

**Tomasz KAMIŃSKI\***

## **CHINA'S REGIONAL POLICY AND THE INFLUENCE OF THE EU ASSISTANCE**

**Abstract:** The EU has an interest in determining the form of internal reforms in China, as well as a lot of experience and know-how to share. Due to this fact it tries to support the process of Chinese transformation, in the form of various sectoral dialogues with China as well as by implementation of many projects financed by the EU.

The aim of this paper is to analyse the EU policy towards China in the context of Chinese regional policy that struggles with growing inequalities between provinces. It examines the EU assistance programmes for China as well as sectoral dialogue concerning regional policy to answer the question whether the EU regional policy, with its 20 years of experience, could possibly be the pattern form China.

Firstly, a short outlook has been given on regional inequalities in China. Secondly, the EU assistance programmes and sectoral dialogue have been analysed. Finally, the major research problem – what are the limitations of the EU's assistance influence on China – has been investigated.

**Key words:** China regional development, EU development aid, EU-China Regional Policy Dialogue, EU projects in China.

### **1. INTRODUCTION**

With the average yearly growth of GDP at the level of approximately 10% since the beginning of the 1980s, development of People's Republic of China has been one of the fastest in the world. It brought China into the group of the most important economic powers in the world. With the GDP estimated at ca 2.5 trillion USD, PRC is the third economy in the world, and second to USA only, when taking into consideration purchasing power parity (for basic indicators of the China's economy see e.g. CIA, 2008).

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\* Tomasz KAMIŃSKI, The East Asia Department, Faculty of International and Political Studies, University of Łódź, e-mail: tomekkam@wp.pl

However fast the development of China is, it is completely unbalanced – in regional, social and environmental context. This inequality is dangerous for integrity of the state, and it is clearly visible for the government in Beijing, but it is also a matter of concern for the EU members. Chinese internal problems obviously have their global consequences – deterioration of natural environment, fast growth of demand for raw materials, rise of crime and illegal migrations or social and environmental dumping, which gives Chinese an additional competitive advantage over European companies.

The EU has an interest in determining the form of internal reforms in China, as well as a lot of experience and knowledge to share. Due to this fact it tries to support the process of transformation, in the form of assistance programmes financed by the European funds.

The aim of this article is to analyse the EU assistance towards China in the context of Chinese struggling with growing inequalities and attempts to introduce effective regional policy. It is to provide an answer to the question whether the EU cohesion policy, with its 20 years of experience, could possibly be the paradigm for the Chinese efforts to reduce both social and economic disparities between regions.

To begin with, a short outlook has been given on main internal problems in the PRC being responsible for inequalities in development between provinces. In the second part, the EU programmes and the most important European projects have been analysed. Finally, the author has attempted to examine the major research problem – what are the limitations of the influence of the EU assistance on China.

## **2. REGIONAL DEVELOPMENT IN CHINA**

There is vast academic literature dealing with China's regional development (see e.g. Yusuf and Nabeshima, 2006), inequalities between provinces (e.g. Chua and Bauer, 1996) and its social, economic and environmental consequences (e.g. Oberheitmann, 2005; Onishi, 2001; UNDP, 2005). The main reasons of such great discrepancies between Chinese regions are worth a brief discussion and presentation of some key statistical data.

There are many reasons which cause disparities in the social and economic development of China. Firstly, they are deeply rooted in history. Different pace of development in regions dates back to the times of the Empire. Secondly, they are determined by geographical factors such as: access to the sea, climate conditions or lay of the land. Thirdly, they are results of the sin of omission. Since the beginning of the reforms (initiated in 1978), Chinese politicians have

focused their major efforts on economic growth, having disregarded its negative social and environmental consequences, as well as fair distribution of its fruits among the provinces. In the late 1970s the central government simply encouraged eastern regions to 'get rich first' and argued that rapid growth of coastal provinces would allow diffusion of wealth and stimulate the prosperity of the whole country. It was not until the Ninth Five Year Plan (1996–2000) when the government placed diminishing regional inequalities as a top priority, perceiving regional imbalance as a serious threat to prosperity, stability and unity of the country (Wei, 2002, p. 111).

The development gap between coastal provinces and central and western regions is really wide. While in Beijing GDP *per capita* exceeds 6,000 USD, and in Shanghai even 7,000 USD, in provinces such as Gansu or Yunnan this indicator does not even reach 1,000 USD and can be easily compared to poor African states (*The Economist*, 2006a). Table 1 presents comparison of GDP *per capita* in Chinese provinces.

Table 1. GDP *per capita* in Chinese regions, 2006

Province	RMB¥	USD (PPP)	Province	RMB¥	USD (PPP)
Eastern regions					
1 Shanghai	56,733	16,444	8 Liaoning	21,802	6,319
2 Beijing	49,505	14,349	9 Fujian	21,152	6,131
3 Tianjin	40,961	11,873	11 Hebei	16,894	4,897
4 Zhejiang	31,684	9,184	12 Heilongjiang	16,268	4,715
5 Jiangsu	28,685	8,314	13 Jilin	15,625	4,529
6 Guangdong	28,077	8,138	18 Hainan	12,650	3,667
7 Shandong	23,546	6,825			
Central and western regions					
10 Inner Mongolia	20,047	5,811	23 Qinghai	11,753	3,407
14 Xinjiang	14,871	4,310	24 Jiangxi	10,679	3,095
15 Shanxi	14,106	4,089	25 Sichuan	10,574	3,065
16 Henan	13,279	3,849	26 Tibet	10,396	3,013
17 Hubei	13,169	3,817	27 Guangxi	10,240	2,968
19 Chongqing	12,437	3,605	28 Anhui	10,044	2,911
20 Hunan	11,830	3,429	29 Yunnan	8,961	2,597
21 Ningxia	11,784	3,416	30 Gansu	8,749	2,536
22 Shaanxi	11,762	3,409	31 Guizhou	5,750	1,667

Source: Chinese National Bureau of Statistics, Purchasing Power Parity estimated by the IMF in 2006 (1 USD converts to 3,450 Renminbi).

According to some World Bank estimations (USD at PPP rate, 2005), this income gap is even wider. Three provinces are richer or as rich as five Central Europe EU member states, with GDP *per capita* from 9,844 USD in Tianjin, 12,015 USD in Beijing to 13,735 USD in Shanghai. At the same time the level of development in Guizhou (1,349 USD) is comparable with Bangladesh (1,268 USD).<sup>1</sup>

Inequalities are clearly visible when one analyses incomes of urban and rural inhabitants. Among 1.3 billion inhabitants of China ca 60% live in the countryside, however, they produce only 12% of the GDP. It is worth noticing that in 1990 this indicator reached 1/4 GDP (*The Economist*, 2007). The income gap between city dwellers and those living in rural areas, according to official government data for year 2007, is estimated at 3.33:1 and has been steadily rising since the mid 1990s.<sup>2</sup> The above mentioned gap pictures also regional disparities, due to the fact that eastern, coastal provinces of China are definitely the most urbanised ones.

Table 2. Income gap between urban and rural residents

Year	Urban <i>per capita</i> disposable income	Rural <i>per capita</i> net income	Ratio of rural income to urban income (take rural income as 1)
1978	343	134	2.57
1995	4,283	1,578	2.71
2000	6,280	2,253	2.79
2007	13,786	4,140	3.33

Source: Guoxiang (2008).

Regional income discrepancy find its confirmation in some other statistical data, such as average annual net incomes of rural population in eastern, central and western provinces. As it is clearly visible in the following graph, rural households from coastal China have at their disposal much more money compared to those living in the interior. These inequalities are high and have even been growing further in recent years.

<sup>1</sup> According to some World Bank estimations the level of development in China is higher. Shanghai with 25,476 USD *per capita* is ten times richer than Guizhou with 2,503 USD (see World Bank, 2007; Masserlin and Wang, 2008, pp. 6–7).

<sup>2</sup> In 2007 the average income in the cities reached 13,786 RMB while in the country only 4,140 RMB. For more, as well as some historical data see *Reuters*, 2008.

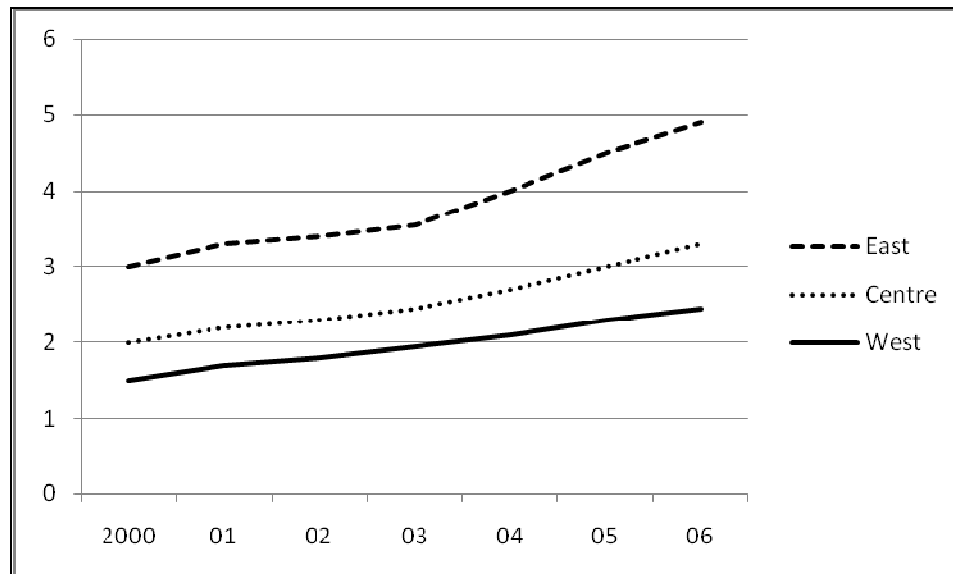


Fig. 1. Chinese rural households' annual net incomes per person by region, yuan (in thousands)

Source: *The Economist* (2007, p. 28)

The income inequalities indicators, according to some researchers, have risen by more than 50% since the late 1970s (Pei, 2006, p. 39). Using Gini index, which measures the degree of inequality in the distribution of family income within a country, one can compare China (which scored 45 points in 2007) to Sub-Saharan countries (ca 50 points). This means that incomes are distributed with significant inequalities.<sup>3</sup>

The image of unbalanced regional development in China, briefly described above, needs to be completed with three additional problems.

First of all, there is a dramatic scale of environment pollution. Emission in China catches up with the one in the USA, in spite of the fact that its economy is still five times smaller than American. Respecting current trends, in 25 years the level of greenhouse gases' emission in China will have been two times higher than in all industrialised countries altogether (McGregor, 2007, p. 11). Pan Yue, the chairman of Chinese government agency responsible for environment protection (State Environmental Protection Administration, SEPA) has officially

<sup>3</sup> The index is calculated with the use of Lorenz curve, in which cumulative family income is plotted against the number of families arranged from the poorest to the richest. The index is the ratio of (a) the area between a country's Lorenz curve and the 45 degree helping line to (b) the entire triangular area under the 45 degree line. The more equal a country's income distribution, the closer its Lorenz curve to the 45 degree line and the lower its Gini index, e.g. Scandinavian countries with an index of 25 (see CIA, 2008).

admitted that due to rapid industrialisation of the country the situation is critical. Ten thousand people die yearly because of water pollution, millions contract diseases related to 'bad water' and farmers complain of poor yield (for more see Anderlini and Dickie, 2007, p. 9). Furthermore, the price of rapid growth of eastern regions is often paid by people living in the interior. This, in particular lack of drinking water, leads to social unrest, which is perceived by the government as extremely dangerous to the stability of the country.

Secondly, China finds it necessary to implement delayed reforms such as enfranchisement of farmers and creation of comprehensive and universal social security system which should cover also people living in the countryside, that is mainly inhabitants of central and western parts of the Middle Kingdom.<sup>4</sup> This, incidentally, might be very difficult in view of ageing society and decreasing number of people able to work, all being a result of 'one child policy'.

Finally, PRC faces a problem of enormous unemployment. It is estimated that hidden unemployment in the countryside could reach even 150 million people. As a consequence millions of people from poor regions try to move to big cities in the East, which intensifies the problems of overcrowding, increasing demand (and, consequently, prices) for flats, as well as inhibiting salaries' expectations. All these make regional disparities unfavourable also from the perspective of eastern provinces.

In today's China it is the Chinese National Development and Reform Commission (NDRC) which is responsible for establishment of regional policy and strengthening the development of regions.<sup>5</sup> This institution is a successor of State Planning Commission and it is responsible for planning and coordination of a wide array of activities: from energy policy to infrastructural development and growth of rural areas.<sup>6</sup> Thus, regional development is only one of many duties of NDRC, which in all probability is not the best possible solution.

NDRC is currently implementing Eleventh Five Year Plan, in which regional policy has been devoted a separate chapter. It stresses the need to decrease the differences in development between regions and puts an emphasis on optimal use of potential of central and western provinces, as well as former industrial centres of North-East China. In addition, zones of limited economic development (so-called Development-Restricted Zones and Development Prohibited Zones) were determined (see National Development and Reform Commission).

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<sup>4</sup> Nowadays only ca 1/3 of the city dwellers participate in a pension scheme. In the countryside the system does not exist in practice (*The Economist*, 2006b).

<sup>5</sup> The key role is played by The Department of Regional Economy which is responsible for i.a. drafting regional economic development plans and recommending regional economic development policies. See: [http://en.ndrc.gov.cn/mfod/t20050519\\_0903.htm](http://en.ndrc.gov.cn/mfod/t20050519_0903.htm)

<sup>6</sup> See website of the institution <http://en.ndrc.gov.cn/>

The central government is fully aware of the fact that the growth of social and economic discrepancies between particular parts of the country needs to be restrained. They also understand how great this challenge is and that unfortunately Chinese experience in conducting regional policy is relatively small.<sup>7</sup> Chinese machinery of State, after years of light-hearted promotion of economic growth, has to learn how to do it. Due to this fact, the government searches for patterns and know-how which could be applied in PRC. One of the obvious partners is the European Union which has implemented cohesion policy since 1988 and has elaborated operational mechanism, through which more than 35% of the whole Community's budget is spent.<sup>8</sup>

Since the middle of the 1990s Chinese have been more and more interested in the European model of social and economic development. Hundreds of articles and research papers on particular EU solutions, including regional policy, have been published (Xinning, 2008; Keyun, 2001). Furthermore, the Chinese officials frequently take part in study visits to the EU member states and other developed countries to learn how specific solutions work (Christiansen *et al.*, 2008, p. 353; Mengzhong and Straussman, 2003).

### 3. SUPPORT TO CHINESE TRANSFORMATION AS ONE OF THE AIMS OF THE EU POLICY TOWARDS PRC

Having analysed the EU strategic papers describing its policy towards China (European Commission, 1998, 2001, 2003, 2006a), one can point out two main tasks. Undoubtedly, the first one is engaging PRC in solving global problems, encouraging China to become a responsible and constructive stakeholder, who shares costs of maintaining global order. The most important areas of co-operation are as follows: prevention of proliferation of weapons of mass destruction, environment pollution and climate changes, supply of energy and raw materials, development of Africa, strengthening the role of UN as a key actor in global governance, dealing with local and regional conflicts in the world (see e.g. Grant and Barysch, 2008; Crossick and Reuter, 2007).

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<sup>7</sup> Maoist redistributive policy, a kind of regional policy, was questioned by Deng's uneven development model. The modern regional policy aiming at balanced development of the country was firstly launched in Ninth Five-Year Plan (1996–2000). For a detailed study on regional policy in post Mao China see Fan, 1997.

<sup>8</sup> Wide range of publications on EU Cohesion Policy can be found at the Internet site of the Commission's Directorate General Regional Policy [http://ec.europa.eu/regional\\_policy/sources/docgener/presenta/pres\\_en.htm](http://ec.europa.eu/regional_policy/sources/docgener/presenta/pres_en.htm)

According to Barysch (2005, p. 7), the EU is convinced that realisation of the first task is possible provided that China continues along the path of economic and political reforms. Therefore, the second aim of Brussels is to support China's internal transition. Key issues, from the European point of view, are further integration of China with the global market, development of civil society and sustainable growth, in the context of regional development and natural resources management.

The EU offers two types of assistance. First of all, European support means sharing knowledge and experiences through 'sectoral dialogues', which cover more than 20 areas of cooperation, e.g. environment protection, transport, science and technology or intellectual rights protection. In practice, the 'dialogues' take forms of working groups' meetings, conferences, formal and informal political meetings and sectoral agreements.

To strengthen the influence of sectoral dialogues the European Commission also provides support for China's reform programme in areas covered by dialogues. This financial aid is coordinated by the European Commission (External Relations Directorate-General, RELEX) and implemented through multiannual programmes, prepared together with recipient country and co-financed from the EU budget.

#### **4. EU-CHINA REGIONAL POLICY DIALOGUE**

EU-China Regional Policy Dialogue was inaugurated in Beijing on 15th May 2005, as a result of political decision announced during 7th EU-China Summit in December 2004 (European Commission, 2004).

The representative of NDRC, together with EU Commissioner for Regional Policy, signed the Memorandum of Understanding. In this document both parties declared promotion of bilateral cooperation and strengthening information in the domain of regional policy. One year later, in May 2006, the first EU-China expert seminar on regional policy took place.

The next high-level meeting was not organised until 31st October 2006, when Commissioner Danuta Hübner along with the deputy minister Du Ying from NDRC accepted a so called 'road map', being a sort of a plan for future co-operation in the framework of the dialogue. There were three tasks planned for 2007: a high level seminar in Brussels to associate most relevant Chinese and EU stakeholders in the field of regional policy; a comprehensive study on definition of Chinese regions, regional statistics and multi-level governance and partnership mechanisms and the promotion of exchange of officials (European Commission, 2006b).



Another seminar took place in Brussels in October 2007. Although its main objective was to exchange experiences in the area of regional policy, apart from experts' dialogue some political statements were also made – both parties once more confirmed their strong will for cooperation.<sup>9</sup> EU and China alike took note of some similarities of challenges in regional development but for both it was crystal clear that their scale is hardly to compare.

The next expert-level meeting, called 'Seminar on Regional Policy and Governance for Regional Development', was organised in Beijing 19th–20th July 2008.<sup>10</sup> Following the seminar, the joint research team conducted field visits in four places: Chongqing, Guangzhou, Dongguan and Zhuhai. Later on Chinese researchers conducted a field visit to Europe in early October 2008, during which they visited Brussels, as well as England, Scotland and Wales. Study visits were to prepare for the Workshop on Urban-Rural Coordinated Development, which took place on 20th November in Chongqing. Both sides presented their experience concerning integration of migrant workers and problems of rural areas development in the context of urbanisation.<sup>11</sup> These activities are part of a comparative joint research study, which is financed by The EU-China Policy Dialogues Support Facility, a special project aiming at supporting sectoral dialogues.<sup>12</sup>

Commissioner Hübner mentioned at the last political meeting – 'High-Level Seminar', which took place in November 2008 in Chongqing – that the joint EU-China regional policy study is to be completed very soon. The study shall give a comparison of key aspects of regional policy both in China and in the EU. It shall be devoted to three crucial issues: 'classification of regions for policy purposes, regional governance issues and the role of regional policy in promoting innovation and improving competitiveness' (European Commission, 2008). In particular it shall examine how regional policy can stimulate economic growth in underdeveloped regions and will also give examples of good practice on subjects varying from regional contribution to decrease the phenomenon of global warming to management of migratory flows.

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<sup>9</sup> EU Commissioner Danuta Hübner in her opening speech said: 'Our partnership is strong and growing. We have been working closely together since the signature of our Memorandum of Understanding last year in Beijing, in order to boost mutual understanding and exchange experiences. Now we are ready to launch a comprehensive research activity on regional policy within the framework of our dialogue. This research action will examine the regional policies of the European Union and China with an objective of assessing how our European experience could be best used to speed the economic growth of Chinese regions which are lagging behind' (Hübner, 2007).

<sup>10</sup> Presentations from this seminar are available at <http://www.eu-chinapdsf.org/english/NewsInfo.asp?NewsId=895>

<sup>11</sup> Presentations from this seminar are available at <http://www.eu-chinapdsf.org/english/NewsInfo.asp?NewsId=895>

<sup>12</sup> See project's website: <http://www.eu-chinapdsf.org>

When trying to assess above-mentioned regional policy dialogue one has to bear in mind that it is in its infancy. Due to this fact, one should not expect any spectacular achievements too soon. Until now the dialogue was nothing else but a discussion forum, in a frame of which the Union tries to present its experiences in planning and implementing regional policy assuming that they could be of any use for the Chinese in their efforts to ensure coherent development of the whole country.

## **5. EU ASSISTANCE PROGRAMMES FOR CHINA**

The first projects financed by European Commission's fund were carried out in the 1980s, but the majority of them concentrated on agriculture only, as well as they had limited budget and impact. Only in 1996 did the Commission and Chinese Ministry of Foreign Trade and Economic Cooperation make a decision about extension of cooperation to allow EU funds to finance more projects which would have real influence on the process of Chinese transformation. Among the most important needs, the Chinese pointed out assistance for reforms in legal system, social security system, financial sector, as well as support in preparation for the WTO accession and in preventing further degradation of natural environment.

Since that time the scale of EU assistance for China has visibly risen. Only in 1999 more than 60 projects were in implementation phase and annual allocation of funds rose to 64 million EUR, i.e. 6 million EUR more than a year before (European Commission, 2002a, Annex 5). The majority of projects concentrated on human resources development at both central and regional level. As an example one can indicate training and counselling for government officials or assistance in the process of creation of a basic education system in Gansu province (for the list of major projects implemented in China in years 1998–2001 see European Commission, 2002a).

Generally, a lot of small projects were implemented in backward central and western regions of the country. Many of them attempted to influence health care system, e.g. Maternal and Child Health Care, Mid-West China.

It was only in 2003 that the first big environmental project, the Natural Forest Management Project, with its budget exceeding 17 million EUR, was launched. Its main objective was to share know-how in sustainable management of the natural forest resources, so that it is profitable also for local communities.<sup>13</sup>

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<sup>13</sup> For more information see the project website: <http://www.nfmp.cn/English/Index.asp>

The process of preparation of the first comprehensive assistance programme for China lasted a few years. It was related to the EU budget planning which takes place in a 7-year cycle. Due to this fact, the programme for China had to wait until the beginning of a new budget period, which started in 2000. Only after drawing up a budget of 250 million EUR, the Commission could finalise the Country Strategy Paper (CSP), a strategic document determining main objectives of the EU assistance for China for years 2002–2006 (European Commission, 2002a). In accordance with the EU rules two National Indicative Programmes (NIPs) were elaborated for 2002–2004 and 2005–2006. In these documents, the particular objectives and priorities were described, together with financial allocations for each of them.

The total budget of NIP for 2002–2004 reached 150 million EUR, financed from budget line 19 10 'Relations with Asia'. Three priorities of assistance were identified:

- support for social and economic transformation, including: information society, human resources development, social security reform, promotion of market economy and integration with the WTO; budget: 75 million EUR;
- environment and sustainable development, including biodiversity and water resources management; budget: 45 million EUR;
- good governance and strengthening of the rule of law, including fight against illegal migration and support to civil society; budget: 30 million EUR (European Commission, 2002b).

From the perspective of support for backward provinces of China it is important that 20 million EUR from the above mentioned priorities were allocated to the western regions.

The evaluation of the programme, concluded in 2003, showed that several projects went behind schedule and many had not started at all. An extreme example: a project aiming at fighting against illegal immigration met complete reluctance on the Chinese part, in spite of the fact that the whole programme had been accepted by the PRC.

As a consequence, important modifications were implemented in NIP 2005–2006, in particular in financial allocation between projects, albeit without major changes in assistance areas. Furthermore, because of clearly visible difficulties in the second priority (environmental), the Commission withdrew from additional projects and concentrated on two other priorities.

Finally, in frame of CSP 2002–2006 both parties managed to spend only 181 million, i.e. not more than 72% of the total available budget (European Commission, 2007a, p. 20).

While the EU budget for 2007–2013 was negotiated, Chinese problems with absorption of the EU assistance must have had a crucial influence on the final decisions to cut financial allocation for China to 224 million EUR. However, the most important factor lying behind this action was the fact that many experts in

the Commission see very limited weight of the Union's assistance for China. It simply does not matter much (Beatty, 2006). Moreover, financial support for China has become very controversial in the light of the fact that PRC itself is major donor of development aid. In this way Beijing builds its political and economic presence in African countries, undermining European influences in the continent.

The Commission decided to concentrate on the areas of assistance which are important to China, but also vital from the European point of view. There are three priorities mentioned in the Country Strategy Paper 2007–2013, as well as in Indicative Programme 2007–2010:

- support for areas covered by political dialogue: trade, civil aviation, financial services, social protection and support for sectoral dialogues;
- environment, energy and climate change;
- human resources development.

The largest amount of funds is allocated to the first priority. The total budget for 2007–2010 reached 128 million EUR and it is financed from the budget line 19 10 'Relations with Asia, Central Asia and Middle Eastern (DCI) Countries' (Beatty, 2006; European Commission, 2007b).

Apart from programmes designed for China only, PRC can also benefit from all-Asian (e.g. Asia IT&C, Asia Pro Eco, Asia Incest) and thematic programmes (e.g. Gender, NGO Cofinancing). In the former, they participate in several dozen projects with total budget exceeding 32 million EUR. In the latter, they took part only in several projects with total value 11 million EUR (for the complete list of projects in which China is engaged see European Commission, 2007a, pp. 28–32).

## 6. ANALYSIS OF MAJOR EU PROJECTS IN CHINA

The EU implemented in China 'soft' projects only – with training or counselling (so called: technical assistance) as predominant activities. Thus, Europe invests in people and institutions rather than in infrastructure.

Analysing these projects, one can categorise them into one of four main types:

- human resources development with Europe-China School of Law or EU-China Managers Exchange and Training Programme as best examples;
- support for China integration with world trade system. In this area, EU-China Trade Project, focused on WTO rules introduction, was the most important one;
- environment and energy. A good example is creation of integrated river basin management system, cofinanced with the World Bank;

– support for Chinese administration through various courses aimed at increasing its capacities and introducing some system changes.

In table 3, there are all major EU projects in China sorted by the value of assistance.

Table 3. Major EU projects in China sorted by the value of assistance

Title of project	Total budget (million EUR)	EU funds (million EUR)	Years	Main objectives of project	Source of information
1	2	3	4	5	6
EU-China Biodiversity Programme	51.4	30	2005– 2010	1. Incorporation of biodiversity into sectoral and economic policies 2. Rise of awareness of biodiversity and its importance at all levels from political decision-makers to local communities and the general population 3. Field projects (pilot projects), located in Central, Western and Southern provinces of the country	<a href="http://www.ecbp.cn/swdyx_en/web/index.aspx">http://www.ecbp.cn/swdyx_en/web/index.aspx</a>
EU-China River Basin Management Programme	186	25	2007– 2011	Establishment in the Yellow and Yangtze River basins, of integrated river basin management practices which are environmentally sustainable and address global and national environmental concerns, as well as those of the local population. The practices are to be replicated in other regions of China	<a href="http://www.euchinarivers.org/en/resources01.htm">http://www.euchinarivers.org/en/resources01.htm</a>
EU-China Social Security Reform Co- operation Project	40	20	2006– 2010	1. Improvement of existing social security system provisions through policy development and capacity building 2. Implementation of selected pilot reform initiatives at the level of participating provinces	<a href="http://www.eucss.org.cn/en/index.htm">http://www.eucss.org.cn/en/index.htm</a>

Table 3 (cont.)

1	2	3	4	5	6
Energy/ Environment Programme	40.9	20	2002– 2009	Promotion of a sustainable use of energy and strengthening of energy security through: – counselling for central and regional administration – training – implementation of innovative technologies (feasibility studies and demonstration projects)	<a href="http://www.eep.org.cn">www.eep.org. cn</a>
Europe-China School of Law	30.4	17.5	2007– 2013	Creation of Europe-China School of Law, aiming at educating lawyers and in effect strengthening the rule of law in China	<a href="http://www.ecsl-beijing.eu">www.ecsl- beijing.eu</a>
EU-China Managers Exchange and Training Programme	23	17.2	2006– 2010	Support for China's reform process and promotion of mutual understanding between China and the EU through development of human resources (courses for European and Chinese managers)	<a href="http://www.eu-china-metp.eu">www.eu-china- metp.eu</a>
Natural Forest Management Programme	22.5	16.9	2003– 2008	The project is testing, demonstrating and promoting approaches and technologies for scientific management of natural forests covering 58 villages located in twelve townships in six counties of Sichuan, Hunan and Hainan provinces	<a href="http://www.nfmp.cn/English/Index.asp">http://www. nfmp.cn/ English/ Index.asp</a>
EU-China Programme to Support China's Integration into the World Trading System	20.6	15	2004– 2009	Assistance for China in implementing its WTO commitments, strengthening China's general trade-related capacity and promotion of closer trade relations with the EU	<a href="http://www.euchinawto.org">www. euchinawto.org</a>

Table 3 (cont.)

1	2	3	4	5	6
EU-China Information Society Project	22.11	15	2005–2009	Creation of Information Society by means of: – development of e-governance in China – designing of a regulatory framework for enacting essential laws and regulations	<a href="http://www.EU-China-info.org">http://www.EU-China-info.org</a>
EU-China European Studies Centres Programme	11	10.3	2004–2008 (finished)	Enhancing the position of Europe as a major partner in China through continued and sustainable development of European Studies in China	<a href="http://www.escp.com.cn">www.escp.com.cn</a>
Europe – China Business Management Training Project	10.1	8.1	2007–2012	Human resources development in China through organisation of post-graduate studies (e.g. MBA, EMBA)	<a href="http://www.ceibs.edu/index.html">http://www.ceibs.edu/index.html</a>
Governance for Equitable Development (GED). Strengthening Rule of Law and Civil Society Participation in China	12.8	6.8	2007–2011	Supporting Chinese efforts to develop an open and equitable society based on the rule of law. Promotion of good governance, increased access to justice, enhanced public participation in decision making, civil society involvement in equitable development and the adherence to internationally respected human rights standards	<a href="http://www.delchn.ec.europa.eu/download/GED.doc">http://www.delchn.ec.europa.eu/download/GED.doc</a>
China Europe Public Administration Programme	7.3	5.7	2003–2007 (finished)	Supporting education system of Chinese administration through various courses and counselling	<a href="http://www.cepa.nsa.gov.cn">www.cepa.nsa.gov.cn</a>

Table 3 (cont.)

1	2	3	4	5	6
The EU-China CDM Facilitation Project	2.8	2.3	2007–2010	<ol style="list-style-type: none"> <li>1. Strengthening capacity of China's Designated National Authority (DNA), the National and Regional CDM Centres, and Chinese Organisations applying for Designated Operational Entity (DOE) status</li> <li>2. Introduction of European and International Standard in Quality Management of the CDM development process</li> <li>3. Increase of awareness of CDM opportunities and enhance the CDM framework conditions in the Chinese CDM market</li> </ol>	<a href="http://www.euchina-cdm.org">http://www.euchina-cdm.org</a>

The largest amount of the EU funds, 30 million EUR, was allocated to 'The EU – China Biodiversity Programme'. It has been implemented since 2005 in 19 provinces and autonomous regions in Western, Central and Southern China, thus excluding rich Eastern coast. In the framework of the programme, so called 'field projects' are chosen in the open, competitive procedure. Those local projects vary, but their common denominator is preserving biodiversity of particular habitat. For instance, traditional medicinal plants are cultivated in ecoregion Upper Yangtze and in three villages in provinces Hunan, Yunnan and Sichuan a system of sustainable management of natural bamboo forest ecosystems is developed. In Tibet a special training and consulting programme is implemented to reform management of Changtang Reserve, which is the habitat for Tibetan antelopes, wild yaks, Tibetan wild ass, and other wild animals (ECBP, 2007, pp. 9–12).

'The EU-China Social Security Reform Co-operation Project', a particularly important one from the Chinese point of view, is aimed at supporting development of a modern social security system. It focuses on elaboration of efficient legal system and standards, improving institutional capacities as well as quality of management.

Apart from central activities, there is also a regional component, by means of which some particular solutions are introduced at a local level.<sup>14</sup>

<sup>14</sup> For more information see Internet site of the project: <http://www.eucss.org.cn/en/index.htm>



One of such projects is aimed at supporting development of e-government in China, for which the EU has assigned 15 million EUR. They are spend to develop a legal framework for electronic transactions and train civil servants. Moreover, there are some regional pilot projects, such as: integration of service delivery in Shandong province, unifying emergency services response in Sichuan province, developing smartcards for welfare benefits in Hebei province, providing online services to rural citizens in Shanxi province, and providing pension administration in the Inner Mongolia Autonomous Region (*The Information Management Journal*, 2006, p. 8).

The Union also supports reforms in the financial sector, which has not been fully liberalised yet, and which is believed to be one of the weakest points of Chinese economy. The majority of financial institutions in PRC are SOE (state-owned enterprises), which do not operate fully autonomously and not always in accordance with market rules. In the framework of a project realised by the European Savings Banks Group (ESBG), the Chinese have an opportunity to get to know European banking and insurance system through courses, counselling and study visits. One of the effects of the project would also be creation of accreditation system for professionals in financial sector in China (White, 2005).

What conclusions could be drawn from the analysis of the EU projects realised in China? A few observations can be pointed out:

- Brussels tries to influence the sectors which are most important from the European point of view. Due to this fact, the bulk of funds is allocated for environment protection, energy or trade-related issues. Balancing disparities in regional development in China is only projects' added value rather than their main aim;
- EU funds for China do not cover costs of infrastructure, they are spent on development of institutions and human resources;
- EU projects often link support for system solutions with local activities which could launch bottom-up reforms. Pilot projects are to be multiplied in different parts of the country;
- projects are multiannual, and often not limited by the end of particular EU budget period. This allows taking long term actions;
- during the implementation of projects there are many delays and problems resulting from the fact that Chinese administration is not adjusted to operate in a project mode, according to rather strict EU rules which are in force as far as assistance for third countries is concerned.

## **7. LIMITATIONS OF THE EU'S IMPACT ON THE CHINESE REGIONAL POLICY**

How big is the European influence on the shape of Chinese regional policy and diminishing development gap between provinces? It appears this influence, for a variety of reasons, is very limited.

Firstly, the scale of the EU engagement is far too small to make a difference in a country as large as China is. The Regional Policy Dialogue, in the frames of which the EU shares its experiences in the area of cohesion policy, is in its inception stage and it will take time to see any results.

The EU financial assistance is dispersed between several initiatives, only a few of which are directly related to regional policy. However, it is worth to note that a sort of preferential treatment for underdeveloped regions (e.g. quota assigned for western provinces, whereas coastal regions are excluded from some projects) is visible. Nevertheless, it has hardly any consequences for the social and economic cohesion of the country. EU projects are 'lacking in the scope and volume needed to fundamentally redress the issue of regional disparities in China' (MacKellar *et al.*, 2007, p. 33).

Secondly, Chinese administration is not well-prepared for effective absorption of the EU funds. The wheels of state do not operate too efficiently, especially under conditions following the European rules of programmes and projects management, which severely differ from the common practice in China. Even successful projects 'received little follow up, either in terms of systematic consideration of lessons learnt or in replication or roll-out to national level' (MacKellar *et al.*, 2007, p. 41).

Thirdly, political and legal systems are diametrically opposite, which makes experiences sharing process rather complicated. Pure transposition of European rules of law obviously is nothing to be thought of. The thing is that although it was quite reasonable for China to adopt the best mechanisms of the EU regional policy, it would be a tall order, unless fundamental changes in Chinese law and political system occur.

One could indicate at least three examples of basic rules which are vital for the European regional policy but seem to be difficult to be introduced in China. They are presented in table 4.

Table 4. EU's regional policy principles and difficulties on the Chinese site

European principle	Difficulty on the Chinese site
<p>Principle of partnership, which underlines close collaboration with regional and local authorities as well as social and economic partners (self-government, NGOs, employers, employees, local societies) in the process of programming, implementation and monitoring of Structural Funds, which are the main tool of the EU regional policy.</p> <p>Its main aim is to ensure participation of the society (actual beneficiaries of assistance) and its influence on the whole process of support, which makes it more efficient (see e.g. Bauer, 2002)</p>	<p>Civil society institutions in China are perceived as dangerous for Communist Party of China (CPC) political monopoly. Real, not showy, social consultation and engagement of the society in the decision making process seems to be principally conflicting with authoritarian regime in the PRC. However, there are a few very interesting experiments regarding social participation in China, with the best known in 30-million city of Chongqing (for more information about Chongqing experiment see Leonard, 2008, pp. 68–70)</p>

Table 4 (cont.)

European principle	Difficulty on the Chinese site
Transparency principle in procedures as well as expenditures, with far-reaching transparency in planning, realisation, control and evaluation of programmes and projects. This principle is to allow social control and ensure fair rules in sharing funds (Bublienė, 2006)	Transparency of procedures is not deeply rooted in Chinese philosophy of state and law. What is even more important, it remains in obvious conflict with authoritarian regime. Introduction of transparency principle and rules of law which guarantee it appears to be impossible without radical political changes in Beijing
Subsidiarity principle, fundamental tenet which says that policy making decisions (as well as financial management) should be made at the most decentralised level, in which a centralised governing body would not take action, unless it is more effective than action taken at a lower level.  In practice, it means transfer of responsibility for programming and implementation of actions taken in the framework of cohesion policy at the regional level (Estella, 2003)	The structure of the PRC is decentralised. However, due to the highly hierarchical decision-making process in the CPC and tradition of central planning, this decentralisation may be deceptive.  Moreover, in some provinces there is lack of well-educated officials <sup>a</sup> Due to these facts it seems regional administration is not ready for bearing more responsibility for regional policy. On the other hand, evaluators of EU's assistance programmes indicate that central government has little control over provincial governments as far as implementation of specific solutions is concerned (MacKellar <i>et al.</i> , 2007, p. 46).  In consequence, the coordination of the regional policy planning and implementation remains weak

<sup>a</sup> Chinese Government try to solve this problem through personnel management. 'Under the centralised personnel management system, 'experienced' local leaders are promoted from economically advanced regions to underdeveloped areas. Such geographically specific cadre transfers diffuse successful local economic experiences to other regions and therefore balance uneven regional development' (Chien, 2008, p. 4).

Fundamental limitations of real impact of the EU actions on Chinese regional policy do not mean that they are senseless. It seems that both Regional Policy Dialogue, as well as co-financing particular actions, which promote social and economic coherence in China, are worth to be continued.

Beijing is fully aware of the fact that it is necessary to introduce efficient cohesion policy and that China is lacking know-how and 'learning from the West has a long history in modern China' (Christiansen *et al.*, 2008, p. 357). The EU, which has a proven, although not perfect, mechanism of income redistribution to the poorest regions, is a very attractive source of experience and knowledge for Chinese government. Similar relationship is visible also in such areas as: environment protection, intellectual rights protection or functioning of the financial system. Brussels should not resign from its attempts to engage in

Chinese transformation. On the contrary, it should make it one of the fundamentals of the EU-China 'strategic partnership'.

It is, however, obvious that the European experiences would work for China as an inspiration only rather than a pattern and this is particularly visible in the domain of regional policy.

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