

RESEARCH ARTICLE

Economic Development in West Sichuan: The Case of Daocheng County

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Abstract

Economic development of a remote, mountainous region poses a challenge anywhere. Based on field research and documentary evidence, this article examines how such a development challenge has been addressed in Daocheng county, Ganzi Tibetan Autonomous Prefecture, Sichuan province. In doing so, it investigates the different forms of economic development, how such development comes about, and the role played by government in economic development. The article also probes the broader socio-economic consequences of economic development. The fact that Daocheng is a predominantly Tibetan county adds a nationality dimension to the issue of economic development.

摘要

偏远山区的经济发展在任何地方都是一项挑战。基于实地调查和文献证据，本文考察了四川省甘孜藏族自治州稻城县如何应对发展挑战。有哪些经济发展形式，而经济发展是如何实现的？政府在经济发展中的作用是什么？经济发展的更广泛的社会后果是什么？藏族是稻城县的主要人口群体，给经济发展增加了民族问题。

Keywords: economic development; underdeveloped regions; western development programme; tourism development; fiscal transfers; Tibet

关键词: 经济发展; 欠发达地区; 西部大开发; 旅游发展; 财政转移支付; 西藏

Around 2010, noticeable changes occurred on the Tibetan Plateau in west Sichuan, the People's Republic of China (PRC). Road access and electrification began to reach even the remotest villages. Some families sold their livestock, previously their sole source of income. Large Tibetan houses were under construction. These are signs of a thriving economy and suggestive of successful economic development. But economic development of a remote, mountainous region with a predominantly traditional agricultural society does not come easily.

Economic development is commonly understood as the process of improving the standard of living and well-being of a population by raising per capita income or, equivalently, gross domestic product (GDP) per capita. This is achieved by shifting from low-technology agricultural activities – characterized by relatively low value-added per person – to the production of industrial products and a range of services using modern technology.¹

This paper examines how the challenge of shifting to a higher value-added economy has been met in west Sichuan. Three sets of questions guide the inquiry: what forms of economic development are there and how does this development come about? What is the role of government in economic development? What are the broader socioeconomic consequences of economic development?

¹ Pearce 1986.

The article focuses on Daocheng county 稻城县 (Tibetan: འདབ་པ་རྫོང་),² located in the Eastern Kang / Kangba 康 / 康巴 (Kham, བཅས་པ་) region of Tibet,³ in the south of today's Ganzi (or Garzê) Tibetan Autonomous Prefecture 甘孜藏族自治州 (དགཀར་མངེས་བོད་རིགས་རང་སྐྱོང་ཁུལ་) (Ganzi TAP hereafter). The county's administrative centre, Jinzhu town 金珠镇 (བཞེང་ས་འགྲུབ་ རྫོང་རྒྱལ་), an agglomeration of previous agricultural hamlets, is located 434 kilometres south-west of the prefectural capital, Kangding 康定 (Dartsedo, དར་རྩེ་མངོད་), and 761 kilometres south-west of the provincial capital, Chengdu.⁴

Daocheng is a sparsely populated, desolate high-altitude county with a wind-swept, rocky plateau in the north, a wide central valley in which Jinzhu is located, and an inhospitable mountain range cleaved by deep valleys in the south. Cultivated land makes up only 0.6 per cent of Daocheng's land area and pasture covers more than half of this area. The average annual temperature in Jinzhu, at an altitude of 3,800m, is 4°C (39°F). Of the county's 32,709 official residents in 2015, 96.5 per cent were Tibetan.

Field research was conducted in spring and summer of 2016, spring 2017 and autumn 2017, and mostly comprised informal, unstructured interviews and observations.⁵ Owing to the political sensitivity of the region (obtaining official approval for research in the region is difficult if not impossible), a preference to preserve the researcher's independence and past experience with officials' reticence on matters that might be considered sensitive, field research was conducted without affiliation with a mainland institution and contact with local officials was kept to a minimum.⁶

Archival data derive from the *Sichuan Yearbook*, which has a section on each county in the province, the *Ganzi Prefecture Yearbook*, which provides further details on prefectural and county-level events, policies and the year's achievements, and the *Ganzi Statistical Yearbook*, which reports numerical data. Government-maintained websites also provide data. The problem is not so much a lack of information as a surplus of information, much of it difficult to evaluate and some of it invalidated in the field. A large English-language literature covers all aspects of life on the Tibetan Plateau.⁷

Much of the economics underlying this article is relegated to appendices available as supplementary material online. This allows the article to focus on key economic features rather than on the numbers and derivations that led to the identification of these features in the first place.

The Development Challenge

Classical economists believed that a laissez-faire economy with division of labour was the key mechanism for economic growth. But, by the 1940s, it had become apparent that economic development does not materialize miraculously out of thin air. Developmentalist economists thus began to study country-specific experiences in an attempt to gain a better understanding of the process of economic development. This article investigates the process of economic development in Daocheng within the framework established by developmentalist economists.

Developmentalist economists came to regard industrialization as key to economic development because external economies (firm-external benefits that arise from the general growth of an economic sector) are greater in industry than in agriculture. Paul Rosenstein-Rodan argued that the

2 Also, historically, Daoba. The choice of Daocheng was determined by the author's visits to this county in 2006, 2007 and 2011 (for reasons unrelated to economic development), which provided a perspective of the changes over time.

3 On historical maps, the label "Lithang" typically covers what is today Litang county plus much of what is Daocheng and other counties.

4 For a list of all place names, including the Wylie transliteration of Tibetan terms, see Appendix 1 in the supplementary material.

5 See Appendix 2 in the supplementary material for details on the field research.

6 A counter example would be Hillman 2008, who appears deeply enmeshed with local authorities in his chosen area of research, Diqing Tibetan Autonomous Prefecture in Yunnan.

7 A limited non-academic Chinese-language literature specifically on Daocheng provides observations on tourism and poverty alleviation (Jiang 2017; Li 2017), "small township planning" (Wang, Binshan 2009) and the relationship between tourism and culture or "ecological civilization" (Ren 2014; Chen 2016).

investment needed in industry is “lumpy” and tends to require complementary investment.⁸ Therefore, a big, coordinated investment push – including infrastructure that is unlikely to be provided through private market initiatives – is needed to launch an economy on to a growth path.

Arthur Lewis focused on the combination of surplus labour and capitalists, who have a significantly above-average propensity to save (and invest).⁹ The process of economic growth starts with the first capitalist, is self-promoting with the increase in capital brought about by capitalists’ increasing profits in an increasing national income (and therefore increased saving and investment), and slows when the pool of surplus labour is exhausted and real wages rise.

Walt Rostow identified the preconditions for economic “take off.”¹⁰ One group in society needs to take the initiative to invest in new production technologies in at least one sector (the leading sector) and the investment rate needs to reach and sustain a level high enough to maintain and eventually stabilize economic growth. The primary growth sector affects “supplementary growth sectors” through production linkages, while “derived growth sectors” benefit from broad income growth.

Albert Hirschman argued that if the state is weak and has limited financial means, an unbalanced growth strategy may be appropriate.¹¹ The state invests in high-linkage sectors that create profit opportunities in upstream industries through supply bottlenecks and in downstream industries through the availability of its new products. Such profit opportunities then incentivize private investment in the linked industries.

Lumpy investment, the combination of surplus labour and capitalists, and the importance of a leading sector with linkages are all pertinent to the case of Daocheng. But Alexander Gerschenkron’s observations from Europe and Russia may be most helpful in understanding economic development in Daocheng: he showed how a strong state coordinating and directing investment to those sectors that had proven to be high growth sectors in leading economies facilitated the quick economic catch up with those economies.¹²

Circumstances in Daocheng are similar to those originally faced by Gerschenkron’s countries: tension exists between the current state of the economy and the possibilities of economic development observed elsewhere; a backlog of technological innovations is available for free; industrialization can focus on industries with rapid technological progress; labour is relatively expensive because the labour force is not an industrial one (thus requiring, for example, extra time or training); investment can be big in size and technologically advanced; and institutions for mobilizing capital exist.¹³ Above all, the PRC is characterized by a strong state with ample experience in coordinating and directing investment to advance local economic development. As part of a larger PRC economy, west Sichuan, furthermore, has the option of specializing in an industry in which it has a comparative advantage.

Tourism as Leading Industry

In the 1980s, PRC officials viewed economic development in Tibetan regions as: “Under the evil feudal serfdom system prior to liberation ... the economy of the feudal serf owners and of the monasteries shackled the development of the productive forces, and all along the rich natural resources could not be reasonably developed and used.”¹⁴ Subsequent exploitation of these rich natural resources ended when the central government enacted a logging ban after severe flooding in the

8 Rosenstein-Roden 1943.

9 Lewis 1954.

10 Rostow 1956.

11 Hirschman 1958.

12 Gerschenkron 1962.

13 For this particular summary, see Rosovsky 1979. Gerschenkron’s development model has been elaborated on, criticized, and its hypotheses have been put to the test, with mixed results (Ashworth 1970; Abramovitz 1986; Hobday 2003).

14 See the section on Ganzi TAP in the *Sichuan Yearbook* (Sichuan nianjian bianji weiyuanhui 1986, 210). Historically, Eastern Kham is a contested borderland, which until 1950 was under the control mostly of native chiefs. For historical details see, e.g., Gros 2016 or Kolås and Thowsen 2005.

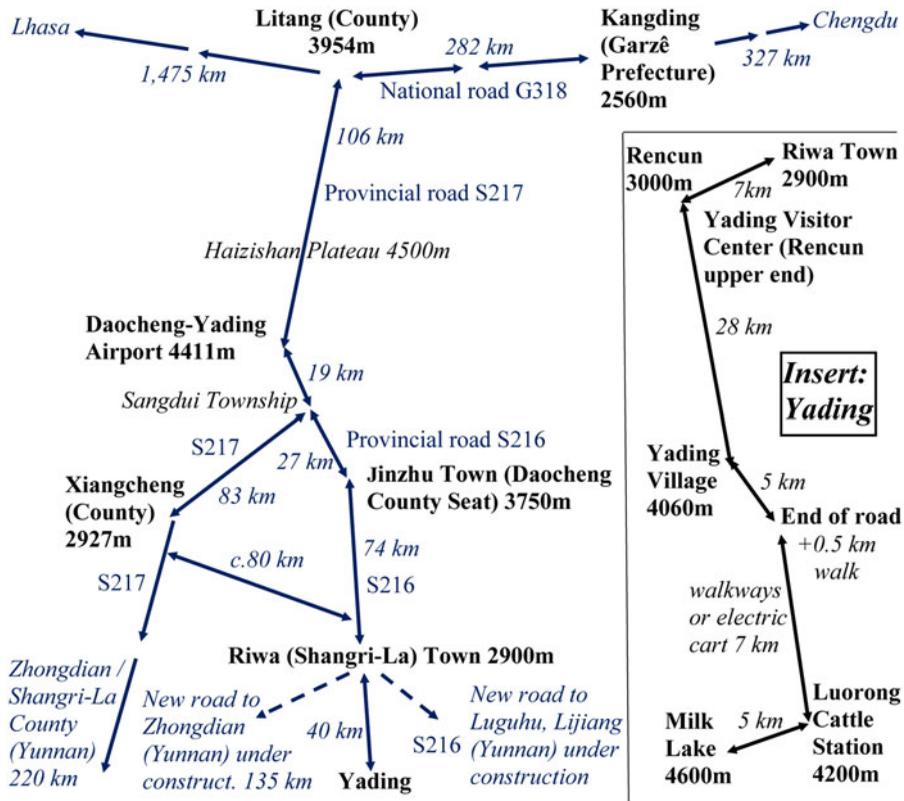


Figure 1: Daocheng – Yading Location Map

lower regions of the Changjiang 长江 (Yangtze River) in the summer of 1998. Local governments, financially dependent on their share of logging revenues, were left strapped for funds. The only remaining economic activity apart from subsistence agriculture was the highly seasonal, late summer harvesting of matsutake and caterpillar mushrooms.¹⁵ After 45 years of “liberation” and “unshackled” development, per capita GDP in 2002 (the earliest year for which the data are available) was one-third the national average.

In 1999, the first year of the logging ban, the matsutake mushroom market was weak and Daocheng’s government and Party committee opted for an all-out strategy of “a flourishing county through tourism.” This initiative was anchored in long-term prefectural policies: a Ganzi TAP tourism department had been established in 1991 and a team from Sichuan’s tourism department had conducted research in various parts of Ganzi, resulting in an (internal) prefectural tourism plan for the years 2000–2015 to promote Ganzi as an ecotourism and nature destination.¹⁶

The Daocheng government issued its own 100-plus page internal “Daocheng tourism development master plan” (2001–2015). This centred on the development of the Yading Nature Reserve (Yading ziran baohu qu 亚丁自然保护区) (Nyiden, ཉི་ཧྲེང་, also Aden), which had been established in 1996 and was presented as “the last Shangri-La.” Tourism was to be developed sustainably,

15 Households collect the mushrooms in the grasslands and sell them to local intermediaries who link into a wider distribution network. The mushroom industry has been the topic of extensive research, from the sustainability of mushroom harvesting to effects on household income (see, e.g., Arora 2008; Wang, Chenggang, Tang and Nan 2018).

16 Kolås and Thowsen 2005.

protecting the environment and creating employment opportunities, all the while strengthening the local Khampa cultural identity.¹⁷ In 2000, Yading was recognized as a *national* “scenic area” (*fengjing mingsheng qu* 风景名胜區) and given an AAAA (4A) rating before being awarded the highest 5A rating in December 2020.

Within Yading, tourists can access a 12 kilometre-long valley (including a small side valley) surrounded by three mountains. They can explore the valley on foot or by riding the first 7 kilometres to the Luorong Cattle Station (Luorong muchang 洛絨牧场) (today a concrete platform) on electric carts. Some continue the 5 kilometres to Milk Lake (altitude 4,600 metres) on foot or horseback. The three mountains were supposedly sanctified by the fifth Dalai Lama as the mountain of compassion Chenresig, which, at 6,032 metres, is the tallest, the mountain of wisdom Jambeyang and the mountain of power Chanadorje, both of which reach 5,958 metres high.¹⁸

The next three sections report on the development of the transport infrastructure, the hospitality industry and marketing. This is followed by an evaluation of the accomplishments and limitations of tourism in Daocheng.

Transport infrastructure

An immediate obstacle to the development of Yading was the lack of transport infrastructure. Yading is located 114 kilometres south of the county seat Jinzhu. It is accessible only by travelling via Riwa / Shangri-La (town) 日瓦 / 香格里拉鎮 (ཤར་གླ་ལ་གྲོང་རྫོང་), a journey of 74 kilometres, Rencun 仁村 (རིང་རྫོང་), a further 7 kilometres, and then along a road inside the nature reserve (33 kilometres further), which is limited to official Yading buses and passes through Yading village (28 kilometres into the nature reserve, see Figure 1). When the “master plan” was written, none of the roads in Daocheng was tarred and rudimentary access to Yading by low-quality dirt road had only just been established.¹⁹ Consequently, in the early days of Yading tourism, visitors were predominantly young foreigners who were willing to hike for several days into then undeveloped mountain territory.

Mass tourism, however, required a reliable transport infrastructure. Daocheng’s new focus on tourism coincided with the 2000 “open up the west” development programme (*xibu dakaifa* 西部大开发), a national programme of targeted infrastructure development designed to accelerate economic development in the western regions.²⁰ While the term “open up the west” soon faded away, infrastructure investment in West Sichuan continued. The road from Jinzhu to Riwa and continuing into Yading was tarred, albeit only in 2013 and 2014 rather than in the early 2000s as envisaged in the “master plan.” The Daocheng-Yading Airport opened in September 2013, ten years later than proposed in the plan, reducing the two-day road trip from Chengdu to Jinzhu to a 65-minute flight followed by a 46-kilometre airport shuttle to Jinzhu. The direct road connections to the tourist areas of Yunnan province and the neighbouring county seat Muli 木里, which were originally projected for 2005, were still under construction in 2017.

Hotels and catering

The development of a hotel and catering industry took three distinct forms: a large-scale private sector development, a state-organized partner city project, and bottom-up family-based Han-Tibetan collaboration.²¹

Riwa, 74 kilometres south of Jinzhu and 7 kilometres from the entrance to Yading, attracted the large-scale private sector development. The Daocheng government struck a strategic cooperation

17 Appendix 3 provides details on the “master plan.” Oakes 1992 discusses “ethnic tourism” in the PRC.

18 Chenresig: Beifeng Xiannairi (Avalokiteshvara / Guanyin Bodhisattva); Jambeyang: Nanfeng Yangmaiyoung (Manjushri Bodhisattva); Chanadorje: Dongfeng Xianuoduoji (Vajrapani Bodhisattva).

19 See Appendix 4 for details on road construction.

20 For analysis of the programme, see Naughton 2004.

21 Appendix 5 provides further details on the first two.

agreement with the private Holyland Corporation (稻城县亚丁日松贡布旅游投资有限公司) for exclusive development rights for all tourism and commercial undertakings in Riwa. Holyland is a subsidiary of a Shenzhen investment company, owned by a Han entrepreneur from Guangdong who had earlier been involved in the construction of a hydropower station in Riwa. He had bought land in Riwa – rumours say half the land in Riwa – at a time when Yading tourism consisted of a few individual travellers.

Holyland owns three hotels on two sides of a large new road and key traffic artery on the outskirts of Riwa: the five-star Holyland Hotel, which opened in September 2013; the four-star Yading Yizhan 亚丁驿站 (Yading Inn); and (in 2017) a newly renovated annex of the Yading Yizhan, which became a four-star Ramada Encore hotel as part of Wyndham Worldwide. The Shambala Tianjie 香巴拉天街 shopping and restaurant complex complements the hotels.

The state-organized partner city project Yading Tianjie 亚丁天街 is an 80,000 square metre real estate development in central Jinzhu. It is a joint project between Daocheng and the intra-provincial partner city (*duikou yuanjian di* 对口援建地) Luzhou municipality 泸州市. Daocheng's contribution to the 350 million-yuan investment project consists of the provision of land. The Luzhou government presumably provides the financing. Construction, undertaken by a Luzhou construction company, began in October 2014 and was nearing completion in the autumn of 2017.

Yading Tianjie has 300 retail or restaurant units on its ground and partially exposed lower-ground floors. According to sales staff, by March 2017 more than 100 of the 300 units had been sold. Between March 2017 and October 2017, approximately 20 per cent of the units were occupied by simple restaurants, telecommunications and clothing shops; one was an upmarket shop selling (supposedly Tibetan) jewellery. Floor space on the first floor (above ground floor) was reserved for future tea houses and restaurants, and purportedly for rent only. Higher floors of the mostly five-storey project were intended for hotels.

Apart from Holyland and Yading Tianjie, the hospitality industry is dominated by bottom-up, family-based private Han–Tibetan collaborations. Most hotels and inns in Daocheng are operated as Han leases from Tibetan families. This applies to most of the 120 hotels and inns in Jinzhu, the approximately 70 (mostly) inns in Riwa, 40 (mostly) inns in Rencun, and a dozen inns in Yading village. Only a very few of the inns are traditional “homestays” in a Tibetan household.

In a common arrangement, a Tibetan family leases its house or land (or both) for 20 years to a Han (typically from the greater Chengdu region). After 20 years, the lease is re-negotiated, or the property is returned to the Tibetan family. The lessee remodels the Tibetan house or builds a new inn or hotel. In Jinzhu, the resulting newly constructed hotels tend to be large and some are professionally managed by outside companies. The same practice of Han–Tibetan collaboration applies to restaurants.

Marketing Yading

Tourism development in Daocheng is supported by extensive marketing. The county government presents Yading as the “last Shangri-La,” an “ecological tourism” destination and “holy land.”²² By 2017, however, the prefecture’s “Holy Garzê” (神圣甘孜) dominated across Daocheng, including in billboards, music videos and large photos on display in the Yading Visitor Centre.

Foreigners and foreign myths are used to paint Yading as a magical Tibetan paradise. Joseph Rock, who wrote about Yading in the *National Geographic* in 1931, is immortalized in local street and hotel names and features prominently in Yading marketing publications.²³ Rock’s article

22 According to an English-language Yading leaflet, “Yading means ‘Sunny land’ in Tibetan language, namely the ‘Holy Land,’ ranking 11th among 24 pilgrimage sites of Buddhism.” The dictionary translation of Yading’s Tibetan name is “day above.”

23 That Rock (1931, 13) reports the mountain to be controlled by outlaws and squarely blames Chinese “imperialistic designs” for the state of lawlessness is not mentioned.

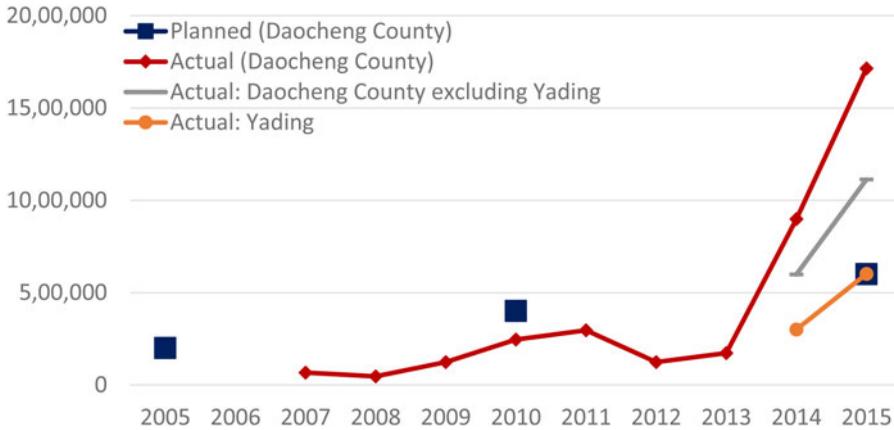


Figure 2: Daocheng County Visitor Numbers

Sources: Ganzi Tibetan Autonomous Prefecture Statistical Bureau and National Bureau of Statistics Ganzi Survey Team various years; planned numbers from Daocheng County Government nd.

supposedly inspired the mystical “Shangri-La” of James Hilton’s 1933 novel, *Lost Horizon* (although James Hilton located his Shangri-La in west Tibet).²⁴ Riwa was renamed Shangri-La (town) in 2002 (but locals continue to refer to the town as Riwa).²⁵ The video shown during the 45-minute bus ride from the Yading Visitor Centre to the end of the road inside Yading has Tibetan and Han singers eulogizing the beauty of and their love for Shangri-La.

Such videos portray happy Tibetans in Tibetan dress, the adults dancing and joyous children running across vast green meadows dotted with Yaks and horses, while young women beam at snow-covered mountains and a blue sky. Another theme is Tibetan monks in red robes burning incense in colourful temples against a mountain backdrop. A harmonious Tibetan paradise of Shangri-La beckons Han tourists to escape the sweltering, polluted plains of the PRC’s industrial heartlands.²⁶

In 2017, some advertisements began to present Yading as an adventure destination for intrepid self-drive tourists on a quest to explore. Videos showed hikers, people on horseback and motorcyclists, although all of these were hard to spot on the ground. The Holyland Corporation (in collaboration with the International Skyrunning Association) organized two marathons in Yading in 2016 and 2017 and expanded further with a variety of options for mountain hiking and running in 2017.²⁷

Marketing focuses on Yading as Daocheng has not much else to offer. The “master plan” suggested promoting local cultural resources such as the 14 Tibetan Buddhist monasteries in Daocheng, Tibetan dances and Tibetan paintings and sculptures. However, Pangphu Monastery (Bengpusi 蚌普寺) (ཕྱོད་ཕུག་དགོན་པ་) of the Kagyu school, which is on the road from Jinzhu to the airport and thus is readily accessible, appears little visited. A small temple within Yading (Chonggusi 冲古寺) constitutes more of a display object than an operational temple, and Gongkar Namgyalling Monastery (Gonggalang Jilingsi 贡嘎郎吉岭寺) (གངས་དཀར་རྒྱལ་རྒྱལ་གླིང་དགོན་པ་) of the Geluk school, which is 22 kilometres before Riwa on the road from Jinzhu, is bypassed by tourists in their early morning or evening rush to or from Yading.

24 Hilton 2012[1933].

25 Zhongdian county (Gyalthang, Gyeltang) in neighbouring Diqing prefecture in Yunnan beat Daocheng to the name Shangri-La [county]. For further details on Shangri-La, see Appendix 6.

26 Yeh (2013, 322), writing on Tibet, notes that the “open up the west” campaign coincided with “new representations of Tibetans within China as ‘simple and spiritual,’ and of Tibetan areas as being romantic utopias, paradises where Han Chinese tourists could seek natural beauty and exotic culture.”

27 On skyrunning, see the website, www.skyrunning.com. Accessed 14 November 2017.

Table 1: Sector Shares in County GDP and National GDP, Private Economy Share (%)

	PRC GDP	Daocheng GDP		Private economy share in 2015 sector value-added
	2015	2010	2015	
Total	100	100	100	45
Primary sector	9	35	32	66
Secondary sector	41	17	24	27
Industry	34	3	3	36
Construction	7	14	21	25
Tertiary sector	50	48	44	39
Transport, storage, post	4	0	0	100
Wholesale, retail trade	10	4	3	96
Hotels and catering	2	8	7	95
<i>of which: hotels</i>		2	2	
<i>of which: catering</i>		6	6	
Financial intermediation	8	4	7	0
Real estate	6	3	2	100
For-profit services	(8)	3	6	
<i>of which: other for-profit services*</i>		2	5	<i>depends on sub-sector</i>
Not-for-profit services	(9)	26	19	
<i>of which: public administration</i>	4	16	8	
<i>of which: other not-for-profit services</i>		11	10	<i>0 or near-0</i>

Sources: Ganzi Tibetan Autonomous Prefecture Statistical Bureau and National Bureau of Statistics Ganzi Survey Team [various years](#); NBS [2017](#), Table 3.6.

Notes: * All for-profit services except “information transmission, software and information technology.” National shares in parentheses mean that these figures were aggregated by the author.

In Jinzhu, a Yading museum consists of one room displaying unimpressive local artifacts and a sales booth of tourist souvenirs. An activities centre in Jinzhu, built in traditional Tibetan style, stood locked and unused in both 2016 and 2017, except for a cinema in the back that in October 2017 showed a Jackie Chan movie to a handful of customers. Tibetan paintings and sculptures are limited to occasional displays in hotels.

Accomplishments

Once the airport was completed in late 2013 and the road from Jinzhu to Riwa and continuing into Yading was tarred in 2014, visitor numbers exploded ([Figure 2](#)). The 1,715,448 visitors in 2015 exceeded the “master plan” projections by two- to three-fold. By 2017, visitor numbers had likely doubled again.²⁸ Most visitors fell into the “self-drive tourism” (*zija you* 自驾游) category, which accounted for 80 per cent of all Yading visitors during the 1 October national holiday week (“Golden Week”) of 2017.²⁹

28 See Appendix 7 for further details on visitor numbers.

29 Appendix 4 elaborates on self-drive tourism in the Greater Tibetan region.

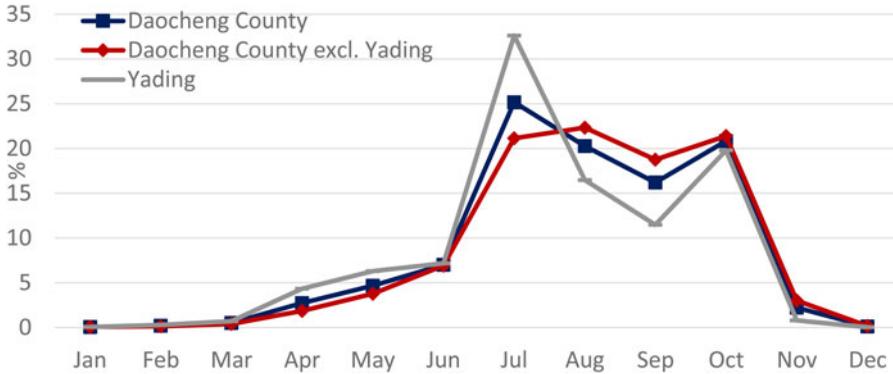


Figure 3: Daocheng County Monthly Distribution of Domestic Visitors (2015, %)

Source: Ganzi Tibetan Autonomous Prefecture Statistical Bureau and National Bureau of Statistics Ganzi Survey Team various years.

Note: A monthly breakdown of (the few) foreign visitor nights is not available.

Tourism development came with diverse linkage effects. Restaurants and shops targeting tourists sprang up. In 2016, Holyland's Shambala Tianjie was still a largely empty shopping and restaurant complex; however, in the evenings in October 2017, it was bustling with tourists returning from Yading. A variety of restaurants lined the streets of Jinzhu and the partial completion of Jinzhu's Yading Tianjie development in 2017 added yet more capacity.

The hotel and catering industry outsourced numerous business services, from washing and pressing of bed linen for hotels to the sterilization of crockery used in restaurants. There were garages for the repair of motor vehicles, courier services, telecommunications shops, outdoor shops, private vegetable and fruit trucking businesses (mostly importing from Yunnan), a new wet market in Riwa, and taxi services. A company rented oxygen-producing machines to hotel guests and sold portable oxygen bottles. A number of song and dance performances were offered. The construction industry boomed.

Table 1 shows the sector distribution of value-added ("local GDP") in Daocheng in 2010 and 2015, as well as the national figures for 2015.³⁰ The share of construction in Daocheng's GDP rose from 14 per cent in 2010 to 21 per cent in 2015, three times the share of construction in national GDP. The hotel and catering industries in 2015 both exceeded the nationwide average three-fold, with catering especially accounting for a relatively high 6 per cent of Daocheng's GDP. Overall, between 2010 and 2015, Daocheng's economy experienced a gradual shift away from its almost exclusive reliance on agriculture (the primary sector) and government-provided not-for-profit services (public administration, education, healthcare, etc.), although these two sectors' shares in local GDP in 2015 were still three times and twice as large, respectively, as the nationwide average.

The official Daocheng GDP figure significantly *underestimates* actual GDP, as becomes quickly apparent if one considers the separate (and quite credible) official data on tourism income in Daocheng.³¹ In 2015, tourism income in Daocheng was 1,696.8 million yuan, 38 times the official value-added in hotels and catering and three times the official value of Daocheng's GDP (597.52 million yuan), up from 0.3 times in 2013. The official figure for Daocheng's tourism income itself likely underestimates actual tourism income (which is probably higher by half), ultimately raising Daocheng's actual GDP for 2015 to more than 5 times the officially reported GDP. Tourism probably accounted for about 80 per cent of actual GDP.

30 See Appendix 8 for more details, including a further breakdown of value-added by sub-sectors. (The term "GDP" is usually reserved for the value-added of a country.)

31 See Appendix 9 for the considerations underpinning the following summary statements.

Limitations

Despite the apparent success in shifting economic activity from low-value to higher value-added sectors, Daocheng's tourism-based development faces a number of constraints, including the PRC's holiday arrangements and Daocheng's altitude, climate and remoteness.

The official data show visitor numbers to be highly concentrated in July through October, four months that accounted for 82.5 per cent of all visitors to Daocheng in 2015 (Figure 3). Actual cyclicality may be even more pronounced. In mid-March 2017, barely 200 visitors a day entered Yading, 1 per cent of the Yading admission limit. In mid-July 2016, the number was around 500 visitors a day. It was only in the 1 October week that Yading hit its admission limit of 16,054 visitors. Thus, while tourism booms in the Golden Week, at all other times one observes either modest tourism or a deserted county.³²

The observed visitor numbers contrast with the approximately 22,000 hotel rooms available in Jinzhu, Riwa, Rencun and Yading village, implying a 100-fold excess supply of hotel rooms even in July. Unsurprisingly, in autumn 2017 construction of most of the (observed) 64 not yet completed hotels – compared to (an observed) 242 existing hotels – had ground to a halt. Many of the largest hotel shells had seen no further construction between 2016 and 2017. The number of unfinished hotel rooms was equal to one-third of available hotel rooms.³³

The excess supply of hotel rooms was most pronounced in Jinzhu (which accounts for half of all available rooms in Daocheng), with the number of unfinished rooms equal to almost 50 per cent of its existing capacity. A common perception among Jinzhu residents was that many of the hotel shells may never be completed, or at least not completed any time soon.

A particular handicap for Jinzhu is its altitude of 3,800 metres, which makes altitude sickness unavoidable. At least one tourist died from altitude sickness in 2016.³⁴ Oxygen bottles and Chinese medicine to combat altitude sickness are widely available and high-end hotels pump oxygen into their rooms at night, but the inevitable altitude discomfort means that tourists have no reason to linger. In contrast, Riwa has the advantage of a more manageable altitude of 2,900 metres and a distance of only 7 kilometres – rather than Jinzhu's 81km – from the entrance to Yading; however, Riwa sits in a deep, narrow and often gloomy valley (rather unlike the wide open spaces portrayed in Daocheng's marketing and found around Jinzhu).

Even in October 2017, at the height of the tourist season, Jinzhu was a far cry from the tourism frenzy of, for example, the tourist destination of Lijiang 丽江 across the provincial border in Yunnan. Jinzhu's Yading Tianjie looked bleak. Most units carried "For Rent" signs, each with a different phone number, indicating that different individuals had made investments and were now looking for a tenant. The higher floors remained unfinished except for one restaurant. One interviewee questioned the wisdom of owning a unit when "there is nothing happening in Daocheng." Once the roads connecting Riwa to Yunnan are completed, tourists may choose to bypass Jinzhu altogether.

The weather does not favour tourism either. The monsoon brings rain for most of the summer, from late May to early September, rendering Yading no different from any other mountain area in rain and mist. Winter is bitterly cold, and early in the year the authorities close off the region owing to Tibetan political anniversaries (that could trigger "social unrest"). Snowfall may block roads at any time of the year as far away as the first pass after Kangding (at 4,400 metres), about 400 kilometres away. Daocheng-Yading Airport is notoriously unreliable. Planes cannot land in adverse weather conditions and flight delays can be measured in days.³⁵ It is for good reason that the take-up of holiday homes in Riwa's Holyland Hotel appears to have been very limited,

32 See Appendix 7 for further details.

33 See Appendix 10 for the hotel and room counts.

34 This was confirmed by multiple sources, although none was willing to provide further information.

35 See Appendix 11 on Daocheng-Yading Airport.

while the completed Yading Tianjie development in Jinzhu dropped its planned holiday homes altogether.

In 2017, glamorous Holyland design sketches still depicted a future Shangri-La as an “international tourism small village” (*guoji lüyou xiaozhen* 国际旅游小镇) with a spa hotel, a “courtyard-style boutique hotel ‘Kangba First Village’” and a conference hotel, increasing Holyland’s total built-up space to five times its current size.³⁶ Implementation of these plans, however, was on hold, supposedly because of “national policy.” Reportedly owing to funding difficulties, Holyland had repeatedly missed the development schedule originally agreed upon with the Daocheng government, which had led to the transfer of some land to the government and the arrival of a Holiday Inn Express in Riwa in 2017. It was further rumoured that Holyland was running at a loss and had reduced staff numbers from 400 in 2016 to 170 in 2017. (Student interns helped out in the 2017 Golden Week.) As of late 2022, the Holyland Hotel had become a Crowne Plaza Hotel and all online traces of the Holyland Corporation had disappeared.

The Role of Government in Daocheng County’s Economic Development

Tourism development in Daocheng was initiated by the government and remains under government control. According to the “master plan” designed by the provincial Tourism Planning and Design Institute, the county’s economy is to move ahead by leaps and bounds “thanks to the government’s lead” (*zhu dao* 主导). Both the original plan (2001–2015) and the follow-up 2015 “master plan” (2015–2030) are internal documents, as are the government’s agreements with the Holyland Corporation and Yading Tianjie.

The government fulfilled two elementary tasks and would appear to have performed them well. First, it built the necessary transport infrastructure (albeit with a ten-year delay). This involved major funding by all levels of government, from the centre (airport) to the province (provincial road from Kangding to Daocheng and Riwa), and below. Second, it developed and, since 2013 under the county and prefecture Daocheng Yading Scenic Area Tourism Development Company, continues to administer Yading in an ecologically sensitive manner.³⁷ The company maintains the park infrastructure from the walkways inside Yading to the welcome centre at the entrance of Yading (an imposing new welcome centre opened in 2017 at the upper end of Rencun where the park boundary lies); runs the buses that shuttle tourists the 33 kilometres from the entrance of Yading to the end of the road within Yading; promotes Yading; and has built an impressive performing arts centre in Riwa.

The government then kick-started a basic hospitality industry by grasping two opportunities. Jinzhu’s Yading Tianjie partner city project is a windfall of the PRC developmental state and likely was an integral part of the higher-level government’s approval to develop tourism in Daocheng. Holyland Corporation’s engagement appears to have been more of a random fortuitous event, initiated early on by one private Han entrepreneur. The government also continues to develop public goods in line with its tourism objectives, from faux prayer wheels lining railings on a bridge in Jinzhu to the design of streetlights.

Luck likely played a major role in Daocheng’s tourism development. The “master plan” did not foresee the self-drive tourism boom of a decade later (which may even have spurred the much-delayed road construction), nor tourists’ increasing fascination with the Greater Tibet region. The arrival of modern telecommunications allowed for decentralized tourism arrangements and new advertisement opportunities.

The government’s investments created profit opportunities for the private sector. According to the official Daocheng GDP statistics (Table 1), the private sector in 2015 accounted for 95 per

³⁶ See Appendix 5 for further details on these plans.

³⁷ For details, see Appendix 3.

cent of (official) value-added in hotels and catering, 96 per cent of wholesale and retail trade, and 100 per cent of real estate business. However, the construction industry, which according to official statistics is twice the size of these three sectors combined, is dominated by non-private firms.

The government retains ultimate control over private-sector developments. As such, it controls the extent of private inn/hotel construction – in 2017, it prohibited the development of new inns/hotels – and regulates their appearance (such as by imposing uniform faux Tibetan style facades and signs).

A key question is the cost of this state-led tourism development. Daocheng is the recipient of large fiscal in-transfers. In 2015, Daocheng's total fiscal expenditures of 1.213 billion yuan were 9.1 times greater than Daocheng's fiscal revenue; this was similar in earlier years, too.³⁸ Daocheng's government thus spends almost ten times more than it collects. This unusual ratio does not originate with revenues, which were equivalent to 22 per cent of official GDP, the same percentage as nationwide. Instead, it is fiscal expenditures, equivalent to 203 per cent of Daocheng's official GDP, that are out of line. These expenditures do not yet include those of higher-level governments on infrastructure projects in Daocheng.³⁹

Socioeconomic Consequences

According to the official statistics, Tibetans accounted for 96.5 per cent of the county's 32,709 residents in 2015. But the Tibetan share in an observed actual population of more like 58,000 may be no higher than 55 per cent, and the Tibetan share in the urban population no higher than 20 per cent. Similarly, while official (formal) employment in the county in 2015 was 3,880, actual employment was likely about nine times higher, at around 33,000.⁴⁰ Almost half of estimated employment was in agriculture (15,000), followed by tourism (13,250, of which approximately 7,500 jobs were in hotels and catering, 3,250 in transport and 2,500 in trade), construction (1,500), and a residual of 3,137 official, formal non-agricultural labourers in all other occupations.

Consistent with the derived 80 per cent share of non-Tibetans in the urban population, a tourist visiting Daocheng indeed encounters a great number of Han labourers and very few Tibetans. Han Chinese run the vast majority of hotels and inns as well as restaurants. The drivers of the airport shuttle bus to Jinzhu are Han, as are the bus drivers in Yading. Most shops in Riwa's Shambala Tianjie are run by Han, including a shop producing and selling Tibetan barley snacks. The performers in the daily evening performance at the Daocheng Yading Performing Arts Centre in Riwa are non-local and appear to be Han.⁴¹

Few stable jobs are available for Tibetans. At times, temporary odd jobs with the government become available for purposes ranging from afforestation to basic road construction and repair. Tibetans complain that they are paid only one-third to one-half of what their Han counterparts are being paid. The Han side insists that there is no discrimination in remuneration and that Tibetans are simply less productive than Han workers.⁴²

During the high season, temporary jobs become available for Tibetans, mostly for women, as housekeepers in low-quality inns and as dishwashers in restaurants. Some Tibetan men offer (unlicensed) private transport services but only a minority manages to land a trip on any given

38 See Appendix 12 for the fiscal data and indicators that underlie this passage. Fischer (2015) similarly notes fiscal in-transfers into the Tibet Autonomous Region, albeit on a smaller scale relative to local output. Shih, Liu and Zhang (2007) argue that the "affirmative action empire" programme of the PRC government regarding minorities is biased in favour of religious minorities.

39 Two items of considerable cost – born by higher-level governments – are road and airport construction. For the calculation of road construction costs, see Appendix 13; for the costs of Daocheng-Yading Airport, see Appendix 11.

40 See Appendix 14 for the official and the derived population and employment values.

41 Similarly, Horlemann (2002, 262), for the case of Guoluo in Qinghai, reports that Han immigrants run the majority of restaurants, shops and workshops.

42 Tibetans are considered to be unable to provide the same quality of work as Han workers and also to lack the same work discipline. Hillman 2008 regards the assumption that Tibetans will learn from migrant Han as false.

day. (During the Golden Week, police prohibit and intercept private transport services.) To give an example from Jinzhu: the husband provides informal transport services while the wife washes dishes in a restaurant at night. They care for their grandchildren, who attend school in Jinzhu; their son (the father of the grandchildren) has no stable employment and roams Jinzhu while the son's wife runs the family farm 100 kilometres away.

Tibetan stone masons have benefited from the construction boom. A supply chain of matsutake and caterpillar mushrooms for local restaurants has developed with exclusively Tibetan harvesters. Tibetans peddling honeycomb walk the streets of Jinzhu, targeting tourists. In autumn, Tibetans from the neighbouring county of Xiangcheng 乡城, which is 111 kilometres away, sell apples outside the wet market in Jinzhu; the wet market stalls themselves, however, are almost exclusively controlled and staffed by Han, as is the vegetable-trucking business to and from Yunnan. Tibetan dressmaking and handicraft shops run by Tibetans and serving Tibetans can be found in an unremarkable side street of Jinzhu that tourists rarely enter. The centre of Jinzhu is dominated by Han-run supermarkets, clothing shops, telecommunications outlets and restaurants.⁴³

Those Tibetans who do develop employment initiatives are often pushed aside. Dozens of Tibetan hawkers of jewellery used to spread their wares on blankets on the ground at the end of the road inside Yading. By October 2017, they had vanished. Signs at the visitor centre warned against buying from hawkers. The old Yading visitor centre at the lower end of Rencun, still in use in September 2017, was surrounded by Tibetan stalls selling everything from oxygen bottles to raincoats and jewellery. The expansive new visitor centre at the upper end of Rencun, however, has no such stalls and instead has an integrated shop staffed by Han.

Tibetans may be employed for reasons of political correctness. Staff at the Yading Tianjie sales office emphasized that they hired one Tibetan girl – with a high school education through 12th grade obtained in a Han area of Sichuan – for explicitly that reason. Some Tibetans are employed to achieve a minimum degree of authenticity in “cultural” displays. A very few Tibetans make it into the otherwise Han ranks of the administration.

One task is explicitly reserved for Tibetans: the operation of the electric carts within Yading that carry visitors to the Luorong Cattle Station, 7 kilometres up the valley from the end of the road (although the ticket sellers are young Han women). This is a compromise resulting from a conflict between Tibetans, who were originally offering horse rides up the valley, and Yading's administration, which wished to switch to electric vehicles for environmental reasons. Horse rides are still being provided from Luorong towards Milk Lake, exclusively by Tibetans, under Yading administration's supervision.

It is the Han working in the tourism industry (and some in the public sector) who are the obvious beneficiaries of economic development in Daocheng. They manage all the larger hotels, having often been hired through advertisements placed around the country. Incomes in the tourism industry are likely to be ten times the official household income per person in Daocheng.⁴⁴

Tibetans who align themselves with the Han system also benefit. For example, the former commune leader of Riwa owns several buildings in the centre of Riwa, which are now rented out to Han to operate as inns; in October 2017, the former Riwa commune accountant had just constructed a large concrete shell for a hotel development in Riwa; the Tibetan head of a township near Jinzhu, formerly employed in the forestry department in Jinzhu (where his Han superior ran a successful sideline multi-inn business), owns a hotel shell in Jinzhu.⁴⁵

43 Daocheng lacks “local specialty” products, unlike other tourist destinations such as Lijiang. See Appendix 15.

44 See Appendix 16 for detailed household income calculations. Yang, Wall and Smith (2006) observe, for the case of ethnic tourism in Xishuangbanna, that the increased presence of Han and the use of Mandarin have changed tourism from local minority-run, small-scale tourism businesses to businesses run by experienced Han entrepreneurs, with local villagers now only holding low-paying jobs as guides, dancers and hospitality workers.

45 Hillman (2016, 23) notes the “preferencing of Sinicized (*bei hanhua*) Tibetans for promotion in county and prefecture government.”

Despite the occasional grumble about differences in pay and job opportunities, the Han concept of development and modernity is widely accepted. Tibetans in Jinzhu appear glad to have left agriculture behind and appreciate living in modern, non-descript apartment blocks (with mixed, Han–Tibetan occupancy). They also look favourably upon the Han schooling system (which in Jinzhu is conducted exclusively in Mandarin). Some seek medical treatment as far away as Chengdu while speaking disparagingly of the quality of healthcare in Jinzhu.

Conclusions

At first sight, Daocheng is a model case for Gerschenkron’s observation that a strong state can facilitate catching up by channelling capital and entrepreneurship to the most promising industry(ies). In the case of Daocheng, thanks to the option of specialization within the larger PRC economy, that is the tourism (service) industry. The county government was able to draw on extensive domestic development experiences as well as on higher-level fiscal support.

In line with the factors identified by the developmental economists as explaining economic development, the government successfully addressed the typical development challenges. It introduced a high value-added leading industry (compared to agriculture), made the necessary lumpy investments (especially infrastructure investments) as well as complementary investments (arranged through a partner city project and the sub-contracting of development tasks to the Holyland Corporation), coordinated development and created profit opportunities which were subsequently taken up by the private sector.

Yet there are also differences. The leading sector has not succeeded in creating a sustainable local economy; rather it has carved out an economy that relies on a highly variable and externally dependent industry in the form of Yading tourism, which was inevitably impacted by COVID-19. The discrepancy between official tourism income and official GDP suggests that much of the local economic activity does not benefit the locality (and is probably not appropriately taxed, or not taxed locally). Savings and investment may be fed less by capitalists’ increasing surplus than by fiscal in-transfers. The absence of a qualified local labour force has not been solved by integrating the local labour force but rather by importing the necessary labour.

Gerschenkron noted the “significance of the native elements” in the industrialization of the countries he examined.⁴⁶ Daocheng’s economic development process, in contrast, had no native elements. It was not a unique, *sui generis*, catching-up process, but an externally determined and implemented “lifting-up” process of a region through the development of tourism centred around a nature reserve, irrespective of local socioeconomic conditions and consequences.

The experience of Daocheng offers itself to differing interpretations. One interpretation is that of a state-guided benevolent economic development process that raises living standards in an underdeveloped region. The state successfully organized the creation of a tourist industry; the state created jobs specifically for Tibetans, while linkage effects led to further, new non-agricultural employment opportunities; the state allowed rural land – protected in Tibetan ownership – to be turned to profitable non-agricultural use; the state provides free education and dispatches selected Tibetan children for further education to schools around the country.⁴⁷

The benevolent view has its flaws, however. Tourism development is government-driven, government-dependent and independent of and unaccountable to the local population. Whether the reliance on one, highly seasonal industry can support a sustainable economy in the long run remains to be seen; empty hotel shells and the very substantial fiscal net inflows are not a good

⁴⁶ Gerschenkron 1962, 26.

⁴⁷ Kolås and Thowsen (2005, Ch. 1) describe how, in Chinese Marxist ideology, “minority ethnic groups” are typically assigned a lower status in an evolutionary system in which the Han ethnic groups represent modernity. The “more advanced” Han have a “mission to civilize the natives” and help the “primitive” Tibetans move up the evolutionary ladder.

omen.⁴⁸ The often proffered models of Jiuzhaigou 九寨沟 and Huanglong 黄龙 in north-west Sichuan and of Lijiang in Yunnan ignore the lower altitudes of these locations, their significantly friendlier climate, their diversity of attractions and industries, and a local population that is substantially better integrated into the development process.⁴⁹

An alternative interpretation of Daocheng's development process is the construction of a Tibetan Disneyland based on a foreign fairy tale (Shangri-La) and projections of a mystical Tibet. It is created for Han consumption by an efficient Han machinery of government and private entrepreneurs. In this Tibetan Disneyland interpretation, the locals – uncivilized peasants rather than the utopian, beautifully clad emblems of health, beauty, harmony and holiness presented in advertisement videos – are quite irrelevant and even irritating with their shabby looks and lax work habits. Moreover, the next Tibetan generation is now subjected to nine years of mandatory Han adaptation for future Han-icized Tibetan authenticity.⁵⁰

An element of colonialism can be added. James Cypher and James Dietz write of colonialism: “The good of the native peoples of the colonies was of little concern to the colonizers, except in so far as they might best serve to the advantage of the colonizer.”⁵¹ In this narrative, the Han machinery is not about creating a sound local economy that is operated by the local population but about the exploitation of natural resources (forestry resources in the past, tourism resources now) and about a peaceful annexation or subjugation of a potentially restless borderland. Daocheng's tourism model may not pass a cost-benefit analysis based on economic grounds, but the fiscal in-transfers could be buying the political stability that might otherwise require a more present (and costly) military force, while a Tibetan Disneyland experience has great propaganda value.⁵²

What might an alternative development path for west Sichuan have looked like? Following John Fei and Gustav Ranis, economic development would probably have had to proceed from simple agrarianism towards mercantile agrarianism with a larger focus on agricultural cash crops, perhaps extending beyond the current matsutake and caterpillar mushroom harvesting to specialty foods such as dried yak meat, yak butter, yak cheese and barley products.⁵³ The scope for productivity improvements would have been limited to gradual improvements in agricultural technology and, in particular, the development of a processing industry for agricultural products. Increasing local wealth could have advanced Tibetan handicrafts and arts. The existing modest Tibetan household-based tourism industry could have expanded organically (although some transport infrastructure would still have had to be provided by the state). The alternative development path would have required locally grounded development, with a degree of organized, local initiative and decision making that is probably anathema to the PRC's rulers. It would certainly have taken longer for the county to look “developed,” but development would have been more sustainable, more inclusive and more culturally sensitive.

48 For the case of Amdo, Yeh 2003 suggests that just about everything the PRC administration has done (which she lists) ultimately came to naught. Jiang 2017 presents a scathing criticism of tourism development in Daocheng as a poverty alleviation measure.

49 See Appendix 17 for further details.

50 The “master plan” explicitly warned against the loss of local culture. See Appendix 3.

51 Cypher and Dietz 2009, 77. Barry Sautman refutes the idea of Han colonialism in Tibet. He argues (2006, 247, 253) that there can be no subjugation unless two peoples are “alien” (which he presents as not being the case) and that there are no plantations and few industrial enterprises in Tibet (tourism is a service industry), little extraction takes place (but profit-seeking management of natural resources) and very few Tibetans work for non-Tibetans (a few Tibetans fill labour-intensive, low-paying jobs; all other Tibetans would best be invisible?).

52 Cooke 2003 views the “open up the west” programme as primarily an attempt to solve the “nationalities problem.” Cooke repeatedly cites a 2000 article by Li Dezhu, minister of the State Ethnic Affairs Commission, which explicitly instrumentalizes the programme for resolving the “nationalities problem.”

53 Fei and Ranis 1969.

Acknowledgements. The work described in this article was supported by a grant from the Research Grants Council of the Hong Kong Special Administrative Region, China (Project No. HKUST 640413).

Supplementary material. The appendices to this article can be found at <https://doi.org/10.1017/S0305741023000784>. (Also available at <https://carstenholz.people.ust.hk/DaochengAppendices.pdf>.)

Competing interests. None

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