



EXECUTIVE SUMMARY

Best-Performing Cities China 2021: The Nation's Most Successful Economies

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The seventh edition of the Milken Institute's *Best-Performing Cities China* report is a data-driven framework highlighting Chinese cities' economic performance at the prefecture-level and above. It traces the key factors contributing to these cities' exceptional economic success in a crowded list of highly competitive cities.

As the nation's growth continues, businesses have extended their footprints beyond major Chinese cities to capture untapped opportunities in many lesser-developed and smaller cities. Despite China's promising markets, challenges and risks loom large recently. Notable international affairs include the ongoing US-China trade war, the COVID-19 outbreak in late 2019–early 2020, the inconsistent recovery that followed, and recently, the Chinese government's wealth redistribution under the “common prosperity” banner and crackdown on some businesses, which created both challenges and opportunities for investors.

In response to these new challenges, China has adopted a new economic development model of “dual circulation” in 2020. For “internal circulation,” the nation seeks to boost domestic consumption. The “common prosperity” agenda supplements this approach by redistributing wealth and narrowing the gap across various social classes. This approach also intends to further domestic innovation capacity.

As for “external circulation,” the country plans to continue expanding international trade. The new establishments of pilot free-trade zones in Beijing, Anhui, Hunan, and other areas demonstrate this ambition.¹

In 2021, the Chinese economy climbed out of the pandemic-induced shock with an 8.1 percent growth. The quarterly GDP growth figures were 18.3 percent, 7.9 percent, 4.9 percent, and 4 percent.² Year-over-year growth in consumer-goods retail sales in 2021 rose by 12.5 percent.³ The nation's exports and imports recorded strong growth of 22 percent and 32 percent, respectively, in November 2021.⁴

It appeared that the 2020 policies enabled the domestic economy to rebound effectively. Nonetheless, China's GDP growth in the third quarter of 2021 signaled a slowing down of the world's second-largest economy. The unaccounted-for factors that can continue to impact the Chinese economy are rounds of community infection (due to new variants of the novel coronavirus) and the weakened global economic system.

Regional Development

Three factors have shaped China's regional economic development in the past decade. The first is the growth of existing regional clusters and the formation of new regional clusters. The development of the Jing-Jin-Ji cluster, the Diamond Economic Zone, and the Greater Bay Area is taking shape. These three "super-clusters" anchored by the capital city in the North, Chengdu-Chongqing in the West, and Hong Kong-Shenzhen-Guangzhou in the South are expected to drive the next stage of regional development onward, in addition to the prospering Yangtze River Delta cluster in the East. The integration of urban economies helps promote and facilitate coordination of large metropolitan areas, achieve more efficient use of resources, address structural challenges such as inequality and excess capacity, and eventually contribute to economic growth.⁵

The second factor is the expansion of transportation infrastructure, including high-speed rail (HSR) networks in particular. By 2020, HSRs had reached about three-fourths of Chinese cities with a population of 500,000 or more.⁶ HSR networks initially connected major cities but later reached smaller cities such as Ji'an in Jiangxi province, which holds seventh place in our rankings. The expansion of HSR networks has facilitated regional economic development.⁷

The third factor shaping regional economic development is the recent five-year plans (FYPs). The central government releases the master FYP, and each province and city follows by developing its own FYP. The 13th Five-Year Plan (2016–2020) set up two major goals related to economic development. One of the key goals was to facilitate innovation to transform the breakdown of industries into higher value-added composites. These two goals guided many small cities, such as Chuzhou (ranked first) and Fuyang (ranked second), in reaching high rates of growth in per-capita gross regional product.

Rural regional development and the elimination of extreme poverty policies have been vital forces in reshaping China's rural landscape.⁸ Massive infrastructure building, particularly on highways and HSRs, laid a solid foundation that helps integrate urban and rural areas. According to the Chinese government, impoverished areas had gained 1.1 million kilometers of reconstructed highways.⁹

Key Findings

- Southern economies rose to take top spots in both our First- and Second-Tier and the Third-Tier cities rankings. The emerging Greater Bay Area super-cluster development has boosted the economic growth of **Guangzhou**, **Shenzhen**, **Dongguan**, and **Zhuhai**.
- The role of international trade is critical to regional development and growth. The top-ranking **Haikou**, the capital city of Hainan province, seems to ride on its new role in China's regional development experiment. As the island province of Hainan now officially becomes the first Free Trade Port, the city is expected to garner more investments and commercial activities in years to come.
- Regions in western China are flourishing. The western cities of **Chengdu** ranked 4th and **Xi'an** ranked 3rd. These improvements are the continuation of an effort by the Chinese government to make landlocked cities into international cities. **Chengdu** and **Xi'an's** locations as the key ports to Central Asia and Europe under the Belt and Road Initiative are driving the growth.
- Anhui Province dominates in the top 10 Third-Tier cities, with five cities ranked 1st, 2nd, 5th, 8th, and 10th. Many of these cities' exceptional economic performance can be attributed to rural impoverishment elimination and the build-up of modern transportation routes, which enable access and economic growth.

Best-Performing Cities China 2021

Rank	First- and Second-Tier Cities	Third-Tier Cities
1	Haikou, Hainan (海南省, 海口市)	Chuzhou, Anhui (安徽省, 滁州市)
2	Guangzhou, Guangdong (广东省, 广州市)	Fuyang, Anhui (安徽省, 阜阳市)
3	Xi'an, Shaanxi (陕西省, 西安市)	Dongguan, Guangdong (广东省, 东莞市)
4	Chengdu, Sichuan (四川省, 成都市)	Jiaxing, Zhejiang (浙江省, 嘉兴市)
5	Shenzhen, Guangdong (广东省, 深圳市)	Xuancheng, Anhui (安徽省, 宣城市)
6	Shanghai (上海市)	Zhuhai, Guangdong (广东省, 珠海市)
7	Wuhan, Hubei (湖北省, 武汉市)	Ji'an, Jiangxi (江西省, 吉安市)
8	Beijing (北京市)	Bozhou, Anhui (安徽省, 亳州市)
9	Changsha, Hunan (湖南省, 长沙市)	Lijiang, Yunnan (云南省, 丽江市)
10	Zhengzhou, Henan (河南省, 郑州市)	Maanshan, Anhui (安徽省, 马鞍山市)

Source: Milken Institute (2022)

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