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The Xinjiang Production and Construction Corps

An Insider's Perspective

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Abstract

The Xinjiang Production and Construction Corps (XPCC) is an important vehicle of governing multi-ethnic Xinjiang in north-western China. Since its establishment in 1954, XPCC's key role has been to settle and safeguard the frontier area mainly through the development of agriculture and industry. Organized with a military structure, but also a hybrid of enterprise and bureaucracy, XPCC was a model for Chinese development in the 1950s and 60s. However, the contemporary XPCC faces difficulties adapting to the market economy and is now highly dependent on central government for financial and political support. This article draws on the author's personal experience to identify the reasons for XPCC's difficulties and to make recommendations for its future. Currently, XPCC is committed to developing more of its own cities in order to facilitate industrial development. But relationships with both the government of Xinjiang and the local population are strained. To win a truly sustainable future, this article suggests that XPCC should cooperate with local government to build and run cities on a joint basis, based on the successful example of Tianbei New District. XPCC should also provide social services to establish closer ties with the local population. Thus, this organization could become powerfully embedded in Xinjiang rather than remaining an 'island.'

I. Introduction

Xinjiang in north-western China has long been the focus of research, primarily due to the ethnic problems of this border region. Within Xinjiang, tensions between the Han Chinese and Turkic-speaking, largely Muslim, Uyghur people have a long history. Located at the 'pivot of Asia' and at the so-called 'Eurasian Crossroads', Xinjiang is rich in natural resources, particularly oil and gas. Against the background of rising global terrorism and the economic transformation of China, Xinjiang is significant to China's national development and stability. Violent riots took place between Muslim Uyghurs and Han Chinese in the capital, Urumqi, on 5 July 2009 (the so-called '7-5 incident'), the worst such unrest in modern Chinese history. This incident was followed by terrorist attacks involving separatist extremists from

¹ I am very obliged to the Blavatnik School for the opportunity to study in Oxford. I am very grateful to Dean Ngaire Woods, Prof Thomas Hale, and many other colleagues for their help and advice. I particularly thank my mentor, Dr Ruth Dixon, without whom this paper would not have been written.

Xinjiang in cities throughout China including Kunming and Beijing.² The effective governance of the Xinjiang Uyghur Autonomous Region (XUAR)³ thus remains a thorny issue.

It is well recognised that the Xinjiang Production and Construction Corps (XPCC, or *Bingtuan* in Chinese for short) is central to the understanding of the governance of Xinjiang. Established in 1954 to settle, develop, and protect this remote border region, and initially comprised of decommissioned soldiers, the XPCC is presently responsible for almost 12% of the population of Xinjiang. In academia, however, 'regarding the study of *Bingtuan* in particular, this remains an under-researched topic'⁴. It is not surprising that some say that XPCC is one of the most secretive organizations in China⁵, and a 'strange' organization⁶. Wei Yingjie of the Chinese University of Hong Kong presents a case study of XPCC in his dissertation⁷ but few other scholars have contemplated this organization in any depth. Some simply mention the XPCC, or briefly describe its history and functions, despite its importance to the governance of Xinjiang⁸. After all, studying XPCC is difficult as it is an extremely insular organization and hard for outsiders, even from within China, to access.

In 2008, I was sent by the Central Organization Department of the Chinese Communist Party (CCP) to work as a member of the XPCC for one year⁹. My time in Xinjiang included the period of the riots of 2009. My task was to study the governance and management system of the organization, aspects of which were poorly understood, even within XPCC. My book on the XPCC was published in 2010,¹⁰ and my recommendations were received by a member of the Politburo Standing Committee of the CCP and the National Development and Reform Committee. From that time on, I have continued to study the XPCC.

The CCP considers the XPCC as fundamental to the future stability and development of Xinjiang, as evidenced by a speech by President Xi in 2014. Some considerations on the future of the XPCC have been published, but in my view, they do not accurately hit the

² Marc Julienne, Moritz Rudolf, Johannes Buckow, *The Terrorist Threat in China*, *The Diplomat*, (May 26, 2015), Available at: <https://thediplomat.com/2015/05/the-terrorist-threat-in-china/> (accessible 25 December 2017). Relevant terror attack information is available by media, for instance, https://en.wikipedia.org/wiki/2014_Kunming_attack (about Kunming terror attack incident).

³ In this paper, 'Xinjiang' normally signifies the geographic region, while 'XUAR' refers to the administrative area or regional government of Xinjiang. Xinjiang and XUAR are identical in geographical extent, and the terms can be used interchangeably. Xinjiang covers a sixth of the area of China, but contains only 1.7% of its population.

⁴ Yuchao Zhu & Dongyan Blachford, 'Old Bottle, New Wine'? *Xinjiang Bingtuan and China's ethnic frontier governance*, *Journal of Contemporary China* Vol.25 (97), (2016), p.30.

⁵ David Eimer, *The Emperor Far Away: Travels at the Edge of China* (London: Bloomsbury, 2014).

⁶ Alexa Olesen, *China's Vast, Strange, and Powerful Farming Militia Turns 60*. *Foreign Policy*, (8 October 2014), available at: <http://foreignpolicy.com/2014/10/08/chinas-vast-strange-and-powerful-farming-militia-turns-60/> (accessed 25 December 2017).

⁷ Wei Yingjie, *Sovereignty and the power of governance: A case study of Xinjiang Production and Construction Corps* (unpublished doctoral dissertation, the Chinese University of Hong Kong, 2011).

⁸ For example, Nicolas Becquelin's paper *Staged Development in Xinjiang*, *The China quarterly* No.178 (2014); Justin M. Jacobs' book *Xinjiang and the modern Chinese States* (Seattle and London: University of Washington Press, 2016); Baogang Guo and Dennis Hickey, 'Toward Better Governance in China, An Unconventional Pathway of Political Reform' (Lanham: Lexington Books, 2009).

⁹ In China, officials with many talents have been sent as temporary members to offer their help to Xinjiang and XPCC since the Western Development Strategy was launched in 2009.

¹⁰ Yajun Bao, '新疆生产建设兵团体制研究' ['A study of the system of the Xinjiang Production and Construction Corps'] (Beijing: Central Compilation and Translation Press, 2010).

target.¹¹ In order to consider XPCC's future, we need to understand its current organization. But information about this organization is sparse. In 2003, the Information Office of the State Council issued a White Paper called *History and Development of Xinjiang*, which described XPCC as follows:

*It is a special social organization, which handles its own administrative and judicial affairs within the reclamation areas under its administration, in accordance with the laws and regulations of the state and the Xinjiang Uygur Autonomous Region and with economic planning directly supervised by the state*¹².

This concise official description is rather uninformative. How exactly does this organization work? In this article, I aim to expand this concise description from an insider's perspective. By means of a narrative interspersed with comments, I will describe the key structures and activities of the XPCC, analyse its roles, capture its difficulties, and make some realistic recommendations for its future.

II. The History and Population of XPCC

The founding rationale of the XPCC was to ensure that sufficient Han Chinese settled and remained in Xinjiang, thus demonstrating the sovereignty of the centre and maintaining the security of Xinjiang. This remains a central tenet of its mission. Donald H. McMillen described XPCC as a Han organization¹³ and indeed 86% of current XPCC members are Han Chinese. Founded in 1954, the XPCC was initially made up of about 175 thousand soldiers and their dependents, almost all Han Chinese. In the following years, it was swelled by large numbers of demobilized military personnel, young people, intellectuals, scientists, and technicians. Some were placed by the state while others were volunteers¹⁴.

XPCC's economy was (and is) largely based on agriculture. It reclaimed farmland in remote barren lands and established regimental agricultural and stock raising farms. Cotton, wheat, tomato, red dates, grapes etc. were planted on a large scale. Based mainly on the agricultural production, XPCC also established a multi-sector industrial system including food processing, light industry, textiles, iron and steel processing, coal mining, building materials, chemicals, and machinery. XPCC also developed its education, science and technology, culture, health, and judicial systems, and built infrastructure and electricity generation. In the 1950s and 60s, XPCC achieved great progress (referred to as 'XPCC's glorious feats'). In 1975, however, XPCC was dissolved when it fell victim to the Cultural Revolution. All XPCC regimental farms and other assets were transferred to the regional government (XUAR). In 1981 when China began its reform and opening policy under Deng Xiaoping, the XPCC was restored, largely to cope with the increasing instability of Xinjiang at that time. Personnel, assets, and lands were returned to XPCC, but some particularly profitable enterprises and farms were retained by XUAR.

¹¹ For instance, the paper of Yuchao Zhu and Dongyan Blachford. Thomas Matthew James Cliff wrote another paper: *Neo Oasis: The Xinjiang Bingtuan in the Twenty-first Century*, Asian Studies Review (Vol.33, 2009).

¹² The Information Office of the State Council of China, *White Paper: History and Development of Xinjiang*, 2003.

¹³ Donald H. McMillen, *Xinjiang and the Production and Construction Corps: A Han Organization in a Non-Han Region*, The Australian Journal of Chinese Affairs no.6(Jul.), (1981).

¹⁴ The corps model was regarded as a successful approach to the future of China and many Production and Construction Corps were set up in regions such as Inner-Mongolia, Fujian, and Heilongjiang in the early days of China. However, all of them were dissolved and only XPCC was later restored.

In the 1950s and 60s, people were motivated to join the XPCC because they could feed themselves, get a fixed salary, and obtain a good reputation for their sacrifice in safeguarding the frontier. Furthermore, it was hard for existing XPCC members to move elsewhere in China due to strict regulations. After restoration in 1981, the XPCC had a population of about 2.2 million, over 16% of the population of Xinjiang. XPCC's population fell slightly over the following decade and then increased to 2.8 million by 2016. Nevertheless, due to the more rapid growth of the population of Xinjiang, the ratio of XPCC's population to that of the region has fallen to under 12%, a proportion that has been stable for over a decade.

This weakening of the ratio is regarded as a signal that XPCC is not strong as before. Many XPCC members believe that more people and a higher ratio would strengthen its power and influence. However, it is difficult to increase this ratio. On the one hand, the natural growth rate of the XPCC's population is low, even lower than the average rate of the whole country¹⁵. On the other, XPCC recruits only slightly more new members than its outward migrants. During the past 10 years, XPCC increased its population by only 30 thousand per year on average.

Thus, to maintain or increase its population, XPCC must recruit new members. XPCC is inclined to recruit Han peasants¹⁶ for the sake of culture, language, convenient management and its 'mission' to increase the Han population of Xinjiang. Although XPCC contains 37 ethnic groups, almost 86% of its population is Han Chinese.¹⁷ This compares with 36% Han Chinese in the whole XUAR in 2015¹⁸, about 43% Uyghur, with other ethnic groups making up the remainder.

Attracted by the XPCC's preferential employee and welfare treatment, most new members are peasants from outside Xinjiang, particularly from Henan, Shanxi, and Gansu provinces. These places share common weather patterns with Xinjiang so the newcomers are relatively familiar with the types of agriculture that they encounter in Xinjiang. Henan province is one of the provinces with the biggest and densest population, and the other two provinces have some very barren regions where peasants are in difficult situations.

One should be aware that this recruitment of new members embodies not only XPCC's mission but also the will of the state. XPCC (and its regiments) is not a private enterprise but a hybrid of state-owned enterprise and bureaucracy. Hence, recruitment is encouraged and supported through significant state support and subsidy, and existing levels would not be achieved without that support. XPCC recruitment advertisements offer newcomers freedom from worry about support in their old age and the education of their children. Nevertheless, these generous provisions have resulted in serious financial problems for XPCC.

¹⁵ Wang Penggang, Chang Qingsong, Li Weichao. '基于屯垦戍边使命的新疆兵团人口发展战略研究' [*Population Development Strategy Research of Xinjiang Production and Construction Corps Based on Settlement Defend Edge Mission*], '西北人口' [*Northwest Population*] Vol.33, No.4(2012).

¹⁶ The Chinese word normally translated 'peasant' might also be understood as 'small independent farmer' or 'smallholder'.

¹⁷ White Paper of 2014.

¹⁸ I get this number by calculation based on the data from Statistic Bureau of the XUAR. Data available at: <http://www.xiti.gov.cn/>.

XPCC's development path has resulted in a labour force heavily skewed towards agriculture, and with very large numbers of retirees and dependents to support. According to the official statistical communiqué and official general economic survey¹⁹, XPCC currently contains about 700,000 productive employees (around a quarter of XPCC's total population), among whom about 400,000 are regimental farmers, about 200,000 public employees such as civil servants, teachers, and doctors, and about 100,000 workers and management staff in secondary industries. At the same time, the scale of retirees is almost too big to be believed. A statistical communiqué in 2010 first revealed the number: 520 thousand²⁰. To support them, as well as the other dependents, is a genuinely overwhelming burden for the XPCC.

III. Structure and Organization of the XPCC

As its name indicates, XPCC has a military structure: a headquarters, 14 Divisions, 176 regiments (regimental farms), and a large number of companies. Usually, one division owns from ten to twenty regiments, each divided into about ten companies. Each regiment has over 10 thousand population on average. Divisions are unequally developed. The Eighth Division is largest with a population of over 800 thousand. About 60% of the population of XPCC is associated with the regimental farms, and the rest work in non-agricultural sectors such as industry, construction, and public services.

As another white paper about XPCC said, 'the practice of stationing garrison troops to cultivate and guard its border areas is a legacy of China's several thousand years of history of developing and safeguarding its frontiers.'²¹ This not only reveals the original reason of establishment of XPCC but also indicates its special governance system. Uniquely, Xinjiang contains two parallel governance structures: XUAR and XPCC. The relationship between XPCC and the regional government will be described in Section V, below.

Due to Xinjiang's particular ethnic, religious, and geopolitical situation, the Chinese national government plays a central role in the governance of the region, and particularly of XPCC. The central government established a 'work leading group'²² for Xinjiang which has authority over both XUAR and XPCC. This group is based in Beijing and is headed by a member of the Central Politburo Standing Committee of the CCP.

The leaders of XPCC and its divisions and regiments are called commanders and commissars. The two highest posts in the XPCC (Political Commissar and Commander) are appointed by central government. The XPCC headquarters has authority over all the Divisions. Its departments cover economic, social, and political affairs, education, public security, judiciary, personnel matters, and so on. Since 1990, XPCC's economic planning has been under direct state supervision, and all central ministries treat XPCC as an independent unit on the level of a province or municipality. The XPCC has a hierarchical, top-down structure, with each level being responsible for its own sphere of activity at an appropriate

¹⁹ Relevant data could be downloaded from the website of XPCC's Statistic Bureau: <http://www.xjbt.gov.cn/c/2015-03-27/3504670.shtml> (accessible 30 December 2017).

²⁰ See website of XPCC's Statistic Bureau: <http://tjj.xjbt.gov.cn/c/2012-08-23/963901.shtml> (accessible 30 December 2017)

²¹ The Information Office of the State Council of China, *White Paper: History and Development of the Xinjiang Production and Construction Corps*, 2014.

²² The only other comparable central work leading group is for Tibet.

scale. For example, regiments may have just one staff member undertaking tasks that require several bureaus or departments at the Divisional level.

Unlike other Chinese local administrative units such as provinces or autonomous regions, where local government is separate from the Party organization, XPCC has an integrated system. For example, the propaganda department of XPCC is also the radio and television bureau. Also, XPCC does not have a People's Congress or Political Consultative Conference.

XPCC's military structure denotes strict hierarchy and relationship of 'orders and obedience'. With the help of this structure, XPCC has one huge advantage: it can organize large-scale collective action. Without this structure, the massive agricultural lands could not have been reclaimed. Unified production management is also indispensable to managing the reclaimed lands. All lands have to be planted, watered and fertilized in given limited and critical days because of the natural characteristic of agriculture. This is one reason why XPCC requires a military structure. However, the military structure also makes it easier to swiftly organize itself into a military organization or militia.

XPCC indeed undertakes some military functions, but this role nevertheless should not be overstated. In some ways, the XPCC's armed police corps and army reserves are similar to those in many other provinces or regions. However, compared with other local units, XPCC regards the militia training as an important task for all members alongside their daily work and life. This is because XPCC shoulders responsibility of safeguarding the frontier areas, with strong support from the centre. Thus, in winter when conditions are unsuitable for agriculture, many members of the divisions and regiments are organized to attend militia training. XPCC has about 100 thousand trained militia, and in some sensitive places emergency company of militia is set up as a special organization²³. Upon emergency, XPCC's militia are mobilized to patrol or to carry out a designated task. For example, XPCC militia patrolled the streets of Urumqi in the first days after the 7-5 incident. But historically, XPCC played a role of a strategic force for the defence of Xinjiang²⁴, such as supporting regular troops during the Sino-Indian war of 1962.

Apart from the farms, XPCC establishes and runs large numbers of enterprises at all levels. Many enterprises reprocess agricultural produce for food and textiles, for example. XPCC have some mining and mining-related industries such as coal-mining and potassium fertilizer production. Even some enterprises are involved in real estate and foreign trade. The running of XPCC's enterprises and associated institutions such as hospitals and schools differ little from their counterparts outside XPCC.

The Eleventh Division, uniquely, has no regimental farms and is called the Construction Engineering Division. Its regiments are engaged in road, bridge and building construction. Its customers come not only from XPCC but also from China and other countries.

²³ This figure is a rough estimate based on my interviews of XPCC members. Concrete information about the emergency company of militia is unavailable.

²⁴ Yuan Cai, *The Chinese Legionaries at the western frontier: The Military Role of the Xinjiang Production and Construction Corps, 1960-1975*, *Journal of Chinese Military History* 1 (2012).

IV. The Regiment System of XPCC: A Hybrid of Enterprise and Bureaucracy

The regiment is the basic unit and epitome of XPCC. It is crucial to understand that the regiment is a combination of enterprise, management level, and social organization at the same time.

In vast Xinjiang, a regiment generally owns hundreds of thousands of acres of land which are contracted by regimental farmers (workers)²⁵. A farmer can contract to farm a large area, and clearly one person could not deal with the work without help from the regiment. The regiment is responsible for necessary facilities, for example, construction of reservoirs, wells and irrigation pipelines. By this collective system, XPCC made a great contribution to China's large scale modern agriculture production. It is common today to see aircraft spraying crops with pesticides, and dozens of combine harvesters rumbling in the fields in the harvest season. In the future, perhaps, a regiment will need only a few dozen people. However, this scenario is not realistic in the current stage of development. A regiment is still responsible for the welfare of several thousand farmers. More importantly, XPCC's mission requires a sufficient population to fulfil its political function: to develop and safeguard the frontier.

Before the era of 'reform and opening', the farmers, like all other public employees in China, had no other income besides their fixed salary. Their income (namely, their salary) was much higher than the income of local peasants, which at the time was very low, and the productivity of XPCC farms was much higher than the surrounding region. Over time, however, being required to farm according to the orders of the planned economy rather than local conditions, meant that the efficiency of production deteriorated.

As the reform and opening up swept over Xinjiang in the 1980s, regiments had to dissuade farmers from leaving the XPCC for more lucrative work elsewhere, by adapting the method of production and allowing farmers to profit from the produce that they grew. Currently, the strategy (launched in 2005) is to allow farmers to contract to farm an area of land. A farmer pays contract fees and social security costs to the regiment. The regiment must decide on a level of fees that covers its own costs while still being attractive to farmers. Contracting farmers pay for the use of the regiment's materials and equipment, such as seeds, fertilizer, water, pesticides, electricity, and machinery such as combine-harvesters. They also have to obey instructions from the regiment regarding which crops to grow. Produce from the land must firstly be sold to the regiment according to the prices and amount specified in the contract, and the remainder can be freely marketed by the farmer. This results in a net income for the farmer far higher than that of the local peasants, and two or three times the national average income. However, farmers' incomes vary from year to year, the work is laborious, and so outward migration is still a problem.

A regiment has multifaceted expenses. As an enterprise, it has to pay taxes, support the retirees, organize agriculture production, and maintain production facilities such as water

²⁵ In XPCC, regimental farms are divided into different types according to different standards. Some farms focus on the stock-raising, others on agricultural production. Some farms are located in the border of Xinjiang, others away from the border. This article will mainly examine agricultural farms away from the border as representative and most useful to understand the running of XPCC as a whole.

pipelines. While regiments have some autonomy, they must also obey orders from the division (which itself is under orders from the headquarters and the national government). XPCC therefore still remains to some extent a bastion of the planned economy. At the same time, the regiment is responsible for the welfare of its members' daily life and fulfils some social governance functions. For example, it sets up hospitals, clinics and schools, carries out the family planning policy, and organizes militia training. All these tasks require a sufficient staff team which in turn reinforces the economic burden. Many regimental farms are unprofitable and require national subsidies and debt from the bank to survive.

By large-scale purchase of agricultural products from the farmers, XPCC succeeds in shoring up its food- and agriculture-related factories. But these enterprises are generally not profitable mainly because they are at the low end of the whole agriculture chain.

The low profit of regiments has something to do with the harsh natural environment, inconvenient transportation, and narrow market space. In XPCC's early days, according principle of 'not competing with the local residents', many regiments were located in the most desolate and out-of-the-way places, usually along the fringes of Taklimakan Desert (336.7 thousand km²) and Gurbantunggut Desert (48.8 thousand km²), and along the border with the Soviet Union. So far, the countries adjacent to Xinjiang remain undeveloped, and Xinjiang has not been fully integrated with the market of the rest of China. As a result, the state must purchase massive amounts of agricultural products to support the XPCC. With regard to these factors, the centre does not have high hopes for the future profitability of XPCC. It nevertheless continues to support XPCC with these enormous subsidies, demonstrating the centre's view of the continuing strategic importance of XPCC.

V. The Relationship of XPCC with XUAR

The dual system of governance of Xinjiang makes the relationship between XPCC and XUAR very interesting and not always harmonious. Nominally, XPCC is subject to XUAR, and as an organization, XPCC is part of XUAR. But this seems to have no substantive meaning because XPCC 'handles its own administrative and judicial affairs', including its economic affairs, under direct control of (and with support from) the national government. In addition, XPCC's historic development pathway means that its administrative and judicial affairs are quite separate from (and largely unfamiliar to) the XUAR administration.

XUAR's leadership of XPCC is more about politics. Most leading officials of XPCC, such as the deputy-commissar or deputy-commander at headquarters, are appointed by XPCC itself. Nevertheless, XUAR has the power to appoint XPCC leaders. And in particular, the post of First Commissar of XPCC (nominally the most powerful post in XPCC) is always held by the General Secretary of the XUAR Party Committee of the CPP (the top post in XUAR). The central role of this individual means that XUAR can have a huge impact on XPCC's development, depending on the First Commissar's attitude. Many members of XPCC complained that Wang Lequan, the Secretary of XUAR Party Committee from 1995 to 2010, was neither kind nor enthusiastic towards XPCC²⁶.

²⁶ I often heard these complaints when I was in XPCC. It is testified by Wei Yingjie in his dissertation mentioned before.

This dual system of governance also means that XPCC must obey the political decisions of XUAR, though within its own sphere of authority. For example, after the 7-5 incident of 2009, XUAR launched a campaign of ‘realizing people’s reality, making people better off, winning people’s confidence’ to address some of the grievances and tensions that led to the incident. This involved XUAR sending work teams to impoverished rural villages both to offer economic assistance and to report back to the centre on the conditions and attitudes of the residents. XPCC also had a role in forming work teams; in this case, cadres from divisional and headquarters level formed teams that were sent to assist the poorest XPCC companies.

The relationships between XPCC’s divisions and XUAR’s prefectures reflect a similar dual governance system. Each division is stationed in a different prefecture. The secretary of the Party Committee of the prefecture also serves as the First Commissar of the Division. The division Commissar is both the secretary of the divisional Party Committee and a member of the prefecture’s standing committee of the Party. Nonetheless, the prefecture has no power to appoint any other leaders of the division, and all divisions are under the authority of the XPCC headquarters. The relationships between XPCC’s regiments and XUAR’s counties are similarly organized.

Guo and Hickey said that ‘each of them tried to function independently but inevitably they clashed.’²⁷ And indeed, they do clash. But is that clash ‘inevitable’? As I discuss below, there are some potential reforms that might increase cooperation.

VI. An ‘unsustainable’ XPCC?

Even though the population of XPCC remains steady and even slightly increasing, XPCC seems not wholly sustainable as an organization. It faces both internal and external pressures. First, from inside, it lacks cohesion and attraction. Its members no longer feel as proud as in the pre-reform era. Second, from outside, it is being squeezed and alienated both by the XUAR administration and the local Xinjiang residents.

First, many people wish to leave the XPCC for mainly economic and social reasons. Farmers now have the opportunity to increase their income by contracting, as mentioned above. Still, today many farmers in the poor regiments, especially in frontier area, have a low income. Salaried XPCC employees have a fixed salary which until recently was a little lower than the one of their counterparts in XUAR because of the weak economic ability of XPCC. At least since 1981, the average salary of XPCC has almost always been lower than one of Xinjiang, and in 2005 the former was only 71.9% of the latter²⁸. Admittedly, they could have a comfortable life in Xinjiang based on that income. But as Xinjiang interacted more with the rest of China, they had a sense of loss.

²⁷ Baogang Guo and Dennis Hickey, *Toward Better Governance in China, An Unconventional Pathway of Political Reform* (Lanham: Lexington Books, 2009), p.170.

²⁸ Jiang Liyun. ‘新疆生产建设兵团的体制和运行研究’ [‘A study of system and its operation of the Xinjiang Production and Construction Corps’], (Beijing: Social Science Academic Press, 2017). p.284.

Due to reform and opening up, it was easier for them to find a job and live elsewhere. From 1983 to 1993, nearly 300 thousand people left XPCC²⁹. Those who aspire to escape from XPCC, frankly speaking, are usually the elites of their working units. Their exodus impinges the cohesion of XPCC. And, as mentioned previously, many inward migrants are the peasants from the poorest regions of China, and very few are educated professionals, public servants, or industrial workers. Since the 7-5 incident of 2009, to keep human resources in Xinjiang, huge central subsidies allowed the XPCC to increase the salary level of its public employees to the level of or just above XUAR's^{30,31}. However, although XPCC today has curbed the trend of outflowing of population, there is another question whether or not its members are still wholeheartedly loyal to this organization and would like to be rooted in frontier area for their whole life.

Second, competition with the XUAR authorities is becoming fiercer. As mentioned previously, XPCC and XUAR are to some extent in conflict through their parallel governance structures. Facing the market economy, the two are unable to avoid a variety of physical or intangible conflicts. For example, competitions for market shares, lands and (particularly) water, are severe. XPCC's ambitions to develop mining enterprises, and oil and gas extraction, are usually blocked by the XUAR authorities. Permission to establish cities is rarely granted. At the same time, it is difficult for XUAR to give XPCC substantial help for fear of weakening its own development. As a result, XPCC has a self-reliant development model and stands aloof from XUAR. In the long run, in my eyes, this model is undesirable.

Third, XPCC regiments do not have a friendly and close relationship with the local residents, who are mostly Turkic-speaking Uyghur peasant farmers. There is mutual distrust, suspicion, and lack of respect, exacerbated by the language barrier and the generally low level of education of many XPCC farmers as well as the local population. Ethnic and religious tensions are also present, and XPCC farmers often fear that increased interaction will provoke separatist violence. Thus, for these reasons, and because many regimental farms are remote, members of XPCC regiments rarely interact with local communities in their daily life.

In the term of XPCC's functions, a dialectical view is needed. The creation of XPCC increased the interaction between the Xinjiang minorities and the Han Chinese. On the one hand this contributed to the stability of Xinjiang, as well as its economic and social development, but also had the potential to increase tensions. When reading the White Paper of 2013, one can get an impression that more often than not, XPCC showed its power only in reaction to emergencies and uprisings. This is a fundamentally unsatisfactory strategy and may increase the grievances of the Uyghurs. In their eyes, XPCC is exploiting Xinjiang's resources and reducing Uyghurs' employment. This view is largely unjustified, given the titanic subsidies that XUAR and XPCC receive from the central government which

²⁹ Jiang Lilun, *A study of system and its operation of the Xinjiang Production and Construction Corps*, p.285.

³⁰ According the official documents from the XPCC's Human Resources and Social Security Bureau, the average wage was 53566 yuan in XPCC while 53004 yuan in XUAR in 2015 (Notice on the Average Wage level of XPCC in 2015, issued by the XPCC's human resources and social security Bureau, available at: <http://www.wjq.gov.cn/xbssg/119705.htm> accessible 29 December 2017).

³¹ 56345 yuan in XPCC and 56882 in XUAR in 2016 (Available at: <http://www.bt.chinanews.com/bingtuan/20170707/6366.shtml> (accessible 29 December 2017). Chinanews is an authoritative website.)

directly and indirectly improve the livelihood of Xinjiang's minorities. Nevertheless, XPCC should explore ways to reduce the tensions.

VII. Urbanization in XPCC

More and better urbanization has long been a dream of XPCC, but it has also been a difficult process. Though many of XPCC's members are scattered in the desolate rural places to reclaim lands, some concentrated settlements appeared around the central, divisional and regimental headquarters. For the most part, though, these settlements are less prosperous than cities and towns owned by XUAR. Increased urbanization would mean better livelihood and more prosperity for XPCC, and some XPCC cities demonstrate this success.

Shihezi was the first of XPCC's cities, and remains its pride. Today Shihezi is one of the most developed cities in Xinjiang. Many factors contributed to its prosperity. First, XPCC's central headquarters was relocated there from Urumqi in the 1960s, and XPCC devoted almost all of its resources to developing the city (although now the headquarters has returned to Urumqi). Second, as a registered city³², Shihezi has complete public power including taxation, public administration, and industrial and commercial administration. Third, it is located on a crucial transportation route on the northern slopes of the Tianshan Mountains. From the perspective of military geography, this is a critical place to Xinjiang. As XUAR carries out its reform and development, the Tianshan northern slopes have become a vital and robust economic belt of Xinjiang. Finally, the city layout and infrastructure have played an important role. The advanced city planning at the time of Shihezi's foundation demonstrates the ambitious and long-range strategic view of the XPCC. The layout has successfully supported the city's development, and indeed many XPCC members believe that it will continue to serve the city well for decades to come. XPCC's Shihezi University is one of the most famous universities in China. Many members hope that XPCC will develop more prosperous cities like Shihezi. But, as Thomas Cliff said, 'Replicating Shihezi throughout Xinjiang is not possible'³³. The reason is simple: Shihezi is unique as there is only one London or Paris throughout the world. However, its continuing prosperity is largely related to its strategic geographical position.

XPCC was not approved to own another city until 2004. In that year, Wujiaqu, Alaer, and Tumshuker were registered as cities, under the authority of three different divisions. Very near to Xinjiang's capital, Urumqi, Wujiaqu is stationed by the headquarters of the Sixth Division, which allows it to prosper. The other two cities are located in the poorer southern part of Xinjiang. Alaer, over 120 kilometres away from Akesu city where the First Division has its headquarters, relies heavily on Tarim University³⁴. When students are on holiday, the city is very bleak. Tumshuker, over 300 kilometres away from Kashgar city where the Third Division's headquarters is located, has almost nothing to depend on. In Alaer and Tumshuker, various buildings and infrastructures have been built, but few people have come to live in the city because of the difficulty of attracting industries and trades based on the agriculture

³² Shihezi was registered as a city in 1976 by XUAR. When XPCC was restored in 1981 after the Cultural Revolution, it successfully regained control of Shihezi.

³³ See the notes of Thomas Matthew James Cliff's paper *Neo oasis: The Xinjiang Bingtuan in the Twenty-first Century*, p.104.

³⁴ To support Alaer, the XPCC particularly settled Tarim University in Alaer. Shihezi University and Tarim University are owned by the XPCC.

from the surrounding under-developed regions. Agriculture seems to be both XPCC's biggest advantage and biggest encumbrance. XPCC is committed to adapt its industrial structure away from the current emphasis on agriculture, as will be discussed below. Nevertheless, the establishment of cities is crucial to obtain the authority, revenue, and investment required to adapt the industrial structure towards more profitable and high-tech industries. Regarding urbanization as a promising orientation, XPCC is eager to establish more cities, but faces a number of barriers. Not only must XPCC obtain permission from XUAR, it must also provide the resources to build and populate the city. After the 7-5 incident of 2009, to reinforce the power of XPCC, five more cities were established (Beitun, TiemenGuan, Shuanhe, Kokdala and Kunyu). According to an official document of the Urban System Planning in Xinjiang (2014-2030), XPCC plans to establish about 20 more new cities before 2030³⁵, and all these new cities will be located at sites where regiments have laid a good foundation.

Besides the innate industry limitation, some of XPCC's internal management arrangements hinder urban development. XPCC requires overlapping management between the division and its city. The outcome is that the main leaders of division serve as the main leaders of city. But some division's headquarters are not located in its city. Relatively remote distance leads that the division's leaders are not fully committed to the city development. Additionally, the city is only a small part of the division's area of responsibility. The balance between the interest of the whole division and that of the city must be considered. At times, the city is expected to make some sacrifice for the division.

The limited number and size of cities also reflects XUAR's resistance to XPCC's city expansion. The most pressing reason for XUAR's reluctance is that large sums of taxes will be diverted to the XPCC. Bigger area of XPCC's cities, more revenue loss for XUAR. Permission for XPCC's new cities has only been achieved through intervention from central government, and direct subsidies to XUAR. It may seem surprising that the centre must provide extra subsidy to XUAR to make up the loss of taxes from the establishment of these cities, but that is the situation.

Apart from struggling to register more cities, XPCC is pushing urbanization in another direction. It is building and improving settlements to make them more like towns, which means a better livelihood for the inhabitants. The work of constructing towns and their associated transport infrastructure demands (and receives) huge investment and subsidies from the state and XPCC. XPCC's construction industries are benefitting from this opportunity which is increasing employment and prosperity across the region.

Question is: could more of its own cities make XPCC more sustainable? Perhaps people can find some answers from an initiative model. Tianbei New District is a significant win-win case which XPCC seemingly ignores. I will come back to this model in a later section.

³⁵ 新疆维吾尔自治区城乡规划服务中心[‘Service center of the XUAR’s Urban and Rural Planning’]: ‘新疆城镇体系规划 (2014-2030) 内容简介’[‘A Briefing of Xinjiang Urbanization Planning System’], available at: <http://cxgh.xjjs.gov.cn/html/2015-08/878.html> (accessed 8 December 2017).

VIII. The Reform Strategy of XPCC

Nowadays, XPCC is committed to its reform and development following the instructions from the centre. Two key points are worth stressing.

First, Xinjiang is central to China's future plans. Xinjiang has been selected as an important oil and gas energy foundation for China's future. It is also an important conduit to central Asia for the implementation of the One Belt One Road Initiative. For example, the Altataw Pass between Xinjiang and Kazakhstan is an important station on the 'second Eurasian continental bridge' railway line. Thus, Xinjiang's stability is substantially important for China's development.

Second, XPCC is viewed as central to the governance of Xinjiang. In 2014, President Xi Jinping provided a clear instruction for the XPCC during his visit to Xinjiang, emphasising its importance for maintaining the stability of the region. He said that XPCC should become 'a stabilizer of frontier security and stability', 'a melting pot of all ethnic groups', and 'a demonstration zone for advanced productive forces and cultures'³⁶. He put the function of maintaining stability first. These instructions were confirmed by the second central Xinjiang work forum held in the same year.

Hence, XPCC concentrates its reform on two aspects, reflecting its main activities. On one hand, to strengthen its security capability. Besides intensifying the militia training, XPCC is enhancing an emergency response mechanism with the local government. In the past, XPCC's military role was diluted and decreasing. The centre has warned that XPCC should pay more attention to this aspect.

On the other hand, to improve its development through five main measures. First is to optimize its industrial structure. Non-agricultural industrial sectors including manufacture and construction, but also high-tech, energy-saving and pro-environment enterprises, are increasingly sought by the XPCC. Many divisions and regiments are competing with each other for outside investment. As to the primary sector, XPCC is keen to improve efficiency by increased application of modern technology to agriculture, such as drip irrigation and cultivating high quality crop varieties. Second is to push urbanization ahead, as mentioned previously. As the city can raise tax revenues and provide industrial and commercial administration, it is easier to develop XPCC's tertiary (service) industry in cities. Third is to reform its internal organization, particularly the regimental system. This is a complicated but important reform. One aspect might be to enhance production by giving farmers more autonomy from the regimental management. Frankly speaking, the goal of regimental reform is hard to achieve. Even in the rest of China few state-owned enterprises are profitable. Fourth is to expand the power of XPCC in southern Xinjiang by setting up new regiments, enlarging old regiments, and establishing new cities in this under-developed region. Fifth is to develop a better relationship with the local residents. For instance, the enterprises or factories are required to be open to the local minorities to increase employment and local prosperity. Finally, like all other public organizations, XPCC has to

³⁶ Liu Xiangsong, '履行好“稳定器”“大熔炉”和“示范区”的功能' [Fulfilling well the functions of "stabilizer", "melting pot" and "demonstration zone"], *Journal of Qiushi* (12), 2014.

fulfil some social and political tasks, for instance, by uprooting corruption according to the principle of running the party strictly and correctly, and improving its public services.

In my view, XPCC does not yet have a fundamental reform plan. Many of its future plans simply mean a gradual improvement of daily work in the name of 'reform.' A complete reform and reorganization of XPCC's system and structure is not only very difficult but not fully within its own control as it requires agreement from the centre and from XUAR.

IX. The Future of XPCC?

What XPCC is doing indicates that it remains on its existing development trajectory rather than innovating in any substantial way. However, it is the duty of a scholar to deliver some suggestions for the future. As one of the principal tools of governing Xinjiang, XPCC should apply modern governance skills to contribute to Xinjiang's safety and development. That is to say, can XPCC accomplish some social policies that would improve relations with the minorities? It is beyond the reach of this article to explain why social policy is conducive to the social governance. Hereby I just present some preliminary ideas.

Firstly, XPCC could supply education and healthcare services to benefit local residents. In Xinjiang, some basic public services are the very things the minorities really need and their provision should start to reduce ethnic tensions. More Uygur-speaking professionals such as teachers, doctors and nurses would not only benefit the minorities but would also win their respect. In fact, investment in social policies implies another development that in the long run would increase the economic development. Social policy initiatives focus on the tertiary sector, which follows the trend of development for the coming China.

Secondly, XPCC members should have closer daily interaction with the local residents, particularly in urban areas. This interaction relies heavily on the urban planning of XPCC's towns and cities. XPCC should build up its new towns, cities or communities based on the principle of 'being closer to the local', so that members of XPCC more conveniently engage with local residents by economic and cultural interaction. XPCC has an extraordinary example of this innovation: Tianbei New District³⁷.

Tianbei New District was co-built by the Seventh Division and the local Kuitun city in 2002. At that time, both sides were facing huge pressure of development. The Seventh Division needed to get 'government power' to attract investment; Kuitun city needed more investment too. Meanwhile, Kuitun lacked land to develop an industrial district, whilst the Seventh Division owned a number of suitable areas. Both sides frequently quarrelled over strategic and controversial lands. To seek a reasonable resolution, the political commissar of Seventh Division advised that the two sides should exchange lands and co-run a new district. After careful discussion and coordination, both sides agreed to set up Tianbei New District. This was created as a separate level of local government, having its own functions and powers, and managed by the Seventh Division. As Tianbei New District is also part of Kuitun city, the Seventh Division pays financial revenue to Kuitun according to the ratio that both sides agreed in advance. This cooperation has resulted in many benefits. Tianbei New

³⁷ Bao Yajun, *A study of system of the Xinjiang Construction and Production Corps*, pp.25-230. When working in the XPCC, I visited this new district and interviewed main leaders.

District has attracted significant new investment which benefits both the Division and the city. The New District is closely adjacent to the old Kuitun town and many local residents choose to buy homes in the New District. The New District can make full use of Kuitan's existing public facilities, thus reducing the Division's burden of public services. In this sense, the Tianbei model represents a much more promising future for urbanization of the XPCC than the Shihezi model. It is high time that the XPCC learned from this case rather than seeking to create more of its own cities.

Overall, I see urbanization as key to overcoming many of XPCC's economic and social difficulties. For example, governmental housing policy can play a part in mitigating ethnic conflicts as well as fostering prosperity. Singapore is a good example.³⁸ As more and more minorities in Xinjiang move to cities to obtain a better life, XPCC cities could provide a compulsory housing quota to non-XPCC members, thus stimulating both XPCC's development and that of Xinjiang as a whole.

X. Conclusion

To sum up, XPCC is currently facing various difficulties. As a hybrid of enterprise and bureaucracy, it has many responsibilities. It must pay tax, support a huge number of retirees, and run social undertakings. It is unprofitable, and has difficulty in attracting investment and new members. It also has a tense relationship with the local XUAR administration and residents. The XPCC is highly dependent on central government for financial and political support. Central support has increased from about 80% of XPCC's budget in the 1990s³⁹ to over 90% in recent years, largely due to the costs of building new cities and towns. However, XPCC also pursues an inward-looking development pathway and is tortured by its own conflicting goals: how to keep the balance between safeguarding the frontier and developing the economy; how to deal with the market economy while preserving its special structure and mission; and how to improve relationships with XUAR. The central government and XUAR are not altogether satisfied with XPCC, although the centre still generously supports the XPCC. But these titanic subsidies do not win a stable Xinjiang. Even XPCC is unsatisfied with itself and some members feel daunted for its future. James Seymour noted in 2000 that XPCC's leaders appeared pessimistic about the ability of this organization to face the brave new world of capitalism and free labour flows⁴⁰.

The changing domestic and international situations result in the vast contrast with XPCC's successful past. Before the era of reform, XPCC had a strong economic and political status. In that age, the founder of the new People's Republic had a dream that China would become a developed country by means of large-scale nationalization. XPCC was viewed as a model of advanced production. The leaders of Xinjiang were supportive. In contrast, under the market economy, the inertia of XPCC's structure and organization is less well suited to development than the more flexible mechanisms and initiatives of the local XUAR government. The same inertia prevents XPCC from easily chipping away its shortcomings.

³⁸ 'Housing Rules and Ethnicity in Singapore', 'Ethnic Groups, Minorities and Racism in Singapore', available at: http://factsanddetails.com/southeast-asia/Singapore/sub5_7b/entry-3733.html#chapter-11 (accessed December 8 2017).

³⁹ Nicolas Becquelin. *Xinjiang in the Nineties*. The China Journal, No.44 (July., 2000).

⁴⁰ James D. Seymour. *Xinjiang's Production and Construction Corps, and the Sinification of Eastern Turkestan*. East Asia 2 (2000). p.186.

It is not realistic to expect XPCC to suddenly shift the focus of its activities. Nevertheless, while looking ahead at XPCC's future, I suggest that the most promising directions will combine social policies with economic development. Hence, for example, providing more public services for the local residents alongside opportunities for economic development, can improve both social and economic outcomes. In this way, XPCC could powerfully embed itself in XUAR and interact with the local residents rather than being an 'island'. Tianbei New District provides an example of such cooperation. When this idea of social service dawns on the leadership of XPCC and CCP, a better governance in Xinjiang would be possible. Nevertheless, ethnic tensions and separatist movements are still a problem for the region. Hence, I am only cautiously optimistic about the future good governance of Xinjiang.