

# CHONGQING: Profile of a City in Transition

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As the focal point for the central government's efforts to bring east coast growth and prosperity to the interior, and within reach of a vast population, Chongqing is gripped by modernization and accompanying economic, political and social change. Of particular significance to Chongqing is the reform of its State Owned Enterprises and the challenges of resettling one million migrants of the Three Gorges dam project. Though economic reforms and privileged policies continue to provide Chongqing with rapid growth, the city faces great challenges in the transition towards national and global city status.

## Chongqing's Historical Development

Owing to its remote location in the mountains of China's heartland, Chongqing developed as a centre for military and heavy industry. It was not until 1978 under the leadership of Deng Xiaoping that Chongqing's economy was diversified under economic reforms. But Chongqing's value to the Chinese economy remained in its capacity for heavy industrial development. While the east coast cities of China boomed under restructuring and preferential policies in the 1980s, Chongqing and the rest of central and western China lagged far behind. On March 14, 1997, in order to spur growth in the interior and prepare for the resettlement of over one million people displaced by the Three Gorges dam, Chongqing was awarded municipal status.

### Chongqing's Place in the Urban Network

China's development strategy has focussed on urban poles of growth, beginning with Open Coastal Cities on the east coast such as Shanghai and Guangzhou. The reversion of Hong Kong and Macau to Chinese rule has added a new layer to the Chinese urban network and both retain their economic and political systems as Special Administrative Regions (SARs) under the rubric of "one country, two systems". In order to channel their economic influence into the socialist mainland, the neighbouring mainland cities (Shenzhen for Hong Kong, Zhuhai for Macau) have been granted greater economic freedom as Special Economic Zones (SEZs). Four cities on the mainland have been afforded special attention from the central government. Beijing, Shanghai, Tianjin, and now Chongqing have been granted a special bundle of political as well as economic freedoms (under the auspices of the central government) as municipalities.

## Chongqing Municipality

With a large and well-established industrial infrastructure, and a wealth of natural and human resources in the area, the decision was made in order to help put Chongqing in the position as a development pole for the Southwest. In addition to the Three Gorges dam that will create a reservoir 600km long and allow deep ocean liners to travel inland from Shanghai, the government is investing 240 billion yuan in 107 infrastructure projects in the next ten years, including a new port on the Yangtze and six new highways already under construction ("Chongqing to Invest More in Infrastructure", *Xinhua News Agency*, Jan. 20, 2000). But as Helen Johnstone suggests, the move to municipal status was also "a recognition that Chongqing needs help." (1996, p.33) Given the history of Chongqing and its reliance on inefficient State Owned Enterprises

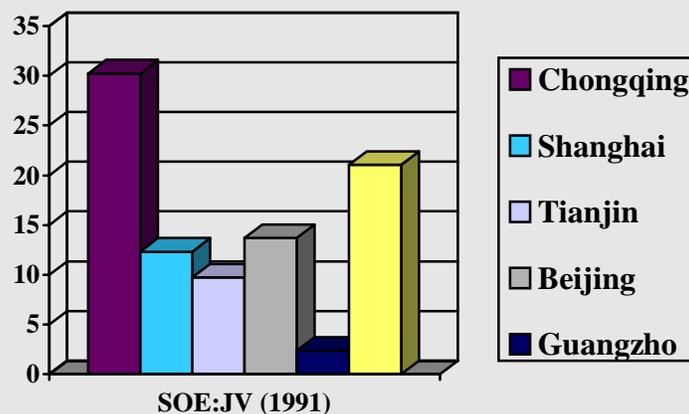
and the pending upheaval to come with Three Gorges resettlement, Chongqing is in dire need of special consideration.

#### **Chongqing Municipality**

As a municipality, Chongqing claims responsibility over an area of 82,000 km<sup>2</sup> and a population over 30 million. In addition to greater political and decision-making powers, it is attributed special economic policies to enhance the levels of economic activity and international investment. For the first three years, the municipality has been given a federal tax break – funds normally provisioned for the central government are left to local discretion (Irvine, 1999).

#### **The Reform of Chongqing's State Owned Enterprises (SOEs)**

The major critique levelled at Chongqing's position for economic growth, and an important area for reform, is the reliance of the cities economy on State Owned Enterprises. The policies to open and reform the state owned sector have come relatively late to Chongqing, and the urban fabric has been built on the employment and social welfare structures of the socialist enterprise societies. Chongqing has been slow to embrace the reforms. As late as the beginning of 1999, Richard Tomlinson reported "the city's state owned sector ... accounts for 70% of Chongqing's economy" (Jan. 3, 1999, p.158). The state-owned sector has accounted for a large portion of Chongqing's chronic pollution, as well as inhibited foreign investment.



**Figure 3** (adapted from data in Chen, 1998) illustrates the relative reliance on State Owned Enterprises in the Chongqing economy. For every joint venture enterprise (JV) in Chongqing, over 30 State Owned Enterprises (SOE) were in existence in 1991. In the early 1990s, Chongqing ranked among the lowest of China's major cities in foreign investment (in US dollars) per 100 yuan of Gross Value of Industrial Output (GVIO). Even non-coastal cities such as Wuhan saw higher rates of investment.

The reform of State Owned Enterprises in Chinese cities continues to be a major focus for the central government's economic policy. But the reforms are a double-edged sword. In cities like Chongqing, where deregulation of an increasing number of economic sectors is being used to open the economy to foreign investment, efficiency and growth, the State Owned sectors suffer from competition. "Officially, around 40%

of these enterprises are losing money; the true figure is certainly higher." (Tomlinson, Jan. 3, 1999, p.158)<sup>1</sup>

<b>Table 2. Signs that foreign investment in Chongqing is increasing:</b>
1999. BP Amoco invested US\$250 million in a joint venture acetic acid plant (Business China, Jan. 17, 2000)
1999. IntraAsia Entertainment and the Chongqing government partnered up to invest US\$15 million a downtown park overlooking the Yangtze River. (O'Brien, Nov.8, 1999)
1998. Six international consortia had been shortlisted in their bids to redevelop the Chongqing central city area. At a total cost of US\$2.5 billion, this will be the largest public works programme in the world. (Project Finance, Dec. 1998)
1998. \$29 million invested by French retailer Carrefour (Tomlinson, Jan.3,1999)
1998. 175 foreign-funded enterprises approved by the Chongqing government, and increase of 2.9% from the year before. (Beijing Review, Nov. 23, 1998) <sup>2</sup>

**Social issues:**

**Housing**

With increasing globalization and China's impending entry to the WTO, economic restructuring and the reform of SOEs promises to accelerate. As Chen (1998) points out, while economic reform is taking place, their continues to be inertia in the reform of SOEs because of Chongqing's historical development around enterprise societies and the incumbent burden upon SOEs to provide social welfare, especially subsidized housing.

According to Chen, the inertia in SOE reforms means that SOEs have been reluctant to divest themselves of the social housing responsibilities. As Chongqing redevelops and prepares for an increasing number of immigrants from the Three Gorges, the subsidized housing issue will become even more of a problem.

**Figure 8: Waterfront Housing**



Residential and commercial space along the Yangtze waterfront below downtown are run-down or abandoned.

<sup>1</sup> Chen reports that in 1996, "more than 60% of state enterprises are reported to have incurred losses." (1998, p.479)

<sup>2</sup> Figures based on the first nine months of each year.

## **Employment**

According to Chen, "marketized urban housing is the key to mobilizing China's labor force". (1998, p. 493) Other financial analysts agree that the lack of labour mobility in the state sector is a big problem. (Economist, Dec. 7 1996) Subsidized housing provides a disincentive for Chongqing workers to leave the security of their current jobs behind. The result is often a large redundant work force that is a further burden on the SOEs. Yet at the same time, reforms and opening are contributing to increasing layoffs. Just last year, there were nearly unprecedented protests on the streets by unemployed state workers as 400,000 residents were laid off in the first nine months of 1998 (Tomlinson, 1999).

## **The Identity of Chongqing and its Pressing Issues:**

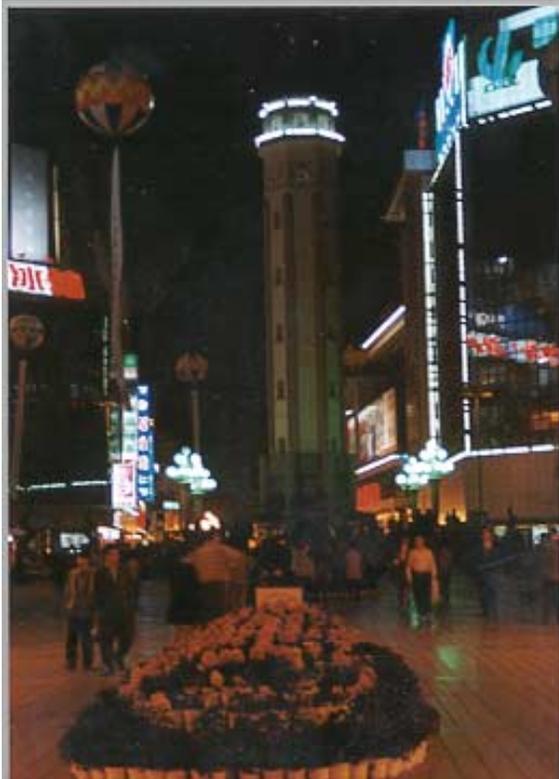
One's first and lasting impression of Chongqing is that it is teeming with life. Chongqing is one of the few Chinese cities whose streets lack bicycle traffic. The hilly terrain makes the automobile the only viable form of transportation. The resulting traffic congestion, coupled with Chongqing's coal-powered industry leaves Chongqing with a serious pollution problem.

## **Pollution**



Chongqing legacy of heavy industry and its reliance on coal produces the famous "fog" that sets in for long periods during the winter months

## Transition in the Urban Landscape



(left) Independence Square: a vibrant, neon-lit 24 hr square in the centre of Chongqing, complete high-end shopping malls. (below) Imposing high rise greets arrivals at Chongqing's Chiaotianmen docks.



## The Future for Chongqing

For Chongqing to follow its plan for growth, success in the reform of State Owned Enterprise will be integral. The reforms will have to address not only economic deregulation but also the mobility of the labour force, the barriers to international investment, and the enforcement of environmental policies, and the housing supply.

### **Local Development vs the "Drive to the East"**

While the focus on developing the interior of China starts with building Chongqing as an artery for transportation that will link the west to the east coast, the cost of building the necessary infrastructure is enormous. Though this investment may indeed maintain a growth rate of 8% for Chongqing through the year 2000 as the government predicts, Western analysts argue that China should be following the "megacity" model and pursue local urban agglomeration rather than building a network of cities across the country. (Economist, Dec. 7, 1996; Ziegler, 1997) A small portion of the investment in large scale infrastructure meant to transport Chongqing resources to Sichuan would go a long way towards public housing and developing the economy on a local scale, in the local fashion. But national unity is a powerful force in China, and the need to link Chongqing to the east coast will not be surrendered. With the completion of the Three Gorges dam in 2009, that link may well be established, but the ultimate benefits and costs of that solution are yet to be seen.

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