China's top economic planning body said Monday it has approved the establishment of a "pilot economic transformation zone" in north China's coal-rich Shanxi Province to diversify the region's resource-based economy.

The goal of the zone was to transform the conventional industries and strike a balance among the agricultural, industrial and tertiary sectors in Shanxi, said Peng Sen, Vice Minister of the National Development and Reform Commission (NDRC) at a press conference.

The zone was also designed to help Shanxi achieve green and sustainable development, bring about equal public services for rural and urban people, and set an example for other central and western regions, he said.

"Shanxi has powered the economic development of other regions, but with heavy economic, social and environmental consequences," said Niu Renliang, Vice Governor of Shanxi.

In the past 60 years, Shanxi had produced 12 billion tonnes of coal, of which 75 percent had been transported to other regions, said Niu.

The coal-based economy had not brought prosperity to the people of Shanxi, where the urban per capita disposable income and rural net income ranked lower than 20th among China's 31 provincial-level areas, Niu said.

This had also resulted in Shanxi's over-dependence on external demand. "During the Asian financial crisis, Shanxi's economy faced great difficulties. In the international financial crisis in 2009, Shanxi was the slowest growing regional economy in China."

Shanxi also suffered from an unsustainable industrial structure. "The sectors of coal and coke manufacturing, power generation and metallurgy accounted for more than 85 percent of its total economy," said Niu.

Other targets for the zone included eliminating outdated production capacity, repairing environmental damage, and improving work safety, said Niu.

Energy consumption per 10,000 yuan (1,502 U.S. dollars) of gross domestic product (GDP) in Shanxi and its sulfur dioxide emissions were both more than double the national levels, Niu said.
For every tonne of coal extracted in the province, 2.48 tonnes of water was polluted, and coal mining had resulted in 20,000 square kilometers of land at risk of subsidence, one eighth of the province's total area, he said.

With an annual coal production of 600 million to 700 million tonnes, Shanxi also reported frequent mine accidents, said Peng, the NDRC Vice Minister.

"Due to years of effort, the work safety situation in Shanxi has drastically improved," said Niu. Last year, the number of deaths from work accidents was 1,018 fewer than 2008, and the deaths from coal mine accidents were 457 fewer in the first 11 months this year from the same period of 2008, Niu said.

In the province, the number of deaths from producing every million tonnes of coal fell to 0.19 for the 11 months this year, from 0.9 for the whole of 2005, he said.

In transforming its economy, Shanxi would also work to develop strategic emerging industries, upgrade conventional industries, and raise the efficiency of the exploration and utilization of the conventional energy, said Peng, adding the process would be challenging.