

# **The Political Economy of ‘Reform and Opening Up’ in Sichuan Province (1977-2006)**

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## **Abstract**

China has traversed a long thirty years since it initiated economic reforms. The period between the late 1970s and the closing years of the present decade can well be called China’s age of reforms. The broad range of policy departures and models of economic growth are encapsulated in the phrase ‘reform and opening up’ which was evolved by the post-Mao CPC leadership. But the provincial origins of these models and ideas have received too little attention. This paper argues that far from being initiated and executed from above, the reforms have evolved from local experiments and initiatives. This study is an attempt to estimate some of the long-term trends that the reforms have set in motion for social groups and spatial units in Sichuan province.

This study has three broad analytical focuses. Firstly, it examines the ‘Sichuan experiment’ to illustrate the provincial origins of reforms. Second, it tries to investigate how reform-induced development has patterned new social formations, with different social groups experiencing strikingly varying outcomes in terms of employment, income, opportunities and privileges. The two parallel yet incongruous trends of middle class/elite formation and the social marginalization and livelihood crisis experienced by the poor are examined. Third, it delineates the trends in Sichuan’s spatial distribution of living standards and the rise of new spatial hierarchies subsequent to the “Open Up the West” campaign in Sichuan.

China has traversed a long thirty years since it initiated the economic reforms. The period between the late 1970s and the closing years of the present decade can well be called China’s age of reforms. It ushered far reaching changes in the lives of the Chinese people within a comparatively short interlude that insinuated the idea of an Asian Century. The impressive economic growth and the ripple effect of income dispersal have been widely acclaimed which at any measure has been a story of great transformations. Within China the phrase ‘reform and opening up’, (*gaige kaifa*) often invoked in a rhetorical tinge to convey this story. Although coined as an official expression marking the beginning of a new era of policy departures in 1979, this phrase subsequently became a celebrated catchword and an epoch defining idea. Much of the positive social consequences such as the poverty reduction, rural industrialization, urban employment, rising household income and improved living standards were credited with as directly emanating from the new policy regime encapsulated in this phrase. However China’s transition to full blown capitalist economy has bred acute social problems at different levels and locations. Some of them define critical concerns in the recent writings on China’s development experience<sup>i</sup>. A closer examination of provincial level processes and outcomes will better capture in more details the contours of reform; it’s

actors, institutions, ideas, models, processes and consequences. This study takes Sichuan as the unit of analysis to explain the reform induced social and economic transformations.

This paper is an attempt to estimate some of the long-term trends that the reforms have set in motion for social groups and spatial units in Sichuan province. The discussion is organized into mainly three broad concerns; the origins and course of reform in Sichuan, the social consequences of unequal distribution, and the trends in spatial inequalities. Section I introduces Sichuan by focusing on its spatial characteristics, section II will discuss how the early models of reform evolved in the province during the Sichuan experiment; section III presents the two parallel yet incongruous social outcomes arising from the reform and opening up; section III investigates the trends in spatial inequalities and also the impact of the Open Up the West campaign in Sichuan. Foregrounding a province to study the development process in China recognizes the implausibility of national aggregation to illustrate any aspects of the changes. The framework of analysis used in this study is a perspective from political economy. It proceeds from the premise that it was the crucial role played by the state that makes the development experience of Sichuan unique. Bramall has substantiated the role of state investments and planning in raising the living standards in Sichuan<sup>ii</sup>.

Spatial inequalities in China have increasingly been at the sharp focus of recent research. It has come to define a serious concern in China's contemporary development processes. At the same time the subject has generated a significant academic writings mainly by geographers, demographers and economists. Much of these writings have attempted to measure and explain manifestations of spatial inequalities in terms of per capita GDP, household income, regional growth, human capital and other economic indices<sup>iii</sup>. A few case studies have provided focused illumination of the specific provincial experiences and trends during the reform era<sup>iv</sup>. But the literature on spatial inequalities in China has made little exploration on the institutional role of the state in conditioning these processes. This critically important dimension has yet to become the subject of focused academic inquiries. Wang Shaoguang and Hu Angang have presented a political economy perspective on the patterns of regional development that still remains a seminal work in this direction<sup>v</sup>.

## Sichuan Province: A Spatial Introduction

Sichuan province is located in the Southwestern region of China covering about 6.9 per cent of the national territory. In terms of area, it is the fifth largest provincial level administrative unit and slightly larger than France. Geographically, Sichuan is divided into two distinct regions, the eastern basin and the western mountainous region. The fertile basin area covers about 40 per cent of the total land area and is one of the largest in China. The provincial capital Chengdu and the adjoining plains form the central part of the basin. The Chengdu plain is well-irrigated and fertile agriculture region since imperial times. Sichuan basin is called the 'rice bowl of China' earlier named as the Red basin by the German geographer Baron Richtofen. *Si chuan* literally means the four rivers and from the four tributaries of Yangzi, the Min river, Tuo river, Wu river and Jialing river which flow down in parallel swathes from north to south. The upper reaches of Yangzi, locally known as Jinsha jiang separates Sichuan from the Tibetan Autonomous Regions.

The western Sichuan is covered by rugged mountain where "the rim of Qinghai-Tibetan plateau projects into the province, giving way in its southern part to parallel mountain ranges enfolding chasms. One of these, the great snowy mountains (Daxue shan) soars to an average elevation of 4,420 meters..."<sup>vi</sup>. Typically high altitude characterizes the western Sichuan with some counties and townships at 3,000 meters above sea level. This geographically isolated area is home to many of China ethnic nationalities

such as Tibetan, Yi, and Miao. The province has diverse landscapes from “the Yak – grazed slopes and scattered alpine meadows of its western plateau to the limestone gorges through which Yangzi river tumbles eastwards into neighboring Hubei province ...”<sup>vii</sup> The scenic landscapes, fertile agriculture basin and moderate weather have earned the province a distinctive position in China often referred as the land of abundance. Since the third century days, Sichuan is described as “Heaven on earth” (Tian fu zhi guo)

Since the founding of the People’s Republic, Sichuan has gradually been able to overcome the constraints of geography and location. A network of commercial rail lines and road transportations facilitates opened up transprovincial linkages. Currently Sichuan is accessible by four railways, Chengdu – Baoji, Chengdu – Kunming, Sichuan – Guizhou, and Chongqing-Xiangtan. The spread of transprovincial physical infrastructure secured the conditions for Sichuan’s economic integration with the rest of China. Lately since the Western Region development initiative, this process of infrastructural development picked up unprecedented speed and scope. A dense network of high value transport hubs, express ways, aviation facilitates and railways were completed linking intraprovincial cities and counties as well as with the rest of China. By 2000 Sichuan’s transport routes covered 2333 km railway, 5980 km waterway and an impressive 90875 km long highways.<sup>viii</sup> The volume of passenger and freight routed through Chengdu, the province’s capital, suggest the extent of Sichuan’s spatial integration with other provinces and regions in China. In 2006 passenger turnovers in Chengdu Shuangliu International Airport reached 16.3 million, far exceeding Chongqing, Xi’an and Wuhan.<sup>ix</sup> The spatial transformation of Sichuan under the CPC government has been quite dramatic. Over the last half a century the province has become well integrated into the national economic and market circuits. The successive stages of development and investment flows into infrastructure have significantly reduced the territorial constraints and barriers to external linkages.

## The “Sichuan Experiment” and the Provincial Origins of ‘Reform and Opening Up’: 1977 -1998

Sichuan was a pioneering province that introduced some of the reform models which were later replicated elsewhere nationally. It was the first province to abolish the Dazhai system of payment introduced in rural china since the 1960s. The Dazhai system provided an alternative incentive model under which the peasants were awarded work points which determined their wages. In the late 1970s, Sichuan abolished this agricultural model and reintroduced the contract system. The contract employment was not entirely a novel system as it existed earlier in Sichuan. Although non-socialist, the continued relevance and need for the contract system was pointed out by some national leaders<sup>x</sup>. In early 1978 the local CPC leaders in Guanghan county reintroduced the contract system with the tacit approval from Zhao Ziyang the provincial secretary of the CPC and the governor of Sichuan. However the system was not initially presented as a non-socialist alternative, but as an integrative component of socialism, by making it as a contract reached between the government and the production teams. Subsequently the system was adopted and introduced in other parts of the province.<sup>xi</sup> Guanghan county in Sichuan province became a pioneering local initiative in the reform. In 1980 the county took the lead in dismantling the system of people’s commune. The agricultural collectivization into commune was the chief Maoist policy since the early 1960s for the radical rural transformation. The communes were distinctively novel economic organizations that combined the Party, government and economic functions. The critics have termed commune as a coercive institutions. The dismantling of the communes have freed the peasants and the rural labour from the attachments to collective units of the state. And the new contract system have gave the peasants relative autonomy to decide their farming priorities after they complete the state quota. Guanghan has also introduced separation of administrative powers of the state and the CPC<sup>xii</sup>.

These local initiatives were not, in fact, the expressions of peasant spontaneity as they are generally portrayed. For those actions there existed political conditions well disposed to reforms. This section provides a brief discussion on the ‘Sichuan experiment’, a forerunner of the much acclaimed reform process to illustrate its provincial roots. It focuses on the role played by its chief architect Zhao Ziyang whose policies since the 1977 had helped to revive Sichuan’s economy. By the second half of 1977 he has come to establish an effective political leadership in the provincial CPC committee holding two positions as the first secretary and the political commissar of the Chengdu Military district. The agrarian reforms that he introduced in the province later received national attention. These widely acclaimed “Sichuan experiment” marked the defining legacy of Zhao Ziyang both in Sichuan’s developmental history as well as the subsequent course of China’s economic reforms.

The scope and vision of these reforms were articulated in a key policy resolution “ regulations on a few major issues in the present rural economic policy” adopted by the provincial CPC committee. Later this came to be known as the “ twelve rules on rural areas”<sup>xiii</sup>. The main thrust of the new rules was to remove the restrictions imposed on the non-collective economic activities of households. The earlier restrictions had effectively eliminated any scope for economic activities that will lead private control of resources either for consumption or for market exchanges. The suppression of market and restrictions of any remunerative activities seems to have affected peasants motivation for collective economic activities. The general stagnation that the Sichuan economy was experienced during the 1970s could not have been reversed without infusing fresh stimulus for the peasant households.

The introduction of the twelve rules was a turning point. They were composed of two sets of policy initiatives, one aims to free the peasants from extremely restrictive institutional regimes and second, infused economic stimuli by providing incentives for the peasants. The new rules stipulated that henceforth the peasants can cultivate private plots, engage in limited sideline production, and participate in “free” market exchanges. They called for the implementation of the new wage principle “paying each according to his work”<sup>xiv</sup>. The significance of this wage policy is that it reversed the earlier system of collective rationing under which each household will be receiving a fixed quota of provisions. In addition the earlier sealing on household income levels were removed and stressed that the peasants income should be raised. The twelve rules introduced the rudiments of the household responsibility system by assigning the contract for grain production quota to the households. Further the households produce grain in surplus of their assigned quota are free to use that for their consumption or selling in the free market. An additional reward of cash bonuses will be paid to those households and individuals who produced surplus grain over fulfilling their quota<sup>xv</sup>.

In much of the literature on reform there is a strong suggestion that the reforms brought about a break with the Chinese development experience till 1976. And it was also argued that the ideational sources and institutional models of *gaige kaifang* derived much from market capitalism and hence marks a clear departure from the Chinese socialist experience. This characterization seems more appropriate for the course and propensity of reforms in the post- Tiananmen period. The early years of the *gaige kaifang* in Sichuan retained much of the socialist nature both in organizational model as well as ideational orientation.

### Embourgeoisment and Marginalization: Social Consequences of ‘reform and opening up’ Since the Late 1990s

The last three decades of reforms have produced quite diverging social outcomes in Sichuan. While the reform has been an enabling process for *hukou* residents in the municipalities, the CPC and the government cadres and rural entrepreneurs', it has had adverse impacts on rural households, unskilled labour and small farmers. This section examines how the reforms have propelled unequal distribution of income as well as access to resources and opportunities to different social groups. These trends can broadly be defined as, firstly, an embourgeoisment manifest in the proliferation of middle class households and the formation and rise of a consumptive nouveau riche and an economic elite. As a corollary to this, secondly, there is a trend toward marginalization manifest in the shrinking of livelihood resources, diminishing employment and wages, and outmigration caused by rural poverty. We will examine the factors that produced these incongruous social trends and the empirical evidence to illustrate them.

Firstly, it must be noted here that the reforms have ushered overall economic development in Sichuan resulting in considerable improvement in the living standards. But this process, especially since the mid 1990s, tend to concentrate income among social groups who commanded relative advantages in terms of residence, employment, resources, *guanxi*, and entrepreneurial skills. The increasing household income has been a constant trend in the major municipalities most notably in Chengdu. In rural Sichuan too household income grew albeit not in par with that of the municipalities. In recent years we see the rise and expansion of a middle class who earned an average household income that ranged from 3000 to 6000 Yuan per month. The social profile of this middle class reflected the diversity of economic forms and practices that the reforms have facilitated. It comprised of staff and workers in state sector institutions, professionals and managerial cadres in business firms, entrepreneurs, commercial farmers and leading CPC and government cadres. This paper characterizes this kind of a social formation as embourgeoisment identifying the consumptive and accumulative propensities that they shared collectively. It tries to convey the idea that these are not just income groups but are new social forces having property and status centered identities as well as motivations. Their economic origins can be traced back to a varied set of factors including the expansion of the non-state sector, the rise of private commercial ventures and increased state investment and spending.

As noted above income distribution has been the main factor that determined the post-reform social formation in Sichuan. The most notable achievement of the reform is the rise of per capita income that it stimulated. For the rural residents this was brought about initially in early 1980s by the significant growth in agricultural production often referred as the 'agricultural miracle' in Sichuan. The improvement in productivity is generally attributed to the agricultural modernization and the institutional transition from collective farming to family farming or *baogan*<sup>xvi</sup>. Bramall has contested this argument that *baogan* "responsibility system" contributed decisively to Sichuan's agriculture "miracle"<sup>xvii</sup>. The per capita income for the rural residents increased from 127.19 yuan in 1978 to 505.15 in 1990<sup>xviii</sup>. After twelve years in 2002 there has been a fourfold increase in the rural net income when it was reported to be at 2107 yuan. By 2006 it reached 3002.38 yuan. For the residents in the municipalities which concentrated mainly in the basin areas the income growth has been far faster and pronounced. In 1978 the per capita disposable income was 338.25 which recorded a moderate growth in later years and reached the 947 mark in 1987. The pace of growth was faster in the subsequent periods when it surges up to 2407.58 yuan in 1993, 5894.27 in 2000 and an impressive 9350.11 yuan in 2006<sup>xix</sup>.

The aggregate trend in Sichuan since the early 1980s has been a sustained growth of household income and living standards. Although this was concentrated much in the municipalities in the basin area, from outside a notable exception is Panzhihua, there has been ripple effect in rural areas mainly from

commercial farming. Across the province three factors were largely responsible for this impressive growth trajectory; firstly, the diversification of economic forms and the multitude of income earning ventures that they opened up, secondly, the sustained growth of the non-farm employment and thirdly, the rise of wages for staff and workers in the state sector as well as in the fast expanding private sectors.

Since the introduction of the household responsibility system (HRS), in the early 1980s, there has been a thriving growth of household/individual centered and profit seeking economic practices and forms. The second generation of reforms started in the post-Tiananmen years propelled more towards market expansion. This induced a surge in profit driven commercial ventures setting off a diversification of economic practices under different ownership forms. In Sichuan the private/individual enterprises have made significant return and expanded their size from 4.1 per cent in 1978 to 23.0 per cent by 1990. It is pertinent to note here that the province is traditionally home to China's vibrant private entrepreneurs. Towards the end of the 1990s the ownership pattern of the province's enterprises has transformed by dramatically expanding the non-state sector which encompassed the cooperative share holding enterprises, jointly - owned, and share holding firms, private companies, foreign funded enterprises, and Sino-foreign ventures. What is remarkable about the expansion of non-state sector is the decisive role played by the provincial government in terms of facilitating their growth by infusing greater economic openness and institutional flexibility as key components in the new market driven development model.

The dynamic growth of firms and enterprises by non-state entities generated significant employment and other income earning opportunities. This process combined with the rural industrialization prompted many in the rural areas to leave farming as a livelihood choice and were either initiated into the new market opportunities or seek employment in the non-farming sector. At the beginning of the reforms in 1978, more than 80 per cent of Sichuan's population was engaged in agriculture. But thirty years later, in 2006, their share reduced to 48 per cent while the proportion of population employed in manufacturing and services grew to 20.1 and 31 .0 per cent respectively<sup>xx</sup>. Along with these we see constant increase in the wage and salaries of workers and staff in the state owned institutions as well as the new enterprises. The annual average wage (calculate from the total wages, salaries and other payments divided by the average number of staff and workers ) of staff and workers<sup>xxi</sup> increased to 1183 yuan in 2002. In the state owned units the same rose to 20230 yuan in 2006. It is difficult to ascertain how illustrative this figure could be as it doesn't reveals the wage differentials between various employment levels. However it does indicate substantial rise in the salary of the public sector employees. Because the wage income still provided the major share, well over 80 per cent. In addition the other sources of income such as business, rent and property transfer began to supplement the wage income.

Similar trend of rising income dispersal has also been reported from the private sector firms and business establishments that burgeoned in the cities. A World Bank study assessing Sichuan's investment competitiveness has compiled the labour cost in the ten municipalities including Chengdu, Mianyang, Deyang, Suining and Panzhihua for various industries including electronics, food and beverages, chemicals and machine building. This study makes the case of low cost advantage in Sichuan compared to the coastal provinces. Nevertheless the gross annual salaries reported for the management and professional employees indicate comparable increase in wages in salaries as in the case of state run enterprises. For instance the reported gross annual salary for management and professional level employees in Mianyang municipality in the electronics industry is 5,375 USD (about 36550 yuan) and 3,694 USD ( 25119 yuan) respectively<sup>xxii</sup>. A cumulative social effect of the process discussed above has been the rise of new social strata that possessed considerable economic resources, greater social mobility and public clout. In broad terms this strata is comprised of the new managerial and professional elite,

commercial and retail traders, the entrepreneurs and business executives, higher level CPC/Government personals and financial market speculators, to name some of the most visible actors. Given the corporatist nature of the Chinese political institutions, these strata have formed, in the course of the reform, a horizontal alliance that itself has become a dominant economic and political interest. To what extent they have been able to assert/secure autonomy from the regulative intent of the state is to be investigated separately.

As a corollary to the above process of middle class/elite formation, is the social marginalization and livelihood crisis experienced by the poor in Sichuan. Since the substantial county level data corroborating this trend is not included in this study as it involves extensive field surveys, we have clear empirical evidence pointing at relative social distress and vulnerabilities in Sichuan. A visible manifestation of this trend is the unusually high outmigration from Sichuan to eastern provinces in search of wage earning work. The outmigration is a useful proxy to assess the persisting poverty and vulnerabilities in the province. It was estimated that around 7 million people from Sichuan have migrated to the booming metro regions in Guangdong, Jiangsu, Fujian, Shanghai and Beijing. These are mainly labour migrations for wage earning work typically unskilled and inducted into construction, garment and export processing firms and services. There is a distinctly common social origin that has produced most of the Sichuan migrants that they are mainly from households of rural surplus labour. It is pertinent to note that the rural reform has stimulated abrupt industrialization of the countryside producing significant surplus labour. And the rise and expansion of the non-state enterprises in the rural areas did not absorb this surplus labour.

For the marginal households and the poor in Sichuan outmigration is one option that enable them to escape poverty, but it comes with a huge social cost. Firstly, long years of separation from the family and working under extremely trying circumstances at young age take a toll on their physical as well as emotional make up. In sectors such as construction, the risk of accidents and incapacitation is an everyday possibility. Secondly, some of the sectors to which the migrants are inducted are typically linked to globalization induced demands such as export processing, hospitality related services etc.. and therefore are susceptible to fluctuations caused by other factors. In addition, these are sectors where firms will, as a norm, follow labour flexibilities. The combined effect of these factors is extreme weakening of migrant labour in terms of wages, employment safety, and working conditions. Thirdly, the average age group of the migrants is between 15-40years. Since majority of them are working under severely restrictive conditions at their early adolescence it is creating barriers to improving skills and education. Typically most of them are school dropouts, especially in case of girls, their possibilities of skill up-gradation is nearly non-existent and as a result leave them with limited capabilities.

The rural poor in Sichuan are increasingly seeking urban employment since the late 1990s. This has triggered a process of rural –urban migration within the province. Much of the young immigrants are from the poor counties in the central and eastern basin areas. For the most part they are employed in construction, retail trade and business services, hotels and catering and entertainment sectors. The average wage in most of these sectors at the base level job will not exceed 1000 yuan. However it seems that even an earning of this amount makes up certain savings as most of the employers provide them basic needs of accommodation such as the system of temporary shelters for the construction workers, dormitory for factory workers and living arrangement for hotel and restaurant staffs. Although such soft employment do enable the poor to escape crippling vulnerabilities, it is unlikely to accrue them any long terms benefits of skill development and employment mobility.

In Sichuan it is difficult to estimate the proportion of population below poverty line that can approximate reality. One reason is the transient nature of the poverty as experienced by households. The trend of households moving in and out of poverty as determined by various factors such as illness, death of the principal earner, indebtedness and so on. At the same time there are bulk of households who experience poverty because of their spatial disadvantages such as lack of farmland, access to water resources and mountainous domicile. Poverty estimates focusing on absolute numbers can well be misleading as they do not reveal the proportion of population at the poverty threshold who are more likely to experience poverty. McCulloch and Calandrino have usefully argued that the ‘poverty problem’ is often one involving a large turnover of vulnerable people rather than the chronically poor<sup>xxiii</sup>

The discussion in this section is mainly drawn from the McCulloch and Calandrino study on vulnerability and chronic poverty in rural Sichuan. The data used in their study are from a five year panel of 3,331 households in rural Sichuan for 1991-1995 collected by the Household Survey Division of the Rural Survey Organization of the National Bureau of Statistics (NBS). This study has highlighted the dynamic nature of rural poverty in Sichuan. The chronic poverty is calculated using two different measures – the traditional one based on low mean consumption and the other a new measure of vulnerability. McCulloch and Calandrino have demonstrated that in Sichuan although a relatively small number of households have average consumption below poverty, a much larger number of households are vulnerable to poverty<sup>xxiv</sup>. Therefore the movements of a significant number of rural households into and out poverty means little as they experience poverty for several years. This makes the traditional distinction between chronically and transitory poor less relevant and even misleading. For a more accurate picture on the extent of poverty, they suggest the idea of continuum of vulnerability where the poverty line merely marking a movement from relatively higher to relatively lower vulnerability<sup>xxv</sup>.

## Spatial Inequalities

The geographical spread of China’s economic growth has been markedly uneven. This variation derives much from the vastness of the country as well as its disparate physical structures. As mentioned earlier Sichuan is located south of this geographically disadvantaged western region. In the 1950s there has been focused attention to reduce the patterning of development along the spatial endowments of the regions where the mountainous hinterland will certainly experience impediments to growth in relation to the coastal provinces which enjoys greater spatial advantages. In contrast to this, the reform and opening’ campaign deliberately privileged coastal regions and zones such as Guangdong, Jiangsi and Shanghai which possess comparative advantages in early industrialization, concentration of entrepreneurial skills, local capital, transportation and proximity to external markets. The policy argument was premised on the “trickle –down – theory” which holds that as large developing country China should concentrate its scarce resources in the coastal areas which are best suited to achieve faster technological advancement and economic growth. And once this coastal region records growth propelled by capital, technology, skills and external markets, development will gradually diffuse into other areas including interior hinterlands<sup>xxvi</sup>.

In recent years the uneven spatial patterning of development in China has produced substantial literature. Much of the attempts have been to measure the regional and provincial variation in terms of per capita GDP, per capita income, gross industrial and agricultural production, and foreign investment. The provincial level figures are compared either with that of the national average or with other provinces. Drawing from the extensive statistical data a number of studies have already been published broadly outlining the trends and extent of disparities in the variables analyzed. While this literature is immensely



useful in understanding the regional differences, they rarely offer any causal explanations. As they focused on the above variables these studies generally leaves the other manifestations of disparities.

Since the reforms Sichuan has been progressively sliding downwards from its prominent position. In most of these comparative indicators Sichuan's rank and performance fell below that of the provinces in eastern and northern regions<sup>xxvii</sup>. In 1978 Sichuan was the sixth largest provincial economy which by 2000 becomes the tenth largest. Sichuan's per capita income in 1978 was 262 Yuan, only 117 Yuan less than the national average. But in 1999 the province's per capita income was 4,450 Yuan, which was 2095 Yuan less than the national average. In interesting comparative trends in Sichuan's case which would explain its 'slide' is that since the late 1970s till the launching of the western region development campaign in the late 1990s, Sichuan did not experience any dramatic growth comparable to those leading provinces during the reform era. A comparative indexing on the basis of the deviation from the provincial per capita GDP from the national average Shaoguang and Angang have classified Sichuan as a low-income province for 1978<sup>xxviii</sup>. This remained constant without moving up even in 1994. In terms of provincial GDP per capita ranking, Naughton shows that Sichuan barely moved up from 25<sup>th</sup> in 1978 to 24<sup>th</sup> in 1995<sup>xxix</sup>.

What are the trends in spatial diffusion within Sichuan? Does the widening of inter-regional inequalities between provinces exert any commensurate pressure on the spatial distribution within a province?? Sichuan's experiences in all these have been complicated than of pointing towards a clear trend. This section tries to analyse the spatial distribution in Sichuan in the post-reform period. A useful beginning is to look at the spatial structure that existed in the province on the eve of the reform and consider the changes that had occurred since then. To measure the spatial distribution this paper uses a composite index that coalesce household income, levels of industrialization, transport linkages and literacy and educational profile. This index enables us to identify locations where the factors of development have concentrated and where they are thinly spread or even absent. Different administrative units such as prefectures, counties, cities and villages in Sichuan are grouped into larger spatial units to see the scale of distribution. The discussion here will be based on the statistical data provided in Sichuan Statistical Yearbook, atlas of Sichuan territorial resources and World Bank's benchmark study of Sichuan.

For the spatial transformation of Sichuan the launching of new regional development programme called the campaign to "Open Up the West" (*xibu ta kaiifa*) has been of major stimulus. The campaign announced in the mid-1999, unveiled that the central government will make significant resources allocation to China's western region encompassing the provinces of Sichuan, Guizhou, Yunnan, Shaanxi, Gansu; the autonomous regions of Guangxi Zhuang, Tibet, Ningxia Hui, Xinjiang Uygur, Inner Mongolia and Chongqing municipality. In a way this was a belated acknowledgement of the growing imbalances in the regional development between eastern coastal provinces and the western hinterland. Over the next seven years China's central government transferred substantial capital for various development projects in the provinces of western China. Under this campaign the provincial governments mobilized significant capital resources for funding major projects. The main feature of this programme has been the huge capital investment it made on infrastructure projects.

The studies on the effects of the opening up the west campaign on Sichuan have brought to light some of the pertinent problems<sup>xxx</sup>. McNally has explained some of the consequences of the campaign on Sichuan. Firstly, it has facilitated central government approval for large-scale infrastructure and environmental protection projects. This has led to the rapid development of Sichuan's infrastructure that accelerated the national integration of the province economy and society<sup>xxxi</sup>. Secondly, the campaign has enhanced Sichuan's political status. In essence, McNally argues that, the campaign has set in motion a structural

transformation towards capitalist development in Sichuan. And it has failed to achieve one of the main objectives in the province, to reduce the large developmental gap between poor and affluent regions. Most of the investment flows and infrastructure projects started under the campaign concentrated to localities in and around the Sichuan basin and this have widened the gap between poor mountainous regions and affluent basin cities.

Since the western region development campaign Sichuan has witnessed acceleration of infrastructural projects. In many instances these projects do not seem to have entirely dictated by a shared need for overcoming spatial disadvantages<sup>xxxii</sup>. But the campaign has leveraged the provincial leaders to secure central government approval for large infrastructural projects and allocation of some seed funds<sup>xxxiii</sup>. The Zipingpu dam is a case in point. When the provincial and Chengdu city government pressed for this large project during the 1990s, the central government declined approval for doubts about its necessity. But immediately after the initiation of the campaign approval was given in 2000. Located upstream along the Min river close to Dujiangyan city, the objective of this reservoir were to improve flood control, increase electricity generation and reduce pollution in the rivers surrounding Chengdu. There have been concerns regarding the social and ecological cost of this dam and its long term viability<sup>xxxiv</sup>. The acceleration of infrastructural construction is fast changing the special characteristics of Sichuan. But whether it is actually enabling people to overcome disadvantages of location or is in the process of creating new spatial hierarchies within the province is yet to be ascertained.

## Concluding Remarks

The reform and opening up in Sichuan has produced diverse set of outcomes for the social groups and spatial units in the province. The two critical factors that conditioned the process of distribution are the state and the spatial characteristics of regions within. While the reforms have noticeably increased the household income and standard of living in the urban areas, they have also produced adverse impacts on the livelihood choices of the marginal households. In the rural areas although from the late 1970s to the mid 1980s significant poverty reduction had been achieved, there seems to be strong persistence of vulnerabilities that threshold poverty. The reforms have directly produced diverse set of social groups having varying economic resources and capabilities and seem to have led to social polarization which had disappeared during the Maoist era. The changing role of the state from that of a redistributive institution to that of promoting market capitalism explains much of these unequal developmental consequences.

The reforms have propelled unequal distribution of income as well as access to resources and opportunities to different social groups. These trends can broadly be defined as an embourgeoisment manifest in the proliferation of middle class households and the formation and rise of a consumptive nouveau riche and an economic elite. In parallel to this there is a trend toward marginalization manifest in the shrinking of livelihood resources, diminishing employment and wages, and outmigration caused by rural poverty. This process, unless reversed through effective redistribution, will have long term political consequences and result in social polarization.

The western region development campaign has induced a surge in the infrastructural construction in the Province further reducing barriers to intraprovincial connectivity. The campaign seems to have provided useful impetus to Sichuan's long progress in terms of overcoming the physical and locational characteristics that inhibited the province's integration with rest of China. But much of the transportation networks that have come up since the campaign concentrate more on the expanding prefecture markets in the basin area and plausibly generate new spatial hierarchies.

Trends in Sichuan's spatial distribution of living standards during the period under study broadly conform to the pattern conditioned by the obstructive physical geography. Although there are exceptions of poor counties in the basin area and high-income counties in the mountain region such as songpan, the general trends suggest that still location plays a critical role in the diffusion of economic benefits. Since the profit seeking propensities are increasingly replacing the redistribution commitments of the state in Sichuan, it appears that these uneven trends in the spatial distribution will possibly augment further than getting mitigated. Unless corrective measures are initiated from the above, that ensures equality in distribution and inclusion of social groups and spatial units, the long-term consequences of the present trend will erode Sichuan's historical accomplishments in equality.

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<sup>i</sup> For an excellent analysis of China's development experience between 1949 and 2007, see, Chris Bramall, Chinese Economic Development (London: Routledge, 2009)

<sup>ii</sup> Bramall's highly influential development study of Sichuan between 1931 and the late Maoist period provide an overview and analysis of the province's transformation from backwardness. Drawing from extensive local sources he substantiates how central planning has been able to achieve better economic development and living standards. See Bramall, Chris, In Praise of Maoist Economic Planning: Living Standards and Economic Development in Sichuan since 1931 ( New York: Oxford University Press, 1993)

<sup>iii</sup> A significant contribution to this area is Mary-Francoise Renard (ed.) China and Its Regions: Economic Growth and Reform in Chinese Provinces ( Cheltenham:Edward Elgar Publishing Limited, 2002). For an overview of China's regional inequality trends See, Ravi Kanbur and Xiaobo Zhang, 'Fifty years of regional inequality in China: A journey through central planning, reform and openness' in Ravi Kanbur, Anthony J. Venables and Guanghua Wan ( eds.) Spatial Disparities in Human Development: Perspectives from Asia ( Tokyo: United Nations University Press, 2006)

<sup>iv</sup> Goodman, David. S (ed.) China's Provinces in Reform (London: Routledge, 1997) contains select case studies. Regional development in Jiangsu is discussed in Dennis Wei, Yehua, Regional Development in China: States, Globalization, and Inequality ( London: Routledge, 2000)

<sup>v</sup> Shaoguang, Wang and Angang, Hu, The Political Economy of Uneven Development: The Case of China ( Armonk: M.E.Sharpe, 1999)

<sup>vi</sup> Bonovia, Judy, et al. The Yangzi River and the Three Gorges ( Hongkong: Odyssey Publications, 1999)p187

<sup>vii</sup> Ibid

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<sup>viii</sup> A Social and Economic Atlas of Western China, Compiled by Jin Fengjun and Qian Jinkai ( Beijing: China Intercontinental Press, 2003)p48

<sup>ix</sup> Chengdu Business Guide (Singapore: China Knowledge Press, 2007)p52

<sup>x</sup> In an interview conducted in December 2007 Prof. Zhang Zhanxin , The Institute of Population and Labour Economics, Chinese Academy of Social Science ( CASS) brought to my attention that some national leaders especially Liu Shaoqi was in favour of the contract system

<sup>xi</sup> Lijian Hong, ‘ Sichuan: Disadvantage and mismanagement in the Heavenly Kingdom’ in David S.G.Goodman ( ed. ) China’s Provinces in Reform: Class, Community and Political Culture ( New York: Routledge, 1997) p 208

<sup>xii</sup> Ibid.p209

<sup>xiii</sup> Shambaugh, David. L, The Making of a Premier: Zhao Ziyang’s Provincial Career( Boulder: Westview Press, 1984)p81

<sup>xiv</sup> Ibid.

<sup>xv</sup> Ibid.

<sup>xvi</sup> For a discussion, See Donnithorne, Andrey, ‘Sichuan’s Agriculture: Depression and Revival’ The Australian Journal of Chinese Affairs, No.12, July 1984.pp59-84

<sup>xvii</sup> Bramall, Chris, “Origins of the Agricultural “miracle””: Some evidence from Sichuan”, The China Quarterly, September 1995, no.143.pp731-755.

<sup>xviii</sup> Statistical Bureau of Sichuan, Sichuan Statistical Yearbook, ( Chengdu: China Statistics Press, 2007)

<sup>xix</sup> Ibid

<sup>xx</sup> Ibid

<sup>xxi</sup> The National Bureau of Statistics defines staff and workers as persons work in and receive payments from enterprises, institutions, and agencies of different ownership category such as state, collective, joint , shareholding foreign and those owned by entrepreneurs from Hongkong, Macao and Taiwan. It does not include persons employed in enterprises run by private, township and teachers in the school run y local people.

<sup>xxii</sup> World Bank Group/Multilateral Investment Guarantee Agency ( MIGA),Snapshot Sichuan: Benchmarking FDI Competitiveness in China’s Sichuan Province,(Washington,2006).p133

<sup>xxiii</sup> Mcculloch and Calandrino have usefully argued that the ‘poverty problem’ is often one involving a large turnover of vulnerable people rather than the chronically poor. See Mcculloch, Neil and Calandrino, Michele, ‘Vulnerability and Chronic Poverty in Rural Sichuan’ World Development, Vol.31, No.3, 2003. p 612

<sup>xxiv</sup> Ibid.p612

<sup>xxv</sup> Ibid.

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<sup>xxvi</sup> Chinese academic debate on the “trickle-down-theory” is summed in Holbig, Heike, ‘The Emergence of Campaign to the Open Up the West: Ideological Formation, Central Decision – making and the Role of the Provinces’, The China Quarterly, No.178, June 2004.

<sup>xxvii</sup> Da Fengquan of Sichuan Academy of Social Sciences, Chengdu, argues that Sichuan has remained a market for the products from eastern provinces for the most part of the reforms.

<sup>xxviii</sup> Shaoguang, Wang and Angang, Hu.p48

<sup>xxix</sup> Naughton, Barry, ‘Provincial economic growth in China: causes and consequences of regional differentiation’ in Renard, Mary-Francoise (ed.)China and Its Regions: Economic Growth and Reform in Chinese Provinces (Cheltenham:Edward Elgar Publishing Limited, 2002) p61

<sup>xxx</sup> See for case studies and analysis Ding Lu, William A.W.Neilson (eds.) China’s West Region Development: Domestic Strategies and Global Implications (Singapore: World Scientific Publishing co, 2004)

<sup>xxxi</sup> McNally, Christopher A. (2004) ‘Sichuan: Driving Capitalist Development Westward’, The China Quarterly. (No.178, 2004)p429

<sup>xxxii</sup> For instances the Nanchong city government has constructed four over bridges across the jialing river within a distance of three kilometers. My local informants disapproved the necessity of as many as four over bridges.

<sup>xxxiii</sup> McNally (2004)p441

<sup>xxxiv</sup> Zipingpu dam was damaged during the May 12 earthquake. The official claim is that the dam is structurally safe. But later seismologists in Chengdu have pointed out that the dam was sitting along a fault line and the massive reservoir has possibly triggered the earthquake.

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