

China puts 'Revive the West' program into motion

by Mary Burdman

The prolonged world economic crisis has been a critical factor in prompting the decision by the leadership of China, to move ahead with a full-scale program to develop the country's vast, impoverished hinterlands. At the ongoing national meeting of the National People's Congress (NPC) in Beijing, and the just-concluded meeting of the Chinese People's Political Consultative Conference (CPPCC), government leaders have emphasized their plans to "translate the 'Revive the West' strategy into reality."

At the NPC meeting on March 6, Zeng Peiyan, Minister of the State Development Planning Commission, said that China will take substantial steps to carry out the strategy of large-scale development of the western region. Infrastructure development is the foundation, he said. In addition to water management, transportation, and communications, comprehensive measures will be taken to upgrade agriculture and re-forest barren land, to stop soil erosion.

Zeng Peiyan said that China will apply new approaches: "To accelerate the growth of the western region under the new circumstances, we will mainly depend on market forces to draw capital from a variety of sources to meet the enormous demand for capital." More measures will be taken to attract foreign capital and capital investment from eastern China. Development of the west will create markets, including for energy and raw and semi-finished materials, needed to expand and modernize economic growth in the more industrialized east.

At a press conference the same day, Zeng Peiyan said that China plans to commit 70% of its treasury bonds, government appropriations, and foreign loans to the western project in 2000, an increase of 10% over last year. The government will invest 30 billion yuan (\$3.6 billion) in 78 projects already under construction. Another 10 projects will be launched immediately to "jump start" the program, and another five, bigger and longer-term projects are being prepared.

'Development corridors'

The most important of this last group, is the "super-project" of a pipeline to transport natural gas from Xinjiang, on the edge of Central Asia, 4,200 kilometers, to Shanghai, China's biggest industrial city, on the East China Sea. This project, which will cost 120 billion yuan (\$15 billion), will be second only to the vast Three Gorges Project on the Yangtze River,

in investment size. The pipeline is to form part of a national grid, connecting the three primary western natural gas producing provinces, Sichuan, Shaanxi, and Xinjiang, to the industrialized east.

These pipelines, which will integrate the economies of east and west China, are being considered as potential "development corridors," which would become "magnets" for other energy, steel, building materials, and automobile industries along their routes. Western China has reserves of 1.5 trillion cubic meters of natural gas, which is both more efficient and cleaner than the coal on which China is now overly dependent.

Such a national pipeline grid would also greatly facilitate China's economic cooperation with both Russia and Kazakhstan, in exploiting their vast gas and oil fields, and transporting the product to the Pacific.

To finance "Reviving the West," several members of the CPPCC National Committee called for founding a "West Development Bank." They proposed that this state policy bank be capitalized from government appropriations and issue bonds for its operating funds, as well as receive long-term lending from commercial banks in China, and also issue bonds on international capital markets, especially in Europe. The bank should fund *strategic* transportation, water management, and energy projects in western China, they said. The CPPCC leaders also called for setting up entities—whose names, at least, echo institutions similar to Franklin Roosevelt's New Deal: an Energy Construction Corporation, a Water Resources Development Corporation, and a Highway Construction Corporation—which would borrow funds from the West Development Bank, and construct and operate these strategic projects.

Throughout the national meetings, repeated, sober warnings were made against wasteful projects.

Water and transport

"Reviving the West" is an enormous undertaking. China's western regions include about 5.40 million square kilometers of territory, 56% of China, in the provinces of Shaanxi, Gansu, Qinghai, Sichuan, Yunnan, and Guizhou, as well as Xinjiang Uygur, Tibet, and Ningxia Hui autonomous regions, and the city-state of Chongqing. The population of this huge region, except for Sichuan, is very thin, and the region is characterized by its astonishing geographic features: the Tibetan pla-

The water problem has great implications. Five of Asia's largest rivers rise from within a relatively small region in northwest China. These rivers—the Yellow River, the Yangtze, the Mekong, the Irawaddy, and the Tsangpo-Brahmaputra—flow into China, Southeast Asia, and Bangladesh and India, providing the basis for agriculture, transport, industry, and human existence in some of the biggest concentrations of population on Earth. The “century floods” of summer 1998, and the spreading desertification of huge areas of north China, are only two of the catastrophes which demonstrate how essential it is that the “Revive the West” project succeed.

Revising development strategy

The project is also essential for China's entire economy, as more and more economists and officials are realizing. While China alone in the region, has maintained a rate of real economic growth even in the wake of the financial crisis which tore through Asia beginning in 1997, the more-developed eastern seaboard provinces are clearly facing big obstacles to sustaining economic development. The hard-hit nations of Southeast and East Asia were China's biggest market for exports, which had been, for the past two decades, designated as the key source of the capital necessary for China to modernize its economy, including industry, agriculture, and defense capabilities.

The world economic crisis has made it necessary for China to change its development strategy for the western regions, and these changes have been the subject of debate and discussion over the past year, in a series of national meetings.

The development of the interior is also a matter of national security. Almost all of China's 55 minorities live in the west and southwest. Separatist movements are targeting Xinjiang, most of whose population is Muslim, and Tibet. Economic development is essential for stability.

The development of this vast region has been an issue for five decades. In the 1950s, a few railroads were built, but, due to China's poverty, they were constructed under the most primitive conditions, and took an enormous toll. In the 1960s, the “Third Line” project, assigned by Mao Zedong to Deng Xiaoping, moved strategic industries and military projects from the coast to the interior. These projects, however, were isolated from the general regional economy, which remained impoverished agriculture.

In the 1980s, after he came to full power, Deng Xiaoping elaborated a “two-step” strategy of national economic development: to first get the east coast going, and then, with the aid of the industrialized east, to shift the focus to the interior. A few strategic projects, such as the construction of the Northern Xinjiang Railway, were carried out in the mid-1980s. This railway became the foundation of the “Euro-Asian Continental Bridge,” linking China to Central Asia, Russia, and Europe, which was completed in 1992.

But overall, economic disparity between the east and west widened, as the eastern economy grew much more rapidly.

This has created serious political and national security issues, as well as economic ones.

Currently, according to official Chinese reports, per-capita GDP in the interior is only *half* the national average. China still has 42 million people, out of its population of 1.25 billion, living in absolute poverty. Almost all live in the interior: about 20 million in remote areas of Yunnan, Guizhou, and Sichuan provinces, another 10 million in the arid regions of the north and west, and the remaining 10 million in the western mountains and plateaus. The annual income of the poorest people in the interior, is a miserable 8% of the income of the wealthy in the east.

In November 1999, two well-known Chinese economists, Hu Angang, a researcher at the Chinese Academy of Sciences, and Wang Shaoguang, of Yale and Hong Kong universities, published a book, *The Political Economy of Uneven Development—The Case of China*, which documents the inter-provincial economic gap in China. In 1978, just 15 of China's 31 provinces, municipalities, or autonomous regions were either in the high- (per-capita GDP more than 150% of the national average) or low-income (per-capita GDP lower than 75% of the national average) part of the economy. By 1994, twenty-two of these political entities were either in the high- or low-income category. In 1994, no province or autonomous region in western China had a per-capita GDP higher than the national average; while in eastern China, the per-capita GDP in all provinces with the exception of Hebei, was higher than the national average.

China's inter-provincial GDP gap is significant even in international terms, Hu and Wang reported. In 1994, Shanghai's per-capita GDP was 14 times higher than that of Guizhou, which is a greater income gap than that between the poorest and richest provinces in other countries—or, at least, what it had been during the more prosperous 1980s. The ratio for France was 2.15 in 1988, 1.43 for the United States in 1983, 4.0 for Indonesia in 1983, and 3.26 for India in 1980.

New plans

In June 1999, the Chinese government began drafting the 10th Five-Year Plan, for 2001-05, to be released in March 2001. This program, which will incorporate plans for the more rapid development of the central and western areas, to narrow the regional gap, will have important differences from the previous nine five-year plans, according to public statements by Zeng Peiyan.

China is finding it necessary to change its *development strategy* of the interior regions, and their relationship to the rest of China. Under its Ninth Five-Year Plan (1996-2000), China's economic strategists had intended to base development on the exploitation of the rich natural resources of this region. But, the world economic crisis has changed this. Since 1998, raw materials and commodity prices have crashed, and only a few, such as oil, have recovered since mid-1999, making it impossible to create the basis for industrializing the



A desertification control project in Shapotou in Ningxia Hui autonomous region.

interior. At the same time, efforts by western regional leaders to simply imitate the methods of the eastern provinces, without consideration of the big differences in market access, transport, and other economic factors between the two areas, were leading to serious inefficiency and waste, and even widening the economic gap.

Due to lack of infrastructure, the eastern regions have been using more international resources and markets, rather than those of western China. At the same time, according to the analysis of Yang Fan, a researcher of the Chinese Academy of Social Sciences, the economic development of eastern China has been seriously hampered by the failure to invest funds, technology, and labor in “new areas,” such as western China.

A special taskforce, the Leading Group to Develop Western Areas, was set up by the State Council in November 1999. It includes almost every senior minister, including Prime Minister Zhu Rongji, State Planning Minister Zeng Peiyan, Finance Minister Xiang Huaicheng, and Central Bank Governor Dai Xianglong, as well as two of Zhu’s aides, Wang Chunzheng, a vice-chairman of the Monetary Policy Committee of the People’s Bank of China, and Duan Yingbi, a member of the Central Financial and Economic Leading Group of the Communist Party. Zeng is responsible for drafting overall development strategy as well as laws and regulations to facilitate healthy, sustainable growth and to attract foreign investment.

Prime Minister Zhu also made several “inspection tours” of the western provinces and regions, during which he cited the development “blueprint” of Deng Xiaoping, and President Jiang Zemin’s repeated statements about the “high priority” of the project.

At the beginning of February, President Jiang Zemin stated: “The development of the west and accelerating the development of small cities and townships are strategic to the economic and social development of China. . . . We

should dedicate the effort, come up with proposals and implement them quickly.”

A project for many generations

Zhu, Li Peng, Zeng, and China’s other leaders, have repeatedly discussed “Revive the West” as a project which will demand the attention of many generations, and require careful planning. These leaders’ statements have emphasized that developing the west not only requires building transportation networks to link the interior to the rest of China, natural gas pipelines, power grids, and communications networks, but

also water control and management projects, and reforestation. This emphatically includes not only tree-planting in desert areas, but also returning marginal land now being cultivated to forest, and changing methods of agriculture to prevent further soil erosion.

These policies were discussed at a series of national meetings, led by the annual Central Economic Working Conference, in November 1999. There, development of western China was declared a strategic priority. Further development of the eastern regions is now “restrained,” and China has “a great deal of capital, technology, and human resources urgently demanding new development space,” Xinhua news agency commented, summarizing the conference proceedings. Thus, the development of the west is essential for the entire economy, as well as strengthening national unity and security. Given China’s long borders with south and central Asia, “the opening of the western areas will facilitate trade and economic exchanges between the area and its neighboring countries.”

At a followup conference that month, Zeng Peiyan said that huge investment would be needed for the interior, and that foreign investment would be critical for these projects, as it had been in the creation of the five “special economic zones” on the east coast in the 1980s. The State Council held a special meeting on the western regions in mid-January, and other academic and official conferences on the question are being held.

In January 2000, China initiated a policy of giving generous tax breaks to foreign investors in the western region. Foreign investors will be allowed to invest in western projects to exploit natural resources and other industries through direct investment, including acquisition of existing enterprises and through the “build, operate, and transfer” format. Tourism is also being promoted.

National investment in the west has grown significantly in recent years. Overall, China planned to invest more than

\$750 billion in capital construction in the three-year period starting 1998, primarily into the central and western regions. In some areas, such as Guizhou, investment last year was the highest in 50 years. While amounts are limited, considering the need, ranging from 30-50 billion yuan (about \$4-7 billion) in each province by the provincial governments, the National Statistics Bureau reported that in 1998, investment growth for the western regions was 31.2%, 14.9% more than that for the east.

The Nanjiang railroad

Several great rail projects have been completed recently. Most important, was the completion of the Nanjiang, or Southern Xinjiang railroad, which was opened to traffic on Dec. 6, 1999. This 1,445 kilometer rail line, which is the basis for the "South Passage" of the Euro-Asian Continental Bridge, links the city of Kashi to Turfan, and is the first rail line to cross southern Xinjiang, a region of 1.06 million square kilometers.

Kashi, perhaps known better in the West as Kashgar, reputed for being the city in the world furthest from any ocean, lies close to the foot of the massive Karakoram mountains, which divide China from South Asia. The first section of the rail line, a 476 km stretch from Turpan to Korla, was finished in 1984, and construction of the Korla-Kashi section began in September 1996. This strategic area borders on India, Pakistan, Afghanistan, Tajikistan, and Kyrgyzstan. Kashi is the eastern terminus of the China-Pakistan Karakoram Highway, one of the engineering wonders of the world. When projected rail projects are completed in Kyrgyzstan and Uzbekistan, Xinjiang will become China's link to both South Asia and the Middle East. The three countries have signed an agreement to build this new rail line.

Also in 1999, China completed a "passageway to the sea" from the inland southwestern regions. This passageway links the provinces of Sichuan, Yunnan, and Guizhou to the Guangxi Zhuang Autonomous Region on the coast, which has a number of deep-water ports on the western South China Sea. The passage consists of the Nanning-Kunming rail line, completed in December 1997, the longest express highway in central-western China, and three major ports in Guangxi. The provinces are also building 49 separate trans-provincial highways to expand the scope of the new sea passageway.

Another project is the ongoing five-year development plan for the "Hexi Corridor," the ancient route of the Silk Road, which stretches from Ningxia to Gansu, Qinghai, to Xinjiang.

Finally, discussion has heated up, on the vital importance of finally launching the "moving southern water north" project. Already during the CCP meeting last spring, officials of Qinghai province, which would benefit greatly from it, were urging the creation of a government coordination office and a development company to manage the project and re-

lated affairs.

"Moving southern water north," which has been under discussion for the past 40 years, would involve construction of canals, pipelines, and man-made rivers, to divert water many hundreds of kilometers, through mountains and plateaus, from the Yangtze and other rivers, to the Yellow River and its valley. Three routes, from either the upper, middle, or lower reaches of the Yangtze, are under consideration.

Water crisis

The water crisis in northern China is ever-worsening. The northern plains have suffered repeated droughts, seriously affecting agriculture production, and the Yellow River is so diminished, by drought and water diversions, that it did not even flow to the sea for 226 days during 1997! Since the late 1960s, the water table beneath Beijing has sunk by almost 60 meters, and in 1999, it fell again by an average of 2.6 meters.

In February, the government launched a national survey of the overall climatic and environmental condition of western China. The five-year survey, employing 100 researchers, will examine the 2.5 million square kilometers of arid land—25% of China's territory. The purpose of the survey is to formulate plans for economic growth under these conditions.

Geologists are also looking for underground water, which flows from Tibet, and the Himalayan, Karakoram, Tian Shan, and other mountain ranges, under the western deserts. In February 1999, the Ministry of Land and Resources reported the discovery of a new underground water supply in the northwest, which will yield 1 billion cubic meters a year. There are also large natural reservoirs under the Qaidam Basin in Qinghai province, and under the Tarim and Junggar Basins, as well as the Taklamakan Desert, in Xinjiang.

Along with discovering more water, stopping desertification is also essential. Reforestation must be carried out, along with the prevention of further cutting over (cutting all timber) of hillsides. In his report to the NPC on the 1999 and 2000 economic plans, Zeng Peiyan said that trial projects to return farmland to forest or pasture would be carried out on about 333,300 hectares, and restored woodland is now 666,700 hectares. He also reported that in many areas, farmers are being given grain to get them to stop attempting to cultivate hilly land or cutting down woods to get more land.

Uncontrolled tree cutting over the past decade, has left bare an area of 1 million square kilometers around the tributaries of the Yangtze. As a result, every year about 600 million tons of sand are washed into the river, leading to disastrous flooding. Reforestation and construction of reservoirs are now being carried out to hold back the water in the highlands.

In Xinjiang, where the Taklamakan, the most extreme desert in the world, lies below huge mountains, a 70,000-square-kilometer oasis is being created to double its oasis area. Qinghai Province, where the Yellow and Yangtze rivers



An oil well in the Taklimakan Desert in China. The area is an important reserve base of China's oil resources.

rise, is taking measures to protect pastureland around the Qinghai Lake, the biggest and most famous inland lake in the country, and set up forest screens and oases in the Qaidam Basin.

'From west to east'

China's hydro-energy resources rank first in the world, and 70% are in the mountainous west. But exploitation has been low: By the end of 1999, China's total installed generating capacity, 70 million kilowatt-hours (kWh), was just 18% of the exploitable capacity. Feasibility plans exist for many more projects, but, if they are not launched soon, Chinese leaders have warned, the Three Gorges Project on the Yangtze will be the only large hydroelectric power project under construction in China.

A pillar of "Reviving the West," is the strategy of "transferring electricity from the west to the east." To supply the huge energy needs of eastern China, there are plans to develop the vast water and hydropower resources of the upper reaches of the Yangtze. In Sichuan, four large hydropower stations with a combined installed capacity of 9.05 million kWh are planned for the Yalongjiang River, which has proven reserves of water energy of 33.4 million kWh. Some 21 hydropower stations could be built on the river. The Ertan Hydropower Station, with an installed capacity of 3.3 million kWh, is also located on the Yalongjiang River. China will also construct a new hydropower project on Qingjiang River, a major tributary of Yangtze below the Three Gorges.

Transportation is also being developed. In June 1999, Nimaciren, vice-chairman of the Tibet Autonomous Region

government responsible for the economy, said that the 10th Five-Year Plan, 2001-2005, would "highly likely" include a rail line linking Tibet with other parts of China. Tibet has no railroads at all. The project, which might connect Tibet to Qinghai, Yunnan, Sichuan, or Xinjiang, would need an enormous engineering effort, and require 5-10 years to complete.

Highway construction is also under way. Construction of the first expressway to be built on the Tibet-Qinghai Plateau began in December 1999. The road, which will lie over 2,000 m above sea level, will extend the Lanzhou-Xining expressway, east of the city of Xining.

In January, officials of Yunnan province announced plans to build a network of eight trans-provincial roads, which will link the capital cities of the western region. The roads will link Gansu with Yunnan; Inner Mongolia

with Guangxi; Ningxia with Hubei; Shaanxi with Anhui; Hunan with Chongqing. Shaanxi Province, which lies at the crossroads between central and western China, is also building railways, expressways, airports, and gas supply lines.

'Luring phoenixes'

Lack of education is one of the severest problems the western regions face. To launch the development program, the Chinese government is promoting its version of "Go west, young man," by "building golden nests to lure phoenixes," the wonderful birds of Chinese legend. The Minister of Personnel, Song Defu, announced in January plans to recruit the most forward-thinking people to help develop the west. These should include students studying overseas, and Chinese experts now working in the United States and Japan. Qualified workers, technicians, scientists, and teachers are all urgently needed to evaluate and contribute. Overall, China has only 380,000 agricultural technicians and other experts, to teach new farming techniques to the 900 million people who work in the countryside.

Research institutes and universities are also being created. Sichuan's "high-tech industrial belt," the first in western China, includes six state technical centers, seven state laboratories, and 22 universities and research institutes in the cities of Chengdu, Mianyang, and Deyang, connected by a 100 km expressway.

In the face of the coming world financial cataclysm, the successful carrying out of these development projects, will be critical for the survival of the Chinese nation.