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The Political Economy of Poverty Reduction A Comparative Study of Two Chinese Provinces

John A. Donaldson

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A Comparative Study of Two Chinese Provinces

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“To the people, food is heaven.” – Mencius

Section One: Introduction

Is growth good for the poor? In theory, yes. As one influential report on China’s “War on Poverty” suggested, “Obviously robust economic growth helps reduce poverty, as long as the gains are reasonably distributed” (Rozelle et al. 2000). In practice as well, growth is often a crucial ingredient in the poverty reduction recipe. While this relationship is well founded, important exceptions present themselves – some areas grow, but poverty persists; the economies of other areas remain apparently stagnant, yet poverty diminishes. These exceptions, if studied, will not only illuminate further the causal relationship between these two concepts, but also provide hope for areas for which few prospects of growth exist. This paper examines two neighboring poor Chinese provinces, which faced similar challenges and shared similar characteristics. One grew sluggishly, but the rural poor experienced striking improvement; the other grew rapidly, but its poor people saw few gains, a pattern that can be seen between at least 1991 to the present.

The first is Guizhou, a notoriously poor province in a remote southwest corner of China.¹ As shown in Table 1, Guizhou in 1991 performed poorly as measured both by its GNP/capita

¹ For purposes of this paper, references to “China” refer to “Mainland China,” and exclude data related to Taiwan, Hong Kong and Macao.

(RMB 890,² last among the 30 provinces considered³) and by percentage of the population living below the international poverty line (59 percent, ranking 28 of 30). Moreover, between 1991 and 1996, its economy grew sluggishly, ranking 29th for growth between 1991 and 1996.⁴ In spite of this poor economic performance both overall and in relation to its neighbor, Yunnan, however, between 1991 and 1996, Guizhou province, according to World Bank statistics, stood among the leaders (3rd of 30) in poverty reduction, its poverty rate dropping 31 percentage points, from 59 percent to 28 percent.

Province	Per capita GDP (1991) Rank	Poverty rate (1991) Rank	Per Capita GDP Growth rate (1991-1996) Rank	Poverty change (1991-1996) Rank
Guizhou	30	28	29	3
Yunnan	25	23	13	29

Table 1: Economic rankings for Guizhou and Yunnan (rankings among 30 provinces). Source: Author's calculations

By contrast, Guizhou's neighbor, Yunnan experienced rapid economic growth but little decline in poverty rates. Also a poor province, ranking in 1991 25th of 30 in per capita GDP and 23rd in the proportion of the population below the international poverty line (44 percent), Yunnan's nominal GDP nearly tripled from RMB 51.7 billion in 1991 to RMB 149 billion in 1996 (its growth rate ranking 13th overall – remarkable for a western province). In spite of this, the province ranked 29th in overall poverty change between 1991 and 1996. Expressed in human terms and calculated based on China's poverty line, the ranks of Guizhou's poor declined from 6.2 million in 1991 to 3.8 million in 1996, a difference of 2.4 million people. By contrast, poverty

2 The exchange rate has until recently been pegged at approximately RMB 8.2/US dollar. The population and area statistics for Guizhou and Yunnan come from Statistical Yearbooks.

3 These statistics also exclude Chongqing.

4 This information is based on the most reliable source for disaggregated poverty information in China currently available, a World Bank (2001) report, "China: Overcoming Poverty." This report provides complete, relatively reliable poverty-level data for only two years, 1991 and 1996. The other two years reported in the study (1989 and 1990) are not reliable, according to one of the study's authors (Chen 2002).

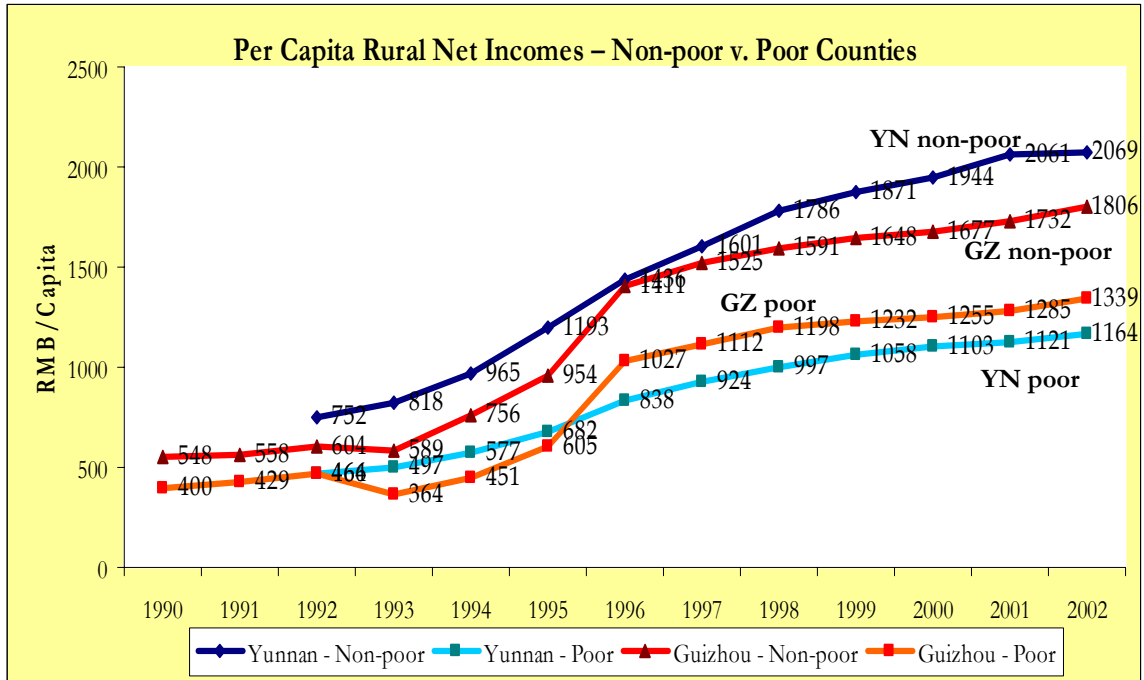


Figure 1: Per capita net incomes – non-poor v. poor counties (Guizhou and Yunnan). Source: Guizhou and Yunnan Statistical Yearbooks, various years.

in Yunnan claimed an additional 2.2 million people over the same period, with the number of poor rising from 5.5 million in 1991 to 7.7 million in 1996 (World Bank 2001).

While the data from the World Bank measure these trends only to 1996,⁵ Figure 1, which compares the net rural income of poor and non-poor counties in the provinces, suggests this pattern continued past 1996, to at least 2002. Using data on per capita rural net income as a proxy for poverty, and calculating that measure separately for poor and non-poor counties of both provinces, as categorized by China’s central government, we can compare income levels of Guizhou and Yunnan’s poor and non-poor counties. Poor counties within Guizhou and Yunnan in 1992 had similar per capita net rural incomes (RMB 466 versus RMB 464). However, despite an economic growth rate that drastically outpaced Guizhou’s, nominal net rural incomes in

⁵ In May of 2005, a World Bank economist provided for me her dataset of Guizhou and Yunnan’s headcount poverty data to 2002, on the condition that I not publish them. They are consistent with the patterns seen in the net income data.

Yunnan's poor counties increased on average three percentage points slower each year to 2002, compared to Guizhou's poor counties. Meanwhile, increases in incomes of Yunnan's non-poor counties outpaced that of Guizhou's over that period.⁶ For both these two sources of data, the pattern is similar, suggesting that: a) poverty continued to fall in Guizhou at a faster rate than in Yunnan, despite Yunnan's superior rate of economic growth, and b) Yunnan's non-poor counties received most of the benefits from economic growth in the province. This pattern appears to be valid from 1991 to at least 2002.

Section Two: The Puzzle

What explains this unexpected pattern? By asking this question, the present paper aspires to contribute to a broader debate concerning what explains the disconnect between two concepts—development and poverty. Specifically, I look at one form of 'development,' as evidenced by measures such as economic growth, industrialization and increased technology, and 'poverty reduction,' as indicated by declining numbers of poor people. Most scholars expect that economic growth is inversely related to poverty rates, an argument that most starkly presented in a paper penned by a pair of World Bank economists, David Dollar and Aart Kraay. Analyzing worldwide and historical data, they conclude, "It should come as no surprise that the general relationship between growth of income of the poor and growth of mean income is

⁶ Average net rural income of Guizhou's non-poor counties started at a lower level and has yet to catch up to that of Yunnan's non-poor counties, the income of which exceeds the average per capita net rural income of Guizhou's non-poor counties by a wide margin, averaging about RMB 200. The picture is quite different, however, for poor counties. In 1992, average per capita net rural incomes of the poor counties of Yunnan and Guizhou were nearly identical. However, by 1995, the average annual per capita net rural income for Guizhou's poor counties exceeded that of Yunnan's, despite Yunnan's much higher overall growth rate. In fact, by 2002, the net rural income of Guizhou exceeded that of Yunnan by about 15 percent. According to this data, sometime around 1993, Guizhou's poor counties experienced an unusual growth spurt. Rural net incomes in Guizhou's poor counties increased rapidly, overtaking the rural income of Yunnan's poor counties by 1996, and continued to exceed Yunnan's until at least 2002. This pattern reinforces confidence in the puzzle: despite much faster overall economic growth, the per capita net rural income of Yunnan's poor counties did not keep pace with that of Guizhou's, despite Yunnan's far superior growth rates.

one-to-one," (2000, 28).⁷ This contention contrasts with the more common belief that economic growth is often necessary, but insufficient, for poverty reduction; intervention, often by the government, is needed to ensure that the poor benefit from growth.

In this project, I participate in the debate on whether growth actually '*is good for the poor*,' as the title of the report referred to above contends. I do so not by directly refuting or supporting this argument, but by examining two unexpected cases one Chinese province in which poverty declined despite China's slowest economic growth, another in which robust economic growth failed to reduce poverty.⁸ I explore the kinds of development and the types of activities that support poor rural people in improving their lives by adopting qualitative methodology of structured, focused comparative case study (e.g., George 1979; Bennett and George 2002) of the type called for many years ago by China scholars (e.g., Chung 1995). Comparing cases of unexpected poverty change permits examinations of theories on how best to reduce poverty, involving the use of government and private actors, as well as engaging a public policy debate on the effectiveness of alternative strategies. It is my hope that these insights will not be irrelevant to the issues faced by other poor countries and economies.

For this study, I adopted five different methods to collect data, including: 1) studying analytical and scholarly articles from Western and Chinese sources; 2) interviewing relevant officials and scholars in Beijing and both provincial capitals; 3) conducting fieldwork in both provinces, allowing direct observation of candidate explanations for the puzzle; 4) conducting semi-structured interviews with villagers and officials in dozens of counties and villages in the

⁷ Finding a close correlation between growth and poverty reduction, the authors, by contrast, suggest there is little role for the government other than opening the economy, introducing rule of law, keeping inflation in check, and spending less. This paper sparked controversy throughout the academic and policy communities, with some supporting it (e.g., Bigsten and Levin 2001), and others criticizing it (e.g., Weisbrot et al. 2000; Rodrik 2000; Oxfam 2000).

⁸ The two cases were chosen because they were data points furthest away from a regression line generated by modeling the effect of growth on poverty in China's provinces

two target provinces; and 5) analyzing statistical data collected by a variety of organizations. Each of these methods has its biases and points of view. My fieldwork was conducted in the 10 months between September 2003 and July 2004, and a follow up trip in Summer 2005). Through these five methods, I hope to “triangulate.”

Section Three: A Search for Key Factors

To explain this puzzle, we seek factors that explain the increase in growth in Yunnan without a corresponding decrease in poverty and/or (preferably ‘and’) factors that explain the decrease in poverty in Guizhou without a corresponding increase in growth. The factors should in combination affect millions of people. My research involved exploring each of these numerous factors – geographic, natural, demographic, cultural, economic and political – that can be used to explain this puzzle (Table 2). While most studies examine the relationship between economic growth and poverty reduction in the aggregate, this study reminds us that the specific distribution and structure of economic growth, and the policies used to generate it, cannot be ignored. Thus for each factor, I focus not just on volume (for instance, how much ‘road’ there is), but also distribution (is the road located in poor areas or in rich?) and structure (is the road accessible to poor people, or primarily to wealthy people?).

Geographic/ Natural Factors	Demographic Factors	Cultural Factors	Government/ Policy Factors
<ul style="list-style-type: none"> - Mountainous terrain - Natural resource endowments - Arable land per capita - Natural disasters (flooding/drought) - Weather (rain/temperature) 	<ul style="list-style-type: none"> - Population/population growth - Migration 	<ul style="list-style-type: none"> - Motivation - Minority Ethnicities - Civil Society 	<ul style="list-style-type: none"> - Central policy - International organization support - Corruption - Overall spending - Education/health - Central government transfers - Transportation/infrastructure - Local taxation

Industrial Structure	Agricultural Production	Industrial Production	Services/Other Econ Factors
<ul style="list-style-type: none"> - Industrial structure (GDP) - Industrial structure (Labor) 	<ul style="list-style-type: none"> - Overall agricultural production - Grain, meat, tobacco and other agricultural product production - Farm implements - Fertilizer use 	<ul style="list-style-type: none"> - Town-village Enterprises - Non-agricultural industrial production (steel, chemicals, textiles, etc.) - Power generation - Agricultural added-value industries - Coal/other mining materials 	<ul style="list-style-type: none"> - Inflation - Foreign trade - Foreign capital usage - Tourism

Table 2: Candidate factors

That some of these factors are against expectations is surprising. Space allows for exemplifying only a couple of rejected factors – I’d be happy to respond to questions about others. For instance, government spending is a commonly cited factor affecting poverty and growth. However, Guizhou, both as a whole, and its poor counties, spent far less than Yunnan. Between 1991 and 1996, Yunnan spent between 45 to 58 percent more per capita than Guizhou. Yunnan’s government spending relative to its GDP was among China’s highest, and in most

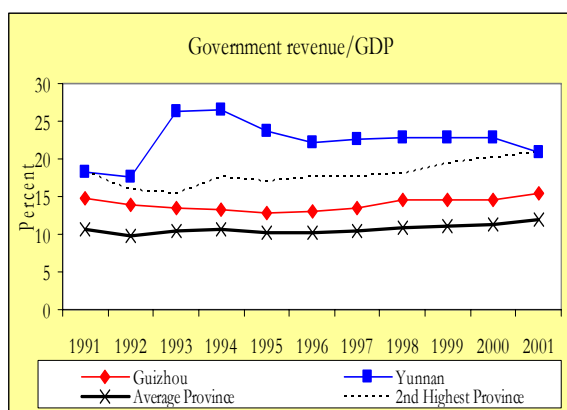


Figure 2: Government expenditure/GDP.
Source: China Financial Yearbook, Various Years

years after 1991 Yunnan led all of China’s provinces (Figure 2).⁹ Guizhou, for its part, although spending more relative to its GDP than the average province, spends far less than Yunnan. Moreover, in terms of relevant spending, Yunnan spent far more per capita compared to Guizhou on such budgetary items

⁹ Yunnan led all provinces in this category each year between 1992 to 2000. The province ranked second behind Shanghai in 1991, and behind Beijing in 2002.

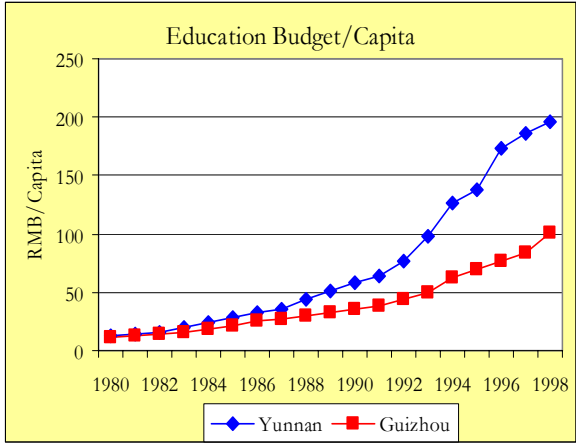


Figure 3: Education expenditure per capita. Source: Guizhou Statistical

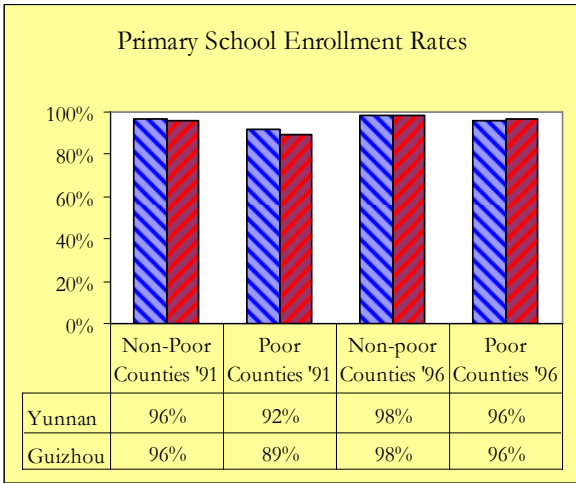


Figure 4: Primary school enrollment rates. Source: Guizhou Statistical Yearbook 1992, 1997; Yunnan Statistical Yearbook 1992, 1997)

as support for poor areas and agricultural spending. Moreover, while both provinces have proportionally the same number of poor counties, the central government actually transferred more money to Yunnan for poverty alleviation than it did Guizhou. This pattern continues up to at least 2002.

Primary education, also cited as a critical factor for poverty reduction, likewise does not seem to explain this pattern of poverty reduction and economic growth in the two provinces. While Guizhou provides education in rural, and especially poor, areas, there is little evidence that it does so to a greater extent than other provinces. For instance, provincial spending on education has been a fraction of what it is in Yunnan (Figure 3), while primary

school enrollment rates in the two provinces were similar in 1991 and 1996, both in poor and non-poor counties (Figure 4). The UNDP Human Development Report (1999) rated the education system of China’s provinces using a measure of adult literacy rate and combined school enrollment rates; both Guizhou and Yunnan received the same score of 0.64, relatively low compared to other provinces.¹⁰ This is not to deny the nearly undeniable importance of

¹⁰ Fieldwork revealed some aspects of Guizhou’s education system may be better than Yunnan’s I saw

education for poverty reduction, both in general and in Guizhou. Yet, because education does not vary within Yunnan and Guizhou, it does not explain our pattern of poverty reduction without economic growth.

Section Four: Analysis of Key Factors

What then did the two provinces do to generate these different results? Three factors appear to be especially critical: roadways, migration and tourism.¹¹

Factor 1: Roadway - *If you want to become wealthy, first build a road (Chinese saying)*¹²

Roads are indeed often cited as crucial for both economic growth and poverty reduction – but how can they explain growth without poverty reduction (and vice versa)? Road types are numerous, with myriad functions and contrasting effects on growth and poverty. For instance, highways can serve as efficient conduits of imports and exports, facilitate linkages for investment and aid, convey people reliably and conveniently to and from neighboring provinces, and more comfortably transport visitors to popular tourist areas. Highways thus potentially contribute a great deal toward promoting economic growth (Jalilian and Weiss 2004; Estache 2004). However, unless a poor person lives adjacent to highways or convenient feeder roads, he or she will not benefit directly from highway construction. Highways by themselves

numerous examples of newly constructed schools, many funded by the four wealthy coastal cities that have partnered with Guizhou to help reduce poverty. However, these examples provide little evidence that the quality of rural education is significantly better in Guizhou or in Yunnan, especially in the 1990s. However, research on the Indian state of Kerala consistently emphasizes the importance of the volumes of funds spent on education, which in our situation does not apply. More research is needed on this question.

11 Another factor, coal mining, was omitted from this report for lack of space.

12 The complete expression seems to be, “If you hope to become wealthy, first build a road, have fewer children and plant more trees,” (要想富，先修路，少生孩子，多种树). Apparently coined in Shandong early in the reform era, this slogan has several variations, including that of one exuberant vice-director of Guangxi Province’s Bureau of Transportation, Zeng Zuoshi who argues, “If you hope to become wealthy, first build a road! A big road brings great wealth, a small road brings small wealth, and no road means no wealth,” (Xia 2005).

are rarely sufficient to reduce poverty among dispersed, often isolated rural populations, and they are too costly to serve large numbers of far-flung farmers.

By contrast, a country road linking poor villages to nearby market towns can make a significant difference in the lives and livelihoods of poor rural residents for a fraction of the cost of a highway (Fan and Chan-Kang 2004). Country roads vary a great deal in quality and width – from concrete roads to dirt roads. Since towns in China have long been the locus of markets (Skinner 1964), their importance to the economy and their role in linking towns to villages is central. For the rural poor, a modest paved road, or even a dirt road that leads to a market town or county center, makes a greater difference by increasing access to markets and information. Country roads can also reduce the price of agricultural inputs such as seed, fertilizers and tools and increase farm productivity. Reducing time to markets also enhances incentives to produce marketable products, and over time can increase confidence in the value of investing in or borrowing money for expensive productive assets such as fruit trees. Navigable roads also expand the range of middlemen who drive into rural areas to buy surplus agriculture directly from the farmers and sell it in further flung markets. Most research, however, does not separate roads by type, which might explain the mixed results in studies of roads and poverty reduction.

At the start of the 1990s, both Yunnan and Guizhou embarked on strikingly different transportation improvement schemes. Overall, although Guizhou also planned a modest highway system, the province constructed many more rural roads of the type that the literature suggests are important for reducing poverty. Yunnan by contrast focused primarily on constructing high quality highways and an expressway, forming an ambitious transportation system, featuring six high-speed highways. These political decisions affected the volume, distribution and most importantly, structure of each province's road system, which in turn affected poverty reduction and economic growth in contrasting ways.

While Yunnan had more road length than Guizhou for much of the 1990s, Guizhou had a higher road density (road length per area) (Figure 5). In 1991, Guizhou's overall road density of 17.9 km/100 km² exceeded Yunnan's 14.75 km/100 km². By 1996, when Yunnan's total roadway length of 70279 kilometers was the third longest of any province in China, compared to Guizhou's rank of 20, Guizhou's total density of roadway still exceeded Yunnan's (18.58 km/100 km² to 17.83731). Moreover, although Yunnan province constructed new roadway at a brisker pace compared to Guizhou, Yunnan's road density did not catch up with Guizhou's until after 1998.

More importantly, Yunnan and Guizhou's roads were of different types. Starting in 1992, Yunnan announced plans for its highway system – an ambitious plan that focused on a set of six highways radiating out from the central axis of Kunming, the province's capital. Three of these linked Kunming with three major border crossings, while three further roads linked Kunming with three provincial capitals. The six spurs, consisting primarily of class 1 and 2 highways together would total 3,458 kilometers. Guizhou province that same year announced plans for three main roadways, one east-

west highway linking Hunan with Yunnan, and two north-south roads, one linking Guiyang with Guangxi and Chongqing. The volume of funds used to finance roadway investments also contrasted between the two provinces. Even

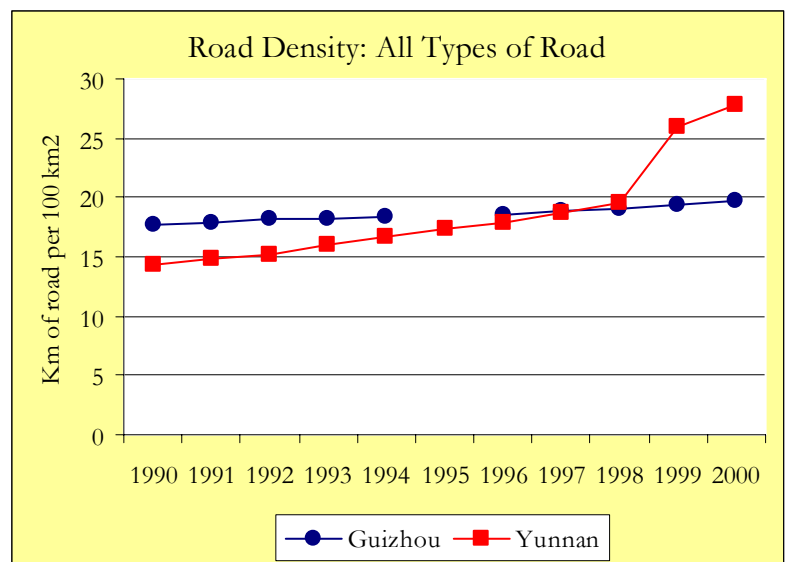


Figure 5: Road density in Yunnan and Guizhou.
Source: Yunnan and Guizhou Statistical Yearbooks, Various Years

with its more modest ambitions, for this entire plan Guizhou needed an estimated RMB 12 billion, but could provide only a fraction of that (Gong 1996). Whereas Yunnan spent nearly RMB 1 billion in 1992, Guizhou's spending did not reach that level until 1996.¹³ Perhaps for this reason, Guizhou's eastern spur, 14 years after its planning, has not yet been completed as recently as the spring of 2004. Not only did Guizhou focus its limited transportation funding on areas where it could benefit poor people, but what highways it did construct were better distributed, compared to Yunnan's, in terms of linking poor areas. On the other hand, Yunnan's highways promoted trade flows with each of its neighbors and helped to increase tobacco production tourism. These effects stimulated economic growth, but, due to the distribution and structure of the province's new roadways, did not help as much to reduce poverty.

Although Guizhou formalized its plans for building roadways in the early 1990s, its strategy of using rural roadways to reduce poverty dates back to the mid-1980s. The central role that country roads play in Guizhou's anti-poverty efforts dates back to Guizhou's first formal anti-poverty plans, promulgated in March 1986, when current Chinese General Secretary Hu Jintao served as the Secretary of Guizhou's Communist Party (Guizhou Yearbook 1987). A key element of the "Directives Concerning the Work of Strengthening Poor Areas" was the construction of roads of a particular type: town and village roads that would connect remote areas to the nearest market towns and quicken response times to natural disasters. This strategy continued throughout the early to mid-1990s, when Guizhou reaffirmed the importance of rural road systems as a part of its poverty reduction policies. In 1991, for instance, the key

¹³ In 1991, Guizhou's announced fixed capital investments in roadways was RMB 79.1 million, which climbed to RMB 1.1 billion in 1996. Yunnan, in contrast, spent RMB 971 million in 1992, RMB 1.75 billion in 1993 and RMB 1.56 billion in 1994 on roadways alone. Overall for the eighth five-year plan (1991-1995), Yunnan spent over RMB 7 billion on roadway construction.

infrastructure projects initiated by the province continued this rural roadway system, linking village to townships. As two Guizhou scholars summarize this part of the strategy,

In 1991, a key provincial infrastructure project was to construct, expand, deepen and repaved public roadways, especially emphasizing the proactive application of the Food-for-Work program to build mountain roads, link administrative villages with navigable roads, and to support the construction of township and village roadways. (Wang and Zhang 2003, p. 403)

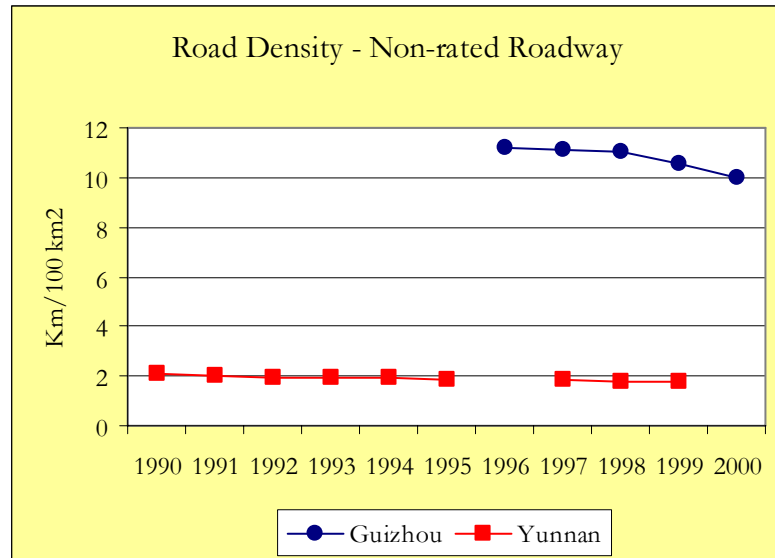


Figure 6: Road density of non-rated roadway in Guizhou and Yunnan. (Various sources)

Also in the early 1990s, Guizhou further expanded this plan, by including the expansion of roadways linking township to counties. These plans were explicitly tied to poverty reduction, as when Guizhou’s 1994 plan for poverty reduction highlighted the use of rural roadways as a key element of its anti-poverty plan, by constructing “local roadways for poor towns and townships, as well as most market places and commercial areas,” (Guizhou Yearbook 1991, 1995). Overall, between 1989 and 1999, Guizhou invested more than RMB 4 billion to build 8,919 km of road linking county and township, thereby connecting for the first time 315 townships with their county cities (Ran and Lie 2000). Based on partial statistics, road density of Guizhou’s “non-graded roads” far exceeded that of Yunnan’s (Guizhou and Yunnan Statistical Yearbooks, various years). The density of such roads by the mid-1990s in Guizhou (12.78 km/100 km²) exceeded Yunnan’s (7.58 km/100 km²) by about forty percent (Figure 6). Moreover, while Guizhou claimed to have built more than 2000 kilometers of village-to-market roads in the years

between 1993 and 1996, official data from Yunnan indicates that the length of such roads declined between 1991 and 1996. For its well-developed highway system (which supported trade and tourism in the province – thus sparking increased GDP but little poverty reduction), however, Yunnan has a relatively underdeveloped country road system (ranking 12th in China for length and 16th for total density). Guizhou on the other hand ranks third in China for county road. Moreover, although it might seem counterintuitive, the country roads I saw in Guizhou were of much higher quality than those in Yunnan. More packed, less muddy during the rain, and wider, often with borders on each side, Guizhou's country roads tended to be much more navigable, thus likely reducing costs and facilitating transport to market. Therefore, based on both statistical data and fieldwork, a key element of Guizhou's development included the construction of low-level roadways, the kind that is vital for the village-level economy, though of limited use for economic growth in the province.

Thus, the distribution and structure of the roadways in both provinces, and the economic effects of such roads, were generally consistent with our expectations. Yunnan's main strategy in its road construction policy was to focus its resources on building highways, which successfully stimulated the province's exports and supported the development of the tourism industry. Guizhou for its part concentrated on rural roadways, becoming in the process a leading province in density of such roadways.

Factor 2: Migration – Move a tree and it dies, move a man and he thrives (Chinese proverb)

Starting in the early 1980s, Deng Xiaoping's reforms sparked fresh waves of migrant flows in China, flows that had been dammed through strict controls over population movement established in the early years of the People's Republic of China. It was rural-to-urban migration that dominated this period, as tens millions of primarily young rural laborers brought

inexpensive labor to cities of all sizes, further stimulating industrialization and construction in China's coastal cities. Such flows reduced poverty in the countryside, both by reducing mouths to feed and by adding the small-but-significant remittances farmers' family earnings in the countryside. Many migrant families also saved a portion of these remittances, accumulating the capital needed to start small businesses once the migrant, newly endowed with experience and new skills, returned to the countryside.¹⁴ According to recent research, remittances benefited poor households. Whereas migrant income constituted about 43 percent of the incomes of the wealthiest 50 percent, it represented 62 percent of the total income of the poorest 10 percent of households in the sample. Migration diversifies household incomes, reducing the dependency of rural households on income from agriculture. Whereas two-thirds of the incomes of households without migrants consist of agriculture-based income, that figure drops to 46.2 percent for households with migrants (Du et al. 2004, pp. 13-4). Among residents of China's poor counties, controlling for resource endowments, households with migrants tend to have per capita incomes 12 percent higher than those households without migrants. (Du et al. 2004, pp. 12-6).¹⁵

Migration also helps spur urban development and growth. Migrants contribute to the growth of areas to which they migrate by providing low-wage services that urban workers,

14 The vast majority of migrants work diligently and spend frugally, mailing the bulk of their earnings to their home villages to provide for basic family needs, the education of siblings, the improvement of housing, or other necessities. A study by Qian (1996) shows that such remittances are of a scale that makes a major difference in the household economy, although these effects are felt primarily on household income. By comparing net income of migrants with those of an average rural family at the origin, Ma also shows that remittances are especially beneficial in poorer non-coastal provinces, where the income ratio is 5:1 in favor of families with migrants (Ma 1999, p. 179). Taylor and his colleagues also find that remittances make a major difference in rural incomes, increasing them between 16-43 percent. A study of six provinces in 2000 concludes that the average migrant remits one-third of their total income (RMB 908), and that families back home receive on average RMB 465 per person, or 77 percent of their own earned wages. Migrant remittances as a proportion of total income are greater the poorer the family.

15 Using a different poverty line, Du and his colleagues find that poverty rates after remittances declined from 67.1 percent to 49.2 percent.

endowed until the mid-1990s with cradle-to-grave job protection and urban *hukou* that guaranteed them a degree of social protection, are unwilling to perform (Knight et al. 1999). In contrast to its impact on urban areas, however, migration contributes only modestly to the income growth of the rural area of origin. Since migrants are almost exclusively the youngest, best-educated and most vigorous people from their village (Rozelle et al. 1999; Yang and Guo 1999; Hare 1999), migration often removes from the village the most productive workers.¹⁶ Over the long-term, however, migration can help develop rural areas, primarily through remittances used to start businesses when the migrant returns home. However, the extent to which this occurs, especially in poor areas, is contentious.¹⁷ Overall, migration brings to urban China far more economic growth than it does to rural China (especially for poor areas), although poor rural areas have benefited through reduced poverty.

Although Guizhou and Yunnan shared many attributes throughout the 1980s that allow us to expect that the patterns of migration within the two provinces would be similar, the actual migration rates in the two provinces proved to be dramatically different. While both provinces are similar regionally, geographically and demographically, Guizhou had a much higher rate of migration than Yunnan during the 1990s. During the mid-to-late 1980s, migration rates in both provinces (like those in most western provinces save Sichuan) were low, as rural residents were constrained – by legal restrictions, lack of information and insufficiently developed migrant networks – from participating extensively in migration at that time. However, starting in the

¹⁶ In two villages with significant remittances that Qian surveys, migration actually reduced agricultural production because of the loss of labor. He concludes, “the impact of out-migration on local economic development in these two villages turned out to be more negative, although some of the remittances were invested in some small household businesses,” (Qian 1996, p. 138).

¹⁷ A survey by Taylor and his colleagues found weak evidence that households reinvest remittances in “self-employed activities,” and also found that these investments rarely returned immediate profits (Taylor et al. 2003, p. 94). Another survey of five villages revealed that while remittances in four villages increased household income, in only two of these villages did migration spur new businesses (Qian 1996). During fieldwork, I saw few examples of remittance-based investment in businesses.

late 1980s and increasingly in the early 1990s, Guizhou saw a surge of migration, reaching a rate that eventually exceeded average flows in China and in the country's southwest, dwarfing Yunnan's more modest increases. In Guizhou, this created a virtuous cycle as initial migrants sought opportunities for and otherwise encourage friends and relatives to migrate, reflecting "chain migration" that is common throughout China (Rozelle et al. 1999). Guizhou's significant migration flows, though earlier than Yunnan's, began later than those from other inland provinces such as Anhui and Sichuan. The relatively few years of experience translated to more modest salaries for migrants. While remittances sent back home were crucial to reducing poverty among the families of migrants, it was less often sufficient to invest in productive businesses. Although Guizhou's inexpensive labor contributed to stimulating economic growth, because large numbers of laborers worked outside the province, migration contributed to the GDP of *other* provinces, primarily Guangdong and Jiangsu. Thus, in Guizhou, migration contributes to the explanation of the pattern we saw emerging in the 1990s: poverty reduction without economic growth.

Meanwhile, Yunnan's labor flows, whether internal or outside the province, were among China's lowest. Because the majority of Yunnan's relatively few rural migrants stayed within the province, their labor contributed to both economic growth and poverty reduction in the province. Yunnan's relative low rates of migration meant that Yunnan did not benefit from migration's ability to reduce poverty.¹⁸ Three national sources of migration data for Guizhou

18 In fact, the differences between the two provinces were stark enough to lead one economist to cite Guizhou and Yunnan as examples to emulate and to avoid, respectively, in stimulating migration. "Where there is labor migration, there is also a rapid increase in wealth. At least such places collect together remittances from migrants, the return of funding, quickly collect into start-up capital. For example, Guizhou and Hunan, the great provinces for labor migration. Over the past several years, through migration, won the objective return of capital, and helped individuals become rich, and helped regions develop ... Yunnan has natural resources, people from Yunnan are lazy, and rarely go to work outside. Their economy is clearly worse than other places," (Lu 2004)

and Yunnan (the 1990 and 2000 censuses and the 1995 1% survey), as well as annual yearbooks reveal that Guizhou residents tended to migrate far more frequently than Yunnan residents; moreover, when Guizhou residents migrated, they tended to quit the province entirely, whereas Yunnan-based migrants tended to stay within the province.¹⁹

Between the mid-1980s and 1990, the migration rate among rural residents from Guizhou and Yunnan was lower than both the national and regional average. According to the 1990 census, Guizhou and Yunnan residents were among the least likely to migrate in China. Some 777,500 Guizhou residents (or about 2.4 percent of the whole population, rank 24) and one million Yunnan residents (about 2.7 percent, rank 19) had by then settled somewhere other than their hometowns, out of a total of 34 million Chinese who had by then left their hometowns. Overall, the pattern seen in Guizhou and Yunnan is consistent with the patterns seen in China as a whole, in that migrants during this period primarily hailed from coastal provinces. However, even when compared to their southwestern counterparts, rural residents from Guizhou and Yunnan migrated less frequently.²⁰ Despite the similarity between the volume of migrants in Yunnan and Guizhou, one enduring element of the difference between the two provinces became evident during this period: Guizhou migrants tended to migrate out of the

19 Chinese statistical sources of migration are difficult to use. First, the data underestimate the incidence of migration. Many migrants, especially in the early years, moved illegally and, despite the improving legal infrastructure in China, still experienced social discrimination. For this reason, it is not surprising that poor rural migrants might avoid social scientists and census takers, increasing the difficulty of reporting accurate estimations of the size and flow of migration. Second, the 1990 and 2000 censuses and the 1995 1% survey calculate migration rates in different ways. The 1990 census reports all those who are away from where they lived long-term five years previously (including in-province migration), whereas the 2000 census reports anyone living in a province other than the one in which they are registered. The 1% survey may be less accurate than the census in terms of its sampling. With these caveats in mind, a general pattern nevertheless emerges from these primary sources, as well from secondary social science research.

20 For instance, Sichuan during this period ranked as the largest source of migrants by total population (although the province ranked 11 by proportion of its population that had migrated, either within the province or outside it).

province more frequently than their Yunnan counterparts. According to the 1990 census, of Guizhou's 777,500 migrants, 40 percent (the 9th highest ratio in China) settled in other provinces. Of the more than one million migrants from Yunnan, only 27 percent (the 19th highest ratio in China) migrated out of the province by 1990.²¹

The differences between Guizhou and Yunnan widened between 1990 and 1995. According to the 1995 1% population sample survey, migration from Guizhou slightly exceeded Yunnan's in proportion to its population. This survey implies that about 2.7 percent of Guizhou's total agricultural population (compared to 2.5 percent of Yunnan's) had migrated by 1995. Whereas total migration rates in both provinces increased by 1990-1995, the proportion of Guizhou's migrants who migrated out of the province grew, while Yunnan's rate remained about the same as that in 1990. Overall, two-thirds more Guizhou rural residents left the province than did Yunnan residents, despite the fact that, in 1995, Yunnan's rural population exceeded Guizhou's by more than 13 percent.²²

21 The above figures represent nearly one percent of Guizhou's total population, ranking Guizhou number 17 among the 30 provinces counted, and about 0.75 percent of Yunnan's residents, for a rank of 25.

22 According to the survey, about half of Guizhou's migrants departed the province to seek work (compared to 40 percent in 1990), while only 30 percent of Yunnan's migrants left the province, basically the same proportion as in 1990. In all, about 1.3 percent of the rural population of Guizhou left the province by 1995, about double the proportion in Yunnan (about 0.7 percent of the rural population of Yunnan left the province), according to this survey.

These trends in Guizhou and Yunnan continued between the years 1995-1998, according to Chinese provincial-level data (Figures 7 and 8). Calculating migration differently than the censuses, this source found that 1.44 percent of Guizhou residents migrated either within or outside the province in 1995, far above the 0.16 percent of Yunnan residents who migrated, but still below the 2.35 percent average across China's provinces. The rate of migration for each province grew steadily, with Guizhou exceeding the national average by 1996. By 1998, 5.7 percent of Guizhou's residents (rank of 10 in China),

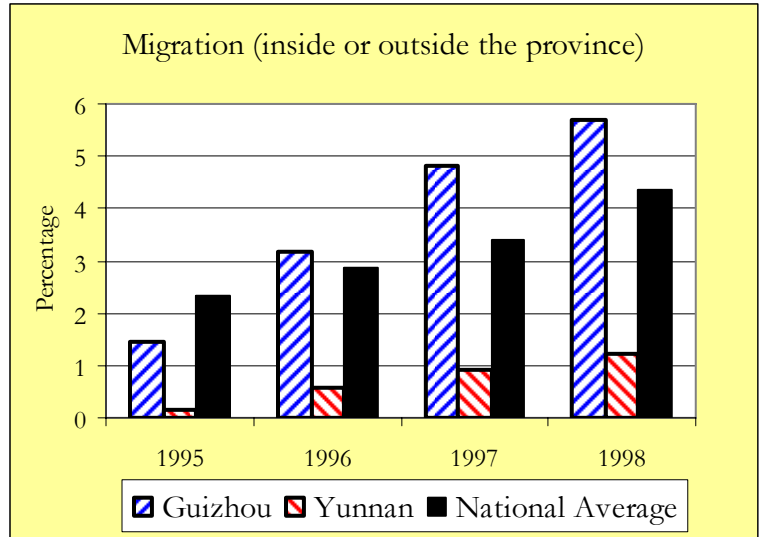


Figure 7: Migration rates (inside or outside the province). Source: China Population Yearbook, Various Years

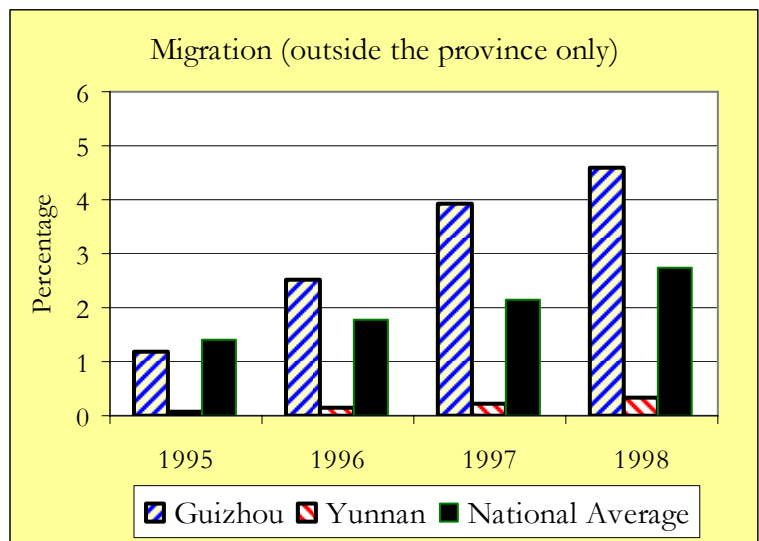


Figure 8: Migration rates (outside the province only). Source: China Population Yearbook, Various Years

were living away from home, compared to 1.22 percent of Yunnan's rural residents (rank of 24) and 4.37 percent China's provinces as a whole. Moreover, while the majority (80 percent) of Guizhou migrants left the province, a minority of Yunnan migrants (around 30 percent) moved to other provinces.

This pattern is also consistent with data from the 2000 census, which indicates that the rate of Guizhou's migration outside the province continued to accelerate.²³ By 2000, 1.6 million people with Guizhou residence permits lived long-term outside the province (4.9 percent of the population – rank of 9),²⁴ nearly five times the number of people who had left the province a decade previously (312,800). Compared to this, the 343,542 Yunnan residence permit holders (0.9 percent of the population, ranking 26) living outside the province seems modest. By 2000, China's southwestern provinces had among the country's highest rates of migration overall at 9.33 percent (the second highest region, ranking slightly lower than 9.44 percent in northeastern China, but higher than the national rate of 8.49 percent), and had the highest rate of migration to other provinces of 5.01 percent, compared to 3.42 percent nationally (Du et al. 2004, Table 4). Other provincial-level studies using different methods consistently suggest that Guizhou's rural residents migrated more than Yunnan's. Johnson estimates migration within provinces between 1990-2000 by calculating the differences between expected and reported populations. In this way, he finds that whereas 2.27 million people left Guizhou (7 percent of the population) during that decade, Yunnan experienced a net gain of 730,000 people (adding two percent to its population) over the same period (Johnson 2002, p. 24).²⁵

These statistical data are also consistent with results from fieldwork. In many Guizhou villages, spread throughout the province, whether minority areas or not, it was less common to

23 According to Du and his co-authors, the 2000 census is more accurate for measuring migration, because it asks not only where respondents currently live but also the location of their resident permits (hukou) (Du et al. 2004, p. 7). However, the 2000 census measures only migrants who had left the province, and thus cannot be used as a source for intraprovincial migration.

24 Compare this figure with the 3.42 percent average for China as a whole and five percent average for Southwest China (Du et al. 2004, Table 4).

25 A survey of six provinces, although it does not include Guizhou, does support the conclusion that Yunnan's migrants are few relative to the rest of the country, increasing from an estimated zero percent in 1988 to four percent in 1995, compared to national totals of five percent and 12 percent, according to this survey (Rozelle et al. 1999, p. 372).

see young people between the ages of 16-35. Interviews with households in such villages revealed that many of these migrants had left the province, mainly to the coastal province of Guangdong to work in factories or on construction sites. Most of the families had received remittances from migrants, though in many cases these remittances were not large – typically a few hundred yuan per month. Interviews with Guizhou migrants who had returned for festivals reinforced the conclusion that Guizhou people migrate less than those from Sichuan, but more than those from Yunnan. For instance, migrants I interviewed, whether working in Sichuan, Guangzhou or other provinces, almost invariably reported that Sichuan migrants are very common, far more common than Guizhou natives; however, they almost never met migrants from Yunnan.

In terms of distribution, the scant quantitative data available suggest that migrants from Guizhou hailed from the poorest areas. For instance, a survey of rural residents (Du et al. 2004) in each of China's poor counties revealed that, compared to Yunnan, Guizhou had a higher proportion of rural households with at least one migrant laborer. This survey indicates that about one in five of China's households living in poor counties on average contain at least one migrant, and remittance income from those migrants likely supports these households.²⁶

Much more evidence is available for the impact of remittances for Guizhou's poor areas. Data collected by the provincial labor employment office count only the funds that were mailed back home from outside the province, and do not include money that is brought back during holidays or money that is mailed from within the province. However, these statistics make clear that remittances were collectively large and important, increasing in size starting in the early

²⁶ The 1990 census figures have migration statistics from each of the two province's poor areas. The rate is almost identical: 41 percent of Yunnan's migrants came from poor counties, compared to 40 percent for Guizhou. By the 2000 census, Yunnan's rate had declined to 36 percent. Unfortunately, the county-level 2000 census data for Guizhou is unavailable.

1990s. The volume of remittances grew 460 percent between 1991, when migrants remitted RMB 580 million, and 1996, when remittances totaled RMB 3.25 billion. To put it into scale, the more than RMB 3 billion in calculated remittances is sizeable compared to RMB 8.5 billion in total budget expenditure for the province. (Unfortunately, I found no comparable data for Yunnan.) Moreover, these remittances make a major difference to the local economy. For instance, statistics collected by Guizhou's provincial labor employment office conclude that remittances sent back by migrant laborers exceeded the entire government revenues of 22 of Guizhou's 87 counties and in some cases more than three times as large (Wang and Zhang 2003, p. 548).

Thus, migration contributes to the overall pattern seen in Yunnan and Guizhou. For Guizhou, it helped reduce poverty, even as it contributed little to economic growth. For Yunnan, the effect of migration is one of a missed opportunity – since few rural residents have migrated, migration does not explain economic growth, although it does explain the lack of poverty reduction. Moreover, Yunnan appears to be trapped in a vicious cycle – that few migrate now, there is little basis for migration today.

Factor 3: Tourism – *Tourism is like a fire: you can cook your meal with it, or it can burn your house down (Asian Proverb)* ²⁷

Under ideal conditions, tourism, a US\$4.4 trillion industry responsible for 12 percent of the world's employment, provides local people the opportunity to sell goods and services directly to foreign and domestic tourists, diversifies the economy, draws on the cultural and natural heritage that many poor countries possess. However, despite the tourist industry's potential

²⁷ The source of this quotation, which is referenced without detailed attribution in numerous sources, such as World Tourism Organization, *Tourism and Poverty Alleviation* (World Tourism Organization, 2002), p. 22, is obscure.

benefits, even when tourist sites are located in poor regions, the connection between tourism and poverty reduction is not automatic. Although the dominant view is that tourism is a labor-intensive, cost-effective way to develop an economy and reduce poverty, dissenters present conflicting evidence that tourism is instead capital-intensive, and that the costs of investing in tourism are high, especially compared to agriculture (Sinclair 1991; Tisdell 1998). Moreover, the employment generating effects of tourism is still lower than other industries, including agriculture, manufacturing and many other service industries (Varley 1991).

The extent to which tourism reduces poverty depends upon whether the tourist industry is designed in such a way as to include or exclude the participation of the poor. While the development of the tourism industry can be a boon to the service sector, a major contributor to GDP, developers can create enclaves that intentionally exclude poor people, reducing the degree to which tourism benefits them. Resorts are often designed to be self-sufficient islands, even to the point of importing goods and services, severing the linkages between them and the surrounding economy, thus reducing even the indirect benefits of tourism for the poor.

That tourism emerges as part of the explanation for our puzzling pattern of economic growth and poverty reduction in Guizhou and Yunnan might astonish China hands. After all, Yunnan, has for decades been one of China's most popular rural-based tourist destinations. The number of foreign tourists visiting the province rose from a low of some 210,000 in 1991 to 742,527 in 1996 to an excess of 2.1 million in 2001, as an increasing number of the international tourists visiting China included Yunnan on their list of destinations. The volume of Chinese tourists, a difficult statistic to interpret,²⁸ also apparently increased rapidly over this period,

²⁸ Chinese tourists are difficult to count, especially compared to foreign ones, who are almost invariably asked for passports to register and until the mid-1990s used foreign exchange certificates instead of Renminbi. That the statistics seem extraordinarily high reflects the fact that, especially before 1993,

from 11.1 million in 1992 to 45 million in 2001. By the mid-1990s, Yunnan ranked as the sixth most popular tourist draw in China, outperforming such internationally well-known tourist attractions as Guangxi province's Guilin with its inspiring Karst geography and Shaanxi's Terracotta Warriors (Yunnan Statistical Yearbook, various years). Guizhou's tourist destinations are simply not as renowned. While tourism was also opened in the early 1980s, when the capital city Guiyang and the Huangguashu waterfall (China's largest) were opened to foreign tourists, the industry did not develop as quickly as that in Yunnan. Guizhou claimed only a fraction of the foreign visitors that flocked to Yunnan: 37,453 visits in 1990, increasing to 125,344 in 1996, still less than half of Yunnan's foreign visitors in 1991. As late as 2000, Guizhou attracted less than 200,000-300,000 overseas tourists depending on the measure, earning the province a moribund rank of 24 in China (Li 2001, p. 213). According to Chinese statistics, Guizhou's domestic visitors exceeded Yunnan's (frankly hard to believe) until the mid-1990s, Chinese visitors to Yunnan exceeded that of Guizhou after that time. Although Guizhou year-by-year attracts increasing numbers of tourists, both foreign and domestic, the splendors of Guizhou are for now destined to remain a relative secret.

Despite Yunnan's much larger tourism industry, the vast majority of the province's most famous tourist sites are located in non-poor rural areas (Map 1), where their popularity and continued expansion contribute primarily to economic growth, with a diminishing role in reducing poverty. By design, the province limited establishment of Yunnan's most developed tourism destinations to specific spots, each of which, by 1986 when China designated counties as either poor or non-poor, were almost exclusively located in non-poor counties. The tourism industry in Yunnan recommenced soon after China itself opened to the outside world in 1978.

China's domestic tourism statistics included day visitors, even local families dropping by a local site for the afternoon (Xu 1999, p. 162-3).

In 1982, China's central government included three areas of Yunnan in its national list of approved state-level tourism projects: the Stone Forest, Xishuangbanna and Dali, adding a fourth, Lijiang, by 1985. From the early 1980s, Yunnan province focused financial and promotional resources primarily into Kunming, Xishuangbanna, Dali and Lijiang, successfully promoting these as the province's primary tourist sites. However, Yunnan's primary tourist spots are mainly located in counties that have been designated as non-poor by the central government. Not one of the main sites was included in either national or provincial lists of poor counties in 1986. Moreover, when Yunnan received the opportunity in 1994 to expand the number of poor counties from 41 to 73, they added none to these five areas, although they did classify some counties in the vicinity as poor.

Thus, Yunnan's most popular tourist sites are in counties that were designated as non-poor by 1986. Moreover, of the ten tourism destinations approved by the state between 1982 and 1994 (which include the province's more popular sites, as well as some less popular ones), only two are in poor regions (the less well-known Three Rivers Pingliu Scenic Area and the Tengchong Volcano Area), while eight are in non-poor areas (the Stone Forest, Dianchi Lake, Dali, Xishuangbanna, Lijiang, Jianshui, Ruili River, and Jiuxiang). Many poor places with potential for development as tourism sites did not receive the government support needed to make them viable tourist spots. These include the places, such as Nine Townships and Yuxi's Alagu Cave, that were being prepared in the late 1980s as tourist destinations before the province shifted strategies and continued concentrating on its original tourist sites. This pattern of distribution contributed to the fact that, though tourism has helped to develop the specific regions in which Yunnan province developed sites, investment and growth in the tourism industry has contributed primarily to economic growth, and only to a lesser extent to poverty reduction.

While the tourist places of Yunnan that received the most government attention and investment are in non-poor counties, the opposite is true in Guizhou. According to fieldwork and secondary research in Guizhou, tourism in Guizhou is better distributed, with many tourist sites, including the most popular, distributed in poor counties (Map 2). Of the eight sites selected as national tourist sites in Guizhou, three (Huangguashu, the Zhijin Caves, and the Zhang River Scenic Area) are located in poor counties, and three (Longgong Caves, Hongfeng Lake, and the Chishui Shaluo Nature Reserve) are in non-poor counties,²⁹ while two (Wuyang River Scenic Area and the Fanjing Mountains) are shared by a combination of poor and non-poor counties.³⁰ Whereas Yunnan restricted its tourist development to specific counties, Guizhou spread its tourist development throughout the province, including connecting its tourist sites with those of other provinces, encouraging inter-provincial tourism.

In addition to these nationally and provincially-sponsored tourist destinations, one of the key points of Guizhou's strategy was to establish ethnic minority villages as tourist sites. Ethnic minority villages are one of the primary draws for tourists in Guizhou, which the government, led by the Guizhou Tourism Bureau, developed gradually beginning in the 1990s and usually located in poor counties. For instance, the two most frequently visited ethnic villages in western Guizhou, Heitu and Changlinggang, were developed with funds provided by the Guiyang branch of the Overseas Travel Corporation, a state-owned company (Oakes 1998, p. 177). For example, two of these villages, the Miao villages of Langde (described below) and Xijiang are both located in the Leishan County, one of Guizhou's poorest counties, ranking 81 of 87

²⁹ The Longgong caves, Guizhou's second most famous scenic spot, is located in a non-poor county but borders on a poor county.

³⁰ Tourism at Fanjing Mountain brought revenues of RMB 45.7 million to the poor county of Yinjiang within five years after it had been developed in 1990, amounting to 17 percent of the county's total production value, while sales of tourism commodities brought profits of RMB 620,000, according to one source (Wang and Zhang 2003, p. 588).

counties in net rural income in 1991. Guizhou's tourism administration established two routes, a western spur of ethnic villages that can be visited along with Huangguashu and other major tourist sites in Guizhou, as well as an eastern spur in some of China's poorest areas. As these and other ethnic villages were opened up with government investment, and succeeded in attracting tourism, they became models for villages of other ethnicities that were subsequently established as tourist sites. By the mid-1990s, twelve such rural minority villages in eastern Guizhou and seven in the west developed for tourism quickly became among Guizhou's most popular tourist sites (Oakes 1998). The majority of these are located in designated poor counties. Therefore, while Yunnan's sites are primarily located in non-poor counties, Guizhou's most popular sites, including those nationally-sponsored tourist sites, as well as the ethnic minority villages, were primarily located in poor counties.

In addition to distribution, the structure of tourism in the two provinces also helps explain our puzzle. At first, the tourist industry in Yunnan province was relatively simple and structured to incorporate participation of rural residents. Just as tourist areas in Dali and Xishuangbanna were becoming popular primarily among foreign backpackers, local rural residents and local governments stepped in to provide basic infrastructure – roads, hotels and restaurants – needed to attract a wider range of tourists. Nevertheless, even from the early 1980s, much of the profits from the tourism industry leaked out of the local areas. For instance, Xishuangbanna Tourism Bureau officials estimate that between 15 to 40 percent of supplies and goods used in the tourist industry are imported from outside the prefecture (Wen and Tisdell 2001, p. 246). By the early 1990s, the infrastructure facilities in these places became increasingly elaborate, and much of the investment increasingly was sourced from Kunming-based, coastal and some overseas investors. To provide a channel for investment, in early 1993, Yunnan's departments of finance and tourism, and the local branch of Bank of China incorporated the

Yunnan Provincial Tourism Development Company. The company was charged with steering funding into Yunnan's key tourism development projects in these regions, including "tourism real estate and tourism products," and to attract outside investment.³¹ As a part of their effort to formalize investment in tourist spots, Yunnan's tourism administrators realized the need for sensitivity to the needs of investors, and adopted, in the mid-1990s, the principle of "whoever invests, whoever develops, is the one to profit." This investment was used to construct star-rated hotels and larger restaurants, to organize Hollywoodized versions of local customs, to complete larger transportation infrastructure such as airports and major highways, to build resorts, and even to market local handicrafts and cultural items. These provisions increased the scale and profitability of the tourism industry, but gradually excluded participation of local rural residents, and benefited outside, primarily coastal, investors.

By the early 1990s, the infrastructure of these four tourist areas was relatively large in scale, as the industry transitioned from backpacker-led tourism to a more formalized and structured tourist industry. The hotel industry, for instance, increasingly focused on building star-rated hotels.³² While local rural residents continued to serve as cooks, waiters and cleaners in many of the hotels and restaurants, and food grown by poor people was bought to feed wealthy tourists, relatively small portions of the profits trickled down to the poor. Even as rural residents still managed some smaller-scale hotels and restaurants, a large portion of the tourist dollars accrued to coastal investors and local governments, and much of the profit did not so much trickle down to the poor as it did leak into coastal China. Moreover, as tourism in Yunnan grew

31 For instance, in 1993, Yunnan announced its intention of attracting some US\$ 1.9 billion in 57 projects related to its vacation spots.

32 While in 1991, Yunnan had a total of 47 hotels, 10 of which were star-rated, by 1996, the province had constructed 168 tourist hotels (eight of which were foreign invested), 82 of which were star rated, including six three-star and four four-star hotels. 32 Moreover, for the 1995-2000 period, Yunnan planned a three-star hotel for every prefecture capital, and starred hotels in each of its 128 counties.

in sophistication, the industry demanded more elaborate skills, further excluding rural residents from tourism-related jobs. Thus, while tourism has been a major driver of economic growth in Yunnan, the way the industry has been structured excludes many poor people from participation. This pattern is repeated in the most popular tourist spots of Xishuangbanna, Dali and Lijiang, as well as the more recently promoted “Shangri-la” County. Whereas the latter tourist destination, unlike the others, is located in a poor county, the structure of tourism there largely precludes the participation of the poor.

From the beginning of the 1990s, Guizhou’s provincial government overtly linked the development of the tourism industry with poverty reduction. In contrast to Yunnan’s growth-oriented strategy, Guizhou’s government was overtly oriented to poverty reduction and the stable development of local economies. The province’s attempts to structure the tourist industry in a manner that would increase the participation of poor, rural residents was a part of an overt strategy to reduce poverty implemented in 1992 under the slogan “the tourism industry promotes openness to the outside; use tourism to promote poverty reduction,” (旅游业促进对外开放，以旅游促进脱贫致富). As Guizhou’s Vice Governor Lou Jiwei argued subsequently in a May 1996 speech,

The tourism industry can spur employment, solve the food shortages among the people and reduce poverty. It can also bring income to local governments, and improve the healthy, continued and stable development of local economies.
(China Tourism Yearbook 1996, p. 186)

In Huangguashu, the provincial government attempted to increase the benefits of tourism there for poor people, both by increasing participation on the site itself, and by linking that site to nearby smaller-scale tourist attractions and shuttling tourists to some of the numerous ethnic minority villages. Instead of focusing on constructing large hotels in rural areas, the local and provincial governments, along with the local people, expanded the housing already there to

develop an alternative style of tourism, a trend in Chinese tourism, the style of tourism known as *nongjiale* (loosely translated as 'joyous village life'). This development strategy, which is not unique to Guizhou, implies that tourists stay in rustic rural homes, eating food prepared by poor people and enjoying ethnic singing, dancing and culture. Thus, in addition to earning tourist dollars from selling handmade clothing, jewelry and other items, peasants there also directly hosted tourists in their homes. While this is a niche tourist strategy, not appealing to many – perhaps most – elite international travelers, the relatively authentic and rustic nature of *nongjiale* tourism appeals to many more hardy tourists. From the province's point of view, this style of tourism contributes to poverty reduction without the more costly infrastructure expenditures required in more elaborate forms of tourism. To smooth the transportation of locals to such places, local roads have been smoothed, expanded and often paved into two-lane roads – far less expensive than the major highways that Yunnan constructed to connect Kunming with the province's major tourist sites.

During an inspection tour of Guizhou, then Chinese Vice Premier Zhu Rongji offered advice to Guizhou that contrasted sharply with that he presented to Yunnan. Whereas in Yunnan, he suggested that provincial officials focus on increasing the scale of their tourism investments in the province, to Guizhou, Vice Premier Zhu reasoned,

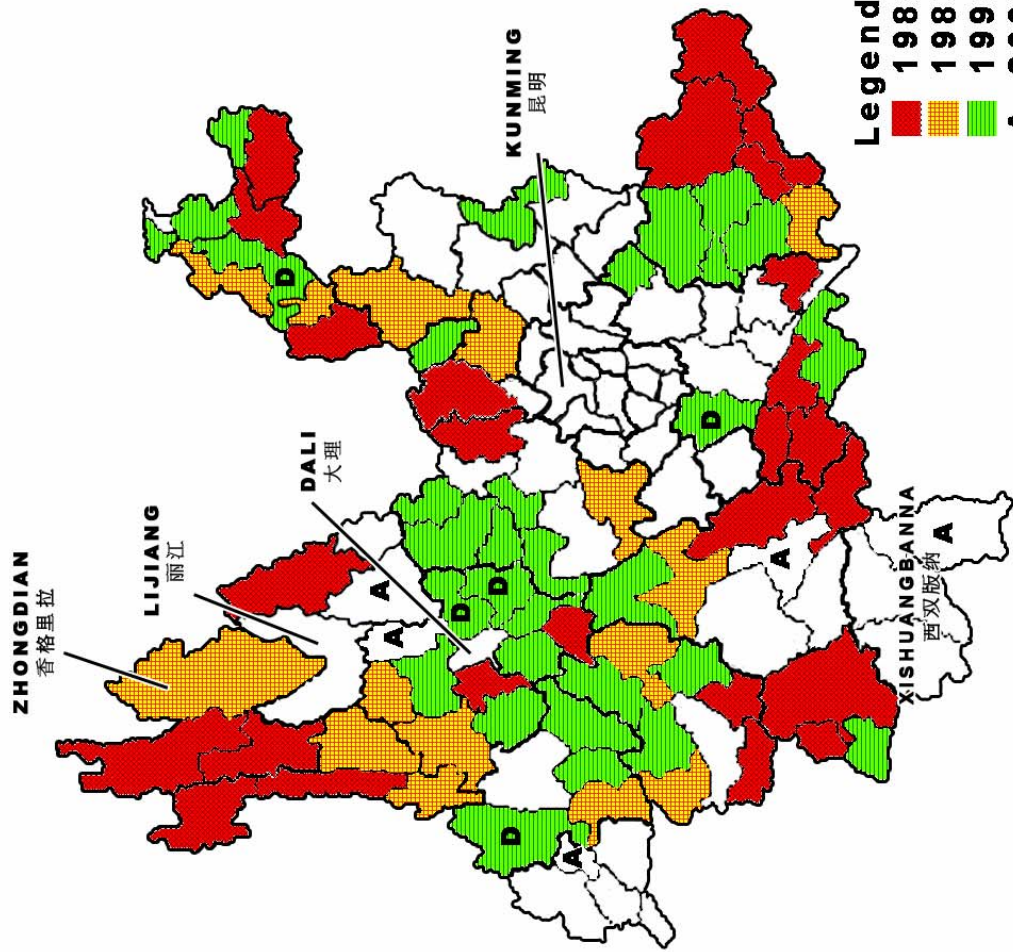
Tourism is one of your advantages; you have the conditions to develop this sector. Just focus on making good use of your abundant natural resources. That would be enough. There is no need to invest in all kinds of crazy stuff, like fancy hotels. You don't need to do that. Just make sure you build decent bathrooms, and keep them clean. That and a good shower are sufficient... There's no need to thoughtlessly spend money. Focus on efficiency. As tourism develops and the transportation conditions improve, that, one day, will be true prosperity. (cited in Wright 2003, p. 139)

In this, Vice Premier Zhu was suggesting a strategy for structuring Guizhou's tourist sites that provincial leaders had by and large already been doing. In this effort, the provincial

government declared the strategy to link tourism with poverty reduction a success, claiming that 648 ethnic villages had been opened as tourism sites, increasing incomes sufficiently to bring nearly 100,000 households and 330,000 people out of poverty by October 1996 (Guizhou Nianjian 1997, p. 589). Chinese Academy of Science researchers (Wang and Zhang 2003) studying poverty reduction in Guizhou concur with this assessment, and cite numerous examples. For instance, residents of Tianhetan Village, outside of Guiyang, saw their annual average per capita income of RMB 200 in 1992 rise to RMB 1200 by 1994. Taxes from tourism at Wuyang River consist of one-third of the budget of Shibin County, and increased the income of one village by RMB 180 per capita. Even if such claims are exaggerated, secondary western and Chinese sources, Chinese statistics and fieldwork indicate that the style of tourism in these *nongjiale* ethnic villages limited the industry to more rugged travelers, but ensured that poor people profited more directly. Moreover, they indicate that Guizhou province developed tourist attractions, intentionally structuring them so that poor people could participate more in the tourism industry in these areas.

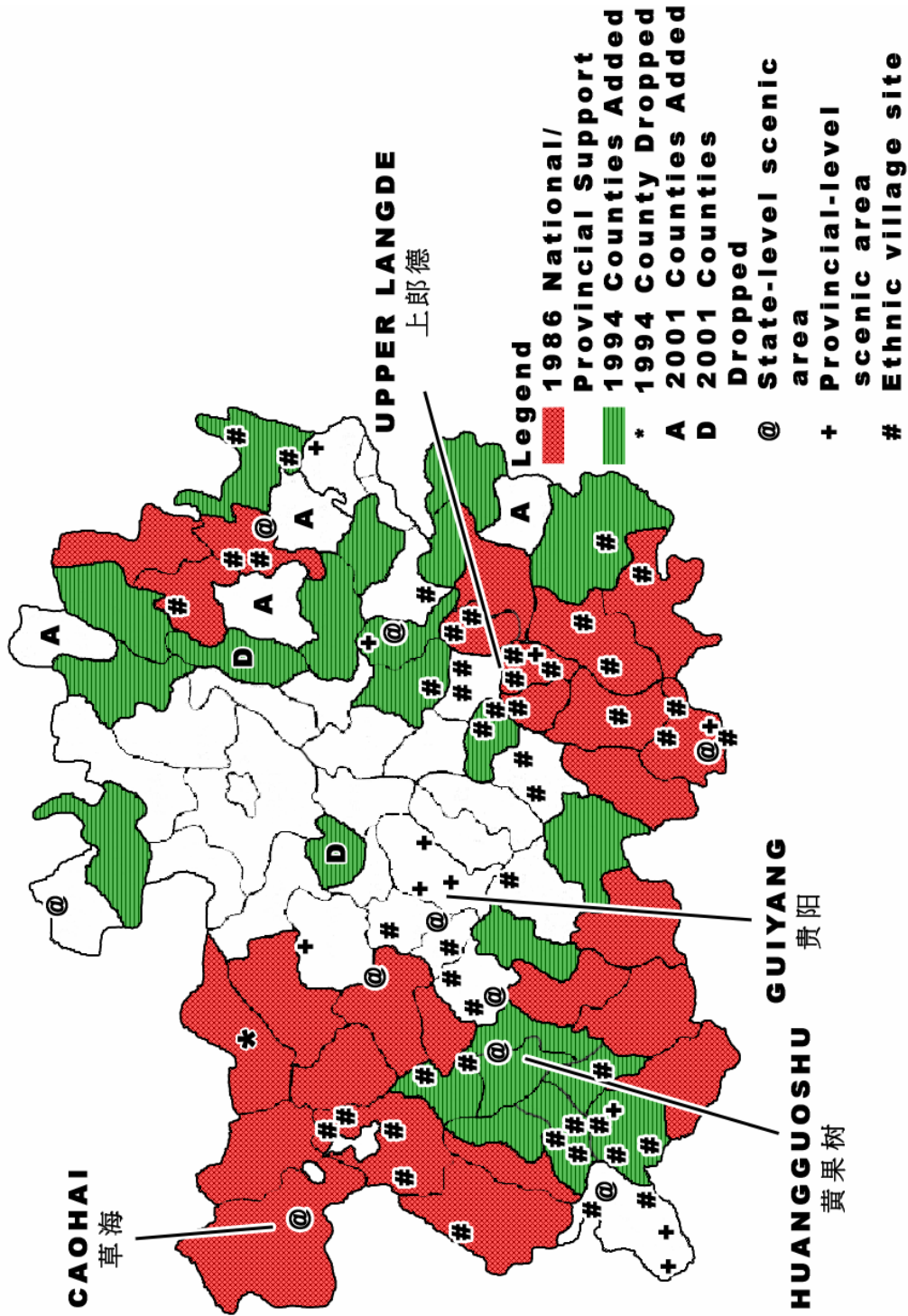
In sum, the various ways the tourism industry in Yunnan and Guizhou has been structured affects the extent to which it reduced poverty or stimulated economic growth. Yunnan's large-scale industry in many ways reduced the degree of participation of poor people in the tourism sector, and by the early 1990s, the industry in the main rural tourist destinations in the provinces that had been previously developed largely exhausted its potential for poverty reduction. Further investment continued to develop these sites, and the tourism infrastructure in these places increased in quality and scale. While many poor people benefited from tourism in these places, the main beneficiaries of these large-scale activities were non-poor residents, as well as investors, many from the east coast. In Guizhou, on the other hand, many activities and sites are structured to be small in scale; in these, poor rural residents benefit directly by hosting

tourists, both foreign and domestic. Although the prices involved – and thus the profits – are usually quite modest, they play a significant role for poor people. Thus, the examples of Guizhou and Yunnan demonstrate that the structure of an industry (and thus its effect on economic growth and poverty reduction) depends to a large extent on whether it is labor- or capital-intensive, and whether it generates employment for local residents.



Map 1

- Legend**
- 1986 National Support
 - 1986 Provincial Support
 - 1994 New counties added
 - A** 2001 New counties added
 - D** 2001 Counties Dropped



Section 5: Conclusion - *Go to the practical people and learn from them, then synthesize their experience into principles and theories. (Mao Zedong, Selected Works III)*

This research revealed that the different patterns of economic growth and poverty reduction in the two provinces can be partially explained through their disparate approaches to similar factors including roads, migration, tourism (and coal mining – not discussed here). While these elements proved to be important in both cases, it is the variation within each of them that explains the differing patterns of economic growth and poverty reduction in Yunnan and Guizhou. It is the policy approaches taken by these provinces, not just geographic or economic factors, that shaped these elements.

This is not a traditional ‘state-vs.-market’ argument (of course ‘states matter’), since the results of this research suggest that it is the particular role the state plays and the strategy it adopts that is important. For instance, regarding roadway, both provinces established policies and plans at the same time, but they did so in contrasting ways. Yunnan’s strategy most clearly emulates that of a developmental state, promoting large-scale construction intended to maximize economic growth largely through industrial growth. Guizhou’s strategy, on the other hand, focused on small-scale activities and poverty reduction. A similar story can be found with migration. Guizhou’s strategy toward its surplus labor force incorporated attempts to export its labor to Guizhou’s urban, mining and industrial centers, as well as outside the province, especially to coastal cities. Guizhou’s 1986 “Directives on Strengthening Work in Poor Areas,” the province’s first formal anti-poverty policy of the reform era suggested that some central and provincial policies had to be relaxed to deal with poverty, among them policies proscribing population movements.³³ The migration spurred by government initiatives multiplied, as the

³³ This policy directs labor departments at all levels of government to organize rural laborers in poor

dynamics of chain migration took effect. By contrast, any effort to spur migration remains absent from any of Yunnan's anti-poverty policies. Yunnan's rapidly increasing growth attracted relatively few native migrants, but did encourage many from other provinces to migrate to Yunnan (Liang and White 1997; Zhu and Poncet 2003). The strategies adopted by the government for tourism were also quite overt. From the early 1990s, Yunnan made investments in tourism that stimulated the province's development and economic growth, while Guizhou at that time was the first province to link overtly tourism with rural poverty reduction. In doing so, Yunnan once again appeared to be spurring economic growth and development, whereas Guizhou seems to be foregoing growth-oriented activities, but maximizing the benefit of tourism for poor people by focusing on small scale activities.

Yunnan overall appears to be close to emulating the strategy of a typical developmental state, by focusing planning and investment in selected industries (such as tourism and tobacco), and sourcing the resources and infrastructure needed to support it. As with most developmental states, Yunnan's primary goal is towards economic growth, obtained in part by attempting to shift labor, profits and other resources out of agriculture and into industry, and to achieve economies of scale large enough to increase significantly productivity growth.³⁴ However, by focusing its resources on a limited area (primarily the overall development of central areas, of tourism in the south and parts of the northwest, and tobacco in the southwest) and a limited range of industrial sectors, supported in part by the construction of an extensive

areas of Guizhou to migrate for work. It further requires departments over labor-intensive industries, such as mining and forestry, to reserve quotas for migrant workers to serve as contract or shift workers (Guizhou Yearbook 1987, p. 71). By 1993, the province, reporting on successful aspects of its anti-poverty programs, noted that five counties in three prefectures organized the migration of more 50,000 rural laborers, who remitted on average approximately RMB 800 (Guizhou Yearbook 1994, p. 277).
34 Other evidence that suggest Yunnan is a developmental state includes a notable urban bias, heavy taxation of agriculture (even by China standards) and extensive government expenditure and investment. A lack of space precludes further discussion of these.

highway system, Yunnan concentrated its resources. Moreover, many of the decisions made by Yunnan's provincial government, such as focusing the development of its tourism industry in specific areas, and attempting to develop larger-scale coal-based TVEs, effectively nurtured the growth of those sectors and the economy as a whole. However, in doing so, Yunnan's decisions excluded large poor regions, primarily in the province's southeast, northeast and most of its west, and structured industries in ways that made participation by poor people difficult.

Guizhou, focused as it has been on small-scale industries (exemplified here by tourism, but also including coal mining), suggests an alternative model towards poverty reduction, which I dub the 'micro-oriented state.' This model is characterized by adoption of a primary goal of rural poverty reduction through improving rural livelihoods, achieved not only by shifting rural labor (through out-of-province migration) but also by increasing opportunities for farmers to increase their incomes at home, by augmenting access to local markets and by promoting local tourism. The micro-oriented state in this way augments opportunities for poor rural people by supporting activities that poor people can access, such as those that require little formal education and experience in using technology. In doing so, it rejects the dominant strategies of development and poverty reduction that emphasize development based on large-scale, high-tech industry.³⁵

Despite providing an alternative pathway to poverty reduction, Guizhou's record should be considered cautiously. While the province has experienced significant poverty reduction, impressive compared to endemic poverty throughout the world (despite robust global growth), considering the significant barriers the province faced, and particularly in light of its modest

³⁵ As Schumacher argued in a popular book published nearly three decades ago, "Today, we suffer from an almost universal idolatry of gigantism. It is therefore necessary to insist on the virtues of smallness - where this applies," (Schumacher 1973, p. 62.) This is equally true today, when the main thrust of many anti-poverty models from all points of the ideological spectrum that emphasize larger scale industries.

economic growth, the province has been and remains poor, with severe poverty persisting in many regions. Because the province's economy is underdeveloped, and remains among the lowest as measured by per capita GDP, it is not surprising that skepticism greets the claim that Guizhou has anything to offer as a model for poverty reduction. Most people living in Yunnan's cities are more comfortable than those in Guizhou's, and residents of Yunnan's tobacco and tourism regions live relatively comfortably.

Nevertheless, life in Yunnan's impoverished areas is often much harsher than in equivalent areas of Guizhou. Moreover, compared to its economic growth rate, Guizhou's achievements in increasing income of poor people to a sufficient degree to pull millions of rural residents out of poverty is laudable. The model the province used of encouraging indirect economic opportunities accessible to poor people to supplement income from agriculture should indeed be considered as one of the alternative mechanisms for poverty reduction. No minor feat, considering that most models fail to reduce poverty, a sobering fact faced by those attempting to reduce poverty of all types - rural or urban, in developing or developed countries. Moreover, the growth performance of Yunnan has slowed, whereas Guizhou's has increased, perhaps (a cautious 'perhaps' since I have yet to investigate this) bolstering arguments that growth is best achieved bottom-up (by first addressing poverty), compared to hoping that growth will trickle down to the poor (Moon and Dixon 1992). The importance of discovering additional models should not be doubted, given the 1.2 billion people that today remain in poverty (Chen and Ravallion 2004). The case of Guizhou suggests (and more research is needed to confirm generalizability of this) that in contrast to approaches that emphasize capital-intensive, large-scale development of the type that spurs economic growth, it is the smaller scale approaches, of a kind that are distributed and structured to be accessible to poor people, that can better provide the opportunities needed to reduce rural poverty.

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