China's Regional Policy, Poverty and the Ethnic Question

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Abstract

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 world's most egalitarian societies in the 1970s, today China has turned into one of the most unequal countries in the region and even among developing countries in general. While China's alleviation of poverty has been nothing less than remarkable and seems to have greatly exceeded Target 1 of the Millennium Development Goals (MDGs), yet 'Impoverished China' was still observed to be among the 10 largest 'countries' in the world. Furthermore, as the geographical correlation of ethnic minority distribution and poverty population distribution is unmistakable, reflecting the composite phenomenon made up of rural poverty, regional poverty and ethnic poverty, ethnoregionalisation of poverty may present China not only with economic challenges but also long-term sociopolitical uncertainties. While the issue of poverty in China has a strong regional dimension, the size of China both demographically and geographically has led to the fact that its regional policy is always overshadowed by a host of complex interlinked socioeconomic, political, ethnic, territorial and historical factors. This paper analyses the issue of poverty in China as a multi-faceted phenomenon, sees poverty alleviation as inevitably linked to the country's regional an d minority policies, and as such, argues for a stronger emphasis on the elements of decentralisation and localisation.

Keywords: *China, regionalism, ethnic diversity, inequalities, poverty, regional disparities.*

Introduction

There is a growing consensus today that the study of public policy determination in the developing countries should take into consideration their specific, often peculiar, socio-economic milieu. This is because most of the obstacles they are facing now are very different from those experienced by today's affluent, industrialised countries when they were at the similar stage of development in earlier days – a central fact that is

sometimes ignored by development economics. One of the issues that deserve more in-depth research is the possible impact of these countries' ethnic diversity upon public policy planning and implementation, the size of the public sector, and the State's fiscal functions of allocation, distribution, stabilisation and growth.[1]

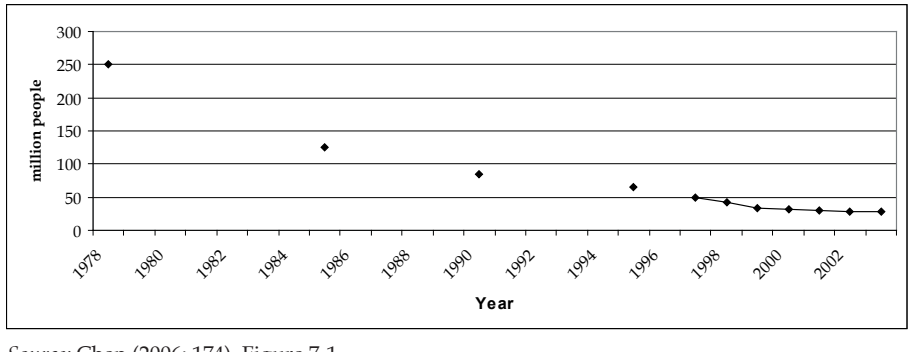
The highly remarkable economic performance of the once low-income, xenophobic and inward-looking state of China over the past three decades has attracted increasing interest from academics and policy-makers all over the world to the "China miracle" and the impact of such impressive achievement of the world's most populous country on regional and world economies. Flassbeck, Dullen and Geiger (2005) argued that the ability of China to both master the challenges of globalisation and modernise the domestic economy at the same time has depended upon the strategy of unilaterally fixing the exchange rate since 1974 that was accompanied by a reform of the wage-setting regime in the mid-1990s, a heterodox macroeconomic demand management and a rather closed capital account. China's performance over the past three decades was no mean feat – whether in terms of the fivefold increase in income per capita and average private consumption since the beginning of the reform phase in 1979, or its ability to lift over 200 million people out of absolute poverty (*ibid.*). On the other hand, in the recent government document 'Scientific Concept of Development and Harmonious Society' that formed *the* theme of China's 17th National Congress of the Communist Party, 2007 (15–21 October 2007), it was reiterated that '[t]o coordinate development among different regions, we should promote the common development of all regions. Regional gaps are not only found between eastern China and western China, but also between provinces, autonomous regions and municipalities directly under the central government. This problem should be gradually addressed in the course of industrialisation, urbanisation and market development.' While brief, this statement reflects the probably understated concern of the ruling regime of the People's Republic of China over the widening gap in economic development between eastern and western China, between rural and urban population, and between different social strata. In spite of the astounding economic performance – nothing short of a miracle – over the past few decades, China is undeniably facing acute problems on various fronts. For instance, agriculture accounted for only about 14.6 percent of China's GDP in 2003 but 49.5 percent of its labour force, while up to 59.5 percent of the country's total population is rural. This is in addition to the fact that only 13 percent of China consists of arable land and the

country has 40 percent 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.

To place them in the proper perspective, such problems in development that China is facing today could be said to be by nature the same ones that many other developing countries were experiencing in the second half of the last century and now at the beginning of this century. Woo *et al.* (2004) found that of United Nations' 15 Millennium Development Goals (MDGs) relevant for China (targets 1-12, 15, 17-18), the country has already achieved 1.5, made above-average progress in 6, and attained satisfactory progress in 1. In summary, China is on-track for 8.5 targets, off-track on 4, and has made unknown progress on 2.5. In general, China's amelioration of the poverty problem has been nothing less than remarkable. In 1978, China's population in poverty totalled 250 million. Entering the new millennium, poverty has been reduced to 29.27 million in 2001, 28.2 million in 2002 and 29 million by 2003 (Figure 1), with the incidence of poverty having declined from 30 percent to just 3.1 percent (Figure 2), according to official figures. (*IDE Spot Survey*, 2001, p. 54, Table 1; Chen 2006: 174)

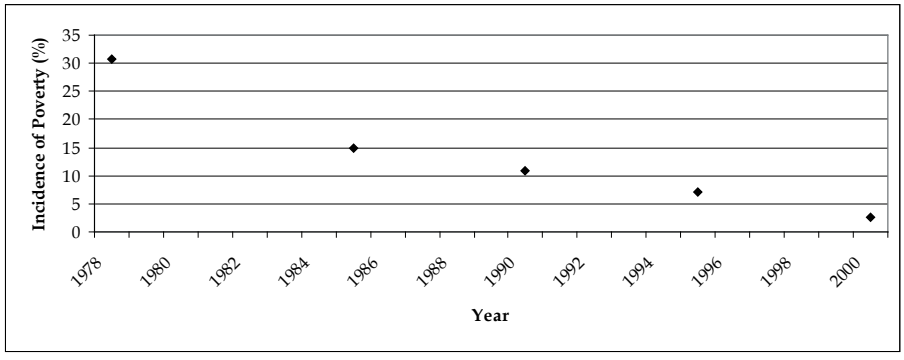
In fact, with the rural poverty rate declining from 31.3 percent in 1990 to 10.9 percent in 2002, China had greatly exceeded MDG's Target 1 which only requires that the poverty rate be halved in the 1990-2015 period (Woo *et al.* 2004). However, as Woo *et al.* (2004) noted, 'Impoverished China' was still one of the 10 largest 'countries' in the world.

FIGURE 1 China's Rural Poverty



Source: Chen (2006: 174), Figure 7-1

FIGURE 2 China's Rural Incidence of Poverty



Source: Zhongguo Diqu Jingji Fazhan Zhanlüe Yanjiu, 2003, p. 47, Table 3-6.

China's Regions

The issue of poverty in China has a strong regional dimension. The size of China both demographically and geographically has led to the fact that its regional policy is always overshadowed by a host of complex interlinked socioeconomic, political, ethnic, territorial and historical factors. A three-region demarcation of provinces, zizhiqu and zhixiashi[2] (see Table 1) has been followed since the Jiang Zemin administration introduced the 'Western Regional Development' (*xibu dakaifa*) strategy.

The western region of China is usually divided into the northwest and southwest. The northwest constitutes 32 percent of the country's total land area, hence tops the six major regions in an oft-used six-region scheme (eastern – Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong; central south or central – Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan; north – Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia; northeast – Liaoning, Jilin, Heilongjiang; southwest – Chongqing, Sichuan, Guizhou, Yunnan, Tibet; northwest – Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang) in land area, but its population constitutes only 7 percent of the national total, and in terms of population density it has only 31 persons per km^2 – far lower than the national average. Tucked deep in China's hinterland, the southwest constitutes more than 24 percent of China's land area (just smaller than the northwest), occupying the second place in China's six major regions. Its population is 15.7 percent of the national total, just next to the eastern and central south regions, occupying the third place. (Hu 2005: 511, 557)

TABLE 1 Three Economic Regions of China

Eastern (coastal)	Provinces of Fujian, Guangdong, Hainan, Hebei, Jiangsu, Liaoning, Shandong and Zhejiang; zhixiashi of Beijing, Shanghai and Tianjin – 11 percent of China's total land area, 39 percent of China's total population. Transport condition advantageous, technological foundation relatively good, regional innovation capability strong. Existing problems are shortages of energy and raw material. There is urgent shortage of land in some places because too many pieces of land are sold too early at low prices.
Central	Provinces of Anhui, Heilongjiang, Henan, Hubei, Hunan, Jiangxi, Jilin and Shanxi – 18 percent of China's total land area, 33 percent of China's total population. Rich in water resources and nonferrous metal reserve. Appropriate position and important transport location. Agriculture advanced. Gap in comparison with eastern region in terms of level of economic development. In recent years, development lagged behind eastern and western regions. Besides, especially heavy population pressure led to an economic structure that relied mainly on the export of labour and energy, raw material.
Western *	Provinces of Gansu, Guizhou, Qinghai, Shaanxi, Sichuan and Yunnan; Zhuang zizhiqu of Guangxi, Hui zizhiqu of Ningxia, Uygur zizhiqu of Xinjiang; Inner Mongolia zizhiqu and Tibet zizhiqu; Chongqing zhixiashi – 71percent of China's land area, 28 percent of China's total population. Immense region. Low population density. Environmentally fragile. Overall level of economic development backward. Nevertheless, important in regional geo-strategic status, with potential advantage in its rich mineral and energy resources.

* Includes Guangxi (originally 'eastern') and Inner Mongolia (originally 'central').
Source: Hu (2005: 259), note 1.

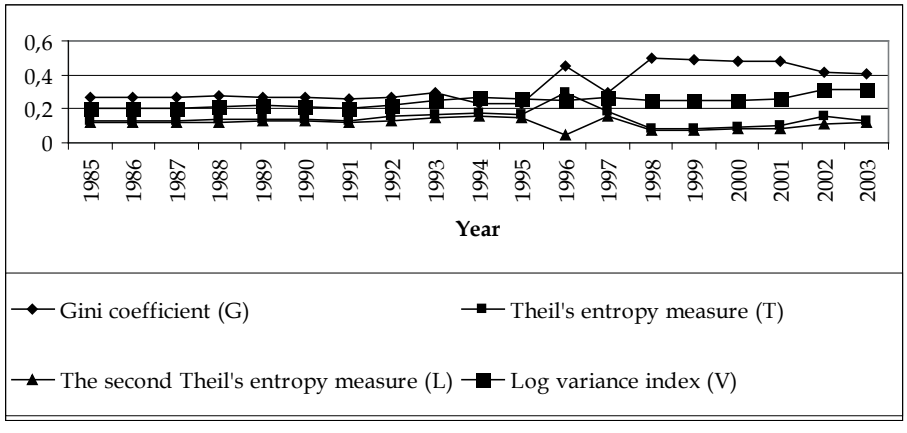
Income Inequality

One of the most important changes in recent years in China's poverty eradication efforts is the switch of focus from absolute poverty to relative poverty. Even while the overall proportion of population in poverty dropped impressively from 30.7 percent in 1978 to 3.4 percent in 2000, according to government statistics, income inequality was increasing, with the Gini coefficient reaching 0.415 in 1995 and continuing to rise (Chai *et al.* 2004: 2). Hence, 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. Bert Hoffman of the World Bank noted that China's Gini had risen 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 percent of the people of China earned 7 times the income of the poorest 10 percent, today they earn more than 18 times as much (*The Star*, 21 January 2006). 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).

Using disposable income and excluding welfare payments, Huang and Niu (2007) calculated that China's urban Gini coefficient since 1998 hovered between 0.4 and 0.5, showing a clear tendency towards increasing income inequality. The encouraging sign was that after peaking in 1998, Huang and Niu actually found a slow gradual decline, albeit slight, in Gini from 1998 to 2003 (Figure 3).

FIGURE 3 Income Inequality amongst China's Urban Population



Source: Huang and Niu (2007: 157), Table 5-1.

The peaking of Gini in 1998 was related to the rapid unbalanced economic growth of that period, while the significant decline of L and V during that period – especially L which was lower than 0.1 for quite long after 1996 – was an indication of the egalitarian tendency of the low-income group: a general widening impoverishment (Huang and Niu 2007: 156).

Huang and Niu's analysis also found that, in 2003, provinces/zizhiqu/zhixiashi whose Gini coefficients (G_i) are lower than the national figure (G) of 0.45 totalled 20. The poor zizhiqu of Tibet was rather egalitarian, with Gini lower than 0.3. Other provinces/zhixiashi with a reasonable level of 0.3-0.4 were Shandong, Jiangxi, Hubei, Guizhou and Chongqing. The majority of provinces/zizhiqu/zhixiashi, totalled 23, had Gini levels between 0.4 and 0.5, showing the inclination towards widening gap between rich and poor. Two provinces, the economically advanced Jiangsu and Zhejiang, had Gini greater than 0.5 (*ibid.*: 162).

Ethnicity and the Urban-Rural Disparity

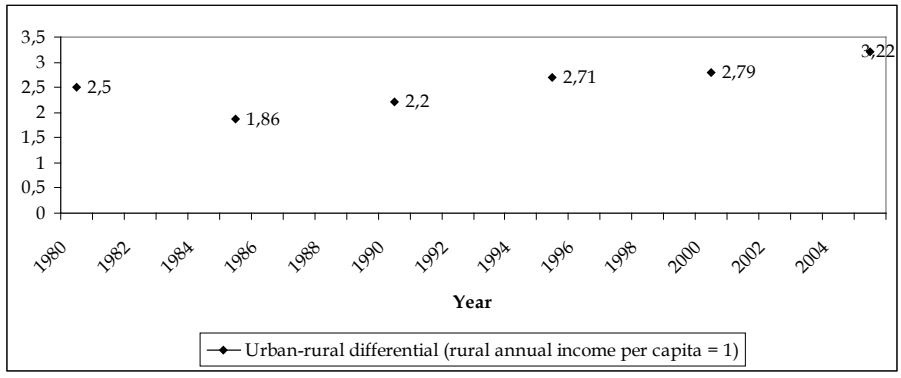
Mainly engaged in traditional farming and animal husbandry, China's ethnic minorities have lagged behind in level of urbanisation. According to the 2000 Population Census, ethnic minorities' level of urbanisation was 23.44 percent, i.e. 13.48 percentage points lower than the national figure of 36.92 percent, and even 2.79 percent lower than the 1990 national level of 26.23 percent. While the national urbanisation in terms of cities (*chengshihua*) was 23.55 percent by the year 2000 and that in terms of townships (*chengzhenhua*) was 13.37 percent – the former being 1.76 times the latter – ethnic minorities' urbanisation in terms of cities was only 11.87 percent, not much different from that of 11.57 percent in terms of townships (*Zhongguo Minzu Fazhan Baogao, 2001-2006*, p. 232).

This lower urbanisation of the ethnic minorities has directly affected the development of their occupational structure, resulting in the majority of them being engaged in the primary industry (agriculture). The proportion of ethnic minority population in the agricultural sector was 82.51 percent, i.e. 7.24 percentage points higher than the national average (*ibid.*: 232).

Looking at urban-rural disparity in general, due to the fact that rural income growth has been relatively slower and more unstable compared to urban income growth, the urban-rural income gap has been expanding over the years.

As shown in Figure 4, during the 1980-85 period when rural income was growing relatively fast, the urban-rural income gap was indeed diminishing – from 2.5:1 in 1980 to 1.86:1 in 1985. Nevertheless, during the subsequent decades, the fluctuations in rural income growth in contrast with the steady urban income growth brought the urban-rural income gap up to the level of 2.71:1 by 1995 – which exceeded the 1980 level – and further up to 3.22:1 by 2005. According to a national survey report by the Chinese Academy of Social Sciences, if we include in the computation all sorts of benefits and social welfare enjoyed by the urban residents which are not reflected in their disposable income – e.g. public medical provisions, educational subsidies, pensions, unemployment insurance, subsistence subsidies – which are non-existent or extremely meager in the rural areas, China's urban-rural income disparity is even much larger – in fact, could be world's largest (*Dangdai Zhongguo Shehui Ge Jieceng Fenxi 2007*, p. 212-213).

FIGURE 4 China's Urban-Rural Income Gap



Source: Dangdai Zhongguo Shehui Ge Jieceng Fenxi 2007, p. 212, Table 7-2.

Ethnoregional Dimension of Poverty

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 (Figure 5)[3] is taken seriously because these areas are also places that show a relative concentration of poor people.

Just how the western region populated by the non-Han peoples[4] has been left behind in China's economic development is clearly indicated by the poverty problem. Any political or social instability in this ethnic minority region could have grave ramifications throughout the economy that would threaten the development efforts of the central government especially in regard to the development of the regional cores.

Figures 6 and 7 show that of the 23.65 million rural poor of China in 2005, the eastern region, central region and western region contributed 3.24 million (13.7 percent), 8.39 million (35.5 percent) and 12.03 million (50.8 percent) respectively, with the incidence of absolute poverty of the central region and western region being respectively 3.1 times and 6.5 times that of the eastern region. Comparing this with the 1993 figures of 19.5 percent, 31.1 percent and 49.4 percent for the eastern region, central region and western region respectively (*Zhongguo Fazhan Baogao 2007*, p. 37), it is obvious that the changes in the regional distribution of the rural population in absolute poverty were mainly reflected in the decline of its proportion in the eastern region, increase of that

FIGURE 5 Ethnic Diversity by Province/Zizhiqu/Zhixiashi

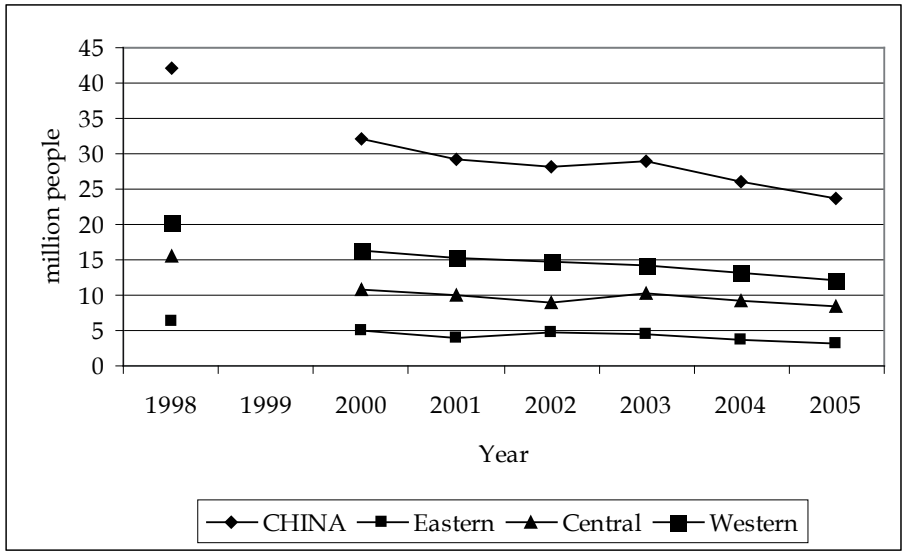
Notes: Province/Zizhiqu/Zhixiashi in the officially designated Western Region in ***bold italics.***
East-West Boundary (with the central region grouped with the eastern). Areas with high EFI are also areas with a high concentration of ethnic minorities (or 'minority nationalities').
Source: Computed with data from the 2000 population census. For computation of EFI, with a range of 0–1 from hypothetically complete homogeneity to hypothetically perfect diversity, see Yeoh (2003: 28). EFI for China as a whole is only 0.125, indicating high homogeneity (*ibid.*: 30-32, Table 1).

in the central region, while that in the western region had remained largely unchanged, with the implication that the extent of decline of the number in absolute poverty in the eastern region actually surpassed the national average, that in the central region was obviously below the national average, and that in the western region was the same as the national average (*ibid.*).

There are four characteristics typical of the distribution of poverty population in China:

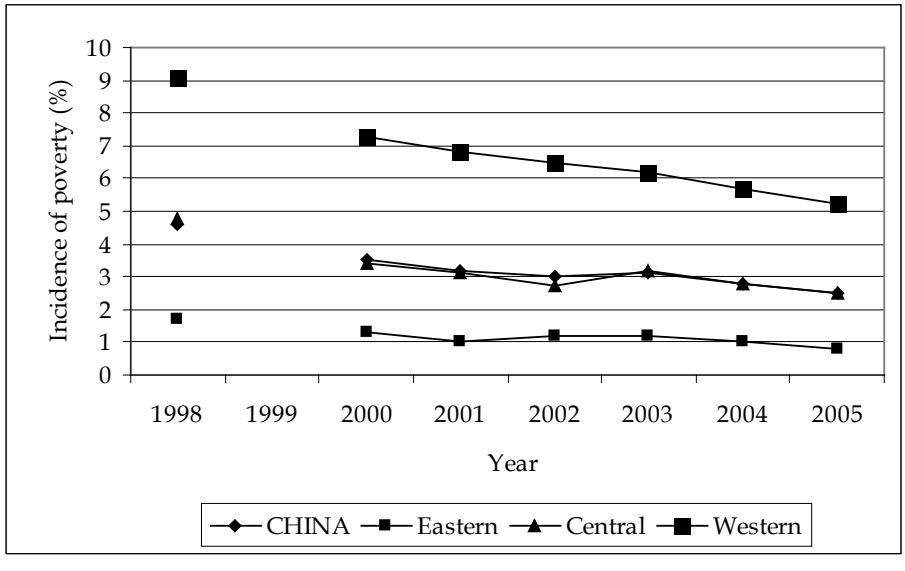
1. Concentration in the mountainous areas.
2. Concentration in the western region.
3. Concentration in environmentally fragile areas.
4. Concentration in ethnic minority areas.

FIGURE 6 China's Rural Absolute Poverty: Regional Distribution and Change (1998-2005)



Source: *Zhongguo Fazhan Baogao 2007*, p. 38, Table 2.2.

Figure 7 China's Rural Incidence of Poverty: Regional Distribution and Change (1998-2005)



Source: Zhongguo Fazhan Baogao 2007, p. 38, Table 2.2.

For instance, out of the 29 million people in absolute poverty in 2003, 15.5 percent were in the eastern region, 35.5 percent in the central region, and 49 percent in the western region. Areas with an incidence of poverty less than 1 percent were all located in the eastern region. Guangxi, Sichuan and Chongqing were the only places in the western region with incidence of poverty between 1 and 5 percent. Inner Mongolia, Yunnan, Shaanxi, Gansu, Ningxia and Xinjiang were places in the western region with an incidence of poverty between 5 and 10 percent. All areas with an incidence of poverty above 10 percent were in the western region, viz. Guizhou, Tibet and Qinghai. Rural populations with per capita incomes from 637 to 882 yuan per annum are officially classified as the low-income group. In 2003, those in the low-income group totaled 29.46 million just within the poverty counties alone. (Chen 2006: 175, footnote 1) Combining the rural poverty population and the low-income group, the number in 2003 totaled 85.17 million, of which 40.14 million (47.1 percent) were in the western region, 31.2 million (36.6 percent) in the central region and 13.83 million (16.2 percent) in the eastern region. (*ibid.*: 176, Figure 7-2)

In 2000, of the 592 officially designated poverty counties[5] – including 257 ethnic minority poverty counties – 62 percent were concentrated in the western region. Of the 32.09 million poor in 2000, more than half were among the ethnic minorities (i.e. non-Han) or in the ethnic minority areas, totalling 17 million people. Not much had changed by 2003, where out of the national figure of 29 million people in poverty, 16.98 million or 58.55 percent were in the 12 zizhiqu and provinces of the western region. (*Zhongguo Minzu Fazhan Baogao, 2001-2006*: 235) Hence, it is discernable that there is a trend of gradual concentration of the poor towards the western region and the frontier areas, and towards the ethnic minorities. Estimation of the extent of absolute poverty among the ethnic minorities ranges from 40 percent of the total population as estimated by researchers in China to 60 percent as estimated by Nicholas Stern of the World Bank. In view of the fact that ethnic minorities only constitute 8.41 percent of China's total population, that 40 to 60 percent of China's poor come from them is indeed alarming. (*ibid.*)

One of the most crucial aspects of China's poverty problem is thus the very fact that the dominant component of the rural poor is the ethnic minorities – as mentioned above, out of the 592 poverty counties, 257 (44 percent) are ethnic minority counties. In the year 2003, among the poor of the 592 poverty counties, 46.7 percent were in ethnic minority areas, with incidence of poverty of 11.4 percent that was higher than those

of the mountainous areas (10.1 percent), hilly areas (7.1 percent), old revolutionary base areas (7.7 percent) and the plains (7.8 percent). Eighty percent of the 4.59 million poor of Guizhou were ethnic minorities, and almost all of the 3.1 million hard-core poor of the province were ethnic minorities. In the mountainous areas of southern Ningxia, 60 percent of the 520,000 poor were Hui. Eighty-five percent of Yunnan's 4.4 million poor and more than 90 percent of Tibet's 250,000 poor were also ethnic minorities. (Chen 2006: 177) In fact, out of the country's 29 million poverty population, 45 percent or more than 13 million were in the ethnic minority areas. Among the 630,000 people of 22 ethnic minority groups each with population less than 100,000, 394,000 were in absolute poverty or in the low-income category. (Wu 2006: 15)

Official figures by end of 2004 showed that ethnic minority areas' rural absolute-poverty population constituted 47.7 percent of the national total, incidence of poverty was 5 percentage points higher than the national figure. The population with low income constituted 46 percent of the national total, the proportion of low-income population in the rural population was 9 percentage points higher than the national figure, the absolute-poverty population plus low-income population constituted 46.6 percent of the national total, and the proportion of absolute-poverty plus low-income population in rural population was 14 percentage points higher than the national figure. Almost 80 percent of China's ethnic minorities are found in the country's western region, especially the rural areas. China's northwest with about 20 different ethnic minorities and total minority population of more than 15 million and southwest with more than 30 ethnic minorities and total minority population of more than 29 million being the country's two areas with the most complex ethnic composition and the largest number of and most concentrated ethnic minorities. The geographical correlation of ethnic minority distribution (largely populating the frontier areas) and poverty population distribution is unmistakable, reflecting the composite phenomenon made up of rural poverty, geographical poverty, ethnic poverty and frontier poverty. (Nie and Yang 2006: 153)

Resources and the Regional Dimension

Despite the poverty problem, the importance of the western region as a whole – being the major energy source for the whole of China, providing 34 percent of the nation's coal, 78 percent of hydroelectricity and 59

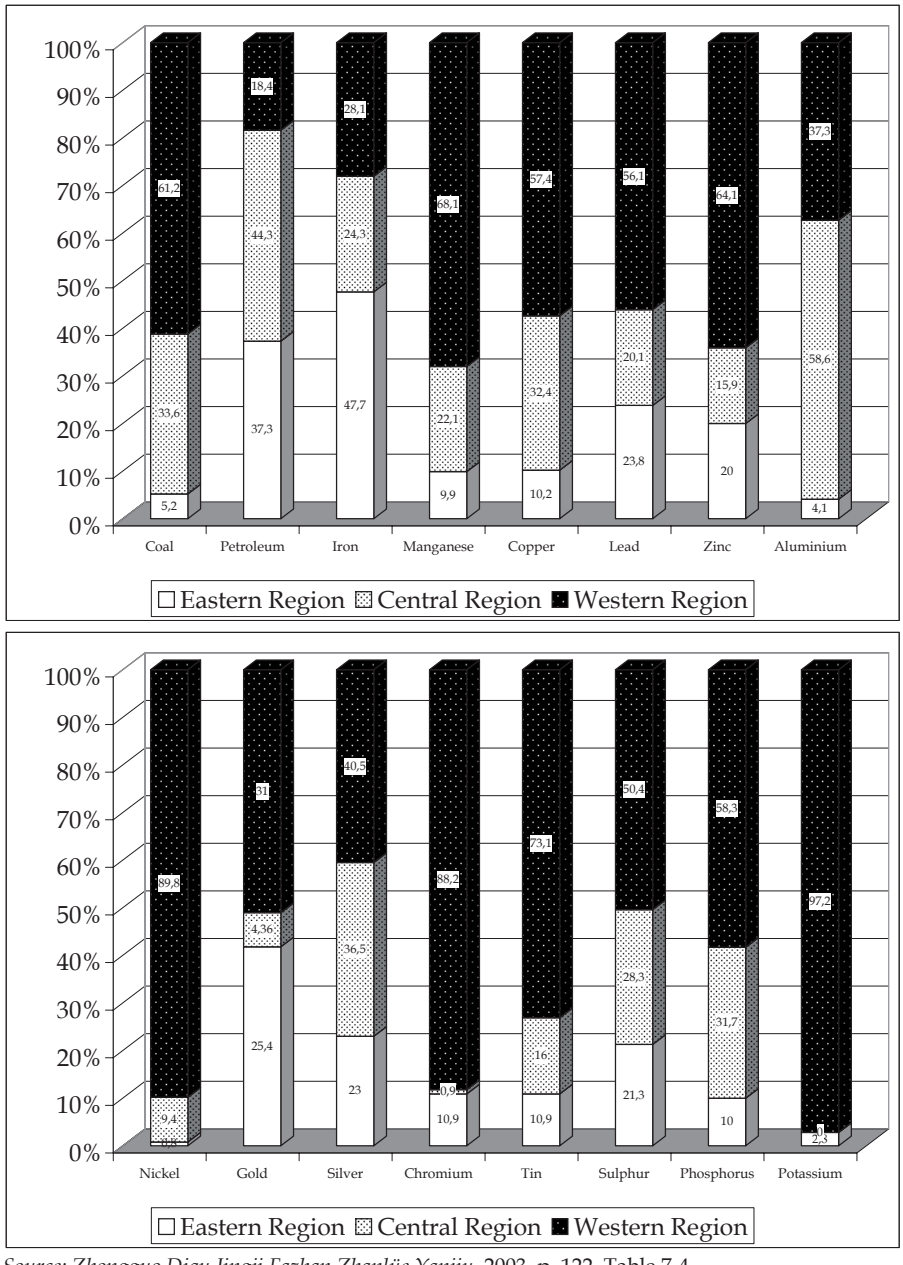
percent of natural gas (*Zhongguo Xibu Jingji Fazhan Baogao 2006*, p. 268) – to the central government is undoubtedly underlined by the fact that it is endowed with rich mineral resources..

Almost all of the world's 160 odd known mineral resources can be found in China's western region. Of China's 155 mineral resources with already known reserve volume, 123 are found in the western region. Of the 60 major mineral resources, western region's 33 mineral resources such as potassium, phosphorus, chromium, manganese, nickel, platinum, strontium, etc. contribute more than half of the national reserves (Figure 8). In terms of scale and the crucial implication for national economic and social development, of the western region's energy and mineral resources, coal is among the most important energy resources. Western region's reserve volume of coal contributes more than 60 percent of the national reserve, hence making the region well poised to be a large or ultra-large coal base for the country. According to the forecast of the country's geology and mineral department, China's largest long-term coal reserve is in Xinjiang, with long-term reserve volume up to 2.19 trillion tons, and of this, the shallow reserve (within 1000 metres) volume alone is already up to 900 billion tons. (*Zhongguo Diqu Jingji Fazhan Zhanlüe Yanjiu*, 2003, p. 121) The already known exploitable reserve volume of petroleum in the western region is almost one-fifth of the known exploitable national reserve, that of natural gas is about 35 percent, and that of water resource is 77 percent of the national reserve, while already 82 percent of the national volume of hydro-electric power is from the western region. It has been forecast that by 2010, northwestern region's coal, petroleum, natural gas, copper, lead, zinc, nickel, potassium, nitre, asbestos, sodium, etc. and southwestern region's aluminium, lead, zinc, phosphorus, titanium, tungsten, tin, antimony, strontium, quartz, silicon, asbestos, etc. will be adequate to guarantee the country's economic development or exports. The western region is poised to become China's important reserve base of strategic resources. (*ibid.*)

In September 2007, the largest gold mine in Asia was found in Wen county, Gansu province, with a reserve of 308 tons or about 500 billion yuan, capable of producing annually 10 tons or 16 billion yuan (*Xingzhou Ribao*, 16 September 2007). The poor province of Gansu as the treasure trove of China, though sounding paradoxical, is indisputable. More remarkable are the large mineral reserves in the ethnic minority area of the province. In the ethnic minority area that constitutes just about 38.7 percent of Gansu province, the confirmed mineral reserves consist

of 68 types, found at more than 630 locations (Chen 2004: 84). Gansu's main minerals include coal (with a reserve of 407.179 million tons), marble (4.21 billion m^3), iron, gold, asbestos (one-third of total national production per annum, with a reserve of 26.8 million tons), chromium

FIGURE 8 Distribution of Mineral Reserves



Source: Zhongguo Diqu Jingji Fazhan Zhanlüe Yanjiu, 2003, p. 122, Table 7-4.

(industrial reserve ranking number 2 nationally), uranium, tungsten, nickel, etc. and there is a large reserve of uranium in Gansu's Tibetan *zizhizhou* ('autonomous prefecture') of Gannan, with about 300 locations, 5 already confirmed, with a reserve of 196.7 tons (*ibid.*: 84-85).

The Environmental Dimension of Interregional Imbalance

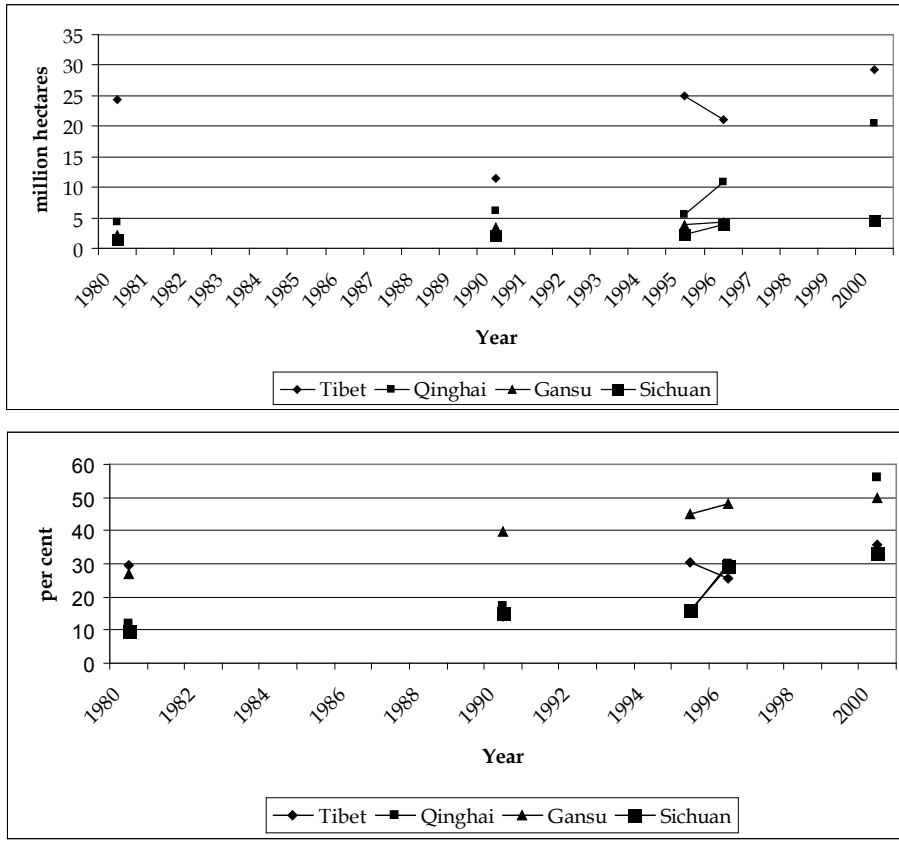
Woo *et al.* (2004) found that China appeared to be off track to achieve the MDG Target 9 with the proportion of land covered by forest amounting to 17.5 percent in 2001, only slightly increased from 15.6 percent in 1990. This does not auger well for China's continued effort to solve its poverty problem. The reality is that poverty in this large country is still very much related to environmental factors. For instance, the concentration of the poor in the western region is related to the fact that the poverty-stricken mountainous areas are concentrated in this particular region. The country's 64.8 percent of poverty-stricken mountainous areas (*shanqu*) and 56.2 percent of the hilly (*qiuling*) areas are found in 10 provinces/zizhiqu/zhixiashi of the western region, occupying 72.9 percent of the total area of the region, with mountainous areas alone taking up 53.1 percent. The most mountainous provinces are the three southwest provinces of Sichuan (including Chongqing), Yunnan and Guizhou, with mountainous areas taking up 72 percent, 80.3 percent and 80.8 percent of the respective total areas of the said provinces. If inclusive of the hilly areas, the figure rises to 95 percent for Yunnan and Guizhou, and 97.5 percent for Sichuan. (Chen 2006: 176; original source: *Zhongguo Shanqu Fazhan Baogao 2003*, pp. 246-247) Out of the 592 poverty counties, 366 are in the western region, and out of these 366 counties, 258 are remote mountain counties, occupying about 70 percent of the western mountain counties. Most of these poverty counties are distributed over 6 major areas of fragile environmental habitat, viz. Inner Mongolian plateau's southeastern border area that suffers from desertification, Huangtu plateau's gully area that suffers from severe soil erosion, the environmentally deteriorating mountainous areas of the Qin Ba region, the environmentally endangered hilly areas of the karst plateau, the sealed-off mountain and valley areas of the Hengduan range and the severely cold mountain areas of the western deserts. Being environmentally fragile and sensitive, all these are areas extremely short of resources, with extremely bad environment for human habitation. (Chen 2006: 177)

There are three main issues in the western region's environmental degradation: soil erosion, desertification and grassland deterioration. Major symptoms like the increasingly serious Yellow River drought since the 1990s, the severe flood of mid-Yangzi River in 1998, and the almost yearly spring sandstorm since 2000 all point to the critical stage of environmental degradation of the western region. For instance, the first sandstorm of 2008 came in March from the Gobi desert, affecting not only up to 110 million people in China's 300 cities, towns and counties in 5 provinces/zizhiqu, but also adjacent nations including Korea, Japan and Taiwan, straining bilateral relations. Such sandstorms from China are costing, besides human lives, an estimated US$5.82 billion of losses in Korea alone. (*Dongfang Ribao*, 4 March 2008)

Up to 80 percent of the country's total area of soil erosion, 81.43 percent of the area of desertification and 93.27 percent of the area of grassland deterioration are in the western region. (Chen 2006: 19; original source: *Zhongguo Quyu Fazhan Baogao 2000*) The desertification of farmland in the western region involves a total area of up to 1.1 million hectares. While this is only 2.24 percent of the total area of farmland in the western region, it contributes to 43.24 percent of the national total area of desertification of farmland – that suffering from light- and medium-degree desertification is 87.95 percent of the national total area and that suffering from high-degree desertification is 12.05 percent of the national total area. Provinces/zizhiqu in the western region particularly severely hit by desertification are Xinjiang, Qinghai, Gansu and Tibet. (Chen 2006: 20) With the 'Western Regional Development' strategy inevitably aiming at exploiting the rich natural resources (water, nonferrous metals, petroleum, natural gas, etc.) of the western region, both to promote the region's economic growth and enhance the living standard and welfare of the region's inhabitants, and to meet the energy needs of the country as a whole, in time there could arise an inherent contradiction between habitat construction/environmental protection and the basic aim of *xibu dakaifa* that cannot be ignored. (*ibid.*: 33)

The western region is the country's main region of grassland deterioration. Figure 9 shows that the pasture grasslands of Tibet, Gansu and Sichuan have been deteriorating very rapidly in the last 20 years. Tibet's area of deterioration was 24.267 million hectares in 1980, with a deterioration rate of 29.6 percent. The deterioration area rose to 29.285 million hectares by 2000, with a deterioration rate of 35.7 percent, i.e. an increase of 6 percentage points in 20 years. Gansu's area of deterioration was 2.351 million hectares in 1980, with a deterioration rate of 26.7

FIGURE 9 Grassland Deterioration in Tibet, Qinghai, Gansu and Sichuan



Source: Chen (2006: 22-23), Tables 1-6, 1-7, 1-8, 1-9 (original source: Deng, 2005: 128-130).

percent. The deterioration area rose to 4.405 million hectares by 2000, with a deterioration rate of 50.0 percent, i.e. an increase of 23.3 percentage points in 20 years. Sichuan's area of deterioration was only 1.333 million hectares in 1980, with a deterioration rate of only 9.8 percent. However, the deterioration area tripled within 20 years and rose to 4.541 million hectares by 2000, with a rapid rise in deterioration rate to 33.3 percent. Qinghai's area of deterioration was 4.398 million hectares in 1980, with a deterioration rate of 12.1 percent. The deterioration area rose to 20.367 million hectares by 2000, with deterioration rate increased tremendously to 56 percent, i.e. a shocking increase of 44 percentage points in 20 years. (*ibid.*: 22-23)

Adding to these problems, there is an alarming degree of wastage and environmental damage in resource exploitation in the western region, the former being partly due to the fact that the right of exploitation is given by the government via administrative measures, hence does not

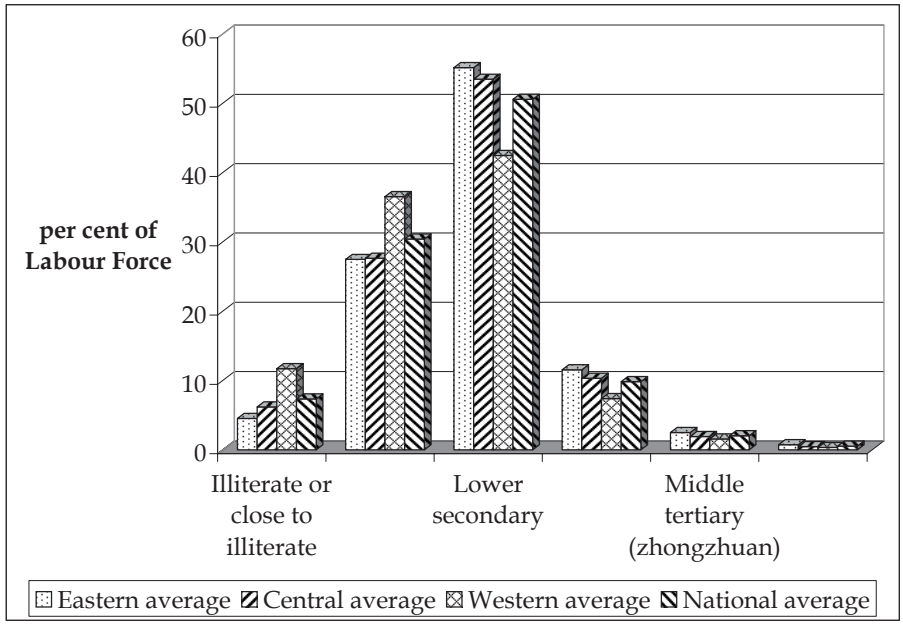
feature in the enterprises' cost structure. Furthermore, resource tax by production volume is as low as just 1.18 percent of resource volume on average. Zero cost of access to resources and extremely low resource tax have thus led to tremendous wastage in exploitation. For instance, for some oil wells in northern Shaanxi, only around 100 kilograms could be extracted from every ton of crude oil reserve, the other more than 800 kilograms being completely wasted. (*Zhongguo Xibu Jingji Fazhan Baogao 2006*, p. 272) Such over-exploitation and wastage, coupled with neglect of environmental protection, have also led to increasingly severe environmental degradation. For instance, in Shaanxi's Shenmu county, over-exploitation by the county's 216 coal enterprises has resulted in a cavity of up to 99.12 km^2 in size, leading to 19 cave-ins. Cave-ins, death of plant life due to the drying up of groundwater, and severe water and air pollution are making the mining regions increasingly uninhabitable. It was reported that while caving-ins are making land uncultivable for farmers and causing grazing problems for animal husbandry, and diminishing groundwater is drying up wells which households depend on for drinking water, the mining company is paying villagers a cave-in compensation of just Rmb 20 cents for every ton of coal. (*ibid.*: 272-273)

Illiteracy, Illness and the Poverty Trap

An important factor that is behind the interregional differential in economic performance is the education level of the labour force. The western farming region in general suffers from the problem of shorter schooling years and hence the relatively high percentage of illiteracy and semi-illiteracy in the total labour force (Figure 10).

In short, in terms of the illiteracy and semi-literacy rate and the proportion of labour with only primary education level, the western region far exceeded the eastern and central regions, while in terms of the proportion with higher education levels the western region lagged far behind the eastern and central regions. This problem was particularly serious in the ethnic regions like Tibet and Qinghai. The illiterate constituted 58.42 percent of Tibet's labour force, those with only primary education amounting to 41 percent, those with only primary education or lower amounting to 99.42 percent, far exceeding the national average of 37.75 percent (*Zhongguo Xibu Nongcun Quanmian Xiaokang Zhibiao Tixi Yanjiu*, 2006, p. 71-72). In fact, relatively high illiteracy has always been a problem for China's non-Han nationalities, and is adversely affecting the development of minority areas. While

FIGURE 10 China's Interregional Differentials in Education Level of Labour Force



Source: *Zhongguo Xibu Nongcun Quanmian Xiaokang Zhibiao Tixi Yanjiu*, 2006, p. 72, Table 5-1.

official figures showed that the minorities' adult (age 15 years and above) illiteracy rate had fallen remarkably from 30.68 percent in 1990 to 14.54 percent in 2000, the latter was still 5.46 percentage points higher than the national level of 9.08 percent, and the illiterate adults (10.996 million people) among the minorities constituted 12.64 percent of the China's total illiterate adult population. The problem was worse for the female adults of the minorities, with an illiteracy rate of 20.41 percent, compared to 8.92 percent for the male. (*Zhongguo Minzu Fazhan Baogao, 2001-2006*, p. 231)

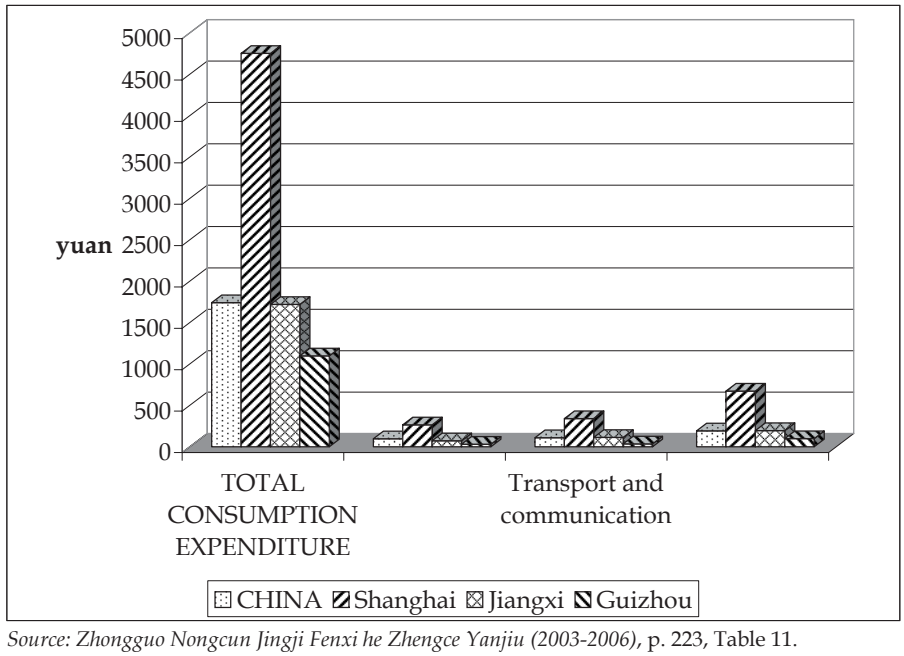
According to the 2000 official figures, only 10.59 percent (11.065 million) of the total minority population had had higher secondary schooling and above, i.e. 4.08 percentage points lower than the national figure of 14.67 percent; while 2.49 percent of the total minority population had had higher tertiary education and above, i.e. 1.06 percentage points lower than the national figure of 3.54 percent. The above figures actually reflect the basic problem of the backwardness of foundation education among the minority nationalities. Official statistics show that there are 13 minority nationalities with years of schooling less than 5, the lowest being the Dongxiang (a Muslim minority) with just 2.6 years. (*ibid*:

231) Furthermore, with lower level of health service and hygiene and standard of living, the ethnic minority areas of western China also suffer from high risk of local diseases and epidemics like AIDS, high infant mortality rate and lower health. While the national average life expectancy in 2000 was 71.40 years, the official figure was 67.41 in Xinjiang, 66.03 in Qinghai, 65.96 in Guizhou, 65.49 in Yunnan and 64.37 in Tibet, respectively, which ranked the five lowest in life expectancy among the provinces and zizhiqu of China (*ibid.*).

Figure 11 shows the astounding gap in consumption expenditures in the rural areas between Shanghai, Jiangxi and Guizhou in 2001. It can be seen that Shanghai's expenditure per capita on health and medical treatment was 3.66 times Jiangxi's, and 8.59 times that of Guizhou.

In terms of medical costs, Nie and Yang (2006: 290-291) gave the average hospitalisation cost per peasant as 2236 yuan according to the 2003 Ministry of Health figures while the net income per capita of peasants was just 2622 yuan. This means that once hospitalised, a peasant's medical expenses would be almost equivalent to his/her annual income. A severe illness would cost on average a peasant's total income of 3 to 4 years. As a result, in the poor mountainous areas of western China, as high as 72 percent of peasants who are ill are not seeking formal

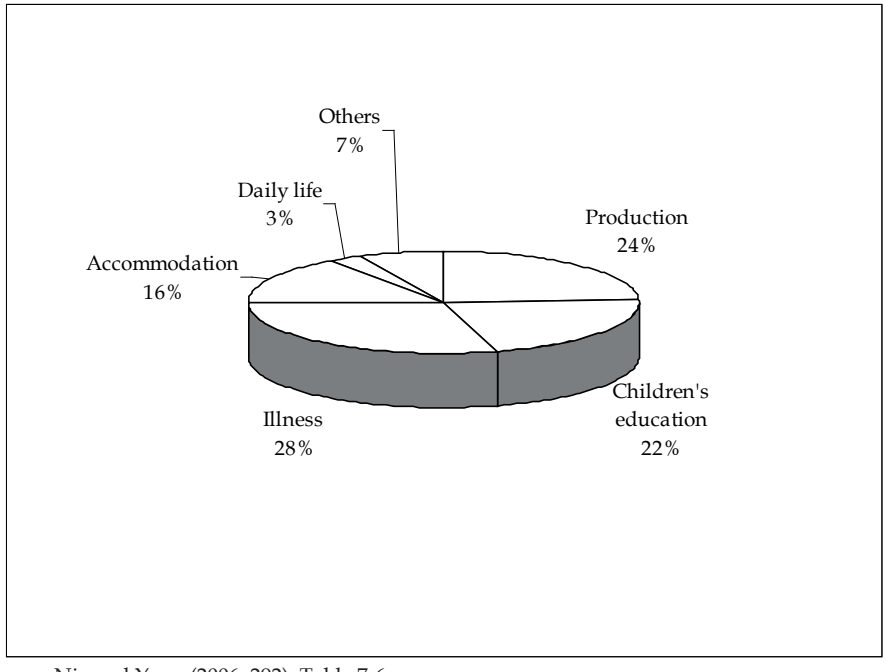
FIGURE 11 Regional Disparity in Rural Consumption Expenditure, 2001 (yuan)



Source: Zhongguo Nongcun Jingji Fenxi he Zhengce Yanjiu (2003-2006), p. 223, Table 11.

medical help and 89 percent of peasants who should be hospitalised are not hospitalised (*ibid.*, 291). A government survey conducted in 2004 showed that the major reason for peasants' burden of debt was illness (Figure 12).

FIGURE 12 Reasons for Peasants' Indebtedness in China



Source: Nie and Yang (2006: 292), Table 7-6.

Poverty, Unemployment and Social Instability

A main issue of concern for the ruling regime of China ensuing from the combined effects of a persistent high incidence of poverty, widening income gap and rising unemployment as well as the increasing evidence of the ethno-regionalisation of poverty is undoubtedly the threat of social instability. It was reported that in 2005 public order disturbances rose by 6.6 percent to 87,000, or an average of almost 240 a day (*The Star*, 21 May 2006). Statistics further revealed that there were 94,000 large-scale protests and demonstrations in 2006, involving more than 500,000 people – an alarming increase from the statistics of 2005 (*Dongfang Ribao*, 4 March 2008). Poverty has also led to increasing crime such as drug trafficking, especially in various parts of Sichuan, Ningxia, Guizhou and Gansu, reflected in such popular sayings like 'Xia Yunnan shang qianxian, yi lai yi qu ji shi wan, sha le naodai ye qingyuan [To Yunnan

to the battlefield, earning tens of thousands in just one trip – something really willing to die for]', and in many cases drug trafficking has turned into a family business: 'Sha le laozi erzi gan, sha le zhangfu qizi gan [Father's killed, son taking over; husband's killed, wife taking over]' (Nie and Yang 2006: 193). In other words, drug trafficking is seen as a risk worth taking to escape a life of abject poverty.

Equally alarming is a series of unrests with an ethno-religious or ethno-regional 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's Zhongmou county, which 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 (Pocha 2004).[6] Though the conflict was probably triggered by a local traffic accident and rooted in strong historical-cultural factors including perceived overall Han dominance and a backlash against certain preferential policies for the ethnic minorities, 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. Other than the Nanren conflict, there was also the unconfirmed news of another serious Han-Hui conflict in August 2007 in the Shimiao township in the Huimin county of Shandong province, close to the Hui county of Shanghe, that resulted in at least one death and more than twenty injured. This was not the first such open conflict in Shandong which earlier experienced the well-known 'Yangxin incident' in 2000 when six Huis were killed during a thousand-strong Hui protest against a '*Qingzhen Zhurou* [halal pork]' shop sign. (*Xingzhou Ribao*, 5 September 2007)

The combined impact of poverty, unemployment, inter-ethnic inequalities and ethno-regional disparities hence represents one of the major challenges facing China's ruling regime in maintaining social stability for continued rapid economic development that is now increasingly seen as the key to the survival of its one-party rule.

As the incidents of socio-racial conflict in Henan and Shandong cited above 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 backlashes against certain preferential policies for the minorities (Pocha 2004; news.bbc.co.uk 2004). 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 ethno-religious

and ethno-territorial flavour, with the increasing undertone of ethnic separatism. Furthermore, contemporary studies on intergroup relations often see ethnicity not as a 'given' of social existence, but as a political construct linked directly to power relations and resource competition, and 'it is as an instrument for political mobilisation that ethnicity often plays a key role in the interplay between group activities and public policy' (Yeoh 2008: 81). 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 realisation 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. It could be argued that as a political urgency China has no choice but to give due politico-economic consideration to its western region – a region populated by many ethnic minorities and having 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. Such concerns were obviously behind the 'Western Regional Development' strategy which at first seemed to be an easy way for Jiang Zemin 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. While the strategy would cover many minority zizhiqu whose majority population are ethno-linguistically and/or ethno-religiously 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 region but not about political decentralisation that usually goes hand in hand with democratisation.

In short, when Jiang Zemin stressed the need for 'national unity' in proposing the 'Western Regional Development' 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 – a recognition of the fact that while the eastern region is demographically dominated by the Han Chinese, the western region is home to a large number of China's ethnic minorities, and compounding the exigencies engendered by the ethnic factor is the socioeconomic disparity between the regions.

However, implementing the 'Western Regional Development' project within such a cautious political framework is not without risks either. First, with strong constraints in the devolution of central power, it

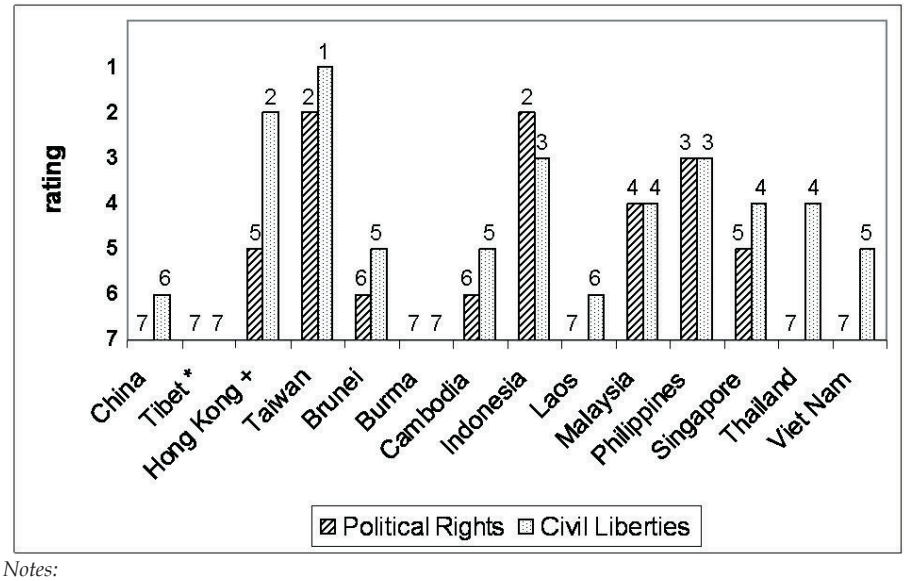
could be difficult to coordinate the interests of the central and local governments over the power of authorisation and permissions and to determine how far the right to independent development could go. Besides that, it may not be easy to adjust the interests of local governments over limited financial resources and projects to be implemented. Finally, there is the fact that 80 percent of the ethnic minorities in China live in the western region and national border areas where the new regional development strategy is targeted. Without accompanying decentralisation of political power and the conferring of a 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 colonisation, leading to their outright opposition to the whole regional development strategy itself, thus exacerbating the already simmering ethno-regional tensions. Such pitfalls can have real consequences for the success or failure of the strategy. For instance, in July 2000 the World Bank rejected a loan to China – a US$40 million interest-free loan intended to finance a plan to move 58000 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 with residents of the area where the Han Chinese were to be moved (*IDE Spot Survey*, 2001, p. 27).

So far, measures to improve the investment environment in the western region under the 'Western Regional Development' 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 region in the past few decades of reform are now being transplanted to the western region. Within this framework, the western region was granted in 2000 (for ten years till 2010) a preferential company income tax rate of only 15 percent – the same rate long enjoyed by enterprises in the eastern region – and the power to approve foreign investment projects in service industries was conferred on the relevant authorities in the western region. Other measures include the issue of on-the-spot visas to foreign tourists to enhance tourism, and the adjustment of prices of minerals and railway transport. (Zhou 2006: 260).

Despite all this, there are also geopolitical factors that could make or break the reform efforts – for instance, the opening up of new trading routes to regional and world markets remains as important today as in ancient times. To give a case in point: the success of regional development policy in southwestern China – Yunnan, Guizhou, Sichuan and Chongqing – could depend much upon such routes via the Indian Ocean and South Asia, which serves to explain much China's current foreign policy towards the military regime in Burma (Arnott 2001: 81), apart from China's coveting of Burma's mineral and other natural resources to fuel its breakneck development and its wariness of the implication of foreign pressure on the Burmese junta's political repression by its own one-party rule (Figure 13).[7] Furthermore, from the geopolitical perspective, China's support for Burma's ruling military regime aims at securing sea lines of communication as an alternative route to the Indian Ocean via Burma's strategic coastline bordering the Andaman Sea which would also provide China a foothold near the territorial waters of India, its traditional rival.

Beyond such geopolitical issues, it has been observed how the major challenges presently facing China's central government actually come

FIGURE 13 China, Taiwan and ASEAN: Political Rights and Civil Liberties



Notes:
1 is the best rating, 7 the worst. Ratings are for 1st December 2005 – 31st December 2006.
* Xizang (Tibet) Zizhiqu ('autonomous region'), China
+ Hong Kong Special Administrative Region (SAR), China
Source: Data from Freedom House (2007).

from within China itself, 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 the too 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 (*China Goes Global,* 2005: 15, editorial), and how well it takes upon the task of redressing the mounting grievances simmering across China engendered by decades of uneven development since its headlong plunge into market-oriented reform, many of which carry increasingly worrying ethnic or ethno-regional 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 was conducted by the Institute of Quantitative and Technical Economics of the Chinese Academy of Social Sciences and predicted that absolute disparity would gradually begin to narrow between 2010 and 2030, but until then, the gap is estimated to widen further (*IDE Spot Survey*, 2001, p. 63). It therefore remains to be seen whether the country's continued war on poverty, building on its remarkable success of the last few decades, would carry adequate momentum to uplift the standard of livelihood of the majority of its populace, especially rural, and in particular its volatile ethnic western region, supported by the maintenance of continual robust economic growth, so as to hold off or delay the inevitable challenges to the regime's one-party rule and to keep the 'creeping democratization'[8] process in check.

Concluding Remarks

As poverty and inequality constitute one of the most, if not *the* most, critical challenges China faces in its next phase of politico-socioeconomic development, and as has been noted earlier, poverty in China has the properties of being concentrated in the western region and in the ethnic minority areas, ethnoregionalisation of poverty inevitably ensues, presenting China not only with economic challenges but also long-term sociopolitical security risks. Furthermore, if poverty could be seen as a multiconcept construct, it is pertinent that all crucial dimensions – regional, ethnic, urban vs. rural, environmental, resource exploitation,

literacy, health care, employment, industrial structure and economic openness, etc. – of this problem would have to be given due emphasis in any policy response.

These dimensions are not isolated, but intricately linked in a complex nexus of causes and effects. Such multidimensional nexus is reflected in what Han (2006) referred to as the 'three highs, three lows' economy of China. The 'three highs' she referred to are high material consumption, high external demand and high accumulation and investment rate, and the 'three lows' are low per capita economic growth, low internal demand and low consumption rate. China's high growth is built upon the foundation of high material consumption, hence, according to its, is unsustainable. For instance, in 2003, with a GDP growth rate of 10.1 percent, China's cement consumption was 820 million ton, i.e. half of the world's total consumption of cement; its coal consumption was 1.5 billion ton, i.e. one third of the world's total consumption of coal; and its steel consumption was 260 million ton, i.e. one quarter of the world's total consumption of steel. Quite a significant portion of this growth could be attributed to blind investments and low-quality repetitive construction, resulting in product surplus, resource waste, energy shortage and environmental pollution. Furthermore, such extra-high growth rate must to a certain extent have been obtained by sacrificing fairness and equality. Without appropriate governmental macroeconomic management, unconstrained concentration in resource flow towards cities and other advanced regions with high returns to capital has resulted in the sluggish development of rural and other remote areas, leading to the ever-widening urban-rural and interregional development gap. Extra-high economic growth vis-à-vis inadequate purchasing power of the society especially the lower-income group has resulted in the relative shortage in domestic demand and supply-demand imbalance. While the government's macroeconomic management may ensure a soft landing, its effect is more short-term rather than long-term and plays little role in arresting the widening gap between rich and poor and ensuring long-term price stability (*ibid.*: 204-205). The solving of the remaining problems of poverty and inequality, still daunting despite the impressive achievements in the last few decades, in this great nation has duly been the focus of researchers and policymakers, whether the policy suggestions, to give a few examples, be in the form of implementing programmes that strengthen the three mechanisms of income convergence (i.e. free movement of goods, people and capital), that provide infrastructure, that focus on rural poverty and that mobilise the univer-

sities for growth (Woo 2004), or increasing overall public investment in rural areas, increasing public investment in agricultural R&D, in rural education, in rural infrastructure, in improving the efficiency of existing public irrigation systems, as well as improving the targeting of funds to the poor and increasing fiscal transfers from the richer coastal region to the poorer western regions, in view of the country's decentralised fiscal system and the western region's small tax base (Fan *et al.* 2002: 50-51). On the other hand, *Zhongguo Fazhan Baogao 2007* suggested nine points of establishing the 'developmental poverty line' standard to readjust long-term poverty alleviation policy, establishing a poverty alleviation credit system and ways for private finance institutions to participate in poverty alleviation, establishing a sound social security system both urban and rural, advancing the progress of urbanisation and the provision of social security and public services to rural-to-urban migrants, providing more equitable educational opportunity, expanding human resource development (including skill training and re-training) for rural labour, improving rural medical services, establishing a rational public finance system and strengthening public governance for poverty alleviation, and enhancing the role of non-governmental organisations in poverty alleviation (*Zhongguo Fazhan Baogao 2007*, pp. 174-182).

While the above, just a few summarised suggestions among the countless policy recommendations from local and international researchers and think tanks working on poverty alleviation in the world's most populous country, did cover the main foci crucial to China's problems of poverty and inequality, there is still an aspect that needs special emphasis, i.e. ethnicity, and its related issue of ethnoterritoriality. The fact that China is technically speaking, if one follows the critical mass approach[9], not a multiethnic country, with the majority Han constituting 92 percent of the population, often obscures the fact that the ethnic minorities are huge in absolute numbers – 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 – although they are practically dwarfed almost to invisibility by the sheer size of the Han population. Although the race-neutral[10] policy of the Chinese State does contain certain elements of affirmative action in favour of the minorities, given the fact that poverty is still highly concentrated in the ethnic minority areas and ethnic regions in western China which are clearly disadvantaged for both historical (being *manyi* – i.e. 'barbarians' – marginalised by centuries of Han-Chinese imperial expansion) and geographical (e.g. terrains which are mountainous, desertified, envi-

ronmentally fragile) reasons, the ethnic aspect of poverty alleviation programmes is evident. The highly remarkable extent of fiscal decentralisation, albeit unaccompanied by political decentralisation (see Yeoh 2007) that usually goes hand in hand with democratization, that exists in China should be further enhanced to aid the effort at poverty alleviation, especially in the context of the ethnoregional dimension of the poverty problem. In recent years, local and international organisations around the world are increasingly advocating decentralisation to bring about more effective poverty reduction, with both the direct effects on the regional targeting of transfers and the indirect effects of overcoming the inefficiency in local public services and hampered economic growth related to sub-optimal decentralisation (von Braun and Grote 2000: 2). Although theoretically there may not be a clear-cut functioning relationship between decentralisation and poverty reduction, most research findings in recent years definitely pointed to the positive. Von Braun and Grote (2000) pointed out that political, administrative and fiscal decentralisations need to be considered simultaneously, and the sequencing and pace of these three aspects of decentralisation seem to play an important role in impacting poverty reduction. While fiscal decentralisation shows ambivalent effects for poverty reduction and administrative decentralisation alone does not add power and voice to the poor, 'political decentralisation often benefits the poor, because involving civil society in planning, monitoring and evaluating public programs and policies is crucial to ensure steady progress and that is facilitated in a decentralised system' (*ibid.*: 25-26), or, as the USAID report *Fighting Poverty through Fiscal Decentralisation* (January 2006: 2) pointed out, 'if the increasingly accepted wisdom that 'all poverty is local' is correct, then decentralisation policy and poverty reduction strategies could be closely intertwined and have synergetic positive effects on each other'[11]. Kyei (2000), in his study on the case of Ghana, concluded that the rural poor in Ghana could only benefit with a much stronger commitment from the central government to decentralisation, especially in terms of powersharing and financial provision. Vijayanand (2001), in his paper on the Kerala state of India, noted various advantages of decentralisation in terms of poverty reduction including the greater reach of resources with earmarking of funds for the disadvantaged groups, less sectoralism in decentralised programmes with greater convergence contributing to the reduction in the ratchet effect of poverty, greater emphasis on locally appropriate and affordable solutions, greater realism in tackling problems of poverty, improved accountability, etc. while

decentralisation 'affords opportunities to the poor to grow in strength by continuous participation (learning by doing), constant observation of the exercise of power (learning by seeing) and accessing more information (learning by knowing)' (p. 23). Hence, given the crucial ethnoregional dimension of China's poverty problem, it is pertinent that the poverty alleviation effort of the country should benefit from any possible progress in decentralisation – fiscal, administrative, and most importantly, political – since decentralised governments, due to their closeness both institutionally (e.g. ethnically) and spatially to citizens in the regional/rural areas, could be more responsive to the needs of the poor than the central government and hence are more likely to successfully formulate and implement pro-poor policies and programmes in these regions and areas.

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NOTES

1 For instance, in Malaysia, the impact of ethnic diversity has been inseparable from public policy planning and implementation, and it has left an indelible mark upon the remarkable growth of the public sector, particularly since the promulgation of the New Economic Policy in 1970.

2 *Zizhiqu* – "autonomous region"; *zhixiashi* – municipality directly ruled by the central government.

3 The ethnic fractionalisation index (EFI, see Yeoh 2003: 28) used to show provincial ethnic diversity 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 fractionalisation (Rae 1967: 55-8) and Greenberg's measure of linguistic diversity (Greenberg 1956).

4 The official population figures for Tibet differ much from certain unofficial ones. The official 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 … [and today] 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 … [and they] make up less than five percent of the population and many of the people are there for only a few years before returning home' (*ibid.*).

[5] As the applicant of poverty relief fund and the last user of the funds, the county (*xian*) is the most important and basic unit in the work of poverty alleviation (Chai *et al*. 2004: 16).

[6] As usual, due to press restraints, casualty figures as such can never be verified.

[7] In the 2007 Freedom House's Annual Global Survey of Political Rights and Civil Liberties, China was rated 7 (i.e. the worst rating) on political rights and 6 (next to worst) on civil liberties, making her one of the 17 'worst of the worst' countries in terms of political rights and civil liberties (Puddington 2007: 4), just marginally better than Burma, North Korea, Cuba, Sudan, Libya, Somalia, Turkmenistan and Uzbekistan that were all rated 7 on both political rights and civil liberties (*Freedom in the World 2007*. The ratings are for 1 December 2005 – 31 December 2006).

[8] See Pei (1995).

[9] According to the 'critical mass' theory – advanced, among others, by Semyonov and Tyree (1981) – societies are considered multiethnic only if minorities constitute more than ten percent of their population.

[10] Affirmative action and preferential treatment are 'race-conscious' and 'group-centred' strategies in contexts where the dominant policy form, particularly in liberal democracies, is individual-centred and 'colour-blind' (Edwards 1994: 55).

[11] 'Poverty is local and it can only be fought at the local level' (UNCHR 1999).

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