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Study on Status and Reasons of Local Financial Diversities in Jiangsu

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Abstract: As the world's largest developing country, China's economic growth is particularly urgent and important and the problem of regional development gap it has to face is much more serious. The differences are not only exist in China's three belts of eastern, central and western but also in some provinces and the research on regional economic gap within some provinces is a key point for its significance. Therefore it is urgent to do the careful analysis and research on the problem and draw the corresponding solution and countermeasures. Jiangsu province is the developed area of China's eastern coastal economy. And its regional economic differences have certain development track and influence factors, including three aspects of resources possession, opening up, the development strategy. As the existence of problem of regional economic development in Jiangsu province, the basic thought of coordinated development should be further improved and at the same the specific paths of implementing coordinated development of regional economy in Jiangsu need to be sought.

Key words: Jiangsu province, differences of regional economy, current situation, causes, suggestions

INTRODUCTION

The problem of the economic development widely rises and its existence and expansion could bring great affection on the continuous development of economic and social stability in every country or region. As the world's largest developing country, China's economic growth is particularly urgent and important and the problem of regional development gap it has to face is much more serious. The differences are not only exist in China's three belts of eastern, central and western but also in some provinces and the research on regional economic gap within some provinces is a key point for its significance (Ou and Gu, 2004; Wang, 2003; Liu, 2006). Therefore it is urgent to do the careful analysis and research on the problem and draw the corresponding solution and countermeasures. Jiangsu province is the developed area of China's eastern coastal economy. And its regional economic differences have certain development track and influence factors.

CURRENT SITUATION OF REGIONAL ECONOMIC DIFFERENCE IN JIANGSU PROVINCE

Total economic output and the gap of levels per capita: Starting from the regional total GDP in 2010, the five southern cities of Jiangsu including Suzhou, Wuxi, Changzhou, Zhenjiang and Nanjing were achieved RMB 2.518539 trillion in GDP, the three central region Nantong, Yangzhou, Taizhou for RMB 774.388 billion, the five

northern cities Xuzhou, Yancheng, Lianyungang, Huaian and Suqian for RMB 892.037 billion. The southern cities create 61% of the total GDP of province by 40% population of province and the ratio of the share of GDP and population was 1.5. Central region create 19% of the total GDP by 21% population, the ration of that was 0.90. The ration of the northern cities is only 0.56, reflecting the obvious gap.

Secondly seeing from per capita GDP in 2010, south was 79501 Yuan, central region was 47422 Yuan and northern was 29774 Yuan. It showed that the central and northern regions are below the average level of the whole province of Jiangsu.

When turning into other index, it can be seen that the economic gap among the three regions was obvious too. The town fixed assets invests of southern, central and northern regions was RMB 953.25 billion, 286.508 billion and 501.889 billion, respectively. The social total retail sales of consumer goods of these three regions was RMB 813.562 billion, 255.855 billion and 291.263 billion, respectively and the capita savings deposit of residents of the three regions was 43768 Yuan, 31114 Yuan and 13411 Yuan, respectively (Table 1).

Gap between the industrial structures: The industrial structure is an important index when measuring the level of economic development, so it is much more explanatory to measure the regional economic development level with three major industries structure (Ou and Gu, 2004).

Table 1: Contrast of main economic index between three regions in Jiangsu in 2010

Regions	Total GDP(one hundred million Yuan)	Capita GDP (Yuan)	Social total retail sales of consumer goods (one hundred million Yuan)	Town fixed assets invests (one hundred million Yuan)	The capita saving deposit of residents (Yuan)
South Jiangsu	25185.39	79501	8135.62	9532.5	43768
Central Jiangsu	7743.88	47422	2558.55	2865.1	31114
North Jiangsu	8920.37	29774	2912.63	5018.9	13411

Source of the data: Jiangsu statistics yearbook

Table 2: General survey of the industrial structure of three regions in 2010 (%)

Regions	Percentage of GDP			Percentage of labor		
	Primary industry	Secondary industry	Tertiary industry	Primary industry	Secondary industry	Tertiary industry
The south	2.3	54.0	43.7	8.5	50.9	40.6
Central	7.5	55.1	37.4	17.9	46.5	35.6
The north	13.7	47.7	38.6	30.5	34.5	35.0

Source of the data: Jiangsu statistics yearbook

Taking the industrial structure of Jiangsu three regions in 2010 as analysis object, it can be seen in Table 2 that the proportion of the primary industry rises gradually from south to north in three regions, the proportion of the secondary industry declines from south to north and the proportion of the labor in the primary and secondary industry change from south to north too. The primary industry creates only 2.3% of GDP in southern region, illustrating that the industry has higher level in that region. The secondary industry production value and employment population accounts for all main parts and the secondary industry has become the leading industry of the south and the third industry production value of GDP has also reached 43.7%, so the industrial structure of the south Jiangsu is optimized. The proportion that secondary industrial output value in northern region is big but the distribution of employment population in three major industries is still average. And although the proportion of labor force in the primary industry is 30.5%, accounting for about a third of the total employment population but the primary industry output value less than 1/5 of the total GDP of the north and the ratio of the employment population in the secondary industry is less, the industrial structure not reasonable.

Gap between the structures of ownership: Since the reform and opening up in 1978, the rapid economic development of collective and individual, private and foreign capital, etc., non-state-owned in southern areas greatly promoted the development of the local economy. “South Jiangsu Province Pattern” was created as the developing road of those town enterprises which take the collective ownership as the main part and it had been a great success. In 1992, the total industrial output in Suzhou, Wuxi and Changzhou exceeded that of Shanghai, becoming to be China’s largest industrial zone and its technical mechanical equipment level also exceeded the overall level of Shanghai. In 1995, the non-state-owned economy of southern Jiangsu took 72.21% in the total

industrial output which has been far higher than that of northern Jiangsu province, making the economic vitality of north Jiangsu be not a patch on that of south Jiang (Wang, 2003).

The proportion of state-owned industrial output value is still greater in north Jiangsu and it is higher than the entire province average level. The economic development of the foreign, Hong Kong, Macao and Taiwan investment enterprise lagged behind badly in the central and northern of Jiangsu province, accounting for a small proportion of total industrial output, far below the level of the south Jiangsu and the average level of the whole province. Along with the development of market economy and the economic globalization, the ownership structure in north Jiangsu will inevitably affect the market mechanism function, pending further adjustments.

COMPREHENSIVE ANALYSIS OF REGIONAL ECONOMIC DISPLAY IN JIANGSU PROVINCE

Comprehensive analysis:

- **Index selection:** Regional economic differs mainly for the per capita difference. This study selects the per capita GDP (unit: Yuan) as be explained variables to be used in regression analysis for clearly explaining each factor which affects the development of regional economy in regions of Jiangsu province. This study studies the fixed number of the years from 2006 to 2010 and analyzes the continuous changes of regional differences during the same period
- **Ratio of extreme value per capita:** The ratio of extreme value per capita rate is the ratio of the maximum and minimum area value of an index, reflecting a relative difference of extreme conditions. Computation equation is:

$$I = X_{max}/X_{min}$$

where, “I” is the ratio, “ X_{max} ” for the maximum of a index, “ X_{min} ” for the minimum of a index. As the same as the range, this ratio can only used to explain the result of the comparison between the two differences in areas and it cannot reflect the general trend of the differences in regional economic development

It can be seen from the data in Table 3 that GDP per capita in south and north Jiangsu increased year by year, the current situation of the development of the north Jiangsu was far behind that of south Jiangsu but the fast growth appeared in recent years. GDP per capita in south Jiangsu increased from 48559 Yuan in 2006 to 79501 Yuan in 2010 and the GDP per capita in north Jiangsu increased from 13699 Yuan in 2006 to 29774 Yuan in 2010 (Table 4). It can also be seen from the proportion of the primary, secondary, tertiary industry that the speed of the growth in the south had a certain relationship with the financial put and the innovation. We can draw that the GDP per capita in these regions except for south Jiangsu were lower than the average level of the whole province when calculating the average. Especially in north Jiangsu it is far below the average level and the ratio of extreme value of the north and south decreased year by year. It can be concluded that the difference of the economic development exists and the regional differences of the development can be concluded through the comparison among this group of data.

Building the regression model and empirical analysis: Firstly, with the analysis of the relevant index from 2006 to 2010 by SPSS, “actual amount of foreign direct investment”, “the ratio of the persons who have the title above medium class technique title in all kinds of technique” and “the proportion of the GDP of the primary industry in the GDP of the whole in the whole industry” are selected as the explanatory variables.

Y: GDP per capita (unit: Yuan/person), X_1 : actual amount of foreign direct investment (unit: one hundred million dollars), X_2 : the ratio of the persons who have the title above medium class technique title in all kinds of technique (unit: %), X_3 : the proportion of the GDP of the primary industry in the GDP of the whole in the whole industry (unit: %).

Use EVIEWS software to do regression analysis, the results are as follows:

$$Y = 1354.02 + 75.66X_1 - 475.06X_2 - 14530.51X_3$$

The absolute values of t value of each explanatory variable are larger than the critical value of t (8), so the

Table 3: Ratio of extreme value per capita of south and north Jiangsu from 2006 to 2010

Year	2006	2007	2008	2009	2010
I	3.545	3.379	3.161	2.907	2.670

Source of the data: Jiangsu statistics yearbook

Table 4: Value of variables from 2006 to 2010

Year	X_1	X_2	X_3	Y
2006	174.31	33.19	7.11	28526
2007	218.91	33.48	6.98	33837
2008	251.20	31.09	6.78	40014
2009	253.23	30.32	6.56	44253
2010	284.98	29.54	6.13	52840

Source of the data: Jiangsu statistics yearbook

explanatory variables are significant. At the same time, $R^2 = 0.995$, explaining the model fits the observation value of samples greatly and it can be said that the development of regional economy in Jiangsu province has an close connection with the industry structure, the level of opening up and human resources.

MAIN CAUSES OF THE REGIONAL ECONOMIC GAP IN JIANGSU PROVINCE

Occupation of resources: Regional difference is another important external factor that forms the regional economic differences. Location advantage can be converted into the economic advantage and other relevant advantages. In comparison, the location advantage of south Jiangsu is more apparent. This region is located in the core region of the Yangtze River delta, on the route of Beijing-Shanghai railway, Shanghai-Nanjing railway and the highway crosses the whole region, Hangzhou canal crossing from south to north, closing to Shanghai. What is more, the transportation there is convenient, all kinds of resources and the production elements of the flow at home and abroad are fast. At the same time, Nanjing, Suzhou, Wuxi, Changzhou, Zhenjiang these five center city have long history and great culture, numerous places of interests involved and tourism resources are unique, bringing more grace luster in optimizing the investment environment.

This region is the important commercial port in history and it is the birth place of our national industry as Shanghai in modern times based on the interior strength and the strong radiation ability. In north Jiangsu, due to the lack of ancillary facility in highway, inland and shipping, the comprehensive transportation capability is not strong. When compared with south Jiangsu, the region’s transportation is inconvenient and it has bad information access. The level of basic economic in some central cities of north Jiangsu economic is not that high and the region’s radiation and leading ability are weak too.

The difference of natural resources is the original cause to forming the regional economic differences. These three regions' boundaries are almost the same as the location of irrigation canal and the two natural boundaries; this is the direct performance of natural endowment of the differences. Natural resources differences are embodied in the number of natural resources, the quality and the differences of the optimized combination and the differences of the amount occupied per capita. For example north Jiangsu was attacked by the drought and flood and other natural disasters and the people's living is poor. South Jiangsu is the land of rice and fish since ancient times and it has always been the provincial government and the main sources of the central finance (Liu, 2006). Especially in low productivity, the difference of natural resources is one of the decisive factors. It still affect the pattern of regional differences by now.

Extent of opening: Opening up can be considered as the progress that China gradually involved in the international economy and this shift makes China participate in the division of labor and cooperation in international economy again, so that China can get richer technique, system and resource than the days that before opening up. Since the emergence of economic globalization and the implementation of opening-up policy in 1970s, foreign investment and trade have become one of the most obvious external factors in the regional economic development in practice. In south Jiangsu, there are relatively perfect infrastructure, strong technology, higher lever of culture and education, large number of skilled Labor and dense high-grade traffic network and convenient conditions for outward bound. Its ability to attract foreign investment and foreign trade is obviously better than other parts of Jiangsu.

Since 1980s, south of Jiangsu take the advantage of its own superior geographical position in international and domestic transition zone to promote the development of foreign trade which mainly contains export, bringing in investment. This region takes the full use of the comparative advantage to participate in the international division of labor, promote the economic development with the export of labor-intensive products. South Jiangsu introduce a large number of foreign investment, combined with rich and cheap labor, making the processing and manufacturing ability be brought into full play. The introduction of foreign capital, technology gradually realized the transformation and upgrading of the industrial structure, making its products in the international market have stronger competition, export trade be expanded rapidly and brought in the change of the system, the idea

innovation and the prosperity of economy (Xiao and Victor, 2001) Measured by the export dependence (region the export trade/regional GDP), south Jiangsu took 37.3%, central Jiangsu took 14.7% and north Jiangsu only took 4.5% of in 2006. The continuous raise of the extent of the economic extraversion played an important role in promoting the economy of south Jiangsu. In contrast, the level of opening in central and north Jiangsu is low and they have inferior international market which are also the causes of growing gap of the regional economic development.

The actual use of foreign capital by the whole province from 1985 to 2003 reached 120.396 billion us dollars, including nearly 84.45% of foreign capital distribution in south Jiangsu, the central Jiangsu and north only 8.88 and 6.67% and the accumulative total utilization of foreign capital in south Jiangsu was 9.51 and 12.68 times of the central and the north Jiangsu, respectively. In 2006, the total amount of import and export in south Jiangsu was 260.209 billion US dollars which was 16.11 and 34.09 times of the central (\$16.153 billion) and the north Jiangsu (\$7.634 billion). During the 11th five-year plan, Jiangsu province had become to be the region which used the most use of foreign capital. In the fourth meeting of Jiangsu 11th people's congress in the fourth meeting, Lixueyong released in the government work report that the foreign capital that Jiangsu used during the "eleventh five-year plan" period reached \$118.2 billion and it is 2 times of that during "tenth five-year plan". In 2010, the scale that north Jiangsu actually utilized foreign capital was 5.8 times of that in 2005 and the proportion of the total province was raised from 6.06% of "tenth five-year plan" to 16.32% of "eleventh five-year plan". And in south Jiangsu the utilization of foreign capital tended to the development of tertiary industry and in 2010 the proportion of the actual utilization of foreign capital in the tertiary industry reached 33.62% by the five cities in south Jiangsu, increased by 21.18% when contrasted to that of "tenth five-year plan".

As can be seen from the Fig. 1, there are significant differences in the use foreign capital and foreign trade among the cities in Jiangsu province and the main performances are the character of regional differences like this usage in south Jiangsu is better than that in north Jiangsu, regions along the coastal better than inlands. Therefore, these regional differences of foreign direct investment and foreign trade will bring the unbalance of the economic growth and become the main external power of blocking regional development and expanding regional economic difference in Jiangsu province.

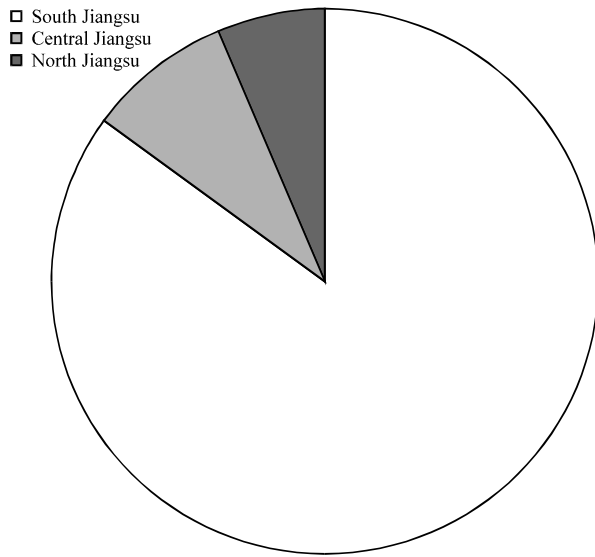


Fig. 1: Distribution of the utilization of foreign capital in Jiangsu province from 1985 to 2003 (%)

Strategy of development: The regional economic development always proceeds in the background of certain policy and development strategy. The implement of a proper regional development strategy not only can effectively resolve the problems existing in the regional development but also can promote regional sustainable social economic develop sustainably, healthily, orderly harmoniously. The national and provincial government’s macroeconomic policy and regional development strategy is a special kind of instrumental resources, containing a particular start right. It directly lead to the economic separation in the development space of different location, especially the direct investment of countries and the provincial government, reflecting the decision makers’ intention or goal to regional economic development, that is the regional development should be taken in balanced way or unbalanced way.

In early days of reform and opening up (1978-1983), under the influence of the planned economy system and average distribution of the socialist, in order to solve the imbalance of regional productivity layout and change the situation of the backward area, Jiangsu province implemented the regional balance development strategy. The government increased the fixed asset investment in central and north Jiangsu and the difference shrank in the regional development, regional polarization weakened.

With the propulsion of opening up and coastal development strategy done by the government, in order to improve the position of national economic development in the, Jiangsu province put forward the regional development strategy “actively improve south Jiangsu,

speeding up the development of north Jiangsu” in 1984, taking south Jiangsu as key development, investment and construction area. In 1985, south Jiangsu was set up to be the coastal economic open zone as an important part of Long Delta. The government implemented the space preference policies of opening to the outside world, including investment, finance, tax and foreign trade, making the south Jiangsu local governments and enterprises have more financial autonomy and various channels to attract capital and the foreign capital brought the rapid development of economy in south Jiangsu (Wu and Xu, 2003). At the same time, with the reform of the city economic system, the economic development of the city was obviously faster and it further expanded the regional differences in Jiangsu province. Thus the difference and polarization in regional economy and regional north-south difference and polarization are all sharply increased.

SUGGESTIONS ON NARROWING THE GAP IN REGIONAL ECONOMIC OF JIANGSU PROVINCE

Harmonize balance development on the characters that different regions own:

- Promote the circulation and integration of various elements:** Due to the difference of factor endowments of three areas in Jiangsu, to speed up the regional economy coordinated development, the integration of the various elements must be carried out. The integration of elements should mainly start from the capital, talent, information, transportation, logistics, culture, environment, tourism, industry, foreign trade. The merger of enterprise and reorganization of assets should be speeded up and there need to be the policy of talent flexible flow, sharing information resources, extending the industry chain, accelerating infrastructure construction and so on, so as to construct the frame of multilayer coordinating mechanism of south, central and north Jiangsu, making the allocation of factors that have impact on development scientific and reasonable and the linkage development of three regions will be promoted in consequence
- Push forward the shift of regional industry:** The distribution of Jiangsu industry is not balanced. North Jiangsu based on traditional labor-intensive industries at present and the mode of extensive economic growth cannot adapt to the market competition in current. To solve this problem, an important way is to draw lessons from the successful experience of Singapore and Taiwan, strengthen

regional cooperation and promote the transformation of traditional industry from developed areas of south Jiangsu to north which can also make space and other resources for south Jiangsu to promote industrial upgrading. The focus of the development should be on the new industry such as information industry, biochemistry and computer technology which contain high technical content. In addition, north Jiangsu needs to make full use of the low cost of production factors to reduce the funds, technology and market discipline of economic development. So it is necessary to further improve pairing off and supporting policies between south and north Jiangsu, in order to form complement of regional resources and promote common development

Increase openness to perfect the system of north Jiangsu: Economic growth must have a guarantee of system and different economic system has different efficiency on configuration of production elements. Now when turning to the composition of the GDP in some areas, the proportion of state-owned economy continues to decline and the proportion of mixed economy and private economy improves. The rapid growth of the economy is benefited from the development of many economic sectors, especially of the development of quantities of foreign enterprise and private sector. Some small and medium-sized enterprises in developed area have important innovation in system and enterprise organization, realizing the goals of the system reforming drive economic especially industrial economic development.

The imitation and further innovation can be done only through opening up. This requires the cities of north Jiangsu establish full open policy. First, five cities of north Jiangsu should open to each other and do the integration. Xuzhou is the important heavy industry in eastern China area, having the advantage of location. Lianyungang is the bridgehead of east new Asia-Europe mainland and it is one of China's first foreign open ports. Huaian is located in the center of north Jiangsu, having abundant resources and the characteristic is obvious. Yancheng is on the east of Jiangsu, the marine resources are rich. Suqian is a new provincial municipality which has huge potential for development (Zhao, 1999). It can be seen from above that five cities of north Jiangsu have complementarities of advantages and it is good for the allocation and combination of resources and avoid similar structure and market segmentation through a mutual opening and integration. Secondly, north Jiangsu must open to south Jiangsu. The first mover advantage of

south Jiangsu can be combined well with latter mover advantage of north Jiangsu and it can not only expand the size of the market in south Jiangsu but also help to seize new opportunities to develop for north Jiangsu which can achieve a win-win situation. The development of south Jiangsu first originated in the radiation of Shanghai and the industrial transformation which lead to the accumulation of funds, exercise of the talents and the familiarity with the operation of the management program. Thirdly, north Jiangsu should open to the domestic. It should absorb the funds, technology and talents from the developed areas and actively participate in the development of the western region. Fourthly, north Jiangsu should open to the foreign. It needs to comply with the trend of economic globalization, establishing the high effective export-oriented economy operation mode to face the international market and meet the international standard. In the background of economic globalization, north Jiangsu should make full use of the international market to develop the economic.

Bring the market mechanism into full play under deep construction of the market: The blockade and division to the market from the department should be eliminated gradually. At present, there are administrative interventions in the economic activities existing widely in the whole province, such as the monopoly management on certain products by use of administrative means, giving priority to satisfy local needs by use of administrative means and so on. These are the causes of the pattern of block between urban and rural areas, lock in areas and division of the departments which seriously make interference on market operation and reduce the efficiency of market operation (Yang, 1994). Therefore, it is of great value to eliminate the blockade and segmentation in regions and departments and foster integration of consumer goods market, capital market, technology market and labor market, especially the unified talent market and property market. What is more, the Jiangsu logistics circles can also be built and there need to be unified policies on logistics, a unified logistics information platform, reducing logistics cost in the areas.

According to the requirements of the market economy and the situation of joining the WTO, it is necessary to set up the market operation rules and market exit mechanism integrated with the international standards as soon as possible. The unified market rules should be confirmed by the form of legislation on the basis of the collaboration of different cities. Therefore, the government of regions should carry out the unified non-discriminatory principle, market access principle, the transparency principle and fair trade principle, clearing up

various kinds of regulations files and gradually cancel all policy sets that interfere the regional market integration system. Ensure that the circulation of resources and productivity elements is unimpeded so as to optimize the allocation of resources.

Enhance north Jiangsu's own ability of development on human resource: The lack of talent is one of the important factors which restrict the economic development of north Jiangsu. Therefore, the authority must increase the investment to the education, strengthen the cultivation of human resources, construct the rational education system, improve the quality of education on the basis of spreading basic education, promote the teach content on rural production and living close to the actual, focus on training the students' existence, labor and innovation abilities and ensure the rural population's basic quality get improved. Combined with the actual situation of north Jiangsu, various vocational and technical schools could be held and developed related to the development of industry and it also do good to the cultivation of skilled talents for the local economic development. Enterprises and institutions should build up the thought that the talent capital is the first resource and take special policy to keep local talent, attracting foreign talent for the support of powerful intelligence and talents to the economic development of north Jiangsu.

All in all, regional economic difference in Jiangsu province is big, mainly reflected in the economic output, the per capita level, industrial structure, ownership etc. The formation and expansion of the difference between three areas of Jiangsu province attributes to many factors like objective, subjective factors and history, reality factors, mainly including resources possession factor, opening factor and development strategy factor. To improve this condition, it cannot be done in short and the difference still has the possibility of expanding in the next

several years. At present the development of economy in Jiangsu province is being in the high speed, to promote the coordinated development of the whole province, it is necessary to give full play to the regional characteristics and keep the rapid and qualified economic development of advantaged region, promoting the factors' flow and industrial transfer, perfecting the development system of the backward regions, increasing open degree, enhancing its own development ability, working hard to coordinate the development of the whole province.

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