

The Status Quo and Challenges of Liuzhou's Industrial Economy under the “Made in China 2025” Situation

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Abstract. Liuzhou, as an old industrial city in southwest China, has always been the mainstay of Guangxi's industrial economy. Relevant data from Guangxi and Liuzhou Statistical Yearbook (2007-2017) showed that Liuzhou's total industrial economy accounts for 1/5 of Guangxi's total size, ranking first and with a growing rate higher than the average level in this region. The obvious advantages make Liuzhou's unshakable leader position in Guangxi. At present, there are many new policy directions and development priorities in China like *Made in China 2025*, *Belt and Road*, the construction of Greater Bay Area, the development of Xijiang Economic Belt in Guangxi and Guangxi's key support for coastal cities, which have become major challenges to Liuzhou's current industrial economy. Only by consolidating the existing industrial advantages, realizing industrial upgrading and transformation, developing strategic emerging industries and encouraging private economy can Liuzhou's industrial economy enhance its competitiveness and change its independent operational model. Liuzhou can avoid being marginalized only by actively integrating itself into the cooperative development of the Greater Bay Area and the Xijiang economic belt and strengthening the construction of its towns and transportation networks. In this context, it has become the historical mission of Liuzhou builders to face the challenges bravely and turn them into opportunities.

1. Introduction

Liuzhou is located in the central part of Guangxi and is a well-established industrial city in southwest China. It was once an important transportation hub and the core of Guangxi traffic in southwest China and has been shouldering the leading position of Guangxi's industrial economy. Developing Liuzhou's industrial economy plays a decisive role in supporting Liuzhou's social and economic development, and also plays a pivotal role in leading the development Guangxi's industrial economy. Especially under the background of China's major policies such as *Made in China 2025* and *Belt and Road*, the international political and economic environment is undergoing a major transformation, while Liuzhou's industrial economy faces major opportunities and challenges. It is particularly important to sort out the opportunities and challenges of Liuzhou's industrial economy under this new situation.

2. Status of Liuzhou's Industrial Economy in Guangxi

According to the *Statistical Yearbooks* of Guangxi and Liuzhou, in 2016, the total assets of industrial enterprises above the designated size in Guangxi amounted to 1602.346 billion yuan, while Liuzhou amounted to 327.735 billion yuan, ranking No. 1 in Guangxi and accounting for 20.45% of the total; in 2017, Guangxi's gross national product (GNP) was 2039.625 billion yuan, and Liuzhou's was 275.564 billion yuan, ranking second in the region and accounting for 13.51 % of the total. Liuzhou's total industrial output value was 511.6 billion yuan, increasing by 7.5%; The total economic output value of non-public industrial enterprises above designated size was 207.7 billion yuan, with a growth rate of -6.1%, accounting for 41.3 % of the total output value of industries above designated size; The total output value of state-owned and state holding industrial enterprises above designated size was 287.1 billion yuan, with a growth rate of 20.6% and accounting for 57.1% of the total output value of industrial enterprises above designated size. Of the three pillar industries of industrial enterprises above designated size, the total output value of automobile industry was 254.3 billion yuan, with a year-on-year growth of 5.75%; the metallurgic industry was 90.1 billion yuan, with a year-on-year growth of 9.11%; and the mechanical

industry was 40.8 billion yuan, with a year-on-year growth of 21.4%. In 2007, Guangxi's GNP was 582.3 billion yuan, with an average annual growth rate of 13.35% by 2017; Liuzhou's GNP was 73.88 billion yuan in 2007, with an average annual growth rate of 14.07% by 2017. In 2017, the region's industrial added value was 819.154 billion yuan, with an average annual growth rate of 9.2%; Liuzhou's industrial added value was 134.513 billion yuan, with an average annual growth rate of 4.5 %; Liuzhou's industrial added value ranked first in Guangxi and the growth rate ranked No.12 in Guangxi. The total output value of industrial enterprises above the scale of the whole region was 2713.843 billion yuan, with an average annual growth rate of 13.9%; while the total output value of industrial enterprises above designated size of Liuzhou was 502.522 billion yuan, with an average annual growth rate of 7.5%; the total output ranked first in Guangxi and the growth rate ranked No.12 in Guangxi. The added value of Guangxi's industrial enterprises above designated size increased by about 7.1%, while the cumulative year-on-year growth of Liuzhou's was 4.7% year on year, 2.4% lower than the region's average and ranking No.12 in the region. [1][2]

3. The Contribution of Liuzhou's Industrial Economic Development to Guangxi

Since the reform and opening up, Liuzhou's industry has undergone earth-shaking changes and the industrial economy has made rapid progress. In 1992, the total industrial output value of this city exceeded 10 billion yuan and exceeded 100 billion yuan in 2006, and in 2009 it exceeded 200 billion yuan. The industry in this city has formed a modern industrial system with automobiles, machinery and metallurgy as its pillar industries and traditional industries such as pharmaceuticals, chemicals, paper making, sugar making, building materials and textiles coexisting. It has a number of superior enterprises and famous-brand products which have strong competitiveness and high market share in the domestic and foreign markets. The rapid development of industrial economy has driven all kinds of social economic development, and the city's GNP has always been in the forefront of the whole region. According to the *2018 Government Work Report*, the city's total industrial output value exceeded 500 billion yuan, reaching 507.7 billion yuan, increasing by 8%; Industrial profits and taxes increased by 13.6% and industrial profits increased by 38.7%. The city has newly cultivated 2 national-level and 4 autonomous district-level industrial design centers and newly identified 14 autonomous district-level enterprise technology centers; there are 96 new industrial enterprises above designated size, the total number reaching 815; there are 79 new high-tech enterprises have been added, the total number reaching 280. Strategic emerging industries maintained double-digit growth, with output accounting for 12% of the city's industrial output; the energy consumption of per ten-thousand-yuan industrial added value decreased by 1.6%. The added value of the city's tertiary industry exceeded the 100 billion yuan, reaching 107.35 billion yuan, increasing by 11% and with an increase of 0.6% in the proportion of the region's GNP, and the industrial structure of the three industries was 6.8: 54.8: 38.4. The development index of "integration of information and industrialization" ranked first in the region. The quality competitiveness index of manufacturing industry was 84.22, higher than the national average. It can be clearly seen from the data above that Liuzhou's industrial economy has always been ahead of the whole region in terms of both volume and growth rate; its total industrial economy accounts for 1/5 of Guangxi's total scale, ranking first, and its growth rate has always been higher than the average level of the whole region, with obvious advantages. Thus, Liuzhou's position as Guangxi's industrial leader is unshakable. Liuzhou's industrial economy is unique, that is, it has always been a heavy industry city. As an important industrial town in southwest China, it holds a number of high-quality heavy industry enterprises. [3]

4. Challenges to Liuzhou's Industrial Economy

4.1 Industrial tradition

Liuzhou's automobile, machinery, metallurgy and chemical industries are so prominent that nearly the entire urban industrial economy centers on them. As a stock economy, these state-owned and state-controlled enterprises are the foundation of Liuzhou's and Guangxi's industrial economy. But their

shortcomings are also obvious, such as lack of innovation and difficulty in turning around. In addition, they are all industries with strong periodicity, so they are greatly affected by the economic cycle and the adjustment of national industrial policies. Once the economic cycle changes, Liuzhou's industrial economy will fall into a trough if no other enterprises make up for it.

4.2 Low industrial level

But many other industries can only provide primary raw processing, with little high value-added deep processing and finished product assembly as well as precious little export of high-tech products. There are very few enterprises taking the technical route, few high-tech workers, few technical researches and development personnel. And extremely few entrepreneurs are willing to lay stress on high technology and invest in high technology. This makes Liuzhou's industrial economy in a vicious circle.

4.3 Incomplete industrial chain

Although the automobile industry has initially established a supporting industrial chain, other industries in Liuzhou do not have a relatively complete industrial chain, and most enterprises of those industries produce spare parts or do primary processing for enterprises in developed regions. This development situation makes Liuzhou enterprises very uncompetitive. Most industrial developed provinces like Guangdong, Jiangsu and Zhejiang have a complete industrial chain, and a product, from its design to the assembling of final product, can be completed by supporting enterprises there. This competitive advantage makes their products move towards the world.

4.4 Geographical isolation

First of all, in the years of competition, many industries in Liuzhou have been seriously crushed by those in developed areas in technology, capital, cost and other aspects. A lot of enterprises have closed down and some are prolonging their moribund life, which makes Liuzhou's industrial economy lose a lot of vitality. Without enough energy, there is less and less communication between the industry there and the outside world. Secondly, the railway bureau moved to Nanning, and several high-speed railway lines bypass Liuzhou and go straight to Nanning. Liuzhou has lost its position as a logistics hub in Guangxi. Thirdly, many documents from the state and Guangxi are supporting the development of coastal cities, and thereby Liuzhou is becoming more and more isolated both geographically and economically.

4.5 Rise of industry in surrounding cities

With the railway bureau moving southward, several provincial high-speed trains will connect the surrounding provincial capital cities to Nanning. As a capital city and the permanent host city of the ASEAN Expo, Nanning has a strong attraction to politics, economy and population. A large number of resources have been gathering in Nanning and the size of its industrial economy is approaching Liuzhou, growing slightly faster than Liuzhou's, which poses strong challenges to the leading position of Liuzhou's industrial economy. Xijiang Economic Belt and Beibu Gulf Urban Agglomerations have increased their economic growth by 2% or 3% higher than Liuzhou under the policy inclination, thus forming a trend of catching up with Liuzhou. ^[4]

5. Countermeasures

5.1 Establishing competitive industries

There is a need to intensify the industrial structure adjustment, strengthen and optimize automobile, machinery, metallurgy, chemical industry and other industries, promote the adjustment of industrial structure and eliminate the backward production capacity in metallurgy, paper making, chemical industry and other industries. Liuzhou's relevant departments should encourage large enterprise groups to jointly restructure and speed up the cultivation of a number of enterprises with sales revenue exceeding 10 billion yuan. It is also feasible to make use of the current industrial base, vigorously develop advanced manufacturing industry and accelerate the construction of advanced manufacturing base. At the same time, it is necessary to actively take the advantage of new technologies to improve the way that resources are developed and utilized to turn resource advantages into economic advantages. ^[5] Blindly giving up the present competitive industries is not wise. These industries have been deeply developing in Liuzhou for

many years and still stand firm in the baptism of the market, which indicates that they certainly have their own unique features. Furthermore, many supporting industries and workers rely on these competitive industries. There are sufficient reasons to make these competitive industries superior and stronger.

5.2 Realizing industrial transformation

Liuzhou government should optimize the industrial structure and layout based on the existing industrial foundation to promote further industrial agglomeration and effectively enhance its competitiveness. “*Made in China 2025*” must be used as the guiding ideology to build an advanced manufacturing base. It is needed to conscientiously promote the upgrading, efficiency improvement, transformation and upgrading of existing industries. The government should urge all types of industrial enterprises to actively use information technologies as well as advanced and applicable technology to upgrade traditional industries, promoting them to obtain new vitality and face the new situation.

5.3 Actively welcoming regional development

Liuzhou should actively integrate into the cooperation and construction of the national “Belt and Road”, Zhujiang-Xijiang Economic Belt and Guangdong-Guangxi-Guizhou High-Speed Railway Economic Belt. This requires Liuzhou to take the initiative to connect to Guangdong-Hong Kong-Macao Greater Bay Area, strengthen interconnectivity, promote the integrated development of planning, transportation and industry, speed up the cooperation of Guangdong-Guangxi-Guizhou High-speed Railway Economic Belt and actively undertake the industrial transfer in the east, so as to cooperate with the Greater Bay Area and Vietnam to jointly create a well-organized regional industrial belt with clear division of labor, different focuses and common development purposes. Only in this way can Liuzhou enhance its own industrial level while strengthening economic links in the south.

5.4 Developing strategic emerging industries

It is needed to accelerate the development of strategic emerging industries and make use of existing industries to actively cultivate clusters industries with local advantages. Liuzhou can break through the tight encirclement only by strengthening the original competitive industries and introduce and develop new strategic industries to set off new economic growth points.^{[6][7]} It also feasible to make the advantage of automobiles, machinery, metallurgy and chemical industries as well as some new and strategic industries such as electronics, advanced equipment, new energy, 5G and big data to increase the strategic depth and perfect prospect of Liuzhou's industrial economy.

5.5 Strengthening the construction of transportation network

It is significant to speed up the construction of an integrated transportation system consisting of railway, highway, water transport and aviation transportation network to connect Liuzhou with the neighboring provinces and ASEAN countries. Liuzhou should seize the opportunity of the south channel construction for China-Singapore Connectivity to form an economic belt with convenient transportation to all directions.

5.6 Strengthening urban supporting facilities

It is needed to strengthen the construction of urban system and infrastructure. A livable city with good planning, distinctive features, perfect functions and good ecological civilization has great attraction for talents, capital and industries. The more high-end elements, the more high-end cradles are needed; and good development of industrial economy can hardly do without a proper environment.

5.7 Developing private economy

From the experience of developed provinces, private enterprises are a new force in economic development. At present, Liuzhou's private industrial economy still lacks vitality. Its proportion is similar to that of the whole region, 20% lower than the national average. The cultivation of private capital and the breeding of private entrepreneurs are obviously far behind the developed regions, and the private industrial economy has failed to give full play to its advantages of flexibility, quick turning and keen sense. A fully developed private industry can effectively fill the gaps in the state-owned industry, and even lead and reform the weak part of the state-owned industry. The state-owned and private industrial economies should depend on each other to create a better and more perfect industrial economic system.

6. Conclusion

The surging international political and economic environment has led to the rising of unilateralism, prevailing populism, intensifying regional conflicts, unremitting Sino-US trade frictions and restructuring global relations, which have had great impacts on China's economic development and transformation. China is still undergoing economic deleveraging, supply-side reform and environmental upgrading to change the quality of economic development. This process is painful and even destructive to the old and backward economy. Especially in the old industrial city Liuzhou, its impacts there are tantamount to hurting one's muscles and bones. To continue its development, Liuzhou must positively respond to the policy direction, resolutely eliminate backward production capacity, actively cultivate new strategic industries, continuously open up and innovate, and embrace advanced production capacity, advanced concepts, advanced regions, advanced talents and advanced capital. Liuzhou can achieve political and economic development under the new situation only if it upholds the concept of “without destruction there is no construction”.

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