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Development Policy, Demographic Diversity and Interregional Disparities in China

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**Development Policy, Demographic Diversity
and Interregional Disparities in China**

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Development Policy, Demographic Diversity and Interregional Disparities in China

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ABSTRACT

Although China is not a federal country, its public finance system does carry features of fiscal federalism. Since 1949, although the central government has consistently sought to exercise strong control over the country, it has at times done so by decentralist rather than centralist policies. The Dengist policies since economic reform began, for example, have had a strongly decentralist element, with continuing devolvement of control to the provincial governments, sometimes to such a degree that some observers have commented: “the centre pretends to rule and the provinces pretend to be ruled”. This is also a period that witnessed the revival of old regionalisms, as well as the creation of new regionalisms brought about by increased local autonomy, rapid economic growth and increasingly globalizing trade and business linkages. While the oft-cited “China deconstructs” scenario seems at present far-fetched, the challenges posed by central-peripheral conflicts, ethnic resource contest and ethnoterritorial aspirations are real, in particular as they are being exacerbated by the country’s “retreat from equality” and growing interregional economic disparity. In the light of these daunting exigencies, this paper explores the political economy of regional development in China, focusing on the intricate link between the country’s ethnic diversity and the role of the State in the economy, as the Asian giant warily enters a new stage of economic reform.¹

Keywords: *China, regionalism, ethnic diversity, inequalities, uneven development, regional disparities*

Introduction

Despite the highly remarkable economic achievement over the past two decades, China is facing acute problems on various fronts, not least of which being her expanding interregional and urban-rural disparities. Agriculture accounted for only about 14.6 per cent of China's GDP in 2003 but 49.5 per cent of her labour force, while up to 59.5 per cent of the country's total population is rural. This is in addition to the fact that only 13 per cent of China consists of arable land and the country has 40 per cent less arable land per capita than anywhere else in the world. Hence, with more people and less arable land in rural areas, the country has a lower comparative advantage in agriculture, and hence investments have been concentrated in the cities and industries and this has led to increasing rural-urban disparities in socioeconomic development and income distribution (Bi 2005: 114), as well as the increasingly alarming socioeconomic disparity between the country's eastern, coastal regions and the inland, especially western, regions.

Many different factors have led to the disparity between China's eastern and western regions. In the modern history of the country, the coastal belt has been the focus of foreign influence and the site of foreign concessions and open cities, with business and production bases established there to take advantage of the convenience of import and export facilities. Hence, ironically, it was the foreign powers who first stimulated China's industrial development, mainly in the coastal cities – and Shanghai in particular. This imbalance in favour of the coastal belt was accentuated further in the 1930s by the Japanese take-over of Manchuria where the puppet state of "Manchukuo" was established as an industrial centre, concentrating on heavy industry and mining (in contrast with the other foreign treaty ports and concessions that concentrated more upon the light industries), to feed Japan's industrial and military needs.

Besides such historical factors, geographical location also contributed to the east-west disparity. The eastern coastal regions have benefited from the availability of widespread, interconnected water and land freight lines – such as the Yangzi River (Chang Jiang), the Beijing-Guangzhou and Beijing-Shanghai railway lines – that have greatly facilitated the transportation of people and merchandise. The western regions generally lack connections to major domestic and foreign markets, except some cities that are located along the main east-west railway lines and the Yangzi River. The high population density and bigger urban sector of the eastern coastal regions also give them an advantage over the inland regions. Even their rural areas resemble large urban centres. Their residents thus have better access to regional, provincial or national commercial markets around them. The large and extensive consumer markets represent a boon to more production and sales² (Zhou 2006: 251). Furthermore, under the Dengist market-oriented reforms and open-door policy, the eastern regions – the open economic zones like Shenzhen in particular – were the first to benefit from all sorts of investments – from government-funded infrastructure to the injection of foreign capital, including those from overseas Chinese, who in their first business foray back to the land of their ancestors, often prefer to begin with investing in their ancestral province, village or county where, for many, their relatives still live. Despite guidelines for more balanced investment strategies, in a scenario akin to the flypaper hypothesis, increasing economic prosperity in eastern China was creating more and more business opportunities, better projects and higher returns, compared with the inland regions, and hence attracting more and more State funding and private investment even from the other parts of the country. As projects in the eastern, coastal regions are more likely to be approved due to the better prospects, they tend to attract surplus and unused funds from the other regions. All these had resulted in the ever-growing disparity between the eastern and western regions during the 1990s. Furthermore, preferential treatments – in taxation, tariffs, approval of

joint ventures with overseas companies, etc. – during the three decades of reform contributed greatly to the prosperity of the eastern, coastal regions, in addition to the leeway they were given in experimenting with new economic measures.

Inequality and Poverty: The Regional Dimension

While China's reforms have been successful in giving many people higher incomes and producing more goods and services, they also led to increasingly acute inequality in income and wealth among the populace. From one of the most egalitarian societies in the 1970s, China has turned into one of the most unequal countries in the region and even among developing countries in general. The unusually rapid rise in inequality had led to the Gini coefficient of household income rising by 7 percentage points (18 percent), or by 1.0 percentage point per year, between 1988 and 1995. Inequality of rural household income per capita increased by about 23 per cent over the period, and that of the urban household income per capita by 42 per cent (Riskin, Zhao and Li 2001: 3). As Bert Hoffman of the World Bank recently noted, China's Gini rose from 0.25 – equal to that of Germany – in 1980 to about 0.45 today, as the country becomes less equal than Russia or the United States of America. In the 1980s the richest 10 per cent of the people of China earned 7 times the income of the poorest 10 per cent, today they earn more than 18 times as much.³ Or as another observer put it, "Ever since the early years of reforms, the divide between the rich and the poor had been emerging, and it is now getting to the stage of ripping the entire society apart." (Zhou 2006: 286).

With official poverty line set at an annual income of 625 yuan per capita, the rural population living in poverty in 2002 numbered 28.2 million. If the line were raised to 825 yuan, as it has been in more recent years, the number would be 90 million. If the United Nations' definition of the poverty

line at US\$1 income per day (i.e. about 3000 yuan per year) is used, the number in poverty, both rural and urban, would be greatly increased (*ibid.*: 288).

According to Ohara (2001), by the yardstick of China's government, with a poverty line of (annual) 100 yuan per capita in 1978, the country had a poverty population of 250000000 and an incidence of poverty of 30.7 per cent. The figures for the subsequent years are 206 (poverty line), 125000000 (poverty population), 14.8 (incidence of poverty) in 1985; 300, 85000000, 10.1 in 1990; 317, 80000000, 9.4 in 1992; 440, 70000000, 8.2 in 1994; 580, 58000000, 7.6 in 1996; and 635, 42100000, 5.8 in 1998. With a poverty line of 625 yuan in 1999, the poverty population was 34000000. The poverty population declined to 26000000 in 2000, with an incidence of poverty of less than 3. However, if the international yardstick were to be employed, with the poverty line set at (daily) 1 dollar per capita, the poverty population would have been 263 million in 1990, i.e. an incidence of poverty of 31.3 per cent. With the same poverty line of 1 dollar per capita per day, the figures for subsequent years were 255 million (poverty population), 30.1 (incidence of poverty) in 1992; 222 million, 25.9 in 1994; 130 million, 15.0 in 1996; and 106 million, 11.1 in 1998. (Ohara 2001: 54, Table 1).

In line with the now well-known fear of instability (*luan*) on the part of China's ruling Communist Party, the main objective of the country's poverty alleviation policy is to prevent income and wealth inequality from growing out of political control, by attempting to improve the economic position of the poorest through considerably limited administrative intervention. Furthermore, discontent brewing in the areas resided by ethnic minorities is taken seriously because these areas are also places that show a relative concentration of poor people. Just how the western regions populated by the non-Han peoples have been left behind China's economic development is clearly indicated by the poverty problem. Any political or social instability especially in these ethnic minority areas could have grave ramifications

throughout the economy that threaten the development efforts of the central government especially in regard to the development of the regional cores.

Table 1 China: Interregional Income Disparity (income index: 1 for the eastern regions)

Year	Eastern Regions	Central Regions	Western Regions
1978	1	0.67	0.55
1980	1	0.68	0.56
1985	1	0.67	0.55
1990	1	0.64	0.55
1993	1	0.53	0.45
1995	1	0.54	0.43
1997	1	0.56	0.43
1999	1	0.54	0.41
2000	1	0.51	0.39
2001	1	0.50	0.39
2002	1	0.49	0.39
2003	1	0.48	0.38
2004	1	0.48	0.38

Source: Computed with data from the *China Statistical Yearbook*, various years.

Table 2 China: Incidence of Poverty by Province (*sheng*), Zizhiqu⁺ and Zhixiashi⁺⁺ (%), at end of 1996 [Within category by alphabetical order)

<5%		10 – 20%
Beijing (Zhixiashi)		Chongqing* (Zhixiashi)
Fujian		Guizhou*
Guangdong		Guangxi* (Zhuang Zizhiqu)
Hainan		Hebei
Jiangsu		Heilongjiang
Shanghai (Zhixiashi)		Henan
Tianjin (Zhixiashi)		Jilin
Zhejiang		Ningxia* (Hui Zizhiqu)
		Shaanxi*

5 – 10%		Shanxi
Anhui		Sichuan*
Hubei		Xinjiang* (Uygur Zizhiqu)
Hunan		Xizang/Tibet* (Tibetan Zizhiqu)
Jiangxi		Yunnan*
Liaoning		
Shandong		>20%
		Gansu*
		InnerMongolia* (Mongol Zizhiqu)
		Qinghai*

+ “autonomous region”, ++“direct-ruled/independent municipality”, i.e. municipality under the central government.

* *provinces, zizhiqu, and zhixiashi now classified as the “western regions”*

Source: Tabulated with data from Ohara (2001: 56).

When the poverty counties (331 in total) were first designated in 1986, about 70 per cent of the country’s poor lived in these counties. In 1993, 73 per cent of the poor population of 80 million resided in these counties. The majority – about two-thirds – of China’s poor are found in the inland (central and western) regions, especially the western regions. Indeed the designated poverty counties are relatively concentrated in the western regions – Yunnan (73), Shaanxi (50), Sichuan (43), Gansu (41) and Guizhou (40), according to Ohara (2001: 64) who also shows that there has been improvement (reduction in regional percentage of poor counties) in the eastern regions, thanks to the economic growth, but not in the central and western regions. The priority targets of the State’s poverty relief measures are the southwestern populous regions of Yunnan, Guizhou, Sichuan and Shaanxi that have relatively high incidence of poverty, as well as the ethnic Zhuang zizhiqu of Guangxi. Poverty alleviation faces more problems in the more sparsely populated regions like Inner Mongolia, Gansu and Qinghai that have the highest incidence of poverty (more than 20 per cent) as well as Tibet and Xinjiang (10–20 per cent) – regions all characterized by

deserts, heights and mountainous areas. Ohara's figures indicate that poverty counties totaled 21,770,000 in 1998, with 10.6 per cent (2,040,000) of which found in the eastern regions, 33.1 per cent (7,500,000) in the central regions, and 56.4 per cent (12,230,000) in the western regions. In 1999, poverty counties totaled 18,000,000, of which 9.4 per cent (1,900,000) were in the eastern regions, 34.5 per cent (6,950,000) in the central regions, and 56.2 per cent (10,150,000) in the western regions. (Ohara 2001: 55, Table 2)⁴

Such disparities also gave the richer provinces a significant advantage in terms of revenue collections since these are determined by income level and tax effort, as can be observed in Table 3 below.

Table 3 China: Fiscal and Economic Concentration in Rich[#] and Poor[#] Provinces (*sheng*), Zizhiqu⁺ and Zhixiashi⁺⁺ (%)

<i>Year</i>	<i>2003</i>	<i>2004</i>
<i>Five richest provinces *</i>		
Percentage of GDP	26.10	25.70
Percentage of population	13.10	13.35
Percentage of government revenue	37.62	36.96
Percentage of government expenditure	27.44	27.06
<i>Five poorest provinces **</i>		
Percentage of GDP	8.73	8.73
Percentage of population	17.23	17.22
Percentage of government revenue	8.79	8.80
Percentage of government expenditure	12.60	12.37

[#] by GDP per capita

⁺ "autonomous region", ⁺⁺"direct-ruled/independent municipality", i.e. municipality under the central government.

* Beijing, Zhejiang, Tianjin, Shanghai, and Guangdong.

** Guizhou, Gansu, Guangxi, Yunnan, and Anhui.

Source: Computed with data from the *China Statistical Yearbook*, various years.

The Rural Social Economy Survey Group of China's State Statistical Bureau published in 2000 the results of an analysis of the different characteristics of poor and not-so-poor rural families sampled in four regions of the country⁵:

Region 1 – the coastal provinces/zhixiashi of Beijing, Fujian, Guangdong, Jiangsu, Shanghai, Tianjin and Zhejiang. Consisting of the richest regions in China, Region 1 has only 2.9 per cent of the country's total poor. The incidence of poverty is 1.6 per cent or less in the provinces and no higher than 0.5 per cent in Jiangsu, Shanghai and Tianjin. With the poor sparsely scattered and poverty mainly reflects family or individual differences but not regional characteristics, rural poverty problem no longer appears to be a regional issue here.

Region 2 – the provinces/zizhiqu/zhixiashi of Anhui, Chongqing, Guangxi, Hainan, Hebei, Henan, Hubei, Hunan, Jiangxi, Liaoning, Shandong, Shanxi and Sichuan. Though the incidence of poverty is moderate at about 2–7 per cent, Region 2 accounts for 55 per cent of the country's total poor partly due to the large regional population. Concentrations of the poor exist in the mountainous areas in Hubei, Sichuan and Chongqing, but in general, the poor are thinly scattered across Region 2.

Region 3 – the southwestern and northwestern remote provinces/zizhiqu of Gansu, Guizhou, Ningxia, Shaanxi, Qinghai, Xinjiang and Yunnan. Among the four Regions, this one faces the most severe poverty problems, with an incidence of poverty above 9 per cent and accounts for 35 per cent of the country's extreme poor.

Region 4 – the cold, northern provinces/zizhiqu of Heilongjiang, Inner Mongolia and Jilin. Though with only 7 per cent of the country's total poor population, this Region suffers from the relatively high poverty incidence of 6–8 per cent.

Such regional classification by the Survey Group provides, to a certain extent, some idea about the causes of poverty that vary from region to region, for instance, geographical terrain that may have implications for market competitive advantage. Table 4 below provides a more detailed description of the regions.

Table4 China: Population, Output and Income Indicators by Regions

Region Item	National		Eastern (Coastal)*		Inland [#]		Inland			
							Central**		Western [#]	
Year	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Population (1000 persons)	1283733	1294150	486212.5	492510	797520.5	801640	428287.2	430370	369233.3	371270
Share (%)	100	100	37.87	38.06	62.13	61.94	33.36	33.26	28.76	28.69
GDP (100 million yuan)	135539.14	163240.43	79283.40	95305.75	56255.74	67934.68	33301.08	40349.51	22954.66	27585.17
Share (%)	100	100	58.49	58.38	41.51	41.62	24.57	24.72	16.94	16.90
GDP per capita (yuan)	10558.20	12613.72	16306.33	19351.03	7053.83	8474.46	7775.41	9375.54	6216.85	7429.95
Ratio to national Average	1	1	1.54	1.53	0.67	0.67	0.74	0.74	0.59	0.59
Urban disposable income per capita (yuan)	8472.20	9421.61	10365.80	11522.87	7155.78	7929.17	7036.36	7828.80	7235.39	7996.08
Ratio to national Average	1	1	1.22	1.22	0.84	0.84	0.83	0.83	0.85	0.85

Rural net income per capita (yuan)	2622.24	2936.4	4160.42	4564.78	2115.51	2389.54	2407.36	2770.18	1920.95	2135.78
Ratio to national average	1	1	1.59	1.55	0.81	0.81	0.92	0.94	0.73	0.73

Including Guangxi which is geographically eastern coastal, and Inner Mongolia which is geographically northeastern inland.

* Excluding Guangxi.

** Excluding Inner Mongolia.

Source: Computed with data from the *China Statistical Yearbook*, various years.

Table 4 shows that the inland regions' GDP in 2003 and 2004 only accounts for 41–42 per cent of the national total, although these regions hold 62 per cent of the country's total population. Of the inland regions, the western (including Guangxi and Inner Mongolia) have a combined GDP of merely 17 per cent of the national total, although they have 29 per cent of China's total population. The inland regions' GDP per capita in 2004 was 8,474 yuan or 67 per cent of the national average, while that of the western regions was 7,430 yuan or 59 per cent of the national average, and only 38 per cent of the eastern regions'. Similarly, both urban and rural income levels were seen to decline from the eastern to western regions. In the inland regions, the disposable income per urban resident in 2004 was 7,929 yuan (84 per cent of the national average) and the net income per farmer was 2,389 yuan (81 per cent of the national average), while the corresponding figures for the western regions (including Guangxi and Inner Mongolia) were 7,996 yuan (85 per cent of the national average) and 2,136 yuan (73 per cent of the national average) respectively.

On the subject of farm versus non-farm income, a study worth noting is the detailed model constructed by Zhang (1998, 2001) that confirmed the

fact that the off-farm incomes of developed areas are more significant than their farm incomes and except for the four most developed areas in the survey – Beijing, Guangdong, Jiangsu and Zhejiang (some places, like Shanghai, were for certain reason not included in the survey) – the incomes of most provinces are from farming [see Zhang (2001: 218), Table 9.3]. Among other results, Zhang's study shows that for instance on average in Beijing a household will have 137 per cent more income than a household in Gansu, the poorest province in China, whereas a household in Zhejiang will have 82 per cent more income than one in Gansu. However, in the case of farm incomes, an average Beijing farming household will have only 16 per cent more income than a farming household in Gansu, and a farming household in Zhejiang will have 46 per cent more income than one in Gansu. Since more developed regions have much more non-farm income compared to underdeveloped regions, a household in Beijing will have 211 per cent more non-farm income than a household in Gansu, and a household in Zhejiang will have 122 per cent more non-farm income than one in Gansu.⁶

Zhang's model reveals that geographical factors do affect substantially both total income and farm income, as it can be observed that total income on the plains is 23 per cent higher than that of the mountainous areas, and total income of hilly land is 9 per cent higher than that of the mountainous areas. On the other hand, farm income in the plain regions is 29 per cent higher than that in the mountainous regions, while that of the hilly land is 10 per cent higher than that in the mountainous areas. Such higher variations as compared to the case of the total household income imply that geographical factors indeed have a greater effect on farm income than on off-farm income which these factors actually was found to have no direct relationship with.

The “old liberated areas”, “frontier areas” and “ethnic minority areas” – three spatial/policy entities included in the model besides the provinces and zhixiashi – are characterized by low income vis-à-vis other regions. The “ethnic minority areas” appear to be the key problem areas, suffering especially from low off-farm income. The poor counties have three negative symbols (so do the “old liberated areas” and “minority areas”) in the model, highlighting their backwardness vis-à-vis other regions, the gap in farm income being 15 per cent and that in off-farm income as high as 39 per cent. The model also highlighted the importance of geographical factors in influencing the interregional differentials in total local income, especially the comparative advantage of the central regions over the western regions in terms of land resources and the eastern regions’ advantage in greater industrialization of the countryside vis-à-vis the western regions. Hence the disparity between the eastern regions and the western regions is chiefly in off-farm income, whereas that between the central regions and the western regions is mainly in farm income. This is reflected in the influence of eastern regions, *ceteris paribus*, on their off-farm and farm incomes at 135 per cent and 41 per cent respectively vis-à-vis the western regions, compared to that of the central regions at 24 per cent and 27 per cent vis-à-vis the western regions. That of the eastern regions on their total incomes is 68 per cent vis-à-vis the western regions, and that of the central regions is 29 per cent (Zhang 1998: 6, cited in Cook and Murray 2001: 87).

The income differential between rural industry and farming stems mainly from the industrialization process, as township industry offers high level of employment opportunities in more developed regions leading to household income from industrial sources much higher than from farming, an aspect that the less developed regions obviously lag behind, given the limited industrial employment opportunities for their farmers.

Table 5 China: Industrial and Employment Structures by Region

Region Item		National Total		Eastern (Coastal)*		Inland [#]		Inland			
								Central**		Western [#]	
Year		2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Industrial structure (%)	Primary	12.67	12.80	9.21	9.09	17.55	18.02	16.28	17.03	19.39	19.46
	Secondary	49.00	50.50	51.18	52.86	45.93	47.20	48.05	49.16	42.85	44.34
	Tertiary	38.33	36.69	39.60	38.05	36.53	34.79	35.68	33.82	37.76	36.20
Comparison with national industrial structure (% points)	Primary	-	-	-3.46	-3.72	4.87	5.21	3.60	4.22	6.71	6.66
	Secondary	-	-	2.18	2.36	-3.08	-3.31	-0.96	-1.35	-6.15	-6.17
	Tertiary	-	-	1.28	1.36	-1.80	-1.91	-2.65	-2.88	-0.56	-0.49
Employment structure (%)	Primary	49.01	46.91	38.11	35.74	55.83	54.01	53.80	51.76	58.11	56.54
	Secondary	21.60	22.50	29.80	30.93	16.47	17.15	18.76	19.69	13.89	14.28
	Tertiary	29.39	30.59	32.09	33.33	27.71	28.85	27.44	28.55	28.01	29.18
Comparison with national employment structure (% points)	Primary	-	-	-10.9	-11.18	6.82	7.09	4.79	4.85	9.1	9.62
	Secondary	-	-	8.2	8.43	-5.13	-5.35	-2.84	-2.81	-7.71	-8.22
	Tertiary	-	-	2.7	2.74	-1.68	-1.74	-1.95	-2.04	-1.38	-1.41

[#] Including Guangxi which is geographically eastern coastal, and Inner Mongolia which is geographically northeastern inland.

* Excluding Guangxi.

** Excluding Inner Mongolia.

Source: Computed with data from the *China Statistical Yearbook*, various years.

Table 5 above shows that the primary industry accounted for 18.02 per cent of the inland regions' GDP in 2004, which exceeded the national average by 5.21 percentage points, whereas the ratios for the secondary (47.20 per cent) and the tertiary (34.79 per cent) industries were 3.31 points and 1.91 points respectively below the national average. The disparity was even greater in the case of the western regions, where the ratio of primary industry to GDP was 19.46 per cent, i.e. 6.66 points above the national

average, while the ratios for the secondary (44.34 per cent) and tertiary (36.20 per cent) industries were 6.17 points and 0.49 points respectively short of the national average.

In terms of employment, labour force in the primary industry accounted for 54.01 per cent of the inland regions' total labour force in 2004, which exceeded the national average for primary industry labour force by 7.09 points, whereas the ratios of the labour force in the secondary (17.15 per cent) and the tertiary (28.85 per cent) industries were 5.35 points and 1.74 points respectively below the national average. The disparity was even greater in the case of the western regions, where the ratio of labour force in the primary industry (56.54 per cent) was 9.62 points above the national average. These statistics, on the other hand, also reflect the general widening disparities in urban and rural incomes, with the latter experiencing slower growth rates in the late 1990s and the early 21st century (Table 6).

Table 6 China: Income Growth Rates in Rural Areas

Year	Growth Rate (%)		Year	Growth Rate (%)
1996	9		2000	2.1
1997	4.6		2001	4.2
1998	4.3		2002	4.5
1999	3.8		2003	4.8

Source: Tabulated with data from Zhou (2006: 288).

A more detailed scrutiny of rural employment and wage at the sub-national unit level is that by Zhang (1998, 2001) who found the Gini coefficient (between provinces/zizhiqu/zhixiashi) for rural industrial employment rate to be 0.48 in 1988 and 0.46 in 1995, and that for average monthly wage of township enterprise workers to be 0.12 in 1988 and 0.28 in 1995 [see Zhang (2001: 226), Table 9.7]. Based on the Gini coefficient for wage levels that shows widening interregional disparities, Zhang concludes,

in line with a World Bank study of 1997, "China is one of the worst countries in Asia in regards to regional inequality" (Zhang 1998: 10, cited in Cook and Murray 2001: 89).

Inequality, Economic Malaise and the Menace of Socioracial Conflict

One of the most important indicators of economic malaise is rising unemployment. Unemployment in China is officially defined as those unemployed residents in cities and towns, and those who registered at State job centres. Following more closely the international standard, the official definition was clarified from 2003 as those within working age (between 16 and 60 years for males, and 16 to 55 for females), are capable of working but unable to find employment, and the 2003 official unemployment rate for urban residents was 4.3 per cent, not including workers in the category of *xia gang*⁷. In 2002, there were about 4.12 million *xia gang* workers at State enterprises. With the exclusion of many categories (such as the *xia gang* workers and surplus farm workers), the accuracy of the official unemployment figure is questionable. Real unemployment rate has been calculated to be above 11 per cent, according to the World Bank, to as high as 20 per cent (Cook and Murray 2001: 36). Rising unemployment inevitably brings along the threat of labour unrest. Even as early as 1996, the government admitted that there had been 3000 incidents of worker protest, and with as many as thirty million employees planned to be retrenched from the State-owned enterprises, this did not auger well for social stability, as some observers noted in 1999:

The reaction of the workers has been far from passive. According to the Chinese Academy of Social Science's annual report on social issues, an average of nine explosions rocked the mainland each day in 1998 as part of a growing crime wave. By early March 1999, there had been 13 bomb explosions this year, killing thirty-three people and injuring more than 100.

The report blamed rising crime on joblessness, widening income disparity and anger at rampant corruption for this trend. (Cook and Murray 1999: 4)

It was reported that in 2005 public order disturbances rose 6.6 per cent to 87,000, or an average of almost 240 a day.⁸

Equally alarming is a series of unrest with an ethnoreligious or ethnoregional content or a mix of the two. A most notable of such incidents is the Han-Hui conflict in October 2004 that occurred in the Nanren village and two other nearby villages in Henan province, that allegedly killed more than 100 people including at least 15 policemen, and injured more than 400 people, and at one point threatened to draw thousands more into the frenzy, thanks to the cellphones and computers that proliferate even in rural China.⁹ Though the conflict was probably triggered by a local traffic accident, simmering tensions might have been exacerbated by China's economic success that led to a growing gap between rich and poor, especially in the countryside.

That economic situations play an important role in interethnic conflict seems obvious. Collins (1975: 389-390) believed that the more severe a (political/economic) crisis, the greater the tendency for groups to coalesce along the lines of collective interests and the society to polarize into two-sided conflicts. Van Evera (1994: 9) claimed that the public become receptive to scapegoat myths (which are more widely believed) when economic conditions deteriorate. Rex (1970) noted that scapegoating is a means to restore social equilibrium, a mechanism whereby resentment may be expressed and the existing power structure maintained. It is "the social process *par excellence* that literally fulfils Parsons' description of one of his functional subsystems as pattern maintenance and tension management" (*ibid.*: 45). Baimbridge, Burkitt and Macey (1994: 432) observed that the deflationary impact of the Maastricht Treaty may intensify nationalism, racism and anti-Semitism "as the economically insecure seek weaker

scapegoats to blame for the economic problems confronting them". Hauser and Hauser (1972) stated that scapegoats occur when there is an imbalance between power and citizens' rights and are "often an élite's safeguard in its dealings with a dissatisfied and potentially dangerous majority" (p.330). In other words, the repressed, negative and hostile feelings of the majority *vis-à-vis* its own ruling élite are transferred on to the scapegoat. The interethnic hostilities in Malaysia in 1969 (and to a certain extent also the boiling racial tensions in 1987) could in the main be rooted in the resentment of the demographic majority's lower-class directed at their own ruling élites who were perceived to cooperate with and protecting rich interests of the minority. Similar outbursts could be observed amidst the anti-Suharto campaigns in Indonesia before the regime's collapse in which Chinese commercial institutions were attacked. In the extreme case, the scapegoat may seem to be totally unrelated to the initial cause of the feelings of hostility. The term "free-floating aggression" has been used in this case while the more general concept of "scapegoating" is reserved for the transfer of hostility towards any object (Turner and Killian 1957: 19). The pattern of ethnic conflict caused by scapegoating may not be solely a racial problem, but may partly result from social class differential and the economic environment. In the case of Malaysia, Mauzy (1993) noted that rapid economic growth could be the most important variable in explaining the absence of ethnic violence (as occurred in Lebanon and Sri Lanka) in response to preferential policies that led to growing ethnic polarization. Every non-Malay she interviewed between October and December 1990 "cited the continued possibilities of making money as the chief reason why there has been no ethnic violence in Malaysia, despite more polarisation, less accommodation and more repression" (*ibid.*: 127).

As the case of the socioracial conflict in Henan in October 2004 testified, a general increase in unrest in rural areas might also have been fuelled by dissatisfaction over poverty and corruption, perceived inequality

in the distribution of resources in favour of the Han, and backlash against certain preferential policies for the minorities.¹⁰ Then there is the long-running, simmering, tension and hostility in Xinjiang and Tibet, where especially in Xinjiang, it had increasingly been taking on a mixed ethnoreligious and ethnoterritorial flavour. While the vast ethnic minority area that covers Shaanxi, Ningxia, Gansu, Qinghai and Xinjiang continues to lag further and further behind the rest of the country since market-oriented economic reforms were introduced in the late 1970s, the realization by the central government in Beijing lately that the region is the treasure trove of mineral wealth has probably helped to change its attitude towards the area:

Three of China's four largest coal fields are in this area, as well as four of the most important oil fields. Some 140 kinds of mineral ores have been detected along with large reserves of bauxite for processing into aluminium, and gold. The Qaidam Basin in the middle of Qinghai Province, home to a large Tibetan population, for example, is described by local officials as the province's "treasure bowl", containing proven oil reserves of 200 million tons, as well as 4.5 billion tons of mostly high-quality coal with low ash and sulphur content. Under the Kunlun and Qilian mountains are large proven caches of iron, manganese, chromium, vanadium, copper, lead, zinc, nickel, tin, molybdenum, antimony, mercury, gold, silver, platinum, beryllium and selenium. The iron reserves are estimated at 2.2 billion tons, and the province claims the country's largest lead and zinc mines, and is a primary producer of asbestos. The Hui people in the Ningxia Hui Autonomous Region, meanwhile, are sitting on large proven reserves of oil and natural gas, along with mineral resources such as copper, iron, silver, gold, aluminium and nickel. The growing prosperity of Xinjiang is being built on the back of developments in the vast and inhospitable Tarim Basin, where experts reckon there are reserves of up to 100 billion barrels of oil and 8,300 billion cubic metres of natural gas. (Cook and Murray 2001: 126-7)

And all these in the regions with long simmering threat of ethnic separatism. To understand fully China's central State's unwavering position regarding such ethnoregional separatist sentiments, it is not enough to attribute it, as quite often done, to "China's obsession with national security

and the integrity of its historical borders” (*ibid.*: 147). Instead, one needs to go back to the fundamental tenets of Marxism-Leninism:

Marxist-Leninist theory on the national question defines a methodology for dealing with specific questions concerning the status of communities called nations or nationalities ... According to Communists, the fundamental cleavages of world society are along class rather than national lines. “Nations” are artificial units which came into being with the rise of capitalism and which are destined to disappear when capitalism is replaced with Communism; nationalism is a club used by capitalists to keep the world proletariat divided and subdued. When the proletariat seizes power throughout the world, then, according to the theory, nations and nationalism will vanish ... when one realizes that more than half the population of Russia at the time of the October Revolution consisted of peoples other than the Great Russians, and that more than half the territory of China “liberated” in 1949-1950 was inhabited by peoples other than Han Chinese, it will be appreciated how immensely important the national question was to the success of both revolutions. The national question has been central, not peripheral, to the revolutions in both countries ... In concrete terms, what “Marxist-Leninist theory on the national question” as applied in Russia and China really means is that claims for national independence on the part of minorities in socialist countries is [sic] counter-revolutionary, and only in capitalist and colonial countries are such claims correct. Once the Communist Party, the vanguard of the proletariat, seizes power, then the oppression of one nationality by another is impossible; anyone still demanding independence, therefore, can only be an agent, witting or unwitting, of world imperialism and therefore an enemy of “the people.” By similar arguments it is demonstrated that national minorities do not need their own Communist parties, since their interests are abundantly guaranteed by the unique Communist Party of the country. (Moseley 1966: 4-7)

The fact remains that with the disintegration of the Russian empire (the “prison of nations”¹¹, or in its modern form, the Soviet Union) in December 1991, China became the world’s only former empire that has not disintegrated as have, besides the Russian empire, all in the 20th century, the Ottoman, Austro-Hungarian and the Western maritime empires. The only ethnic region that managed to break away from China is Outer Mongolia that formed the independent Mongolian People’s Republic in 1924, with Russian support, though not recognized by China until 1946. The Uygurs in fact established, with Russian help, a short-lived East Turkestan

Republic in 1944, but it collapsed after the 1949 Communist victory in China's civil war, and the region was reincorporated into China as the Xinjiang Uygur Zizhiqu in 1955. Like the de facto independent Taiwan since 1949, with the collapse of the Qing Dynasty that led to the repatriation of the imperial troops from the region, Tibet (today China's Xizang Zizhiqu) was in every respect virtually on her own from 1911 to 1950. Hence, with such recent historical experience of ethnoregional sectionalism and potential separatism, it can be argued that as a political urgency China has no choice but to give due politico-economic consideration to her western regions – regions that are populated by many ethnic minorities and have alarmingly lagged behind during the market-oriented reforms – for the sake of sociopolitical stability that is deemed crucial to the security of the Chinese state.

Ethnic Diversity in China

Before we go further with the issues of ethnoterritoriality and China's regional policy, one question needs to be asked: Just how diverse is China in terms of her ethnic composition?

A comparison of China's and Malaysia's positions brings out readily the high homogeneity of the former's ethnic composition (0.125) vis-à-vis the latter's heterogeneity (0.684).¹² Nevertheless, there are various important aspects of the ethnic equation that are not revealed by an index of this nature (being based on the numerical structure of ethnic composition), including the historical geography of ethnicity, as well as the territorial, political and economic dimensions. Due to the abnormal size of China's population and in particular the size of China's citizens of the Han ethnicity, a distortion or misrepresentation emerges in the application of this index to China as the country's large populations of minorities¹³ – about 110

million in total, including the 16 million Zhuang, 10 million Manchu, 9 million Hui, 8 million Uygurs, 5 million Mongols and 5 million Tibetans – are practically dwarfed almost to invisibility by the sheer size of the Han population, as is evident in Table 7 below. In fact, based on the "critical mass" theory (advanced, among others, by Semyonov and Tyree [1981]), societies are considered multiethnic only if minorities constitute more than ten per cent of their population. It is thus obvious that the issue of "numerical significance" cannot be the sole criterion involved in the anomaly of China.

Nevertheless, to get the real picture of China's ethnic mosaic, such national-level statistics is obviously inadequate. To do so, one needs to go below the broad national image to examine the country's sub-national units whose degrees of ethnic diversity are shown in Table 8.

Table 7 China: Ethnic Composition – The National Picture

1	Han	92%		29	Tu	0.017%
2	Zhuang	1%		30	Xibo	0.015%
3	Manchu	0.9%		31	Mulao	0.014%
4	Hui	0.8%		32	Khalkh	0.013%
5	Miao	0.7%		33	Tahur	0.0108%
6	Uygur	0.63%		34	Jingpo	0.0106%
7	Yi	0.58%		35	Sala	0.0077%
8	Tujia	0.51%		36	Bulang	0.0073%
9	Mongol	0.43%		37	Maonan	0.006%
10	Tibetan	0.41%		38	Tajik	0.0029%
11	Buyi	0.23%		39	Pumi	0.0026%
12	Dong	0.22%		40	Achang	0.0025%
13	Yao	0.19%		41	Nu	0.0024%
14	Korean	0.17%		42	Ewenki	0.0023%
15	Bai	0.14%		43	Kinh (Vietnamese)	0.0017%
16	Hani	0.11%		44	Jinuo	0.0016%
17	Li	0.0985%		45	Deang	0.0014%

18	Kazakh	0.0983%		46	Uzbek	0.0013%
19	Dai	0.091%		47	Russian	0.0012%
20	She	0.06%		48	Yugu	0.00109%
21	Lisu	0.05%		49	Baoan	0.00103%
22	Gelao	0.039%		50	Olunchun	0.00062%
23	Lahu	0.036%		51	Menba	0.00066%
24	Dongxiang	0.033%		52	Dulong	0.00052%
25	Wa	0.0312%		53	Tatar	0.00045%
26	Shui	0.0307%		54	Hezhe	0.00038%
27	Naxi	0.025%		55	Gaoshan	0.00025%
28	Qiang	0.018%		56	Luboa	0.00021%

Source: Computed with census data.

Table 8 China: Ethnic Diversity by Province (*sheng*), Zizhiqu⁺ and Zhixiashi⁺⁺ (Ethnic Fractionalization Index)¹⁴

Rank	Province/Zizhiqu/Zhixiashi	EFI	Rank	Province/Zizhiqu/Zhixiashi	EFI
1	Xinjiang* (Uyгур Zizhiqu)	0.632	16	Hubei	0.078
2	Guangxi* (Zhuang Zizhiqu)	0.631	17	Beijing (Zhixiashi)	0.075
3	Qinghai*	0.602	18	Hebei	0.077
4	Yunnan*	0.541	19	Tianjin (Zhixiashi)	0.045
5	Guizhou*	0.540	20	Fujian	0.031
6	Ningxia* (Hui Zizhiqu)	0.447	21	Henan	0.023
7	InnerMongolia* (Mongol Zizhiqu)	0.326	22	Shandong	0.012
8	Hainan	0.311	23	Anhui	0.011
9	Liaoning	0.288	24	Guangdong	0.011
10	Jilin	0.194	25	Zhejiang	0.010
11	Gansu*	0.156	26	Shanghai (Zhixiashi)	0.010
12	Hunan	0.152	27	Shaanxi*	0.009
13	Heilongjiang	0.110	28	Shanxi	0.006
14	Sichuan*#	0.089	29	Jiangxi	0.005
15	Xizang/Tibet* (Tibetan Zizhiqu)	0.085	30	Jiangsu	0.005

+ “autonomous region” ++“direct-ruled/independent municipality”, i.e. municipality under the central government.

* provinces, zizhiqu, and zhixiashi now classified as the “western regions”

Sichuan includes Chongqing.

Source: Computed with census data.

It can be noted in Table 8 above¹⁵ that the top seven regions in the ethnic diversity rankings are regions now classified as western under the “Develop the West” strategy. They include four of the five ethnic zizhiqu of China. Xinjiang – one of the two politically most volatile regions of the country (the other being Tibet) – tops the list.

To further understand the ethnic mosaic of China, look at Table 9 that indicates the proportion of each ethnic group in the country’s sub-national units. Only those groups that are not lower than one per cent are shown in this table.

Table 9 China: Ethnic Distribution by Province (*sheng*), Zizhiqu⁺ and Zhixiashi⁺⁺ (%)[@]

1	Xinjiang* (Uygur Zizhiqu)	Uygur 47%; Han 38%; Kazakh 7%; Hui 5%; Khalkh 1%; Mongol 1%
2	Guangxi* (Zhuang Zizhiqu)	Han 61%; Zhuang 37%; Yao 3%; Miao 1%; Dong 1%
3	Qinghai*	Han 58%; Tibetan 20%; Hui 14%; Tu 4%; Sala 2%; Mongol 2%
4	Yunnan*	Han 67%; Yi 11%; Bai 4%; Hani 3%; Dai 3%; Zhuang 3%; Miao 2%; Lisu 2%; Hui 1%; Lahu 1%; Wa 1%; Naxi 1%
5	Guizhou*	Han 67%; Miao 12%; Buyi 8%; Dong 4%; Tujia 3%; Yi 2%; Gelao 1%; Shui 1%
6	Ningxia* (Hui Zizhiqu)	Han 67%; Hui 33%
7	InnerMongolia* (Mongol Zizhiqu)	Han 81%; Mongol 16%; Manchu 2%; Hui 1%
8	Hainan	Han 83%; Li 16%; Miao 1%
9	Liaoning	Han 84%; Manchu 13%; Mongol 1%; Hui 1%; Korean 1%
10	Jilin	Han 90%; Korean 5%; Manchu 4%; Mongol 1%
11	Gansu*	Han 92%; Hui 5%; Tibetan 2%; Dongxiang 1%
12	Hunan	Han 92%; Tujia 3%; Miao 3%; Dong 1%; Yao 1%
13	Heilongjiang	Han 94%; Manchu 3%; Korean 1%
14	Sichuan*[#]	Han 95%; Yi 2%; Tibetan 1%; Tujia 1%
15	Xizang/Tibet* (Tibetan Zizhiqu)	Tibetan 96%; Han 4%
16	Hubei	Han 96%; Tujia 3%
17	Beijing (Zhixiashi)	Han 96%; Hui 2%; Manchu 2%
18	Hebei	Han 96%; Manchu 3%; Hui 1%
19	Tianjin (Zhixiashi)	Han 98%; Hui 2%

20	Fujian	Han 98%; She 1%
21	Henan	Han 99%; Hui 1%
22	Shandong	Han 99%; Hui 1%
23	Anhui	Han 99%; Hui 1%
24	Guangdong	Han 99%
25	Zhejiang	Han 99%
26	Shanghai (Zhixiashi)	Han 100%
27	<i>Shaanxi*</i>	Han 100%
28	Shanxi	Han 100%
29	Jiangxi	Han 100%
30	Jiangsu	Han 100%

Notes to Table 15:

+ “autonomous region”, ++ “direct-ruled/independent municipality”, i.e. municipality under the central government.

@ Decimals are rounded to the nearest. Ethnic groups below 1 per cent are not shown.

**provinces, zizhiqu, and zhixiashi now classified as the “western regions”*

Sichuan includes Chongqing.

Source: Computed with census data.

An interesting fact that stands out in Table 9 is that the ethnic group whose name marks a particular zizhiqu may not be the demographically dominant group there. In Ningxia, Inner Mongolia and Guangxi, the Han Chinese constitute the dominant group (67, 83 and 61 per cent respectively), while the Hui, Mongol and Zhuang are in fact minorities in the respective zizhiqu (33, 16 and 37 per cent respectively). In Xinjiang, while the Uygur outnumber the Han, the former are hardly a majority, constituting less than 50 per cent of the zizhiqu’s total population. Tibet is the oddity in the whole of China, with Tibetans constituting 96 per cent of the population, demographically dwarfing the Han to a mere 4 per cent. Such official population figures have been disputed by the Tibetan government-in-exile who claims that

... accelerating Han population transfer into Tibet ... has reduced the Tibetan people to a minority in their own land. Today, claims the government-in-exile, 'there are over 7.5 million non-Tibetan settlers in Tibet including Chinese and Hui Muslims, compared to six million Tibetans.' (Cook and Murray 2001: 141)

However, such allegations of population transfer is rebutted by the Beijing government, who argues that

the only Han Chinese living in Tibet are specialists who have gone there voluntarily to help in the region's development. The Han, it maintains, make up less than five per cent of the population and many of the people are there for only a few years before returning home. (ibid.)

“Develop the West” Strategy and Ethnoterritorial Challenges

The term “development of the central and western regions” first emerged in the Chinese mass media in the spring of 1999. The phrase “Developing the Western Region” (*xibu dakaiifa*) would soon become widely used in the political parlance. It has often been noted that the “Develop the West” strategy was a big gambit for Jiang Zemin, something that neither Mao Zedong nor Deng Xiaoping could do during their lifetime. Although the western regional development strategy might seem to be an easy way for Jiang to assert his authority ahead of the 16th Party Congress scheduled for the autumn of 2002, in parallel with thought control through ideological and political work, the plan was fraught of risks. While the strategy would cover many minority *zizhiqu* (“autonomous regions”) whose majority population are ethnolinguistically and/or ethnoreligiously distinctive from the Han Chinese central State, the plan has always been understood to be a political process to allocate pieces of the economic pie to the local governments in the western regions but not about political decentralization.

However, implementing the western regional development project within such cautious political framework is not without risks either. First, with strong constraints in the devolvement of central power, it could be difficult to coordinate the interests of the central and local governments over the power of authorization and permissions and to determine how far the right to independent development could go. Besides that, it may not be easy to adjust the interests of local governments over limited financial resources and projects to be implemented. Finally, there is the fact that 80 per cent of the ethnic minorities in China live in the western regions and national border areas where the new regional development strategy is targeted. Without accompanying decentralization of political power and the conferring of substantial degree of regional autonomy in the control and use of local resources, ethnic minorities may perceive the central State's projects as attempts at internal colonization, leading to their outright opposition to the whole regional development strategy itself, thus exacerbating the already simmering ethnoregional tensions.

One researcher cited the reply of a Tibetan to his question about the prospects that "the opening of planned three railway lines to Lhasa should make the life in Tibet more convenient" during his visit to Tibet in March 2000: "Many Han Chinese would come with the convenience of the railways. The bad influence of the Han Chinese culture could destroy Tibetan culture. We prefer staying poor to the destruction of our culture." (Sasaki 2001: 27-8) If views as such are prevalent, this shows the possibility that many of the ethnic minorities are perturbed by the prospect of their cultures being destroyed or diluted as more and more visitors come to their regions due to the progress in the central government-led big development projects or by their own inability to adapt to the market economy. In another interview the same researcher conducted in Beijing in November 2000, he was told by a minority official working with a central government organization: "The biggest problem with the Strategy for Developing the Western Region is the

neglect of rights of ethnic minorities, with development rights totally controlled by the central government. We are demanding independent rights of development. In funding, we want the freedom to form joint ventures with foreign companies. We also want trading rights for resources and processed products. The central government's way will just bring resources from the West to the East, leaving nothing behind in autonomous regions. If we are given policy autonomy, we can manage economic development of autonomous regions much better than the central government as we have our own channels of doing things. As for an inflow of human resources, the central government would only bring in the Han Chinese. There are talented people among ethnic minorities and we can make good use of them. What we badly need is autonomy of development.” (*ibid.*: 26)

Regardless of how widespread such discontent might be, the degree of policy autonomy in the ethnic regions is one issue that would present pitfalls for the “Develop the West” strategy that the central government cannot afford to callously dismiss. And such pitfalls can have real consequences for the success or failure of the strategy. In July 2000 the World Bank rejected a loan to China – a \$40 million interest-free loan intended to finance a plan to move 58,000 Han Chinese living in Qinghai to the province's Tibetan area as part of the poverty relief measures – after U.S.-based Tibet support groups and environmentalist groups, and reportedly China's own ethnic minority, campaigned against the loan project, arguing about the possible threat to Tibetan influence and culture. The World Bank's board of governors finally rejected the proposed loan after the bank's examinations discovered the lack of both stringent standards for environmental assessment and of secrecy about hearings on residents of the area where the Han Chinese were to be moved. It can be argued that the rejection might not have been based completely on the threat to an ethnic minority's culture but also carried political and diplomatic overtones

since the United States and some European countries were among the countries that voted against the loan (*ibid.*: 27). Either way, the loan rejection had severe implications for the whole “Develop the West” strategy that China cannot afford to make lightly of since the country, due to the fiscal constraints of the central government, plans to rely on loans from international organizations and foreign governments in raising necessary funds for the development projects involved in the strategy.

This points to the fact that a main problem China, at this particular stage of reform, is facing – which often has an ethnoterritorial overtone – is the issue of interregional disparities in income and wealth. Although the threat of interethnic mistrust looms large and wide and it could both be the scourge afflicting the poor nations, and the sword of Damocles even in times of prosperity¹⁶, it is nevertheless critically relevant to the developing countries in particular, since economic deprivation or desperate poverty “unduly heightens sensitivities and breeds a general atmosphere of unreasonableness and distrust, making it immensely more difficult to attain solutions to outstanding problems on the basis of a reasonable give and take” (Vasil 1984: 1-2). As a post-Marxist-Leninist country still on the road of market-oriented reforms, China cannot avoid to take heed of the impact of the twin perils of the reethnicization of social segments and the widening of inequalities as have occurred in Eastern Europe and the successor states of the former Soviet Union as well as the lessons from the Balkan conflicts after the collapse of communism, or what Raiklin (1988) more appropriately termed “totalitarian state capitalism”, where social tensions are increasingly expressed and enacted ... as interethnic conflicts: conflicts among majority and minorities; or as conflicts among competing minorities. (Gheorghe 1991: 842)

The Political Economy of Regional Demarcation and Interregional Resource Contest

In the past, China used to adopt the dichotomy of dividing the country into the coastal regions and the inland regions before she shifted in the mid-1980s to the trichotomous division of the country into the three major economic zones of the eastern, central and western regions, when regional diversity was formally recognized. With reference to the “Develop the West” strategy, the demarcation of the three regions is as follows:

Eastern regions include 11 mainly coastal provinces/zhixiashi¹⁷ –

Beijing (zhixiashi), Fujian, Guangdong, Hainan (the large island that attained province status after its separation from Guangdong), Hebei, Jiangsu, Liaoning, Shandong, Shanghai (zhixiashi), Tianjin (zhixiashi) and Zhejiang.

Central regions include eight provinces –

Anhui, Heilongjiang, Henan, Hubei, Hunan, Jiangxi, Jilin and Shanxi.

Western regions include 12 provinces/zhixiashi/zizhiqu¹⁸:

Chongqing (zhixiashi, after its separation from Sichuan province in the late 1990s), Gansu, Guangxi (zizhiqu of the Zhuang ethnic minority), Guizhou, Nei Monggol (i.e. Inner Mongolia – zizhiqu of the Mongol ethnic minority), Ningxia (zizhiqu of the Hui ethnoreligious minority), Qinghai, Shaanxi, Sichuan, Xizang (i.e. Tibet – zizhiqu of the Tibetan ethnic minority), Xinjiang (zizhiqu of the Uygur ethnic minority) and Yunnan.

Thus, the central and western regions are largely comprised of the provinces (*sheng*)/zhixiashi/zizhiqu of the inland regions. It can also be noted that under the “Develop the West” strategy, all the ethnic minority zizhiqu (“autonomous regions”) are categorized as western regions.

Such regional demarcations are by no means solely geographical, since other criteria such as the level of economic development, living standards and even bureaucratic customs are also taken into consideration. To be called “western” in this case carries the connotation of being remote, poor, and backward in economic development. Thus, for a region, to be classified as “western” or otherwise is not geographically destined, but rather subject to negotiations. For instance, whether to include the two ethnic minority regions of Guangxi Zizhiqu (of the Zhuang) and Inner Mongolia Zizhiqu (of the Mongols) as western regions posed some problems for the State Development and Planning Commission during the demarcation process, since geographically the southern province of Guangxi is not a landlocked inland province but partly coastal, adjacent to the prosperous Guangdong province, and has always been considered an eastern, coastal province, and Inner Mongolia is actually more central than western. The central government’s acceptance of Guangxi’s appeal for its status to be changed from eastern to western, citing a relatively backward economy and poverty in many of its counties, drew strong opposition from other regional governments such as Hubei and Hunan¹⁹, since such a change in status means that the formerly “eastern, coastal” Guangxi which has benefited in the past from favourable treatment during the period of development of the eastern coastal regions would now benefit again under the new “Develop the West” strategy by turning into a “western” region. Despite the objections, Guangxi’s ardent lobbying effort paid off. Taking a cue from Guangxi’s effort, Inner Mongolia follow suit.²⁰ The official rationales for the inclusion of the Guangxi Zhuang Zizhiqu and Inner Mongolia Zizhiqu as western regions are the fact that they are ethnic minority areas, that they are geographically bordering the “West”, that they are rich in natural resources but backward in economic development, and that they bear resemblances to the southwestern and northwestern regions. On the contrary, the “central regional” Hubei, Hunan and Shanxi provinces that sit on the line dividing the western and central regions all failed in their

appeals to get included as western regions. The only consolation they got was that the Enshi Zizhizhou (“autonomous prefecture”) of Hubei and Xiangxi Zizhizhou of Hunan – the only ethnic minority areas (both are Tujia and Miao prefectures) of the respective provinces – were included as western regions, the result of a compromise between the central government and the two provinces. The absence of any ethnic minority “autonomous area” rendered the Shanxi province unable to benefit from such a compromise. (Sasaki 2001: 23)

However, not all provinces with ethnic minorities were able to successfully persuade the commission to incorporate them as part of the western regions. Hainan province, the large island on the east coast, tried to get reclassified as “western”, citing its 35 ethnic minorities (see Table 14 above) and an objective of the “Develop the West” strategy to develop ethnic minority areas. It failed. The same for Jilin province. Even with the precedence of Enshi and Xiangxi, the Yanbian Korean Zizhizhou still failed to persuade the central government to incorporate it as part of the western regions.

What the above shows is that the geographical demarcation of the western regions is not an easy process, since being incorporated as a western region means that the regional government concerned would be entitled to receive various benefits, including priorities in obtaining projects funded by the central government and other fiscal subsidies. That explains why regional governments all over the country were swept into a frenzy trying to get their regions classified as “western” – in a course of events resembling the *fiebre autonómica* (autonomy fever) when the Spanish *Comunidades Autónomas* project was first introduced after the death of the *Caudillo* – no matter how unconvincing their arguments were. However, given the fiscal constraints of the central government, continued fiscal help from the central government could be problematic. Hence, fund-raising

would depend on the ability to attract domestic- and foreign-capital enterprises. That explains why many regional governments had raced to announce preferential policy measures as soon as the proposal was made for the “Develop the West” strategy (*ibid.*: 24). Such interregional scrambling for future benefits even at the early stage of the strategy can provide one a glimpse into the potential resource contest between regions, especially given the understandable difficulty to coordinate and adjust the interests of regional governments over the distribution of the resources for the strategy. Such interregional resource contest could actually turn rather ugly, as the following case of local protectionism attests to:

In July 2001, the local government of Wuxue, in Hubei province, issued a directive to call on all residents in the region to support their own beer brands and producers. They forced each and every government employee to buy at least six cases of local beers each year. In the meantime, distributors of other beer brands were summoned and penalized by various bureaux of the local government in the forms of fines and extra taxes. This kind of action is similar to the “buy local” campaigns in many countries yet different in its nature, since initiatives and actions were taken by governments rather than by a popular civil movement.(Zhou 2006: 247)

Then there is the case where

[a] well-known battle was fought between Hubei provincial government and Shanghai municipal government over market access for cars. Both regions have carmakers: Hubei has a joint venture with Citron; and Shanghai a joint venture with VW. The Shanghai government imposed an 80,000 yuan surcharge on buyers of Hubei-made cars. In retaliation, the Hubei government invented a 70,000 yuan fee payable when buying Shanghai-made Santanas. Cars made in these two regions failed to enter the other’s market. (*ibid.*)

State’s Response to Interregional Disparity

As noted earlier in the paper, ethnic composition marks one of the major differences between China’s eastern and western regions, and in

contrast to the eastern regions that are dominated by the Han Chinese, the western regions are home to a large number of China's ethnic minorities. When Jiang Zemin stressed the need for "national unity" in proposing the "Develop the West" strategy, he simply conveyed the government's understanding of the need for different approaches in economic development strategy for the eastern and western regions due to the contrasting ethnic compositions of the two regions. Compounding the exigencies engendered by the ethnic factor is the interregional socioeconomic disparity between the Han-dominated eastern regions and the western regions where many non-Han peoples are domiciled. The paper has earlier begun by partly examining the issue in a section on poverty and equality. Since this is one of the most, if not *the* most, critical challenges China faces in her next phase of politico-socioeconomic development, it is fitting to end this paper by returning here to take a closer look at the issue of interregional disparity and how the State is responding to it under the "Develop the West" strategy.

The more affluent eastern regions were directed since 1997 to form regular one-on-one cooperative links with western regions in the form of the following pairings:

Beijing (zhixiashi) – Inner Mongolia (Mongol zizhiqu)
Dalian, Qingdao, Ningbo (cities) – Guizhou (province)
Fujian (province) – Ningxia (Hui zizhiqu)
Jiangsu (province) – Shaanxi (province)
Liaoning (province) – Qinghai (province)
Shandong (province) – Xinjiang (Uygur zizhiqu)
Shanghai (zhixiashi) – Yunnan (province)
Tianjin (zhixiashi) – Gansu (province)
Zhejiang (province) – Sichuan (province)
All China – Xizang/Tibet (Tibetan zizhiqu)

Tables 10 and 11 below may serve to remind one about the gap between the “giver” and the “receiver” in such a partner or sister relationship.

Table 10 China: GDP per capita by Province (*sheng*), Zizhiqu⁺ and Zhixiashi⁺⁺ (yuan)

<i>Year</i>	2003	2004		<i>Year</i>	2003	2004
Shanghai (Zhixiashi)	36533.08	42768.48		Chongqing* (Zhixiashi)	7190.29	8537.44
Beijing (Zhixiashi)	25151.74	28689.28		Hunan	6962.13	8379.01
Tianjin (Zhixiashi)	24203.10	28631.64		Jiangxi	6653.28	8160.46
Zhejiang	20076.72	23819.92		Ningxia* (Hui Zizhiqu)	6640.36	7829.08
Guangdong	17130.36	19315.34		Shaanxi*	6501.10	7782.75
Jiangsu	16825.73	20722.67		Xizang/Tibet* (Tibetan Zizhiqu)	6829.03	7720.44
Fujian	15000.49	17240.50		Sichuan*	6271.34	7514.05
Shandong	13628.42	16874.43		Anhui	6197.16	7448.82
Liaoning	14257.81	16297.49		Guangxi* (Zhuang Zizhiqu)	5631.32	6790.96
Heilongjiang	11612.06	13893.11		Yunnan*	5634.18	6703.24
Hebei	10486.18	12878.23		Gansu*	5011.26	5952.39
Inner Mongolia* (Mongol Zizhiqu)	9036.84	11376.17		Guizhou*	3504.47	4077.61
Xinjiang* (Uygur Zizhiqu)	9708.68	11208.10				
Jilin	9330.25	10919.93		EASTERN	16306.33	19351.03
Hubei	9000.30	10488.56		CENTRAL	7775.41	9375.54
Hainan	8277.77	9405.38		WESTERN	6216.85	7429.95
Shanxi	7412.12	9122.67		INLAND (Central & Western)	7053.83	8474.46
Henan	7291.39	9071.82				
Qinghai*	7310.04	8640.63		CHINA#	10558.20	12613.72

⁺ “autonomous region”, ⁺⁺“direct-ruled/independent municipality”, i.e. municipality under the central government

* provinces, zizhiqu, and zhixiashi now classified as the “western regions”

Excluding Hong Kong, Macau and Taiwan.

Source: Computed with data from the *China Statistical Yearbook*, various years.

Table 11 China: Regional GDP Shares (%)

Year	National Total	Eastern (Coastal)*	Inland [#]	Inland	
				Central**	Western [#]
2000	100	57.29	42.71	25.58	17.13
2001	100	57.50	42.50	25.41	17.09
2002	100	57.91	42.09	24.92	17.16
2003	100	58.49	41.51	24.57	16.94
2004	100	58.38	41.62	24.72	16.90

[#] Including Guangxi which is geographically eastern coastal, and Inner Mongolia which is geographically northeastern inland.

* Excluding Guangxi.

** Excluding Inner Mongolia.

Source: Computed with data from the *China Statistical Yearbook*, various years.

The partnership is established in a way that a “giver” (i.e. the more affluent) region has to provide concrete financial, personnel and technological assistance to a “receiver” (i.e. the less developed) region that in return, offers the “giver” business opportunities such as those based on the beneficiary region’s abundant endowment of natural resources. Examples are like Shanghai’s projects of water supply systems and hospitals in the Yunnan province and Tibet (Zhou 2006: 258).

Besides the abovementioned one-on-one cooperative links, there are also general adjustments in investment focus aimed to address the long-running interregional disparity in investment as shown in Tables 12 and 13.

Table12 China: Cumulative Utilized FDI by Province (*sheng*), Zizhiqu⁺ and Zhixiashi⁺⁺ (US\$ billion), 1979-97 [Within category by alphabetical order]

>5.625 to <50.912		>0.004 to <1.738
Beijing (Zhixiashi)		Gansu*
Fujian		Guizhou*
Guangdong		Jiangxi
Jiangsu		Jilin
Liaoning		Ningxia* (Hui Zizhiqu)
Shanghai (Zhixiashi)		Shanxi
Shandong		Shaanxi*
Tianjin (Zhixiashi)		Qinghai*
Zhejiang		Xinjiang* (Uyghur Zizhiqu)
		Yunnan*
>1.738 to <5.625		
Anhui		No data
Guangxi* (Zhuang Zizhiqu)		Inner Mongolia* (Mongol Zizhiqu)
Hainan		Xizang/Tibet* (Tibetan Zizhiqu)
Hebei		
Heilongjiang		
Henan		
Hubei		
Hunan		
Sichuan*#		

⁺ “autonomous region”, ⁺⁺“direct-ruled/independent municipality”, i.e. municipality under the central government

* provinces, zizhiqu, and zhixiashi now classified as the “western regions”

Sichuan includes Chongqing

Source: Tabulated with data from Cook and Murray (2001: 83).

Table 13 China: Foreign Direct Investment by Province (*sheng*), Zizhiqu⁺ and Zhixiashi⁺⁺ (US\$10,000), 2003

Jiangsu	1056365		<i>Sichuan*</i>	41231
Guangdong	782294		Anhui	36720

Shandong	601617		<i>Shaanxi*</i>	33190
Shanghai (Zhixiashi)	546849		Heilongjiang	32180
Zhejiang	498055		<i>Chongqing*</i> (Zhixiashi)	26083
Liaoning	282410		Shanxi	21361
Fujian	259903		Jilin	19059
Beijing (Zhixiashi)	219126		<i>InnerMongolia*</i> (Mongol Zizhiqu)	8854
Jiangxi	161202		<i>Yunnan*</i>	8384
Hubei	156886		<i>Guizhou*</i>	4521
Tianjin (Zhixiashi)	153473		<i>Qinghai*</i>	2522
Hunan	101835		<i>Gansu*</i>	2342
Hebei	96405		<i>Ningxia*</i> (Hui Zizhiqu)	1743
Henan	53903		<i>Xinjiang*</i> (Uygur Zizhiqu)	1534
Hainan	42125		<i>Xizang/Tibet*</i> (Tibetan Zizhiqu)	No data
<i>Guangxi*</i> (Zhuang Zizhiqu)	41856			

+ “autonomous region”, ++ “direct-ruled/independent municipality”, i.e. municipality under the central government

* provinces, zizhiqu, and zhixiashi now classified as the “western regions”

Source: Data from the *China Statistical Yearbook*.

Tables 12 and 13 show respectively the cumulative utilized foreign direct investment, 1979-1997, and FDI in 2003, at provincial/zizhiqu/zhixiashi level. It can be observed in Table 13 that all of the provinces/zhixiashi with FDI above US\$2 billion are eastern (coastal), whereas those provinces/zizhiqu with FDI below US\$0.1 billion are all western regions. FDI in Guizhou, Qinghai and Gansu was just between US\$0.02 billion and US\$0.05 billion, while the figures for Ningxia and Xinjiang were below US\$0.02 billion (the figure for Tibet was unavailable). The rankings by FDI here largely reflects that by GDP per capita (see Table 10 above), suggesting unequivocally a correlation between the two.

Interregional disparity in terms of export dependence and foreign capital utilization is further shown in Table 14 below. Onishi (2001), in a table taken from Chen (2000), shows that the interregional disparity in the share in basic construction investment during China's 1st 5-year plan period (1953-57) (East 36.9, Central 28.8, West 18.0) still persists by 1999 (East 52.1, Central 22.5, West 17.1).²¹ Concern for such mutually reinforcing factors has led to internal policy debates regarding the need to balance growth to a greater extent, and policy documents which "suggested that the state should further develop its regional compensation policy, improve its existing policy of "aid to poor areas", strengthen policies for minority nationalities, and continue fiscal subsidies to compensate regional interests" (Cannon and Zhang 1996: 88, cited in Cook and Murray 2001: 82).

Table 14 China: Regional Differences in Export Dependence, Foreign Direct Investment

Item \ Region	Year	National Total	Eastern (Coastal) [*]	Inland [#]	Inland	
					Central ^{**}	Western [#]
Export dependence (%) [^]	2000	21.22	33.37	4.93	4.80	5.13
	2003	26.76	41.77	5.61	5.50	5.77
	2004	30.08	47.14	6.16	6.11	6.23
Share of total foreign direct investment (%) ⁺	2003	100	84.83	14.12	10.90	3.22

[#] Including Guangxi which is geographically eastern coastal, and Inner Mongolia which is geographically northeastern inland.

^{*} Excluding Guangxi.

^{**} Excluding Inner Mongolia.

[^] Ratio of exports to GDP.

+ Regional shares of total foreign investment do not add to 100 because they do not include the separate category of “Ministries and Other Departments” (1.05%).

Source: Computed with data from the *China Statistical Yearbook*, various years.

Under the “Develop the West” strategy, the government increased substantially its funding for the western regions and launched key investment projects in these regions with speedy approvals, and with transport, power, natural gas, and tourism being the industries of priority. These include 10 key projects that started in 2000, with an investment of over 100 billion yuan (around US\$12 billion); other important projects that started in 2001, with total investment of over 300 billion yuan, partly supported by government treasury bonds of 50 billion yuan; 14 key projects in 2003 with total investment of 130 billion yuan (Zhou 2006: 259). A total funding of 700 billion yuan had been allocated to the west by late 2003. These huge projects, which will continue for up to a decade, besides providing job opportunities for workers in the western regions would also profit or help to maintain the solvency of many large State enterprises who are the major contractors of these projects. Besides the above measures, special government bonds were issued to support the “Develop the West” strategy, and 60 per cent of international funds and low-interest foreign government loans were allocated to the western regions (*ibid.*).

Another crucial measure under the “Develop the West” strategy is the improvement of investment environment in the western regions and the introduction of new preferential treatments for these regions. These can be seen as late corrective measures to reverse the past unfair neglect of the regions as shown in Table 15.

Table15 China: Preferential Treatments – Inter-zonal Comparison

Special economic zones	15% tax rate, lower tariffs
Coastal open cities	24%
Open cities along major rivers	24%
Coastal economic development zones	24%
Economic and technology development zones	10-15%, right to pass local laws to suit their needs
National border open cities	24%
Hi-tech industrial development zones	15%, concession in land acquisitions
Others	55% till 1993, 33% thereafter

Source: Tabulated with data from Zhou (2006: 253)

Such unequal treatment had in fact further exacerbated the gap in economic competitiveness between regions over the years. In the mid-1990s, the State Statistical Bureau ranked the economic competitiveness of provinces/zhixiashi/zizhiqu using a comprehensive method of assessment involving multiple factors. The results show that none of the provinces/zhixiashi/zizhiqu in the inland (i.e. central and western) regions was among the top ten. With the exception of Hubei and Sichuan, all provinces/zhixiashi/zizhiqu were ranked behind the midpoint (15th) (Chen 2001: 33, Table 3).

The gap in competitiveness may in a way be reflected in the following observations (Tables 16 and 17).

Table 16 China: Regional Shares of Industrial Output (%)⁺

Year		2003	2004
National Total		100	100
Eastern (Coastal)*		63.11	63.10
Inland[#]		36.89	36.90
Inland	Central**	23.61	23.45
	Western[#]	13.28	13.45

+ Gross domestic product of secondary industry excluding construction.

Including Guangxi which is geographically eastern coastal, and Inner Mongolia which is geographically northeastern inland.

* Excluding Guangxi.

** Excluding Inner Mongolia.

Source: Computed with data from the *China Statistical Yearbook*, various years.

Table 17 China: Famous Brands (1999)

Eastern Regions	68 brand names	78%
Central Regions	10 brand names	12%
Western Regions	9 brand names	10%

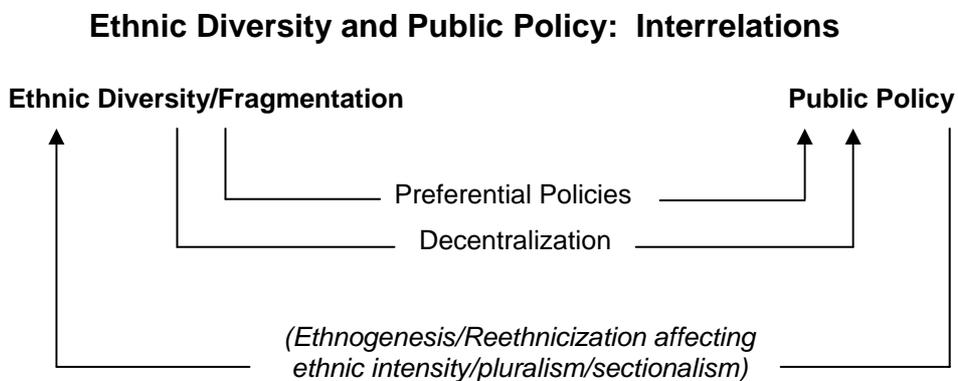
Source: Tabulated with data from Zhou (2006: 257).

Measures to improve the investment environment in the western regions under the “Develop the West” strategy include assistance directed at solid targets like infrastructure and those aimed at soft targets such as business environment. In a way, measures and practices that had been tested in the eastern, coastal regions in the past few decades of reform are now being transplanted to the western regions. Within this framework, the western regions were granted in 2000 (for ten years till 2010) a preferential company income tax rate of only 15 per cent – the same rate long enjoyed by enterprises in the eastern regions (see Table 15 above) – and the power to approve foreign investment projects in service industries were conferred on the relevant authorities in the western regions. Other measures include the issuance of on-the-spot visas to foreign tourists to enhance tourism, and the adjustment of prices of minerals and railway transport. (Zhou 2006: 260).

Conclusion

The phenomenal rise of China as an economic power, as well as her heightened political and military clout that has been growing in tandem with this, inevitably brought forth, both regionally or globally, increasing concern over whether she is posing a threat to regional stability and prosperity, and if so, in what way. This paper has attempted to examine the so-called “China threat” from a different perspective, by asking whether the threat to China herself in the post-Cold War world and the oft-cited potential threat posed by China to her neighbours and to the world at large could in fact come from within China herself, engendered by her increasingly volatile interethnic relations owing to her breakneck economic transformation and the accompanying income and wealth disparities. The resultant intensified resource contest may see groups coalesce along ethnolinguistic and ethnoreligious lines and thus further polarized by such divides²², aggravated by transnational influences brought about by the selfsame globalization that has ironically contributed to her very economic “miracle” in the first place. The potential threat to China’s economic growth and political stability due to any mismanagement in her internal intergroup relations would also pose a threat to the world, in particular the country’s Southeast Asian neighbours in her backyard since their economic well-being is now very much tied to China’s rise as an economic power and the engine of growth in the region.²³

Figure 1



It has been observed in this paper that the major challenges presently facing China's central government come from within China herself, as manifest in the increasing number of protests that have erupted all over the country lately over issues like local government corruption, industrial disputes (including the loss of lives due to frequent mining accidents) and residential dislocation due to dam constructions or property development. While public protests with the scale of the 1989 Tiananmen demonstrations seem remote, the increasingly anachronistic Communist one-party regime ultimately stakes its survival upon the continued robust economic growth and the effectiveness of authoritarian power,²⁴ and how well it takes upon the task of redressing the mounting grievances simmering across China engendered by decades of uneven development since her headlong plunge into market-oriented reform, many of which carry increasingly worrying ethnic or ethnoregional overtones. However, many studies have forecast that it will take several decades for the economic disparity between the eastern, coastal regions and the inland, especially western, regions to start narrowing. One such study, that by the Institute of Quantitative and Technical Economics of the Chinese Academy of Social Sciences predicted that the absolute disparity would gradually begin to narrow between 2010 and 2030, but until then, the gap is estimated to widen further (Ohara 2001: 63).

Though predictions that the new regionalisms within China will give rise to the "China deconstructs" scenario (Goodman and Segal 1994; Cook & Li 1996) – in which China as we know it today would fragment into a host of "smaller Chinas" under the combined pressures of globalization, new regionalisms and ethnic dissent – seem at present to be rather far-fetched, the continuing devolvement of control to the provincial governments²⁵ will inevitably lead to the reassertion of old regionalisms²⁶ and the development of new regionalisms – the latter owing much to increased local autonomy, rapid economic growth and increasingly globalizing trade and business

linkages – which in all probability could already be brewing right under our noses.

The reassertion of old regionalisms and the development of new regionalisms in particular with an ethnic overtone have always constituted a challenge to countries facing an inevitable long-term prospect of decentralization and devolution²⁷, as we have seen in the *fiebre autonómica* (autonomy fever) that threatened to bring about the virtual disappearance of the central Spanish State when the country's *Comunidades Autónomas* (Autonomous Communities) project was first introduced after the death of the *Caudillo*, Generalísimo Francisco Franco y Bahamonde, in 1975. Even the fact that the Han command an unequivocal majority of 92 per cent of the total population of China needs not render the country immune to such threats. Even the most assimilated of minorities, the Zhuang whose ethnic consciousness was virtually created by the Han-dominated central Communist State in the early 1950s²⁸, have begun to press for preferential treatments from the central government, as the country's new reforms continue to widen economic disparities between the ethnic minorities and the Han majority, making it more and more challenging to manage ethnic nationalism and ethnoregionalism in the People's Republic.²⁹

Notes

¹ This paper is prepared for the inaugural workshop of the research network: 'China in the World, the World in China (ChinaWorld)' held by the Asia Research Centre, Copenhagen Business School on 10-11 March 2006. Works in progress. Please do not cite.

² Even the relatively isolated Fujian province, blocked by the Zhejiang province at the north and Guangdong province at the south, has a full length of coastal line for importing and exporting, and is a favourite destination for investors from across the Taiwan Strait (Taiwanese and Fujianese largely share the same regionalect) and among the Southeast Asian Chinese diaspora.

³ Bert Hoffman, "Access to Opportunity Eases Income Inequality", *The Star* (Malaysian daily), 21 January 2006.

⁴ "Counties with a relative concentration of the poor are designated by the State as "poor counties", eligible to benefit from the government's poverty relief policy measures. Designated as poor counties were ordinary counties with net income per capita of 150 yuan or less in 1985, "autonomous counties" of ethnic minorities with net income per capita of 200 yuan or less, and counties that were formerly bases of revolution with net income per capita of 300 yuan or less. In the adjustment made with the "State Seven-Year Plan to Help 80 Million People Get Out of Poverty" in 1994, counties with net income per capita of 700 yuan or more were removed from the designation but all counties with per-capita net income of 400 yuan or less were added, if they were not designated previously, increasing the total number of designated counties to 592." (Ohara 2001: 63-64, note 9)

⁵ Cited in Ohara (2001: 56-57).

⁶ The model was constructed for the Institute of Economics, Chinese Academy of Social Sciences, 1995 survey. See Zhang (1998), cited in Cook and Murray (2001: 85-89), and Zhang (2001).

⁷ The term "xia gang" refers to redundant workers mainly at State enterprises, without directly describing them as "unemployed". Still officially attached to their work units or enterprises, the *xia gang* workers continue to receive basic minimum subsidies for their living and medical expenses, and are encouraged to change job, probably through State-run job and re-employment centres, or go into small businesses. In line with State enterprise reforms, the number of *xia gang* workers has been on the rise: 4 million in 1995, 8 million in 1996, 12 million in 1997, 16 million in 1998, 20 million in 1999, though dropping to 11 million in 2001. (Zhou 2006: 289)

⁸ "Taiwan offers China lessons in democracy", *The Star* (Malaysian daily), 21st May 2006.

⁹ [Jehangir Pocha](#), "Ethnic Tensions Smolder in China: Government blocks foreign journalists from reporting on Han-Hui riot", *In These Times*, December 28, 2004, <http://www.inthesetimes.com/site/main/article/1789> As usual, due to press restraints, casualty figures as such can never be verified.

¹⁰ *Ibid.*; "Ethnic violence hits China region", <http://news.bbc.co.uk/1/hi/world/asia-pacific/3970611.stm>

¹¹ Or "prison of the peoples", as the Czarist empire has been called:

According to history, the Empire of the czars was a “prison of the peoples” and Lenin opened it. But history is never quite that simple. At the start of the twentieth century the empire was already showing signs of weakness; all its subject peoples were beginning to resent its domination and looking for ways to escape from it. Lenin’s genius lies in having grasped the breadth of these desires for emancipation, and in having understood that by utilizing those desires – which had nothing to do with the working class – he could assure the victory of the workers in his own country.

(Carrère d’Encausse 1979: 13)

¹² See Yeoh (2003), Table 1.

$$EFI = 1 - \sum_{i=1}^n \left(\frac{n_i}{N} \right) \left(\frac{n_i - 1}{N - 1} \right)$$

where n_i = the number of members of the i th group and N = the total number of people in the population (Yeoh 2003: 28). The index is constructed through the computational procedure of Rae and Taylor’s index of fragmentation (F), defined as the probability that a randomly selected pair of individuals in a society will belong to different groups (Rae and Taylor 1970: 22-3). The index varies from 0 to 1. The value is zero for a completely homogeneous country (the probability of belonging to different groups is nil). The value 1 occurs in the hypothetical society where each individual belongs to a different group. The fragmentation index is identical to Rae’s measure of party system fractionalization (Rae 1967: 55-8) and Greenberg’s measure of linguistic diversity (Greenberg 1956):

$$A = 1 - \sum_{i=1}^n (P_i)^2 \quad \text{where } P = \text{the proportion of total population in the } i\text{th language group.}$$

¹³ As noted by Gladney (1991: 6-7), due to the interchangeability of the terms “ethnicity” and “nationality” in the literature, there is much confusion over minority nationality identity in China. The term *minzu* is used for both concepts of nationality and ethnicity (or *zhongzu*) in China, the former being what the Chinese State has designated “56 nationalities”. While “ethnicity” should more rightly refer to an individual’s self-perceived identity, it is also often influenced by State policy. Gladney (*ibid.*) pointed out that in contrast to the limited term *minzu* (nationality/ethnicity”) used in China, Soviet ethnological vocabulary distinguished in Russian between *ethnos*, *nationalnost*, and *narodnost* (“ethnicity”, “nationality”, “peoplehood”) (Chapter 1, note 19). In other words, “nationality” (*minzu*) is what the Chinese State has conferred upon the 56 ethnic groups identified mainly in

the 1950s (*ibid.*: 6). This historical background explains a lot about China's "national" policy till today.

Leaving aside the Han-non-Han dichotomy, even the so-called "Han Chinese" as a homogeneous ethnic group, whether phenotypically or culturally, may not be what it has always been taken for granted. The great diversity of the mutually unintelligible regionalects is well known. (The speakers of many of the Chinese regional languages are simply too numerous for the word "dialects" to be used as an appropriate term to designate their languages. For instance, the number of speakers of either Cantonese (Yue) or Hokkien/Fujianese (Min) is larger than the number of speakers of either Polish or Ukrainian, the two East European/Slavonic languages with most numerous speakers except Russian, or the speakers of Dutch, Danish, Norwegian and Swedish combined.) Regional differences – including the distinction between the wheat-eating northerners and rice-eating southerners – have always been observed, or as one observer noted, there are the

... "Han" Chinese of south-coastal China who speak dialects other than Mandarin and who, in fact, sometimes refer to themselves as T'ang-jen (men of T'ang, after the T'ang dynasty, seventh to tenth centuries) rather than as Han-jen (after the Han dynasty, third century B.C. to third century A.D.) and ... the "national minorities" in south China who have been to varying extents acculturated to Chinese ways – to the point, in some cases, that they had no awareness of being different, of being a "minority," until they were informed of the fact by workers from the Chinese Academy of Sciences who came to their areas after 1949.

(Moseley 1966: 9)

In passing, "Mandarin" – the modern Chinese lingua franca – is actually the Western name for *Huayu*, the Chinese Standard Vernacular known in Mainland China as "*putonghua*" and in Taiwan as "*Guoyu*" ("*Kuo-yu*"). The term "Mandarin", via Portuguese "*mandarim*", has an obscure origin in Sanskrit "*mantrin*" (Hindi "*mantri*", Malay "*menteri*"). It is not part of the Chinese vocabulary and often ridiculed by the Chinese as having been derived from "*Man daren*", i.e. a "Manchurian minister".

¹⁴ For the nature and computational procedure of EFI, see note 13.

¹⁵ The ethnic fractionalization index and the ethnic distribution figures in Tables 7–9 are computed with data from China's 1990 Population Census. The author wishes to thank Miss Zhao Wenjie for her help in compiling the province/zizhiqu/zhixiashi-level detailed ethnic distribution data from the Census.

¹⁶ That the threat of ethnic unrest is not solely the bane of third world countries was highlighted by an observation by *The Economist* in 1965 that the sizzling ethnic tension in Malaysia and Singapore at that time coincided with a week of race riots in Los Angeles, as well as ethnic violence in southern Sudan (cited in Ehrlich and Feldman 1978: 1).

¹⁷ “Direct-ruled/independent municipalities”, i.e. municipalities under the central government.

¹⁸ “Autonomus regions”.

¹⁹ It is not difficult to understand these provinces’ envy. Hubei and Hunan (as well as Shanxi), now considered as “central”, are in fact sitting on the line separating the western and central regions.

²⁰ Although there are allegations that Guangxi’s and Inner Mongolia’s appeals were accepted because there was someone from Guangxi sitting on the Western Leading Group and leaders living in Beijing were disturbed by sandstorms that became increasingly serious because of the worsening desertification in Inner Mongolia that is close to Beijing, the fact is that the Ministry of Agriculture had argued for the inclusion of these two farming regions in the “West”, probably to expand its commitment to the western regional development (Sasaki 2001: 23).

²¹ Onishi (2001: 7), Table 2.

²² This is to take into consideration the two major dimensions of ethnopolitics – ethnic politics and the politics of ethnicity. Ethnic politics includes both government responses to challenges from ethnic communities and the efforts of ethnic organizations seeking to influence State policy, while the politics of ethnicity views ethnicity as a consequence of political action (Gheorghe, 1991).

²³ Another factor that needs to be considered is how such instability in China may affect the delicate balance in interethnic power configuration so far maintained in many of these Southeast Asian societies.

²⁴ “Powerful abroad, Fragile at Home” (Editorial), in *China Goes Global*, Financial Times’ Asia Insight series, 2005, p. 15.

²⁵ As Cannon and Zhang (1996) wryly noted: “the center pretends to rule and the provinces pretend to be ruled” (p.85, cited in Cook and Murray 2001: 90).

²⁶ Sichuan was often noted as one of the centres of “old regionalism”, with potential for rebellion or upheaval centred upon its ancient cities such as

Chengdu (the capital of the province) and Chongqing. The province even proclaimed a “Declaration of Independence” in 1921 (Cook and Murray 2001: 91). During the 1989 student-led pro-democracy movement that ended in the carnage around Beijing when the People’s Liberation Army clashed with Beijing residents and workers in support of the student demonstrators in the Tiananmen Square during the night of June 3rd–4th, 1989, Chengdu was one of the major cities in China that witnessed large-scale popular movement in support of the Beijing demonstrators. Zhou Enlai was said to have noted that Sichuan “always was the scene of turmoil before other provinces, and that order was always restored in that area later than the rest of the country” (Cook and Li 1996: 202).

²⁷ Paradoxically, further devolution in China that seems to be the logical extension of the already decentralist process of economic reform may yet be arrested by the lack of the will for political change – which is crucial to the maintenance of long-term stability – due to the illusory confidence brought about by economic success itself.

²⁸ See, for instance, Katherine Palmer Kaup’s *Creating the Zhuang: Ethnic Politics in China* (2000).

²⁹ A challenge that the unprecedented 2004 Han-Hui conflict in Henan had amply attested to.

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