

China Economist

RMB80 US \$12

NO.5 November 2006 www.chinaeconomist.com.cn



■ Trends

A Comprehensive Evaluation of Regional Industrialization Levels in China

■ Focus

China's "Twin Surpluses": Causes and Remedies

■ Invest China

Which Cities in China Are Most Attractive to Foreign Investors?



ECONOMY & MANAGEMENT PUBLISHING HOUSE

Special Sponsorship: **Deloitte.**

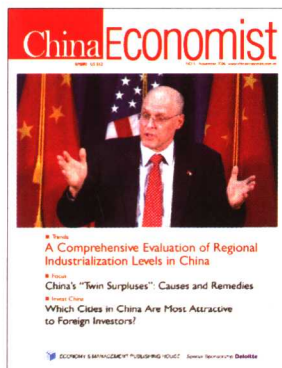


OMEGA OFFICES

Beijing ☎(010) 6523 9126 Shanghai ☎(021) 6287 8686 Guangzhou ☎(020) 8626 6728 Shenyang ☎(024) 2334 1245

Subscribing to *China Economist* in 2007

China Economist Subscription Form



Benefits of a one-year subscription (choose one from the options below):

- A preferential price of **398 yuan** or **\$61** (normal price 480 yuan or \$72)
- Paying the normal subscription price of 480 yuan, receive **China Business newspaper free** of charge (104yuan)
- Paying the normal subscription price of 480 yuan, receive **Business Management Review magazine free** of charge (120yuan)

Name: _____ ☐ Male ☐ Female Organization: _____
Department: _____ Job Title: _____
E-mail: _____ Address: _____ Post Code: _____
Tel: _____ Mobile: _____ Fax: _____

Subscription payment:

☐ Via Post office:

Address: No.1 Building, No.6 of West 4th Ring Road, Haidian District, Beijing, P.R.China 100097

Payee: China Business Publishing Department

☐ Via Bank:

Account Name: 北京营报传媒文化发展有限责任公司

Bank of Deposit: 交通银行北京世纪城支行

Account Number: 110060668018002453726

Readers' Survey

1. Which article do you like best in this issue?

- | | |
|---|--|
| <input type="checkbox"/> Paulson: I Am Here to Establish a Mechanism for Discussion | <input type="checkbox"/> "Going Global": Problems and Strategies |
| <input type="checkbox"/> A Comprehensive Evaluation of Regional Industrialization Levels in China | <input type="checkbox"/> Which Cities in China Are Most Attractive to Foreign Investors? |

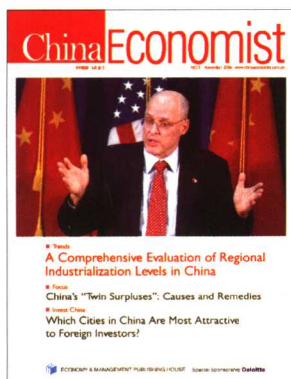
2. Do you have any suggestions for *China Economist*?

If you have any questions, please contact us.

Address: No.1 Building, No.6 of West 4th Ring Road, Haidian District, Beijing, P.R.China 100097

Tel: 010-88469256 Fax: 010-88469257 E-mail: chuban@cb.com.cn

China Economist 订阅单



China Economist 全年共6期，逢单月8日出版，每册单价80元人民币(\$12)。

**凡订阅全年 China Economist 杂志的读者，
可从以下优惠中任意选取一种！**

1. 订阅全年杂志优惠价人民币 **398元或61美元** (原价480元或72美元)。
2. 订阅全年杂志人民币480元，**送**全年《中国经营报》(全年订阅费104元)。
3. 订阅全年杂志人民币480元，**送**全年《商学院》(全年订阅费120元)。

请完整填写订阅单，连同汇款凭证复印件一并传真或邮寄至《中国经营报》社出版部，即可完成订阅。(此表复印有效)

订阅单位(个人)：_____ 性别：☐ 先生 ☐ 女士

工作单位：_____ 部门：_____ 职位：_____

E-mail：_____ 通讯地址：_____ 邮编：_____

办公电话：_____ 手机：_____ 传真：_____

我需要开具发票的抬头是 _____

发票寄送地址：☐ 同详细收刊地址 ☐ 其他地址：_____

订阅付款方式：

☐ 邮局汇款：

地址：北京市海淀区西四环北路6号院1号楼 邮编：100097 收款人：《中国经营报》社出版部

☐ 银行汇款：

开户单位：北京营报传媒文化发展有限责任公司 开户银行：交通银行北京世纪城支行 账号：110060668018002453726

China Economist 编读互动调查表

感谢您提供的宝贵意见，有了您的参与，我们会做的更好！

1. 您最喜欢本期 China Economist 哪些文章？[请在□中打✓]

☐ 美国财长眼中的中国经济改革

☐ 中国企业境外投资的现状、问题与对策

☐ 中国地区工业化进程的综合评价和特征分析

☐ 跨国公司眼中最具投资价值的城市

2. 您对本期 China Economist 总体评价是什么？

3. 您认为 China Economist 吸引您的主要原因是什么？

4. 您认为本刊哪些方面还有待改进？

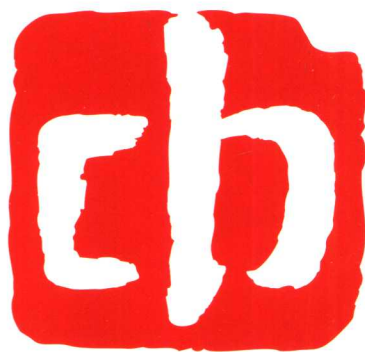
如有任何问题请与我们联系

通信方式：北京市海淀区西四环北路6号院1号楼《中国经营报》社出版部 邮编：100097

电话：010-88469256 传真：010-88469257 电子邮箱：chuban@cb.com.cn

Robust with History 因历史而强盛

Younger through Innovation 因创新而年轻



We have focussed on three things since 1985: Business, Management and Staffers.

1985 年以来,《中国经营报》关注三件事:商业、管理和职场中人。

中国经营报

CHINA BUSINESS
为读者创造价值

MEGA

**WHY CO-AXIAL?
YOU'LL HAVE ALL THE TIME TO FIND OUT.**

THE EXCLUSIVE OMEGA CO-AXIAL TECHNOLOGY REDUCES FRICTION AND OFFERS GREATER ACCURACY OVER TIME.

Ω
OMEGA

图书在版编目 (CIP) 数据

中国经济学人. 5=China Economist/ 金碚主编.

北京: 经济管理出版社, 2006.11

ISBN 7-80207-751-6

I.中… II.金… III.经济学—研究—中国—英文 IV.F120.2

中国版本图书馆 CIP 数据核字 (2006) 第 127800 号

出版发行: 经济管理出版社

北京市海淀区北蜂窝 8 号中雅大厦 11 层

电话: (010) 88469257 88456935 51915602

邮编: 100038

印 刷: 北京华联印刷有限公司

责任编辑: 李 钢

技术编辑: 叶友志

责任校对: Olivia Saunders

经销: 新华书店

国外发行: 中国国际图书贸易总公司

国外代号: BM4938

889mm × 1194mm / 16

9 印张

60 千字

2006 年 11 月第 1 版

2006 年 11 月第 1 次印刷

定价: ¥80.00(国内定价) US\$12.00(国际定价)

书号: ISBN 7-80207-751-6/F · 626

· 版权所有 翻印必究 ·

凡购本社图书, 如有印装错误, 由本社读者服务部负责调换。

联系地址: 北京阜外月坛北小街 2 号

电话: (010) 88469257 68022974 邮编: 100836

Coordinating Wealth and Harmony: A Real Test for China Today

In recent years, land development and increases in both the supply and demand and the cost of real estate have become focal topics in China, as well as being areas in which the Chinese government has employed extensive economic macro-control and administrative measures. At the same time, they have become issues over which certain departments (mainly local governments) have received a great deal of criticism and which have aroused the greatest number of public complaints.

China's industrialization and urbanization over the past 20-odd years, reputed as a "miracle", have surprised the world. One of the conditions that China relies upon heavily for her rapid industrial development and infrastructure construction is cheap land resources. To attract foreign investment, local governments regard selling land at increasingly low prices or even at zero cost as the most important competitive measure. Meanwhile, the solution to almost all critical social and economic issues can be found in land. For instance, land can be a source of financial compensation in SOE reform and the higher education boom is also dependent upon a cheap land supply and real estate development.

In contrast to cheap land for industrial use and infrastructure construction, urban land for commercial housing (as well as for business) has become fairly expensive. The high cost of land purchases, taxes and fees, particularly the land monopoly and the vigorous demand for housing purchases, are contributing to rocketing real estate prices in some cities.

Certain factors account for the dual-system phenomenon in land resources and real estate prices, i.e., the coexistence of abnormally high and low prices. Firstly, industrial production and foreign investment are the sources of revenue and low-priced land is an effective weapon for attracting more investment. Secondly, allowing the enclosure of land by higher educational institutions can be a substitute for government spending upon education and provides impetus for real estate development in the surrounding area.

However, land for commercial housing (commercial land), relies solely upon the sale of the land itself to gain a government income. From the perspective of economic development, this path of industrialization and urbanization is rather "reasonable", but at the expense of the land-deprived farmers who have lost their livelihood and the urban residents facing rocketing house prices.

The joint effect of land supply at abnormally high and low prices is that the government, enterprises and residents have all become both depositors and investors. On the one hand, China is the country with the highest savings rate in the world; on the other hand, the aforementioned development model supported by the dual-system price has attracted and produced enormous investment capital and investment demand, which have contributed greatly to rapid economic growth. In fact, behind the so-called "investment overheating" is mostly "a story of land". It is the exploitation of land resources that gives rise to speedy GDP growth. The old saying "capital is the father of wealth, and the land is the mother of riches", has turned out to be a "curse" of modern times.

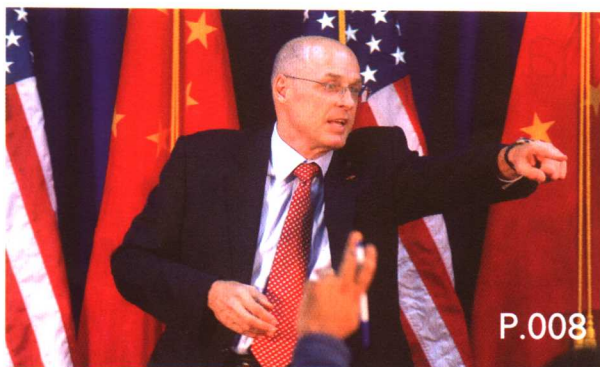
The problem is that, on the one hand, low land prices encourage the over-exploitation of land resources in the process of industrialization and urbanization and, on the other hand, high land prices due to the ever-increasing absolute rent and differential rent as well as the enormous purchasing demand of the residents have led to rocketing house prices in some cities. Regardless of her success in the past, can China continue to follow the same path?

A society needs not just wealth, but harmony too. Over the last 20-odd years, China has been successful in terms of generating wealth, but maintaining harmony on the foundations of building wealth is a serious challenge facing China today.

Prof. Jin Bei (金碚)

November 8th, 2006

Prof. Jin Bei is the deputy director general of CASS' Institute of Industrial Economics and the President of China Business.



P.008

Feature

008 Paulson: I Am Here to Establish a Mechanism for Discussion

Reporter, HU Ansheng (胡安胜)

"I come here not to find a solution to every problem and then take the solution back home", stated Henry Paulson, the US Treasury Secretary, "but to establish a mechanism for discussion".



P.012

Trends

012 A Comprehensive Evaluation of Regional Industrialization Levels in China

CHENG Jiagui (陈佳贵), HUANG Qunhui (黄群慧) and ZHONG Hongwu (钟宏武)

Uninterrupted economic structural upgrading, which sets the stage for a steadily accelerating industrialization process, has been a major factor in China's robust economic growth over the last 20 years or so.

However, development gaps between regions are vast, to a large extent due to regional disparities in industrialization level. It is thus important to evaluate and analyze the industrialization progress of each region.



P.012

020 More Investment Needed in Rural Education

ZOU Wei (邹薇), ZHANG Fen (张芬) and SONG Hairong (宋海荣)

This article has analyzed the income inequality of various regions and attempts to explain this phenomenon using human capital factors. The conclusion is highly significant: namely, that China should reduce the income gap in agricultural regions by enhancing education in these areas.



P.020



P.020



➤ P.034

Focus

034 China's "Twin Surpluses": Causes and Remedies

YU Yongding (余永定)

044 Forex Reserves: How Much is Too Much?

XIE Taifeng (谢太峰)

Global

053 Is China Using Up the World's Resources?

ZHONG Funing (钟甫宁)

060 "Going Global": Problems and Strategies

ZHANG Hanya (张汉亚)

Domestic

070 Building More Roads to Help the Poor

GAO Ying (高颖) and LI Shantong (李善同)

079 Small Enterprises: Cornerstone for Employment and Social Equity

ZHOU Tianyong (周天勇)



P.044



P.053



➤ P.060



➤ P.079



Invest China

088 Real Estate Craze Mainly Caused by Domestic Funds

GUAN Tao (管涛) and MA Yun (马韵)

096 Which Cities in China Are Most Attractive to Foreign Investors?

Competitiveness Monitoring Team

102 A Comparison between REIT and LREC

Richard Ho

Industry

108 China's Automobile Industry: from Market Protection to Effective Competition

LEI Hui (雷辉) and XU Changsheng (徐长生)

China Data

120 How Are Chinese Enterprises Recruiting Employees?

Research Group

130 Digest

China Economist

Authorities in Charge 主管
Chinese Academy of Social Sciences 中国社会科学院

Editorial Board 编委会
Director 主任

Chen Jiagui 陈佳贵

Managing Director 常务副主任

Jin Bei 金碚

Deputy Director 副主任

Huang Ping Wang Yanzhong 黄平 王延中

Board Members 编委

Liu Shucheng Lu Zheng 刘树成 吕政

Pei Changhong Wang Tongsan 裴长洪 汪同三

Zhang Xiaoshan Li Yang 张晓山 李扬

Cai Fang 蔡昉

Yu Yongding Pan Jiahua 余永定 潘家华

Senior Advisor 高级顾问

Zhu Yinghuang 朱英璜

Editorial Department 编辑部
Editor-in-chief 主编

Jin Bei 金碚

Directors 编辑部主任

Li Gang En Ronghui 李钢 恩蓉辉

Copy Editors 编辑

Ding Yi Zhang Shixian 丁易 张世贤

Li Peiyu Wang Lipeng 李佩钰 王立鹏

Qin Yu Wang Xiaochun 秦宇 汪晓春

Li Xiaohua Yuan Lei 李晓华 原磊

Proof Reader 英文一读

Olivia Saunders 宋丽丽

Overseas Liaison Officer 海外联络部

Fu Ji 付志山

Art Designer 美术设计

Ye Youzhi 叶友志

Art Assistant 美术助理

Wu Leilei 武蕾蕾

Managing Editor 责任编辑

Li Gang Yang Pinwen 李钢 杨品文

Editor 编辑

Li Mingfeng 李明锋

Produced by 制品

Institute of Industrial Economics (CASS) 中国社会科学院工业经济研究所

China Business 中国经营报社

Publisher 出版

Economy & Management Publishing House 经济管理出版社

Build a solid foundation for concrete business growth.

Deloitte, one of China's leading professional services firms, has a strong track record in providing services to clients in the real estate sector, including some of the largest property developers and investors, construction companies, public authorities and real estate funds.

Deloitte.
德勤

Audit. Tax. Consulting. Financial Advisory.

Deloitte Touche Tohmatsu
35/F One Pacific Place, 88 Queensway, Hong Kong
Tel: +852 2852 1600 Fax: +852 2541 1911 Email: mail@deloitte.com.hk

Member of Deloitte Touche Tohmatsu.
©2006 Deloitte Touche Tohmatsu. All rights reserved.



Paulson: I Am Here to Establish a Mechanism for Discussion

Reporter, HU Ansheng (胡安胜)

"I come here not to find a solution to every problem and then take the solution back home", stated Henry Paulson, the US Treasury Secretary, "but to establish a mechanism for discussion".

At the 2006 Annual Meeting of the WB and IMF in Singapore, Paulson told the international community that China should have a

louder voice in the IMF. During the meeting he held a luncheon with Zhou Xiaochuan, the director of the People's Bank of China. This was immediately followed by Paulson's visit to China - his first visit to the country since he was appointed Treasury Secretary of the United States of America. During this visit, his most important mission was to launch the

mechanism for China-U.S. Strategic Economic Dialogue.

During this visit, Paulson not only visited his "old friends" in China in his new capacity as the U.S. Treasury Secretary so as to consolidate his "connections" with China's political and business communities, but also intended to establish a substantial all-encompassing "mechanism for

discussion" between the two countries, which would be the biggest "fruit" he could take back home.

In fact, within two months of taking office, Paulson proposed to President Bush that a regular Sino-U.S. strategic economic dialogue mechanism should be established, covering a variety of fields such as trade, finance, technology, energy, economic development and reform, diplomacy, health and environmental protection. "This dialogue mechanism is unprecedented in America's history of international economic relations, and the development of a U.S.-China economic rapport today is exactly the same as the American-European economic relations of previous years", said an American official who was accompanying Paulson on his visit.

The proposal received a positive response from the Chinese government and a framework was soon established. The new mechanism is headed by Wu Yi, the Vice Premier of the State Council, on the Chinese side, while Paulson chairs the American side. On September 20th, Wu Yi and Paulson co-issued the Sino-U.S. Joint Declaration for Launching the Strategic Economic Dialogue Mechanism.

Never have so many top government officials in China participated in such a dialogue: Foreign Minister Li Zhaoxing, Finance Minister Jin Renqing, Undersecretary of the State

Council Xu Shaoshi, and officials from the Ministry of Commerce, the State Reform and Development Committee, the Ministry of Agriculture, the Ministry of Information Industry, financial supervisory bodies and the People's Bank of China. On the American side, in addition to Paulson, participants included the U.S. President's Economics Advisor, Al Hubbard, members of the president's office, officials from the Ministry of Commerce, trade representatives, the State Department, and other departments such as those of public health, environmental protection and energy.

According to the briefing, the dialogue is to take place twice a year, held by China and the U.S. alternately, and the first formal dialogue meeting is to be convened before the end of 2006. According to Paulson, "this dialogue mechanism is also a high-level forum between the two countries. As two major nations in the global economic system, China and the U.S. can discuss their common opportunities and challenges and find proper solutions".

During this visit, Paulson discussed with the Chinese officials such issues as the Renminbi floating exchange rate, protection of intellectual property rights and market entry - the focal issues that will be discussed in future strategic economic dialogues. "Dialogue will focus upon development of and challenges to the long-term strategy rather than upon

quick solutions to current problems", declared Paulson.

According to expert analysis, Paulson was not interested in the immediate gain or loss of minor profits on this visit, but in accelerating China's economic reform by means of an established top-level dialogue mechanism.

The past six months have witnessed an unprecedented "intimacy" in Sino-U.S. diplomatic and trade relations. The "Taiwan Question" in the diplomatic arena, China's "Energy Diplomacy", the capricious situation in the Korean peninsula and frequent trade frictions between the two countries - all cause America to be anxious. However, America has no choice but to cooperate with her "Chinese Partner" to solve these issues.

Paulson had paid more than 70 visits to China before he became the mastermind of the new mechanism. He enjoys a much closer relationship with the Chinese leaders than many of the U.S. government officials. For this reason, Wu Yi has praised him as "the foreign official who is most familiar with China".

As soon as Paulson took office, he put forward an "overall plan for solutions" from his professional perspective as an investment expert, which is both original and enlightening.

Zhang Guoqing, an expert upon American issues from the Chinese

Academy of Social Sciences (CASS), believes that the establishment of this mechanism will certainly be beneficial to both parties and will be obviously "profitable" for the U.S. Under the conditions of stable political relations between the two countries, the bilateral economic frictions will increase in number and become more specific, from issues over shoes to matters concerning vegetables. The launch of this dialogue mechanism is designed "to address these issues in a more systematic way rather than dealing with the unconnected minor issues such as shoes and vegetables".

In further analyzing the issue, Zhang noted that although some American congressmen had put forward a number of proposals for imposing sanctions upon China, they tend to be "much noise with little action". The two sides do not seem to be ready to discuss the details of these issues, due to "realistic considerations". America's policies regarding China are often contradictory, some are applicable only to certain localized states, and several have "gone too far". The U.S. government is unlikely to negotiate with China upon these issues as it is able to detect unreasonable proposals with a little logic.

In his analysis, Zhang pointed out that "firstly, it would be helpful for China and the U.S. to communicate more effectively if they are to raise

the level of dialogue; secondly, efficiency would be improved too, as when the level of dialogue is raised there is no need to send personnel to discuss every specific matter, meaning that efficiency naturally improves; thirdly, the U.S. government will be making further efforts in bargaining with China".

"It is not always a bad thing to be like that," said Zhang, "as it is better, after all, than zero communication between the two sides. In this way, when China puts forward her own demands, the American government is not likely, with this mechanism in place, to say or do anything to hurt the feelings of the Chinese. It will be more sensible and objective".

Liu Baocheng, Dean of the Sino-U.S. Management School of the University of International Business and Economics (UIBE), states his belief that the mechanism is a "milestone of change" for both China and the U.S. While former U.S. Treasury Secretary Snow and Senator Schumer advocated "a tough attitude under the framework of cooperation", Paulson has completely relinquished that line of China policy. He has proposed a whole package of reforms but avoided discussion of specific details. He intends to find solutions to some superficial issues by means of "radical reforms", and he considers exchange rate and trade frictions to be no more than superficial phenomena or indicators.

Chen Hong, an investment

banker and CEO of Hina Group, has the following comments: "Paulson is a man who dares to gamble". He has more practical experience than the previous treasury secretary and he is active and adventurous despite the fact that America's economic policies are relatively conservative".

On the American side, on September 28th, 2006, Senators Schumer and Graham specifically declared that they would relinquish the "Schumer Bill", which would compel the US Congress to impose a higher tariff upon Chinese commodities. Prior to that, this "tariff stick" of the "Schumer Bill" was hanging menacingly over thousands of Chinese and American businesses. The temporary abandonment of this bill appears to be closely related to the efforts made by Paulson to rectify policies concerning China.

During his short stay in China, Paulson was interviewed by a number of Chinese media organizations, such as the journal *China Economist*. From Wall Street to Washington, Paulson - this former chairman of the board of directors at Goldman Sachs and now America's treasury secretary - still cherishes his "enthusiasm" towards China. Unlike his past seventy-odd visits to China, this visit is to demonstrate his efforts to seek, not the success and development of Goldman Sachs, but the success and development of thousands of Chinese and American companies, as well as China's economic reform

and mutual economic benefits for the two countries.

Q: *How do you assess your future work and mission, particularly your role and influence with regard to Sino-U.S. economic development?*

Paulson: China has made great headway in terms of economic reform, which is drawing worldwide attention. We have also made some progress in our work. I will hold this post for another two and a half years. As for the evaluation of my work, I think we should establish a framework for development in a more constructive way in order to push forward the development of Sino-U.S. relations. In the short term, we have to achieve short-term goals; only in this way can we secure long-term accomplishments. On this occasion, we have come to China with the purpose of establishing this kind of programme and mechanism, which will bring great success to the development of the economy and trade between the two countries. However, in the first round of talks, I do not expect any big achievements.

Q: *Before you came to China, a series of laws and regulations were issued upon the market entry of foreign banks, joint funding of the securities industry and foreign capital acquisitions and mergers. These laws and regulations have more or less raised the requirements for market entry. What do you think are the immediate problems that China must solve in the process of opening up*

the banking sector?

Paulson: Financial supervision is very complicated and it took the U.S. a long time to establish such a complete capital market. If China wishes to improve her capital market, she ought to draw in more strategic investors and allow more foreign banks into China to establish their businesses. Equity investment still contributes too little to China's economy. In addition, reform of SOEs remains a tough job. Many listed companies are under-performing and ill-managed, and local companies lack high financial status and solid foundations. Compared to the purchasing power of the Chinese economy, the capital market is far from sufficient while the securities market is more embryonic. But the securities market is very important, as the development of this market can offload a great deal of pressure from the banking industry.

Q: *Renminbi exchange rate adjustment has always been a focus of Sino-U.S. economics. What do you think are the priorities for China's exchange rate reform?*

Paulson: In the long run, the value of currency is determined by the competitive market. In the first place, what China really needs to do is establish an open and competitive capital market. Only when this has been realized can the goal of free management over the exchange rate be achieved. (In the short term, I feel the best result will be

the RMB becoming freely convertible, but I do not know what techniques the Chinese government will use to achieve this).

Q: *China's GDP is increasing at an average annual rate of about 9% and reform is intensifying. What do you think are the obstacles to the current rapid progress of China's economic reform?*

Paulson: The biggest danger in terms of China's reforms is not that they are too fast, but that they are not fast enough. Of course, China is changing dramatically and fruitfully and her economy is so large and complex. In my estimation, if China clings to past administrative procedures in the course of her transformation from planned economy to market economy, this will create many obstacles to her reform; whereas if she quickens the pace of reform, both China and the U.S. will be better off as a result.

Q: *What impact will it have upon China's economic reform if her capital market is opened up further?*

Paulson: If China opens up her capital market, she will be the first to benefit. Our investigations into global markets show that countries with a healthy capital market develop increasingly strong economies. The capital market guarantees long-term success for a country's economy. Only when a country has a strong capital market can it truly survive in conditions of intense competition. ■

A Comprehensive Evaluation of Regional Industrialization Levels in China

CHEN Jiagui¹ (陈佳贵), HUANG Qunhui² (黄群慧) and ZHONG Hongwu³ (钟宏武)

Editorial note: Uninterrupted economic structural upgrading, which sets the stage for a steadily accelerating industrialization process, has been a major factor in China's robust economic growth over the last 20 years or so. However, development gaps between regions are vast, to a large extent due to regional disparities in industrialization level. It is thus important to evaluate and analyze the industrialization progress of each region. This study finds that, firstly, the regional structure of Chinese industrialization in 2004 assumed the shape of a typical pyramid, but was evolving into the shape of an olive; secondly, most regions stepped up industrialization in 1995-2004 while the gap between developed and less developed regions continued to widen; and thirdly, since 2000, industrial structural upgrading has superseded industrial restructuring in most regions to become the major dynamo for local industrialization. These findings help to clarify the status quo and the economic prospects of different regions in China.

Evaluation and characterization of the Chinese industrialization process hold the key to decoding the economic connotations of the Chinese experience. Research papers upon the overall Chinese industrialization process have been numerous over the last few years, among them an essay by Guo Kesha (2004). Our analysis of the in-

dustrialization process as a whole indicates that agricultural China has, by and large, developed into a big industrial country (Chen Jiagui and Huang Junhui, 2005). However, given the strikingly uneven regional development of the vast Chinese territory, a generalized analysis of the industrialization process would hardly be able to pinpoint the char-

acteristics of regional industrialization structures and reflect regional differences in industrialization level, thus defeating the purpose of an in-depth analysis of the problems in China's industrialization process. On the basis of information obtained from the recent First National Economic Census, and proceeding from development levels as well as

¹ Research Fellow and Vice-president, The Chinese Academy of Social Sciences (CASS)

² Research Fellow, Institute of Industrial Economics, CASS

³ Doctor, Institute of Economics, The Chinese Academy of Social Sciences (CASS)