Building a Southern Dynamo: Guizhou and State Power

Tim Oakes

ABSTRACT Guizhou's west to east electricity transfer project is a major energy infrastructure development project associated with the campaign to Open Up the West. In terms of state investments, the project has been the major feature of the campaign in Guizhou. It indicates the intensification of, rather than departure from, a long-term pattern of western primary resource exploitation for the purposes of eastern development. Guizhou's experience in the campaign to Open Up the West has mostly been about "big development," and the campaign may even represent a new stage in the province's long history of internal colonization. In broader terms, the west to east electricity transfer project is indicative of the campaign's agenda to recentralize state political and economic control away from provinces which have gained considerable autonomy during the reform era. Along with the burst of infrastructure, the implications for Guizhou appear to be a continuation of uneven patterns of exchange between coast and interior. Tied increasingly to its role as net supplier of power to Guangdong, Guizhou could face fresh challenges in diversifying its economy sufficiently to withstand the impacts of China's World Trade Organization accession.

In the international waiting room of Guangzhou's Baiyun Airport, a large back-lit advertisement for China's State Power Company hovers over the security checkpoint. Underneath a clear sky, a boy chases his dog across a green lawn while his (two-child) family picnics in the background. On the lawn is the large shadowy mark of the State Power logo. In the distance, the towers of a high-voltage transmission line disappear across the horizon, carrying electricity to some distant city. Up in the sky, a line of text reads: "Clean, cheap, high quality, dependable western electricity lets you enjoy green living!" while below the running boy, it reads: "Western electricity sent to the east: both east and west win." Given its location in the airport, the advert targets the external private sector in the hope that it might want to invest in China's rapidly growing power industry. At the same time, however, the image addresses a broader audience, in that it promotes the greater benefits of the state's campaign to Open Up the West. The advertisement is striking, and not simply because of its implausibility, depicting as it does such a scene in the heavily urbanized, industrial, and polluted Zhu [Pearl] River Delta. In one ideal image, the promise of China's Open Up the West campaign is given laconic expression: a healthy environment, a prosperous people and a modern infrastructure.

Yet while the campaign to Open Up the West does explicitly promise these things to the people of western China, the state power advert is also suggestive of the fact that there have been other, less optimistic messages read from the campaign as well. Just a few days before passing under this image, I was discussing the west–east electricity delivery scheme with a

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scholar in Guizhou. "Western electricity sent east," he scoffed, "merely exports the east's pollution to Guizhou; in exchange, Guizhou gets a low price for its electricity and the east gets to make the manufactured goods that Guizhou people buy at high prices." Was this, then, the image's underlying message – that Guangdong's healthy environment was being purchased by the state at the expense of the clean air that impoverished Guizhou has always enjoyed? Is it possible – as some in Guizhou have suggested – that the east stands to benefit more from the west's development than the west itself?

While a definitive answer to this question is not yet possible, it does suggest that an analysis of the local-scale impacts of the campaign to Open Up the West should not be limited to a local scale. Nor should it be limited necessarily to the western region. As the state power advert shows, the call to Open Up the West has significant implications throughout China. It means, for instance, that Guangdong must agree to shut down much of its own power generating capacity, and must relinquish its independence in power generation. Viewed in this light, the state power advert could be directed at Guangdong officials who have resisted Beijing's ongoing requests that they meet their power demands by buying more electricity from Guangdong's south-western neighbours instead of building new generating capacity.

Examining the impacts of the campaign to Open Up the West in Guizhou thus casts an analytical net far beyond the province's boundaries. Doing so, however, requires a focus on a narrower slice of the campaign, one which nevertheless has had the profoundest impact thus far on Guizhou's experience in the campaign. Of the numerous massive infrastructure development projects currently associated with Open Up the West, the west–east electricity transfer project (WEETP) has had the most direct impact in Guizhou. Rich in under-exploited energy resources, the province has been humming with the sounds of construction as railways, highways, power plants, airports and dams are being built at an astonishing pace. The sudden infusion of capital is clearly being regarded in Guizhou as the belated arrival of a long-desired modernity. Yet although the rapidly improving infrastructure is obviously welcome in one of China's poorest provinces, Guizhou's experience raises the question of just what kind of "opening" is occurring in China's west. Clearly the campaign is meant to be an opening in at least two senses of the word, that is, opening the west to the global marketplace and opening the west's natural resources. But early predictions that the drive to Open Up the West would not produce many state-funded projects but would instead pave the way for increased foreign investment, increased education and new economic opportunities are not being realized.[1] Instead there is an intensification of a long-term trend: the west as primary producer for the industrializing east.

1. US Embassy Environment, Science, and Technology Section, "China's western development program: welcome but perhaps less than meets the eye," June 2000, http://www.usembassy-china.org.cn/sandt/db-westdev.htm.

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Holbig has argued (earlier in this volume) that Open Up the West seeks to satisfy numerous competing interests, resulting in apparent contradictions between for example market-restructuring on the one hand and large-scale state investments that recall the pre-reform era of comprehensive economic planning on the other. While the diverse interests addressed by the campaign may appear contradictory on a national scale, the sheer diversity of the western region means that the campaign must be implemented differently in different places. In Guizhou, Open Up the West has mostly been about "big development," and may even represent a new stage in the province's long history of internal colonization.[2] As such, it is a campaign best suited for building the state in a region long noted for a deficit of state capacity.[3] At the same time, however, the campaign offers an opportunity to speed up power sector reforms which have been on the agenda since the early 1990s, and which will have significant impacts throughout China. The primary issue is not so much Guizhou's colonization but the centre's efforts to reassert macroeconomic control after years of decentralization. The result may be that poorer provinces like Guizhou will find themselves increasingly constrained as they try and insert themselves into the paths of mobile capital. Thus, along with the burst of infrastructure, the implications for Guizhou appear to be a continuation of uneven patterns of exchange between coast and interior. Tied increasingly to its role as net supplier of power to Guangdong, Guizhou could face fresh challenges in diversifying its economy sufficiently to withstand the impacts of China's World Trade Organization (WTO) accession. In these terms, as the scholar's comment above suggests, Guizhou's experience has been quite the opposite of the campaign's rhetorical intensions to "open" the economy of the western region.

The Mega-project as Key to (the State's) Prosperity

As argued elsewhere, Open Up the West defies succinct description both as a policy and as an implemented reality. While a clear set of policy goals has been established, there remains significant local variation in emphasis among these goals, and there are broader less tangible goals of state and nation-building which also appear to mean different things in different regions.[4] In Guizhou, for instance, unlike the experiences of Tibet, Qinghai and Xinjiang, one of the most striking aspects of the campaign is its relative lack of articulation in terms specific to the question of minority nationalities. Although one-third of Guizhou's total

2. On internal colonialism in Guizhou, see J.R. Spencer, "Kueichou: an internal Chinese colony," *Pacific Affairs* No. 13 (1940), pp. 162–172, and David S. G. Goodman, "Guizhou and the People's Republic of China: the development of an internal colony," in D. Drakakis-Smith and S. Williams (eds.), *Internal Colonialism: Essays Around a Theme* (London: Institute of British Geographers, Developing Areas Research Group, Monograph No. 3, 1983), pp. 107–124.

3. David S. G. Goodman, "The politics of the west: equality, nation-building and colonization," *Provincial China*, Vol. 7, No. 2 (October 2002).

4. David S. G. Goodman's article in this volume.

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population belongs to an officially classified minority nationality, when local officials speak of the campaign, they emphasize infrastructure development and its associated assumptions of poverty reduction and state capacity building.[5] These issues are thought to cut across ethnic lines, and poverty in the province is not ethnically concentrated but spread fairly evenly across ethnic groups. At the same time, for reasons of history and geography, Guizhou's minority population no longer commands the state's attention as a threat to national integration the way Tibetan and Uighur populations still do.

What does seem increasingly to command attention is poverty and the state's fitful success in combating it. In terms of GDP per capita, Guizhou remains China's poorest province. While a low GDP does not always translate into poverty, it does make it more difficult for fiscally-strapped provinces like Guizhou to meet the basic needs of their populations when the centre has divested itself of such responsibilities. The reform agenda since the early 1980s has meant a weaning of subsidy-dependent provinces from Beijing's coffers. With central subsidies reduced from two-thirds to one-fifth of Guizhou's provincial budget between 1980 and 1995, the net budget flow in Guizhou has been from the counties to the centre, and from rural to urban sectors, since 1988.[6] This has created a situation in which more revenue is extracted from the Guizhou countryside than is being returned in the form of expenditure. While the fiscal squeeze is meant to induce entrepreneurial initiatives among rural leaders, most counties find they must reduce outlays for basic development projects and delay payment of cadre and teacher salaries. And while the late 1990s saw a surge in poverty relief funds nation-wide, these tend to finance new business ventures in the form of microcredit loans, while basic education and healthcare remain under-funded.[7] Given this situation, it is no surprise that Guizhou's average household consumption levels remain the lowest in China, that per capita living expenditures are the lowest in China and that rural per capita net income is second lowest (after Tibet).[8]

With 84 per cent of GVIO coming from state-owned enterprises (nearly twice the national average), Guizhou's economy continues to be the most state-dominated of any provincial-level jurisdiction in China.

5. During June 2002, I conducted a total of 15 interviews with scholars and cadres from the Guizhou Development Research Centre, Guizhou Institute of Finance, Guizhou Economic Trade Commission, Guizhou Normal University, and Guizhou Nationalities Institute. Roughly half of these were group discussions, and half were individual interviews.

6. Tim Oakes, "Selling Guizhou: cultural development in an era of marketisation," in H. Hendrischke and C. Feng (eds.), *The Political Economy of China's Provinces* (London & New York: Routledge, 1999), pp. 27–67.

7. Daniel Wright and Darlene Liao, "The other side of China's prosperity," *The China Business Review*, Vol. 26, No. 5 (September–October, 1999), pp. 22–24. See also Elisabeth Croll, *From Heaven to Earth: Images and Experiences of Development in China* (London & New York: Routledge, 1994); Jonathan Unger and Jean Xiong, "Life in the Chinese hinterlands under the rural economic reforms," *Bulletin of Concerned Asian Scholars*, Vol. 22, No. 2 (1990), pp. 4–17.

8. National Bureau of Statistics, *China Statistical Yearbook, 2002* (Beijing: Statistical Publishing House, 2002), pp. 68, 344, 347.

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This is partly a legacy of the large investments funnelled into the province during the Third Front defence industrialization campaign.[9] It is also a result of Guizhou's position as a key primary resource provider; the province holds southern China's largest coal reserves, significant hydroelectric generating potential and large reserves of strategic minerals. All these sectors have received significant investment over the years, resulting in an industrial infrastructure that is already surprisingly developed for such a poor province. Guizhou already possesses the country's highest rate of electrified track, for instance. Although the relationship between standards of living in the province and its political-economic relations to the centre are too complex to document adequately here, research on this relationship indicates a history of mismatch between the centre's investments and the needs of the provincial population.[10] A history of "big development," in other words, has done little to alleviate Guizhou's poverty. Rather, poverty relief tends to come in much simpler packages, such as increased grain prices, basic welfare subsidies and access to credit sources.[11]

Despite all of this, the state's most recent spending spree in Guizhou is being regarded by some officials as a kind of "final solution" to the province's impoverishment. The point here is not to suggest that Guizhou has no need of infrastructure improvements, but rather to argue that the campaign to Open Up the West offers nothing new in terms of the state's approach to development. Indeed, it could be argued that Open Up the West is only part of a larger pattern in state spending that has been going on since the 1997 Asian Crisis, and does not represent a fundamental redirection of the centre's spending priorities at all. While the most visible projects are associated with the campaign, there are many others which are not.[12] *The New York Times*, for instance, has estimated a $34 billion price tag for the 2008 Olympics, while a $97 billion rash of subway building up and down the east coast indicates that it's not only western cities like Chongqing that are seeing massive infrastructure

9. Barry Naughton, "The Third Front: defense industrialization in the Chinese interior," *The China Quarterly* No. 115 (September 1988), pp. 351–386.

10. See Oakes, "Selling Guizhou"; Goodman, "Guizhou and the People's Republic of China"; and Spencer, "Kueichou."

11. Tim Oakes, "China's market reforms: whose human rights problem?" in T. Weston and L. Jensen (eds.), *China Beyond the Headlines* (Lanham, MD: Rowman & Littlefield, 2000), pp. 295–326. See also Wright and Liao, "The other side of China's prosperity"; Unger and Xiong, "Life in the Chinese hinterlands."

12. The most visible include the south–north water diversion (estimated total cost of $59 billion), the west–east natural gas transfer ($17 billion); the WEETP ($12 billion), and the Qinghai–Tibet railway ($3.2 billion). Cost figures from Joseph Kahn, "China gambles on big projects for its stability," *New York Times*, 13 January 2003. See also Ray Cheung, "$472b water plan carries hopes of arid north," *South China Morning Post*, 27 December 2002; US Embassy Environment, Science, and Technology Section, "Construction starts on south–north water transfer" (EST Update, 3 January 2003), http://www.usembassy-china.org.cn/sandt/estnews010303.htm. It should be pointed out here that the $30 billion Three Gorges Project, another major western infrastructure development, was under way long before Open Up the West was initiated.

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investments.[13] In this context, and as also pointed out in Goodman's introduction to this volume, the nearly $25 billion committed by Beijing on western projects during the first two years of the campaign is a rather small portion of the state's total expenditure.[14] Total infrastructure investment in the first 11 months of 2002 was something in the order of $200 billion, or some 15 per cent of China's GDP.[15] Thus, while western development has attracted a great deal of media attention, state investment continues to follow a pattern of concentration in China's more developed eastern regions.

The novel contribution of the campaign to Open Up the West has been a highly publicized state commitment to correcting the growing imbalances between eastern and western China.[16] Viewed as a long-term project towards an ultimately sustainable level of prosperity for the west, the current scale of state spending is officially justified (in Guizhou, at least) as a necessary first step, paving the way for a longer-term economic restructuring emphasizing market development and external private investment. Thus, one of the broader objectives of the campaign (seemingly contradicted in Guizhou), as Goodman has argued, has been not the bolstering of state enterprise in the west (where it already claims the vast majority of fixed capital assets), but the attraction of foreign investment in tandem with China's accession to the WTO.[17] However, whether a mega-project approach can induce foreign investment remains questionable.

There remains a good deal of scepticism over whether the project's current characteristics will indeed lead to the globalized market economy envisaged in promotional rhetoric. Hu Angang, whose incisive analyses of regional inequality in China played a role in the initial formation of Open Up the West, has argued that boosting economic growth with massive state investment in infrastructure and natural resource exploitation remains an unsustainable solution to the west's lack of integration with China's growing economy.[18] Part of the problem here is the timing

13. Kahn, "China gambles on big projects," points out that the amount to be spent on Chongqing's infrastructure over the next decade is equal, even in adjusted dollars, to what the US spent to build the entire interstate highway system in the 1950s. Plans include eight highways, two ring roads, eight bridges, four rail lines, and four sewage and garbage facilities. Chongqing has, in other words, been rewarded heavily, as the southern linchpin of the western development project, for absorbing the brunt of the social and environmental costs associated with the Three Gorges Project.

14. Nailene Chou Weist, "More spending to close wealth gap in western region," *South China Morning Post*, 13 November 2002; Xinhua gives a figure of $30 billion for the same time period (Xinhua, "China injects 260 billion *yuan* into develop-the-west projects," 13 November 2002, http://www.xinhua.com.cn).

15. Kahn, "China gambles on big projects."

16. Wang Shaoguang and Hu Angang, *The Political Economy of Uneven Development: The Case of China* (Armonk, NY: M. E. Sharpe, 1999); Kang Xiaoguang, *Zhongguo fupin yu fan fupin lilun* (*Chinese Poverty and Poverty Alleviation Theory*) (Nanning: Guangxi People's Press, 1995).

17. Goodman, "The politics of the west."

18. Josephine Ma, "Go-West push in need of change, says economist," *South China Morning Post*, 24 May 2002.

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of China's looming WTO accession. "China's accession to the WTO," notes Hu, "is more of a challenge than an opportunity for the west as the prices of raw materials and agricultural products are not doing well." If the state wants to lay a foundation for sustainability, Hu argues, it should be investing not in big development but in education, for the rate of children dropping out of school in the west continues to be appalling.[19]

In June 2001, Guizhou's Development Research Centre co-sponsored a Guiyang conference on "The role of the non-state economy in the development of China's western regions."[20] Several of the participants voiced criticisms of the Open Up the West campaign which illustrated the extent of western resentment concerning the inequalities that have festered and grown during China's market reforms. Liu Shiqing went so far as to label the project "western exploitation, eastern development," pointing out that intensified extraction of natural resources benefits eastern consumers more than western suppliers. Echoing the earlier-cited Guizhou professor's comments, several delegates argued that the heralded environmentalism of the project required considerable western sacrifices. More than providing a platform for criticizing the environmental or extractive aspects of the project, however, the goal of the conference was to articulate ways to hasten and expand the shift to a market economy in the west, to attract external investment, and encourage private enterprise. In this regard, delegates found much to fault concerning the conduct of local government throughout the west, pointing out, for instance, that local officials continue to favour state firms with bank loans, and harbour protectionist mentalities. Qinghua University professor Qin Hui argued that eastern capital has no incentive to move west; nor does foreign capital, for the same reasons. Foreign direct investment in western China represented only 3 per cent of the country's total in 1999.[21] Delegates called for more legal protections of private property rights, and sought to put local governments under increasing pressure to move more towards privatization.

That economic privatization has become a major intellectual issue concerning western development is indicative, perhaps, of local concerns with the campaign's seeming return to an older paradigm of economic planning and "big development." Indeed, what the campaign to Open Up the West seems to reveal most is the state's reluctance to shift paradigms. For a party of engineers, the project is simply too tempting an opportunity to assert the state's primacy as shaper of China's political economy. As was curiously noted during the *South China Morning Post*'s coverage of the recent 16th Party Congress, whenever talk turned to western development, "officials barely touched on fashionable subjects such as private investments and entrepreneurs. Just as the rest of China is accelerating the

19. *Ibid*.

20. See Fu Tao, "Chinese scholars call for privatization in the west," *China Development Brief*, Vol. 4, No. 1 (Summer 2001), http://www.chinadevelopmentbrief.com/prtarticle.asp?sec = 19&sub = 1&art = 356.

21. Zhang Kexiang (ed.), *Zhongguo xibu gaizhan, Guizhou zhuan* (*Introduction to Western China: Guizhou Volume*) (Guiyang: Guizhou renmin chubanshe, 2000), p. 309.

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move towards a market economy, the western region appears to be a throwback to the planned economy of an earlier era."[22] It's not simply that state enterprises remain the dominant producers in the west, but that "western development" creates new opportunities for centralization at a time when – on the eve of WTO accession – the state finds its economic and social control severely tested. In the name of western development, as discussed in the following section, Beijing has clamped down on Guangdong's chaotic and unruly energy sector, shutting down thermal plants so that the province has little choice but to buy its power from the west.[23] It has also curbed the rash of subway building, halting 20 new projects – all of them in eastern cities – while allowing massive projects in western cities like Chongqing to continue.[24]

That such a high portion of the current infrastructure investment is going to power generation even further entrenches western development in the old paradigm of building state power through mega-projects. As McCormack has argued, this is particularly true with hydropower development and water management more generally. The Three Gorges project is only the most obvious case. But considering that three of the four key infrastructure projects currently celebrated as the focus of western development are concerned with power generation or water management, the campaign clearly presents some challenges to any quick assumption that China has charted a new course to market induced prosperity. As a Hong Kong journalist recently noted, "an older image of China prevails in the power sector, which remains one of the most sensitive and opaque among the country's basic infrastructure industries."[25] McCormack puts it this way: "The current state bureaucratic paradigm of water-management combines the centralizing tradition of empire with the Western nature-dominating and exploiting paradigm of modernism that comes to China through its Russian communist form."[26]

To the assertion that western development is merely about building state power, Beijing might respond that the campaign to Open Up the West represents a new scale of effort on the part of the centre to facilitate economic co-operation between eastern and western China. Indeed, officials in Guizhou acknowledge a new level of such co-operation. Yet Beijing has been urging easterners to help their western neighbours since the mid-1980s, with little but humanitarian aid programmes to show for

22. Weist, "More spending to close wealth gap in western region."

23. "Guangdong makes way for power from west," *China Daily*, 3 September, 2001: Guangdong cut construction of new power plants with planned capacity of 10,000 MW; by 2005 22 per cent of Guangdong power will come from the south-west, 30 per cent by 2010. On the peculiarities of Guangdong's power sector, see Tom Mitchell, "Pockets of power," *South China Morning Post*, 17 July 2002 and Tom Mitchell, "Power shortage hobbles delta's industrial machine," *South China Morning Post*, 29 January, 2003.

24. Mark O'Neill, "20 cities' plans for new subway lines put on hold," *South China Morning Post*, 28 January 2003.

25. Edith Terry, "State clings to power assets," *South China Morning Post*, 12 March, 2002.

26. Gavin McCormack, "Water margins: competing paradigms in China," *Critical Asian Studies*, Vol. 33, No. 1 (2001), p. 24.

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it.[27] Outright economic investment has been limited to anecdotal success stories, such as Fujianese investment in Guizhou's Puding county in the mid-1990s. But even in this case it was unclear what Puding was really getting out of the deal:

> Huang Shunxing, owner of a ceramic tile factory, is happy with the fact that production facilities were available and that he paid only fractions of what he would have had to pay in Fujian for coal, electricity and labor. His ceramic tiles have found a ready market, and sometimes he has to bring in supplies from his factory in Fujian when orders are backlogged. Today, an east–west cooperation between two parts of China, as has taken place in Guizhou with the help of Fujianese investors aiming at mutual progress, is being urged nationwide.[28]

As previously argued elsewhere, the track record of such "economic co-operation" has not been a good one for the Guizhou counties financing the production facilities and offering the tax breaks that allow investors to return home with most of their profits.[29]

Nevertheless, the external sector has remained reluctant to invest in the west. An extremely high profile delegation of 71 business leaders from Hong Kong toured the west in 2000 and only managed to pledge $30 million. An editorial in the *South China Morning Post* at the time argued that the needs of western development and the expertise that Hong Kong was able to provide were a poor match.[30] Hong Kong, the editors might as well have pointed out, represented a new paradigm in investment and management, whereas western development simply offered the bastion to an old model that Beijing had long since mastered. Clearly China did not need Hong Kong's help on this one.

The West–East Power Mega-project

On 31 January 2000, shortly after the official unveiling of the Open Up the West campaign, *Renmin ribao* called for a new big push in hydropower development in south-west China.[31] The editorial specifically identified the Longtan dam on the Guizhou–Guangxi border, continued construction of which was languishing for lack of state funds to complete the project. This was a shame, the editorial continued, given the extraordinary complementary balance between the resource-rich south-west and energy-poor Guangdong, just downstream. The solution, the paper argued, would be a new scheme to "transfer power from the west to east," a project of such scale that it would in fact involve a complete restructuring of the country's entire power sector.

27. Wright and Liao, "The other side of China's prosperity."
28. Li Fugen, "Eastern and western China explore development," *China Today*, Vol. 46, No. 2 (February 1997), http://www.china.or.cn/CT97/97–2–2.html
29. Oakes, "Selling Guizhou."
30. Elizabeth Economy, "China's go west campaign: ecological construction or ecological exploitation." *China Environment Series*, No. 5 (2002), p. 5.
31. *Renmin ribao* (*People's Daily*), "Developing hydropower means developing western region," 31 January 2000.

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Eleven months later, on 8 November, the WEETP was officially launched in Guiyang, attended by Zhu Rongji and numerous other prominent figures from Beijing.[32] Ultimately, the project would involve three major west–east conduits for power, with the southern and central conduits being built first. The southern WEETP would consist of two phases. The first involved construction of two new hydropower plants on Guizhou's Wu River, the expansion of a third Wu River hydropower plant, a new coal-fired thermal power plant in Yunnan, and the construction of three high-voltage transmission lines linking power generation in Yunnan, Guizhou and the Three Gorges to Guangdong. The second phase, initiated a year later, added a 35.4 billion *yuan* investment for more thermal plants and transmission lines.[33] Four new coal-fired thermal plants would be built in Guizhou, one in Hunan and one in Yunnan.

During the Tenth Five-year Plan, the WEETP seeks to add nearly 30,000 MW of western power to China's installed capacity; some 60 per cent of the new power generated by dams. Fully one-third of this newly installed capacity is set to be delivered to Guangdong from Guizhou, Yunnan and Guangxi, with a small percentage from the Three Gorges Project.[34] By 2010, Guangdong will be receiving 15,000 MW of power from the south-west annually.[35] The implications of the project for Guizhou and Yunnan in particular are significant, for what is being called for is a doubling or even tripling of power generation in these provinces in a matter of a few years.

But it has not been western development *per se* that has motivated this rapid push for power generation and transmission expansion. The WEETP is part of a much larger power industry restructuring plan which has been under way since 1993. Along with the rapid increase in generating capacity, there has been a desire among reformers in Beijing to introduce market competition into the power generation industry. This has involved cleaving the vertical integration (*tiao tiao*) of the power industry into independent generation and transmission sectors in order to induce greater efficiency and attract overseas investors. But establishing a competitive market environment in power generation necessitates that

32. *Renmin ribao*, "Construction of west–east electricity transmission project starts," 8 November 2000; *Renmin ribao*, "Premier hails west–east electricity transmission," 9 November 2000.

33. *Renmin ribao*, "Guangdong to be powered by electricity from West China," 26 November 2001.

34. By 2005 Guizhou's total installed capacity will be 13,000 MW, more than double the 2001 total of 6,000 MW. By 2005, Guizhou is scheduled to deliver up to 4,000 MW annually to Guangdong. Xinhua reported that by 2010, Yunnan will be transmitting 3,000 MW per year to Guangdong, 8,000 MW per year by 2015. Most of this new power will come from a series of dams planned for the upper reaches of the Lancang River. In 2002 alone, Yunnan sent more power to Guangdong than in the previous five years combined. See Xinhua, "West-to-east power project pays off," 16 September 2002, http://www.xinhua.com.cn; McCormack, "Water margins"; *Renmin ribao*, "Construction of west–east electricity transmission project starts."

35. *Renmin ribao*, "Electricity generated in southwest China has huge market," 9 December 2001.

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the centre must reassert control over the industry from the provinces.[36] The irony of the situation – that the state insists on recentralizing control so that a transition to market competition might occur – has perhaps not been lost on the provinces, which have been resisting the move for the past decade.[37] The recentralization effort, however, is not only about introducing the market to the power sector. Two decades of decentralization has meant chaos in energy development, as a result of provinces investing more in their own power generation than in transmission of power across provincial boundaries.[38]

By the mid-1990s, China's power grid was like a collection of local energy fiefdoms, causing some big problems with some very high profile central projects. The case of Sichuan's Ertan Dam is instructive.[39] Built with a $1.8 billion loan from the World Bank, Ertan lost over $125 million in its first year of operation (1999), with estimated losses over $200 million in 2000. The main reason was that contrary to the dam's budget plans, Sichuan agreed to buy only half of Ertan's generating capacity, and at nearly half the budgeted price per kilowatt hour. In 1999 Sichuan bought Ertan's power for 0.17 *yuan* per kw/hr instead of the 0.30 budgeted for the dam. The post-crisis downturn in the late 1990s and a glut of cheaper local sources since Ertan's inception in 1991 allowed Sichuan to scale down its need for Ertan power. Additionally, Chongqing did not buy as much as was originally projected because of its commitments to buy power from the Three Gorges Project. The Xiaolangdi project in Henan has had similar problems.[40] Financed with a $1 billion loan from the World Bank, the dam could not sell its electricity in the power glut of 1999–2000. After a decade of investments in power generation, Henan has been shutting small coal mines and currently needs no extra capacity. The dam's electricity, capable of meeting one-fifth of the province's electricity needs, has been priced uncompetitively to cover the project's debt payments. Indeed, it is cases such as this that explain the centre's urgency to recentralize the industry and build the infrastructure necessary for transferring power from generating sites such as Xiaolangdi to coastal regions where demand is still high.

The centre has also made Guangdong a key target for reforming the power sector. Throughout the reform era, Guangdong has enjoyed independence from Beijing in energy production and regulation.[41] By 1999 it

36. Xu Yi-chong, *Powering China: Reforming the electric power industry in China* (Aldershot: Ashgate, 2002), p. 163.
37. *Ibid*. p. 110.
38. *Ibid*. p. 13.
39. Hu Angang, "Xibu kaifa san yuanze: Ertan shuidian xiangmu yanzhong kunsun de diaoyan baogao" ("Three principles of opening the west: a research report on the serious loss of Ertan hydropower station"), in *Diqu yu fazhan: xibu kaifa xin zhanlüe* (*Regions and Development: the New Development Strategy of the West*) (Beijing: China Planning Publishing House, 2001), pp. 315–19. See also James Kynge, "Hydro dam unable to stem losses," *Financial Times* (29 October 1999).
40. Jasper Becker, "Henan dam fails to find customers," *South China Morning Post*, 18 October 2000.
41. Xu Yi-chong, *Powering China*, p. 110.

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could generate over 30,000 MW, the largest capacity in the country. This investment, by far the largest of any provincial-level jurisdiction, was financed primarily by the provincial government and overseas investors. Less than 4 per cent came from the centre.[42] Given the high local and foreign investment rate, Guangdong has been resistant to purchasing power from its south-western neighbours. In this light, the WEETP represents a significant concession on Guangdong's part and a victory for Beijing. In addition to the highly publicized directive to cancel 10,000 MW-worth of planned power plants in Guangdong – a move which seeks to guarantee that at least 30 per cent of Guangdong's power will come from the west by 2010 – Beijing seeks to unify the current patchwork of distribution grids and localized capacities, reducing 15 regional and provincial grids to three west–east transfer corridors.[43] Guizhou plays a key role in a larger strategy to recentralize power management away from powerful eastern provinces like Guangdong. And while Guizhou benefits from the added infrastructure and generating capacity, the recentralization does not mean a departure from the province's ongoing role as primary producer for the east.

Needless to say, the central–provincial politics of power industry restructuring mean that any market competition will occur under the umbrella of tight regulation by Beijing. While some investors will find this welcome, others will continue to be put off by the state's continuing position as final arbiter in terms of power tariffs and investment approvals. Power sector analysts tend to see any market driven model of competitive power tariffs – in which prices would reflect the actual value of power generated – as a fiction that remains many years, even decades, away.[44]

The state finds itself caught between competing interests in its efforts to finance the WEETP. At precisely the moment when the private sector would like reassurance that commercialization is under way, Beijing finds that it must retain control over power tariffs in order to ensure both that the west will derive any benefits from selling its power and that existing generating facilities throughout the east are not driven out of business by the new influx of cheap power from the west.[45] Western power is

42. *Ibid*. p. 173. Between 1991 and 1995, 54.1% of Guangdong's power generation investments came from the provincial government, 23.2% came from overseas investors; by far the highest such proportions of any province in China. The centre's contribution of 3.5% was also the lowest of any province in China. By comparison, nearly 60% of Guizhou's power generation investment during the same period came from the centre.

43. *China Daily,* "Guangdong makes way for power from west"; Mitchell, "Pockets of power." Guangdong has also been switching most of its oil-based thermal plants to coal (and thus importing more coal). This has the additional impact of shutting many smaller plants down since switching to coal requires stricter environmental compliance; most small plants can't afford the transition. See Xu Yihe, "China energy watch: coal policy to hit fuel oil market," *Petroleum World*, 1 July 2002, http://www.petroleumworld.com/story8752.htm.

44. Eric Ng, "Lack of detail in electricity reform disappoints analysts," *South China Morning Post*, 2 January 2003.

45. This has not prevented Beijing from using the WEETP as an opportunity to shut down as many small-scale and inefficient coal fire plants as possible. See *Renmin ribao,* "Power transmission from China's west to east," 28 November, 2000.

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relatively cheap because of preferential tax policies and low labour costs.[46] But in November 2002 the state set the price for Three Gorges electricity at the relatively high rate of 0.25 *yuan* per kilowatt hour, a price that the *South China Morning Post* noted was set "at a level that seems designed to keep nearby coal-fire plants in business."[47] Meanwhile, in Guangdong, where despite the high capacity electricity is still twice as expensive as China's average, power is regularly set at lower prices for investors by classifying foreign-funded factories as provincial development projects worthy of special breaks on energy costs.[48] Despite an official move towards flexible power pricing, "China will maintain the status quo of a state-owned power industry with pricing that reflects public policy goals rather than market imperatives."[49] As former state power president Gao Yan put it, "the state must hold the dominant position" relative to the market.[50] Indeed, the Ministry of Finance recently had to halt a selling spree of local state power companies in Sichuan for fear that they would no longer be compelled to meet the needs of their poor rural customers. "The [Finance] bureau said that the power business could not be left to private companies whose only interest was to make a profit and which would not invest in projects that did not make money."[51]

A comprehensive analysis of China's complex power sector reforms would be a major research project in its own right.[52] Nevertheless, it is clear that the WEETP is less a project of the state transferring the power sector over to the market than an opportunity for the state to consolidate its control over what has been an extremely unco-ordinated and inefficient system of power generation and distribution. Beijing's 1998 ban on the construction of new small-scale power plants in Guangdong had only driven such activity underground. Factories and luxury housing developments routinely – and illegally – installed their own 10–30 MW backyard power plants, resulting in 10 per cent of factories in Shenzhen SEZ having their own illegal power generation facilities.[53] It has been clear for some time that localities regularly buy and sell power illegally

46. Eric Ng, "West-east power line poses challenge," *South China Morning Post*, 18 February 2003; it should also be acknowledged that state incentives have made investment in western power plants an increasingly attractive option for utilities in places like Beijing, Shandong, and Hong Kong. See Annette Chiu, "CLP wins Guizhou project," *South China Morning Post*, 21 August 2002; Donald Tsang, "Utility invests in Ningxia west-east venture," *South China Morning Post*, 17 August 2002; *China Daily,* "Datang to invest in 3 hydropower projects in Yunnan," 22 October 2002.

47. Eric Ng, "Officials set hydropower tariff," *South China Morning Post*, 11 November 2002.

48. Mitchell, "Power shortage hobbling delta's industrial machine."

49. Terry, "State clings to power tariffs."

50. Cited in Xu Yi-chong, *Powering China*, p. 113.

51. Mark O'Neill, "Finance ministry acts to stop power raids," *South China Morning Post*, 7 April 2003.

52. See Xu Yi-chong, *Powering China*.

53. Mitchell, "Power shortage hobbling delta's industrial machine."

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to compensate for the unevenness of distribution.[54] Not only does Beijing seek to establish overall control over what has become something of an electricity black market in China, but it would also like to strengthen its control over energy production itself. The lack of such control has, for instance, meant that China's recently published gains in energy efficiency and the associated reduction in greenhouse gas emissions are taken seriously by almost no one. In this context, Zhao Jie of the China Power Engineering Consulting Corporation recently stated that the biggest challenge to the WEETP is establishing a national market for energy under the guidance of the central government, and limiting redundant power generation construction in the east.[55]

Restructuring State Power

If electricity price reform has remained frustratingly distant for investors, Beijing has moved much faster with its other ostensible project of power sector liberalization. In April 2002, the government revealed a plan to break the mammoth State Power Corporation (SPC) into five independent power generating companies and two power transmission companies (the state power grid and southern power grid). This plan had been on the table since 1993, when the Ministry of Electricity (MOE) was established in order to facilitate the gradual corporatization of the state power industry. In 1998, the MOE was disbanded and replaced by the State Power Corporation, a move resisted by provincial governments who saw it as "part of a larger scheme of the central government to recentralize control over China's power-generation assets."[56] Technically a publicly held corporation, SPC remained under the direct authority of the State Council, its principal investor. Owning nearly half of China's total power generation capacity, and 72 per cent of its power assets, SPC held a virtual monopoly over China's commercial power sector.[57] But within five years of its creation, the world's 77th largest company (with assets of some 1.8 trillion *yuan* and 1.64 million employees) was broken up. Beijing apparently felt that a mammoth corporation did not fit the "lean and mean" profile that overseas investors might be looking for.[58] In addition Beijing planned to set up a comprehensive energy regulator to co-ordinate policy and long-term planning.[59]

It is not expected, however, that the five power-generating offspring of

54. US Embassy Environment, Science and Technology Section, "The controversy over China's falling energy use,"August 2001, http://www.usembassy-china.org.cn/sandt/ptr/energy_stats_web.htm.

55. Zhao Jie, " 'West to east' electric power transmitting power strategy in China," (Presentation at China National Association of Engineering Consultants International Workshop at the Three Gorges, 21–26 October 2001, http://www.cnaec.org.cn/download/Speech_zhaojie.doc.

56. Xu Yi-chong, *Powering China*, p. 110.

57. Wang Xiangwei, "Top mainland officials flees to avoid arrest," *South China Morning Post*, 16 October 2002.

58. Xu Yi-chong, *Powering China*, p. 132.

59. Eric Ng, "China plans energy shake-up," *South China Morning Post*, 15 January 2003.

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SPC will really function like companies in competition with each other – this being the purported goal of the state's recentralizing efforts. According to one report, "little supply competition is expected across the borders of new, expanded regional power companies."[60] This is because the "restructuring" of the power sector doesn't really constitute a significant change in the state's relationship to the power sector. SPC broke up so effortlessly because in reality, the new offspring are essentially the same company. However, it is doubtful that a surge in overseas investment or any related market-orientation will follow the break-up. One industry consultant in Beijing has argued that the state in fact has no interest in commercializing the power sector at all (partly because the overseas sector, in general, has shown little interest in investing in power generation).[61] Xu's analysis of the break-up suggests that it was perhaps motivated as much by the negative image of monopolies (associated with pre-reform leftism) as it was by an effort to enhance industry performance or introduce greater accountability.[62]

More to the point, perhaps, is the fact that the power sector clearly remains the fiefdom of Beijing's Party princelings. While SPC was regarded as one of Premier Li Peng's key power bases in the government, its post-break-up offspring are set to remain firmly in the Li family's hands. Li Peng's son, Li Xiaopeng, former SPC deputy general manager, now heads Huaneng Corporation, while his daughter, Li Xiaolin was recently named the vice-president of China Power Investment Corporation.[63] The former head of SPC, Gao Yan, was himself a Li Peng protégé who fled China in September 2002 while facing a corruption investigation. Gao's flight was an interesting episode in the SPC break up. He held the rank of a government minister, and was a member of the CCP's Central Committee. That Li Peng was unable to protect him from the investigation's probable charges, which focused on his activities while serving as governor of Yunnan (1995–97), indicates the seriousness with which Beijing sought to project an image of "cleaning up" the power sector. Some called Gao a "sacrificial lamb" coughed up by the Li Peng clique leading up to the 16th Party Congress.[64] If Gao *was* sacrificed, then it was certainly to ensure that Li Peng's family maintained their control over the industry. And in this context it is useful to remember that the Three Gorges Project finally won approval while Li Peng was premier; it was recognized as his "pet project." It is therefore very doubtful that anyone expects China's power sector to divorce itself from the party-state apparatus any time soon.

60. Terry, "State clings to power assets."
61. *Ibid*. Xu Yi-chong, *Powering China*, p. 232 indicates that in 1997 10% of China's power industry investment was FDI.
62. Xu Yi-chong, *Powering China*, p. 132.
63. Bei Hu, "Li Peng's daughter in top power post," *South China Morning Post*, 30 December 2002.
64. Tom Mitchell, "Mysteries of the vanishing protégés," *South China Morning Post*, 14 October 2002.

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Responses to the Campaign to Open Up the West in Guizhou

In Guizhou, the WEETP has had the near-term effect of consolidating investment in energy and other extractive industries while attenuating the ongoing economic diversification that local leaders know will be necessary if the province is to survive WTO accession. With the centre preoccupied with reasserting control over energy and infrastructure development, external private investment in other sectors has actually shrunk since 1997. Although the centre has renewed its attention on the province after two decades of declining subsidies, mega-project development is thus far failing to address the ongoing difficulties Guizhou faces in generating revenue and providing basic development for millions of impoverished farmers.

In 2001, primarily as a result of the WEETP, Guizhou led the western region in the growth of fixed capital investment (34.3 per cent); only Tibet and Qinghai were remotely close at 30 per cent. Even Chongqing's massive infrastructure development did not rise to a level anywhere near Guizhou's growth rate.[65] In 2002, continuing the trend, Guizhou was among China's top six provincial-level jurisdictions in growth of fixed capital investments (again over 30 per cent).[66] In the five years after 1998, Guizhou's power generation capacity nearly doubled to 13,000 MW. In 2001 alone, the centre invested 53.3 billion *yuan* in Guizhou infrastructure construction, more than all the Ninth Five-year Plan (1995–2000) combined. A total of 60 billion *yuan* was scheduled for investment in 2002.

During the same year (2001) that Guizhou saw this stunning growth in state investment, however, foreign capital transfers to the province actually *declined* from the previous year by an astonishing 28.3 per cent, reaching their lowest point since 1997. Because of the province's impoverished status, the vast majority of foreign capital entering Guizhou comes in the form of official and private direct aid and loans (85 per cent in 2000). Thus, the drop in external funding is partly in line with broader trends which have seen reductions world-wide in official aid flows as private commercial investment increasingly dominates capital transfers around the globe.[67] Yet of the remaining small portion that constitutes foreign direct investment, Guizhou has also seen decline, dropping from $49.8 million in 1997 to $25 million in 2000. Of all the western regions, only Qinghai and Xinjiang attract less foreign direct investment as a percentage of total external investments. In 1999 Guizhou received a mere 3.5 per cent of western China's total foreign investment (see Table

65. Guizhou Bureau of Statistics, *Xibu diqu jingji kuaixun* (*Western Region Economic Primer*) (Guiyang: Guizhou Statistical Press, 2002), p. 8

66. National Bureau of Statistics, "From January to November, the fixed capital investment rose by 23.4%," online news release, 20 December 2002, http://www.stats.gov.cn/tjgb/. The other provinces were Inner Mongolia, Jiangsu, Shandong, Jiangxi and Chongqing, all above 30%.

67. Peter Dicken, *Global Shift*, third ed. (London: Guilford, 1998).

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Table 1: **1999 Foreign Investment in the West**

	Total investment (US$ 10,000)	*FDI as % of total investment*
Guizhou	4,090	21
Chongqing	23,893	73
Sichuan	45,378	42
Yunnan	15,385	65
Shaanxi	24,197	90
Qinghai	459	
Ningxia	920	23
Xinjiang	2,400	17

Source:

Zhang Kexiang, *Zhongguo xibu gaizhan: Guizhou zhuan (2000)* (*Introduction to Western China: Guizhou Volume*)

1).[68] Despite all the plans for development, in other words, investors apparently have concerns that are not being addressed by the campaign to Open Up the West. While the mega-project approach is not itself responsible for a decline in investment, it does fail to put Guizhou in the path of external capital. The state's investments in Guizhou, instead, will increasingly assure capital of its investments in Guangdong.

Guizhou's patterns of investment not only reveal a comparative lack of external capital, but also illustrate, as several officials stressed during interviews in 2002, that the private sector is not interested in turning Guizhou into an electricity powerhouse for southern China. Most of Guizhou's foreign direct investment (about 75 per cent during the Ninth Five-year Plan) goes to manufacturing. Much of the remainder is invested in real estate development schemes (15 per cent). The energy sector received a mere 5 per cent of Guizhou's foreign direct investment during the Ninth Five-year Plan.[69]

There is, in other words, a disjuncture between the state's development plans for Guizhou and whatever investment interests the external private sector might have. In the near term, at least, the goal of jump-starting foreign investment with state infrastructure spending does not seem to be working. Following the centre's lead, Guizhou has officially readjusted its economic restructuring plan from a diversified portfolio of light industrial manufacturing (from converted Third Front plants), coal, metallurgy, tobacco, liquor, and food-products and medicinal processing, to becoming an energy base for southern China whose farmers specialize in chili production. This was, at any rate, the gist of Guizhou Economic

68. Zhang Kexiang, *Introduction to Western China: Guizhou Volume*, p. 310. In this context it should also be remembered that the west has only accounted for about 3–5% of China's total foreign investment.

69. Guizhou Bureau of Statistics, *Guizhou Statistical Yearbook 2001* (Guiyang: Guizhou Statistical Publishing House, 2001), p. 206

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Trade Commission deputy director Jin Longchuan's assessment of the campaign to Open Up the West's opportunities in Guizhou. It was a sobering revelation of the near-term rollback in economic diversification that seems to be following from projects like the WEETP.

Jin Longchuan's assessment that Guizhou's economic restructuring primarily consisted of a new emphasis on energy production and a shift in commercial agricultural specialization from tobacco and liquor to chilies also reveals the degree of centrism inherent in the campaign. This is a consistent theme echoed both directly and implicitly by officials and scholars within Guizhou. Among those interviewed during 2002 (all scholars or provincial-level cadres) there is clearly a renewed sense that the centre makes its investment decisions regardless of local input. There are various ramifications of this around the province. There is local concern, for instance, over arable land as a source of livelihood for much of the rural population. With Guizhou identified as a key region for protecting the environments of the upper Chang [Yangtze] River and Xijiang watersheds, a great deal of farmland is due to be converted to forest or grassland under Open Up the West guidelines. In 2001, some 20,000 *mu* of farmland was converted, and 200,000 *mu* was planned for conversion in 2002. Farmers technically get 60 *yuan* per *mu*, though it seems that the local practice has been to base compensation on actual production value, usually resulting in compensation between 20 and 50 *yuan*, plus a 300 *jin* appropriation of grain. While the aggregate amount of land converted is not yet that great, the burden of conversion is borne disproportionately by the poorest regions in the province. A more significant impact in terms of aggregate land loss has been the new highway, railway, dam and other infrastructure construction. Actual figures are not yet available but one anecdote receiving discussion in the countryside to the west of Guiyang was the rebuilding of an old expressway, expanding it from two lanes to six. It had somehow been decided to build the new highway from scratch right alongside the existing one, thereby maximizing the amount of arable land lost to the project. Locals were understandably baffled by the decision but accepted it with learned resignation.

The massive scale of infrastructure development going on in Guizhou will have significant environmental implications. Environmental preservation has been a highly publicized component of the campaign to Open Up the West – though, oddly enough, the State Environmental Protection Agency was not even included among the programme's 22-agency leading group.[70] As Yeh has shown for Tibet, the campaign involves an unprecedented state environmentalism which, like infrastructure development, also serves to consolidate central control over land use decisions.[71] In Guizhou, the farmland conversion project has dominated environmen-

70. Economy, "China's go west campaign"; SEPA, in fact, has been notably critical of Open Up the West, as indicated in a series of articles and commentaries in *China Environment News* (3 July 2000)

71. Emily Yeh, "The go west strategy in Tibet: migration, urbanization, and development," paper presented at the Annual Meetings of the Association of American Geographers, New

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tal discussions. Although by May 2002 the province had received only 7 million *yuan* for the project (an insignificant figure compared to the amount of money being poured in for infrastructure), it is nevertheless highly publicized. Increasingly, Guizhou's residents articulate a state discourse of environmental protection which situates the province as an upstream guardian for China's "mother rivers." Farmland conversion is therefore portrayed as a sacrifice for the health of the nation. At the same time, there has apparently been little to no discussion of the impact of intensified coal extraction, increased thermal plant operation, reservoir inundation and transmission line construction on Guizhou's environment. Informants were for the most part unconcerned about such impacts, stressing Guizhou's need for development while emphasizing, again, the land conversion project.

In broader political and economic terms, informants gave a picture of the province having little choice but to prioritize energy production as the only viable short-term comparative advantage, with the hope that improved management within the province would turn the external investment situation around. A loan from the World Bank to the Development Research Centre currently funds a large study on mapping Guizhou's best plan for economic restructuring and attracting external capital in value-added processing and services. Yet there was a sense of urgency in this regard, for after WTO accession informants felt that Guizhou would be at an even greater disadvantage in attracting external capital. At the same time, prices for energy and other extracted materials, to which Guizhou's income is increasingly being tied, will also see continued downward pressure as a result of the WTO. Even compared to other western regions experiencing a big state financed infrastructure push, Guizhou informants noted the province's disadvantages. As one informant put it: "Some say 'Open Up the West' is actually 'north-west development' meaning Xinjiang and Shaanxi, because the north-west features clean natural gas, whereas most of Guizhou's power still comes from dirty coal." The implication was that, from a Guizhou perspective, the centre is looking to appear environmentally friendly and so promotes the natural gas pipeline and north-west investment rather than the WEETP and Guizhou's coal mines and dams.

Clearly there has been disappointment at the investment trends of the late 1990s, and while the campaign to Open Up the West might have initially been heralded as a turning point in foreign investment, this is clearly not yet the case. It is in this context that the June 2000 Guiyang conference on the non-state sector in western development can be understood as the action of intellectuals realizing that the campaign's mega-project approach could not be relied upon for future economic sustainability. Yet at the same time, the campaign's recentralizing trend

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footnote continued

Orleans, LA (7 March, 2003). The term "state environmentalism" is used here to denote environmental management by the central government via sweeping campaigns and policies.

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has meant new constraints for Guizhou in attracting external capital. Acknowledging that there has been plenty of regional development chaos, with provinces and localities putting forth their own *ad hoc* preferential policies throughout China, the centre hopes to use the campaign to Open Up the West to unify and standardize preferential policies.[72] This has the effect of reducing the sectors eligible for special incentives, which in Guizhou's case primarily include extractive industries, particularly energy production.

Still, Guizhou officials do have a basis from which to build in positioning the province so that the private sector might pick up with new investment where the state has left off. As informants readily pointed out, most of Guizhou's new power is going to Guangdong, but there is still a significant net gain for Guizhou. One consequence is a rapid completion of the province's rural electricity grid, now covering over 80 per cent of the countryside, which will virtually eliminate local capacity problems. And Guizhou does need decent roads; something all locals recognized as an obviously fundamental step toward prosperity. "In Guizhou," one informant said, "we have a saying: 'if you want to get rich, first build a road'." While this saying could equally express the naïve assumption that infrastructure alone can solve the problem of poverty, the state's newfound commitment to investing in energy and transportation is nevertheless welcomed by all.

Moreover, the state sector is not nearly as dominant now in Guizhou as it was at the beginning of reforms. In 1979, SOEs comprised 88.5 per cent of total fixed capital investment in the province; 20 years later, that figure had dropped to 63.1 per cent.[73] And by late 2002 things even seemed to be looking up in the foreign investment area. Actually used foreign capital during the first quarter of 2002 was $11.34 million, a 360 per cent increase over the equivalent period in 2001.[74] The province had improved the investment environment by consolidating the government's services for investors, reducing bureaucratic procedures and overall state involvement in investment agreements.[75] The province has, in fact, sought to "shrink" the government by 48 per cent in an effort to induce the market to play a larger role in developing the non-state sector.

Conclusion

Guizhou has essentially adopted a neo-liberal attitude towards fostering development and modernization beyond what the centre can provide. This

72. See also Allen T. Cheng, "Developers of industrial zones face crackdown," *South China Morning Post*, 7 August 2003.

73. Zhang Kexiang, *Introduction to Western China: Guizhou Volume*, p. 235.

74. Cha Yi and Zong Shu, "Waishang touzi xibu jinru gaosu zengzhangqi" ("External investment in the western region speeds up"), *Xibu kaifa bao* (*Open Up the West News*), 7 June 2002.

75. As evidence of the improved investment environment, informants cited the arrival of three large Qingdao companies in 2001, along with several other large eastern companies, including Haier (fans and air conditioners) and Haixin (televisions), which opened plants in Guizhou in 2000.

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final observation reminds the observer of the curious ideological path that the campaign to Open Up the West has led us down. If the campaign suggests the kind of mega-project approach that emerges from and enhances a paradigm of strong central state power, then the local political landscape of discontent associated with the project is one in which the "invisible hand" of the market emerges as the local official's triumphant alternative. That Guizhou should be freed from its internal colonial shackles into the welcoming arms of international capital is a dubious liberation at best. And clearly Guizhou's officials are aware of this, for they understand the risks and hardships the region faces as China's market liberalization and WTO accession ensues.

Nevertheless, there remain strident calls for deregulation, stronger private property rights, state transparency and accountability, all of which have emerged within Guizhou since the late 1990s. Such calls remain perhaps the most potent evidence for the argument that the western development scheme is not a new project at all, just "old wine in a new bottle." More than this, though, they highlight the regional political and economic autonomy from the centre that is really at stake in the campaign to Open Up the West. After at least a decade of decentralization and market deregulation throughout China – decentralization which produced a tight fiscal squeeze for poor provinces like Guizhou – Open Up the West offers a "recentralizing" opportunity for Beijing which is not being missed, at least not in the power industry. But if Guizhou is to benefit from this, much more needs to be done than simply turning the province into a southern powerhouse for electricity-starved Guangdong. Intellectuals and cadres in Guizhou recognize this and, accordingly, pin their best hopes on private capital in response. None would call themselves "opposed" to western development or the nation-building it represents, but at the same time they remain sceptical that Guizhou's best interests are being served by the centre and find that they must take it upon themselves to fill the gap.

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