

# The Chinese Far West

By

William R. Polk

Until recently, the Chinese have regarded their western provinces not as lands of opportunity but as China's slums. Development took place along the Pacific rim with such cities as Shanghai, Nanjing and Beijing leading the way in explosive growth while the vast interior and western areas lagged behind in poverty. It is only in the last 10 years that much investment has been made in them.

The social thrust of China's second "Great Leap Forward" has been aimed at the creation of a middle class. The government's means of accomplishing this was in principle simple. It granted long-term leases on state-owned land to individuals favored by the right connections, education and/or some initial wealth; it then lent them money at concessionary rates with which to construct buildings on the land. Since they paid very little for their new capital and could lease the properties at much higher fees, almost overnight these favored people became affluent.

Although the government has not at least publicly proclaimed this policy, one must surmise from the results. They are spectacular. The best guess, although it is only guess, is that roughly 10% of the population has been catapulted into the middle class in the last decade. The indicators are the growing number of expensive automobiles on the highways – even the superhighways of Shanghai and Beijing are choked – the frenetic pace of private construction and a variety of statistics like the number of cell phones now in operation, 240 million.

The most aggressive members of this new middle class have managed to secure properties and loans time after time and so have accumulated very considerable wealth. To the horror of the government and the panic of the banks, some people have pledged the same assets to secure multiple loans – some cases were reported by Vice-Minister of Finance Li Yong of private citizens using the same assets to get as many as five loans. As unproductive and unsecured loans have piled up, the banking system is near bankruptcy.

The government has had to bail out the banks, but the effects of the program, measured in social terms, have been spectacular. For the first time in its history China now has a middle class. And, no matter how shady some of the dealings have been to create it, these "new rich" are now in position to carry forward what the Chinese call "Opening up." Having conquered the domestic market, some are now ready to embark upon "Globalization." And considering that 10% of 1.3 billion people is a large group, the effects will be impossible to stop much less reverse.

Having achieved so much so quickly, the Chinese government began about four years ago to turn its attention and investments toward the poor, backward West. Already

the effects are evident. While not so spectacular as the building programs of Shanghai, Pudong, Beijing and other coastal cities, some areas are profiting from the spread of tourism among the members of the middle class. All the hotels are filled to capacity and filled not with foreigners but with Chinese. Research institutes and universities are being opened or upgraded and factories are being built or retooled. Such formerly sleepy towns as the old national capital, Xi'an, now have an impressive industrial and technical capacity. Xi'an, for example, manufactures wings for Boeing jet aircraft and advanced weapons systems for the Chinese military.

Xi'an is the middle step in what the Chinese see as a long-term national strategy to bring the West into the national economy.

Chinese historians point out that this thrust toward integration has been one of the major themes of Chinese history. Starting in the very earliest of the dynasties, governments have moved to integrate their neighbors, converting their alien populations into Chinese. They are now doing this with Tibet. Already that process has gone so far that few observers here believe it can be stopped. As Robert Daly, the American director of the Johns Hopkins University-Nanjing University Center, put it, "there is simply no way that Tibet will ever be allowed to go off on its own. The government is determined that it shall be an integral part of China."

Tibet is the far edge of the periphery. Closer to the centers of power is Sichuan. Few in the west know of Sichuan except as the name for the spicy version of Chinese food. But Sichuan, treated as a "nation-state" is larger than Britain or Germany. On some 485,000 square kilometers lives a population of nearly 100 million. This compares to **[xxx please insert comparable figures for Spain's population and area]**. While Europeans are concerned with their minorities, Sichuan has a complex social mix with some 56 separate nationalities in addition to the Chinese themselves. It has, for example, almost as many Tibetans as live in Tibet.

As Jiang Jufend, the Deputy Secretary of the Communist Party of China Sichuan Provincial Committee and Executive Vice-governor of the Sichuan government, pointed out at an investment briefing, Sichuan is rich in resources. It has, he said, deposits of over 130 kinds of minerals including some that are both rare and increasingly in demand for industry; it also has impressive resources of forest and pasture land. The climate is mild and the soil rich so its agricultural production has long been among the best in China. Hydroelectric generating on the upper reaches of the Yangtze can make available 110 kilowatts. Its population is served – "uplifted" might be more accurate – by 62 institutions of higher learning and 54 research centers. Its scenery and, particularly, its "national icon," the giant panda bear, promise rapid growth in tourism.

Growth is already here. Considering it in terms of Gross Domestic Product (GDP), it has grown in excess of 9% for the past four years and in 2003 hit 11.8%. The GDP went up from the yuan equivalent of the U.S. dollar 1.25 billion in 1991 to 682 billion in 2003. Sichuan has already joined in fact if not in name the community of nations.

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