

MASTER'S THESIS

The competitiveness of provinces in China

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Date of Award:
2013

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The Competitiveness of Provinces in China

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A thesis submitted in partial fulfillment of the requirements

for the degree of

Master of Philosophy

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Hong Kong Baptist University

July 2013

ABSTRACT

Provincial competitiveness is strategically and imperatively important for China to achieve and sustain its economic leadership in the global economy. Albeit recent attention of scholars and government officials, the studies to date have produced limited empirical evidence that could aid policy makers to understand the contributing factors and development strategies for provincial competitiveness. Hence, this thesis develops a production approach to decompose Chinese provincial competitiveness index into two productive-efficiency-based components, so as to uncover development strategies hidden in the index. The resulting model fully retains the information embodied in the original index and implements a mechanism to generate development strategies.

Applying the proposed model to China's provincial data of competitiveness for the period 2005-2008, the thesis finds that coastal provinces can adopt an unbalanced development strategy by expanding their relatively uncompetitive sectors. For western provinces, however, what is better for them is to take the balanced development strategy through simultaneous enhancement of every aspect of the competitiveness index. Moreover, a combination of the two strategies would better match the specific circumstances of some particular provinces. Besides that, the results show that reducing provincial disparity in terms of competitiveness would firstly require focusing on narrowing the regional gap. In addition, this thesis attempts to seek a set of benchmark weights for dimensions of provincial competitiveness.

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