete the intellectual property protection system of service outsourcing, and enhance the international competitiveness.