

# Research on the optimization of Chinese counterpart assistance policy based on the perspective of growth pole theory

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## Abstract

Counterpart assistance is a policy helping undeveloped areas to develop economy since the Reform and Opening. This policy plays an important role in boosting economy, public service, and education at the assisted areas. However, the present assistance model pays little attention to the growth pole at these areas. The growth pole lacks internal motivation and resource supply, which leads to a poor capability in sustainability. To improve the present policy and set up a long-term self-sufficient mechanism, the following measures should be taken, such as encouraging enterprises' participation, strengthening the scientific management of aid projects and creating a favourable regional investment environment.

**Key words:** *counterpart assistance; policy optimization; growth pole theory*

## 1 Introduction

Uneven economic development not only affects the safety and stability of a society, but also restricts the modernization process of the whole country. Since the founding of new China, the CPC Central Committee and the State Council have worked out a policy-Counterpart Assistance, which is in line with Chinese national conditions and can effectively promote the economic development of backward areas. Counterpart Assistance means a country, matches different areas or industries into pairs of aid relations to take complementary advantages of them in setting macroeconomic policy, so as to promote the development of both sides. It is a significant measure to narrow down the economic distance of different areas in China.<sup>1</sup> Proposed in 1950s and carried out in the end of 1970s, this policy has developed from the single Factory-Community model into three assistance models, i.e. border area counterpart assistance, disaster-damaged area counterpart assistance, and major projects counterpart assistance.<sup>2</sup> Recent years, these assistances promote economic development in poverty area effectively, but the policy is still limited in terms of model setting and implementation. The efficiency and effect of policy implementation should be improved. Hence, to promote the development of border areas and achieve a comprehensive goal of building a moderate well-off society, it is necessary to accurately evaluate the implementation effect of the

Counterpart Assistance Policy, analyze the existing problems and put forward the corresponding improvement measures.

## **2 Growth Pole theory and counterpart assistance policy**

### ***2.1 Growth Pole theory***

The research object of the growth pole theory is the economic development model in developing countries and areas. The theory aims to explore how to effectively achieve key construction in key areas through government intervention, and finally achieve rapid economic growth in the condition of resource constraints. This theory thinks that we need to choose the areas with better conditions or industries with better development as a focus, centralizing resources to cultivate them as an economic growth pole.<sup>3</sup> This economic growth pole will guide the surrounding areas' development to achieve the rapid regional economic development.

The growth pole theory has a certain guiding effect on the economic development model of developing regions, but the theory itself has demerits mainly in two aspects. First, it is likely to have the excessive polarization problem. In other words, the growth pole may gather too many resources around without effective diffusion, resulting in other regions' or industries' resource shortage and ineffective economic growth. This situation does exist in some areas of China. Second, the polarization time may take too much time. The formation of any growth pole requires a certain period, which is called the polarization period. If the polarization period is too long, the existing resources may not support the formation of the growth pole, and finally result in the failure of the growth pole.

### ***2.2 Counterpart assistance policy***

The policy is a special policy to realize the comprehensive development of China. Compared with the general economic cooperation, it has a certain political colour. Compared with the financial transfer payments, it has a sense of cooperation. The meaning of this policy includes three parts as follows:

First, Counterpart Assistance Policy is not an expedient measure, but an important policy for the country to regulate economy. Affected by the historical factors and location factors, the level of economic development and the distribution of resources are unbalanced in China. To solve this dilemma, Chinese government proposed the Counterpart Policy aiming to boost the economy development speed by the resources and technology sharing between the northwest and the southeast. From this perspective, the policy is an important economic regulation to implement the basic plan of "two overall situations".

Second, Counterpart Assistance is not a unilateral grant, but a win-win cooperation. Counterpart Assistance Policy aims not to stimulate economic growth in undeveloped areas at the cost of economic development in developed regions, but to achieve mutual benefit through assistance and aid between beneficial exchanges and complementary advantages. Not

only promote the economic and cultural development at backward areas, but also make the developed regions get compensation and development.

Third, the key word in Counterpart Assistance Policy is “assistance”, which indicates not only material and economic assistance, but also the cultivation in technology, knowledge, and talents.<sup>4</sup> Because of the various unfavourable factors, not only the constructions of transportation, communication, electricity, and water are lagging undeveloped, but also the capacity for sustainable development of the economy is insufficient. Thus, the counterpart assistance is not just an economic assistance, but also the self-development cultivation for these areas. The core concern is not only the aid of GDP, but also the aid in the technology, personnel, management, brand and other aspects.

**2.3 Analysis of the counterpart assistance policy under the view of Growth Pole theory**

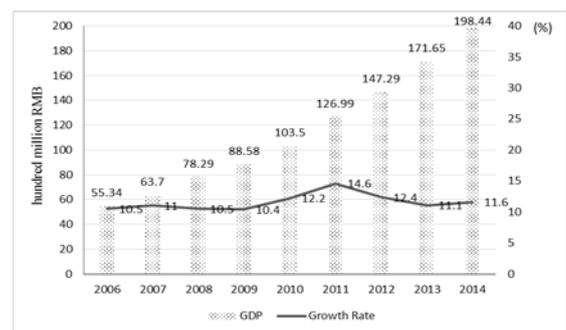
Growth Pole theory is one of the regional imbalanced development theories. It emphasizes that we should centralize resources and develop one or several "growth centers". When the growth centers develop into a certain extent, they can drive the development of other areas and enterprises through the diffusion effect. From the practice of Chinese development for these years, the theory can adapt to China's development model. We gather the national resources to develop the southeast coastal areas. Then, let these relatively developed areas drive the less developed areas of the northwest so as to achieve a balanced development across the country.

At the same time, due to the existence of some shortcomings of the growth pole theory itself, it should try to avoid a few problems in the development of regional economy. First, the growth pole may have the problem of excessive polarization. In this case, the growth is very similar to a "black hole" attracting the surrounding resources, which leads to poor economic growth in surrounding areas. Second, the polarization stage before the diffusion phase is too long. The counterpart assistance work is over before the formation of the diffusion effect. Thus, it requires the assisted areas to choose the right industry to speed up the polarization process.

**3 Effect analysis of counterpart assistance policy**

**3.1 Counterpart assistance helps the assisted areas achieve a leap-forward development**

After the implementation of the Counterpart Assistance Policy, the economic development capacity of the assisted areas is elevated through the assistance of economy, knowledge, technology, talents, and so force. Take Beijing supports Xinjiang Hetian county as an example, by the end of October 2015, the total assisting funds reached 7.9 billion Yuan which is 700 million higher than the task set by



*Fig. 1 - GDP and growth rate*

the central government. The assistance construction projects are more than 500, which helped Hetian area achieve a leap-forward development. As shown in Fig. 1, in 2014, Hetian's GDP reached 19.84 billion Yuan, while in 2009 only 8.85 billion. The average annual growth rate is near 20%. The fiscal revenue in the Hetian region has doubled. For example, the fiscal revenue of Hetian area is 540 million in 2009 Yuan and 1.58 billion in 2014.

### ***3.2 Counterpart assistance has increased the level of public service in the assisted areas***

Social livelihood is the focus of the CPC Central Committee. Counterpart Assistance Policy requires the assisting areas to provide not only the economic assistance, but also the public service, such as the establishment of urban and rural affordable housing, the improvement of living conditions to increase the employment. Still take Beijing supports Xinjiang as an example. Since Beijing carried out a new round of assistance, the Hetian area's urban housing rose from 20.8 square meters per capita in 2011 to 22.3 square meters per capita in 2013. In rural areas, it rose from 14.7 square meters per capita in 2011 to 16.3 square meters per capita in 2013. The number of employees rose from 794.2 thousand in 2011 to 908 thousand in 2013, reaching a 10% annual growth rate. Meanwhile, the health institutions and the number of health technical personnel continued to increase. The health institutions in Hetian increased from 297 in 2011 to 1736 in 2013; health technological personnel rose from 6042 to 7379. The maternal and infant mortality dropped significantly. It can be seen that the counterpart assistance has achievements in enhancing the level of public service in the assisted areas.

### ***3.3 Counterpart assistance has promoted the development of educational and cultural undertakings in the assisted areas***

Compared with the southeast coastal areas, the education level in the northwest is generally low in China. In this situation, education assistance is a key task in counterpart assistance. In the assisting process, the local governments have fully implemented the educational policy by the central government, and have carried out educational undertakings from various aspects such as basic education, higher education, and vocational education. The accomplishments are as follows. First, the scale of school, the number and quality of teachers have improved. Second, the vocational education develops fast. The central government provides more preferential education policies for backward areas, helping dropout students return to school. Third, the pair-education works well. In 2001, the Ministry of Education issued a notice, requiring 13 schools of the east and 13 of the west to form a helping pair to achieve the full range of higher education cooperation. Forth, the basic teaching construction has enhanced. Through the transformation of dilapidated buildings, the construction and expansion of student dormitories, and the alteration of teaching buildings, student safety has strengthened and more teenagers are cultivated which provides the foundation for economic development in assisted areas.

#### **4 Problem analysis of counterpart assistance policy**

##### ***4.1 The formation of Growth Pole lacks internal motivation-the participation of innovative enterprise is low.***

According to the Growth Pole Theory, the formation of growth pole requires innovative enterprises as internal motivation. The present situation, however, put more emphasis on government rather than enterprises. The Counterpart Assistance Policy usually takes administrative interventions to develop plans and implement from top to bottom. This model can effectively promote Counterpart Assistance Policy. However, due to the implementation of the main body are mostly local governments, while enterprises, especially innovative enterprises involved little in the work, which lead to low resource allocation efficiency. Thus, the polarization process is slow, and it is difficult to form an effective economic growth pole.

##### ***4.2 The Growth Pole lacks resource supply-lacks scale effect***

Scale effect is a necessary condition for the formation of growth pole. However, the current Counterpart Assistance Policy formulation in china is relatively simple. The match of assisting and assisted areas has a certain degree of randomness without rational match like the match between the assisting area with appropriate technical support and the assisted area with corresponding resources. The existing counterpart model can easily lead to insufficient technical support, resulting in "only money, no technology" phenomenon. The use of funds also lacks reasonable allocation.

##### ***4.3 The Growth Pole lacks suitable environment-lacks attention to enterprise external environment***

The stability of the external environment is the key to ensure the formation of the growth pole. However, the current working focus is economy, followed by social and education assistance. The external environment of the enterprise support has not been given enough attention. The main reason is that the policy is mostly economic support, technical support and talent support like poverty alleviation funds, agricultural funds, and western development transfer funds.<sup>5</sup>

#### **5 Improvement recommendations on counterpart assistance policy**

##### ***5.1 Encourage and attract innovative enterprises to participate in the policy***

The government should make it clear that the enterprise is an important force in the assistance work. The government should strengthen the importance of the enterprise, guide and encourage enterprises to participate in the assistance work. First, the local government should carry out investment promotion projects and project talks to attract business investment. Second, attract enterprises especially innovative enterprises to carry out counterpart assistance. Third, implement long-term tracking feedback evaluation mechanism for enterprises to avoid some enterprise exploiting an advantage in order to cut taxes.

### ***5.2 Accelerate the scientific planning and construction management of assistant projects***

The central government should strengthen the preliminary work of the projects and plan a number of mature projects for the follow-up projects to start. Local governments should take the initiative to do a good job in land requisition and demolition, the implementation of public assistant conditions. Further works should also put into practice, such as the relief in administrative fees and governmental funds. On the one hand, we should strengthen cooperation between the neighbouring assisted regions and assisting areas to gather strength in the construction of industrial parks to facilitate the scale effect. On the other hand, it should also strengthen the sales capacity of enterprises from the aspects of enterprise management, marketing management in the assisted areas, including the development of logistics and new e-commerce channels.

### ***5.3 Create a favourable investment environment in the assisted areas***

The creation of a favourable environment should start in three aspects. First, focus on the instruction of infrastructure. It is necessary to improve the construction of related infrastructure such as road network, power supply network, information network and municipal service network to ensure the daily production and operation of the enterprise. Second, optimize the soft environment for investment from policy of land price, tax, and legal environment. Third, strengthen the management of resources for assisted areas. Allocate the resources to the local assisted government or enterprises, so as to ensure that enterprises have the resources to carry out corresponding management activities.

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