Sichuan: Driving Capitalist Development Westward*

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ABSTRACT The central government's Open Up the West campaign has failed to reach one of its primary objectives in Sichuan: to diminish the large developmental gap between poor and affluent regions. In fact, most investment flows, policy initiatives and infrastructure projects initiated under the campaign concentrate on localities in or adjacent to the Sichuan basin, therefore widening the gap between Sichuan's poor western mountain regions and affluent basin cities. Notwithstanding this deficiency, significant effects have resulted from the campaign's initiation. First, the campaign is facilitating central government approval for large-scale environmental protection and infrastructure projects, thereby quickening the national integration of Sichuan's economy and society. Secondly, it is prodding government and business leaders to ameliorate the investment climate and regulatory structure. As a result of these two effects, the campaign is accelerating processes of economic reform, urbanization and globalization already under way. It is putting in place the infrastructure for accelerated capital accumulation, thus extending capitalist development from China's seaboard towards the interior.

Over the past 25 years the development of a market economy and growing international openness generated rising income inequalities in the People's Republic of China (PRC).[1] In particular, the developmental gaps between the eastern seaboard and interior western provinces have become politically prominent. However, inequalities within provinces are considerable as well. Inside Sichuan province the large developmental gaps that exist between eastern and western regions mirror the regional inequalities in China as a whole.

Geographically, Sichuan province is split into two distinct regions. In the east lies the large Sichuan basin, covering about 40 per cent of Sichuan's total land area of 48,500 square kilometres.[2] Although several very poor regions lie in the basin's north-east, especially the areas along the Daba Mountains, most other regions of the basin are more prosperous and economically advanced than Sichuan's western mountain region, the

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1. See the contributions in Mary-Francoise Renard (ed.), *China and its Regions – Economic Growth and Reform in Chinese Provinces* (Cheltenham: Edward Elgar, 2002); as well as Wang Shougang and Hu Angang, *The Political Economy of Uneven Development: The Case of China* (Armonk, NY: M. E. Sharpe, 1999).

2. Yang Wenhua, *Sichuan yu Zhongguo xibu kaifa* (*Sichuan and the Opening of China's West*) (Chengdu: Sichuan renmin chubanshe, 2000), pp. 362–63.

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main domicile of the province's minority nationalities.[3] For instance, the average per capita GDP in Chengdu city was 14,618 *yuan* in 2001. In comparison, the average per capita GDP in the three western mountain districts of Aba, Ganzi and Liangshan in that year was 4,802 *yuan*, 3,084 *yuan* and 3,953 *yuan* respectively.[4]

Sichuan's physical features thus express to a considerable extent the province's economic and social disparities. Basin areas range in altitude from about 500 to 1,000 metres above sea level and are characterized by hills and low mountains interspersed with several plains.[5] Fertile ground, plentiful water resources, a subtropical climate and several waves of migration have over the centuries made the basin one of China's most abundant and productive agricultural areas. As a result, the Sichuan basin has become widely known as "heaven's storehouse" in China.

Among basin areas, the Chengdu plain in the basin's north-west contains some of the richest and best irrigated agricultural lands. Even more importantly, Chengdu, the provincial capital, sits in the midst of the plain. Chengdu's economic pre-eminence within Sichuan received a strong boost after the city of Chongqing was split from Sichuan and made a municipality directly under the central government in 1997. Because of Chongqing's geographical position along the upper reaches of the Chang [Yangtze] River, it constituted the province's traditional centre of commerce and heavy industry. A long-standing rivalry pitted Chengdu's political and cultural might against Chongqing's economic prowess. The formation of Chongqing municipality has put an end to this intra-provincial rivalry and focused Sichuan's attention more closely on Chengdu. The separation also eased the Sichuan provincial government's burden of managing its large population and area. In addition to the city of Chongqing, the new Chongqing municipality contains most of what formerly was Sichuan's poor and heavily populated south-eastern corner.

In contrast to the rich basin areas, the province's large western expanse is covered by rugged mountains, which form the easternmost part of the Himalayas.[6] High altitudes characterize this region with some townships at 3,000 metres above sea level and Sichuan's highest peak, Gongga Mountain, reaching 7,556 metres above sea level. Animal husbandry and forest resources form the natural economic base of these areas, most of which are geographically isolated, populated by ethnic minorities and characterized by poverty.

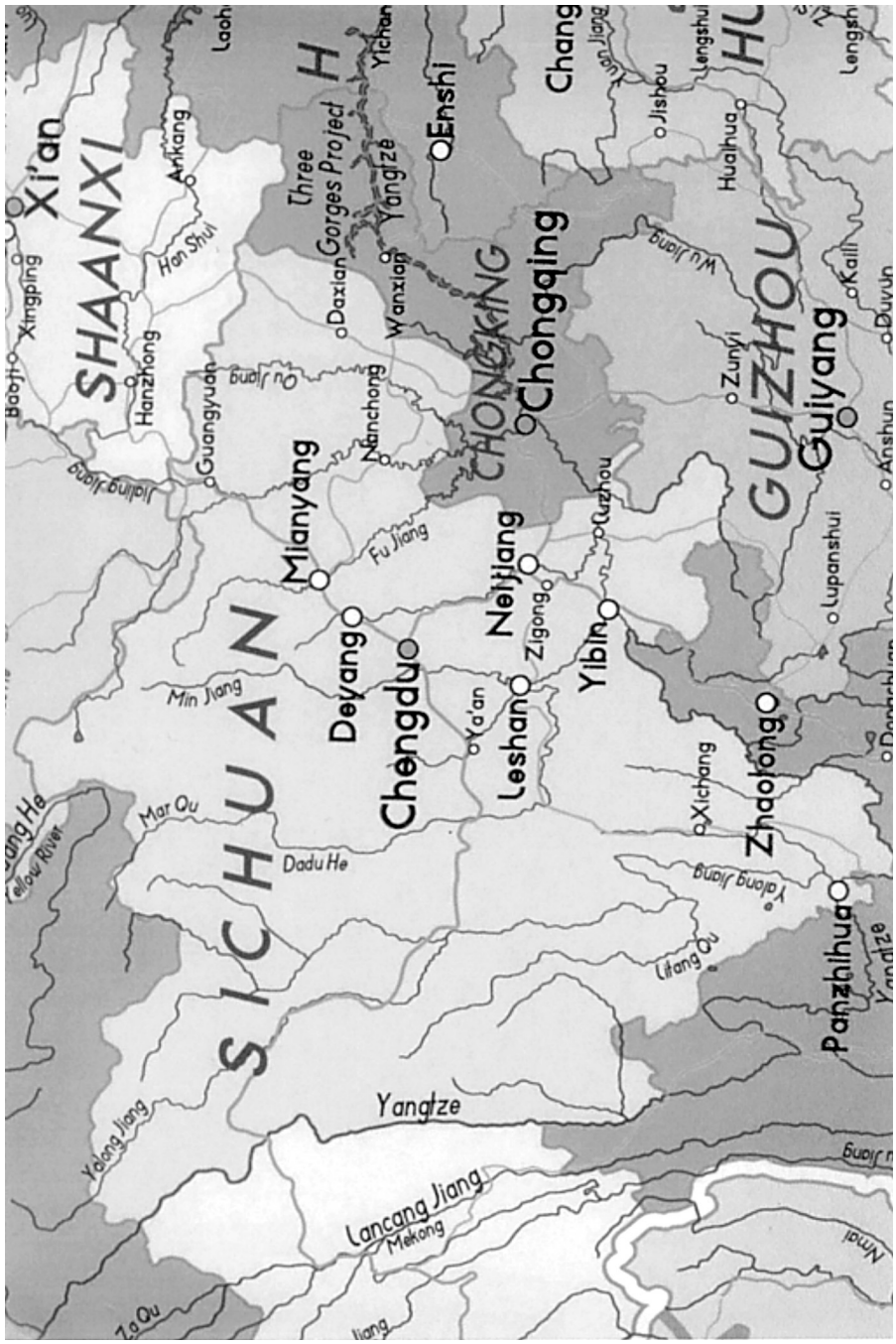
3. The per capita average income in the poor prefecture of Bazhong in Sichuan's north-east stood at 2,466 *yuan* in 2001, lower than the per capita incomes in the western mountain regions. Figure calculated from *Lingdao ganbu jingji gongzuo shouce* (*Leading Cadre's Economic Handbook*) (Chengdu: Zhonggong Sichuan shengwei bangongting and Sichuan sheng tongjiju, 2002), p. 117.

4. Figures from *ibid*. p. 117.

5. For more detailed data on the physical characteristics of Sichuan see *Sichuan nianjian 2000* (*Sichuan Yearbook 2000*) (Chengdu: Sichuan nianjian chubanshe, 2000), pp. 10–13 and 20–21.

6. The western half of Sichuan was not incorporated into the province until 1955. Mountainous regions mainly populated by ethnic minority peoples, especially the Kham Tibetans, in the west were joined with communities populated predominantly by Han Chinese in the low-lying Sichuan basin in the east.

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Map: 1: **Sichuan Province**

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Tucked away in Sichuan's south-western corner lies an exception to the provincial east–west income differential, the city of Panzhihua. Although the city's landscape is mountainous, rich endowments of mining resources and heavy state investments since the 1960s have transformed it into a heavy industrial base. The per capita GDP of Panzhihua stood at 11,941 *yuan* in 2001, second only to Chengdu in Sichuan province.[7]

Since Sichuan's internal regional disparities mirror China's east–west gap quite closely, the province can serve as a fruitful setting to analyse the intents and consequences of the central government's Open Up the West campaign. However, analysis is complicated since so far policy statements pertaining to the campaign have espoused different emphases. Moreover, the exact effects of the campaign remain difficult to discern because its objectives and execution interact with other recent policy initiatives. For instance, the Three Gorges Project, the splitting of Chongqing municipality from Sichuan province and China's entry into the World Trade Organization (WTO) are all influencing the development prospects of Sichuan in combination with initiatives sponsored directly by the campaign.

Despite these inherent difficulties in analysing the campaign's effects, several consequences have resulted from its initiation in Sichuan. First, the campaign has facilitated central government approval of large-scale infrastructure and environmental protection projects. As a result, Sichuan's physical infrastructure is developing rapidly, quickening the national integration of the province's economy and society. In addition, the campaign has raised Sichuan's political stature. The province is the largest in China's west in terms of population and economic output. With the campaign's emphasis on ecological protection, Sichuan has also been able to leverage its central location along the upper reaches of the Chang River. Finally, the campaign to Open Up the West in combination with China's WTO entry are raising the awareness among Sichuan's government and business leaders of the province's national and international competitive position. Greater efforts to improve Sichuan's investment climate and regulatory structure are the result of this psychological change.

In the end, the Open Up the West campaign is pushing the structural transformations that are already gripping coastal provinces westward. The infrastructure for accelerated capital accumulation is being put in place, including political and economic support by the state for market forces, property rights and private holders of capital. The Open Up the West campaign thus forms part of a dynamic that is extending capitalist development from China's seaboard towards the interior.[8]

Notwithstanding these tangible and intangible effects, the campaign has so far failed to reach one of its supposed objectives – to narrow large

7. Figure calculated from *Leading Cadre's Economic Handbook*, p. 117.

8. For a detailed conceptualization of capitalist development see Robert L. Heilbronner, *The Nature and Logic of Capitalism* (New York & London: W. W. Norton, 1985).

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developmental gaps. Although local GDP growth rates for Sichuan's mountainous and poor regions accelerated after 2000, most investment flows, policy initiatives and infrastructure projects concentrate on localities in or adjacent to the Sichuan basin. Income and development differentials are thus continuing to increase, widening the gap between Sichuan's affluent basin cities and their poor mountain cousins.

The History and Outlook of Sichuan Province

As the mysterious archaeological findings at Sanxingdui attest, the Sichuan basin contained civilizations long before large-scale migration from China's Huang [Yellow] River Valley occurred. Initial migration into Sichuan began around the fifth century BC and accelerated after Emperor Qin defeated the kingdom of Bashu. After the third century AD Sichuan became China's main grain producer. Several centuries later, during the Tang Dynasty, Chengdu emerged as the political, cultural and economic centre of China's south-west. Chengdu retains this position up to the present, having become renowned for cultural refinement. However, after the Tang Dynasty Sichuan's role in China's development declined. This was both a function of China's politico-economic centre moving eastwards and of Sichuan's geographical remoteness. After all, Sichuan is surrounded by what were in ancient times almost impassable mountains, lending the basin an air of mystery and autonomy from the rest of China.[9]

In the early decades of the Qing Dynasty another major wave of migration into Sichuan occurred under the "fill Sichuan by migration" policy.[10] Agricultural, handicraft and commercial knowledge was transferred from China's east, spurring economic growth in Sichuan. Nevertheless, Sichuan's economy remained far less developed than those of its counterparts along the coast in the late 19th and early 20th centuries. The difficulties of communicating with and within the province were daunting. Only a few poor highways existed with most trade and travel restricted to the river systems.[11]

In the 1930s the move of the Republican government west to avoid invading Japanese forces triggered the first upsurge of industrialization in Sichuan. Chongqing became the Republican government's administrative centre after 1937, generating substantial infrastructure investments and making Sichuan the focal point of policies to move the east's industrial base west.[12] However, most of the industry that had entered Sichuan with the Republican government was destroyed or decayed during the Civil War.[13]

9. For an illustration of how early European visitors perceived Sichuan see Alexander Hosie, *Three Years in Western China* (London, George Philip & Son, 1890); and *Szechwan, Its Products, Industries and Resources* (Shanghai: Kelly & Walsh, 1922).

10. See Yang Wenhua, *Sichuan and the Opening of China's West*, pp. 44–47.

11. See David S. G. Goodman, *Centre and Province in the People's Republic of China – Sichuan and Guizhou, 1955–1965* (Cambridge: Cambridge University Press, 1986), pp. 26–33.

12. For the extent of industrial relocation into Sichuan during this period see Yang Wenhua, *Sichuan and the Opening of China's West*, pp. 151–157.

13. Goodman, *Centre and Province*, p. 41.

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After the founding of the PRC in 1949 the central government set out to restore agricultural output, modernize existing industries, start new enterprises and develop Sichuan's transport system. Although these efforts led to economic recovery, the biggest push towards industrialization occurred a decade later. Fearing a Soviet invasion from the north and an American invasion from the south and east, Chairman Mao launched in the 1960s China's most ambitious project to relocate heavy industry westward: the Third Front Construction Project.

In Sichuan this policy ameliorated the province's technological and scientific base and improved physical infrastructure, especially by laying a cross-provincial railway network in China's south-west. The Third Front also triggered major efforts to explore Sichuan's natural resources, particularly metals and natural gas, which was followed by the establishment of heavy industries, most notably the large-scale steel complex in Panzhihua. As a result of the Third Front's policies, Sichuan experienced increases in human and physical capital and the spread of industry from the province's traditional industrial base in Chongqing to Chengdu, Deyang, Mianyang and several mountain counties.[14] However, the Third Front created major problems for the future of Sichuan's industrial development. Some industrial complexes were located in extremely remote areas, complicating their access to major markets and hindering technological spillover effects. In addition, the highly centralized fashion and urgency with which projects were implemented led to poor design and construction.[15]

As Deng Xiaoping initiated China's economic reforms in 1978, the province stood at the forefront of experimentation with new institutions. Sichuan was the first province to begin abolishing collective agriculture and to start state-owned enterprise reforms. In the mid-1980s it was also one of the first provinces to experiment with converting state firms into joint stock corporations. In fact, by 1999 Sichuan was the province with the third highest number of enterprises listed on China's stock markets, trailing only Shanghai and Guangdong.[16]

Economic reforms brought considerable progress to Sichuan. From 1978 to 1998 provincial GDP grew by an average of 9.3 per cent per annum.[17] Concurrently, the province's economic structure underwent a major transformation. The ratio of primary to secondary to tertiary industry shifted from 45:35:20 in 1978 to 25:42:33 in 1999, signifying that Sichuan moved away from a predominantly agricultural economy and experienced substantial growth in industry and services.[18] In addition,

14. See, for example, the declining relative importance of Chongqing's industry after 1950 noted by Lijian Hong's article in this volume.

15. See Barry Naughton, "The Third Front: defence industrialization in the Chinese interior," *The China Quarterly*, No. 115 (September 1988).

16. Zhou Yongkang, "Tan xin de kuayue" ("To discuss the new step forward"), in Tang Gongshao, Xiao Shaoqiou, Wang Chuan and Wu Yaohua (eds.), *Xibu da kaifa zhanlüe zhinan* (*A Strategic Guide to Great Western Development*) (Chengdu: Xinan caizheng daxue chubanshe, 2000), p. 138.

17. *Ibid*. p. 139.

18. Zhang Zhongwei, "Guahao jigou da tiaozheng, zujin jingji xin kuayue" ("Emphasize large restructuring, accelerate the economy's new step forward") in Tang Gongshao *et al*., *A Strategic Guide*, p. 152.

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the 1990s saw the construction of several major infrastructure projects, including 750 kilometres of expressway, the Ertan Dam, and the electrification and expansion of rail networks.

Despite these advances, Sichuan fell behind. In 1978 Sichuan's per capita income was 262 *yuan*, 117 *yuan* less than the national average. In 1999, the province's per capita income was 4,450 *yuan*, 2,095 *yuan* less than the national average.[19] This growing gap was generated by annual growth rates that were lower than the national average of 9.76 per cent between 1978 and 1998. Sichuan's growth even lagged behind that of several western provinces during this period.[20] As a result, it descended from being China's sixth largest provincial economy in 1978 to being its tenth largest in 2000.[21]

A number of phenomena reflect Sichuan's falling behind. First, as the third largest Chinese province in terms of population, it became during the 1990s an important market for firms from China's east. However, Sichuanese companies had in the main little success in establishing major Chinese brand names and increasing their national and international competitiveness.[22] In addition, Sichuan attracted only US$5.8 billion in foreign investment between 1978 and 1998, a mere 1.43 per cent of total foreign investment in China during that period.[23]

Secondly, although Sichuan has been the recipient of migrants throughout China's history, in the reform period the province faced increasing population pressures. Especially in the rural areas of the Sichuan basin, where most of the province's population resides, agricultural reforms and technological advances created a large rural surplus population.[24] Consequently, Sichuan became the largest source of China's trans-provincial floating population. In 2001 it accounted for 16.4 per cent of all recorded provincial population outflows, or 6.96 million trans-provincial migrants.[25]

Thirdly, continued mismanagement of natural resources caused rapid environmental degradation and lower productivity. Environmental problems are especially pronounced in the mountain areas of Sichuan's west. For instance, overgrazing has affected the large area of high altitude grasslands in north-west Sichuan. Animal husbandry in these areas has

19. Zhou Yongkang, "To discuss the new step forward," p. 139.

20. Sichuan's provincial GDP growth rates between 1978 and 1998 lagged behind those in Shaanxi, Yunnan, Chongqing and Xinjiang, putting Sichuan at fifth place among ten western provinces (excluding Guangxi and Inner Mongolia) in terms of GDP growth. See *ibid*. p. 139.

21. *Ibid*. p. 139.

22. Yang Wenhua, *Sichuan and the Opening of China's West*, p. 365. There are some exceptions, though, such as Sichuan's famous rice wines, the privately held Hope Group and East Hope Group, and the television producer Changhong.

23. Zhou Yongkang, "To discuss the new step forward," p. 143.

24. Only 6.7% of Sichuan's population lives in the three districts of the western mountain regions. The rest is concentrated in the Sichuan basin and its adjacent hills and low mountains. On the whole, almost 80% of Sichuan's 86.4 million people are considered rural residents. See *Leading Cadre's Economic Handbook*, pp. 36 and 117.

25. "China's floating population over 120 million – State Statistics Bureau," in BBC Monitoring Asia Pacific (Political), London, 9 October 2002.

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been 30 per cent above the capacity that the grasslands can sustain, leading to droughts, high winds and desertification.[26]

Finally, as a result of the Third Front's legacy Sichuan suffers from acute difficulties in transforming its state sector. The restructuring of state firms has been especially difficult because of persisting bureaucratic and local interests.[27] In some cases state firms are located in remote areas where the majority of the local populace depends on them for survival. As a result, closures and lay-offs can create severe social stress. In other instances state firms and national research centres fall under the supervision of the People's Liberation Army, complicating the task of using the province's respectable research and development base to produce commercially viable products.[28] The restructuring of state firms has also been made difficult by a lack of preferential central policies, which have benefited many regions along China's eastern seaboard.

In sum, Sichuan experienced respectable growth during the 1978–99 period, triggering changes in economic structure and productivity. Nevertheless, the province fell behind in the national growth league, widening the gap between it and the eastern seaboard. Already in the mid-1980s this triggered efforts by Sichuan and other provinces in China's southwest to establish an informal alliance that called attention to the disadvantages faced by interior regions because of the centre's priority of coastal development.[29] The situation improved little over the ensuing years and in early 2000 Sichuan's provincial Party secretary, Zhou Yongkang, put it blatantly: "Not to develop is to become backward. Even to develop slowly is to become backward."[30] In fact, by the late 1990s many felt that Sichuan suffered from the malaise of an inward looking "basin mentality" looking "basin mentality" and blamed this for the complacency exhibited by many Sichuanese when faced with the province's falling behind.[31]

The Objectives of the Open Up the West Campaign in Sichuan

As stated in the Tenth Five-year Plan, the overarching objective of the campaign to Open up the West is to recalibrate the development policies of the PRC by emphasizing interior and western regions. In this manner, the gap in economic performance between western and eastern areas should be addressed, diminishing or even turning around the trend

26. Xiao Jianbing, "Ruo'ergai da caoyuan – huangmohua zhili ke bu ronghuan" ("The Ruo'ergai grasslands – the management of desertification cannot wait"), *Sichuan jingji ribao* (*Sichuan Economic Daily*), 18 April 2002, p. B1.

27. Yang Wenhua, *Sichuan and the Opening of China's West*, p. 365.

28. Informant 28. For this research project 45 interviews with government officials, academics, managers and professionals during the period June–July 2002 were conducted. The interviews were held in Mandarin in a semi-structured format. Informants were assured of confidentiality.

29. This alliance was termed the "Research forum for the strategy to Open Up the South-west." See Hong Lijian, "Sichuan: disadvantage and mismanagement in the Heavenly Kingdom," in David S. G. Goodman (ed.), *China's Provinces in Reform: Class, Community and Political Culture* (London & New York, Routledge, 1997), pp. 199–236.

30. Zhou Yongkang, "To discuss the new step forward," p. 139. Translation provided by author.

31. Informants 12 and 41. See also Yang Wenhua, *Sichuan and the Opening of China's West*, p. 365; and Zhou Yongkang, "To discuss the new step forward," p. 143.

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towards increasing regional inequalities. Additionally, statements by government officials and analysts elucidate how the campaign aims to foster the larger projects of state-building, nation-building and national integration.[32]

As a result of these different emphases, the campaign encompasses a wide range of development policies, ranging from mainstream efforts to ameliorate physical infrastructure to endeavours to manage human resources better and improve the rule of law.[33] The overall thrust of the campaign is perhaps best understood as a holistic attempt to ameliorate the economic, social, political and ecological conditions in China's west.[34] This has meant that the campaign provides little in terms of a focused action plan, although certain aspects have become more clearly delineated over time. Moreover, the policy agenda is shifting, with various competing interests putting forward their idiosyncratic interpretations.

One of the more comprehensive and early views that captures the overall thrust of the campaign was made by Premier Zhu Rongji during the spring of 2000. He stressed five basic objectives: to accelerate the development of infrastructure; to strengthen environmental protection; to adjust the structure of production actively; to develop technology and education; and to accelerate reform and opening up.[35] These five objectives were later incorporated into the "overall plan of western region development during the Tenth Five-Year Plan period" completed in February 2002.[36] This plan also incorporates two additional objectives: to promote the process of urbanization; and to reduce rural poverty and regional income disparities.

Sichuan's provincial leaders have quite enthusiastically embraced the opportunities provided by the campaign to accelerate their province's economic growth and reforms. In early 2000 the provincial Party secretary suggested that for Sichuan "to realize the process of catching up" it will need to take "a big stride forward in development."[37] This means that in the period 2000–2005 Sichuan's GDP will need to grow at a minimum of 8 per cent per annum and then accelerate in the period 2005–2010 to at least 10 per cent per annum.[38] Put differently, Sichuan's

32. See David S. G. Goodman, "The politics of the west: equality, nation-building and colonization," in *Provincial China*, Vol. 7, No. 2 (October 2002), pp. 127–150; and Hongyi Harry Lai, "China's western development program," *Modern China*, Vol. 28, No. 4 (October 2002), pp. 432–466.

33. For an illustration of the wide range of statements made by central government leaders up until mid-2000 see Tang Gongshao *et al*., *A Strategic Guide*, pp. 2–77.

34. As Heike Holbig puts it in this volume, the Open Up the West campaign can be identified as a " 'soft policy' – a fragmented cluster of diverse agendas, sometimes competing, but not necessarily contradictory as they appeal to different actors and are promoted in parallel."

35. See Tang Rong'an and Li Yongtai, *Xibu da kaifa: xibu de ziyuan, huanjing, zhengce yu jiyu* (*Great Western Development: The West's Resources, Environment, Policies, and Opportunity*) (Haikou: Nanfang chubanshe, 2000), pp. 109–113.

36. For the official English version see http://www.chinawest.gov.cn/english/asp/start.asp?id = b.

37. Zhou Yongkang, "To discuss the new step forward," pp. 140–41. See also Yang Wenhua, *Sichuan and the Opening of China's West*, p. 364. Translation provided by author.

38. Zhang Zhongwei, "Emphasize large restructuring," p. 153.

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growth rates are intended to surpass the national average, allowing the province's average per capita income to reach the nation's average by 2010.[39]

Accelerated growth will also necessitate far-reaching structural changes. The ratio of primary to secondary to tertiary industry in Sichuan will need to shift from 25:42:33 in 2000 to 15:45:40 in 2010, signifying that the province has to hasten the growth of industry and services further. Perhaps more importantly, the provincial leadership envisages large increases in the contribution of the non-state sector to economic output.[40] Ultimately, provincial leaders have put forward the following slogan to express their objectives for Sichuan under the Open Up the West campaign. Sichuan should become "the economic powerhouse of China's west and a bulwark for environmental protection along the upper reaches of the Chang River."[41]

The enthusiastic reaction of Sichuan's leaders can be explained by several factors. First, Sichuan is strategically placed to benefit from the Open Up the West campaign. The province straddles the border delineating areas populated predominantly by Han Chinese and those populated by ethnic minorities. Social policies and infrastructure spending to hasten the integration of minorities is therefore likely to carry some benefits for Sichuan. A similar situation applies to environmental protection and power generation. The province's pivotal position along the upper reaches of the Chang River makes it easier to gain central approval for ecological and power generation projects. Finally, Sichuan is the largest western province in terms of population and economic output. Its potential to become the economic centre of China's west is enticing.

A second factor relates to the political dynamics shaping central–provincial relations in China. Sichuan has traditionally possessed a substantial degree of provincial autonomy. However, throughout history the reach of China's central authority could temper this autonomy.[42] In the case of the campaign to Open Up the West it seems that the provincial leadership has followed central directives and policy statements closely, even attempting to go beyond the centre's intents by declaring that Sichuan will undertake "a big stride forward in development." The eagerness exhibited by Sichuan's leadership, especially by its Party secretary Zhou Yongkang, seems to have paid off: Zhou became a full member of the Politburo after the 16th Party Congress in November 2002 and Minister of Public Security. The dynamic whereby provincial leadership positions have become the prime platforms for launching careers in China's Politburo is likely to have spurred the enthusiasm of Sichuan's leaders.[43]

39. "Zhonggong Sichuan shengwei, Sichuan renmin zhengfu guanyu zhuazhu xibu da kaifa jiyu, jiakuai fazhan de yijian" ("Opinions by the Sichuan Party Committee and Sichuan People's Government on taking the opportunity of great western development to accelerate development") in Tang Gongshao *et al*., *A Strategic Guide*, p. 167.

40. Zhang Zhongwei, "Emphasize large restructuring," p. 154.

41. Zhou Yongkang, "To discuss the new step forward," p. 140.

42. See Goodman, *Centre and Province*, p. 32.

43. See Cheng Li, "A landslide victory for provincial leaders," in *China Leader Monitor*, No. 5 (Winter 2003). For an illustration of a similar dynamic during the Mao era see David S. G. Goodman, "Li Jingquan and the southwest region, 1958–1966: the life and 'crimes' of a 'local emperor'," *The China Quarterly*, No. 81 (March 1980), pp. 66–96.

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Clearly, Sichuan's leverage in gaining benefits from the Open Up the West campaign is quite high if compared to most of the other provincial-level jurisdictions in China's west. Sichuan's size and economic weight, its strategic position straddling minority areas and the ecologically fragile upper reaches of the Chang, as well as the relatively close personal relations of its leaders with Beijing have all interacted with the campaign to increase its political status. In turn, the potential benefits that can be derived from Sichuan's increased national stature seem to have prodded provincial leaders to follow central policy directions quite closely. Nevertheless, detailed policy implementation contains interesting responses and variations to central dictates. The following provides an overview of the policy responses produced by the campaign in Sichuan.[44]

Infrastructure. The development of infrastructure in Sichuan will primarily focus on the construction of roads. With Chengdu at its centre Sichuan's expressway network will be expanded to about 2,000 kilometres in length by the end of 2005.[45] This includes the building of the ambitious 8.8 billion *yuan* Xichang to Panzhihua expressway, funded in part by Asian Development Bank loans.[46] Building on this, the "communication" project consists of nine major highways that will connect Sichuan with adjacent provinces, while the "network" project aims to link all the province's administrative centres with each other. Finally, the "connecting villages" project attempts to provide 99 per cent of all villages with road connections.

Besides roads, the province will complete the electrification of major railways and build a high-speed railway between Chongqing and Suining, thus speeding up rail travel from Chengdu to Chongqing. New airports will be built in Panzhihua and around the important tourist area of Jiuzhaigou. Other infrastructure projects include the expansion of river harbours, especially in Yibin, and the development of Sichuan's electricity, natural gas, water and information networks.

Environmental protection. Key environmental protection policies actually preceded the initiation of the Open Up the West campaign. After the devastating floods along the Chang in 1998, policies to expand and protect forests and grasslands were rapidly implemented in China. These efforts were then incorporated into the campaign and continue in Sichuan. In fact, with 600 million tons of silt flowing into the upper reaches of the Chang and its tributaries in Sichuan each year, the province is able to use its geographical position for leverage. As one informant put it, Sichuan

44. Unless otherwise noted the following builds on "Opinions by the Sichuan Party Committee and Sichuan People's Government," pp. 168–181; Zhang Zhongwei, "Emphasize large restructuring," pp. 153–164; Yang Wenhua, *Sichuan and the Opening of China's West*, pp. 364–371; Tang Rong'an and Li Yongtai, *Great Western Development*, pp. 76–78; and informants 8, 28, 31, 32 and 41.

45. "China's longest expressway encircling city operational," *Renmin ribao* (*People's Daily*), 17 December 2001 at http://english.peopledaily.com.cn/200112/16/eng20011216_86815.shtml.

46. "Sichuan begins construction of U$1 billion expressway," *Renmin ribao*, 17 December 2002 at http://english.peopledaily.com.cn/200212/17/eng20021217_108576.shtml.

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should not even expend efforts to lobby the central government for backing the construction of two huge dams upstream of Yibin city along the Chang. These dams will have to be built anyway to stop the rapid silting of the Three Gorges Reservoir.[47]

Principally, Sichuan's goal is to diminish the amount of silt flowing into the Chang by 50 per cent within ten years and to increase the area covered by forests to 30 per cent of the province's total area. Three projects are being implemented to reach this goal. First, the "natural forest resources protection project" has put a stop to most logging activities. Consequently, its main goal is to step up the protection of 19.23 million hectares of existing forest and plant 2.93 million hectares of new forest. Secondly, the "reverting agricultural land to forest and grassland project" seeks to stop agricultural activities along steep slopes by compensating farmers for giving up land and putting them in charge of planting trees and grass. Finally, the "living environment overall management project" attempts directly to prevent the flow of silt into waterways by implementing protective measures along steep eroded slopes bordering rivers.

Adjusting the structure of production. This policy objective seeks to adjust production according to Sichuan's comparative advantage and thereby increase the province's national and international competitiveness. Since Sichuan's economy has a very broad base, with agriculture, mining and industry all making significant contributions, efforts are far reaching. Some of the major goals are to increase the output of animal husbandry, commercialize agriculture, and boost the importance of services with a special emphasis on tourism development.

In industry the major objective is to use Sichuan's advantage in natural resources to establish a competitive edge. For instance, because of an abundance of Chinese medicinal herbs, the government will emphasize the development and commercialization of Chinese medicines. Another sector that will receive greater attention is the foods and drinks industry, especially Sichuan's famous wines, tea, and "green" health products. Finally, perhaps the greatest emphasis will be put on the development of electricity generation. With its large rivers and mountainous terrain Sichuan possesses approximately one-quarter of China's exploitable hydropower resources. The province intends to become China's base of hydroelectricity by building a series of large-scale hydroelectric stations and exporting electricity to eastern provinces under the "west–east electricity transfer project."

In addition, Sichuan will utilize the fact that it is by far the largest market in China's west (accounting for a quarter of the consumption of the 12 western provinces) to become south-western China's centre for commerce, technology, finance, transportation and telecommunications. Sichuan will also try to use its market size to attract much larger amounts of capital, skills and technology from China's eastern seaboard and abroad.

47. Informant 28. Taken together the generating capacity of these two dams will even exceed that of the Three Gorges Dam.

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Technology, education and human resources. To encourage the development of a provincial high technology base, increased support will be given to the Chengdu New and High Technology Zone and the newer Mianyang Technology City. Concurrently, the reform of the province's technology management structure will be accelerated. The goal is rapidly to increase the contribution of high technology enterprises to provincial GDP growth.

In education Sichuan will expand college education to reach 15 per cent of an age cohort and transform six universities into national first-rate universities. A similarly important initiative called the "ten-year plan to develop education in minority areas" aims to raise 300 million *yuan* each year to invest in schools located in Sichuan's three mountainous districts. The plan includes harnessing private investments to expand educational resources and the pairing of schools in nine affluent basin cities with schools in poor minority areas.[48]

To manage human resources better, Sichuan will use preferential policies to attract new talent to the province. Over the past 20 years Sichuan has suffered from a continuous outflow of talent. Therefore, one major goal is the implementation of policies that allow investors, entrepreneurs and technically qualified workers to come to Sichuan for employment or investment without giving up the residency rights they acquired in eastern provinces. Another initiative focuses on providing better housing, compensation and lucrative bonuses to researchers developing commercially viable technologies.

Reform and opening up. These policies are intended to reinforce a host of reforms being implemented concurrently with the calls to Open Up the West. Foremost among these are efforts to implement modern corporate systems in state-owned enterprises, to streamline government administrative functions and to manage China's entry into the WTO. Several reform initiatives also aim to strengthen Sichuan's private sector by providing better access to government agencies and markets. The overall focus is on ameliorating the province's investment climate, both for foreign and domestic investors, with the goal of reaching double digit increases in foreign investment and exports per year.

In addition to these five policy areas, documents also mention urbanization and agricultural reforms, though generally not in direct relation to Sichuan's implementation of the campaign to Open Up the West.[49] With regards to urbanization, Sichuan aims to accelerate the growth of cities to attain at least a 30 per cent rate of urbanization in 2010. In particular, emphasis will be put on furthering the development of medium- and

48. "Sichuan sheng shishi xibu dakaifa zhanlüe san nian chengxiao xianzhe" ("Sichuan's three-year implementation of the western development strategy shows progress"), Sichuan sheng fazhan jihua weiyuanhui (Sichuan Development and Planning Commission), 25 November 2002 at http://info.sc.cei.gov.cn/jw/index.asp.

49. See "Zhang Zhongwei suozuo "zhengfu gongzuo baogao" zhaiyao" ("Excerpts from Zhang Zhongwei's government work report"), *Sichuan ribao* (*Sichuan Daily*), 14 January 2003, p. 1.

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small-sized cities. For instance, the city of Yibin situated on the banks of the Chang River is projected to have a large increase in population, allowing it to become an urban industrial centre driving southern Sichuan's development. Perhaps most significantly, the Sichuan government aims gradually to reform the residency system to allow increasing numbers of rural labourers to move to cities permanently and legally. Poverty alleviation emphasizes efforts to increase the net income of farmers, who form the majority of Sichuan's poor. One method is to accelerate the commercialization of agriculture, especially by nurturing private intermediary companies that can provide technological inputs and help farmers bring their products to markets.

Besides these objectives, the provincial Party establishment also stresses a political facet of implementing the campaign: ensuring continued social stability.[50] Four points are emphasized in particular: the improvement of living conditions in minority areas; the alleviation of the financial burdens of farmers; the strengthening of social security reforms; and the reinforcement of efforts to diminish crime. Geographically, major efforts focus on infrastructure projects that integrate mountainous areas more closely with cities in the Sichuan basin, thus accelerating the development of commerce, technology and tourism in the ethnic minority areas of Sichuan's west. This effort primarily encompasses the construction of a 4,397-kilometre highway network linking townships in Sichuan's three mountainous districts with the Sichuan basin.[51] Mostly funded by central revenues, this project reflects the objectives of nation-building and state-building by the Open Up the West campaign in Sichuan. The fear exists that if minority nationalities are not given better chances for economic development (in this case by establishing better infrastructure), then social harmony, political stability and national security could be imperilled. Better infrastructure can also extend the reach of the state, thus providing Chengdu with better control over Sichuan's mountain regions.

To sum up, the campaign's intents in Sichuan reflect a potpourri of development priorities, some new, some old. The general picture is one of attempting to accelerate the province's economic development rapidly by utilizing Sichuan's market size, human talent and physical resources, although without sacrificing social stability and environmental protection in the process. The campaign's overall thrust is therefore to establish the infrastructure for accelerated capital accumulation by strengthening state capacity, market penetration and the opportunities provided to private capital holders. The next section attempts to analyse to what extent these objectives of the campaign are being met.

Consequences of the Open Up the West Campaign in Sichuan

At this point, it is difficult to gauge the underlying impact and viability

50. "Opinions by the Sichuan Party Committee and Sichuan People's Government," pp. 178–79.

51. "China building highway network to connect ethnic minority areas," *Renmin ribao*, 16 November 2002 at http://english.peopledaily.com.cn/200211/26/eng20021126_107450.shtml.

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of the campaign in Sichuan, especially since the campaign has a time horizon reaching far into the future. GDP growth in Sichuan accelerated from 9 per cent per annum in 2000 to 9.2 per cent and 10.6 per cent in 2001 and 2002 respectively.[52] Actual used foreign capital increased in 2001 by 15 per cent, but then decreased in the year 2002 by three percentage points. Foreign trade registered a small 3 per cent increase in 2000, and then substantial 23 and 44 per cent increases in 2001 and 2002 respectively.[53] China's entry into the WTO, however, might account for a greater share of these increases than the Open Up the West campaign. Statistical indicators thus present a rather mixed picture.

Perhaps the most pronounced effect of the campaign so far has been an acceleration of infrastructure development. After the initiation of the campaign, the central government announced that it intended to increase the ratio of revenue returned to western provinces. This means that instead of returning around 30 per cent of total revenue raised, the centre will return up to 50 per cent.[54] Clearly, this is providing provincial governments in the west with greater investment resources, most of which is flowing into infrastructure.

In addition, the State Planning and Development Commission stipulated in early 2000 that around two-thirds of central infrastructure investment should flow to western regions.[55] As a result, a higher proportion of the proceeds from state bond sales and state development bank lending are reaching western areas. For instance, the State Development Bank reached an agreement with the Sichuan provincial government in early 2000 to extend loans worth 53 billion *yuan* for investment in Sichuan's transportation, communications, high technology and urban infrastructure.[56]

However, while central fund allocations to Sichuan have increased, they still only form a small percentage of overall infrastructure investment. For example, between 1998 and June 2002 about 4.045 billion *yuan* in state bonds were invested in infrastructure projects in Chengdu city, providing seed funds for a total of 35.024 billion *yuan* in infrastructure investment.[57] This indicates that state bonds merely covered 11.5 per cent of total investments. Indeed, large infrastructure projects in Sichuan tend to be mostly financed by provincial means.[58] The direct financial contribution of the central government is limited.

Nevertheless, the allocation of central funds to a large infrastructure project sends a signal that the central government supports that particular

52. National Bureau of Statistics of China, *China Statistical Yearbook 2003* (Beijing: China Statistics Press, 2003), table 3–8.
53. Sichuan Statistical Bureau, *Sichuan tongji nianjian 2003* (*Sichuan Statistical Yearbook 2003*) (Beijing: Zhongguo tongji chubanshe, 2003), table 16–1.
54. Tang Rong'an and Li Yongtai, *Great Western Development*, p. 92.
55. *Ibid*. p. 92
56. *Ibid*. p. 96.
57. Informant 29.
58. Informant 12. This includes funds from the Sichuan branches of the large four state banks, lending from local commercial banks, and investments by private and institutional holders of capital in Sichuan.

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project, facilitating financing from other sources. As several informants noted, the most significant effect of the initiation of the campaign has not been an increase in direct financial transfers from the central government. Rather, it has just become a lot easier for Sichuan to gain central approval for large infrastructure projects and to obtain a limited amount of centrally allocated seed funds.[59] This situation indicates that Sichuan is better endowed with local financial resources than several of the poorer provincial-level jurisdictions in China's west.[60] It also reflects that Sichuan's increased national political stature under the Open Up the West campaign has broadened the provincial leadership's leeway for initiating large infrastructure projects.

The Zipingpu reservoir is a case in point. The provincial and Chengdu city governments had during the 1990s lobbied the central government for approval of this large project, but without success. Situated just upstream along the Min River from Dujiangyan, the project aims to deliver improved flood controls for the Chengdu plain, increase electricity generation and provide a means to flush out pollution along rivers surrounding Chengdu. Some doubts persisted at the central level about the necessity of this project, but after the initiation of the campaign it was rapidly approved in 2000.[61]

The Zipingpu reservoir expresses another important facet of the implementation of the campaign in Sichuan. Many large infrastructure projects commenced so far either benefit the Chengdu plain or the mountainous regions immediately surrounding it.[62] Sichuan's expressway network chiefly radiates from Chengdu, while several of the most important highway projects are located along the routes crossing mountain passes from Chengdu heading west. Concurrently, most new tourist attractions being developed are located in mountains close to the Chengdu plain.[63]

Wenchuan county is located just upstream from the Zipingpu reservoir and is the first county reached from Chengdu in the mountainous Aba Autonomous District. Tibetans and the Qiang form the main minorities in Aba, of which Wenchuan is the largest county in terms of population though the smallest in terms of area. Since one of the campaign's intents in Sichuan is to integrate mountainous areas more closely with Chengdu, Wenchuan county offers an ideal setting to analyse some of the initial effects of the campaign on the local level.

Although investment and economic activity have increased in Wenchuan since 2000, the campaign's policies have created considerable costs as well.[64] For instance, Wenchuan completed in 2001 the restructur-

59. Informants 12, 28, 31, 32 and 44.

60. Qinghai's situation certainly illustrates this difference. See David S.G. Goodman's article in this volume; and Joseph Y. S. Cheng, "Qinghai's economic development strategy," *Issues and Studies*, Vol. 39, No. 2 (June 2003), pp. 189–218.

61. Informants 31 and 32.

62. Informants 15, 28 and 32.

63. Informant 15.

64. The following builds on a series of interviews with officials in the Aba region as well as entrepreneurs and academics familiar with the region. Informants 15, 18, 19, 20, 21 and 28.

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ing and privatization of its industry with the effect that no state shares remain in the county's firms. Nevertheless, many firms are in dire financial straits. About half of Wenchuan's industry continues to lose money. Even worse, about 20 per cent of industry is polluting and will have to move, close down or install expensive pollution treatment equipment once the Zipingpu reservoir fills up in 2004. Since banks are unwilling to lend money to firms that lose money and are polluting, prospects are bleak. Making matters worse, the campaign has offered little in terms of preferential policies or direct financial support for industrial restructuring in Sichuan. As a government official put it: "Nobody wants these firms. They have bad market conditions, no real economies of scale and are polluting. The government will be left with a large social burden in a few years time."[65]

Besides industrial restructuring, environmental protection policies are creating the greatest costs for Wenchuan. Along a 100-kilometre stretch of highway leaving Wenchuan county, four checkpoints closely scrutinize the goods transported by trucks for illegal logging activities. The government has evidently put considerable effort into implementing the logging ban in Sichuan's mountainous regions. However, because of the forced closure of wood mills this policy has led to a significant loss of employment opportunities. Two other environmental protection projects – the "reverting agricultural land to forest and grassland project" and the "living environment overall management project" – pose even greater challenges for Wenchuan.

Farmers have temporarily benefited from reverting their agricultural land to forests and grassland, because the central government has compensated them with grain and funds for planting trees. However, many former farmers now solely rely on this compensation for their livelihood. The impact of the policy is amplified, since the area involved in Wenchuan is quite large. Of 8,000 hectares formerly under agricultural use, only 2,000 hectares will remain. The rest is being returned to forest and grassland in phases over five years. Whether the newly planted forests can really produce enough to sustain the living expenses of former farmers is questionable. It is therefore likely that many will continue to rely on central government handouts, creating a parasitic class of residents with little economic wealth.

Efforts to establish new more lucrative agricultural projects in Wenchuan on the remaining land have also had only mixed success. These efforts chiefly focus on moving away from staple crops to cash crops more suited to the climate and soil, such as cherries, apples, plums, potatoes, cabbage and Chinese medicinal herbs. The sustainability of this policy, though, remains questionable. Although the establishment of new orchards and vegetable plantations happens with lots of official encouragement, often little regard is paid to the future commercial viability of these ventures. Some informants described how Chengdu faced a glut of low-quality apples after efforts to establish apple orchards in adjacent mountain regions began.[66]

65. Informant 18.
66. Informants 12 and 18.

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Wenchuan's biggest environmental challenge concerns the county's efforts to stop silt from flowing into rivers. Just travelling along highways in the county provides evidence of how the forest cover has receded far up into the mountains, leaving a massive area of eroded slopes with little or no topsoil. County officials note that while the ban on logging and efforts to convert agricultural land to forest and grassland have both received substantial financial support from higher levels, the treatment of eroded slopes under the "living environment overall management project" has only produced allocations of 4–5 million *yuan* per year to county coffers. In Wenchuan's case this is highly insufficient, since the area of slopes without topsoil is large and treatment requires large doses of capital to be effective.

Finally, reforms that encourage farmers to move away from staple crops into forestry management or cash crops are complicated due to low educational levels and the lack of technical skills among ethnic minorities. In the grasslands to the north of Wenchuan around Hongyuan new developments in animal husbandry have also evoked open resistance from ethnic minorities. Policies in the grasslands encourage ethnic minorities to give up their nomadic lifestyles and acquire long-term leases to large tracks of land, both to stop overgrazing and to emulate management techniques used in Australia and New Zealand. The effect, though, is that those who first move gain valuable property rights to land, while for latecomers there is little left. To limit social unrest, a conscious policy to increase educational levels and provide alternative employment opportunities is required.

As Wenchuan county officials put it, the costs of the campaign are manageable for now. However, many factories are faced with closure, agricultural reforms have so far yielded few new income streams, and the benefits of environmental protection efforts accrue mainly to counties located downstream from Wenchuan. Without greater financial and policy support from higher government levels the sustainability of many policies is dubious.

In the meantime, the campaign's initiation has also generated some benefits. Perhaps most importantly, the promise of large central government allocations has made foreign investors more interested in China's west. In Wenchuan several Taiwanese investors have committed funds to projects such as the rearing of red trout and the harvesting of Chinese medicinal herbs, thus doubling the county's foreign investment in 2002. The rapid development of small-scale hydroelectricity plants is also allowing the county to charge electricity rates that are substantially cheaper than in the Chengdu plain, creating interest among domestic investors involved in energy intensive industries.

Therefore, from Wenchuan's point of view the effects of the campaign have been mixed. On the positive side, the initiation of the campaign has made county officials more aware of their local competitive position and forced them to clarify their development priorities. Major emphasis isnow put on tourism development, agricultural restructuring and using Wenchuan's natural advantages to attract investment. In this sense, the

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campaign has had an intangible effect: to prod county officials to focus on governance and development policy issues to ameliorate the regulatory structure and investment climate. At the same time, it has accelerated infrastructure development and put Wenchuan on the map of some foreign investors. A four-lane highway linking up with the expressway to Chengdu will cut travelling time in half between Wenchuan and Chengdu when completed in 2005. Finally, the campaign's focus on environmental protection and ethnic minority areas has, according to local officials, increased Wenchuan's political leverage. The county is now receiving greater understanding and support from higher government levels.

On the negative side, the campaign has generated major costs for Wenchuan, especially in the area of environmental protection. Further challenges will be industrial restructuring and integrating ethnic minorities into development efforts. Specifically, county officials complained that very little support for effective industrial restructuring is being provided. This grievance was echoed by a wide range of informants throughout Sichuan, who noted that without preferential policies and financial resources Sichuan's biggest burden – the restructuring of Third Front enterprises – had little chance of succeeding.[67]

Figure 1 indicates the mixed blessings of the campaign for Sichuan's minority areas. Although growth rates and infrastructure investments accelerated after the initiation of the campaign, the development of ethnic minority areas in terms of GDP per capita growth is just keeping up with that of Sichuan province as a whole. In fact, the gap between per capita GDP incomes in Chengdu and the minority areas is widening at a rapid pace. This signifies that although the campaign intends to diminish income differentials within Sichuan, it so far has had little success in this respect.[68]

Overall, integrating ethnic minorities into development efforts has made little headway since 2000. One Tibetan informant in a mountain valley adjacent to Wenchuan county pointed out that commercial opportunities had increased for many Tibetans, especially in tourism and the harvesting of forest products.[69] However, improving educational re-

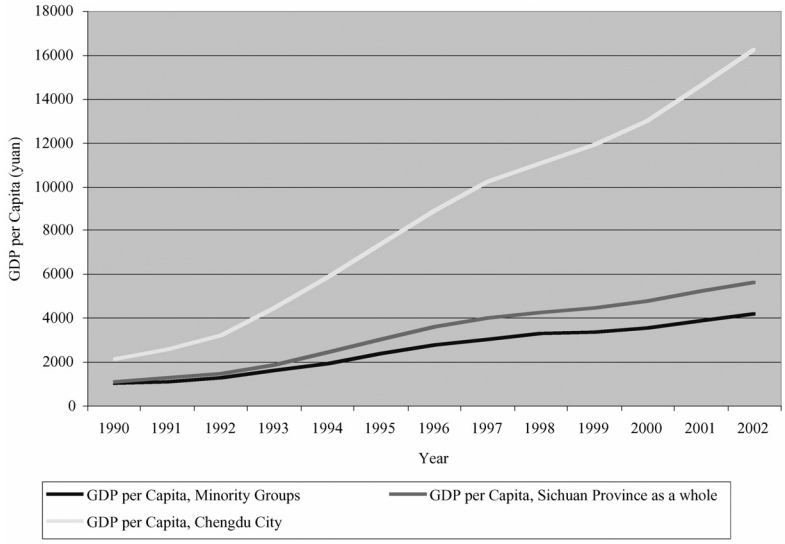
67. Informants 2, 18, 28, 31 and 32.

68. The failure of the Open Up the West campaign to diminish regional income disparities is also reflected on the national level. A recent study jointly undertaken by the Chinese Academy of Social Sciences and the Australian National University noted that while differences in the levels of marketization are shrinking, regional economic development gaps have not seen a corresponding narrowing. See "China's differences in regional economic development sees no diminishing tendency," *Renmin ribao*, 12 May 2003 at http://english.peopledaily.com.cn/200305/12/eng20030512_116557.shtml.

69. Informant 20.

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Figure 1: **GDP per Capita (*yuan*) 1990–2002, Sichuan Province**



Source:
Sichuan Statistical Bureau, *Sichuan tongji nianjian* (*Sichuan Statistical Yearbook 2003*) (Beijing: Zhongguo tongji chubanshe, 2003), tables 2-5, 2-10 and 9-3.

sources remains a major problem. Although new programmes, such as the "Ten-year plan to develop education in minority areas," are beginning, educational standards are very low, preventing local children from advancing to university and into more lucrative careers. The problem is being aggravated by large increases in university tuition, putting a tertiary education beyond the reach of most ethnic minority families. Ultimately, integrating ethnic minorities into development efforts will necessitate much greater investments in education, training, employment creation and urbanization.

Conclusion: National Integration and Capitalist Development

Wenchuan's case illustrates that mountainous areas adjacent to the Sichuan basin have started to benefit from some of the campaign's policies, but have also had to bear considerable costs. Conversely, the Chengdu plain has been one of the biggest beneficiaries, since it has been the focus of many large infrastructure projects. Academic debates about the Open Up the West campaign reflect the benefits and shortcomings of first triggering development in the Chengdu plain. For example, Chen Dongsheng of the Chinese Academy of Social Sciences in Beijing argues that development policies and investments in China's west should concentrate on those regions that are comparatively better developed, such as the Chengdu plain.[70] Although one major goal of the campaign is to

70. Chen Dongsheng, *Xibu dakaifa yu ke chixu fazhan* (*Open Up the West and Sustainable Development*) (Beijing: Jingji guanli chubanshe, 2001), pp. 254–57.

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equalize developmental levels across China, this can only be attained if those western regions that have the greatest potential to increase consumption, technology and foreign investment are first emphasized. Once these regions have started to develop rapidly, a trickle-down effect will take place and pull poorer less-developed regions along.

In Sichuan's case the campaign's thrust has basically followed this rational, if not necessarily by design. In fact, the focus on the Chengdu plain might not originate from a conscious policy but rather be the effect of the much greater political weight of the provincial capital. With the splitting of Chongqing municipality from Sichuan province an end was put to the uneasy relationship between Chengdu and Chongqing. As a result, Chengdu became the undisputed cultural, economic and political centre of Sichuan. Even without a conscious policy choice, development efforts might naturally gravitate towards the provincial centre.

As Figure 1 illustrates, emphasizing basin communities is liable further to increase income gaps and steer much-needed investment funds to already prosperous areas. At the same time, environmental policies with heavy social and economic costs mainly affect mountain communities. Therefore, it is questionable how much mountain areas are benefiting from the campaign's initiation. For instance, educational investments, one of the most important means of opening new opportunities for mountain residents, are only just beginning to see increases.

Critics further note that even Sichuan's basin cities might not be benefiting as much as eastern seaboard provinces from the campaign's initiation.[71] Although better physical infrastructure tends to create more opportunities for commerce and investment in the long run, many lucrative contracts to establish the infrastructure end up with technologically advanced companies from eastern provinces. In Sichuan's case this situation is somewhat ameliorated by the higher technological competence of the province's construction and engineering corporations. Nevertheless, for large and complex projects, such as the Zipingpu reservoir, key contracts still tend to be awarded to corporations from eastern China. Additionally, the limited increase in financial resources flowing from the centre to Sichuan, the narrow preferential policies yielded to western regions for industrial restructuring, and the continuing lack of effective means to transfer management and technological skills westward have aggravated these complaints.

Ultimately, the campaign has had the most visible effect in facilitating central government approval for large-scale environmental protection and infrastructure projects. On the one hand, this is accelerating Sichuan's national integration by laying strategic transport and communication lines with the rest of the PRC. On the other, it also represents a concerted effort to achieve better intra-provincial integration. In particular, several large infrastructure projects aim to tie mountain regions inhabited primarily by ethnic minorities more closely to basin communities, especially the provincial capital Chengdu. In this manner, both the central state and the

71. Informants 3, 12, 28 and 31.

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Sichuan provincial government hope to consolidate their control over peripheral areas.[72] At the same time, these efforts are increasing market penetration in remote areas, which holds the potential to supply better opportunities for commerce and entrepreneurship.

In a more intangible manner, the Open Up the West campaign has often resembled a large-scale marketing drive for China's west. This has not only raised the nation's awareness of commercial opportunities in the west, but also increased the political stature of its provincial-level jurisdictions. As a result, provincial officials in Sichuan have jumped on the bandwagon of the campaign and attempted to maximize the province's benefits. Besides implementing infrastructure projects, greater attention is being paid to "soft" factors, above all bureaucratic streamlining and the amelioration of the investment climate for foreign and domestic Chinese investors.[73]

Despite these improvements, developmental gaps between east and west are likely to continue their increase. In fact, the campaign's greatest effect might be to reinforce processes of economic reform, urbanization and globalization already under way. Although this will provide greater benefits to already developed regions and increase developmental gaps, in the longer term both the tangible and intangible infrastructure for accelerated capital accumulation is being put in place. In a classic manner the campaign to Open Up the West is hastening and buttressing the process of capitalist development in China. This does not imply the wholesale replacement of state economic power by market activities. Rather, market penetration and state capacity can strengthen simultaneously. The eventual beneficiary, if the process is allowed to continue, is the force of private capital. In Sichuan the unfolding of this process is reflected in the activities of local state agencies. These are increasingly supportive of improving regulatory infrastructures, strengthening market forces, protecting private property rights, and supporting both native and foreign entrepreneurs. History might therefore see the campaign as one among many factors driving China's great leap towards capitalist accumulation westward.

72. This process and its possible consequences are also elucidated in Nicolas Becquelin's chapter on Xinjiang in this volume.

73. Informants 18, 19, 25, 38 and 39.

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