

# CRS Report for Congress

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## China's Western Development Campaign

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## Summary

The Peoples Republic of China (PRC) began its economic reform and self-styled “opening up” process more than two decades ago with the hopes of developing the country’s backward economy, raising living standards, incomes, and the quality of life of its citizens. Deng Xiaoping, architect of China’s economic reforms, stated that during the reform process some Chinese may get rich faster than others, but he believed that the rest of China would benefit from this process.

Today, there are many signs that wealth has come to China and its people. The bustling metropolises of Shanghai, Shenzhen, and Beijing are signs that some Chinese did get rich. However, the economic prosperity generated by economic reforms created large geographic imbalances. As foreign direct investment poured into the port cities and Special Economic Development Zones in the east and on the southern coast, western China was largely ignored. Western China, home to a majority of China’s ethnic minorities, has remained relatively impoverished, left with inadequate infrastructure, underdeveloped schools and healthcare, and high rates of unemployment.

Chinese leaders, fearing a backlash from ethnic minorities in Xinjiang and Tibet, began a program to develop the western region. The program, known as the “Go West” campaign has the highest levels of support from the Chinese Communist Party. The “Go West” campaign attempts to redirect large amounts of central government spending, foreign direct investment, and international economic development funding to the western regions. Its goals are to develop the backward economy and infrastructure, and raise the standards of living in the west.

However, many critics doubt the government’s sincerity. They suggest that the campaign is an excuse for China to exploit the vast natural resources of the western region, while imposing strict security measures that will counter any attempt by ethnic separatists to break away from the PRC. They express their concerns that building physical infrastructure will attract large numbers of ethnic Chinese and weaken many of the unique ethnic minority cultures in the west. Critics also fear that development could destroy the ecosystem of the western region.

Congress has broad interests in human rights issues in China’s far western region. For example, Congress is concerned about China’s treatment of ethnic minorities in the western region, crackdowns on religious freedoms, and involuntary resettlement. In addition to human rights concerns, Congress is also interested in market access and fair competition for U.S. businesses seeking opportunities in the western region.

The “Go West” campaign also has received support from a number of foreign corporations and foreign governments attracted by the region’s economic potential, especially in the areas of energy, petro-chemicals, transportation, and telecommunications.

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# China's Western Development Campaign

## Background and Overview

During the 1980s, most of eastern China prospered under the economic reforms of the late Deng Xiaoping. Deng's "Reform and Opening Up" process allowed billions of dollars of foreign direct investment (FDI) to flow into eastern provinces. The central government's heavy focus on eastern provinces during the twenty years of economic reform caused China to develop in a unbalanced way. Its western region's economy and infrastructure remain poor, backward, and underdeveloped, leading to large disparities in income and living standards and a myriad of social, political, and security problems.

In late 1999, the Peoples Republic of China (PRC) began to discuss ways to develop its economically depressed western region. This program, frequently referred to as the "Go West" campaign, the poverty-reduction campaign, or the western development campaign, is to be coordinated by the Ministry of State Planning and Development, led by Zeng Peiyan.<sup>1</sup> In 2000, the "Go West Spirit," as many party and government officials refer to it, gained increased momentum with the Chinese business community and general population. The "Go West Spirit" has also attracted foreign business interest, and has prompted many executives to visit the western region for a closer look at opportunities for investment.

The central government defines the western region as comprising the provinces of Sichuan, Gansu, Guizhou, Ningxia, Yunnan, Qinghai, and Shaanxi, the municipality of Chongqing, and the two autonomous regions of Xinjiang and Xizang (Tibet).<sup>2</sup> This western area makes up more than 56% of China's land mass, comprises 285 million people (23% of the national total), and has 50% of all the nation's mineral resources. The west is home to many of China's ethnic minority groups with the most widely known group internationally being the Zang (Tibetan) nationality, but with increasing international focus on the Uighur and Hui minorities, both residing in Xinjiang. The western area is the poorest region in China, home to nine out of ten of China's poorest 80 million people.

Over the last 20 years, the western region has attracted only 5% of China's foreign direct investment (FDI). Statistics show that over \$300 billion has poured into China over the last twenty years, but as of 1999, a mere \$9.9 billion had come

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<sup>1</sup> Zeng Peiyan, as Minister of the State Development and Planning Commission, also heads the Office of Western Development and has the primary responsibility for drafting policies for western development.

<sup>2</sup> See the Chinese Constitution Articles 112 through 122 of Section VI: The Origins of Self-Government of National Autonomous Regions.

into the western region, with Sichuan attracting the most (\$6.8 billion) and landlocked Guizhou receiving the least.<sup>3</sup> The comparison between the western region's richest province, Sichuan, and the economic miracle of Shanghai is striking. The Pudong Development district alone, which is only one section of the Shanghai Municipality, has drawn in \$1 billion in FDI.

In an attempt to rectify the financial imbalances over the last twenty years, Beijing pledged 70% of the fiscal year 2000 budget (\$396 billion) for the construction of infrastructure in the western region.<sup>4</sup> On March 5, 2001, Premier Zhu Rongji outlined a plan for developing the western region, in a speech to the Ninth National Peoples Congress.<sup>5</sup> In the speech, he underscored the importance that the central government has assigned to "development of science and technology" for the western region. Zhu further stressed the central government's desire to protect the natural environment while developing a sound infrastructure. The Chinese government says it will spend an additional \$45.5 billion this year to help develop the western region. The \$45.5 billion dollars will include \$37.1 billion in subsidies to the local governments and \$8.4 billion in treasury bonds dedicated to boosting infrastructure development. China is planning to build more than 20,000 miles of new highways and roads, including a Sichuan to Guangxi highway project. China is also planning to build a number of new Special Economic and Technical Development Zones in the western region, such as the ones being constructed in Xi'an, Shaanxi Province and Yibin, Sichuan Province. The government also plans to add more than 2,500 miles of railway lines in the western regions over the next ten years.<sup>6</sup>

## Implications for U.S. Policy

The "Go West" campaign has broad policy implications for Congress over the next decade. The most critical challenges are how will the United States balance criticisms of religious persecution and crackdowns on ethnic separatism in Xinjiang and Xizang (Tibet) with the interest of U.S. businesses and investors seeking investment opportunities in the western region in competition with other foreign investors. U.S. companies are currently doing business in the western region, and many more are seeking opportunities in natural gas, petroleum, mineral exploration, transportation, and telecommunications. Moreover, the western development campaign has policy implications on an international security level. The prospects of expanded cooperation between China, Russia, and Central Asia on a range of political, economic, and border security issues could have potential ramifications for U.S. geopolitical interests in the Central Asian region.

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<sup>3</sup> *Business Week*, "China's Wealth Gap" May 15, 2000.

<sup>4</sup> *Ibid.*

<sup>5</sup> Section V. Implementing the Strategy for Developing the Western Regions to Promote Coordinated Progress of Different Areas," *Report on the Outline of the Tenth Five-Year Plan for National Economic and Social Development (2001-2005)*.

<sup>6</sup> *The Economist*, "Go West Young Han," December 23-January 5, 2001.

A critical component of the “Go West” strategy has been the establishment of the Shanghai Cooperation Organization (SCO) between China and five neighboring countries in the north and northwest. Some analysts have suggested that China’s “Go West” campaign may be a long term strategy to help secure its far western borders and extend its sphere of influence into Central Asia. This could increase the possibilities for competition between China and the United States over influence in Central Asia.

Congress has grown increasingly interested in China’s western development and its implication for U.S. policy and values. H.R. 4444,<sup>7</sup> passed by the 106<sup>th</sup> Congress, included two sections relating to western China. Section 202(12) criticizes violations of human rights and religious freedoms in China and mentioned objections to restricted access to Xinjiang and Tibet. Section 301 of the same measure establishes a Congressional-Executive Commission on the Peoples Republic of China that has the responsibility to monitor Chinese compliance with the provisions contained in the International Covenant on Civil and Political Rights and the Universal Declaration of Human Rights. Additionally, H.R. 4444 amendment No. 4115,<sup>8</sup> reflected congressional interest in clean energy technology assistance to China, which could support American competitive advantage in clean energy technology. Also in the 106<sup>th</sup> Congress, the Senate passed S.Con.Res. 81, which calls for the release of Uighur activist and businesswoman Rebiya Kadeer.<sup>9</sup> Finally, the 106<sup>th</sup> Congress considered but did not act on the Ecosystem and Indigenous Peoples Protection Act (H.R. 2969), intended to prevent U.S. funds from being used for environmentally destructive projects or for projects that involve involuntary resettlement.

As of this date, the 107<sup>th</sup> Congress has before it companion bills that support the aspirations of the Tibetan people to safeguard their distinct culture and identity: H.R. 1779 and S. 852.

## Political and Economic Issues

A number of political and economic factors pose complex problems for the PRC’s policies on western development. On the one hand, Beijing sees a need to establish productive enterprises, build a sound infrastructure, now nearly nonexistent, and develop the vast and largely untapped natural resources, all of which could help lift the western region out of their pervasive poverty. On the other hand, the west’s substantial ethnic non-Chinese population often resent what they see as Chinese encroachment—in some cases to the point of actively seeking independence from China. Some see China’s development campaign as an excuse to exploit the west’s vast natural resources for the benefit of the more developed eastern provinces. Thus each development decision is subject to political and cultural sensitivities.

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<sup>7</sup> H.R. 4444 became P.L. 106-286 on October 10, 2000.

<sup>8</sup> The Byrd (and Feingold) Amendment No. 4115 to H.R. 4444, was rejected (by a vote of 64-32-4) on September 7, 2000.

<sup>9</sup> See CRS Report RS20476, *China’s Xinjiang Uighur Autonomous Region: Current Developments and U.S. Interest*, by (name redacted).

## Energy Development

The financial resources that Beijing is committing to building pipelines from the West to the East raises the suspicion of western critics, who suggest that resource extraction, not development and poverty reduction, is the primary focus of Beijing's "Go West" drive. They point to the number of large projects that focus on energy exploration and extraction.

**Tibetan Pipeline Project.** In keeping with its plans to raise its gas production capacity to 30 billion cubic meters by the year 2005, the Chinese government is moving forward with the 592 mile pipeline project to pump natural gas from the Tsaidam Basin<sup>10</sup> in northern Tibet to Lanzhou, the capital city of Gansu Province in China's northwest. According to some reports, the \$530 million pipeline involves several well known multinational corporations from the United States, Britain, and Italy, including Enron Corp., BP Amoco, and AgipPetroli.<sup>11</sup>

In some respects, the issues and arguments associated with the Chinese pipeline projects mirror those that engendered controversy during the Alaska Pipeline debate of the mid-1970s in the United States. Environmental activists argue that the pipeline project will lead to a depletion of Tibetan natural resources and negatively affect the sustainability of Tibet's ecosystem. Some critics of the Tibetan pipeline project object to foreign corporate investment in Tibet. In their view foreign investment in Tibet will only contribute to Chinese "occupation" in the area. BP Amoco has come under intense criticism from a number of activists protesting energy exploration and investment in Tibet. BP invested \$580 million in PetroChina, a wholly-owned subsidiary of the Chinese National Petroleum Corporation and a participant in the Tibetan pipeline project's construction. Although BP has denied involvement in the pipeline project, it defends its investment in PetroChina by pointing out that "as a strategic investor in PetroChina," the company will encourage PetroChina to "respect the interest of all citizens in their business activities be they in the Tibet Autonomous Region, or any other region."<sup>12</sup>

**Xinjiang-Shanghai Pipeline.** Another "Go West" pipeline project under construction is the Tarim Basin's Xinjiang-Shanghai Pipeline, projected to cost between \$14 and \$16 billion and set to be completed by 2004. While China, the world's second largest consumer of energy, waits for this pipeline project to be completed, other resource extraction projects continue. For example, recent reports

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<sup>10</sup> The Tsaidam Basin, much like the Tarim Basin in Xinjiang is viewed by Beijing as a virtual treasure chest for their growing energy needs. According to resource statistics from the Chinese government, production in the Tsaidam Basin has produced 20 million tons of Tibetan oil since 1989, and currently Tsaidam produces nearly 1 million tons a year. It is also reportedly endowed with five gas production fields and one oil and gas field spread across 248 miles of land in the Tsaidam Basin (see footnote number 11 below).

<sup>11</sup> See Project Pipeline, "Drillbits and Tailings Vital Statistics: 10 Controversial Pipeline Projects," June 19, 2000, [[http://www.moles.org/ProjectUndersground/drillbits/5\\_10vs.html](http://www.moles.org/ProjectUndersground/drillbits/5_10vs.html)].

<sup>12</sup> See World Tibet Network News report, "B.P.& PetroChina," [<http://tibet-vigil.org.uk/bpamoco.html>].

indicate that China has already dug 527 deep oil wells in Xinjiang's Tarim Basin and from 8 of China's 14 oil fields in the Tarim Basin and that 20 million tons of oil has already been produced.<sup>13</sup> According to one report, China currently sits on 10.7 billion tons of crude oil and 8.4 trillion cubic meters of natural gas in Xinjiang alone.<sup>14</sup> However, these energy projects, like many other energy projects in the western region, have met with heavy resistance from environmental and human rights activists. A number of these groups have published attacks and staged protests at the headquarters of foreign energy companies investing in the numerous energy projects in China's west.<sup>15</sup> However, the enthusiasm of foreign energy companies has not waned as a result of these efforts. Despite ongoing tensions between corporations and activists, reports list several prominent companies, such as, Royal Dutch/Shell, ExxonMobil, Petroliam Nasional, and BP Amoco as primary bidders for contracts to build the Xinjiang-Shanghai pipeline.<sup>16</sup>

**Sichuan-Wuhan Pipeline and Wuhan Loop Pipeline.** The American energy corporation Enron Corp. is involved in several western China energy projects, including these pipelines. The company has a 45% stake in the Sichuan-Wuhan Pipeline project, a jointly developed (PetroChina-Enron Corp.) 765 kilometer pipeline set to be completed by the end of 2001. It has also signed a letter of intent with the Wuhan City Gas Office to develop, construct, and operate a gas receiving station called the Wuhan Loop Pipeline, which will be connected to the Sichuan-Wuhan Pipeline. This is a joint-venture project also, with Enron reportedly taking a 45 % stake.<sup>17</sup>

## Infrastructure Development

Beijing seems convinced that western development programs should focus on creating better access and conditions in the west for investors from China and abroad, with heavy focus on large infrastructure development projects. This policy has come under criticism from both economists and social and environmental activists.

**Xinjiang Model.** Beijing points to the Xinjiang Autonomous Region as proof of what infrastructure development can do for the economy. For example, Chinese leaders say Xinjiang has now formed what they call "three-dimensional trade channels of highway, railway, and air transportation," making it easier to get goods to border states in Central Asia and other international markets. Some Urumqi residents are

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<sup>13</sup> *China Business Information Network*, "China leads world in deep-reservoir oil exploiting," April, 26 1999.

<sup>14</sup> *BBC Monitoring Asia Pacific*, "China digs 527 deep oil wells in Xinjiangs Tarim Basin," April 26, 1999.

<sup>15</sup> For example, groups like Tibet Information Network, Project Underground, and World Tibet News Network continue to criticize western companies involved in the "Go West" campaign.

<sup>16</sup> See *quamnet.com*, "China's West-East Gas Line Admitted Two New Bidders," June 28, 2001, [<http://www.quamnet.com.cn/eng/readnews.jsp?nid+3130>].

<sup>17</sup> See *Enron International's Project Portfolio Asia/Pacific*, [<http://www.ei.enron.com/presence/asia.html>].



quoted as saying that railways will provide “cheap and reliable freight service [and] will boost trade” and possibly profits by ensuring access to outside markets to sell agricultural goods, textiles, and processed goods.<sup>18</sup> Government officials point out that since 1992, over 60 counties in the Xinjiang Autonomous Region have opened to the outside world. They also note that trade with Central Asia is booming and that over 400 border trade companies have been established taking in over \$800 million dollars. In 2000, the Xinjiang Uighur Autonomous Region registered \$2 billion in import-export trade, a 30% rise over the previous year. Beijing points out that Xinjiang border trade made up as much as 58 % of the trade volume in Xinjiang this past year.<sup>19</sup>

Still, development analysts question Beijing’s motives for focusing solely on building large and expensive infrastructure projects. They argue that Beijing should focus on building cheap local roads, which would help to link isolated Uighur communities together under a broader common market, and schools that could help to educate and train poor farmers and merchants. Furthermore, some ethnic minorities and western critics argue that construction of railroads, bridges, and large highways make it easy to move ethnic Chinese, troops, and military equipment into and out of the region, but these measures do very little to directly relieve poverty.

**Qinghai Tibetan Railway Project.** Another infrastructure project, with plans to employ more than 50,000 laborers and engineers, will link the cities of Golmud in Qinghai Province to Lhasa in Tibet. The 1,180 kilometer railway will be the longest and highest railway in the world, at an altitude in some places of over 4,000 meters.<sup>20</sup> The project has proven to be both technically and politically difficult, and has met with strong resistance from the exile Tibetan community and several non-governmental organizations around the world. Environmentalists argue that the railway is likely to severely tax the fragile Tibetan ecosystem by developing an industrial infrastructure, and by attracting scores of migrant workers and others seeking resettlement in areas with employment and economic opportunities generated by the project.

However, Ran Li, chief engineer with Ministry of Railways, stated that a “green belt” will be built along the railway and that there will be more bridges and passages built near Qiangtang, Hoh Xil, and other nature reserves in the area to protect animal and plant life. According to Ran and other Chinese officials, claims that the railway will be an “ecological disaster” are groundless.<sup>21</sup>

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<sup>18</sup> *BBC Monitoring Asia Pacific*, “China digs 527 deep oil wells in Xinjiangs Tarim Basin,” April 26, 1999.

<sup>19</sup> See farmchina.com, “Xinjiang enjoys brisk foreign trade growth,” July 20, 2001, [[http://eng.farmchina.com/whatsnew/N\\_Qcontent.asp?id=1000](http://eng.farmchina.com/whatsnew/N_Qcontent.asp?id=1000)].

<sup>20</sup> *South China Morning Post*, “Tibet Railway Study,” June 14, 2001.

<sup>21</sup> See Embassy of the Peoples Republic of China in the United States of America website, “Constructing Qinghai-Tibetan Railway Won’t Damage Eco-System,” [<http://www.china-embassy.org/eng/8323.html>].

## Ethnic Issues

**Cultural Expansionism.** The area of western China with the most international visibility is the Xizang (Tibet) Autonomous Region. In Tibet, a number of human rights, environmental, and cultural issues may intensify as the PRC government implements the “Go West” campaign. The western development plans for Tibet are seen by many activists and analysts as the final push to fully incorporate Tibet into mainstream China. Activists argue that the “Go West” campaign, if successful, will make it more difficult for Tibet to establish a higher degree of economic, political, and cultural autonomy from Beijing. Many Tibetan exiles, including the Dalai Lama, argue that the Chinese plan to develop the western regions will be “devastating” to the Tibetan way of life. The Dalai Lama’s Tibetan government in exile has come out strongly against the pipeline project in the Tsaidam Basin. Its leaders contend that this project will deplete Tibet’s natural resources with little benefit going to the Tibetan people. In addition, they argue, the project will employ a disproportionate number of Chinese, thereby increasing the Chinese “control and occupation of Tibet.” Furthermore, the Dalai Lama’s exile government argues that the western development campaign will increase the government’s justifications for maintaining control over Tibet by pumping in foreign money, Han Chinese migrants, and investing central government funds in heavy infrastructure projects.

However, in an attempt to silence its critics, Beijing cites recent economic statistics that show an increase in overall economic performance in Tibet. For example, they point out that over the last six years, Tibet’s annual GDP has increased by an average rate of 12.9 %, climbing well above the national average.<sup>22</sup> In addition, they point out that the average life expectancy rate today is 62 years, up from 36 years a half century ago. They also insist that in recent years, China has “permitted a basic level of religious freedom, and achieved major economic and social gains” in Tibet.

Reportedly, some Tibetans feel that “Go West” plans may bring economic development to Tibet, but doubt the plan will weaken Tibetan culture. They cite laws that forbid building around the sacred Jokhang temple as evidence that the government is becoming more sensitive toward Tibetan culture.<sup>23</sup> Others suggest that as China becomes increasingly aware of the economic value of tourism in Tibet and the dependence of the tourist industry in Tibet on Tibetan culture, the PRC may move further toward relaxing its repression of Tibetan cultural and religious practices.

**Qinghai Resettlement Project.** The PRC has also worked with the World Bank and other international development agencies to secure funding for projects in Tibet and neighboring Qinghai Province. One such project between the World Bank and China was the Qinghai Resettlement project. However, after an international campaign to bring attention to the plight of ethnic minorities in Tibet and Qinghai, the World Bank admitted it had failed to follow procedure on the project, especially with

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<sup>22</sup> See World Tibet Network News, “China’s ‘Go West Plan’ may threaten Tibet culture (UPI),” December 2, 2000, [[http://www.tibet.ca/wtnarchive/2000/12/2\\_2.html](http://www.tibet.ca/wtnarchive/2000/12/2_2.html)].

<sup>23</sup> Ibid.

regard to resettlement of ethnic minorities. On July 7, 2000, China, after being asked by the World Bank to reapply for the \$40 million project loan, unilaterally withdrew from the World Bank Qinghai Resettlement project.<sup>24</sup> The Qinghai Resettlement Project suggests that future western development projects may also be controversial. Although many Tibetan activists and exiled leaders sensed the Qinghai outcome as a victory over Beijing's western development drive, some analysts caution that Beijing will proceed with the western development campaign in any case, but that now it will try to avoid accepting loans that come with political strings attached. The Qinghai Resettlement controversy also caused Beijing to step up the effort to attract what it viewed as nonpolitical corporate investors to the western areas.

**Ethnic Tension.** Xinjiang has had considerable conflict over the last several years notably, ethnic conflict between Uighurs and Chinese, about which little has been reported outside the region. For instance, the largest riot in over 10 years occurred at Changan University between Chinese and Uighur students in July 2001.<sup>25</sup> Analysts caution that this riot, which included an attack with bricks and sidewalk pieces hurled through Uighur student dormitory windows, is just an example of more widespread ethnic tension in Xinjiang and foreshadows things to come.

Ethnically, Xinjiang province is made up of a mixture of Uighurs, Kyrgyz, Hui, and Kazakhs. These peoples are Turkic-speaking Muslims and close kin to the residents of the Central Asian states. Xinjiang is also home to a large number of ethnic Chinese migrants who have been moving with government encouragement to Xinjiang and other western provinces in large waves and creating growing resentment of what many minorities see as "sinofication" of their home land and cultures.<sup>26</sup> The increased percentage of ethnic Chinese as a portion of Xinjiang's overall population has risen by 32% in the last fifty years. Today, Chinese make up around 41 % of the 18.5 million population in Xinjiang. Prior to 1949 the Uighur ethnic group made up around 93 % of the population.<sup>27</sup> Given this population trend, many analysts and minority residents in Xinjiang believe that the "Go West" campaign will help to ensure that Chinese culture takes firm root in Xinjiang.<sup>28</sup>

**Economics and Ethnicity.** Beijing is also hoping that the "Go West" development program will raise living standards and fully develop Xinjiang's economy. The hope is that these measures will help to co-opt many of the ethnic minorities in Xinjiang looking for a better life and thus reduce their willingness to

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<sup>24</sup> See CRS Report RL30786, *World Bank Lending: Issues Raised by China's Qinghai Resettlement Project*, by Jonathan Sanford.

<sup>25</sup> *Christian Science Monitor*, "Roots of race riot in China's Wild West," July 18, 2001.

<sup>26</sup> The process of "Sinofication" is described as the government support for resettlement of ethnic Chinese majority people to the western region as a strategy to assimilate ethnic minority groups to Han mainstream Chinese culture. The overall goal of this process, according to critics, is to strengthen Beijing's influence and control over minority groups and the regions they inhabit.

<sup>27</sup> See People's Republic of China Year 2000 Population Census.

<sup>28</sup> See Human Rights Watch, "Xinjiang, China's Restive Northwest," 1998.

revolt against the central government.<sup>29</sup> However, most observers note that the “Go West” campaign has a long road ahead before living standards in Xinjiang truly can be raised. For example, in Urumqi, Xinjiang’s relatively well-off capital city, the per capita income is \$2,055, compared to more than \$4,000 in Shanghai Municipality on the east coast.<sup>30</sup> Some economists and China analysts argue that if China is serious about reducing poverty as a part of its overall western development campaign it should alter its tactics of funding primarily large infrastructure projects. Many analysts believe that if China made available microloans directly to the peasants and small and medium size merchants, this could stimulate growth much faster.<sup>31</sup>

A number of Chinese officials privately express doubts that rising living standards in Xinjiang will have a positive effect on Uighur-Han and Uighur-government relations. They fear that increased living standards will create a “bourgeois nationalist” group of Uighurs who will be able to better fund Uighur struggles for change.<sup>32</sup> These officials, cautious and cynical of government ideas about increased living standards leading to less Uighur resistance, cite Rebiya Kadeer,<sup>33</sup> a wealthy Uighur business woman, who was arrested when attempting to meet with a member of a U.S. congressional staff delegation visiting the area, as an example of what could happen with a more financially empowered Uighur community emerging in Xinjiang.

## Central Asian Concerns

On June 15, 2001, in Shanghai, the heads of states of China, Russia, Kazakhstan, Kyrgyzstan (Kirghizia), Tajikistan, and Uzbekistan, formerly known as the “Shanghai Five” and later the “Shanghai Forum,” released a joint-press communique describing what they called their intention to “raise the Shanghai Five to a higher level” and “build a regional organization of multilateral cooperation covering various fields.”<sup>34</sup> This joint communique announced that the new regional organization would be called the Shanghai Cooperation Organization (SCO). The establishment of the SCO, largely spearheaded by the Chinese, is seen by many observers as part of a security strategy to prevent Kazaks or Uighur separatists from using Central Asian states as a safety zone to plot separatist activities in Xinjiang. It is also seen as a Chinese attempt to eliminate Pan-Uighur or Pan-Kazak support and collaboration from the Uighur and Kazakh diasporas located primarily in Central Asia.

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<sup>29</sup> Ibid

<sup>30</sup> *South China Morning Post*, “Battling pollution and ethnic strife, Urumqi aims to become an economic power house: Hope rises amid dust and division,” June 1, 2001.

<sup>31</sup> *Business Week*, “Giving the Other China a Boost,” May 8, 2000.

<sup>32</sup> *Far Eastern Economic Review*, “Uighurs Need Not Apply,” August 23, 2001.

<sup>33</sup> See CRS Report RS20476, *China’s Xinjiang Uighur Autonomous Region: Current Developments and U.S. Interest*, by (name redacted).

<sup>34</sup> *BBC Monitoring Asia Pacific*, “China: Press communique of Shanghai summit,” June 16, 2001.

The Shanghai Five was initially a forum for China, Russia, and Central Asian states to settle border disputes, but by the end of the 1990s a shift in focus had occurred. Russia was prosecuting a second war in Chechnya, China began dealing with Uighur separatist movements that were becoming increasingly more violent, and a civil war was raging in Tajikistan. No longer were Central Asian states worried about Russian and Chinese “big power expansionism;” rather, they were worried about the spread of instability within their borders through exported international “Islamic fundamentalism.” As a result, the Shanghai Five countries enlarged their overall cooperation to include a fight against what China has called the “three evil forces” (terrorism, separatism, and extremism). When President Rahmonov of Tajikistan and China’s Jiang Zemin met to discuss the issues affecting the region just before the SCO summit, they agreed that the so-called “three evil forces” had become a major threat to security and development in the region<sup>35</sup>

In addition, Chinese leaders came to see the Central Asian states as a potential breeding ground for separatist movements, in part because of Central Asia’s ethnic make-up and additionally because of the example set by sovereignty gains of Uighurs and Kazakhs in the former Soviet Union. Subsequently, many Uighurs in Xinjiang began to resist what they viewed as Chinese “occupation,” instead desiring a future much like their Central Asian cousins who had gained their independence after the breakup of the Soviet Union.

Confirming the fears of most leaders of the Shanghai Five, in 1999, a high-ranking member of the Kazakh National Security Council, in testimony given to the Kazakhstan legislature, revealed his concerns about separatism and terrorism. He stated that Kazakhstan would face “increasing terrorism and conflict” spilling over from areas like Tajikistan, Afghanistan, and Chechnya. Of particular concern to the Chinese, the official testified that “Uighurs in Kazakhstan are trying to form terrorist and extremist organizations.”<sup>36</sup> In response to these perceived threats, the newly formed Shanghai Cooperation Organization has agreed to form an Anti-Terrorist Center in Bishkek, the capital city of Kyrgyzstan (Kirghizia). The Chinese foreign ministry spokesman, Zhu Bangzao, said that “this is an important measure aimed at jointly combating the ‘three evil forces.’”<sup>37</sup>

A number of analysts suggest that China has legitimate reasons to be concerned about the instability in Central Asia caused by international terrorism and separatist movements. These concerns were also echoed by members of the State Department during the Clinton Administration.<sup>38</sup> Chinese concerns about instability are listed by

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<sup>35</sup> *BBC Monitoring Asia Pacific*, “Chinese, Tajik, presidents discuss ties, regional security,” June 14, 2001.

<sup>36</sup> See CRS Report RL30294, *Central Asia’s Security: Issues and Implications for Congress*, by (name redacted).

<sup>37</sup> *BBC Monitoring Asia-Pacific*, “China: Spokesman on plan for anti-terrorist center against ‘3 evil forces,’” June 15, 2001.

<sup>38</sup> During a daily press briefing at the U.S. State Department, former State Department spokesman James Rubin responding to a question from a journalist about linkages between  
(continued...)

many analysts as major reasons behind Beijing's enthusiasm about the "Go West" campaign and the SCO. These analysts reject the claim presented by Beijing that the "Go West" campaign is a domestic program that stops at the border between China and Central Asia. They contend that China has plans to use the "Go West" campaign and SCO to increase its physical presence and sphere of influence in Central Asia by building infrastructure linking China and several Central Asian states, coordinating on anti-terrorist efforts at the center in Bishkek, and creating several other regional economic construction programs, such as natural gas exploration and pipeline construction in Kazakhstan.<sup>39</sup>

Some Chinese government officials express fears about the so-called "Balkanization" of the western provinces. Although this theory has been discounted by a number of China analysts and some members of the intelligence community, Beijing has not taken the threat of separatism lightly. Some Chinese government officials believe that if there is any possibility of state fragmentation occurring, it would likely take place in Xinjiang. In a report by the Tibetan Information Network, the Chinese economist Hu Angang states that "regional disparities in China are equal to or worse than what we saw in Yugoslavia before it split." Hu's comments seem to reflect the mood of most proponents of the western development campaign who believe that the "Go West" development strategy is needed to prevent "the worst case scenario"—China "fragmenting" like the former Yugoslavia—from happening.<sup>40</sup>

## Foreign Business Involvement

When the Chinese government announced that it was launching the western development campaign, many British and Canadian companies voiced their support in hopes of winning lucrative contracts in China's western region. In March 2001, Canada's Prime Minister, Jean Chretien, led a record-size 600-person delegation called "Team Canada" on an annual commerce and trade trip to China. Meetings between Canadians and "Go West" campaign officials, a highlight of this visit, were widely covered in the Chinese media. China Central Television broadcast numerous reports showing Canadian and Chinese companies signing deals giving Canada access to opportunities in the western region. On another official visit to China, the Canadian Prime Minister attended a luncheon with Zeng Peiyan, head of China's State Development and Planning Commission and head of the western development program. At the luncheon, Chretien said that businesses in Canada have already been active in the western development drive and that Canada intends to be a partner of China's in developing the western region. He stressed Canadian expertise in the areas

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<sup>38</sup> (...continued)

international terrorist groups, "separatists," and "fundamentalists" in Central Asia, said, "we [United States] do believe there are funds and equipment and support that exist between a number of these organizations including rebels in Chechnya and rebels throughout the former Soviet Union."

<sup>39</sup> *The Petroleum Finance Company*, "The Commercial Outlook for Oil in Kazakhstan," by Julia Nanay, April 29, 1999.

<sup>40</sup> World Tibet Network News, "China's 'Go West' plan may threaten Tibetan Culture (UPI)," December 2, 2000.

of mining, energy, transportation, telecommunication, and agriculture—several key sectors in the west believed to have enormous economic potential.<sup>41</sup>

**British Involvement.** The United Kingdom also has been highly visible and supportive of the “Go West” campaign during the past year. On February 5, 2001, the British Minister for Trade, Richard Caborn, attended a UK-China Pipeline Workshop. Caborn expressed his hope that the workshop would lead to “mutually beneficial partnerships” between the United Kingdom and China. He also expressed his strong support for Chinese efforts to develop the western regions.<sup>42</sup>

In another strong showing of support for the “Go West” campaign, the British Ambassador to China, Sir Anthony Charles Galsworthy, attended a meeting in Yunnan Province to promote two programs that the British government has launched in China. These two programs are the poverty-relief and sustained development program and the program on water management and hygiene, designed to address the issue of ecological preservation and protection in the western region. The British Ambassador stated that there are “numerous elite international enterprises, British ones included, [that] wish to invest in China’s west.”<sup>43</sup>

**Sino-German Cooperation.** On a trip to Berlin, Chinese Vice Premier Wu Bangguo stated that Germany has become a key partner in the areas of transportation, petrochemicals, and environmental protection. In response to those comments, the German Economic and Technology Minister, Werner Mueller, told Wu that businesses in Germany have a “strong desire to expand cooperation with China.” He said that the business community is interested in China’s western development strategy and “is ready to take an active part in it.”<sup>44</sup>

**U.S. Concerns.** Although U.S. companies are present in China’s western region, some analysts suggest that they may face more obstacles than European and Canadian companies participating in such sectors as energy, mining, and transportation. Minority groups, global activists, and interest groups have labeled many projects in these sectors as “exploitive” and “disastrous” toward the ethnic minority communities in the west. Analysts point out that the United States foreign policy establishment over the last several years has been more inclined than its European counterpart to link human rights issues with international trade and commerce. Furthermore, unlike European and Canadian government officials, U.S. officials have issued no strong policy statements in support of China’s western development campaign.

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<sup>41</sup> See farmchina.com, “Canada Expects to be China’s Partner in Developing West,” July 20, 2001, [[http://eng.farmchina.com/whatnew/N\\_Qcontent.asp?id=1280](http://eng.farmchina.com/whatnew/N_Qcontent.asp?id=1280)].

<sup>42</sup> See *China Today*, “Britain’s Pipeline to help China’s West,” April 2001.

<sup>43</sup> *BBC Monitoring Asia-Pacific*, “British envoy comments on eco protection in western China,” June 16, 2001.

<sup>44</sup> Xinhua News Agency, “Chinese Vice Premier Wu Bangguo holds talks with German economy minister,” by Lu Hong, June 20, 2001.

## Implications for Political Succession in China

Some China watchers and analysts believe a significant amount of the “Go West Spirit,” as it is being referred to by Beijing, is driven by those close to President Jiang Zemin. Analysts point out that Chinese leaders of the past (Mao and Deng) are both associated with some grand vision or grandiose program to assist China’s progress and development. They point out that Mao Zedong<sup>45</sup> will always be remembered as the founding father of “New China,” and that Deng Xiaoping will be remembered for his decision to open China’s economy to the outside world. However, analysts argue that President Jiang has yet to etch out any real development plan or program of his own. The argument is that he is seen as merely the leader who oversees the implementation of the Deng Era economic reform program. Therefore, analysts postulate, with the Chinese Communist Party’s 16<sup>th</sup> congress coming up in 2002 and the potential retirement of Jiang Zemin, the tempo and rhetoric of the “Go West Spirit” will continue to increase, as Jiang Zemin seeks to create a development program and legacy of his own.<sup>46</sup>

Other analysts point to the potential power struggles of succession and the background of Hu Jintao, the leader reportedly slated to replace Jiang Zemin, as the driving force behind the “Go West” campaign. They suggest Vice President Hu Jintao, who began his career in three of China’s innermost provinces, has a lot to gain from a successful western development drive. Analysts point out that Hu first served as the Deputy Chief of Construction in Gansu Province, and later served as party secretary in Guizhou (1985-1988) and Tibet (1988-1992). They see this as evidence of his possible guiding influence on the western development drive.<sup>47</sup>

When examining the “Go West” campaign and how it may help the succession possibilities of Hu Jintao, it may be useful to consider his power base. A review of Hu Jintao’s base shows that 5 out of 16 Communist Party rising stars of the so-called “4<sup>th</sup> Generation” of leaders are associates of Hu’s from his term as party secretary of Tibet. Zi Cheng and Danzim, two of those “4<sup>th</sup> Generation” CCP rising stars, are still party officials in Tibet, serving as Deputy Secretary/Political-Legal Secretary and Deputy Secretary, respectively. In addition to the Tibet officials, Hu also has strong ties to Mao Rubai, the CCP party secretary for Ningxia, another western province. Some have suggested that Hu intends to use his close associates in very strategic positions in the western region to help him advocate economic reform and development of China’s vast interior. If successful, the “Go West” campaign could help him to further consolidate power.

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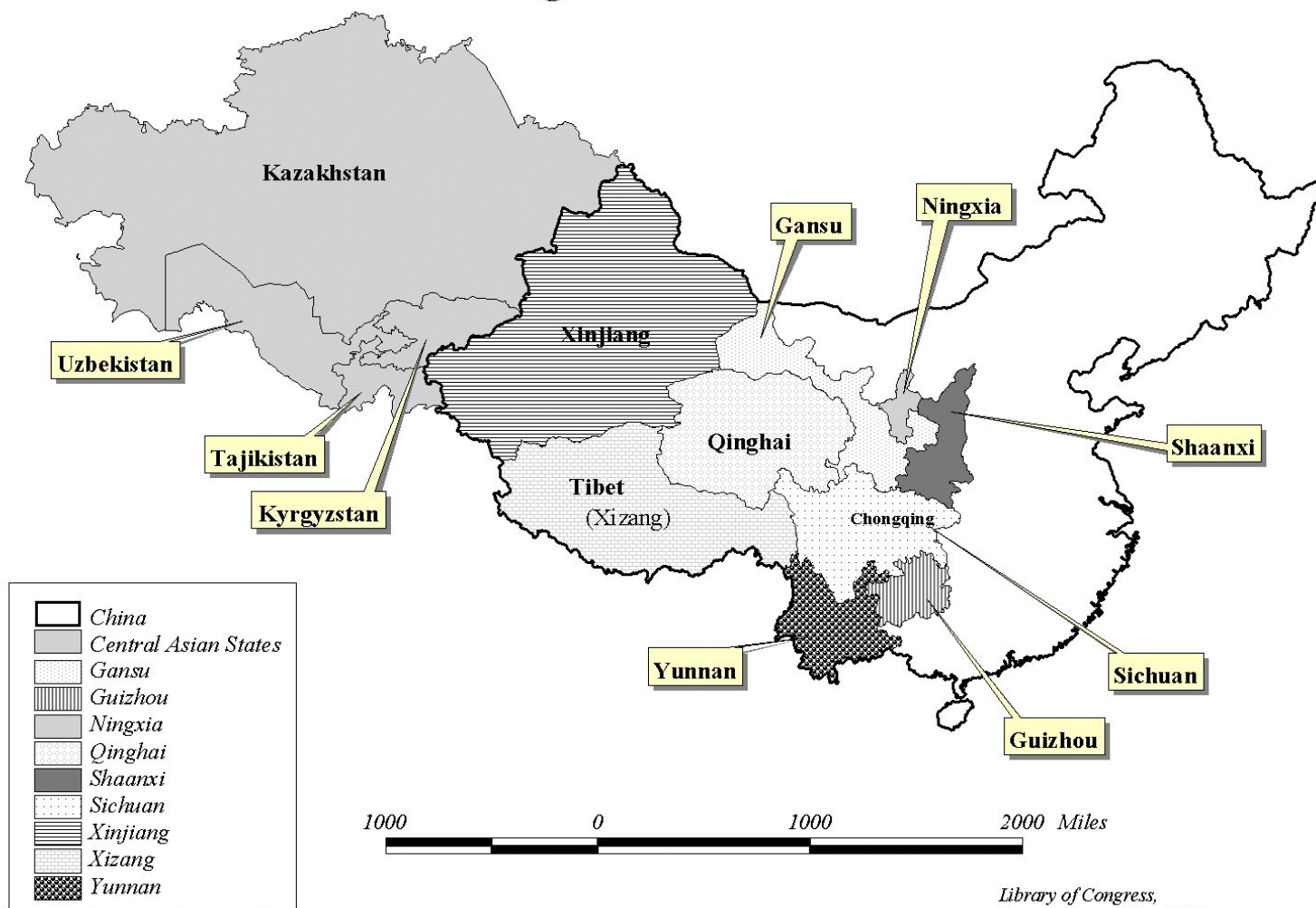
<sup>45</sup> Chairman Mao Zedong will also be remembered for the Great Leap Forward and the Great Proletarian Cultural Revolution. China analyst, historians, and many Chinese citizens consider both events to be unmitigated disasters. The Great Leap Forward’s aftermath reportedly killed and estimated 15 to 25 million Chinese.

<sup>46</sup> *The Economist*, “Go West, young Han,” December 23, 2000-January 5, 2001.

<sup>47</sup> See Woodrow Wilson Center for International Scholars Asia Program Special Report, *After Jiang, Hu? Can Hu Jintao Beat the “Successors Dilemma?”* by Murray Scot Tanner, June 2001.



## China's Western Region and the Central Asian States



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