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Path-dependent Reformation of the Local Economic Space:
Commercialization in Xishuangbanna, Southwest China

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ABSTRACT

This paper examines the driving forces of recent economic change in Xishuangbanna, a relatively developed ethnic minority prefecture in southwest China. Its above average achievement in economic growth draws greatly on commercial farming, tourism, and border trade. Certain events in recent local history are shown to have had important effects on the sectoral concentration of economic activities, the level of economic attainment, and the form and outcomes of institutional change in the era of market reform starting from 1978. The findings indicate aspects of path-dependency in economic change and illustrate difficulties and challenges faced by China's ethnic minority areas in overcoming economic backwardness.

**Key words:** Ethnic minorities, commercial farming, tourism, border trade, Xishuangbanna, China
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Introduction

A striking feature of China’s economic geography is the concentration of ethnic minorities (i.e., non-Han Chinese) in economically backward places (Leeming 1993; Linge and Forbes 1990). Totalling 55 according to official classification, these ethnic groups account for 9% of the total population and reside mostly in rural areas in inland or non-coastal border provinces, which occupy 64.2% of the country’s surface area in 1995 (Guojia tongji ju 1996, 55-56, 69). During the thirty years of state socialism practised after 1949, the socio-economic foundations of ethnic minorities’ traditional ways of life were fundamentally changed and replaced with a central planning system that fostered total dependence on the state (Riskin 1991). While the standard of living of minorities was gradually improved—largely through various state-aid programs (Huang 1993), there remained a wide gap in the level economic development between Han and minority areas (Lyons 1991).

In 1978 China entered a new era of market-oriented reform (Perkins 1988, 1994). Since then, minority areas have been faced with a formidable challenge in economic development. That is, with the weakening of administrative
allocation mechanisms, competition for resources and economic opportunities has intensified both within and between regions. To reconstruct their lives in the face of the increasingly competitive environment and growing resource constraint on state subsidies, ethnic minorities are compelled to undertake marketized economic activities. In so doing, they have to tackle the disadvantages associated with the spatial disparities (i.e., ethnic minority versus Han Chinese, rural versus urban, and inland versus coastal) in their local economies: underdevelopment of human capital, poor industrial and infrastructural facilities, and weak links to markets.

In this paper I examine how such unfavorable conditions have been dealt with in the recent economic development of Xishuangbanna, a minority prefecture in the southwestern province of Yunnan. What makes this prefecture noticeable is that since the late 1970s it has achieved faster rate of economic growth and much higher level of economic attainment than all the other minority prefectures as well as most of the non-minority prefectures in the province. Moreover, unlike that in the coastal region, Xishuangbanna’s recent economic change is characterized by a process of commercialization without concurrent industrialization. This path of development is greatly dependent upon several locality specific factors embedded in Xishuangbanna’s pre-reform history. They include a solid base of cash crop production developed by state farms, close interaction between Han and minority groups, a widely publicized image of the
place as an exotic land, and the development of extensive ties (through former local residents) with major economic centers of the country. Although these rather unique conditions are not readily available to China’s many other ethnic minority areas, investigating how their roles in trade and commerce have been played out may well reveal some useful clues to understanding the variations in the form and pace of economic change among minority areas as well as the challenges that they face in the reform era.

Figure 1 about here

Xishuangbanna’s economic space

Xishuangbanna means "twelve plains" in Dai (Ning 1986, 33), the language of the largest local ethnic group. Following the locals, in the discussion below I refer to the prefecture as "Banna," the short form for Xishuangbanna. One of the few localities in China that lie entirely below the Tropic of Cancer, Banna is situated in the far south of Yunnan province. It shares border with Laos and Myanmar (Burma). The Lancang River runs through Banna and continues, under the different name of Mekong River, onto Laos, Thailand, Cambodia, and Vietnam before entering the South China Sea. Famed for its picturesque scenery and diverse fauna and flora, Banna has fertile soil, mild and moist climatic conditions, and abundant mineral and water resources. Set up as one of the 7 "autonomous prefectures" of ethnic minorities
in Yunnan province in the early 1950s, it encompasses one city (Jinghong) and two counties (Menghai and Mengla). In 1995 the local population totalled 817,800, 74.1% of which were ethnic minorities in 17 groups (Yunnan sheng tongji ju 1996, 45-46). The largest ethnic group is the Dai, accounting for 35.1% of the local population (Ouyang and Che 1996, 661).

While rich in natural resources, Banna has long been isolated from much of the rest of the province by dense tropical forests and rugged terrain, and from international market by the national border with the underdeveloped and (until recently) closed economies of Laos and Myanmar. It is 750 kilometers southwest of the provincial capital Kunming. Road conditions have been poor and the Lancang River has been difficult to navigate. The Banna economy is little industrialized. Its mainstay consists of primary and tertiary sector activities. In 1995 they accounted for 43.7% and 37.9% of its gross domestic product (GDP) respectively, whereas the share of the secondary sector (i.e., manufacturing and construction) was only 18.4% (Yunnan sheng tongji ju 1996, 52). Before 1994, Jinghong, the prefectural capital, was classified as a county—a rural administrative center, instead of a city—an urban place (FBIS-CHI-053, April 21 1994).

Despite its far-off location from major economic centers and the underdevelopment of local industry, however, Banna’s economy has grown significantly since the late 1970s. From 1980 to 1990, its gross agricultural and
industrial output grew at the average rate of 9.1% per annum, which is higher than the provincial average of 7.8% (Yunnan sheng tongji ju 1987, 106, 110, 1991, 591, 594). During 1985-1995, the annual growth rate of Banna's GDP was 18.2%, exceeding that of the province's--13.8% (Ning 1987, 64; Yunnan sheng tongji ju 1996, 27, 599). Moreover, since the early 1980s, Banna's relative economic attainment level has consistently ranked third among the province's 17 prefectures, after Kunming (the provincial capital) and the Yuxi prefecture (the province's largest production center of tobacco--a high revenue product) (Yunnan sheng tongji ju 1989, 39, 1993, 611-613, 1996, 597-610). During 1982-1992, its per capita national income was significantly higher than the average level of all the minority prefectures (8 in total) and that of the province as a whole, as can be seen from the figures in Table 1. Although there remained a gap from the national average, it was much narrower than that of the provincial average, not to mention that of the average of the province's minority areas.

Table 1 about here

The leading sectors of Banna's economic growth since the late 1970s are commercial farming, tourism, and border trade. With the decline of the central planning system in the reform era, the farming sector has been commercialized and the local economy diversified. The most important cash crop in Banna is rubber, which accounts for more than 50% of the output value from the farming
sector and 80.2% of the rubber produced in Yunnan province (Yunnan sheng tongji ju 1996, 53, 310), China's second largest rubber producing province after Hainan. Other major cash crops and products include tea, spices, medicinal plants, sugar-cane, fruits, and cattle. Before the mid 1980s, revenue generated by tourism and border trade was negligible (Ning 1986, 33-35). But their subsequent growth has made them the second and third largest sources of revenue in Banna. In 1995, they generated 950 million yuan's and 850 million yuan's worth of revenue respectively, whereas the outputs from farming and industry were 1,580 million yuan and 800 million yuan respectively (Ouyang and Che 1996, 663; Yunnan sheng tongji ju 1996, 602, 644). The growth of tourism and border trade also has had significant linkage effects on other service activities and infrastructural development (Zheng 1993). From 1985 to 1994, for example, the number of telephones increased from 2,764 telephones to 25,000 (Ning 1986, 35, 1996, 504)). Radio broadcasting and television grew from non-existence before 1978 to covering 85% of the population in Jinghong, 61% and 91% of the population in Menghai, and 40% of the population in Mengla (Ouyang and Che 1996, 671, 676, 682). By the end of 1995 road connections had been made to all townships and more than 90% of villages (Ibid., 666).

To explain what drives Banna's rather impressive economic growth in the reform, I offer an account of the three pillar sectors of the local economy, i.e.,
rubber, tourism, and border trade. It reveals that certain historical events that occurred before the reform created conditions that have greatly enhanced the opportunity for Banna’s natural endowment to be turned into marketable assets since the late 1970s. In particular, recent economic growth has been closely related to the central role of state farms in the growth of rubber, the image of Banna as an exotic land widely publicized by the official media for political propaganda, and the active involvement of Han Chinese in trade and commerce.

State farms and rubber production

Before the founding of the People’s Republic in 1949, "slash-and-burn" agriculture was the predominant mode of production in most minority areas (especially among hill tribes) of Banna (Yunnan sheng tongji ju 1989, 406). That was changed in the mid 1950s when land and forest were nationalized and people’s communes were set up to reduce shifting cultivation and organize agricultural production according to state plans. More importantly, nearly 30,000 army soldiers and peasants, both Han Chinese, were drafted by the government from Hunan and Sichuan provinces to work in newly formed state farms (Zheng 1993). The main crop grown by those farms was natural rubber, which was only produced on the Hainan Island (the southernmost area of China) at that time. In the face of an increasingly hostile international environment in the wake of the Korean War (1950-1953), the Chinese government was eager
to establish a second rubber production base for import substitution. Banna was identified as a potential area for the undertaking because of its southern location and mild weather conditions. Defying the conventional view that rubber could only be grown in areas below 10 degrees north and south latitudes and less than 200 meters in altitude, a group of Chinese scientists experimented with ways of growing rubber in Banna and neighbouring areas of Yunnan, which lie between 18 and 25 degrees of north latitude, with the highest altitude of 1,040 meters (FBIS-CHI-95-037, February 24 1995). After a faltering start, success was made in overcoming the climatic constraints and growing rubber trees on the hilly slopes that are far away from their equatorial habitat and termed by one analyst (Chapman 1991) as the "ecological margin" for the plant.

That success was of considerable importance. Politically, it represented an achievement in "self-reliance" and gave a boost to the leadership’s defiance to China’s international isolation. Economically, it opened up an opportunity for China to expand domestic production of rubber. In the years that followed, large amounts of human, financial and physical resources were allocated by the government to Banna for the development and expansion of rubber plantations through state farms. Under the provincial Bureau of State Farms and Land Reclamation, a total of 10 state farms were set up in Banna to produce rubber as their primary product, along with some sideline products, such as tea, spices, and fruits. In 1974, their employees in Banna totalled 90,400, including 50,000-
60,000 so-called "sent-down youths"—middle school graduates sent by the government from urban areas to do farm work in the countryside during the late 1960s and early 1970s (Bianxie zu 1990, 188-189). In 1983 the size of the work force increased to 117,000, and the cumulative government investment amounted to 540 million yuan (Ibid.). By the mid 1980s, state farms took up about 26% of Banna’s cultivated land and possessed 55% of the mechanized farm equipment (Ibid., 537). In addition, 7 research centers had been set up to study tropical plants and provide technical support for the state farms. They include the Tropical Plant Scientific Research Institute of the Chinese Academy of Sciences, the Provincial Tropical Crop Research Institute, and the Medicinal Plant Exploitation Research Institute of the Chinese Academy of Medical Science, among others (Ouyang and Che 1996, 661).

Although the administration and revenue of state farms were both controlled directly by the provincial government instead of the local (prefectural, county, and township) governments, their existence and growth had important implications to Banna’s economic growth in the reform era. The gestation period of rubber production is 8-9 years (Chapman 1991). The expansion of rubber trees planted in the 1960s and 1970s prepared a large base for the significant increase of rubber output (counted as local economic output in official statistics) tapped in the 1980s and 1990s. More importantly, the development of rubber-growing techniques by state farms and research institutes
made available a transferrable resource to local farmers who, under the pre-reform system, had little freedom in cropping decisions and were required to concentrate on grain production instead of cash crops (Gao 1991). In 1978, the total size of Banna’s rubber fields was 706,458 mu (1/15 ha.), of which only 11,000 mu was cultivated by non-state-farm producers (Yunnan sheng tongji ju 1989, 407). Since then, however, rubber fields cultivated by local farmers have drastically expanded. In 1994, the total acreage increased to 1.4 million mu, of which 600,000 mu was cultivated by local farmers, most of whom are ethnic minorities (He 1995, 466).

A major driving force of such expansion comes from Banna’s local governments, which have gained increasing autonomy in decision-making in the reform era. Concerned about their limited revenue bases (to which the financial and career rewards of local officials are directly linked), local governments have encouraged farmers to expand their activities into rubber and other cash crops on the small holdings of farm and forest land that they contract out from local authorities. At the same time, price control has been reduced to provide, along with tax credit, incentives for grain farmers to increase grain output and prevent a drop in supply after the massive shift to rubber production. On the other hand, local governments have pressurized state farms for financial and technical assistance to local farmers in rubber production. While state farms are financially and administratively independent of the local governments, they rely
on the latter for the use and requisition of additional land, the supply of subsidized grain, and the provision of a wide range of social services (e.g., children’s education, health care, and utilities). With their increased decision-making power in the reform era, local governments have become more assertive to state farms. In 1980 when the then General Party Secretary Hu Yaobang toured Banna, local leaders complained to him about the lack of trickle-down of gains from state farms and, citing incidents of sabotage of state farm assets by some hill tribes, alluded to the potentially damaging effect of this on ethnic relations (author’s interviews). Hu instructed the provincial government to address the complaints. Under pressure, state farms made concessions. They agreed to contribute 6% of their annual profits to local governments as fund to support local farmers for the expansion of rubber production and growth of cash crops. From 1980 to 1988, such fund totalled 21.34 million yuan (Yunnan sheng tongji ju 1989, 407). In addition, free consultation and technical services were provided to local rubber farmers by state farms and the research institutes based in Banna.

Although rubber production on small holdings lacks the kind of economies of scale that may be achieved on large holdings under state farms (Chapman 1991), the shortage of rubber in domestic market and the freedom that Banna’s local governments have granted to rubber farmers in production and sales still bring significant gains to production on small holdings. In fact, the expansion
of local farmers' rubber production has had a stimulating effect on state farms. While the production in state farm has been subject to state plan and price control (FBIS, July 19 1988, ), the production by local farmers does not. The higher prices fetched by local farmers for the rubber that they sell in the market has induced state farms to introduce changes in their management system. Since the late 1980s, they have adopted a profit-sharing system that contracts out rubber (and other cash crop) fields to state farm employees and allows them to keep a large part of the profits for the output produced beyond state plan and sold in the market (He 1993, 141). This has significantly boosted the output of state farms. From 1978 to 1995, the total output of dry rubber increased from 13,479 to 104,800 tons while the total size of rubber fields doubled (Yunnan sheng tongji ju 1989, 407; Ning 1996, 503).

In addition, the influx and settlement of large numbers of former soldiers, migrants, and urban youths—all Han Chinese—as a result of the establishment and expansion of state farms in Banna have increased opportunities for ethnic minorities to interact with Han Chinese. Many of them, especially those living in the plains (such as the Dais), have learned simple Chinese; some Han Chinese have also grasped the basics of minority languages (author's interviews). In 1979 the majority of the urban youths sent to Banna's state farms during the Cultural Revolution (1966-1976) returned to their home cities. To fill in the manpower gaps, state farms recruited large numbers of ethnic minorities from
nearby villages, furthering the interaction between Han and minorities (Zheng 1993, 239). The resultant enhancement of mutual understanding and improvement in communication have not only paved the way for the spread of farming techniques from state farms to ethnic minorities, but also provided an important condition for the development of trade and commerce in the reform era, to be discussed below.

**Tourism**

Banna is well endowed with resources for tourism. Mild weather, picturesque tropical scenery, and diverse cultural attributes (costumes, festivals, architecture, and temples) of the ethnic minorities combine to make it an attractive destination for tourists. But development of tourism in Banna is a recent phenomenon. In 1978, Yunnan province as a whole had only 1,284 foreign tourists, few of whom visited Banna (FBIS, August 16 1989). In 1984, Banna received 1,536 foreign visitors and 20,000 domestic visitors (Bianxie zu 1990, 579). In 1989, the year before the Banna airport was completed, 3,969 foreigners visited Banna (Ning 1990, 592). After that, the number of tourists increased significantly. In 1995, the total number of foreign tourists reached 23,600, plus 1.51 million domestic tourists (Ning 1996, 503). There were 41 tourist hotels (6 of which were star-graded by the national tourism authority), 104 travel agencies, and a total of 20,000 people engaged in tourism-related
activities (Ouyang and Che 1996, 662).

While it is difficult to establish that Banna is necessarily more attractive than other scenic spots in China, its widely publicized image as an exotic land in a remote corner of the country has few rivals. That image was created in the pre-reform era by the official media for political propaganda, and has become a most important asset for the local tourism industry since the early 1980s. In 1961, Banna was chosen as the meeting place for talks between top Chinese and Burmese leaders. After the meeting, the Chinese Premier Zhou Enlai toured the prefecture and took part in the water-sprinkling festival of the local Dai. That event was captured by the official media and extensively publicized through radio, documentary films, and various publications as a symbol highlighting well preserved ethnic cultural traditions and showing the leadership's caring attitude toward ethnic minorities (Huang 1993). Life in Banna under the state's minority policy was portrayed as free, colorful, and joyous. Such an image, cast in tropical scenery, contrasted sharply with the predominantly Spartan way of life in China. It was further mystified by Banna's inaccessibility to the rest of the country. The political symbolism of Banna was such that when the new Beijing International Airport was constructed in 1979, a group of faculty members at the Central Fine Arts Institute was commissioned to paint a huge mural in the terminal building. It was entitled "the Water-sprinkling Festival--Eulogy of Life," featuring Banna's exotic natural and human scenes (including depictions
of half-naked, bathing women). Again, much fanfare was made about that event by the national media (Hua 1979).

As the country moved away from ideological indoctrination to economic development in the 1980s, the publicity that Banna received in the previous political climate became an important economic resource. It was not only a powerful marketing tool for attracting tourists but also an effective lever in the competition for resources. Pointing to the potential of becoming a major center of tourism as promised by Banna’s well known image, local leaders appealed to provincial and higher level authorities for resources to overcome the biggest hurdle to attracting tourists to Banna, namely, its inaccessibility (Zheng 1993; author’s interviews). That effort succeeded. In 1985, Jinghong and Menghai counties were designated by the central government as areas open to foreigners (Zheng 1993, 222). Road conditions have since been gradually improved (Ouyang and Che 1996, 665). More importantly, construction of an international airport (the province’s second largest, after Kunming, the provincial capital) was started in 1986 and completed in 1990. In the five years that followed, the airport handled 600,000 passengers and steadily increased the number of flights per week from 8 to 52 (FBIS-CHI-104, May 29 1995). The air links shorten the time for travelling between Banna and Kunming from 3-4 days by bus to a 45 minute flight (FBIS-CHI-95-104, May 29 1995). With connections to major cities in southern and southwestern China (FBIS, April 8
1990), the airport was authorized by the State Council to be open to foreign flights in 1995 (Ning 1996, 126). In 1996, direct flights were available between Banna and Bangkok.

At the same time, local governments have sought to attract foreign and domestic capital to Banna with its image as the "botanical garden of China" and "the country's most exotic zoo" (Hsieh 1993, 159). This has been coupled with various policy incentives to investors. In Mengla county, for example, tax holidays of 3-8 years have been offered for those investing in tourism and development of tourism facilities, along with low land use fees and possible extension of the tax holidays for projects located in underdeveloped ethnic minority areas (Ge 1995, 220-221). By 1995, 177 domestic and international investment projects had been approved or under way, involving a total of 1.106 billion yuan and mostly concentrating in tourism related activities (Ouyang and Che 1996, 667).

**Border trade**

Concurrent with the development of tourism has been the growth of trade in Banna's border areas. Although trade existed in Banna for a long time before 1949, it was dominated by Han Chinese from outside the region and never constituted a major element in the economic life of the local ethnic groups (Bianxie zu 1990, 169-177). After the social and economic transformation of
the mid 1950s, private commercial activities were eliminated. Through its procurement and supply network, the state exerted total control over the distribution and sales of goods and services (Gao 1991). In the reform era, however, state monopoly in trade has declined. By 1988, 50 commodity markets for free trading had emerged in Banna (Yunnan sheng tongji ju 1989, 410). In 1994, about 60% of the retail sales was transacted in the private sector (Ning 1995, 503). More importantly, since the mid 1980s trade has become increasingly active in the border areas between Banna and its foreign neighbours--Myanmar and Laos--and, as indicated above, grown into the third largest sector of Banna’s economy.

The expansion of border trade in Banna is part of the growing internationalization of Yunnan’s economy as a result of several concurrent developments (d’Hooghe 1994). With the marketization of China’s economy since the late 1970s, more and more goods have been produced beyond government plans and sold in markets. As the benefits from the opening up of the coastal region became evident in the mid 1980s, the central authority relaxed restrictions on trade between China’s border provinces and their foreign neighbours and delegated the authority of regulating border trade to the local authorities. Faced with the comparative disadvantage of having no sea ports, Yunnan’s local governments seized upon the opportunity to develop direct links to the international market. On the other hand, the once confrontational political
relations between China and southeastern neighbours such as Laos and Vietnam were eased in the late 1980s. Moreover, these countries, along with Myanmar which has had good political relations with China, have been undergoing market-oriented reforms and increased the openness of their economies. In addition, Thailand’s economic took off in the 1980s and Thai leaders wanted to turn Indo-china into an integrated economic region where the country could play a central role (FEER December 22 1994).

Taking advantage of its 966-kilometer long border with Myanmar and Laos, Banna has joined other border prefectures of Yunnan in the effort to explore the newly available economic opportunity. When the prefectural capital Jinghong was upgraded from a county to a city in 1994, local leaders expected to build it "into a regional, open, and modern commercial and trading port city geared to Southeast Asia, as well as an international tourism city" (FBIS, April 13 1994). Tax incentives (50% cut in income tax) have been offered to commercial organizations engaging in border trade (Ouyang and Che 1996, 220-221). By mid 1996, 3 national level ports of entry (Banna airport, Jinghong port, and Muohan port) and one provincial level port (Daluo) had been established in Banna (Ibid., 662).

Given that the economies in Indo-china (except for Thailand’s) are not highly developed, the volume of their trade with Yunnan tends to be limited, and competition between different border areas of Yunnan is keen. Unlike the
Dehong Prefecture that has a state highway from Kunming to its border with Myanmar and the Honghe Prefecture that has a railway from Kunming to its border with Vietnam, Banna has faced the challenge of inadequate transport infrastructure. While pushing for and consequently benefiting from the construction of the airport, Banna’s local governments have made considerable efforts to tap the waterway of the Lancang-Mekong River. The 4,880-km-long river is the longest in Southeast Asia, with 2,151 km of its upper reaches in China. But navigation in Banna’s section has been difficult because of sharp drops in the altitude of waterbed formation and existence of huge rocks in the waterway. From 1989 to 1995, 18.31 million yuan were raised by local governments to improve navigation conditions in the river, resulting in the increase of navigable waterway from 186 km to 290 km (Ning 1996, 202). From 1990 to 1994 international cargo shipped through the Lancang River increased from 500 to 43,000 tons (FBIS-CHI-96-127, June 21 1996).

When border trade was first started in the mid 1980s, barter was the main form of transaction aimed primarily at meeting mutual needs. In the ensuing decade, however, it expanded and developed into a re-export trade with accounts settled in Chinese currency (Renminbi) (FBIS-CHI-94-005, January 9 1995). The main exports include cigarettes, textile products, sugar, machinery, building materials, electronic products and hardware, whereas imports include farm and sideline products, forestry products, minerals and aquatic products (FBIS,
October 20 1994, February 13 1995). Since the sources of exported goods and
destinations of imported goods lie largely outside of Banna, the volume of
border trade depends greatly on the demand and supply from other parts--
especially major economic centers--of the country. Banna's connections to these
external markets have been developed and maintained by a growing number of
traders, most of whom are Han Chinese (Hsieh 1993). Moreover, many of these
traders are former Banna residents.

A major legacy that Banna has carried over from the pre-reform era is a
vast social and economic network involving numerous former employees of state
farms. Many of them were urban youths who, after graduating from middle
schools, were sent by the government from Shanghai, Beijing, and large cities
in Yunnan, Sichuan, and Hunan to work in the state farms in Banna during the
Cultural Revolution (1966-1976). Most of them left Banna in the late 1970s,
but some came back in the mid and late 1980s to explore the economic
opportunities in Banna's opening up (YNRB, May 8 1993, May 1 1994). In
view of the vital importance of trade connections with domestic economic
centers and the instrumental role played by former Banna residents in this
regard, in recent years Banna's local governments have also reached out to re-
establish and expand contacts with former local residents. Reunion events were
organized for former "sent-down youths" to revisit Banna and to develop
commercial ties with their home cities (YNJB, July 26 1992, January 9 1994).
Such efforts have achieved some concrete results. Although there are no official statistics on the total number of returnees, local officials estimate that they make up at least one third of the more than 40,000 temporary residents in Banna (author’s interviews). Using their local contacts and knowledge as well as the social networks in their home cities, they have helped arrange trade connections with other localities of the country and become a major driving force in the rapid growth of the tertiary sector.

Discussion

Banna’s recent path of economic growth in the broad context of China’s reform and opening and the changing external environment in Indo-china has been shaped by a series of historical events. Like other minority areas, Banna underwent drastic transformation under state socialism after 1949 and faced the same challenge of adapting to economic marketization in the late 1970s (Gao 1991). But the socio-economic legacies that Banna carried from the pre-reform era were different from those in many other minority areas because of variations in the way local economies were remoulded during the thirty years of central planning and political control. Such legacies have had a direct bearing on the form and outcomes of development in the reform era.

First, Banna’s sectoral concentration of economic activities has been patterned by an opportunity structure grounded in certain unique pre-existing
conditions. The lack of a viable industrial base and the initial comparative advantage in tropical farming confined market-oriented production activities to cash crops. The recognition of the potential for tourism and the availability of the wind-fall publicity propelled the efforts to promote the development of that sector. The rise of the opportunity for border trade, the enhancing effect of pre-existing social networks on Banna's ability to gain from it, and the linkage effects of tourism combined to further the expansion of the tertiary sector. All these factors constrained the drive and means for industrial development. The result is a commercialization of the local economy without a concurrent process of extensive industrialization. This stands in contrast to the haphazard industrialization strategies pursued by some minority areas where no apparent locational advantage was furnished by their recent history (FBIS-CHI-95-205, October 24 1995).

Second, the outcomes of Banna's path of development hinge in large part upon the effects exerted by certain pre-existing conditions on the interactions among the local people and on the tackling of the disadvantages in minority areas--low level of education, poor infrastructure, and weak market links. In Banna, the underdevelopment of human capital has to certain extent been offset by the settlement of large numbers of better educated Han Chinese, their close interaction with ethnic minorities, and the presence of applied research facilities. These factors have greatly facilitated the development and spread of knowledge,
skills, and locally relevant techniques, thereby contributing to the growth of cash crops. Furthermore, local leaders' shrewd use of the image of Banna as an exotic land to attract tourists and compete for resources has brought about important improvement in local infrastructure, which in turn benefits local economic growth. In addition, Banna's peculiar recent history of settlement and migration paved the way for the development of extensive ties with major economic centers of the country. The resultant strengthening of Banna's ability to gain from the increasingly competitive border trade has been a major boost to local economic growth. While the above conditions are not widely available to many minority areas in China, there are some localities (e.g., in Xinjiang, Neimenggu, and Heilongjiang) where similar circumstances exist and above average economic growth has been achieved (Huang 1993). Thus Banna's experience indicates both the difficulties faced by minority areas as well as certain forces that account for the variation in the form and outcome of development among them.

Third, despite Banna's overall economic achievement in the reform era, intra-regional disparity in the distribution of economic outcomes has persisted as a result of the unequal starting points (in terms of language ability, education, employment history, and social capital) and consequently uneven adjustments among different local ethnic groups. While the interaction between local minorities and Han Chinese has benefited both, greater economic gains accrue
to the latter, who have not only continued their leading position in cash crop production but re-established their dominance in trade and commerce. Although Han Chinese only make up one fourth of the local population, they constitute the majority of the business elite (Hsieh 1993; author’s interviews). Even among the lower stratum of cash crop farmers, Han Chinese’s per capita income is estimated to be 2 or 3 times higher than ethnic minorities’ (author’s interviews). There is enormous variation among minorities too. The Dais, who mostly settle in the plains and have closer interactions with the Han Chinese, have fared far better (with per capita income close to Han Chinese’s) than many other minority groups (Henin and Flaherty 1994), especially hill tribes that have gained much less from the spill-over effects of state farms and development of trade and commerce. In 1996, there were still 50,000 hill tribe minorities living with a per capital annual income of less than 500 yuan, which was far below the prefectural average of 1,200 yuan for peasants (author’s interviews).

Finally, the form and outcome of institutional change in Banna are both closely related to its recent history. A central economic institution in the prefecture is the state farm system. It is an administrative and financial enclave under the direct control of the provincial authority which, in order to keep its vested interests, has refused to localize the control and revenue rights over state farms. As discussed above, inability of the local governments to make significant gains from the state farms has been a major driving force behind
their adoption of a series of revenue-increasing measures in the reform era, including the price, tax, and decision-making incentives for local farmers to expand into rubber and other cash crops. These new measures have in turn stimulated reforms among state farms. But the institutional change introduced by Banna's local governments along this path has also produced certain consequences that have profound implications to long-term local economic growth. The latitude granted by local governments to small holdings in the expansion of rubber production has led to a doubling of rubber fields within 15 years. Such fields have much lower vegetation density than natural forest. Also, processing rubber produces polluted (and mostly untreated) water, requires at least twice as much open space as growing rubber, and consumes large quantity of wood as fuel due to Banna's deficiency in coal (Hsieh 1993; Yao and Zhang 1994). Consequently, the rapid expansion of rubber has added to the already serious problem of deforestation (Ibid.). From the early 1950s to the early 1990s, the coverage of forests decreased from nearly 80% to less than 30% of Banna's surface area, resulting in a significant drop in the level of humidity (Yao and Zhang, 36-39; 79). Such reduction of natural forests and climatic change not only affect rubber growth itself, but also bring damage to Banna's scenery (Hsieh 1993), which is a vital resource for tourism, the second largest local industry. As the ecological environment further deteriorates, this once well endowed land may be deprived of its capacity to support those who seek to
benefit from it.

Notes

1. Different indicators are used for this discussion because of the lack of temporally consistent and complete output data released by Yunnan's local governments and because of the changes in government statistical indicators. Prefecture-level national account data are not available for the years before 1982. Since 1992 the indicator "national income" (i.e., value-added in agriculture, industry, construction, commerce, transportation and communications) has been replaced by "gross national product," which includes all the values contained in "national income" as well as value-added in other sectors (e.g., banking, utilities, education, and cultural activities) (Guojia tongji ju 1994, 49). Only limited prefecture-level GDP figures for previous years (the earliest being 1985) can be found in government publications since 1992. Based on available data, three 11-year periods (i.e., 1980-1990, 1982-1992, 1985-1995) are used here to provide meaningful time frames in which to make comparisons on the trend of change.

2. The discussion below draws on documentary research, and on interviews with officials, entrepreneurs, scholars, and ordinary residents in Banna and Kunming, conducted by the author during 3 three-week trips to Yunnan in April and June of 1996 and June of 1997.
References


*FEER (Far Eastern Economic Review).* Various issues.


Henin, Bernard, and Flaherty, Mark. 1994. Ethnicity, culture, and natural


YNRB (*Yunnan ribao*) (Yunnan Daily).

YNJJB (*Yunnan jingji bao*) (Economic News of Yunnan).


Table 1. Comparisons of Xishuangbanna’s economic attainment level

<table>
<thead>
<tr>
<th>year</th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Xishuangbanna's per capital national income (yuan in current price)</td>
<td>I as % of Yunnan’s provincial average</td>
<td>I as % of the average of Yunnan’s minority prefectures</td>
<td>I as % national average</td>
</tr>
<tr>
<td>1982</td>
<td>367</td>
<td>123.7</td>
<td>___*</td>
<td>87.6</td>
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<tr>
<td>1983</td>
<td>434</td>
<td>136.2</td>
<td>___</td>
<td>94.4</td>
</tr>
<tr>
<td>1984</td>
<td>478</td>
<td>131.4</td>
<td>___</td>
<td>88.3</td>
</tr>
<tr>
<td>1985</td>
<td>579</td>
<td>137.5</td>
<td>144.5</td>
<td>87.3</td>
</tr>
<tr>
<td>1986</td>
<td>673</td>
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<td>92.1</td>
</tr>
<tr>
<td>1987</td>
<td>731</td>
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<tr>
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<td>151.1</td>
<td>81.2</td>
</tr>
</tbody>
</table>

* Note: Data for computing the figures for 1982, 1983, and 1984 are incomplete.

Figure 1. Xishuangbanna, Yunnan, China