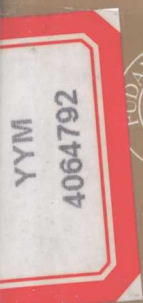
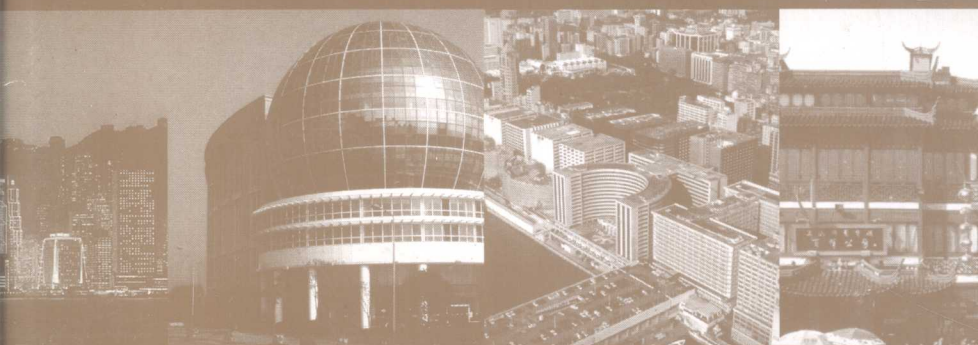


China's Western Development

The Role of the State in Historical and Regional Perspective

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Introduction

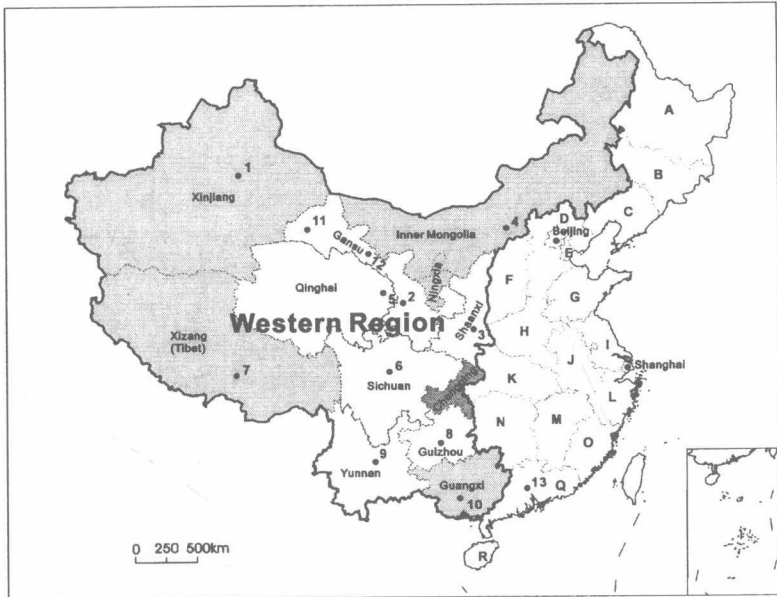
Regional development in post-reform China has drawn much attention from policy-makers and academics (Fan 1995, 1997; Wei 1996, 1999, 2000; Lu and Sit 1997; Yang 1997; Lin 1999; Wang and Hu 1999; Zhao and Zhang 1999; Zhao and Tong 2000), due, *inter alia*, to radical changes in public policies, underlying ideological shifts, widening gaps in regional economies, and the consequent appeals for assistance from the authorities of less developed regions. There appears to be a consensus among scholars that regional inequality has substantially increased in the 1990s (Lu and Sit 1997; Wang and Hu 1999; Ying 1999). With regard to the mechanisms underlying the changes, many have stressed the importance of political factors, with state intervention playing a key role (Fan 1995, 1997; Yang 1997; Lin 1999; Wang and Hu 1999; Wei 2002). However, others have maintained that globalization as an outside force has accelerated economic growth in some coastal provinces (Yeung and Hu 1992; Yeung and Sung 1996; Li and Yeung 1998, 1999; Yeung and Chu 1998, 2000; Yeung and Li 1999, 2000; Yeung 2000; Yao and Zhang 2001). Since the forces of globalization can hardly be controlled, some scholars have argued that it was state policy that promoted the speedy growth of the coastal provinces, and which, in turn, widened economic disparities between regions (Wang and Hu 1999). Criticisms of the existing regional policies have led to proposals that the government adopt strategies designed to level the playing field between regions, or even policies favouring the economically backward remote provinces.

In an effort to bridge the growing regional gap, the central government promulgated the Great Western Development Strategy in 1999 to attract and allocate financial and other resources to this less developed region (State Council 2000). The proclamation of this policy indicates that the Chinese authorities are being faithful to their long-stated strategic goal of developing the west after the coastal region has achieved obvious success (Chen, Yeung and Lin 2001:2-3). Officially defined, China's vast western region encompasses six provinces, five autonomous regions and one municipality, which, in 2000, made up 70.4% of the country's land area and contained 28.8% of its population (Figure 1) (State Statistical Bureau 2001).¹ This next stage in China's regional policy is of vital and long-term significance as it signals that the government's priorities have now shifted from efficiency-oriented coastal development to more balanced inland development.

Generally speaking, for less developed regions, preferential treatment by the government has been critical in achieving rapid economic growth (Myrdal 1957; Hirschman 1958). This has been the experience in countries such as the United States, the former USSR, Brazil and Australia (Craf 1952; Feng 2000). One common strategy successfully pursued by the governments of these countries was to provide a variety of incentives to facilitate the flow of product factors into target regions. Compared to the target regions in these countries, the western region in China is not undeveloped by certain standards. It has a history of at least two thousand years of state-sponsored development, and has even enjoyed periods of prosperity. Particularly germane to the present study are several background notes, as follows.

First, the character of current development has, in part, been shaped by this long history of state intervention in the local economy. Any positive impact notwithstanding, the lack of local initiatives has acted as a constraint on growth. Second, in the transition from a planned to a market economy, China is undergoing many institutional changes. The government's ability to directly intervene in the economy is declining. Third, the understanding of development is broader than that held a

Figure 1 The Western Region and Relevant Provinces in China



Cities: 1. Urumqi, 2. Lanzhou, 3. Xi'an, 4. Hohhot, 5. Xining, 6. Chengdu, 7. Lhasa, 8. Guiyang, 9. Kunming, 10. Nanning, 11. Dunhuang, 12. Zhangyi, 13. Guangzhou.

Provinces: A. Heilongjiang, B. Jilin, C. Liaoning, D. Hebei, E. Tianjin, F. Shanxi, G. Shandong, H. Henan, I. Jiangsu, J. Anhui, K. Hubei, L. Zhejiang, M. Jiangxi, N. Hunan, O. Fujian, Q. Guangdong, R. Hainan.

Note: Within the western region, the area shown in light grey shading indicates an autonomous region; dark grey shading indicates a provincial level municipality.

few decades ago. Development has now gone beyond immediate economic concerns to include improving environmental sustainability in the utilization of resources. Finally, through a long period of continuous settlement, nearly all of the arable land in China's western region is already being cultivated. Some people have been pushed to live in ecologically vulnerable environments, cultivating marginal land. A central

theme of this paper, then, is what role the government should play in a long yet still less developed area in general, and in a transition economy in particular.

This paper is divided into five parts. First, the existing literature on regional development in China is reviewed, with particular attention given to the state's role in bringing about regional changes. In the second part, a historical survey of China's western development, with a focus on the state's critical role in the development process, is provided. Part three discusses the Chinese state's intervention in regional development since 1949. Changes in the government's role in effecting economic change and the reasons behind the slower growth in western China will be examined. Part four focuses on the background and aims of the recently released western development strategy. Part five draws conclusions from the study and highlights critical policy issues that will arise as the strategy of western development unfolds.

The State's Role in Regional Development

Many factors are known to play a role in regional economic development. In terms of the determinants of regional economic inequality, numerous scholars have stressed the political factor, or state policy. This discourse can be traced to the views of neoclassical economists such as Myrdal (1957) and Hirschman (1958), who believed that state policy could have a strong impact on regional disparities. Myrdal (1957:79-81) argued that underdeveloped countries could utilize national economic development policies to redistribute national resources, thus promoting regional equality. Owing to the particularity of the political economy in China, the role of the state in regional economic development has almost always been highlighted in scholarly literature since the mid-1990s. For instance, after reviewing uneven regional development in the 1980s, Fan (1995:443) stressed that state policy change was the primary driving force behind the emerging pattern of uneven regional

development. She even claimed that the state, rather than the firm, was the prime mover in regional development in China (p. 444). Wang and Hu (1999:35) further asserted that no natural tendencies existed in regional development in China, and that the growing regional inequalities that have emerged during the reform period have, to a large extent, been the result of deliberate state policy. They believe that there are institutional and policy choices conducive both to greater economic equality and to improved economic performance (p. 205). The policy choice was to develop the coastal region rapidly in the initial stages emphasizing economic performance. Then, in 1999, attention was turned to the western region to deal with regional inequality.

From a slightly different perspective, Yang (1997:13) viewed the balance between national economic interests and political demands from the less developed interior regions as the considerations behind the formulation of the central government's regional policy. The strong demand from the interior region to achieve parity with the coastal region in economic growth steered the central government to new policy directions. Lin (1999) argued that it was state disarticulation as a result of the ongoing economic and institutional reforms, rather than increased state intervention, that promoted the expansion of production space in South China. This led to new patterns of spatial changes between North and South China, between large cities and small towns, and between cities and the countryside. Similarly, Wei (2002) has maintained that decentralization has given the regions more incentives to expand their economic activities.

A heated debate rages on the timing and direction of state intervention. Some scholars and government officials view the growing regional disparities as a natural part of achieving a period of fast growth. According to the "ladder-step" theory that has guided post-Mao regional policies (Fan 1995), development priority should first be accorded to the coastal regions, followed a certain period later by a shift towards the interior and western regions. Thus, regional problems could not

be solved before the coastal region had become more developed (Hou and Hu 1995). On the contrary, others maintained that balanced development should be the general guideline for regional policy (Wang and Hu 1999:16). In the 1990s, they repeatedly called for a new direction in state intervention — the cessation of preferential treatment for the coastal region and initiation of the same preferential policies for the interior region. Despite their differences, both perspectives have contributed to the birth of China's Great Western Development Strategy.

The crux of the problem is how effective state intervention is in promoting economic development in less developed regions. As mentioned earlier, whether successful outcomes can be achieved or not depends on the state's capacity to affect the mobility of product factors and the methods it chooses to do so. In present-day China, however, many factors have diminished the power of the central government to intervene in the economy. For example, the transition from a centrally planned to a market economy, as well as the move to decentralize decision-making, has weakened the central state's economic clout. The central government no longer possesses almost absolute power to channel resources into targeted regions, as it did during the Mao period of rigorous central planning. Moreover, non-state-owned sectors have expanded rapidly during the past two decades, and have dominated the national economy since the 1990s. Obviously, it is much harder for the government to control these sectors than the state-owned enterprises (SOEs). Given the weakening capacity of state intervention, the methods or tactics used to enhance effectiveness become the major concern. This provides a particular background for the development of the western China of today.

Historical Legacy of China's Western Development

The development in China's western region can be traced back several thousand years. Part of this sprawling region was the domain where China's ancient civilization originated. As the

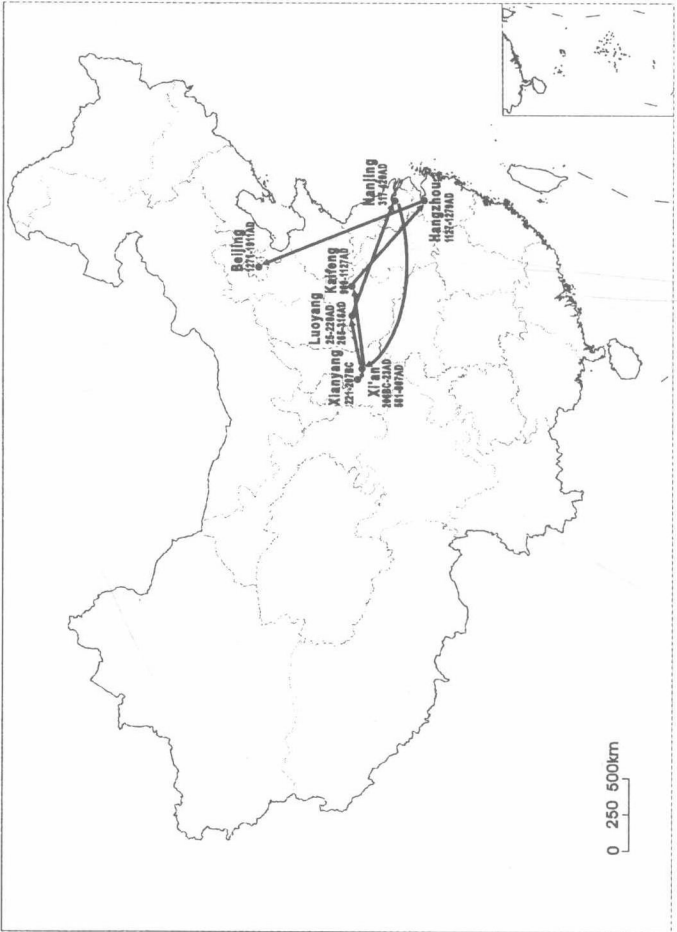
nation's political and economic centre, the area enjoyed prosperity for a long period. The political geography and spatial configuration of economic activities constitute the context in which the processes of change and development in western China are studied.

Historical Changes in Political and Economic Centres

Starting from the first dynasty, Xia (2100-1600 BC) through Shang (1600-1100 BC) to Zhou (1100-221 BC), the ancient capitals of these states were, for most of this period, founded in the Yellow River Basin (Wu 1994). After victory in the wars with other rival states, the Qin dynasty selected Xianyang as the capital for the first unified state in China (221-207 BC). Following this, the national political centre gradually moved from west to east along the Xi'an-Luoyang-Kaifeng axis, with some exceptions occurring during the Eastern Jin period (AD 317-420) when the capital was set up in Nanjing, and in the Sui and Tang dynasties (AD 581-907) when the capital was relocated to Xi'an (Figure 2). After a short interregnum during which Hangzhou was made the capital, Beijing became the national political centre for several dynasties, until the end of the imperial period. The trend is clear: over time, China's political centres shifted from the inland area towards the eastern coastal region.

- It is difficult to trace the historical changes of economic centres in China because the historical data on regional economies are incomplete. However, population records and relevant estimations provide useful bases for inference. As agriculture was the dominant economic activity and any restrictions on population mobility were probably relatively insignificant over the long term, regional population density may be taken as a surrogate of economic importance in ancient China. Thus, according to Hu and Zhang (1984), the population centres from the Xia to Han dynasties (2100 BC-AD 220) were all found in the middle and lower reaches of the Yellow River. In AD 2, the population of these regions was estimated to comprise

Figure 2 Locations of the Capitals of Imperial China, 221 BC - AD 1911



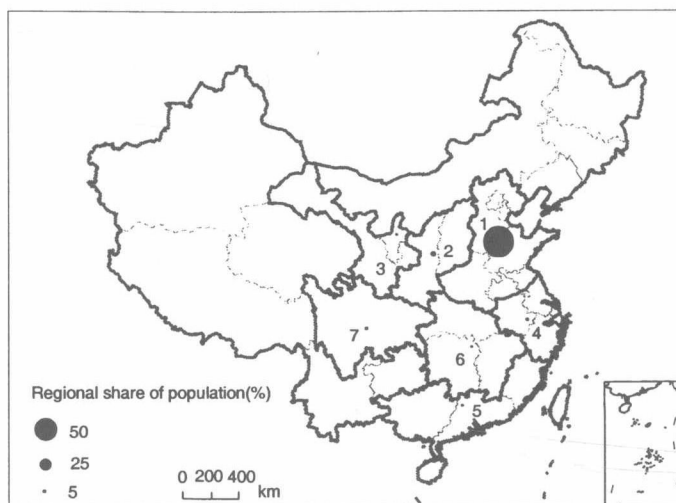
Source: Wu (1994).

over 80% of the national total (Figure 3, a, regions 1-3). At the end of the Western Han dynasty (206 BC-AD 25), the turmoil caused by civil wars adversely affected economic activities in northern China, which in turn triggered large-scale migrations to the then relatively undeveloped southern part of the empire. The population of the north declined to less than 60% in AD 140 (Figure 3, b). Another downturn occurred in the mid-Tang dynasty. The so-called "An-Shi Rebellion" almost destroyed the economy in the previously well-developed northern regions. Again, the population of these regions declined to below 40% of the national total in AD 1102 (Figure 3, c, d). By contrast, South China witnessed rapid development. The population of these regions grew rapidly, with 22.7% and 20.4% of the nation's total population having migrated to the southeast region (Figure 3, region 4) and the central-south region (Figure 3, region 6), respectively. This short review demonstrates a historical trend in China of change in economic centres from the west to the east and from the north to the south. Over a period of approximately two thousand years, the middle and lower reaches of the Yangzi River gradually replaced the Yellow River Basin as the most important economic region in China.

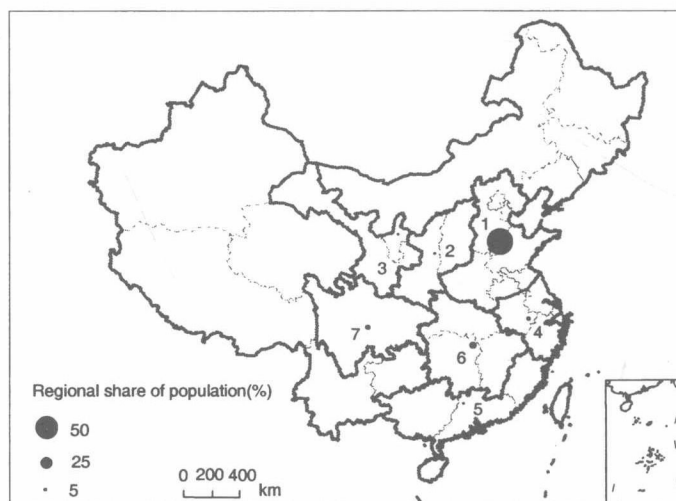
Four Waves in the Development of the Western Region in China's History

In the long history of China, four waves of development involving its western region can be distinguished. The first wave occurred in the Western Han dynasty. There were three causes behind this earliest development of China's west. First, territorial expansion was achieved when, by war and other auxiliary means, the Chinese state conquered many tribal groups in the northwest and southwest. Second, by establishing a county system, the central government consolidated its administrative control over a vast territory. Third, by allocating free land to farmers, the central government encouraged migration to this region, followed by agricultural development.² According to historical records, land reclamation by servicemen

Figure 3 Population Distribution in China, AD 2-1820

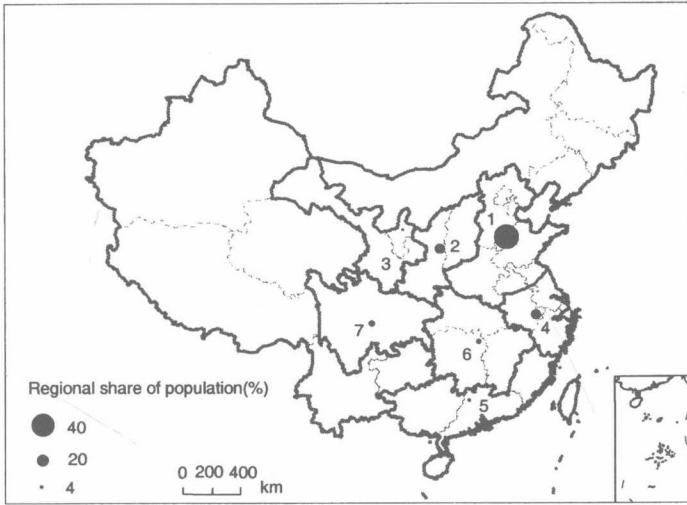


(a) AD 2

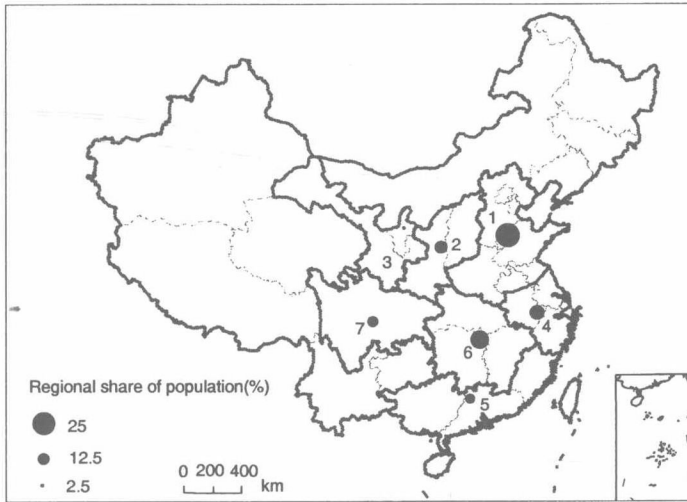


(b) AD 140

Figure 3 Population Distribution in China, AD 2-1820 (continued)

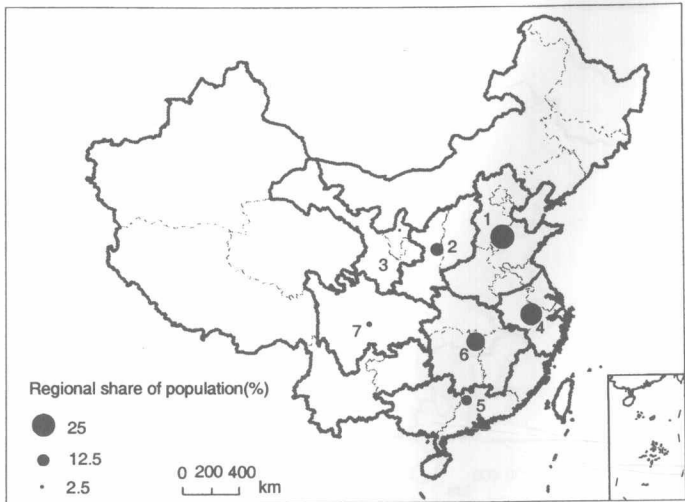


(c) AD 742

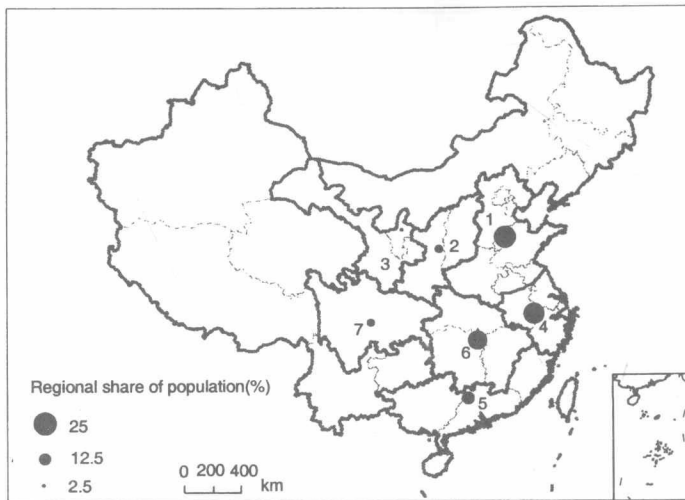


(d) AD 1102

Figure 3 Population Distribution in China, AD 2-1820 (continued)



(e) AD 1491



(f) AD 1820

Notes: 1. The lower reaches of the Yellow River; 2. Shanxi and Shaanxi; 3. Gansu and Ningxia; 4. the area south of the Huai River; 5. Guangdong, Guangxi and Fujian; 6. Hunan, Hubei and Jiangxi; 7. Sichuan.

Source: Hu and Zhang (1984).

and migrants in the northwest (the present-day Xinjiang Autonomous Region) totalled over 500,000 *mu* (1 acre = 6.6 *mu*) in the 100 years of northwest development in the Western Han dynasty (Wu and Guo 1993).

The second wave of western development in China's history emerged in the Sui (AD 581-618) and Tang dynasties. This period was one of the "Golden Ages" in Chinese history, in which western development reached a new level of success. Akin to the first wave, western development in this period was geographically only part of regional development that fanned outwards in all directions from the economic and political ecumene — the Guanzhong Plain (in the middle of present Shaanxi province). However, the scope of development in the second period was much broader. It included, first, the construction of transportation and other infrastructure. Domestically, several roads were constructed from the Guanzhong Plain to the northwest, west, southwest, east, northeast and southeast. Internationally, through the fabled Silk Road, Xi'an, the then capital of China, was linked to many central, southern and western Asian countries. Second, the period witnessed widespread construction of land irrigation systems. Although few relevant records were left of the Tang dynasty, it was found that over 100 main channels were constructed in the Dunhuang area alone in this period (Wu and Guo 1993). Third, the period was one of openness to foreign countries and of a thriving commodity trade. One emperor in the Sui dynasty chaired an international exposition in Zhangyi (in present-day Gansu province) in AD 605. Guests from 27 nations (or tribes) attended this exposition. This promoted commercial growth, attracting many merchants to come to the western region via the Silk Road.³ In the following Tang dynasty, the Silk Road was more frequently used. Handicraft and commercial industries prospered. Finally, institution-building received official attention and support. Regulations on the appointment of government officials, the inspection of granaries, equalized land allocation and irrigation management were put in place. The government also favoured the settlement of people

from other areas and promoted agricultural development. In addition, western development in this period set a precedent that the army could be fed by itself through land cultivation in the western region (Yang and Yao 2000).

The Yuan dynasty (AD 1271-1368) started the third wave of western development in Chinese history. Two development strategies adopted in this period need to be mentioned. First, western development was extended to many aspects of the regional economy. In agriculture, large-scale reclamation of wasteland by the army and farmers was carried out, and 1.5 million *mu* of reclaimed land was recorded. In the handicraft industry, the guild organization was established to promote the growth of the smelting industry as well as of the weaving and dyeing industries. In transportation, over 60 post stations were established, thereby ensuring the speedy transmission of orders from the central government and of news on the military situation in the western region (Li and Wang 1989:147). In financial aspects, the currency used by the central government in China and in the provinces it controlled was made the legal currency of the western region to facilitate the development of commerce. In addition, the central government introduced a light tax policy to lighten the burden of farmers in the western region. The second strategy adopted by the central government was to put minority groups in important positions, a policy particularly emphasized in the western region. A large number of statesmen, strategists, scientists and artists of Uygur ethnicity emerged. The economy in the northwestern part of the western region, which had suffered due to warfare, recovered and remained prosperous throughout the Yuan dynasty (Li 1997).

The fourth wave of China's western development occurred in the Qing dynasty (AD 1644-1911). The emperors of the early and mid-Qing period, Kangxi, Yongzheng and Qianlong, represented another flourishing age in Chinese history. Their policies on the western development had two main elements. First, various agricultural policies were introduced to accompany large-scale immigration and army cultivation of the land. The regulations on land reallocation limited the size of the