

The Process of Economic Development in West Sichuan: the Case of Daocheng County

Carsten A. Holz

Economic development of a remote, mountainous region poses a challenge anywhere. Based on field research and documentary evidence, this article examines how the development challenge has been addressed in Daocheng county, Ganzi Tibetan Autonomous Prefecture, Sichuan province. 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 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.

Keywords: economic development, underdeveloped regions, Western Development program, tourism development, fiscal transfers, Tibet

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Appendices

The appendices to this article are available online at
<https://carstenholz.people.ust.hk/DaochengAppendices.pdf>

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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 the development challenge has been addressed in Daocheng county, Ganzi Tibetan Autonomous Prefecture, Sichuan province. 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 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.

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Around 2010, noticeable changes occurred on the Tibetan Plateau in West Sichuan. 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 went 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

How has this challenge of economic development 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 socio-economic consequences of economic development?

¹ Pearce 1986.

The article focuses on Daocheng county 稻城县 (Tibetan: འདབ་བ རྗོང་),² located in the Eastern Kang / Kangba 康 / 康巴 (Kham, ཁམས་) region of Tibet,³ in the South of today's Ganzi (or Garzê) Tibetan Autonomous Prefecture (Ganzi TAP) 甘孜藏族自治州 (དགའ་མངོས་ བོད་རིགས་རང་སྐྱོང་ཁུལ་). The county's administrative center Jinzhu town 金珠镇 (བཙེངས་ འགོལ་ གྲོང་རྡལ་), an agglomeration of previous agricultural hamlets, is located 434km (270 miles) Southwest of the prefectural capital Kangding 康定 (Dartsedo, དར་ཚེ་མངོ་) and 761km (473 miles) Southwest 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 in the South an inhospitable mountain range cleaved by deep valleys. Cultivated land makes up only 0.6 per cent of Daocheng's land area; pastures cover more than half. The average annual temperature in Jinzhu, at an altitude of 3,800m (12,500ft), 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 fall 2017, relying on informal, mostly unstructured interviews, and observations.⁵ Due 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 are available in form of the annually published *Sichuan Yearbook* with a section on each county in the province. The annually published *Ganzi [Prefecture] Yearbook* provides further details on prefectural and county-level events, policies, and achievements of

² Also historically Daoba, 稻巴, 稻坝 or 稻壩. 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), providing perspective of the changes over time.

³ On historical maps, the label "Lithang" typically covers what is today Litang County 理塘县 (ལི་ཐང་རྗོང་) plus much of what is today Daocheng and other counties.

⁴ For a list of all place names, including the Wylie transliteration of Tibetan terms, see Appendix 1. Appendices are available at <https://carstenholz.people.ust.hk/DaochengAppendices.pdf>.

⁵ See Appendix 2 for details on the field research.

⁶ A counter-example would be Hillmann (2008), who appears deeply enmeshed with local authorities in his chosen area of research, Diqing Tibetan Autonomous Prefecture 迪庆藏族自治州 (བདེ་ཆེན་བོད་རིགས་རང་སྐྱོང་ཁུལ་) in Yunnan.

the year, while the annually published *Ganzi [Prefecture] Statistical Yearbook* reports numerical data. Governments maintain websites. 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 online at <https://carstenholz.people.ust.hk/DaochengAppendices.pdf>. 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 saw a laissez-faire economy with division of labor as 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 began to study country-specific experiences in an attempt to better understand 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 the key to economic development because external economies (firm-external benefits that arise from general growth of an economic sector) are greater in industry than in agriculture. Rosenstein-Rodan (1943) argued that the investment needed in industry is “lumpy” and tends to require complementary investment. Therefore, a big, coordinated investment push—including infrastructure that is unlikely to be provided through private market initiative—is needed to launch the economy on a growth path.

Lewis (1954) focused on the combination of surplus labor with capitalists who have a significantly above-average propensity to save (and invest). The process of economic growth starts with the first capitalist, is self-promoting with the increase in capital brought about by

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 2009), and the relationship between tourism and culture or “ecological civilization” (Ren 2014; Chen 2016).

capitalists' increasing profits in an increasing national income (and therefore increased saving and investment), and slows when the pool of surplus labor is exhausted and real wages rise.

Rostow (1956) identified preconditions for "take off:" Some 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.

Hirschman (1958) suggests that if the state is weak and has limited financial means, an unbalanced growth strategy may be appropriate. The state invests in high-linkage sectors that create profit opportunities in upstream industries through supply bottlenecks and in downstream industries due to the availability of its new products. Such profit opportunities then incentivize private investment in the linked industries.

Investment being lumpy, the combination of surplus labor and capitalists, and the importance of a leading sector with linkages are all relevant to the case of Daocheng. But Gerschenkron's (1962) observations from Europe and Russia may be most helpful in understanding economic development in Daocheng: Gerschenkron showed how a strong state coordinating and directing investment to those sectors that had proven to be high growth sectors in the leading economies facilitated catching up quickly with those economies.

The 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; labor is relatively expensive because the labor force is not an industrial one; investment can be big in size and technologically advanced; and institutions for mobilizing capital exist.⁸ Above all, the PRC is characterized by a strong state with ample experience in coordinating and directing investment to advance local economic development. West Sichuan, furthermore, is part of the larger PRC economy and therefore has the option of specializing in an industry in which it has a comparative advantage.

⁸ 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).

Tourism as Leading Industry

In the 1980s, Chinese officials wrote of economic development in Tibetan regions: “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.”⁹ Subsequent exploitation of these rich natural resources ended when the central government enacted a logging ban after severe flooding in the lower regions of the Yangzi 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.¹⁰ 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 Prefecture Tourism Department had been established in 1991 and a team from Sichuan province’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 eco-tourism and nature destination.¹¹

The Daocheng government issued its own, 100-plus page internal Daocheng Tourism Development *Master Plan* (2001-2015) focused on the development of the Yading nature reserve 亚丁自然保护区 (Nyiden, ཉེན་ལྷོང་, also Aden) which had been established in 1996 and was presented as “the last Shangri-La.” Tourism was to be developed sustainably, protecting the environment and creating employment opportunities, all the while strengthening the local Kangba cultural identity.¹² In 2000, Yading was recognized as a

⁹ Section on Ganzi prefecture in the *Sichuan Yearbook 1986* (p. 210). Historically, Eastern Kham, is a contested borderland, until 1950 under the control mostly of native chiefs. For historical details see, for example, Gros (2016) or Kolås and Thowsen (2005).

¹⁰ 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 sustainability of mushroom harvesting to effects on household income (for example, Arora 2008; Wang, Tang, and Nan 2018).

¹¹ Kolås and Thowsen 2005.

¹² Appendix 3 provides details on the *Master Plan*. Oakes (1992) discusses “ethnic tourism” in the PRC.

national “scenic area” (风景名胜区), eventually with a AAAA (4A) rating before being awarded the highest 5A rating in December 2020.

Within Yading, what is accessible to tourists is an approximately 12km long valley (including a small side valley) surrounded by three mountains. Tourists explore the valley on foot or by riding the first 7km to the Luorong cattle station (today a concrete platform) on electric carts. Some continue the 5km to Milk Lake (altitude 4,600m) on foot or horseback. The three mountains have supposedly been sanctified by the 5th Dalai Lama as the mountain of compassion Chenresig, at 6,032m the tallest of the three mountains; the mountain of wisdom Jambeyang; and the mountain of power Chanadorje, the latter two both at 5,958m.¹³

The next three sections report on the development of 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 bottleneck in the development of Yading was the lack of transport infrastructure. Yading is located 114km South of the county seat Jinzhu and reached via Riwa / Shangri-La (town) 日瓦 / 香格里拉镇 (74km),¹⁴ Rencun 仁村 (Ren Village, རིང་གྲོང་, a further 7km), and then a road inside the nature reserve (33km) limited to official Yading buses and passing through Yading village (28km into the nature reserve, Figure 1). At the time 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.¹⁵ Consequently, in the early days of Yading tourism visitors were predominantly young foreigners 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 “Western Development Program” (西部大开发), a national program of targeted infrastructure development to accelerate economic development

¹³ Chenresig: Beifeng Xiannairi 北峰仙乃日 (Avalokiteshvara / Guanyin Bodhisattva, ལྷན་རས་གཟིགས་); Jambeyang: Nanfeng Yangmai Yong 南峰央迈勇 (Manjushri Bodhisattva, འཇམ་དཔལ་དབྱེངས་); Chanadorje: Dongfeng Xianuoduoji 东峰夏诺多吉 (Vajrapani Bodhisattva, ཕྱག་ན་རྗེ་ཇེ་ཇེ་).

¹⁴ The Tibetan transcription of Shangri-La uses a non-existent Tibetan compound letter. See Appendix 1 for details.

¹⁵ See Appendix 4 for details on road construction.

in Western regions.¹⁶ While the term “Western Development Program” 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 and not 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 *Master Plan*, reducing the grueling two-day road trip from Chengdu to Jinzhu to a 65-minute flight followed by a 46km airport shuttle to Jinzhu. The direct road connections to the tourist areas of Yunnan province and the neighboring county seat Muli 木里, originally projected for 2005, as of 2017 were still under construction.

Figure 1 about here

Hotels and Catering

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.¹⁷

Riwa, 74km South of Jinzhu and 7km from the entrance to Yading, attracted the large-scale private sector development. The Daocheng government struck a strategic cooperation agreement for the private Holyland Corporation 稻城县亚丁日松贡布旅游投资有限公司 to be the exclusive developer of 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 bought up land in Riwa—rumors say half the land in Riwa—at a time when Yading tourism consisted of a few individual travelers.

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, opened in September 2013; the four-star Yading Yizhan 亚丁驿站 (Yading Inn); and a in 2017 newly renovated annex of the Yading Yizhan that became a four-star Ramada Encore hotel as part of Wyndham Worldwide. A Shambala Tianjie 香巴拉天街 shopping and restaurant complex complements the hotels.

¹⁶ Naughton (2004) analyses the program.

¹⁷ Appendix 5 provides further details on the first two.

The state-organized partner city project Yading Tianjie 亚丁天街 is a 80,000m² real estate development in central Jinzhu, occupying an area the size of five soccer fields. It is a joint project of Daocheng and the intra-provincial partner city (对口援建地) Luzhou municipality 泸州市. Daocheng's contribution to the CNY 350mio 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 neared completion in fall 2017.

Yading Tianjie has 300 shop or restaurant units on the ground floor and on a partially exposed lower ground floor. 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% of the units became occupied by simple restaurants, telecom and clothing shops; one was an upmarket shop selling (supposedly Tibetan) jewelry. 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 5-story project were intended for hotels.

Apart from Holyland and Yading Tianjie, the hospitality industry is dominated by bottom-up family-based private Han-Tibetan collaboration. 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 one dozen inns in Yading Village. Only a very few of the inns are traditional “homestays” in a Tibetan household.

In a common arrangement, the Tibetan family leases their house or land (or both) for twenty years to a Han (typically from the greater Chengdu region). After twenty years, the lease is renegotiated or the property returned to the Tibetan family. The lessee remodels the Tibetan house or builds a new inn / 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. While the county government presents Yading as “last Shangri-La,” “ecological tourism” destination and “holy

land,”¹⁸ by 2017 the prefecture’s “Holy Garzê” (神圣甘孜) dominated across Daocheng, from billboards to music videos and large photos hung in the Yading Visitor Center.

Foreigners and foreign myths are used to elevate Yading to 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.¹⁹ Rock’s article supposedly inspired the mystical “Shangri-La” of James Hilton’s 1933 novel *Lost Horizon* (though James Hilton located his Shangri-La in Western Tibet). Riwa was renamed Shangri-La (town) in 2002 (though locals continue refer to the town as ‘Riwa’).²⁰ The video shown on the 45-minute bus ride from the Yading Visitor Center to the end of the road inside Yading has Tibetan and Han singers pronouncing the beauty of, and their love for Shangri-La.

Such videos portray happy Tibetans in Tibetan dresses with adults dancing, joyous children running across vast green meadows dotted with Yaks and horses, and young women beaming at snow-covered mountains and the blue sky. Another theme is Tibetan monks in red robes burning incense at colorful 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.²¹

In 2017, some advertisements newly presented Yading as adventure location for ground-breaking, self-driving tourists on a quest to explore. Videos showed hikers, equestrians, and motor-cyclists, though all of these were hard to spot on the ground. The Holyland Corporation (in collaboration with the skyrunning association) organized two marathons in Yading in 2016 and 2017 and expanded to a variety of options for mountain hiking and running in 2017.²²

¹⁸ According to an English language Yading leaflet, “Yading means “Sunny land” in Tibetan language, namely the “Holy Land,” ranking the eleventh among 24 pilgrimage sites of Buddhism.” The dictionary translation of Yading’s Tibetan name is “day above.”

¹⁹ That Rock (1931, 13f.) reports the mountain to be controlled by outlaws and squarely blames Chinese “imperialistic designs” for the state of lawlessness is not mentioned.

²⁰ Zhongdian county 中甸县 (Gyalthang, Gyeltang) in neighboring Diqing prefecture in Yunnan beat Daocheng to the name Shangri-La [county]. For further details on Shangri-La see Appendix 6.

²¹ 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.”

²² See <http://www.yadinginvest.cn/index.php?m=content&c=index&a=show&catid=16&id=110>, accessed 14 November 2017. On skyrunning, also see www.skyrunning.com, accessed 14 November 2017.

Marketing focuses on Yading. Daocheng has not much else to offer. The *Master Plan* suggested the promotion of local cultural resources: traditional Tibetan Buddhist culture with 14 monasteries in Daocheng, Tibetan dances, and Tibetan paintings and sculptures. Pangphu Monastery (ཕྱོད་ཕུལ་དགོན་པ་, Bengpusi 蚌普寺) of the Kagyu school is located on the road from Jinzhu to the airport and thus is readily accessible but appears little visited. A small temple within Yading (Chonggusi 冲古寺) constitutes more of a display object than an operational temple. Gongkarling Monastery (གངས་དཀར་རྣམ་རྒྱལ་གླིང་དགོན་པ་, Gonggalang Jilingsi 贡嘎郎吉岭寺) of the Geluk school, located 22km before Riwa on the road from Jinzhu, is bypassed by tourists in an early morning or evening rush to or from Yading.

In Jinzhu, a Yading “museum” consists of one room of unimpressive local artifacts and a sales booth of tourist souvenirs. An “activities center” 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 the occasional display on hotel grounds.

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*'s projections two- to three-fold. By 2017, the visitor number had likely doubled again.²³ Most visitors fell into the category “self-driving tourism” (自驾游), which accounted for 80 per cent of all Yading visitors in the 1 October national holiday week (“Golden Week”) of 2017.²⁴

Figure 2 about here

Tourism development came with numerous linkage effects. Restaurants and shops targeting tourists sprang up. Holyland's Shambala Tianjie, in 2016 still a largely empty shopping and restaurant complex, in the evenings in October 2017 was bustling with tourists

²³ See Appendix 7 for further details on visitor numbers.

²⁴ Appendix 4 elaborates on self-driving tourism in the Greater Tibetan region.

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 linens for hotels to the sterilization of Chinaware 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 let 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 comparison figures for 2015.²⁵ 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 industry in 2015 equally exceeded the nationwide average three-fold, with especially catering 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, health care, etc.), although these two sectors' shares in local GDP in 2015 were still three times and twice as large, respectively, as the nationwide average.

Table 1 about here

The official Daocheng GDP value significantly *underestimates* actual GDP, as becomes quickly apparent if one considers the separate (and quite credible) official data on tourism income in Daocheng.²⁶ In 2015, tourism income in Daocheng was CNY 1,696.8mio, 38 times official value-added in hotels and catering and three times the official value of Daocheng's GDP (CNY 597.52mio), up from 0.3 times in 2013. Daocheng's official tourism income value itself likely underestimates actual tourism income (which is probably higher by half), ultimately raising actual Daocheng 2015 GDP to up to 5 times officially reported GDP. Tourism probably accounted for about 80 per cent of actual GDP.

²⁵ 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.)

²⁶ See Appendix 9 for the considerations underpinning the following summary statements.

Limitations

Despite the apparent success in shifting economic activity from low towards higher value-added sectors, Daocheng's tourism-based development faces a number of constraints. These include 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, one 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's admission limit of 16,054 visitors became binding. Thus, while tourism booms in the Golden Week, at all other times one observes either modest tourism or a deserted county.²⁷

The observed visitor numbers contrast with 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. Not astonishingly, in fall 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.²⁸

Figure 3 about here

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.

²⁷ See Appendix 7 for further details.

²⁸ See Appendix 10 for the hotel and room counts.

A particular handicap of Jinzhu is its altitude of 3,800m, which makes altitude sickness unavoidable. At least one tourist died from altitude sickness, in 2016.²⁹ Oxygen bottles and Chinese medicine against 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 meters and a distance of only 7 km—rather than 81km—from the entrance to Yading; but 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.

Nor does the weather favor tourism. 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 bitter cold and early in the year the authorities close off the region due to Tibetan political anniversaries (that could trigger “social unrest”). Snowfall may block roads any time of the year as far away as the first pass after Kangding (at 4,400m), about 400km away. Daocheng-Yading Airport is notoriously unreliable. Planes don’t land in adverse weather conditions and flight delays can be measured in days.³⁰ It is for good reason that the take-up of holiday homes in the Holyland Hotel appears to have been very limited, while the completed Yading Tianjie development dropped the originally planned holiday homes altogether.

Holyland in glamorous design sketches in 2017 still advertised a Shangri-La “International Tourism Small Village” (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.³¹ Implementation of these plans, however, was on

²⁹ This was confirmed by multiple sources, though none was willing to provide further information.

³⁰ See Appendix 11 on Daocheng-Yading Airport.

³¹ See Appendix 5 for further details on these plans.

hold, supposedly because of “national policy.” Holyland was reported to, due to funding difficulties, have repeatedly missed the development schedule originally agreed upon with the Daocheng government, which then had led to the transfer of some land to the government and the arrival of a Holiday Inn Express in Riwa in 2017. Holyland was further rumored to be running at a loss and to have 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 have 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” (主导). Both the original *Master Plan* (2001-2015) and a follow-up *2015 Master Plan* (2015-2030) are internal documents. So 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 10-year delay). This involved major funding by all levels of government, from the center (airport) to the province (provincial road from Kangding to Daocheng and Riwa) and below. Second, it developed and continues to administer Yading in an ecologically sensitive manner, since 2013 under the county and prefecture Daocheng Yading Scenic Area Tourism Development Company.³² The company maintains the park infrastructure from the walkways inside Yading to the welcome center at the entrance of Yading (an imposing new welcome center opened in 2017 at the upper end of Rencun where the park boundary lies), runs the buses that shuttle tourists the 33km from the entrance of Yading to the end of the road within Yading, promotes Yading, and built an impressive Performing Arts Center 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 Chinese

³² For details see Appendix 3.

developmental state and likely came part and parcel of the higher-level government's approval to develop tourism in Daocheng. Holyland Corporation's engagement appears 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 to the design of street lights.

Luck likely played a major role in Daocheng's tourism development. The *Master Plan* did not foresee the self-driving 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 unforeseen advertisement opportunities.

The government's investments created profit opportunities for the private sector. In the official Daocheng GDP statistics (Table 1), the private sector in 2015 accounted for 95 per 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. (The construction industry, in the official statistics twice the size of these three sectors combined, however, is dominated by non-private firms.)

The government retains ultimate control over private sector developments. Thus it controls the extent of private inn/hotel construction—in 2017 it prohibited the development of new inns/hotels as Han-Tibetan collaborations—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 fiscal expenditures of CNY 1.213bn constituted a 9.1-fold multiple of Daocheng's fiscal revenues, and similarly in earlier years.³³ Daocheng's government thus spends almost ten times more than it collects. This unusual ratio does not originate with revenues. Revenues 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 official Daocheng's GDP, that are out of line. These expenditures do not yet include those of higher-level governments on infrastructure projects in Daocheng.³⁴

³³ 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 et al. (2007) argue that the "affirmative action empire" program of the PRC government towards minorities is biased in favour of religious minorities.

³⁴ Two items of considerable costs—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.

Socio-economic 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 likely was about nine times higher, at around 33,000.³⁵ Almost half of actual employment was in agriculture (15,000), followed by tourism (13,250, of which approximately 7,500 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 laborers 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 laborers and very few Tibetans. Hans run the vast majority of hotels and inns, as well as restaurants. The bus 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 Center in Riwa are non-local and appear majority Han.³⁶

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 there is no discrimination in remuneration and the Tibetans are simply less productive than Han workers.³⁷

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 day. (During the Golden Week, police prohibit private transport services.) In 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;

³⁵ See Appendix 14 for the official and the derived population and employment values.

³⁶ Similarly, Horlemann (2002, 262f.) for the case of Guoluo in Qinghai reports that Han immigrants run the majority of restaurants, shops and workshops.

³⁷ Tibetans are considered unable to provide the same quality of work as Han workers, and to lack work discipline. Hillman (2008) regards the assumption that Tibetans will learn from migrant Han as false.

their son (the father of the grandchildren) has no stable employment and roams Jinzhu while the son's wife runs the family farm 100km 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 Tibetans as harvesters. Tibetans carrying honeycombs walk the streets of Jinzhu, targeting tourists. In fall, Tibetans from the neighboring county Xiangcheng 乡城 (111km away) sell apples outside the wet market in Jinzhu (whereas the wet market stalls are almost exclusively staffed by Han, with the vegetable trucking business from Yunnan also dominated by Han). Tibetan dress-making and handicraft shops run by Tibetans and serving Tibetans can be found in an unremarkable side street of Jinzhu that tourists rarely enter. The center of Jinzhu is dominated by Han-run supermarkets, clothing shops, telecom outlets, and restaurants.³⁸

Some Tibetans who develop employment initiative are eventually pushed aside. Dozens of Tibetan hawkers of jewelry 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 Center warned against buying from hawkers. The old Yading Visitor Center at the lower end of Rencun, in use through September 2017, was surrounded by Tibetan stalls selling everything from oxygen bottles to raincoats and jewelry. The expansive new Visitor Center at the upper end of Rencun has no such stalls but an integrated shop staffed by Han.

Tibetans may be employed for reasons of political correctness. The Yading Tianjie sales office staff 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 for a minimum degree of authenticity in “cultural” displays. A very few Tibetans make it into the otherwise Han ranks of the administration.

One set of jobs is explicitly reserved for Tibetans: the operation of the electric carts within Yading that carry visitors to the Luorong cattle station, 7km up the valley from the end of the road (though the ticket sellers are young Han women). This is a compromise resulting from a conflict between Tibetans originally offering horse rides up the valley and Yading's administration wishing 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.

An obvious beneficiary of economic development in Daocheng are the Han working in the tourism industry (and some in the public sector). Han manage all the larger hotels, often

³⁸ Daocheng lacks “local specialty” product industries, unlike other tourist destinations, such as Lijiang; see Appendix 15.

having been hired through advertisements placed around the country. Income levels in the tourism industry are likely on the order of ten times official household income per person in Daocheng.³⁹

Tibetans who have aligned themselves with the Han system benefit. The former commune leader of Riwa owns several buildings in the center of Riwa that are now rented out to Han to operate as inns; the former Riwa commune accountant in October 2017 had just put up 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.⁴⁰

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 look favorably 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 channeling 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 government could 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—compared to agriculture—high value-added leading industry, made the necessary lumpy investments (especially infrastructure investments) as well as

³⁹ 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.

⁴⁰ Hillman (2016, 23) notes the “preferencing of Sinicized (*bei hanhua*) Tibetans for promotion in county and prefecture government.”

complementary investments (arranged through a partner city project and the sub-contracting of development tasks to the Holyland Corporation), coordinated developments, and created profit opportunities subsequently taken up by the private sector.

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

Gerschenkron (1962, 26) noted the “significance of the native elements” in the industrialization of the countries he examined. Daocheng’s economic development process, in contrast, had no native elements. It was not a unique, *sui generis*, catching-up process, but a centrally determined and implemented “lifting-up” process of a region through the development of tourism centered on a nature reserve, irrespective of local socio-economic 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 under-developed 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.⁴¹

The benevolent view has its flaws. 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

⁴¹ Kolås and Thowsen (2005, Chapter 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 represents modernity. The “more advanced” Han have a “mission to civilize the natives” and help the “primitive” Tibetans move up the evolutionary ladder.

are not a good omen.⁴² The often proffered models of Jiuzhaigou 九寨沟 and Huanglong 黄龙 in Northwest 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.⁴³

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 mystic 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, even irritating with their shabby looks and lax work habits. The next Tibetan generation is subjected to nine years of mandatory Han adaptation for future Han-icized Tibetan authenticity.⁴⁴

An element of colonialism can be added. Cypher and Dietz (2009, 77) 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.”⁴⁵ In this narrative, the Han machinery is not about creating a sound local economy 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.⁴⁶

⁴² 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 poverty alleviation measure.

⁴³ See Appendix 17 for further details.

⁴⁴ The *Master Plan* explicitly warned against the loss of local culture. See Appendix 3.

⁴⁵ Sautman (2006) argues against the view of Han colonialism in Tibet: there can be no subjugation unless two peoples are ‘alien’ (which he presents as not being the case), 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 while others would best be invisible?).

⁴⁶ Cooke (2003) views the Western development initiative 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 Western economic development initiative for resolving the “nationalities problem.”

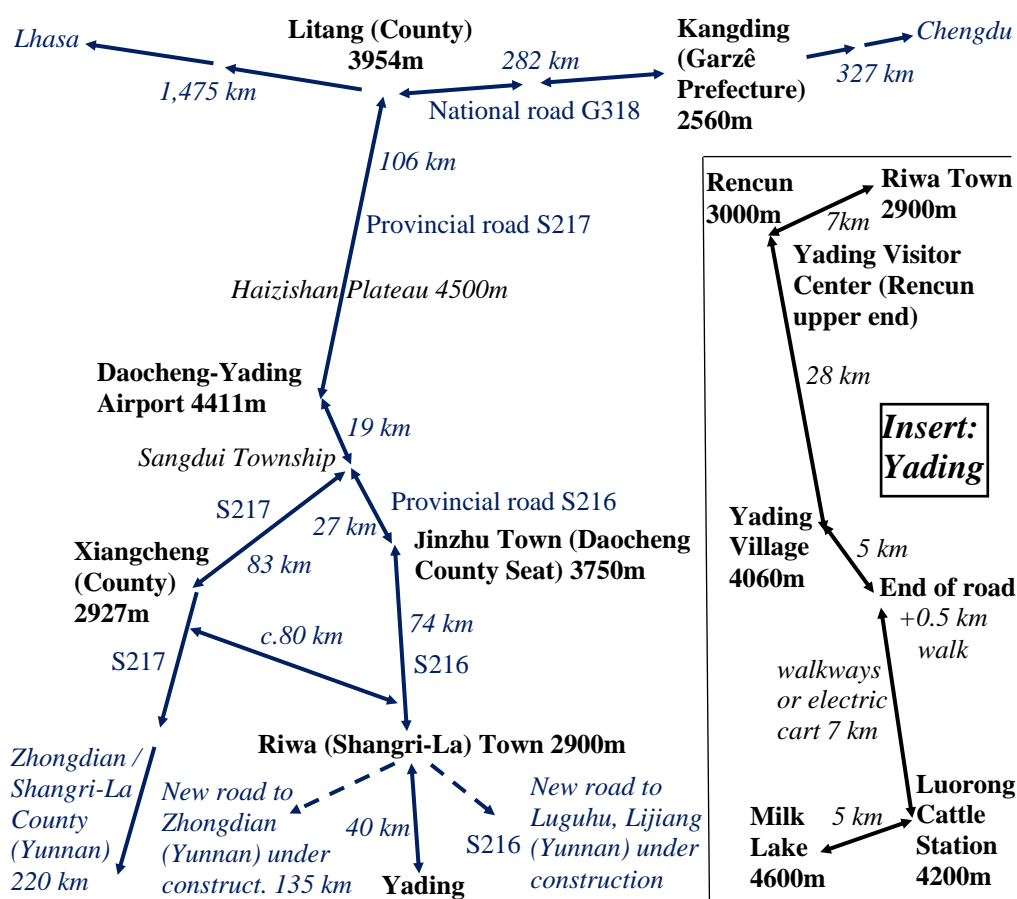
What would an alternative development path for West Sichuan have looked like? Following Fei and Ranis (1969), economic development would probably have had to proceed from simple agrarianism towards mercantile agrarianism with a larger focus on agricultural cash crops, perhaps extending beyond the current Matsutake and Caterpillar harvesting to specialty foods such as dried Yak meat, Yak butter, Yak cheese, and barley products. 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 (though 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 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.

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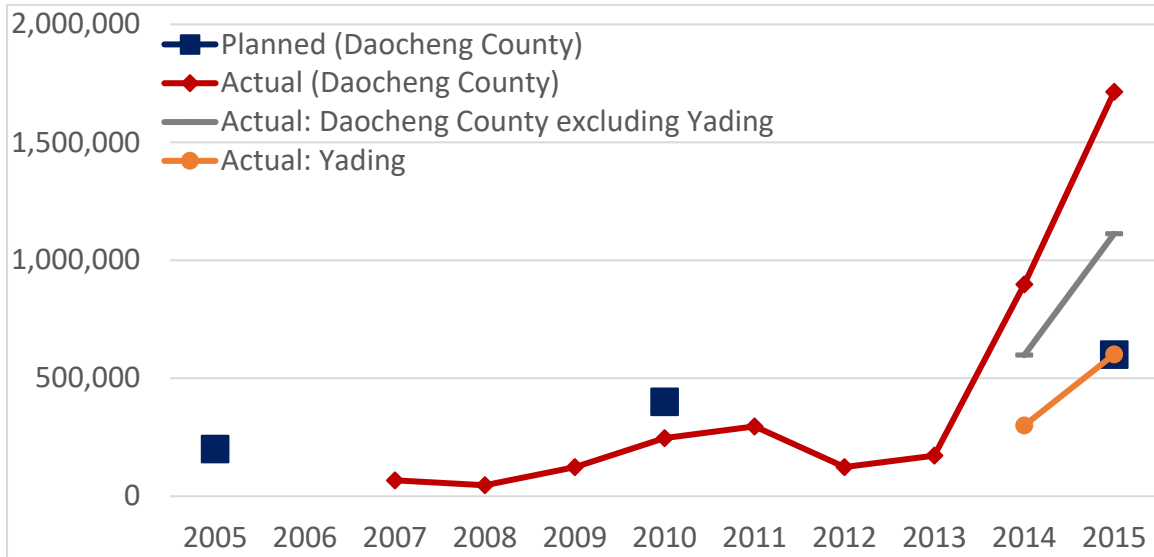
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A number followed by “m” refers to meters altitude, one followed by “km” to kilometers distance.

Figure 1. Daocheng – Yading Location Map



Sources: *Ganzi Statistical Yearbook*, various issues; planned numbers from *Master Plan*.

Figure 2. Daocheng County Visitor Numbers

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

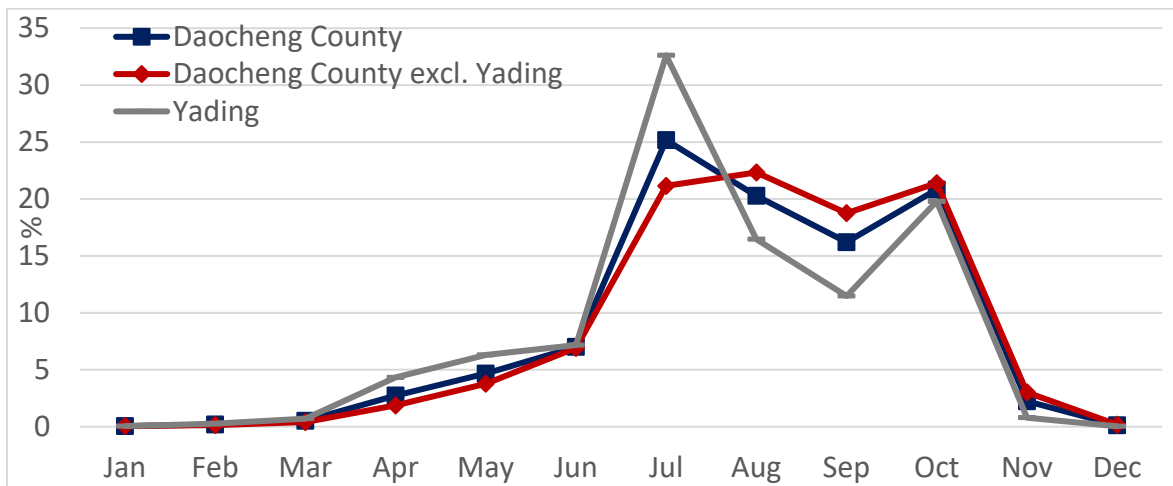
	PRC GDP		Daocheng GDP		Private economy share in 2015 sector value-added
	2015	2010	2015		
Total	100	100	100		45
Primary sector	9	35	32		66
Secondary sector	41	17	24		27
Industry	34	3	3		36
Construction	7	14	21		25
Tertiary sector	50	48	44		39
Transport, storage, post	4	0	0		100
Wholesale, retail trade	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>

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.

Sources: *Ganzi Statistical Yearbook 2011, 2016. Statistical Yearbook 2017* (Table 3.6).



A monthly breakdown of (the few) foreign visitor nights is not available.
 Source: *Ganzi Statistical Yearbook*, various issues.

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