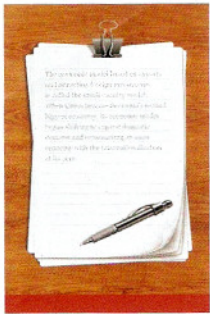




Go West: China's New Future



The economic model based on exports and attracting foreign investments is called the small country model. When China became the world's second biggest economy, its economic model began shifting to expand domestic demand and construct an open economy with internationalization at its core.

Big changes started in 2012 when Chinese economic growth dropped to 7.8 percent, its first dip below eight percent since the Asian financial crisis. However, contributions from investments, exports and domestic demand remained relatively balanced. Domestic demand contributed 102.2 percent to the GDP growth, with consumption contributing 51.8 percent.

In addition, five metropolitan areas in China have attracted the world's best talent, resources and enterprises, which bring with them business and innovation. They help China catch up in emerging industries while accelerating consumption upgrades. When the labor and real estate prices rise as external demand shrinks, many companies invest more in research and development, innovation and design, resulting in more high-quality products.

The five metropolitan areas are the Yangtze River Delta led by Shanghai, the Pan Pearl River Delta led by Guangzhou, Shenzhen and Hong Kong, the Bohai Sea Rim area, the middle reaches of the Yangtze River led by Wuhan, Changsha, Nanchang and Hefei, and the Chengdu-Chongqing area. Some cities in these regions have already become world-class metropolises on par with London and New York. The last two metro areas are located in central and western China.

Among the world's top 500 companies, 238 have settled in Chengdu – momentum reminiscent of Silicon Valley in its early days. As business costs soar in the east, western China, with its promising

vast tracts of land, rich resources, excellent infrastructure and comparatively cheap labor, draws increasing interest. In recent years, western provinces have welcomed industries crowded out of the east, realized high growth through innovation, and taken advantage of the integration of the global industrial chain in the wake of the global financial crisis. The 2010 economics Nobel Prize winner, Christopher A. Pissarides, noted that while the financial crisis kept the global economy stagnant, the Chinese economy continued to maintain impressive growth owing to the previously untapped economic potential of western China. The global financial crisis has accelerated the reallocation of global productivity forces, which brings western China the opportunity to be targeted for industrial transfer and foreign investment.

By the end of 2012, the economy of western China had been growing faster than that of eastern areas for six years straight. In 2012, the retail sales of consumer goods in the west rose to higher than the national average, and tertiary industry's share in GDP expanded further. The volume of foreign investment in central and western China and its percentage in the national total have been growing consistently for several years.

The vast west of China is the new frontier of the nation's efforts towards economic restructuring and urbanization. Its development is critical to the economic prospects of China and the world.

In June, Chengdu hosted the Fortune Global Forum, further testifying to the west's key role in restructuring the Chinese economy. And the upgrade, restructuring and sustained development of the Chinese economy are conducive to global economic recovery.

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