

# **Poverty by Design: The Economics of Discrimination in Tibet**

**By Andrew Fischer**

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The Canada Tibet Committee (CTC) is a federally-registered, independent non-governmental organisation with branch offices across Canada. The CTC is comprised of Tibetans and non-Tibetans who are concerned about the continuing human rights violations and lack of democratic freedom in Tibet and who are committed to the principle of non-violence as a means of resolving conflict. The CTC recognizes the Tibetan Government-in-exile as the legitimate representative of the Tibetan people.

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This text is dedicated to all those Tibetans, refugees, political dissidents and prisoners, community leaders, religious leaders, cadres in the government in Tibet and others who, with courage and determination, seek a better future for Tibet.

Andrew Fischer

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## **Table of Contents**

### **Summary / 6**

### **Introduction / 10**

A Note on Terminology and Demography / 11

### **1. The State of the Tibetan Economy at the end of the Millennium / 13**

A Note on Statistical Sources / 13

Rural Incomes, Poverty, and the Lost Decade of the 1990's / 14

GDP and the Human Development Index / 16

Economic Growth: Where has all that money gone? / 18

The Three Sectors in Tibet / 19

    Primary Sector: Yaks, sheep and the world's best-tasting barley / 20

    Tertiary Sector: Trade, services and government administration / 23

    Secondary Sector: Shopping malls, beer factories, mines and energy / 25

Government Expenditure and Investment / 27

Staff, Worker, and Cadre wages / 30

The Impacts of Discrimination on Regional Development / 32

    Education indicators / 32

    Discrimination in education policy / 34

    Feedback into labour markets / 36

    Refugee flows in the 1990s / 36

### **2. The Roots of Poverty in Tibet: Putting Tibet's Development into Perspective / 40**

Chinese Explanations for the Poverty of Tibet / 40

The Social and Economic Role of the Monasteries / 41

Destruction and Expropriation of the Tibetan Economy / 43

Integration into Maoist Regional Development / 45

Post-Mao Reformist Approach to Regional Development / 46

The "Commodity Wars", Wool, and the Tibetans / 48

Regional Development at the beginning of the 90s / 51

The Poverty Trap of the Tibetan Regions / 51

    Lack of diversification in the rural economy / 52

    Changing price structures / 54

Disparities, Poverty Reduction, and the Return to Repression / 56

### **3. Into the New Millennium: The Western Development Strategy, Aid and WTO/ 59**

The Western Development Strategy / 59

Constraints to WDS and the Main Actors / 61

    Central government involvement / 63

Inter-provincial mutual assistance / 66  
International assistance / 68  
Canadian Development Assistance to the WDS / 69  
    The Basic Needs CIDA project / 70  
    Basic education in western China / 73  
    To be or not to be (involved) / 74  
The Implications of WTO Accession for Tibet / 75

**4. Concluding Comments / 77**

**Appendix 1: A Note on Demography / 80**

**Appendix 2: The UN Declaration on the Right to Development / 83**

**Bibliography / 87**

## **Executive Summary**

The issue of Tibet is an intensely debated topic with much of the polemic revolving around political autonomy and the abuse of civil, political, and cultural rights. Despite evident violations in these areas, the Chinese government counters that on the economic level it has been playing an important developmental and welfare role in Tibet. It argues that it has been facilitating the long-term transition of a backward region into the modern global economy and empowering Tibetans to participate on an equal footing with other Chinese citizens. The Chinese government thereby expects the international community to tolerate human rights abuses as an expedient element of their beneficial economic strategies. This assumes, however, that the economic role of the Chinese state in Tibet has been positive for Tibetans.

*Poverty by Design: The Economics of Discrimination in Tibet* illustrates that, despite China's commitment to the United Nation's "Declaration on the Right to Development", government statistics reveal a clear trend towards the marginalization of ethnic Tibetans within both the national economy and within the local economy of the Tibet Autonomous Region (TAR).

### **The State of the Tibetan Economy at the End of the Millennium**

Most Tibetans in the TAR live in rural areas while most Chinese immigrants and government personnel reside in or around urban centres. Thus, the differences between most Tibetans and the Chinese-Hui-Tibetan elite can be inferred by comparing rural and urban statistics. A comparison of 1990s statistics reveals the level of inequity in the TAR.

The income of the average Tibetan stagnated in the midst of rapid growth in both the TAR and Chinese economies. Moreover, its actual purchasing power decreased sharply in the first years of the 1990s although it returned to the 1990 level by 2000. In 1998, rural incomes in the TAR had become the lowest of all rural incomes in China. In contrast, urban household incomes have consistently been above the national average, indicating one of the highest urban-rural inequalities in China.

The dramatic increase in urban incomes reflects, in part, the influx of Chinese migrants to the TAR and the financial incentives they receive. Government incentives to encourage the immigration of skilled Chinese workers include substantial wage increases, tax exemptions and tuition waivers. Even within urban areas, inequality appears to be high between cadre and non-cadre urban households. In addition, the growth of the TAR economy has been almost exclusively concentrated in the urban industrial and service sectors. For most Tibetans, engaged principally in farming and animal husbandry (primary sector activities), the economy has stagnated.

The economic structure of the TAR reveals two striking features relative to the rest of China: the tertiary (service) sector, which includes government administration and

security, is abnormally large and dominates the provincial economy, and; the secondary (industry) sector is abnormally small, urban, government-owned and construction-oriented. As a result, the Tibetan economy is characterized by a Chinese dominated service sector that is largely unrelated to productive activities and that is superimposed on the Tibetan, non-industrial agrarian economy.

Human development indicators for the TAR are far below those of any other province in China. In particular, the statistics on education clearly indicate a neglect of rural education at the primary and secondary levels. This has had an important linkage effect in labour markets as the poor educational background of the average Tibetan has decreased his or her ability to access urban and skilled employment opportunities. This in turn has led to a strong sense of alienation in the Tibetan population and resulted in the resurgence of Tibetan refugee flows during the 1990s.

### **Putting Tibetan Development into Perspective: the Roots of Poverty in Tibet**

Historical Tibet was characterized by the predominance of monastic institutions in society and the economy. The six thousand large and small monasteries spread out across the Tibetan ethnic areas served as indigenous financial institutions, providing micro credit at low default rates to the smallest of peasants. They also financed trading companies and government activities in Lhasa as well as diverse social welfare services.

The closure, expropriation, and eventual destruction of the vast majority of monastic institutions in the period prior to the Cultural Revolution essentially eliminated the entire financial basis of the Tibetan economy. It wreaked havoc in those sectors of the economy dependent on such finance, such as agriculture and trade, and removed the potential for an indigenously led development of the region. The dependence of Tibet on the Chinese state was consequently cemented.

Thereafter, from the Maoist strategy of regional redistribution to the post-Mao reformist approach of comparative advantage, the developmental role of the Chinese state in the Tibetan regions has pauperized the population. Whereas rural industrialization and diversification in the rest of China have helped to alleviate poverty in the 1980s and 1990s, rural industry is virtually absent in the TAR. The resulting lack of non-farm opportunities in the rural areas has limited the capacity of rural Tibetan households to respond to current challenges such as degrading land, decreasing per capita land holdings, and falling commodity prices.

### **Into the New Millennium: the Western Development Strategy, Aid, and the WTO**

The Government of China now encourages international involvement in development projects in the TAR. Engaged agencies and governments, however, including Canada, often overlook the larger socio-economic ramifications of their involvement and the distinctiveness of the economic predicament of Tibetans within China. This oversight risks reinforcing the structural features that impoverish Tibetans

and violates China's international human rights obligations and those of the funding agency or government.

China's Western Development Strategy (WDS), announced in 1999, was presented as a response to its western poverty and regional disparities. In practice, however, the WDS amplifies existing regional development strategies of comparative advantage and the linkage between security issues and economic policy. The WDS has defined four priority areas for development: the construction of large-scale inter-regional transportation and communications infrastructure; the development of energy and raw material industries; the construction of infrastructure for the transfer of resources from west to east; and construction of soft infrastructure. While projects in the first three areas are proceeding with abundant central government funding and major international participation, funding for soft infrastructure has not received the same attention despite official claims to the contrary. Yet, investments in soft infrastructure such as primary and secondary education, rural secondary roads or irrigation outside the main valley systems, are of critical importance to the majority of Tibetans who live in rural areas.

The accession of China to the WTO will have dramatic repercussions throughout the country although the overriding focus is on the nature of coastal integration rather than on western and peripheral development through trade. China's accession agreement contains no special provisions to cushion impacts on the impoverished western regions or to increase their capacity to design transitional policies in support of local development. As such, WTO accession will likely reinforce China's policy orientation in relation to western development and will consequently exacerbate regional imbalances. For instance, tariff rates for cereal grains will be reduced dramatically risking a significant drop in rural incomes especially those dependent on Tibet's staple crop, barley. At the same time, WTO-mandated reductions in agricultural subsidies will limit government support to poor farmers, even in the event of deteriorating incomes, while opening local markets to low-cost, subsidized agricultural produce from the developed world.

## **Conclusion**

The analysis of the recent statistics of the TAR depicts an ethnically distinct but exploited peripheral region controlled from Beijing. The analysis shows that government policy reinforces the poverty, inequality, and underdevelopment of Tibet. The current economic strategies for the region, ostensibly designed by the government to uplift Tibetans from their dismal poverty, are fundamentally flawed in that they do not acknowledge the basic underlying causes and conditions of poverty in the region. In contrast, a policy approach that considers the welfare of the average Tibetan would:

- Focus on intensive rather than extensive models of regional development;
- Include strategies to cultivate skills within the indigenous population;
- Develop non-farm rural industries;
- Establish local linkages between farm and non-farm activities;
- Prioritize the extension of low-cost, low-tech infrastructure and services.



The absence of such strategies in Tibet and the deprivation of Tibetans from the benefits of development clearly violate their Right to Development. Given the formal commitments that China and the international community have made towards the Right to Development, its governing principles should form the cornerstone of international assistance and trading relations in Tibet. If they do not, the Tibetan people face continued impoverishment and entrenchment of China's discriminatory rule.

## Introduction

The “Tibet Question” has been an intensely debated topic, yet much of the polemic revolves around issues of political autonomy and the abuse of civil, political, and cultural rights. Despite evident violations in these areas, the Chinese government counters that on the economic level, it has been playing an important developmental and welfare role in Tibet. It argues that it has been facilitating the long-term transition of the backward region into the global modern economy, and empowering Tibetans to participate on an equal footing with other Chinese citizens. The Chinese government thereby hopes that the international community would apologetically tolerate human rights abuses as an expedient element of their beneficial economic strategies, and in many ways it seems to be succeeding in this endeavour. Nonetheless, this relies heavily on the assumption that the economic role of the Chinese state in the Tibetan regions has been positive for Tibetans. Yet if the opposite were proven, then even the economic role of the Chinese government may be viewed as a violation of the fundamental Right to Development of Tibetans.

It would appear that the Right to Development (RTD) of the Tibetan people would be of significant concern to the Chinese government given that it has endorsed several international declarations which reaffirm the RTD and it has also been an active participant in related debates within various international forums.<sup>1</sup> The 1986 “Declaration on the Right to Development” to which China has committed affirms the “full realization of the right of peoples to self-determination, which includes... the exercise of their inalienable right to full sovereignty over all their natural wealth and resources” (art.1.2).<sup>2</sup> The RTD also obliges states to be guided by the principles of equity, justice, meaningful participation, and reduction of disparities.

In fact, quite to the opposite of such discourse, economic policy in Tibet (TAR) appears to overwhelmingly reflect the security concerns of the Central Government rather than a developmental concern. Within the recent Chinese government statistics for the province, it is actually possible to identify a clear trend towards the marginalization of ethnic Tibetans within both the national economy and the poorer western region of China. Although the provincial economy of Tibet (TAR) presumably grew faster than the

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<sup>1</sup> Specifically, the Chinese government has signed both the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social, and Cultural Rights, the latter of which it has also ratified along with several other international human rights treaties. It endorsed the Declaration on the Right to Development in 1986 and has voted in support of its corresponding resolutions at the annual UN Commission on Human Rights.

<sup>2</sup> For more elaboration on the Right to Development, see the recent report by Arjun Sengupta, the UN Independent Expert on the RTD (Fourth Report of the Independent Expert to the Open-ended Working Group on the RTD, Geneva, December 20 2001). Therein he describes the Right to Development as a process through which all human rights are realized, “civil and political rights and economic, social, and cultural rights – in their totality as an integrated whole, as all these rights are interrelated and interdependent” (para 2, *ibid*).

national Chinese economy throughout most of the 1990s, this growth occurred in areas that were not accessible to the large majority of ethnic Tibetans, who nonetheless accounted for most of the provincial population. Meanwhile, the real incomes of most Tibetans actually fell in the first part of the 1990s, and overall remained stagnant throughout the decade. This development experience contrasts with every other province of China, both rich and poor, where growth has been far more diversified throughout the respective provincial economies. As a result, inequality in Tibet (TAR) is one of the highest in China and its human development indicators are the lowest, far below those of even the poorest province of China, indicating the severe degree of social poverty in the province.

Once these features are considered, the developmental role of the Chinese state in the Tibetan regions appears at best dubious. In fact, it violates many of its commitments to the *International Covenant on Economic, Social, and Cultural Rights*. Tibetans have instead found themselves pauperised by the regional development strategies of an occupier antagonistic to many of the needs of the region. Furthermore, the broad principles of the current economic strategy, intensified under the 1999 Western Development Strategy (WDS), perpetuate many of the structural features that have lead most Tibetans into their current poverty trap. Of additional concern is the fact that the Chinese government is seeking out foreign aid and investment to support various elements of its current strategies. International agencies and foreign governments, including Canada, are increasingly becoming partners in projects without much critical appraisal of the larger socio-economic ramifications of such involvement. Overlooking the distinctiveness of the economic predicament of Tibetans within China risks reinforcing the structural features that impoverish Tibetans.

This text will provide a fresh perspective on these issues in three sections. First, it will draw a portrait of the current state of economic conditions in Tibet (TAR), and by inference, in the other Tibetan regions of China, through the use recent Chinese government statistics. It will also illustrate the impact of ethnic discrimination in regional development through an analysis of education, labour markets, and refugee flows. Second, it will examine the legacy of the last fifty years of Chinese rule over Tibet, particularly in terms of the origins of the current situation of poverty and underdevelopment. Third, it will analyze the current economic strategies in the region, along with the role of foreign participation and the implications of the accession of China into the World Trade Organization.

### **A Note on Terminology and Demography**

For the purpose of statistical analysis, Chinese provincial names will be used rather than the Tibetan names for the regions of historical Tibet, namely U-Tsang, Kham, and Amdo. These three historical Tibetan regions roughly correspond to the high altitude Tibetan plateau that runs from the Himalayas into four Chinese provinces to the east and north of Tibet (TAR). The use of the Chinese provincial names is necessary because the available statistical sets are divided along provincial lines, not cultural, ethnic, or

linguistic lines. Therefore, as in the China Statistical Yearbook (1999), the Tibet Autonomous Region (TAR) will be here referred to as Tibet (TAR). The Tibetan region of Kham is largely situated in the western mountainous part of Sichuan and the northwestern tip of Yunnan, while the Tibetan region of Amdo accounts for most of Qinghai and a western part of Gansu. Outside Tibet (TAR), the historical Tibetan regions where Tibetans are concentrated have been designated as Tibetan Autonomous Prefectures in accordance with the minority nationality policy of the PRC. Therefore, Tibet (TAR) itself only includes about half of the total ethnic Tibetan population in China and it does not include many of the regions of historical Tibet.

Nonetheless, Tibet (TAR) is the only province in which ethnic Tibetans constitute a majority at around ninety percent of the registered population. This measure does not include military personnel, who are mostly Chinese and may be equivalent to around five percent of the registered population, nor does it include unregistered Han and Hui immigrants, whose numbers are reported to have increased significantly in the 1990s. Yet even after consideration of these unreported groups, ethnic Tibetans most likely account for more than eighty percent the provincial population, which is an exceptionally homogeneous in comparison to every other Chinese province.

The Tibet (TAR) statistics therefore serve as the only provincial level measure for the conditions of Tibetans within China, particularly that most Tibetans reside in the rural areas, and the rural areas are almost exclusively Tibetan. The Tibetans can thus be identified as a group within the TAR statistics. Unlike other provinces in China, the Chinese in Tibet (TAR) are mostly located in urban areas and townships and thus the differences between most Tibetans and the Chinese-Hui-Tibetan elite in Tibet can be inferred by comparing the rural and urban statistics. See the appendix for more details.

## **1. The State of the Tibetan Economy at the End of the Millennium**

The statistical analysis of the Tibetan economy throughout the 1990s reveals several aberrations that are unique to Tibet (TAR) among the Chinese provinces. The incomes of the average Tibetan stagnated in the midst of rapid growth in the provincial economy, leading to record levels of inequality. Human development indicators have remained dismal, far below those of any other Chinese province. Economic growth has been excessively concentrated in the urban and state-controlled industrial and service sectors, far removed from most Tibetans. Government economic policy reinforces these biases within the economy.

### **A Note on Statistical Sources**

The main source of data used in this section will be taken from the 1999 China Statistical Yearbook published by the National Bureau of Statistics of the People's Republic of China (PRC), here from referred to as the Yearbook. In some cases, this data will be updated with estimates from various Chinese government sources for the years 2000 and 2001. Where appropriate, the numbers have been rounded.

The economic data in the 1999 Yearbook has been largely aggregated from local sources on an annual basis. The aggregated data can be considered to give a good general indication of the sectoral and macro dimensions of the economy insofar as local reporting is accurate. It would in any case present conditions in their best possible light given the tendency of over reporting observed throughout China<sup>3</sup>. The social and demographic data from 1991 onwards is inferred from annual surveys that are based on a 1.01 percent sampling of national households, while the data from the 1980s has been largely inferred from the demographic trends observed in between the two national censuses that were conducted in 1982 and 1990.<sup>4</sup>

There are several advantages to using this source. It presents the only sectoral and macro level data available for the region. Because the raw collection of data for Tibet appears to be consistent with the rest of China, it can be generally compared to the other Chinese provinces. Thus the Yearbook offers the only systematic and comparative basis available for studying the Tibetan economy and society, and as such it goes beyond the insights extrapolated from personal refugee reports and sporadic anecdotal accounts<sup>5</sup>.

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<sup>3</sup> For instance, see Economist (2002b 45) for a discussion of the over reporting, or TIN (11-2000 15).

<sup>4</sup> Unregistered Chinese and Hui migration to the urban areas in Tibet is reported to have increased substantially in the 1990s due to its renewed encouragement by the authorities (TIN 13-06-2001). As a result, the ratios of the urban population as well as the non-indigenous ethnic composition of the population would be significantly underestimated by the late 1990s.

<sup>5</sup> Goldstein et al (2002) have pointed out the weakness of relying on personal accounts in a study of fertility and family planning in rural Tibet. They conclude that their study "highlights the dangers of using refugee reports and anecdotal evidence to interpret highly politicized situations" (Goldstein et al 39).

Finally, the main year under discussion, 1998, lies three years after the commencement of poverty reduction strategies in the ninth five-year plan, and thus indicates the trends of these strategies without being overly influenced by several of the very large scale investments, such as the long-distance railway to Lhasa, that were announced in the WDS and implemented from 2000 onwards.

### **Rural Incomes, Poverty, and the Lost Decade of the 1990s for Rural Tibetans**

Starting with the reality most relevant to the average Tibetan, the actual purchasing power of rural incomes in Tibet did not change between 1990 and 2000. Rather, the real value of rural incomes decreased sharply in the first years of the 1990s, and then slowly returned to its 1990 real value by the year 2000, as well as becoming the lowest of all rural incomes in China by 1998. Given that about ninety percent of Tibetans reside in rural areas, and that the rural areas themselves are almost exclusively Tibetan,<sup>6</sup> this stagnation of rural incomes more or less summarizes the economic conditions of most Tibetans in the midst of rapid provincial and national growth. It also implies that Tibetans exclusively experienced such stagnation. It therefore ridicules the assertion of the Chinese government that Tibetans had improved their lot in the 1990s.

Indexed to 1998 prices,<sup>7</sup> rural net incomes per household, worth 1232 yuan per year in 1998, only increased by 15.7 percent in real terms between 1985 and 1998, or 1.1 percent per annum, and this increase was entirely accounted for by the period from 1985 to 1990. Between 1990 and 1995, rural household incomes decreased by 22 percent in real terms, and although they regained 14.3 percent of their value in real terms between 1995 and 1998, overall they had decreased 6.4 percent in real terms between 1990 and 1998 (Yearbook 339).<sup>8</sup> Moreover, given that the general price index used here does not take into consideration the changing price structures of the rural western regions, as discussed in the next section, the actual depreciation of these rural incomes was quite likely greater than that indicated.

The most recent estimates indicate that by 2000 rural incomes would have merely caught up to their 1990 value in real terms, and that up to 2001 their growth was far below the provincial rate of growth. In 2000 rural incomes had reached 1325 yuan per annum, and in 2001 they were estimated to be 1410 yuan (CNR 2001, China-Embassy 2001). This implies that rural incomes increased by 14.5 percent in current yuan between

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<sup>6</sup> See the appendix for a full discussion of the demography of Tibet (TAR).

<sup>7</sup> Following the General Consumer Price Index (Yearbook 294), if 1985 prices are given a base value of 100 the index for 1998 is 334.4.

<sup>8</sup> In contrast, the real value of the per capita rural net incomes of Sichuan increased by 70 percent between 1985 and 1998, and by 36 percent between 1990 and 1998. In most other western provinces the real value of such incomes increased slightly between 1990 and 1998.

1998 and 2001, or 4.8 percent per year in current yuan, far below the annual growth rates of over 10 percent in the provincial GDP.<sup>9</sup>

These figures highlight the fact that the provincial GDP statistics give a misleading indication of the dismal economic conditions of Tibetan households. The overall GDP per capita of Tibet, boosted by the urban data, was 3716 yuan in 1998, three times the per capita rural net incomes, and equivalent to 449 US dollars (Yearbook 65).<sup>10</sup> This misleadingly suggests that the average Tibetan in 1998 was living above the extreme poverty benchmark, popularly tagged at a dollar-a-day by international agencies such as the World Bank. Yet at the same time, the net rural income per household was equivalent to only 149 US dollars per annum, or 41 US cents a day, far below the dollar-a-day international benchmark for extreme poverty, and close to the Chinese benchmark for absolute poverty at about 33 cents a day.<sup>11</sup> Also note that these calculations for rural net incomes include government relief payments and various other subsidies, and thus they are the income measures after the application of poverty alleviation and not before.

Similar to the fall in real incomes, rural incomes have also fallen relative to the other Chinese provinces since 1990. In 1985 Tibetan rural net incomes per household were higher than those of every other western province besides Xinjiang, worth 88.8 percent of the national average rural net income per household. In 1990 they had risen to 94.7 percent of the national average. By 1995 they were worth 79.9 percent, and by 1998 they had fallen to 57 percent of the national average and became the lowest of all rural incomes in China, at 1232 yuan versus 2162 yuan for the national per capita rural net income (Yearbook 339).<sup>12</sup> By 1998 the Tibetan rural incomes had become close to ten percent lower than those of Gansu and Guizhou, the two poorest provinces of China in terms of GDP per capita.<sup>13</sup>

In contrast to rural household incomes, urban household incomes in the TAR have consistently been above the national average for urban incomes, thus indicating one of the highest urban-rural inequalities in China. For instance, between 1998 and 2001 urban

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<sup>9</sup> Given the low rate of inflation over these years, these rates of growth would be close to their real value.

<sup>10</sup> Converted at the mid-point exchange rate of 8.28 renminbi to the US dollar in 1998 (Yearbook 906).

<sup>11</sup> See footnote 92.

<sup>12</sup> In comparison, the rural net income per household in Qinghai was 1425 yuan, 1789 yuan in Sichuan, all in current yuan. The rural net incomes of the coastal Chinese provinces were much higher than the national average, such as 5406.87 yuan in Shanghai, and 3527.14 yuan in Guangdong (ibid 339).

<sup>13</sup> Similarly, over the same time period they had fallen from 112 percent of the rural net incomes of Sichuan to 69 percent, and from 71 percent of the rural net incomes of Guangdong to 35 percent. Note that to a lesser extent the rural incomes of most of the other western provinces had also fallen behind the national average between 1990 and 1998. The two exceptions were Sichuan and Ningxia. In Sichuan rural incomes maintained a proportion of 80 percent of the national average rural income per household over this same period and in Gansu they maintained a low share of about 64 percent (Yearbook 339).

incomes were estimated to have risen by over 30 percent,<sup>14</sup> or by 11 percent in 2001 alone, reaching 7090 yuan in 2001, while rural incomes, the lowest in China, grew by only 14.5 percent in current yuan reaching only 1410 yuan in current yuan by 2001 (China-Embassy 2001). Already in 1998 Tibet had the second highest ratio of urban to rural household consumption in China with urban households in Tibet consuming on average 4.2 times more than rural households, compared to 3.3 nationally (Yearbook 71).<sup>15</sup> Yet due to the skyrocketing urban incomes and the stagnating rural incomes of Tibet, by 2000 the ratio of per capita urban disposable income to rural disposable income had risen to 4.82 (CNR 2001), and it reached an estimated 5.03 in 2001 (China-Embassy 2001).<sup>16</sup> This in turn reflects the fact that the initial investments of the Western Development Strategy made in 2000 and 2001 have perpetuated the largely urban focus of government policy, reinforcing earlier disparities. The dramatic increase in urban incomes may also reflect the influx of Chinese migrants. Given the demography of Tibet (TAR), the disparity between urban and rural incomes indicates a very high ethnically defined inequality between Tibetans, who are mostly rural, and Han and Hui Chinese, who are mostly urban.

### **Gross Domestic Product and the Human Development Index of Tibet**

Similar features are found within the GDP and HDI measures of Tibet. While the GDP per capita of Tibet (TAR) has always been within the lower range among the Chinese provinces, it nonetheless fell sharply in rank between 1990 and 1995, from 20<sup>th</sup> out of 30 Chinese provinces in 1990 to 28<sup>th</sup> out of 30 provinces in 1995, and 29<sup>th</sup> out of 31 provinces in 1997 (UNDP 1999b 96-97). The fall in relative rural incomes likely explains much of this fall in GDP.

Moreover, although the GDP per capita of Tibet was higher than 10 other provinces in 1990, and two other provinces in 1997, this belies the unprecedented social poverty of Tibet. According to the Human Development Index (HDI)<sup>17</sup> of the UN

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<sup>14</sup> Given that the average disposable income of urban households in Tibet was not available in the 1999 Yearbook, this is an approximate figure based on the urban incomes of previous and later years.

<sup>15</sup> The highest ratio was in Gansu at 4.4. Most of the other western provinces had ratios that were similar to the national average (ibid 72).

<sup>16</sup> Note that this ratio is a slightly different from the first ratio based on the consumption statistics given that it uses disposable income rather than consumption. The urban incomes of Tibet were not available in the 1999 Yearbook, and thus the comparison based on incomes cannot be made for 1998, although other sources indicate that the measure is more or less equivalent. For instance, the ratio of urban to rural net income per household in 1996 was 4.2 (Yearbook 339, TIN 18-07-1997). This is the same measure as the urban-rural consumption ratio in 1998, and it confirms that according to both measures, there has been a sharp increase in urban-rural inequality since 1998.

<sup>17</sup> The HDI is an index that aggregates the purchasing price parity GDP per capita with a gross index of life expectancy (which approximates health) and education standards. The index is measured on a percentile basis, with the highest possible score being one. Theoretically, if wealth brings about a correspondent level of social development, the HDI ranking should be similar to its GDP per capita ranking (UNDP 1999a).



Development Program (UNDP), Tibet had the lowest HDI ranking among all of the provinces in China in both 1990 and 1997, well below even the next ranking provinces of Guizhou and Qinghai in 1997.<sup>18</sup> The general HDI index in 1997 for Tibet was 0.452, while the index for China as a whole was 0.701 (UNDP 1999c 134). If compared to international indices, China ranked 98<sup>th</sup> while Tibet would have ranked 148<sup>th</sup>, in between Madagascar and Yemen. This was due to the fact that the health and education indicators of Tibet were so dismal that they managed to pull the HDI of Tibet far below the level of even the poorest regions of China<sup>19</sup> (UNDP 1999b 96).

Qinghai, the province with the next highest proportion of Tibetans in its provincial population, exhibited a similar aberration. In 1997 it ranked 24<sup>th</sup> on its GDP per capita but only 29<sup>th</sup> on its HDI (ibid 96). The GDP statistics of Qinghai were probably weighted upwards by military spending, petroleum industrial investment, and the urban activity of Xiling, while rural social development, similar to Tibet, would have been neglected, bringing down the HDI.<sup>20</sup>

In other words, the GDP per capita indicators of Tibet and Qinghai were not correspondent to their levels of human development, and the funds that were entering Tibet and Qinghai to raise their GDP levels were not translating into advances in social development that would allow them to catch up to the other provinces. Also, while there was some increase in these human indicators throughout the 1990s, this may have been in part due to the influx of educated Chinese migrants into the urban areas of these provinces where social services would have been in better supply.

The insights derived from the statistics on poverty, disparities, GDP, and HDI therefore bring to attention the disparate and unbalanced nature of economic growth in the Tibetan regions. This in turn can be understood through a closer examination of the disaggregated sectoral statistics of the provincial economy.

### **Economic Growth in Tibet: Where has all that money gone?**

The Tibetan economy did indeed grow throughout the 1990s, a fact much noted by the provincial and national governments. In comparable prices, the provincial economy grew at the spectacular rates of 17.9 percent in 1995, 13.2 percent in 1996, 11.5 percent in 1997, and 10.2 percent in 1998, reaching 9.1 billion yuan in current yuan by

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<sup>18</sup> Accordingly, in 1997, Tibet ranked 0.452 on the HDI while Guizhou ranked 0.516, Qinghai 0.528, Gansu 0.570, and Sichuan 0.617 (UNDP 1999b 96).

<sup>19</sup> For instance, in 1997 the education indicator of the HDI for Tibet in 1997 was 0.435 while for Guizhou, the poorest province of China, it was 0.659. The life expectancy indicator for Tibet was 0.577 while for Guizhou it was 0.655 (ibid 96).

<sup>20</sup> On the other hand, provinces such as Gansu and Sichuan have an HDI rank that is higher than their GDP per capita rank, illustrating the opposite case of an above average promotion of human development.

1998 (Yearbook 62)<sup>21</sup>. In each of these years, the rate of growth of the Tibetan economy exceeded the national growth rate, and in only one exception, exceeded the growth rates of Beijing, Shanghai, and Guangdong provinces.<sup>22</sup> Such above average performance, which has continued up to 2001, has caused the Chinese government to proclaim “the region now experiences one of the best periods of stability and development since its peaceful liberation” (CNR 2001).

Nonetheless, this growth has almost entirely been concentrated in the urban industrial and service sectors and has therefore been isolated from most Tibetans. For instance, if broken down, in 1998 the secondary sector (industry including mining and construction) grew by 16.8 percent and the tertiary sector (trade and services including government administration and security) grew by 15.6 percent, while the primary sector, mostly farming and animal husbandry, the activities of most Tibetans, only grew by a mere 1.7 percent (Yearbook 65).<sup>23</sup> Thus for most rural dwellers, the economy has literally stagnated in the midst of very rapid growth in select industries, construction, and services, all of which have been largely concentrated in urban areas and townships, as discussed below. In comparison, the primary sector growth rates in the other western provinces were low, but not as low as in Tibet, and the differences with the other sectors were not nearly as large.<sup>24</sup>

The imbalance in the growth figures takes on further significance when the relative size of each sector is considered. In this regard, the economic structure of Tibet reveals two anomalies relative to the rest of China. On one hand, the tertiary sector was abnormally large and by far the largest sector of the provincial economy. In 1998 it accounted for 43.5 percent of the total economic activity, while in most other Chinese provinces the share of the service sector resembled the national average share of 32.9 percent. Only in Beijing, the national capital, was the tertiary sector as predominant as

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<sup>21</sup> The Yearbook claims that the growth rates provided are in comparable prices, implying that the absolute (current) values have been indexed to the inflation rate. This is intriguing, because the indexing of the current yuan value of the GDP of Tibet according to the inflation of each year leads to a much lower rate of growth than that reported in the indices on page 62 of the Yearbook. For instance, the rate of growth of the current yuan value of the economy in 1996 was 15.7 percent, while the growth rate in comparable prices was registered at 13.2 percent. Given that the inflation rate was 8.3 percent in 1996, based on the current values provided, the comparable rate of growth should have been around 6.8 percent. It is not clear where the comparable growth rates of the Yearbook are derived from.

<sup>22</sup> The absolute values that such growth rates refer to must be kept in mind. For instance, the 1998 growth of 10.2 percent in the Tibetan economy was worth 1.42 billion yuan, while the growth of 10.1 percent in Shanghai in the same year was worth 32.79 billion yuan, thus widening the difference between the two economies by 31.37 billion yuan. The 8.9 percent growth in Sichuan was worth 32.88 billion yuan, widening the difference by 31.46 billion. Similar comparisons could be made in terms of per capita GDPs.

<sup>23</sup> Again, the Yearbook claims that these indices are in comparable prices, but based on the analysis in footnote 54 above, the actual comparable growth rates, once properly indexed to inflation, are quite likely lower than this.

<sup>24</sup> For instance, in Sichuan the primary sector grew 4.1 percent in 1998 while the secondary sector grew 12 percent (ibid 65). The other western provinces showed similar results.

the tertiary sector of Tibet. On the other hand, the secondary sector, along with components of the service sector that support productive activities, such as banking, was abnormally small in Tibet, and by far the smallest sector of the economy, accounting for 22.2 percent of economic activity in 1998, leaving the primary sector as the second largest sector at 34.3 percent. In addition, more than half (55 percent) of this secondary activity was in construction, leaving only 9.9 percent for actual industrial processing or mining (ibid 63). In comparison, secondary activity was by far the largest sector in every other Chinese province besides Beijing and Qinghai, and even in these two provinces, the secondary sector was more than double the primary sector, being surpassed only by a very large tertiary sector.<sup>25</sup> In Sichuan it was worth 43 percent of GDP, and even in Guizhou, the poorest province of China, it was worth 39 percent of economic activity (ibid 63). In the national GDP, the secondary sector accounted for 43 percent of the national economic activity, most of it not in construction, while the primary sector accounted for only 18.4 percent (ibid 28).

As a result, and contrary to the every other province in China, the Tibetan economy has been characterized by an oversized government dominated service sector that is largely unrelated to productive activities and that is superimposed on top of what is essentially a non-industrial agrarian economy. Correspondingly, this service sector accounted for two thirds of the gross value of the economic growth in the province in 1998. The secondary sector accounted for about one-third, and the primary sector accounted for a mere 6 percent of the increase in economic activity.

This distortion in the economic structure of Tibet is also reflected in the labour statistics. In 1998 the service sector in Tibet employed only 18.2 percent of the provincial labour force, while the primary sector employed 76.3 percent, and the secondary sector employed a mere 5.5 percent. Nationally almost 50 percent of Chinese workers were employed in the primary sector, 23.5 percent in the secondary sector, and 26.7 percent in the tertiary sector, reflecting a more even distribution of labour according to sectoral shares, particularly with respect to the service sector (ibid 135). Furthermore, on national average, the concentration of economic value relative to labour occurs in the secondary sector, while in Tibet it occurs in the service sector, indicating that the main growth pole of the provincial economy is not in productive activity but rather in administrative expansion.

### **The Three Sectors in Tibet**

The primary sector describes the economic activities of most Tibetans, while the tertiary sector describes the control structure of the Chinese government that is largely urban and non-productive. Meanwhile, the secondary sector, also oriented around urban areas and townships, exhibits an huge focus on construction and a very selective development of industry in accordance with national government priorities and to the

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<sup>25</sup> In Qinghai the secondary sector is only marginally surpassed by the tertiary sector, perhaps due to the military presence in the region, while in Beijing the tertiary sector is close to 50 percent larger than the industrial sector, which is understandable given that it is the national capital.

exclusion of local priorities, exemplifying the negligence of an integrated and diversified economic strategy for the Tibetan rural areas.

***Primary Sector: Yaks, sheep, and the world's best tasting barley***

Given the demography of Tibet, its primary sector is almost entirely Tibetan.<sup>26</sup> As well as being exclusively Tibetan, the rural areas are also almost exclusively agrarian, with 91.6 percent of the rural labour force working in agriculture in 1998 (ibid 380). Two activities accounted for most of this agriculture in 1998. Farming (mainly cereal grain farming) accounted 53 percent of the value of the 1998 agricultural output in Tibet, while animal husbandry accounted for 45 percent (mainly milk and wool). Only 2 percent came from forestry (ibid 382).<sup>27</sup>

In terms of farming, the main crop produced was barley.<sup>28</sup> Remembering that Tibet accounts for only 0.2 percent of the national population, it produces 0.27 percent of the national wheat output (in terms of weight), and 3.4 percent of the national output of cereal grains other than rice, wheat, and corn, i.e. mostly barley (ibid 391). In other words, Tibetan farmers pulled more than their share of the national grain output.

In terms of productivity measured by yield per hectare, Tibetan farmers are more productive than the farmers of most other Western regions. The national average grain yield in 1998 was 4953 kilograms per hectare while that of Tibet was 4341 kilograms per hectare, or 88 percent of the national average yield. The only Western provinces with higher yields were Sichuan at 5307 kilograms per hectare and Xinjiang at 5386 kilograms. Qinghai was at 3448, Yunnan 3809, Ningxia 4288, Gansu 3121, and Guizhou was 4168 (ibid 394). Similarly, the Tibetan yield of rapeseed, which accounted for 7.4 percent of the cultivated land in Tibet in 1998, was higher than the national average yield, and the highest of the western region, at 1770 kg per hectare in Tibet versus 1272 nationally, 1694 in Sichuan, and 1465 in Xinjiang (ibid 391 and 394).

In terms of animal husbandry, in 1998 Tibetan rural households were actually the thrickest of all China in terms of their possession of livestock and other productive assets. They actually spend an enormous amount on yak, sheep, goats, and other productive fixed assets, such as farm machinery, far more than any other region of China. The original value of productive fixed assets per rural household in Tibet by the end of 1998 was 15,068 yuan versus 3,971 yuan nationally, or about four times the value of the average Chinese rural household. After Tibet, the next highest value was found in Xinjiang at 8076 yuan per household (Yearbook 388).

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<sup>26</sup> The only exception to this may be some primary activity at the township-level or in rural areas close to urban centres such as Lhasa where Chinese migrants may have developed greenhouse cultivation of vegetables.

<sup>27</sup> Note that this implies that farming and animal husbandry each accounted for over 15 percent of the total provincial GDP. They were thus the two most important economic activities of the provincial economy.

<sup>28</sup> In the yearbook, barley is not specified per se, but it can be inferred after rice, wheat, and corn are deducted from the total, and it comprises 60 percent of the grain output in Tibet. The rest is mostly wheat.

About half of these productive fixed assets were in draught and commodity animals, illustrating the heavy reliance on animal husbandry in the Tibetan rural economy, but a significant portion was also in the form of non-livestock productive fixed assets, again at higher levels than the average Chinese household. The value of the average Tibetan rural household in draught and commodity animals in 1998 was 8147 yuan. In China this value was only 771 yuan. Thus the average rural household in Tibet had more than 10 large animals in 1998, while the average Chinese rural household possessed only one large animal. The only other provinces that even came close to Tibet in per capita animal possession were Xinjiang with about four large animals per rural household, and Qinghai and Inner Mongolia both at 2.6 large animals per rural household, reflecting the relative importance of herding in each of these other provinces.

Similarly, the value of industrial machinery per household was 245 yuan in Tibet versus 126 nationally, 1670 yuan for transport machinery versus 569 yuan nationally, 2908 yuan for buildings for productive purposes versus 1001 nationally, and 1591 yuan for machinery of farming and animal husbandry versus 1034 nationally (ibid 388). In terms of numbers, there were more than three times as many motor vehicles, two times as many large and medium tractors, and one-and-a-half times as many mini-walking tractors per rural household in Tibet as there were in the rest of China (ibid 389). In other words, the average Tibetan rural household in 1998 was far more capital intensive than the average rural household in the rest of China, reflecting the fact that low-density rural economies that are heavily livestock oriented are very capital intensive, and that the low incomes of Tibetan rural households are not related to their capitalization.

The Tibetan share of animal husbandry in national animal husbandry further demonstrates the intensity of this activity in the Tibetan rural areas. Despite the harsh winter of 1997-98 and the resulting heavy losses in livestock, Tibet accounted for a total of 5.6 million heads of large animals in 1998, or almost 4 percent of the national total, more than in Qinghai with twice the (human) population, or in Gansu, with ten times the population, and almost as many as there were in either Xinjiang, Guizhou, or Inner Mongolia. Furthermore, Tibet accounted for about 5.8 million goats, or about 4 percent of the national total, and almost 11 million sheep, or 9 percent of the national total. The only provinces with a greater total number of sheep were Xinjiang, Qinghai, and Inner Mongolia (ibid 399-402). The wealth of Tibetans thus resides in their animals, and not in the peripheral exploitation of natural resources such as mining and forestry.

As a result of these numbers, in 1998 the Tibetan rural households were among the highest per capita producers of wool and dairy in the country. Despite the tiny size of the Tibetan (TAR) population at 0.2 percent of the national total, they were the ninth largest wool producer in the country, producing 3 percent of the total national wool output. They were the sixth largest producers of cashmere wool, producing 6.2 percent of the national total. In per capita terms, Tibet produced 33 tonnes of wool per 10,000 people. This is impressive when compared to the three largest wool producing provinces of China (in gross terms); per capita wool production in Inner Mongolia was at 26 tonnes per 10,000 people in 1998, while it was 35.6 tonnes per 10,000 people in Xinjiang, and

only 3.5 tonnes per 10,000 people in Hebei. Measured per rural household, Tibet produced 115 kg of wool versus 1.2 kg nationally (ibid 405). Similar results are also found in milk production. Tibetan rural households produced 359 kg of milk per household versus 17.6 nationally. The only region that produced more milk per rural household was Ningxia at 538 kg per rural household. Qinghai produced 145.6 kg per rural household (ibid 405).

These statistics on wool and milk are revealing in that they are not mirrored in meat production, thus showing a cultural and economic orientation of the rural economy of Tibet (TAR) that is entirely different from the rest of China. While the sales of wool per rural household in Tibet were at 5.3 kg versus only 0.8 kg nationally, or 6.7 times the national average, their sales of mutton, sheep, and goat were lower than the national average at 0.38 head per household versus 0.46 head per national household, despite the fact that they possessed ten times the animals (ibid 406). Milk sales are also similarly lower than the national average, although this probably reflects the fact that there is not much taste for dri and sheep milk in the Chinese commodity markets.<sup>29</sup>

In contrast, the sales of mutton, sheep, and goat per rural household were three times the national average in Inner Mongolia, Xinjiang, and Qinghai. Even in terms of the output of meat, Tibet accounted for only 0.25 percent of the national share of meat output. Rural Tibetans were thus merely accounting for their population share of meat production, and not allowing for any surplus (ibid 404). In other words, meat production occurred only in function of local demand, implying that despite the number of animals in the rural areas, they were not a commodity destined for slaughter but rather for the “renewable resources” of wool and milk. This reflects a very definite and important cultural as well as economic choice at odds with the rest of China; cultural in terms of Buddhism, and economic in terms of an efficient response to survival in high altitude and harsh mountain climates<sup>30</sup>. It also reflects the fact that the wool is being sold in a much

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<sup>29</sup> Although the production of milk is high, the actual sales of milk were almost one tenth the national average at 1.15 kg per rural household versus 11.14 kg per national household (ibid 406). This would therefore imply that the production of milk is either largely for household consumption, or else that it is distributed through informal channels.

<sup>30</sup> In microeconomic terms, the large herds and low slaughter rates may indeed be an efficient choice given the harsh climate. Large herds would maximize the chances of surviving severe winters with some livestock intact. But the cultural reasons may be just as important. The Buddhist outlook of the farmers and herders would tend to discourage excessive slaughtering beyond basic needs. This contrasts with other regions, such as Inner Mongolia and Xinjiang, where meat production is high and corresponds to the importance of animal husbandry in general. Despite these choices, Chinese economists and agronomists have often focused on raising the disposable cash incomes of rural Tibetans by encouraging increased slaughter rates, thereby increasing meat sales. Similarly, development agencies will often focus on “risk reduction initiatives” for herds, such as hayland development, thereby hoping to encourage the increase of slaughter rates by decreasing the risks of livestock loss in the winter months. This strategy completely overlooks the cultural-religious reasons behind the low slaughter rates.

larger proportion than every other rural commodity and is thus one of the main commodities connecting rural Tibetans to the larger monetary economy.<sup>31</sup>

Finally, the productivity of Tibetan farmers in both grains and wool reveals an interesting aspect of rural poverty in Tibet. The relative decline of rural Tibetan incomes vis à vis other western provinces has not been not related to productivity per se. In fact, the ratio of the Tibetan yield of cereal grains per hectare to the national average yield per hectare was higher than most other western provinces in 1998 at 88 percent. This ratio is very similar to the ratio of Tibetan rural incomes to national rural incomes in 1985, which was 88.8 percent. Similar comparisons could be drawn for animal husbandry. This suggests that productivity and output levels in agriculture have probably kept up with the national average and that the relative fall of incomes in the 1990s was more likely due to disadvantageous macroeconomic policy compounded by the lack of diversification in the rural economy.

### ***Tertiary Sector: Trade, services, and government administration***

The tertiary sector in Tibet is exceptional given its relative size in the provincial economy, and it represents the predominance of government and urban oriented activities, although not necessarily productive activities, as the source of value in the economy. The largest categories in the tertiary sector in 1998 were transportation, trade, education, and a category known as “social organizations, party agencies, and government agencies”.<sup>32</sup> Of these four, trade was the largest category in both Tibet and nationally; in China trade accounted for 26.7 percent of the tertiary sector in 1998, and in Tibet it accounted for 28.3 percent (ibid 64-5). Given the larger role of the tertiary sector in the overall GDP of Tibet, trade in Tibet therefore played a relatively larger role than in the rest of China, or 12.3 percent of total economic activity versus 8.8 percent in China.

From here onwards in the tertiary sector, major differences between Tibet and the rest of China are apparent. The second largest tertiary category in China was that of banking and insurance at 19.7 percent of the tertiary activity in 1998, or 6.5 percent of total economic activity, while this category was virtually absent in Tibet at only 1.7 percent of the tertiary activity, or less than one percent of total economic activity. This is particularly irregular given that finance normally plays a pivotal role in agrarian economies and in opportunities for autonomous (non-governmental) business creation.

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<sup>31</sup> This has been the historical case. In the early 1950s the Chinese attempted to win over the Tibetan elites by offering a higher price for wool than that offered on the international markets (Shakya 115). The irony of this is that wool was subsequently grossly under priced by the pricing mechanism of the Maoist and post-Maoist periods (see the first section). As a result, Tibetan farmers have been severely disadvantaged in the one commodity that connects them to the national commodity markets. Barley, the main Tibetan cereal grain crop, has mostly a local appeal.

<sup>32</sup> This last category does not include the provision of either health or social services, but rather is related to the governing apparatus, including items such as the Communist Party Bureaucracy, and the military spending and public security that would be reported at the provincial level. The Yearbook specifies that provincial data do not include military statistics. Thus actual military spending in the region would far exceed the amounts reported in this or related provincial categories.

For instance, even in the poor western provinces neighbouring Tibet the proportion of banking and insurance in the tertiary sector was similar to the national average, and it even exceeded the national average in Sichuan. The near absence of banking in Tibet indicates that productive activities have been neglected and that industry and construction have been largely financed through party and government channels (ibid 64-5).

In contrast to the national pattern, the second largest category of the tertiary sector in Tibet was that of “Government agencies, party and social organizations”. In 1998 it accounted for 19.2 percent of the tertiary activity, or 8.4 percent of total economic activity. Nationally this category only accounted for 7.7 percent of the tertiary sector, or 2.5 percent of total activity. The only other province with a similar share in this category was Qinghai at 15.7 percent of the tertiary activity. This possibly and indirectly reflects the large role of the military, prisons, and labour camps in this province, although it should be noted that the value of the military in economic activity is not included in any of the provincial-level data (ibid 65). In other words, the government and party administration plays a much greater role in the Tibetan economy than it does in every other province besides Qinghai. This therefore might be related to the perceived needs of administrative and security control over the territories of Tibet (TAR) and Qinghai.

On a positive side, the shares of education, health, and social welfare in the tertiary sector in Tibet were larger than the national average shares for these categories. In 1998, education (also including culture, arts, film, and TV) had a share of 12.7 percent of the tertiary sector versus 6.8 percent nationally, and the category of health, sports, and social welfare was at 7.44 percent versus 2.7 percent nationally. Nonetheless, these shares may be deceptive given that both the fixed and per capita costs of these services are much higher in Tibet than nationally without necessarily increasing accessibility.<sup>33</sup> On the other hand, social services, which require less fixed investment than health and education, accounted for a smaller share of the tertiary sector in Tibet at 5.3 percent versus 9.5 percent nationally (ibid 63-65). This leads to an ambiguous conclusion about whether the overall shares of social services within the Tibetan tertiary sector correlate to the actual provisioning of these services to the general population. It is therefore useful to look at other comparisons, such as the value of government administration versus the value of education and social services in each economy. In Tibet and Qinghai, the value of government administration was much larger than the value of social services, while nationally the two values were about equal.<sup>34</sup>

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<sup>33</sup> See footnote 45 and the sections on expenditure and wages in the government policy section below.

<sup>34</sup> The value of government agencies in Tibet was more than 50 percent larger than the value of education and related activities, while in most other provinces it was usually the same as that of education, or only slightly higher by only 5 or 10 percent. In the coastal provinces, where performance in education excels, the value of government agencies was usually smaller than that of education. In Qinghai, which had the second lowest HDI index for education in China, the value of government agencies was equivalent to more than 65 percent of the value of the education sector (ibid 65).



***Secondary Sector: Shopping malls, beer factories, mines, and energy***

The secondary sector in Tibet, contrary to every other province in China, exhibits a very limited industrial structure that is largely government owned and controlled, urban and construction oriented, and highly concentrated and specialized in areas of government priority. Local economic strategies that could help to provide a significant source of non-farm activity to rural households, such as rural industrial diversification, are completely neglected. This can be demonstrated by looking at the break down of the secondary sector, and also by looking at the various characteristics of the industrial enterprises in Tibet, such as their spatial distribution and ownership.<sup>35</sup>

First of all, the high proportion of construction in the secondary sector in Tibet, at 55 percent, did not exist anywhere else in China. In most of the other provinces it rarely accounted for more than a quarter of secondary activity. For instance in Sichuan construction accounted for only 17 percent of the secondary sector, leaving productive industry as the predominant secondary activity (ibid 63). In Tibet this construction activity was most likely focused on either urban and township expansion, or on large-scale and high-profile infrastructure construction, and it would have accounted for a large part of the various investment projects implemented in the province by the Central Government or by various coastal provinces, as reported from a variety of sources.<sup>36</sup> This would explain the modern supermarkets in Lhasa.

When construction is taken out of the sum of secondary activity, heavy industry, such as gold mining or geothermal and hydroelectric energy projects, accounted for 66 percent of the remaining industrial activity in Tibet (ibid 426). If these large-scale capital-intensive industrial projects were further deducted from the secondary sector, very little would be left for any remaining diversified industrial activity, about 15 percent of the secondary sector, or only 3.3 percent of total economic activity. Most of this residue, consumer industries such as the Lhasa Beer Co. Ltd., carpet factories, or Tibetan medicine companies, was concentrated in Lhasa or in a few regional townships. Thus, compared to other Chinese provinces, the creation of diversified industrial activity has been severely neglected and the bloated service sector has remained largely unrelated to the support of diversified productive activity.

In terms of industrial enterprises, the weakness of the secondary sector can be identified by both the low degree of industrialization relative to the size of the population, and by the concentration of economic power that limits any form of autonomous

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<sup>35</sup> In terms of industrial enterprises, this category may include some industries, such as telecommunications, that would be classified as tertiary activities in the national accounts. Therefore there may be some overlap between the secondary and tertiary sectors in terms of the statistics dealing with enterprises, such as output value and investment.

<sup>36</sup> For instance, CIDA has noted that many of the central government investment projects and the inter-provincial mutual aid projects implemented in Tibet have focused on the short-term construction of buildings and other visible infrastructure rather than on long-term productive projects (CIDA 20-01-2000 2/18). For reports on urban expansion in Tibet, see TIN (13-06-2001).

industrial development. In 1998 Tibet was the home to 342 of the 7,974,565 industrial enterprises of China, or 0.004 percent of the industrial enterprises of the nation for 0.2 percent of the national population<sup>37</sup>. This makes 1.35 industrial units for every 10 000 people in Tibet, versus about 63.9 industrial units per 10 000 people in China on average<sup>38</sup>. In contrast, all of the other western provinces had a per capita measure of industrial enterprises that was similar if not greater than the national average<sup>39</sup> (Yearbook 425). Furthermore, construction activity itself is also concentrated into a small number of enterprises. There were a total of 6 real estate development companies in Tibet in 1998. In comparison, Qinghai, with twice the population and a bit more than twice the amount of construction activity in total output value, had 63 real estate development companies (ibid 232).

All of these industrial enterprises in Tibet without exception were concentrated at the township level and above and were entirely absent from the rural areas (ibid 425). This is a major aberration from the industrial structure of every other province in China. Nationally only 2 percent of industrial enterprises, producing 57 percent of the industrial output, were located at the township level and higher, while the rest were located in the rural areas. The other western provinces were similar to the national average. In Sichuan only 1.4 percent of the industrial enterprises were located at the township level and higher, while in Yunnan, Gansu, and Qinghai it was 0.9 percent, 1.75 percent, and 2.7 percent respectively.

Furthermore, the ownership of enterprises in Tibet highlights the unusual degree of state control over industrial development. State-owned enterprises accounted for 223 of the 342 industrial enterprises in Tibet in 1998, or 65 percent of firms, producing 78.87 percent of the industrial output, with the rest of the enterprises being divided up among collective-owned, share-holding, or foreign-funded enterprises. In contrast to this, in China overall, state-owned enterprises comprise a mere 0.8 percent of industrial firms producing 28 percent of the output. In even further contrast, there do not appear to be any industrial enterprises that were individually owned by Chinese or Tibetan nationals in Tibet, while 75.7 percent of industrial enterprises in China were individually owned, producing 17 percent of the output. In both cases of ownership, the proportions in all of the other western provinces were similar to the national proportions (ibid 426). In other words, the industrial structure of Tibet is not only unusually urban, it is also unusually controlled by the state, to the exclusion of local non-state participation, in contrast to every other province of China.

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<sup>37</sup> This figure may include enterprises involved in the tertiary sector, such as telecommunications, and thus there is some overlap with the sectoral statistics presented earlier.

<sup>38</sup> By 2000, the number of enterprises in Tibet was reported in *The White Papers* to have risen to 482, bringing the per capita number of enterprises to 1.85 per 10,000 people according to the population statistics of that year (PRC 2001b).

<sup>39</sup> For instance, Guizhou and Yunnan have more than the national average at 66.3 and 65.3 industrial enterprises per 10 000 people respectively, while Sichuan, Gansu, and Qinghai have about two thirds the national average at 42.4, 37.2, and 42 respectively (ibid 425).

This unusual concentration of industrial enterprises in Tibet is confirmed by labour statistics. While 79 percent of the urban labour force of Tibet was employed by state-owned enterprises in 1998, 93 percent of the rural labour force was employed in farming or animal husbandry<sup>40</sup>. In contrast to this, in China on average more than 30 percent of the rural labour force was diversified in a variety of non-farm activities such as township and village enterprises, private enterprises, and individually employed activities, and more than half of the urban labour force was employed outside of the state-owned sector (ibid 136-7).

### **Government Expenditure and Investment: “Do what I say and not what I do”**

It is useful to look specifically at government expenditure and investment as the true indicators of the actual direction of government policy in Tibet. The Chinese government consistently makes the claim that its role in Tibet has been one of a positive development partner uplifting the vast majority of Tibetans from a state of dire poverty and near-enslavement, a claim supposedly proven by the large amount of funds that the central government transfers to Tibet on an annual basis. If this were the case, then this developmental role should show up in the way the government spends money in Tibet, and in the way it directs future developments through investment. In this regard, social services, such as education, require a certain level of current expenditure merely to prevent regression in the provisioning of the services, particularly in the context of rapid population growth. Given the severe poverty in Tibet, a priority that would be able to effect significant changes in the provincial social indicators should therefore be reflected by significantly above average government expenditure and investment in these areas.

It is undeniable that the central government has been heavily involved in subsidizing the Tibetan economy. Contrary to every other province, the Central Government has maintained the scale of their transfer payments to Tibet at almost half of the value of the GDP of Tibet<sup>41</sup>. This proportion has marginally decreased over the last twenty years, yet not to the degree that is has in the other interior and western provinces<sup>42</sup>, indicating that while withdrawing from every other provincial economy

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<sup>40</sup> Note that these statistics on the rural labour force are derived from the employment statistics by category of ownership in the Yearbook on page 136-7 and differ slightly from those cited earlier in the discussion of the primary sector, which were derived from statistics on the rural labour force on page 380 of the Yearbook. The former are used here because they provide for a basis of comparison in terms of the types of firms in which labour is employed.

<sup>41</sup> A net total, after subsidies to loss-making state-owned enterprises were deducted, of 363 million yuan of government revenue was generated in Tibet in 1998. Given that 4,532 million yuan of government expenditure was spent in Tibet in the same year, not including military spending, the Central Government therefore transferred 45.7 percent of the total GDP of Tibet to cover the difference (Yearbook 277-82). In 1991-93 this proportion was 49.6 percent, and it was 61.6 percent in 1981-85 (UNDP 1999b 65).

<sup>42</sup> In comparison, over a comparable time period the transfer payments to the other western provinces had been reduced to a very small proportion of their economies. For instance in Xinjiang they dropped from

throughout the reform period, the central government maintained its presence in the Tibetan economy.

Furthermore, contrary to the rest of China, where a large portion of investment takes place privately, most of investment in Tibet is made through government channels, either in terms of the source of funds or in terms of the recipient of investment. In 1998, 78 percent of investment in capital construction in Tibet came from state budgetary appropriation or from fund raising (usually meaning within the enterprise or through related administrative channels), while only 7 percent came from domestic loans, and a mere 0.38 percent from foreign investment. Nationally, only 50.7 percent of these funds came from state budgets or from self-financing, while 24 percent came from domestic loans, and 12.5 percent came from foreign investment (ibid 190). In terms of the recipients of investment, 93.5 percent of total investment was made in state-owned units, while in China overall, only 54.1 percent of investment was made in state-owned units (ibid 186-7). This further highlights the importance of government policy in determining the direction of the overall development experience of Tibet.

The analysis of government spending and investment consequently reflects several aberrations. The two largest categories of government spending in Tibet were in government and party agencies, and in capital construction. Government agencies accounted for 16.9 percent of government spending in Tibet and only 9.2 percent nationally. Capital construction accounted for 17.4 percent of the government spending in Tibet and only 10.1 percent nationally<sup>43</sup>. The high priority towards expenditure in capital construction is interesting because 32.5 percent of the total investment made in capital construction in Tibet was in the construction sector itself. Nationally this was only 1.3 percent. Most of this in Tibet was probably for the purpose of government directed urban expansion, and therefore not contributing to the productive sector per se. Also the share of capital construction invested in government administration in Tibet was 9.1 percent, while it was 7.5 percent nationally. This would imply that a disproportionate amount of the spending and investment of the government in Tibet was either directly related to the expansion of administrative infrastructure, or else indirectly related through the urban expansion that has arisen from the swelling government service sector.

Conversely, in China as a whole in 1998, the largest category of government spending was by far that of education at 15.8 percent of total government spending. In Tibet this same category was in third place at 11.4 percent of total government expenditure, while in the other western provinces it was similar to the national level<sup>44</sup> (ibid 279-82). Furthermore, the shares of education within the total investment in capital

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24.15 percent in 1978-80 to 7.02 percent in 1991-93, in Yunnan from 9.71 percent in 78-80 to 1.19 percent in 91-93, and in Qinghai from 25.59 percent in 81-85 to 11.57 percent in 91-93.

<sup>43</sup> In 1998, 85 percent of the total investment in Tibet was made in capital construction versus only 42 percent nationally.

<sup>44</sup> For instance it was 13.43 percent of government spending in Qinghai, 15.05 percent in Sichuan, 15.22 percent in Yunnan, 15.45 percent in Gansu, and 17.2 percent in Guizhou (ibid 279-82).

construction in Tibet were similar to the national average share, and thus do not indicate that the government was making any particular extra effort to build rural schools for instance. Therefore education was not prioritized, contrary to government claims, but was neglected in the overall government budget relative to the national shares.<sup>45</sup> This would explain the poor supply of education in Tibet relative to the other western provinces, as discussed below.

The government has not paid much attention to productive spending or investment either. The high share in expenditure on capital construction might seem to imply that the government was involved with productive investments, but in fact this was not the case. Whereas 12.5 percent of national capital construction was made in manufacturing, only a mere 1.6 percent of it was made in manufacturing in Tibet. Furthermore, 5.5 percent of national government expenditure was destined for innovation enterprises, while this was only worth 0.8 percent of government expenditure in Tibet, despite talk of developing alternative industries and technologies for the region. And in Tibet only 4.8 percent of capital construction investment went into farming. Although the national share is similar to this, given that Tibet is predominantly rural and agrarian, one would expect a higher proportion of farming investment for the province, particularly if the government is concerned about the welfare of most Tibetans (ibid 194-95).

Moreover, capital construction in transportation infrastructure in Tibet was much lower than the national share at only 9.5 percent of total capital construction in Tibet versus 27.3 percent nationally (ibid 194-5). If it is assumed that much of this investment would be taken up by several high profile highway upgrades, such as the “first high-class road in Tibet” from Lhasa to Yangbajain built largely for geothermal exploitation (Xinhua 2002), then this would leave little left over for the sorely needed construction of secondary roads in the rural areas, roads that would have a much more significant impact on rural incomes. On the other hand, the share given to transportation in national capital construction reflects the much greater importance given to transportation within the national economy.

Finally, the shares of government spending in social welfare also do not seem to show any particular priority to the dismal state of most Tibetans. Social services

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<sup>45</sup> It is interesting to note the per capita government expenditure on education in Tibet was actually the highest in China, yet as discussed later, this was not reflected in the dismal supply of education services to the population. The high per capita measures of spending on education are due to several factors. The remoteness and low population density of Tibet results in high fixed costs given that schools require considerable fixed investment. Also the top-heavy distribution of infrastructure in Tibet, as discussed below, effects the per capita costs given that higher education is considerably more expensive than primary and secondary education. Finally the system of incentives that the government uses to attract skilled Chinese labour to Tibet increases the per capita costs considerably. For instance the average salary for professionals in Tibet, including teachers, nurses, and doctors, is close to 50 percent higher than the national average (ibid 158-9). All these factors cause a relatively high per capita cost of services while not necessarily affecting the breadth of distribution in any significant way. In any case, in comparison to the other provinces, the performance in provincial education seems to correlate with the share of public spending allocated to education and not with the per capita spending per se.

accounted for 4.8 percent of government spending in Tibet in 1998, but 9.4 percent nationally, and the share of health spending was equivalent to the national shares despite the lower health indicators of the Tibetans. Spending on subsidies to social security programmes was worth only 1.1 percent of total government spending in Tibet while it was worth 1.8 percent of national government spending. While the share of expenditures for supporting underdeveloped areas is twice the national average in Tibet at 2.92 percent of total expenditures versus 1.44 percent nationally – which would be expected given that Tibet is the most extreme case of underdevelopment in the nation – the share is nonetheless much lower than it is in many of the other western provinces, where it often exceeds five percent of provincial spending (ibid 279-82). Finally, it is quite interesting to note that the per capita measure of total government expenditure in Tibet in 1998, at 1798 Yuan per person, was higher than the average rural household income, implying that there was indeed little trickle-down effect from the high per capita levels of government spending.

### **Staff, Worker, and Cadre Wage Policies**

Government policy further influences regional development through the incentive structures used to encourage the immigration of skilled Chinese workers to Tibet. The government justifies this with the logic that hardship payments must be made in remote areas in order to both compensate and entice skilled labour to regions where skills are in deficit. Tibet is considered one of the most remote regions with the most difficult geographical conditions, thus cadres receive some of the highest hardship payments in the country (Huang 1995). In fact, this policy has even been controversial among the Tibetan cadres of the TAR in the past because it was perceived as giving preferential treatment to Chinese cadres and as encouraging Chinese immigration to Tibet rather than investing in local human capital. This resulted in an effort to reduce the number of Chinese cadres in the 1980s, but the policy has since been abandoned and the use of preferential treatment has returned in full force. This is illustrated by the statistics on wages, which are much higher than the national average.

Some of the perks used to attract skilled Chinese labour show up directly in the wages, while others are implicit, such as by exempting the children of immigrants from paying tuition at the schools they attend in Tibet, resulting in a substantial increase in effective household income. The education system in Tibet is then doubly burdened by the cost of such a policy because on one end higher teaching salaries are paid for teachers, and on the other end, local budgets must cover for the exempted tuition fees of the students of the cadres. This is one reason why per capita spending in education is much higher in Tibet than elsewhere.

Such incentive policies can be seen quite clearly through the average wage statistics. These statistics represent the average wages of what is specifically known as “staff and workers”, many of which actually represent cadres. In Tibet they are composed of a mixture of Chinese regional leaders and skilled labour, together with the local Tibetan elite and skilled labour, based largely in urban and administrative centres such as Lhasa. They do not include the incomes of the general labour force in Tibet. In 1998 the

cadres accounted for 163,000 employees in Tibet, or 13.8 percent of the total provincial labour force (Yearbook 140)<sup>46</sup>. Their salaries in the same year were on average 10 987 Yuan per annum, or 46.9 percent higher than the average national salaries of 7,479 yuan for the same group<sup>47</sup>. The only average salaries that exceeded this amount were those of Beijing (12,451 yuan), Shanghai (13 580 yuan), and Guangdong (11,032 yuan). On the other hand, the average salary of staff and workers in Sichuan, the provenance of the majority of Chinese cadres and immigrants to Tibet, was 6,577 yuan (ibid 158-9). It is easy to understand the incentive for a skilled worker in Sichuan to move to Tibet, as such a move would represent an average salary rise of 67 percent.

The incentive to be a loyal cadre in Tibet is evident, as is the burden to the local economy of paying such salaries. When the per capita net income of rural households of 1231.5 yuan per annum is considered, the inequality with the average salaries of cadres is glaring. The ratio of average salaries of staff and workers (cadres) to per capita incomes of rural households was 8.92, not including the implicit non-wage benefits received by such cadre. The equivalent ratio in Sichuan was 3.68 and even in Qinghai it was 5.62.

Furthermore, the cadre salaries also reveal significant inequality in the urban areas. When the average wages of the cadres (which were higher than the national average) are compared to the estimated average urban disposable incomes, the ratio was one of the highest in China at around 2.<sup>48</sup> The equivalent ratio in China was 1.38, and it was 1.28 in Sichuan (ibid 325). Given that the average urban incomes are an average between the well-off cadre households and the rest of households, this ratio could infer the degree of urban inequality by implying the degree to which the incomes of non-cadre households are below the average. The high ratio of Tibet would therefore indicate substantial inequality even within the urban areas and townships of Tibet between cadres and non-cadres. Such matters result from deliberate policy choices.

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<sup>46</sup> The government *White Paper* of April 2001 claimed that in 2000 there were over 50,000 ethnic minority cadres in the Tibet Autonomous Region and that Tibetan cadres accounted for over 70 percent of the total number of cadres in the province (PRC 2001a). These figures likely refer to public officials. If they are compared to the overall figure of 163,000 “staff and workers” in 1998, along with the population of officially resident Chinese at around 140,000 in 1998, not including military personnel, and with the fact that outside the government sector, enterprises tend to be Chinese dominated, the number of 50,000 actually suggests that Chinese probably make up a majority of the overall cadre, managerial, and skilled posts in the province.

<sup>47</sup> The most striking average wage in Tibet was that of banking and insurance at 17,998 yuan in 1998, higher than the equivalent salary in Guangdong and only exceeded by banking salaries in Beijing and Shanghai. The national average wage for banking and insurance was 10,633 yuan. Similarly, the average wage for health staff in Tibet was 12,557 versus 8493 yuan nationally, for education was 11,458 yuan versus 7474 yuan nationally, and for government and party administration was 12,002 versus 7,773 yuan nationally (ibid 158-59).

<sup>48</sup> As mentioned earlier, the average income per urban resident is not given for Tibet in the Yearbook, and here it is approximated on the basis of prior and following years. The ratio is therefore a rough measure, and may range between 1.9 and 2.1.

## **The Impacts of Discrimination on Regional Development**

The social statistics on education in Tibet poignantly illustrate the marginalization of Tibetans. They also clearly indicate the manner by which Tibetans are discriminated as a group via the neglect of rural education as well as via the undermining of Tibetan-language medium education within the primary and secondary levels. Ultimately, severe inequity in the distribution of education services reinforces the conclusion that social development, similar to economic development, has been neglected in the rural areas where Tibetans predominate. This has an important linkage effect in labour markets as the poor educational performance of the average Tibetan undermines his or her ability to access urban and skilled labour markets in any meaningful way, thus relegating most Tibetans to menial employment in the sectors that are outside agriculture. This in turn feeds a strong sense of alienation among the Tibetan population, as revealed by the resurgence of Tibetan refugee flows to South Asia in the 1990s. In this way, education policy in Tibet provides a clear example of the violation of the principles of equity and non-discrimination that have been committed to by China in the International Covenant on Economic, Social, and Cultural Rights.

### ***Education indicators***

The strongest example of the poverty of social development in Tibet is reflected in the literacy and education statistics. The rate of illiteracy and semi-literacy among the population aged 15 and older was estimated to be 60 percent in 1998, or 50 percent for men and 69.4 percent for women. The national average illiteracy in the same year was 15.8 percent, and the rates in all of the western provinces besides Qinghai were below 30 percent (Yearbook 122)<sup>49</sup>. Even if the population is taken from the age six and up, allowing for the higher enrolment rates of the current generation, 49.1 of Tibetans are estimated to be illiterate versus 13.7 percent nationally (ibid 120-1). Within the labour force, 61 percent of those employed in Tibet are estimated to be illiterate versus 11.5 percent nationally<sup>50</sup>. Also, rural residents in Tibet are about twice as illiterate as urban residents in Tibet (UNDP 1999b 106).

Among the literate and educated population of Tibet, which accounted for 50.9 percent of the population aged six and older in 1998, 83 percent had received up to a primary level of schooling. Only 13.7 percent had received up to junior secondary, 2.2 percent up to senior secondary, and a mere 0.23 percent had received a college level education or higher. On the other hand, among the educated population of China, which accounted for 86.3 percent of the total population, 46 percent of the educated population had received up to primary schooling, 38 percent up to junior secondary, 12 percent up to senior secondary, and 3.2 percent up to college and beyond (ibid 120-1). Similar

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<sup>49</sup> Qinghai had the next highest rate of illiteracy at 42.92 percent. On the other hand, the rate was as low as 15.7 percent in Sichuan (ibid 122).

<sup>50</sup> Note that literacy is lower in the Tibetan labour force than it is among the general population, while nationally it is the opposite.



proportions of education are found in the work force (ibid 170). Thus 46 percent of all Chinese had received a post-primary education by 1998, while only 8.6 percent of the population of Tibetan had received the same.

The sharp drop off in the proportion of the population with secondary education is due to one evident and shocking fact. In 1998 rural education in Tibet consisted almost entirely of the primary education<sup>51</sup>, while secondary education and beyond was almost entirely concentrated in the townships and the cities. In 1998 only 2.2 percent, or 2 out of the 90 secondary schools of Tibet, were located in rural areas (ibid 659). This is in stark contrast to the rest of China, where 56.6 percent of secondary schools were located in rural areas. Even in provinces such as Qinghai, rural secondary schools make up the majority of all secondary schools. Basically the supply of secondary education in China responds to demographic demand, while it does not in Tibet. Low education standards are therefore directly related to the undersupply of education services, and thus to government policy. This reality in Tibet forces rural students who wish to pursue their education past the primary level to travel outside of their place of residence. This considerably increases the effective costs of education, as the household must bear the costs of transport, room and board on top of the tuition and the other regular fees for schooling.

Another reason for the low levels of education in general is due to the simple fact that there are fewer schools per capita in Tibet than in the rest of China. In 1998 there were 3.23 primary schools per 10 000 people in Tibet, while nationally there were 4.88 primary schools per 10 000 people. There were 0.36 secondary schools per 10 000 people in Tibet while there were 0.62 secondary schools nationally (ibid 665). In further contrast to Tibet, there were 0.892 secondary schools per 10 000 people in Qinghai, 0.661 in Gansu, 0.542 in Yunnan, and 0.524 in Sichuan. The disparity is even more striking in the distribution of vocational secondary schools, which play a crucial role in forming skilled local labour, thus building up local human resources and reducing the need to import skilled Chinese labour. In 1998 there were 0.016 vocational schools per 10 000 population in Tibet while there were 0.0807 nationally and 0.0636 in Qinghai (ibid 669). In this perspective it can be seen that the poor accessibility and performance of education in Tibet is not related to its low population density but rather to a severe under supply of infrastructure.<sup>52</sup>

One factor that likely undermines the supply of secondary education within the TAR has been the increasing reliance on a “residential school” model (to coin the term from Canada) whereby talented Tibetan students are sent to special “elite” schools in China proper, outside of Tibet altogether, in locations such as Beijing or Chengdu, Sichuan. Although these measures are proposed as a rapid solution to the skills deficit in

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<sup>51</sup> Thus 83.42 percent of primary schools in Tibet are located in rural areas, while the same proportion is 80.89 percent nationally.

<sup>52</sup> These figures from the other western provinces suggest that as a province becomes less densely populated, such as from Sichuan to Gansu to Qinghai, the per capita number of schools would increase.

Tibetan areas, they remove the talented students from their culture at an early age, thus heightening the prospects for assimilation, and indeed many remain to work in Beijing or in provincial capitals. In any case, the short-term solution has turned into the norm for the TAR secondary education policy in the 1990s. Between 1986 and 1994 the number of TAR secondary students enrolled outside the TAR increased from 4,000 to 13,000, or from 14 percent of the total secondary enrolment to 28 percent. This accounted for more than half of the increase in secondary enrolments over this period (Bass 149-52). This indicates that the increase in the supply of secondary education within the TAR was actually much less than the global enrolment figures suggest.

In contrast, on the upper end of the education scale in the urban areas there were two times as many specialized secondary schools, which include teacher training schools, and institutions of higher education per capita in Tibet than there were nationally (ibid 653 and 656). Nonetheless, the per capita enrolment in these institutions was about half of the national average, implying that there were four times as many of such institutions per enrolled student in Tibet than there were nationally (Yearbook 658). This results in a per capita distribution of education in Tibet that is disproportionately top heavy when compared to the rest of China. This most likely drains the limited education budgets of the province and limits the expansion of needed services in the rural areas.

The current drive to develop tertiary education in the face of the severe neglect of secondary education raises the issue of accessibility to the tertiary institutions. While the presence of specialized secondary and post-secondary institutions is an undeniably positive element of an education system, access to these institutions obviously passes through the lower levels of secondary education. Thus the neglect of secondary education in the province, particularly at the rural level, puts into question the motivations behind the supply of tertiary education. This can be understood in light of the fact that the institutions of higher education are in part used to train Chinese cadres to work in Tibet (TIN 2001a).

### ***Discrimination in education policy***

The policy of increasing the use of Chinese language in the education system of Tibet masks an implicit discrimination against Tibetans within the larger provincial society and economy. The dominant use of Chinese in business and the government creates a situation whereby upward mobility depends of fluency in Chinese. Yet the dilemma of Chinese versus Tibetan language medium in education leads the education system into a catch twenty-two of underachievement for Tibetan students, particularly in the monolingual rural areas. This has occurred because up to the mid-1990s, ninety-five percent of primary education was conducted in Tibetan, while secondary education was almost entirely conducted in Chinese, outside certain Tibetan language courses. When education in Tibetan is emphasized at the primary level, students perform better and there is less alienation and dropout, but then students are mal-adapted for secondary education and for the non-farm job market. The switch to Chinese language secondary education has the result that many Tibetan students have difficulty performing. Drop out rates are therefore high. Recall also that there are almost no rural secondary schools, and so called rural secondary schools are mostly located outside of the rural communities in townships,

thus heightening the potential alienation of rural Tibetan students at the impressionable ages of 10 to 12 depending on when the switch to Chinese is made. This in part explains for the extremely low levels of post-primary education in the TAR.

One way out of the quagmire would be to devise a system of bilingual secondary education that would smooth the transition for Tibetan students and also allow them to build up Chinese language skills, but in the 1990s the government has purposely backed away from such options. Some pilot projects were devised in the 1980s to introduce Tibetan into secondary level, and the achievement of Tibetan students was much higher in these pilot schools. Nonetheless, in 1997 the government announced that such projects would be cancelled, despite the findings of a research project in 1996 that Tibetan students perform better in all subjects, including Chinese, if they first master fluency and literacy in their mother-tongue. The move was justified by claiming that the projects did not conform to the realities in Tibet, i.e. that Chinese is the main language of economic and political influence (TIN 1997, 27-11-2001).

As opposed to developing Tibetan secondary education, since the mid-1990s the authorities have instead responded with the introduction of more Chinese into the primary level. This shift in policy formally started in coordination with the Third Tibet Work Forum in 1994 and the Patriotic Education Campaigns starting in 1995 and 1996. Simultaneous to the decision to cut the secondary projects, in 1997 it was announced that Chinese language medium education would be extended into the primary level of schooling. In both cases the decision resulted from the attitude in the Tibetan Communist Party that the use of Tibetan language was linked to the pro-independence movement, and overall, the policy change formalized the move away from the commitments made in the 1980s towards the promotion of Tibetan as the official language of Tibet (TIN 05-1997). Such changes in education have been confirmed by recent reports on the increased use of Chinese in primary schools, particularly close to Lhasa (TIN 11-2001).

The language policy may therefore simply carry the under-achievement of students further upstream into the primary level, rather than addressing the needs of multi-lingual education at the secondary level. More attention will be paid to developing Chinese language curriculum at the primary level, rather than Tibetan language curriculum at both the primary and secondary levels. The “residential school” model of secondary education, mentioned above, will further undermine support for developing secondary education within Tibet, and will increase the assimilation of talented students into the Chinese system. Also such measures of extending Chinese education to the primary level will probably be severely restricted by a lack of funds, which has already been a problem,<sup>53</sup> and by a lack of qualified teachers both able to teach curriculum in

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<sup>53</sup> As will be noted in the third section, education budgets in the tenth five-year plan are to be covered by local and provincial governments, who are already strapped for cash, while other large infrastructure projects, such as the railways, are covered by the Central Government (TIN 13-03-2001). Furthermore, several of the preferential policies to encourage skilled labour to the region, such as the provision of free tuition, puts a regressive burden on the local education budgets, whereby the disadvantaged local Tibetans have to absorb the costs of providing free education to the privileged. The preferential policies effectively

Chinese and willing to reside in remote rural areas. There is already a severe shortage of skilled teachers, and although the government proposes in their tenth five-year plan to bring in more Chinese teachers to Tibet, most of the Chinese primary education that has been developed so far has been concentrated in or around Lhasa and the main townships (TIN 11-2001). It is therefore likely that the Chinese teachers will be primarily used to fill this expanding urban demand for education, especially given the increased Chinese migration to the region. In any case, Chinese teachers will probably not be interested by positions in impoverished Tibetan rural areas for social, cultural, and linguistic reasons, and they would thus tend to gather in the urban areas, particularly given the new flexible residency options. So rather than extending Chinese medium education to rural Tibetan primary students, which is controversial in itself, the policy is more likely to create a dual system whereby Chinese medium education would be well developed in the urban areas, in response to the rising Chinese migrant population, while both Chinese and Tibetan rural education would be neglected. The only solution to this trap would be an entire reorientation of the provincial language policy, which in the current political environment is most unlikely.

In the end, the low achievements of Tibetan students in secondary and Chinese-medium education limits their progress into either higher levels of education or the job market that increasingly requires Chinese. This effectively marginalizes most of these rural Tibetans from any serious job competition outside the rural areas, particularly in managerial positions, services, and most urban jobs outside manual labour.<sup>54</sup> In this regard, even a poor Chinese migrant, with no particular skills, would be significantly more advantaged in the urban labour market due to his or her fluency in Chinese.

### ***Feedback into labour markets***

Discrimination in language and education has an important feedback effect on provincial non-farm labour markets, restricting the ability of the average Tibetan to fully participate in the economy outside traditional activities. For instance, many reports indicate that much discrimination is practiced in urban labour markets. This is partly because many of the businesses and enterprises in Tibet are Chinese and state controlled, and thus implicit preference for Chinese labourers is often shown. In many cases Tibetans may even be refused work or business licenses. Also, Chinese fluency and literacy may be required for many jobs, which effectively eliminates half of the Tibetans who are illiterate, and a much larger proportion who are not literate in Chinese. In the end, outside a small minority of talented, educated, or well connected Tibetans,<sup>55</sup> most Tibetans only have access to the least skilled and lowest paid work, where they are often

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discriminate against Tibetan students by creating a fundamental bias in the education system whereby full enrolment for Chinese students is assured while high drop out rates are assured to the Tibetan students due to the high cost burden of education.

<sup>54</sup> For instance, see Goldstein et al (2001).

<sup>55</sup> Most of these would probably be the 50,000 cadres cited in the *White Paper*. Note that this is about two percent of the provincial population, less than what China claims to have been the proportion of the upper classes in the pre-Communist Tibetan society at around five percent.

employed for the menial tasks of hard labour on many a government project, while Chinese are employed for most of the skilled posts (Goldstein et al 36). For instance, Gittings (2002), long term China correspondent for the *Guardian* newspaper, quoting a Chinese government official in Tibet, points out that the railway construction in Tibet “has already brought 10,000 more migrants to work on the track, leaving little employment for local Tibetans”. His government contact, a certain Mr. Wang, head of Tibet’s planning development committee, casually admits, “most of the work units on the railway come from inland... but we do employ some local people to do manual work, like digging” (Gittings 2002).

The government policies devised to encourage the immigration of Chinese skilled labour and investors further accentuate discrimination within the labour markets. In terms of mobility, the new laws that offer flexible registration to Chinese migrants effectively imply that Chinese migrant labour in Tibet is exceptionally able to freely respond to changing labour market demands<sup>56</sup>. To the contrary, local Tibetan labour may even be restricted within the region based on local registration requirements, and thus forced into temporary status outside their county of residence. This gives a considerable competitive advantage to the Chinese migrants over the locals in their ability to respond to the labour market, and it also allows migrants to exercise influence over local policy because they can effectively vote with their feet.

Incoming Chinese migrants also receive other forms of preferential treatment that give them a competitive edge over local Tibetans. Perks include free education for the children of the migrating cadres, and higher salaries through a variety of hardship benefits designed to compensate skilled workers for working in distant and difficult locations and that are among the highest in China. Given that such advantages are not extended to the local population, such as free education or flexible residency, the local Tibetans become disadvantaged vis à vis the migrants in competition for limited services, jobs, and so forth, particularly if they are already less educated than the average migrant to start with.<sup>57</sup> Thus although the preferential policies could in principle hold a strong merit of intending to correct the regional brain drain and skills shortage, when they are transposed into a context of sharp ethnic inequality where the incoming migrant labour is of the advantaged ethnic group, ethnically defined inequalities may actually increase as a result.

This is further exacerbated by the absence of complementary local policies leading to a serious effort to develop local skilled labour. This has been noted above in the distinct shortage of vocational secondary schools. It is further evident in the statistics through the dramatic shortage in the provision of employment services organized by labour departments in Tibet. These are critical in China due to the degree of regulation

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<sup>56</sup> See for instance the discussion of some of these laws in TIN (11-2000 26).

<sup>57</sup> A parallel can be found in the preferential policies that Israel offers to Israeli settlers settling in the West Bank, such as special tax breaks, easy access to loans, education, services, and so on, that are not offered to Palestinians.

via work permits within the labour markets, particularly with regard to skilled labour. Thus in 1998 there were a total of 6 employment services run by the labour department in Tibet, compared to 284 in Qinghai (for only twice the population). In other words in Tibet there were only 2.3 employment services per million people, while nationally there were 28.4 of such services per million people on average. Furthermore, five out of six of these employment services in Tibet were run at the prefecture level of government, and were thus probably involved with the transfer and distribution of cadres, while nationally more than 70 percent of the employment services were run at the township and neighbourhood committee level, and were thus more likely to have been integrated with the local labour needs (ibid 168).

The labour market issues raise the point that discrimination in Tibet is to a large extent played out in the access to and control over the urban growth poles of the economy. Within the urban context, the combination of stiff labour market competition, preferential treatment of Chinese workers, and the neglect of affirmative policies for local labour give the migrants a strong competitive advantage over local labour. It stands in opposition to the concept of affirmative action of the civil rights movement, or even to the policies of preferential treatment of Tibetan cadres in the 1980s, and it violates the principles of non-discrimination and equity in the Right to Development.

### ***Refugee flows in the 1990s***

As a result of implicit and explicit discrimination, the average Tibetan is left with a feeling of alienation and exclusion. This in turn has fuelled a resurgence of refugee flows from Tibet to India in the 1990s, a telling sign of the social poverty in Tibet. These flows suddenly increased by threefold in 1990 and continued at about two to three thousand refugees per year throughout most of the 1990s. They were reported to have dropped below two thousand in the year 2001 due to increased security on the China-Nepal border, increased repression of refugees in Nepal, and the Strike Hard campaign within China (UNHCR 2001, TIN 2000a).

Already by 1994 the Tibetan Government in Exile was raising the alarm that between 1990 and 1993 the net number of registered refugees, those who had escaped to India minus those who had returned to Tibet, had reached 13,540, causing a crisis in the refugee communities (TGIE 3a). When the number of refugees registering with the UNHCR in Kathmandu between 1994 and 2001 is added to this sum, approximately 35,500 refugees are known to have escaped Tibet since 1990, or about 0.8 percent of the total 1990 Tibetan ethnic population of China. The actual number is probably larger than this because some refugees may not register with either the UNHCR in Nepal or with the exiled Tibetan government in India. Thus by 2001 the total Tibetan refugee population in India and Nepal would have passed 150 000, or more than 3 percent of the estimated Tibetan ethnic population in China in 2001. This scale of new refugees arriving in the 1990s, particularly in comparison to the size of the source population, is comparable to several other contemporary refugee crises.

These new refugees are not necessarily leaving Tibet due to direct political reasons. The majority are actually responding to a sense of alienation and discrimination

within Tibet, precisely with respect to education and labour markets. A telling sign of this is that the majority of the new refugees are young people. Among the refugees reported by the Tibetan Government in Exile in 1994, 17 percent were under the age of 13 and 44 percent were between the ages of 14 and 25. In other words, 61 percent were under the age of 25. One of the main motivations stated by these young people for coming into exile was in order to have access to culturally sensitive education in the Tibetan language, and even adult education for those who had missed the opportunity for secondary education while in Tibet. Similarly, from another angle, 44 percent of the refugees were monks and nuns, and were leaving in order to have access to religious education (TGIE 3a).

Of the rest of the refugees, many complain that few meaningful opportunities exist for Tibetans, as Chinese migrants throughout the Tibetan areas monopolize the skilled jobs. A typical scenario might be a Tibetan who had repeatedly tried to set up a business in an urban area but was refused licences, while Chinese migrants received the same licences and had since established themselves. Such a person may ultimately end up becoming a refugee with the hope of escaping discrimination.

Such refugee flows are therefore clear indices of the current state of discrimination within Tibet. They summarize the social poverty and exclusion that has taken hold of the Tibetan society after fifty years of Chinese rule.

## 2. The Roots of Poverty in Tibet: Putting Tibet's Development into Perspective

### Chinese explanations for the poverty of Tibet

*"By the middle of the 20<sup>th</sup> century, Tibet had remained a theocratic society of feudal serfdom... The serfs and slaves, which made up more than 95% of Tibet's population, owned no land, no means of production, and not even their own person. They lived in extreme poverty and hardships, and longed to be treated as human beings".*

Speech by Raidi, Chairman of the Standing Committee  
People's Congress of Tibet Autonomous Region of China (2002).

*"Over the past five decades, the people of various nationalities in Tibet, under the leadership of the Communist Party of China, have followed the socialist road in the big family of the motherland, gradually moving from darkness, backwardness, ignorance, and poverty to brightness, progress, civilization, and affluence, and one from a closed society to one that has opened its doors to the outside world"*

(CNR 2001)

Development in Tibetan areas has been essentially interpreted by the Chinese Communist Party (CCP) as an issue of transformation from backwardness to modernity. The roots of poverty have been deemed to lie in the legacy of the traditional feudal societies existing prior to the socialist period. Current poverty has been seen as a result of weak economic foundations combined with the residue of superstitious cultural and religious beliefs that shackle the population, instilling a "rigid and conservative thinking and the psychology of idleness" (People's Daily 1994). The struggle for development in Tibet has been therefore boiled down to an issue of the region overcoming its past. If completed successfully, the CCP has predicted that the minorities will be won over to the project of the Motherland due to the lessening of the economic gap between them and the Han Chinese (Yang 93).<sup>58</sup> The Chinese leadership has repeated such discourse from even before the occupation of Tibet until the present.

As a result of this outlook, from 1959 onwards<sup>59</sup> the Chinese authorities wholeheartedly attacked the feudal structures of Tibet as the source of the impoverishment of the Tibetan masses. Yet in the process, they obliterated the entire financial basis of the Tibetan economy, expropriated most of its movable assets, destroyed the immovable ones, and restructured the entire system of land holding. The

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<sup>58</sup> Asserted by Ismail Amat, the Minister of the State Nationalities Affairs Commission, in the mid 1990s. Cited by Yang (1997 93).

<sup>59</sup> This date is in reference to Tibet (TAR) and marks the escape of the Dalai Lama from Tibet and the consequent and mutual revoking of the 17-point agreement by both the Tibetan Government in Exile and the Chinese Government. The other regions of historical Tibet, most of Kham and Amdo, were outside the control of the Tibetan Government in Lhasa and thus were not included within the terms of the 17-point agreement. Within these areas, radical socialist transformations were implemented as early as 1955, simultaneous with the rest of China (Goldstein 1998a 8). See Goldstein (1998a) and Shakya.



focal points of this attack were the monasteries, as these institutions were one of the main centres of power within the traditional society. Shakya (1999) has written, “the dissolution of the economic power base of the monasteries was the most significant social and political event in the history of Tibet since the introduction of Buddhism” (ibid 254). Given the void that was created in the wake of the occupation, it therefore comes as no surprise that by the advent of the Cultural Revolution in 1966 the Tibetan economy was entirely dependent on funding from the Central Government. To understand the full significance of this, it is useful to look at the social and economic role of the monasteries up to 1959, particularly with respect to finance.

### **The Social and Economic Role of the Monasteries**

Most non-Marxist historians agree that the traditional Tibetan social and economic structure, which resembled a feudal system of landholding, was characterized by a greater degree of social and demographic mobility, and equality than the equivalent feudal systems in the rest of Asia or in Europe. This was most likely due to the unique predominance of the monastic institutions in the society and economy. The sheer pervasion of the system in comparison to other Buddhist societies in Asia or to the Confucian system in China gave the Tibetan society its unique characteristics. By the 1950s, it has been estimated that ten to fifteen percent of the males in Tibet were monks<sup>60</sup>, and there were over 2500 monasteries in Central Tibet, and over 6000 spread out across the Tibetan plateau (Goldstein 1998b 15). As a result, the monasteries and the ordained were very much diffused throughout the society and economy across class and region, and “virtually all Tibetans in the traditional society knew a monk or nun personally as a relative, a friend, or a neighbour” (Goldstein 1998a 5). In terms of land ownership, the monasteries and the incarnate lamas were estimated to hold from 37 to 50 percent of the arable land in Tibet, while about a quarter was held by each the lay aristocracy and the government (Goldstein 1998b 19). This pervasion of the monastic system therefore carried a distinctive feedback into the overall social system.

This socio-economic system did abort the development of a strong state in Tibet in the first half of the twentieth century.<sup>61</sup> However, given that the monasteries acted as the dominant financial institutions in the region,<sup>62</sup> they provided for an impressive

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<sup>60</sup> This proportion may have been as high as one quarter in the 18<sup>th</sup>, 19<sup>th</sup>, and early 20<sup>th</sup> centuries. In comparison, in Thailand, another prominent Buddhist society of Asia, only 1 to 2 percent of the male population were estimated to have been monks in the equivalent period (Goldstein 1998b 15).

<sup>61</sup> The formal state structure of the Tibetan government was minimally developed up to its dissolution in 1959, and the society was only beginning to embark on the turbulent transformations and struggles towards the creation of a modern state structure. Similar to many Asian societies in the colonial period, it is clear that the powerful and conservative vested interests of the landed classes of pre-1951 Tibet were an obstacle to the diversification of the Tibetan economy, or to the strengthening and centralizing of the state. See the histories of Goldstein (1989) and Shakya (1999).

<sup>62</sup> The late Gen Lobsang Gyatso (1998) points this out in his autobiography, published after his assassination in Dharamsala in 1997. He argues that the presence of the monasteries as financial institutions

accumulation of capital via non-state channels, channels that were to become the main object of attack in the Chinese occupation of Tibetan areas. For instance, in the case of Drepung Monastery, the largest monastery situated close to Lhasa and housing around 10,000 monks throughout the 1950s, the Chinese government estimated that in 1959, just prior to its dissolution, the monastery had outstanding loans worth 10 million yuan in cash (worth five million 1959 US dollars) and 130 000 tonnes in grain (Goldstein 1998b 23). These sums may have been pooling the finances from many of the branch monasteries of Drepung spread out across Tibet, far beyond the political reach of the Tibetan government in Lhasa, yet it nonetheless shows the financial strength of just one monastic institution. Given that each monastic institution would have played a similar role within its regions of influence, it can be assumed that each of the main monastic networks had equivalent financial amplitude.<sup>63</sup> If the finances of the monasteries around Lhasa were proportionate to their ordained population,<sup>64</sup> then merely between the three main monastic centres around Lhasa it can be estimated that in 1959 there was approximately 22 million yuan worth of outstanding cash loans, equal to about 11 million 1959 US dollars, in addition to loans in kind.

It is worth comparing these amounts to the current magnitude of the entire financial sector in Tibet. Indexed to 1998 US dollars, the 11 million US dollars of outstanding loans in cash in 1959 would have been worth about 62 million today, or 512 million yuan in 1998 yuan converted at 1998 rates<sup>65</sup>. In comparison, the GDP value of the banking and insurance sector for all of Tibet (TAR) in 1998 was only 67 million yuan<sup>66</sup> (Yearbook 64). Furthermore, the 1959 figures were after the monasteries would have sent significant amounts of capital out of the country to safe havens in Darjeeling and elsewhere in India during the late 1940s and 1950s due to the insecurity of the relations with China.<sup>67</sup> Therefore, under normal pre-1950 conditions, it is likely that the Lhasa financial sector was even larger than it was in 1959.

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disproves that Tibet was a feudal society. Although feudalism does not preclude the existence of a financial sector, his observations are nonetheless very revealing about the nature of the traditional Tibetan economic system.

<sup>63</sup> Examples would include Ganden and Sera in Lhasa, Tashi Lhunpoe in Shigatse, and other large Gelugpa monasteries, such as Litang and Batang in Kham, along with the main monasteries of the other sects, such as those of the Sakya, Kagyu and Nyingma monasteries spread out across Central Tibet, Kham, and Amdo.

<sup>64</sup> The estimated population of Sera was about 7000 and Ganden 5000 (Goldstein 1989 25).

<sup>65</sup> For US dollar indices, see the websites of the Bureau of Labour Statistics (USA), or the following website at [www.minneapolisfed.org/economy/calc/cpihome.html](http://www.minneapolisfed.org/economy/calc/cpihome.html). In order to capture the purchasing-power-parity of such amounts, it would be better to index the yuan directly from 1959 to 1998, which would likely result in a much larger amount of yuan, but 1959 is not available in the Yearbook.

<sup>66</sup> This would not be an equivalent measure because the GDP measure is only for the value added of the financial sector, and the value of outstanding loans would be larger than this. Nonetheless, the comparative financial magnitude of merely three monasteries in 1959 is impressive.

<sup>67</sup> Goldstein (1989) refers to this fact on several occasions in his history of that period.

Furthermore, these amounts were for three monastic institutions only. When the six thousand large and small monasteries spread out across the Tibetan ethnic areas are considered, the extensive depth once sustained by the indigenous financial sector can be appreciated. Given the tendency for every family to have had a relative in a monastery or nunnery and for every populated valley to have had a monastery or nunnery of some sort, the outreach, accessibility, and efficiency with which these indigenous financial institutions operated is indeed impressive. They performed functions from providing for micro credit at low default rates to the smallest of peasants, right up to financing large trading companies in Lhasa, the government, and a wide range of social welfare functions. This system was essential for the current and capital financing of disperse mountainous agriculture, of nomadic herding (which requires considerable capital investment), and of the extensive trade networks both within Tibet and abroad with Nepal, India, and even England, such as the wool trade. The monasteries were also the storage places for considerable collateral, such as gold and precious objects. Along with the gold and the US dollars held by the Tibetan government to back up their currency or their government until the 1950s, this financial sector provided the Tibetans with the equivalent of a gold standard. Essentially, in traditional Tibet, the equivalent to the motto “In God we trust” would have been “In the three jewels and the monastic seats we trust”.

### **Destruction and Expropriation of the Tibetan Economy**

The closure, expropriation, and eventual destruction of the vast majority of monastic institutions in the period leading up to the advent of the Cultural Revolution, from 1959 to 1965, had the effect of essentially wiping out the entire financial basis of the Tibetan economy.<sup>68</sup> Drepung and the other monasteries that openly supported the Dalai Lama were literally closed within days or weeks of the escape of the Dalai Lama in 1959, with their estates and granaries confiscated and loans cancelled (Goldstein 1998b 23). The valuables and collateral of the monasteries, such as gold and precious metals, were sent largely to China. The real estate of the monasteries was destroyed or vandalized.

The ensuing collapse of the financial sector wreaked havoc in the other sectors of the economy dependent on such finance, such as agriculture or trade. The large-scale cancellation of debt would have in theory represented a massive transfer of resources to debtors, i.e. to producers and traders, the largest of whom would have been the landholders, wealthy peasants, large trading companies, the government, and of course

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<sup>68</sup> Goldstein (1999a) notes that the destruction of the monasteries as functional institutions took place between 1959 and 1965, before the onset of the Cultural Revolution, and notes “all religious estates were confiscated... monasteries were seen as intrinsically disloyal and hostile to the CCP, and with only a few exceptions, their power and influence were crushed. The leaders of Tibet’s great monasteries were incarcerated along with many scores of monks involved in the uprising, and most other monks were sent home or to other work units...” (Goldstein 1998a 9). This was more or less complete before the advent of the Cultural Revolution, and within the first two years of the Cultural Revolution, “*all* remaining vestiges of religion in China were eliminated... all practice of Buddhism and popular religion... was prohibited and effectively eliminated” (ibid 9). Other sources note that more than half of the monasteries were dismantled and destroyed before the Cultural Revolution began in 1966 (ICLT et al 64).

the monasteries themselves, as they were also involved in both trade and production. Yet in practice, land reform (largely complete by 1963), collectivization (in force by 1965), and the expropriation of many aspects of the economy from 1959 onwards redirected much of this transfer of resources to the Chinese state. Simultaneously, due to the Sino-Indian war of 1962, the traditional routes of trade via India ceased to exist. Trade was instead redirected through the long and expensive route via the Chinese interior.

In other words, the Tibetan economy was forcefully de-capitalized and the huge stores of financial and fixed assets that had been built up over centuries were simply cancelled, expropriated, or destroyed. This wiped out in a matter of a few years the potential for an indigenously led development of the region. As in any other society, China and the West included, the Tibetan elite and their capital would have provided the basis for locally initiated transformations, but the obliteration of the indigenous system by the Chinese precluded any possibilities for future developments to be based on local resources and leadership. This cemented the dependence of the region on the Chinese state.

The impact that these transformations had on the Tibetan people can be noted by the series of bloody uprisings and revolts that occurred in Kham and Amdo, the Tibetan ethnic areas of Sichuan and Qinghai, in the years of 1956 and 1957.<sup>69</sup> It has been noted by many commentators and historians that these widespread revolts were not in response to the Chinese political authority per se, which historically had come and gone many times over the centuries. The revolts were rather in response to the early Communist attempts to change the traditional socio-economic structure through collectivization as well as by limiting the influence of the monasteries. The revolts involved some of the most prominent monasteries of the region, and resulted in the bombing and shelling of the two monasteries of Litang and Batang, among others (Goldstein 1998a 8). The economic dimensions of these conflicts cannot be underestimated.

Thus by the advent of the Cultural Revolution in China in 1966, the Tibetan economy had already been utterly transformed and forcefully integrated into the Chinese polity. The Chinese state took over the management of a distant and distinct region on all levels through administrative means, from the micro management of the rural economy all the way up to provincial government finance. This occupation especially involved a huge security and military dimension given that the Sino-Indian war of 1962 was fought from within two locations of Tibet (TAR) itself. Yet, in the process, the pre-existing indigenous institutions and economies were simply not allowed to coexist, and were obliterated within less than a decade. Most of the Tibetan government officials, leading lamas, monks, nuns, some of the most talented and educated in the society, were incarcerated, killed, or escaped into exile, and the population had been pushed into a state of deep seated mistrust for the ruling authorities. This has been the primary legacy for the economic poverty of Tibet ever since.

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<sup>69</sup> These uprisings pre-empted and to some degree precipitated the Chinese military intervention in Central Tibet in 1959, and resulted in a huge flow of refugees to Central Tibet that placed considerable strain on the already fragile region and government.

## **The Integration of Tibet within Maoist Regional Development**

From the 1960s onwards, the Tibetan economy was incorporated into the overall Maoist strategy of regional development in China. This period was dramatically marked by the political turmoil and the egregious human rights abuses of the Cultural Revolution, which had a particularly ethnic focus in ethnic areas.<sup>70</sup> In addition to this, two larger dynamics in the regional development policy of the period that were closely tied to the military build up of the interior regions of China would have had particular significance for the economy of Tibet. These were the Maoist strategies of regional redistribution via interior industrialization, and the circular payments system.

Throughout the 1960s and up until the early 1970s the Maoist development strategy pushed industrialization into the interior of China, particularly that of heavy industry, in what later became known as the “Third Front Strategy”. The main focal point of such industrialization was Sichuan (Cannon and Jenkins 36-8). The orientation was predominantly militaristic, and it emphasized egalitarianism and self-reliance. It aimed at building up a military-industrial base in the interior of China that would be difficult to access from the Soviet Union, India, or the US via Taiwan and South Korea (Wei 28).<sup>71</sup> It has been pointed out that this strategy was quite inefficient, particularly in the western regions where scarce resources were squandered on inefficiently planned and located heavy industries. This was largely due to the top-down nature of the Maoist development strategy and to “the ‘unit’ mentality... owing to the military nature of most of the projects”. As a result, “most of these plants had few linkages with the local economy and contributed little to the development of these localities, including most areas inhabited by ethnic minorities” (Yang 23).

Despite the industrial focus of the strategy, and despite a slight increase in the minimal industrial activity of Tibet (TAR) relative to the national per capita average, by and large Tibet remained far on the sidelines of Chinese industrialization. The slight relative increase was most likely related to the military build-up in the region, and in any case it dropped off from a high point in 1974.<sup>72</sup> In general much of the industrialization

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<sup>70</sup> Even the Chinese government acknowledges many of the abuses during this period, and attributes the destruction of Tibetan culture and religion to this period. See Goldstein (1998a, 1998b) and Shakya.

<sup>71</sup> The détente with the US in 1972, which reduced the military threat to the coastal areas, was therefore the beginning of the end of the interior oriented strategy, even before the onset of the reform period, and it marked the turning point of the national industrial strategy back towards the coastal areas (Cannon and Jenkins 38). Yang also argues that this timing, as opposed to 1978, was the beginning of the reorientation of industrial policy, highlighted the importation strategy of Hua Guofeng in 1972 (Yang 25-26).

<sup>72</sup> Yang (1997) measures the degree of industrialization of each province by comparing its per capita industrial output to the national average per capita industrial output. In Tibet this rose from 7 percent in 1952, showing a very low degree of per capita industrialization relative to the average in China, and by far the lowest in all of China, to 13 percent in 1965, 14 percent in 1974, and then back down to 11 percent in 1979, showing a return to the 1950 relative levels of industrialization by the end of the 1970s.

of the Third Front Strategy would have been concentrated in strategic centres, such as Chengdu and Chongqing in Sichuan, Lanzhou in Gansu, or Yining in Qinghai, or else in areas that were isolated from the military fronts and sensitive border areas. This by definition precluded most of the Tibetan areas. Thus throughout this period the economy of Tibet remained agrarian and pastoral, organized under collectives, albeit with a substantial autonomous apparatus related to military and security that remained largely immune to the administrative chaos of the Cultural Revolution (Yang 23, Shakya 437).<sup>73</sup>

The second major dynamic of Maoist regional development was the establishment of what Yang calls the “circular payments system”. A circular system was established between the regions of China whereby state-fixed prices for energy and raw materials were kept low in order to subsidize processing industries, which were concentrated in the coastal areas. These industries were in turn heavily taxed, and their surpluses were returned to the raw material producing regions, predominantly located in the interior and western regions, in the form of transfer payments to support both central and local government expenditures (Yang 62). Many of these subsidies were oriented towards either the interior industrialization strategy, or else towards the military build-up in the region, and did not necessarily return to the original producer in terms of services or factors that would increase general household incomes. Thus by 1978-80 Shanghai turned over to the Central Government a surplus equivalent to more than 50 percent of its GDP, while provinces like Inner Mongolia, Ningxia, Xinjiang, and Qinghai received subsidies from the Central Government of over 20 percent of their GDP, and Tibet of over 60 percent (UNDP 1999b 65). This system had particular relevance to the integration of Tibet into the Chinese economy as it concretized the subsidization of the Tibetan economy by the Central Government.

### **Post-Mao, Reformist Approach to Regional Development**

The reform period, starting in 1978 under the leadership of Deng Xiaoping, represented a return to the pre-Mao strategy of “comparative advantage” in regional development that privileged the coastal regions and neglected the interior and western regions. Given the sheer dependence of the Tibetan (TAR) economy on central government funding and its complete subordination to central control and policy making, this re-orientation of development strategy had a particularly stunting effect on the TAR economic structure. The full implications of this came to be seen in the late 1980s and early 1990s when the Tibetan economy started to fall sharply relative to the other poor western provinces.

Within the comparative advantage strategy, concerns with regional development were not about equity but rather about efficiency and the rationalization of the national industrial structure in order to maximize growth. The regions were divided up into each

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Comparatively, the provinces that showed large gains in this measure were Qinghai and Gansu, both of which were important to the Third Front Strategy, and had important military industries (Yang 22).

<sup>73</sup> For more discussion on the autonomous nature of the military during the Cultural Revolution in Tibet, see chapters 12 and 13 in Shakya (1999).

of their own areas of specialization where they were perceived to have strategic advantage. The coastal region was thus identified as the industrial engine of the nation, as the logical location for the processing and exporting of the inland raw materials, and for absorbing imported technology and finance. To support this end, the Central Government reduced taxation on the coastal industries, which were thus relieved of their burden to subsidize the interior, and it even offered preferential policies to the coastal regions, particularly through the use of selective special economic zones (SEZ) to experiment with western investment and business relations. The interior was to focus on producing and supplying raw materials, and trickle down was promised through the socialist system, although in the long run the Central Government reduced the share of investment funds that were being allocated to the interior (Yang 28). The reduction of transfer payments was thus a direct outcome of the reallocation of scarce resources to the coast. Reduced taxation of the coastal economies and increasing control of coastal provincial governments over the fiscal resources that were being generated within their provinces led to a relative decrease in the finances of the central government, thus restricting their ability to subsidize the interior. Instead, the Chinese leadership emphasized “the allocation of limited economic and human resources to the development of the more developed coastal region in order to maximize national economic growth and national economic strength” (ibid 27).

This regional division of labour was further elaborated in the seventh five-year plan (1986-90). This was the first time that the Western region was differentiated from the Central region, and respectively they were each given their sub-specializations. The Central region was to emphasize energy and the production of raw materials for industry. The Western region was to emphasize agriculture, forestry, animal husbandry, transport, and the selective development of energy, mineral resources, and certain local processing industries, but was largely directed to prepare for more extensive developments promised for the ninth five-year plan (1996-2000). In the meantime, resources were to be directed elsewhere (Yang 29).

While this reform of the economic system produced spectacular economic growth of the coastal areas, the gradual and incomplete implementation of the reforms ended out exacerbating regional inequalities and straining regional tensions throughout the 1980s (Yang 62). This was not apparent in the first years of reform, in part because the end of the collectivization of agriculture catalyzed an initial and sudden increase in rural output and income (Brandt et al 67-8).<sup>74</sup> Nonetheless, as reforms were gradually introduced throughout the 1980s, the regional development strategy became contentious in the interior. While the affluent coastal provinces were receiving preferential treatment in both

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<sup>74</sup> The boom in agriculture was related to the return of the individual responsibility system in which farmers were free to farm their own land and to sell their own agricultural produce, along with the elimination of certain taxes in the early 1980s. It continued up until 1984, after which output growth slackened considerably despite government efforts to improve the marketing environment or to intensify the use of fertilizers (Brandt et al 68, Goldstein et al 35). There is much debate as to why agriculture has stagnated after 1985, but the initial spurt in growth was probably due to the fact the new individual incentives led to a one-time increase in labour productivity, and thus the sustainability of such growth rates was limited.

investment and pricing policy, the poorer interior provinces and producers were not being adequately compensated for their produce due to the continued under pricing of their raw materials, relative to the going market prices for these commodities, by the state-set pricing and distribution system which was still largely operative until the 1990s. In the meantime, Central Government subsidies to the interior, the prior compensation for the unfair pricing system, were being reduced. As a result, if the state-set prices were compared to the market prices, the interior provinces were losing billions of yuan annually despite the fact that they were already strapped for cash due to the Central Government cut backs.<sup>75</sup> This created a significant profit disincentive, which in turn reinforced the coastal prejudice that interior folk were idle (*ibid* 66).<sup>76</sup> Local and provincial governments and people in the interior started to complain not of the reform per se, but of the unequal manner with which it was being instituted, and they started to push for an extension of preferential treatments into the interior as well (*ibid* 43).

### **The “Commodity Wars”, Wool, and the Tibetans**

This situation resulted in what became known as the “commodity wars” in the Chinese interior. Given the low prices for commodities, local governments started to circumvent the industrial policy of the Central Government by encouraging local processing industries and by blocking the outflow of raw materials from the province. They thereby attempted to capture the advantages of the distorted price structure for local producers, processors, and consumers, rather than allowing the provincial resources to be transferred to the coastal regions at uncompetitive prices (Yang 63-5). The commodity most relevant to Tibetans in this regional trade war was that of wool, given that it was the main commodity that connected rural Tibetans to the national economy. Qinghai was indeed one of the regions implicated in the wool component of the trade war, and thus by inference it can be assumed that Amdo Tibetans were also heavily involved, either in local processing, or else in attempts to circumvent both local and central government controls.

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<sup>75</sup> For instance, one study in the late 1980s estimated that Gansu was estimated to have been underpaid 3.3 to 3.6 billion yuan a year supplying nonferrous metals at state-set prices in the 1980s, and Yunnan was underpaid 3.8 billion per year for supplying 7 types of raw materials with the amount reaching 5 billion per year by the late 80s (Yang 67). Given that animal husbandry comprised about 15 percent of the total GDP of Tibet in 1998, if the fixed prices for wool were undervalued by one-third to one-half of the market price in the late 1980s, as was the case of Qinghai, this would have implied a substantial loss to the economy of Tibet throughout this period, especially to Tibetan farmers.

<sup>76</sup> The “psychology of idleness” has been repeatedly evoked in reference to Tibetan poverty. Yet the per hectare productivity in the rural areas of Tibet (TAR) was close to the national average in 1998, and above that of most other western regions, as discussed in the first section. Idleness cannot therefore be held as a cause of their relative poverty. Also, the amount that Tibetan rural households hold in productive fixed assets is exceptionally far higher than any of the other Chinese provinces, showing that the average Tibetan peasant spends heavily in productive investments. This disproves the secondary myth that Tibetan peasants are poor because they use their profits and savings in non-productive forms of spending, such as on monasteries, lamas, monks, and “lamaist” ceremonies, all of which are cited by the Chinese authorities as examples of traditional beliefs that hamper economic and productivity growth. For instance see the translations of several Chinese government reports on these matters in TIN (11-1999 25-30, 82-96).



In the case of the wool war, the wool producing provinces involved were Qinghai, Inner Mongolia, Gansu, and Xinjiang. From all of the various reports and studies on the “commodity wars”, Tibet (TAR) does not appear to have been involved despite being a major producer of wool. Typically, the wool processing industries were located on the coast, where they produced for export. In response to unfair prices, the four main wool producing provinces adopted a policy of “local production, local use, and local sales, following which processing capacity in all these areas expanded substantially in a relatively short time period, leading to local reluctance to supply outsiders” (ibid 69). Yet the coastal industries, faced by a supply shortage, nonetheless had the leverage to bid up the market prices. This created a grossly distorted price structure whereby both the local and central government prices for the forced procurement of wool were far below the market price. In the case of Qinghai in the 1980s, the outside purchasing price for wool was bid up 50 to 70 percent higher than the local purchasing price.

Ironically, while this might have been good for wool producers, it made it very difficult for the nascent and proliferating local wool processing industries to buy sufficient wool for production and yet still make a profit. This prompted the local governments, in defiance of Central Government attempts to rationalize the national industrial structure, to set up road blockades in order to prevent wool outflows and to resume forced procurement at low prices (ibid 71). In the case of the wool trade, such conflicts in distribution and pricing were overcome in the short term by importing of wool from abroad, and Australian wool producers gladly started to supply the coastal wool processing industries, consequently undercutting the bargaining leverage of the interior provinces (ibid 72). Conflicts were resolved in the long term by the almost complete liberalization of prices in the 1990s, although by that time, the role of administrative controls to keep the prices of raw materials low had been replaced by the impact of cheap imports coming from the west.

The non-involvement of Tibet (TAR) in the wool war was probably due to the heavy military and police presence in the province. This presence was particularly heightened as early as 1987 following the outbreak of large-scale demonstrations in Lhasa that subsequently spread throughout the Tibetan regions and that culminated in the imposition of Martial Law in Tibet (TAR) in 1989. The docility of Tibet (TAR) with respect to the trade wars may have also been related to the sheer weight of the central government in the economic affairs of the province, prohibiting any such defiance of central government policies.

Nonetheless, two interesting developments came out of the commodity wars, both of which are relevant to Tibet (TAR). For one, despite the ire of the Chinese government, the commodity wars generated a substantial increase in the amount of rural industrialization and non-farm opportunities in the Western regions. An example might have been a wool sweater factory. The increase in such processing facilities is indicated by the fact that in the late 1980s the interior provinces actually increased their share in the

national output of several processed manufactures (ibid 77).<sup>77</sup> This proliferation of local production therefore had an important effect on the redistribution of economic growth and on poverty alleviation.

This is relevant to Tibet primarily because the non-participation of Tibet in the wool war implied that it also did not participate in the drive to establish local processing. It thus missed out on the rare opportunity to initiate locally oriented development strategies that appeared out of the chaos of the irrational regional policies of the late 1980s. Therefore, on top of losing money in wool transactions, Tibet most likely lost out on an opportunity to diversify its economy, as clearly observed in the 1998 statistics in the first section. Given that the heavy military presence in Tibet in the late 1980s most likely aborted such initiatives, this demonstrates the correlation between government repression and underdevelopment in Tibet.

The second development arising from this period was the negative perception of the Chinese leadership towards regionalism in general, setting in motion the political backlash towards regionalism in the 1990s. The Chinese leadership was alarmed at the increasing regional defiance and industrial diversification that was taking place beyond its control, disrupting its attempts to rationalize the national industrial strategy. Leading Chinese commentators at the time coined the derogatory term “*zhuhou jingji*”, which was used to designate the development of fiefdom or feudatory economies (Yang 74-5). According to Party dogma, the leading danger for future degeneration in the nation lay in such developments. Thus despite the fact that the commodity wars were arising out of increased competition and skewed central government policies, “the notoriety of the term... contributed to the widely held perception that fiscal decentralization was leading to increasing economic fragmentation and regionalism which in turn could contribute to political fragmentation within China” (ibid 74-5). Regionalism was thus seen as a regression into quasi-feudal malignant behaviour, and the alarm bells were rung. This helps to explain the intransigence of the Central Government towards the western ethnic minorities in general from the late 1980s onwards. In combination with the events of Tiananmen Square in 1989, it also helps to explain the resurgence of political authoritarianism coupled with an acceleration of economic transformation throughout China.

### **Regional Development at the beginning of the 1990s**

The debacle of the commodity wars was compounded by an overheating of the Chinese economy in the late 1980s and by generalized political instability throughout the country. The political instability, both in the ethnic regions and in Central China, was

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<sup>77</sup> Although this was the case for many of the processed manufactures based on western raw materials, it was not the case of wool. Although the processing of wool increased substantially in the western provinces during this period, it increased even faster in the coast due to the importation of wool.

itself partly the result of the rising inequalities of the reform period.<sup>78</sup> Therefore the beginning of the 1990s was marked by several years of economic austerity in the national economy along with renewing attempts to rationalize the national industrial structure through regional coordination of distribution and exchange. The Central government also attempted to have a more balanced approach to regional development, although this was short-lived and hampered due to fiscal restrictions (Yang 91). In June 1992 Deng Xiaoping made his famous Southern Tour in which he signalled the end of austerity and the opening of the floodgates of special economic zones in 51 flavours. Within the year, every province, hoping that this would be its way into the pie of the coastal areas, clamoured to open free economic zones. Even the Tibetan government jumped in and claimed that it should offer low taxes and tax exemptions wherever it could (Yang 56).

Neither the period of austerity nor the newly invigorated liberalism did much to change the regional economic balance. Regional shares of foreign investment underwent little change as a result of the liberalization of preferential zones, given that investment still tended to travel to the profitable coastal areas and certain regional centres and waterways. In 1985, 89.6 percent of all foreign investment went to the coastal regions, while 5.1 percent went to the Western Region, half of which went to Sichuan, and an imperceptible amount to Tibet. By 1994, 87.8 percent went to the coastal areas, while only 4.3 percent went to the Western Region, with Sichuan taking an even larger share of the total, and Tibet still remaining imperceptible on the national level (ibid 33).

In the first half of the 1990s the Tibetan economy fell sharply relative to all of the other 29 Chinese provinces. In terms of GDP per capita it went from being the eleventh to the third poorest province of the nation. The falling real value of rural incomes explained much of this relative fall. The average Tibetan thus found him or herself sliding into poverty.

### **The Poverty Trap of the Tibetan Regions**

The changing regional economic policies of the 1990s were disadvantageous to the traditional commodities, such as wool and barley, which were produced by rural Tibetans. The sheer lack of economic diversification in the rural areas meant that the average rural Tibetan had few alternatives to the production of such commodities and was thus trapped through dependence. Trade liberalization accentuated this dynamic given that these commodities were in ample supply in the international commodity markets, particularly wool. Liberalization therefore pushed down the price of wool and also decreased the dependence of the coastal processing industries on the interior wool producers.

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<sup>78</sup> Hui (2002) presents an interesting analysis of the Tiananmen protests as the apex of a generalized social movement throughout China that was arising in response to the regressive redistribution of wealth and the rising inequalities of the first decade of the reform period. The crushing of the protests paved the way for the monopoly of neo-liberalism as the only discourse in post-1989 China.

Elements of this dynamic were experienced throughout the western regions. Although regional economic policies were liberalized in the 1990s, the basic imbalances observed in the 1980s were perpetuated. The market prices for many products had already fallen below their fixed quota prices, thus lowering revenue to rural households.<sup>79</sup> Meanwhile, due to the success of the competitive advantage strategy in the coastal provinces, these provinces monopolized most of the foreign investment, and due to austerity measures under the guise of deregulation and decentralization, central subsidies to the western regions continued to be reduced. The degree of disparity between the western and the coastal provinces therefore also increased throughout this period.

Nonetheless, the situation of the other western provinces was not as severe as that experienced by Tibet (TAR), due to the fact that they had more policy autonomy vis à vis the Central Government. The locally generated revenues in the other western provinces were relatively much larger than those of Tibet, and in any case, central transfer payments had been reduced to very low levels in every province besides Tibet, where transfer payments remained at an equivalent of more than 45 percent of the provincial GDP throughout the 1990s. Thus when push came to shove, the other western provinces were freer to diverge from the disadvantageous constraints of national economic policies. Tibet (TAR) remained restricted to central initiatives, which in turn were not in tune to the needs of the Tibetan rural areas. This complex dynamic requires more elaboration.

### ***The lack of diversification in the rural economy of the TAR***

The rural industrialization and diversification in the rest of China has formed the backbone of successful poverty alleviation in the 1980s and 1990s. Although rural industries, often small scale ventures, individually do not provide for large outputs, they constitute a central part of the strategy to increase rural incomes through non-farm activities, such as local processing of farm output, without requiring surplus rural labourers to leave the rural areas. This has been particularly relevant given that the growth of agricultural output throughout China has slowed to a trickle since the mid-1980s,<sup>80</sup> and thus population pressure on the already strained land resources has necessitated non-farm economic activities in the rural areas.

This has been clearly observed in the case of Tibet. Due to rapid population growth in the Tibetan rural areas, per capita land holdings have decreased substantially since the end of the collective period in the early 1980s. Despite the vast size of Tibet, only one percent of the total land area is arable. There is therefore not much scope for

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<sup>79</sup> This has been the bitter irony of the gradual approach to liberalization in the Chinese economy throughout the last two decades. Throughout the entire experience of regional development from the Maoist period up until the late 1980s, price liberalization would have implied higher commodity prices and lower prices for manufactured goods, and thus, a substantial increase in the real value of rural and western incomes. Yet by the time that commodity prices were liberalized in the late 1980s and early 1990s, this was accompanied by trade liberalization. As a result, the market prices for many commodities from the western provinces, such as grain and wool, have fallen below the once dominant quota prices, a trend noted by Brandt et al in function of agricultural products.

<sup>80</sup> See footnote 74.

increasing the amount of arable land, and the already existing arable land is degrading quickly due to overuse.<sup>81</sup> Furthermore Tibet has one of the highest current natural population growth rates in China,<sup>82</sup> and consequently intense pressure on existing land resources will continue despite the low population density. For instance, in the four counties that were studied by Goldstein et al (2002), per capita landholdings had decreased by 19.9 percent between de-collectivization (early 80s) and 1997-98. The decline was actually higher than this because a further 5 percent of arable land had been lost to new housing sites. They remarked, “there is virtually no extra land to lease, as very few Tibetan villagers have permanently migrated to urban areas. Yields, moreover, are not increasing substantially despite the government’s mandated high use of chemical fertilizers. Only 19 percent of households reported that their yields were considerably higher than during the collective era” (Goldstein et al 35)<sup>83</sup>.

In other parts of rural China there has been a similar pressure on the land, but there has also been a significant development of non-farm opportunities, especially in the more affluent coastal rural areas, as noted by Yang (1997) and Brandt et al (2002).<sup>84</sup> While Brandt et al found that non-farm opportunities lead to an increase in reallocations of farm land in response to changing demographic needs (Brandt et al 93), Goldstein et al did not find much evidence of reallocations in the Tibet rural areas that they studied. Rather, they found that the intense pressure on the land resources had actually led to the return of traditional polyandry practices in some households as a means to avoid the excessive splitting of land between sons (Goldstein et al 37). In other words, the initial redistribution of land in Tibet in the 1980s set the limits for household expansion, and there has been little scope for households to expand beyond this ever since. The lack of non-farm opportunities has therefore had a detrimental effect on the ability of Tibetan rural households to respond to degrading land, decreasing per capita land holdings, and on disadvantageous price changes for their commodities.

The virtual absence of rural industry in Tibet, as discussed in the first section, therefore demonstrates the sheer neglect of a relevant and sustainable rural development strategy by the Chinese government in Tibet. As a result, rural Tibetans have had very few alternatives to farming and animal husbandry in the rural areas. The only option open

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<sup>81</sup> Despite the size of Tibet (1.2 million square km), only one percent of the land is arable, and only 229,400 hectares were sown with crops in 1998. About half of the land is considered to be low carrying capacity rangeland, eleven percent forest, and the rest unusable (CIDA 01-20-2000 2/18, Yearbook 391). Much of the arable land and rangeland has undergone significant degradation due to over cultivation and overgrazing. For instance, see Agriteam (03-2001).

<sup>82</sup> For instance, in 1998 the birth rate in Tibet was estimated at 23.7 percent, which was the highest in China. Accounting for the death rate, the natural growth rate was 15.9 percent, also the highest in China. The national rates were respectively 16.03 and 9.53 (Yearbook 113).

<sup>83</sup> Note that nonetheless, because of a number of factors such as the freedom of farmers to work their own allocated land, sell their own produce, and the elimination of states taxes in the 1980s, 94 percent of households (in the study) said that their livelihood had improved since the collective era (ibid 35).

<sup>84</sup> See chapter four of Yang for a detailed discussion of industrial diversification strategies.

to rural Tibetans seeking non-farm employment to supplement household incomes is to migrate to the urban areas and to compete for employment with the more advantaged and preferred Chinese and Hui immigrants (Goldstein et al 36). Thus the sharp dichotomy between rural-agrarian and urban-industrial has sidelined the rural Tibetans from the rapid growth in the industrial and service sectors, and this has impacted their ability to respond to structural changes in the economy.

### *Changing price structures for Tibetan commodities*

This vulnerability of rural Tibetans is indicated by the declining terms of trade of Tibetan rural households. In other words, throughout the 1990s real prices were decreasing for the main commodities produced by rural Tibetan households, while they were increasing in the various services sorely needed by these households. Thus while rural Tibetans may have maintained their agricultural productivity close to the national average throughout the 1990s, the actual depreciation of Tibetan rural incomes over the same period can be largely explained by these changing price structures.

This becomes apparent when the price indices are examined by region or by product. The general price index for all of China in 1998 was 99.2, indicating a deflation in prices of 0.8 percent,<sup>85</sup> while for most of the western regions besides Gansu and Sichuan the index was above 100, indicating inflation. For instance in Qinghai the index was 100.7, meaning that prices were inflating at a rate of 1.5 percent faster than the national price index (ibid 298). No data is given in the Yearbook for price indexes in Tibet, but it can be extrapolated from the experience of the other western provinces that they were higher than the national average.

In terms of products, in 1998 the average national price for services increased by 10.1 percent, while for food, one of the main outputs produced by rural households, average national prices decreased by 3.2, a deflation that was far greater than that of the general consumer price index (ibid 298). These price tendencies have reportedly continued into the present. For instance, in 2000 the national consumer price index increased by about 0.4 percent while the price index for services increased by over 13 percent (PD 2001). More specifically, in 1998 the prices for tuition and child-care increased by 16.4 percent nationally, and for health care and medical services they increased by 17.2 percent.

Each province absorbed these service price increases in variance within the constraints of their local revenues; a constraint augmented by the fact that the burden of funding such services has been increasingly placed on provincial and local levels of government. In this regard, the governments of the coastal provinces, boosted by large budgets, have been able to absorb much of the decentralization of such services, and in any case, price increases in such services have had a less severe impact on the more affluent population. The governments of the western provinces, already strapped for cash,

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<sup>85</sup> This was probably due to the devaluations of currency in the neighbouring East and South East Asian countries during the financial crisis of 1997-98, which would have lowered the prices of imports coming from these countries.

have responded to the decentralization of service funding with increased fees and reduced subsidies for such services. For instance, in 1998 in Sichuan, the prices for tuition rose by 10.8 percent while for health care they rose 25.9 percent. In Yunnan on the other hand, tuition rose 38.4 percent while health care rose 1.6 percent. The most spectacular increase was in Qinghai where tuition rose 10.8 percent while prices for health care rose 56.2 percent (ibid 298). The impact of such inflation on poor families should not be underestimated, especially because the demand for such services is largely inelastic to income differences.

An extensive field study conducted in several counties of Tibet (TAR) by Goldstein et al (2002) between 1996 and 2000 confirms these changing price structures. They found that between 1984 and 1998 the price received for barley, the main crop of Tibetan farmers, increased by only 56 percent in current yuan, indicating a substantial deflation in the real price received for barley once indexed to inflation, which would have been greater than 200 percent over the same period. Meanwhile the price of deep-dressing fertilizer had increased 107 percent between 1988 and 2000, while the prices of sugar, tea, cooking oil, and rice, all of which were consumed and not produced by the Tibetan households, had increased 133 percent, 188 percent, 336 percent, and 400 percent respectively between 1984 and 2000. Furthermore, they pointed out that the government was phasing out subsidies for social services, and that extra taxes and fees were being imposed locally, including fees related to schooling, to the salaries of village heads, and for health care insurance (Goldstein et al 35).

The current dilemma for rural Tibetans therefore arises from the combination of these shifting price and subsidy policies of the Central Government together with the lack of diversification in the rural Tibetan economies. The impact of the marked deterioration in the terms of trade between the Tibetan rural areas and the rest of China has been especially significant given that few options have been developed for non-farm economic activities in the Tibetan rural areas, thus undermining the ability of rural Tibetans to respond to the depreciation of their incomes. This in large part explains the sharp fall in the real value of Tibetan rural incomes between 1990 and 1995, given that the Central Government was simultaneously implementing austerity and price liberalization during those years.

### **Disparities, Poverty Reduction, and the Return to Repression**

Mounting regional disparities, poverty, and the threats of ethnic and social unrest in the western regions led the Central government to focus on poverty reduction by the mid-1990s, albeit in a political environment of increased repression. The ethnic focus of repression in the western regions has in part been in reaction to the revival of ethnic identity and religion in these areas from the early 1980s onwards, much to the dismay of the authorities.<sup>86</sup> The phenomena has been widely observed by researchers and observers

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<sup>86</sup> In relation to Tibet, see an excellent analysis of this phenomenon in Goldstein and Kapstein, eds. (1998) and in TIN (11-1999). The TIN Briefing Paper explains that “during the mid 1980s, construction of monasteries proceeded apace and ever greater numbers of young men and women started to participate in religious activities. By the late 1980s... the authorities were becoming increasingly concerned about the

among almost all of the ethnic minorities within China, from the dispersed Hui Muslim groups, to concentrated ethnic groups in specific regions such as the Uyghurs, the Yi, the Yao, and the Mongolians.<sup>87</sup> Essentially, the cautious liberalization of cultural and religious practice in the beginning of the reform period catalyzed a strong determination among the ethnic minorities to reconstruct their religions and cultures in practical terms.<sup>88</sup>

This combined with the more general rise of regionalism in the interior and west of China in relation to the commodity wars was perceived as a serious threat to Central Government authority and to its project of rapid economic growth and modernization (Yang 74-5). The perception of insecurity was further reinforced by the political instability in Central China following Tiananmen Square, as well as by the break-up of the Soviet Union and the civil war in Yugoslavia, all of which occurred at the end of the 1980s and early 1990s. The external examples of the Soviet Union and Yugoslavia were particularly pertinent because they were both multi-ethnic communist states whose break up occurred along ethnic lines.

As a result of such insecurity, in the 1990s the Central Government started to tie its regional development strategies more closely with security concerns in the western provinces. Moreover, the perception of threat and upheaval in the western regions was even used by various governments as political leverage in the national jockeying over power and preferential treatment. From one side, in the mid-1990s the leaders of several interior and western provinces lobbied the Central leadership to redress the regional economic imbalances, warning that “otherwise their deteriorating economic situation might lead to more widespread outbreaks of crime and anti-government activities and cause them to lose control over law and order” (Yang 92).

From the side of the Central Government, even President Jiang Zemin has used the apocalyptic predictions of western and ethnic instability as a means of strengthening the position of the Central Government over the increasingly influential coastal provinces, and to reinforce its authority as the harbinger of “balanced reform, growth, and stability” in the 1990s (ibid 94-5). Security was therefore linked to economic strategy on both ends. On one hand, economic progress would supposedly bring about enhanced stability, and on the other, stability was required for economic progress. In any case, stability in the ethnic regions became a prerogative for government policy in the 1990s.

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lack of official control over the size and growth in the number of monasteries, the growing number of monks and nuns, the selection of reincarnations seen as politically disadvantageous, the level of influence from abroad and the scale and frequency of religious activities” (TIN 11-1999 3).

<sup>87</sup> See for instance Alles (2000), Dillon (1999), George (1998), Gladney (1991, 1998a, 1998b), Harrell (2001), Heberer (2001), Litzinger (2000), and Perry and Seldon (2000), among others.

<sup>88</sup> Goldstein (1998a) describes the re-emergence of religion as a “dynamic process of adaptation” that is occurring in response to the new realities faced by the society (Goldstein 1998a 11). In other words, it is not a question of restoring the old culture, or of a temporary reaction to revolutionary excesses, but rather a very modern and reasoned social adaptation that is likely to continue far into the future.



Thus as early as 1994, during the Third Tibet Work Forum, the government signalled a change of policy towards Tibet, although not one that was more conciliatory towards the average Tibetan. Rather, the Third Forum “criticized previous Tibet policy for being too liberal and making too many concessions to Tibetan nationalists and effectively ruled out the possibility of ‘Tibetanised’ form of development” (TIN 07-2001). Rather, the Forum endorsed a strategy of accelerated economic opening and integration into the Chinese economy. This included increased Chinese migration to the region, together with a political strategy of control and repression. These policies were further elaborated in the ninth five-year plan (1996-2000), and became the operating principles of the regional economic strategies up until the present, such as the current Western Development Strategy (WDS), announced in 1999, or the strategies articulated in the Fourth Tibet Work Forum in 2001.

More generally, the Central Government started to prioritize poverty alleviation and western development from the ninth five-year plan onwards (Yang 95).<sup>89</sup> Based on the self-acclaimed results of such strategies up to the late 1990s, Chinese poverty reduction has received much support from international organizations such as the World Bank and the UNDP and the country has been held up as an international example of successful poverty alleviation (UNDP 1999a, 1999b, WB 12-06-2000 8).<sup>90</sup> This in turn has lent credence to the government strategies for western development, which have been intensified in the current WDS, as discussed in the third section. In relation to Tibet the policies initiated by the Third Work Forum were further endorsed and intensified by the Fourth Tibet Work Forum, held in Beijing in June 2001, and attended by all seven members of the Chinese Communist Party Politburo Standing Committee, indicating its high degree of priority for the Central leadership (TIN 07-2001). As with the previous plans, intensified economic development and social stability were the two main objectives highlighted by the forum.

The success of the poverty reduction strategies must be put into perspective in order to understand the contradiction between rising disparities and the dramatic government claims of poverty reduction. The measure of poverty used by the Chinese government is based on a benchmark that is much lower than the international standard, including that used by the World Bank.<sup>91</sup> Also, the benchmark does not take into

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<sup>89</sup> This had been planned as early as the mid-1980s. In the 7<sup>th</sup> plan (1986-90) the interior regions of China were divided up between central and western for the first time and the time frame of regional development was outlined. The seventh plan was to prioritize the coast, while the 8<sup>th</sup> (1991-95) was to prioritize the central regions, and the 9<sup>th</sup> (1996-2000) the western regions (Yang 95).

<sup>90</sup> The acclaim has been based on the estimate that in the ten years up to 1998, 240 million have been lifted from “absolute poverty” in China, from about 280 million to about 42 million (WB 12-06-2000 8). In Tibet (TAR), the estimated reduction was from 480,000 in the early 1990s to 70,000 in 2002 (CD 2002).

<sup>91</sup> The measure for absolute poverty in the 9<sup>th</sup> five-year plan was set at 500 yuan per year in 1990 prices (Yang 96), equivalent to 1012 yuan per year in 1998 prices, or 33 US cents a day. Meanwhile the World Bank and the Millennium Development Goals set by the international community have all agreed on the one-dollar-a-day (purchasing-power-parity) as a basic international benchmark for extreme poverty

consideration the often-dramatic inflation of certain service prices in the western regions, such health and education, as discussed earlier. Such inflation is particularly severe on the incomes of the poorest strata of the population and thus in principle would weigh heavily in the calculations of a poverty line. For instance, increasing tuition and education costs may completely cancel out whatever small gains are made in the incomes of poor households. Moreover, the poverty reduction strategies often repeat a top-down and large-scale approach to projects that often neglects and marginalizes the poor families themselves. For instance, the UNDP remarked that, similar to the comments of Yang on the Maoist period, “within the poor areas, the focus has been upon economic and infrastructure development; there has been little information about the effects of such projects on the lives of poor families themselves” (UNDP 1999a 8). Therefore, the actual successes of the western development and poverty reduction strategies are much more ambiguous than that presented by the government and various international agencies.

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(UNDP 2001 22). In this case, the average rural income of China in 1998, at 72 cents a day, was below the international benchmark, and those of Tibet were far below at 41 cents a day, although both were above the Chinese government benchmark. This was acknowledged in the 2001 UNDP Human Development Report, in which two measures for poverty in China were registered, each in relation to the end of the 1990s; 18.5 percent of the Chinese population at the dollar-a-day measure, or about 230 million people, and 4.6 percent at the national poverty line, or about 60 million people (UNDP 2001 149). It is interesting to note that in defence of the Chinese poverty reduction programmes, in 2000 the World Bank opted to use the national measure for absolute poverty, citing a figure of absolute poor as low as 42 million in the late 1990s, rather than its own measure for extreme poverty (WB 12-06-2000 8).

### **3. Into the New Millennium: the Western Development Strategy, Aid, and WTO**

The current Western Development Strategy, announced in 1999, clearly represents an amplification of the regional development strategies followed by the central government in the Tibetan regions throughout the 1990s, including the linkage between security issues and economic policy. It prioritizes a continued specialization in the “comparative advantage” sectors of the region. Even though it accords a secondary emphasis to education and rural development, actual central government participation in these areas often falls far below the urgent needs of the Tibetan regions, and it merely partially compensates for the drop in government funding to services to the western regions since the late 1980s.

International involvement has been encouraged in order to bring in foreign funds and expertise. But it has also been encouraged as a means to pick up the bill where private and domestic investors show no interest, such as in many of the large-scale projects directly prioritized by the top levels of the Central leadership. With regard to China, international agencies, NGOs and foreign governments usually adopt a hands-off approach to domestic politics, treating the determination of regional policies as the internal affair of the nation. In any case, there may not be much choice, particularly if lucrative contracts are on the table. They therefore avoid politics and engage merely in the technical aspects of project finance and management in projects that are prioritized by the Chinese government.

Yet the nature of many of these projects, particularly in ethnic regions is inherently political, often discriminatory, and often in violation of the international human rights obligations of both China and the funding country. The development partner may therefore find itself in a moral dilemma; to be or not to be. In general international involvement should be encouraged as a means of increasing the flow of resources and skills to the impoverished Tibetans, but it must be carefully considered and managed on a case-by-case basis as to the merits and ethics of each project, in lucid consideration of the discriminatory nature of Chinese rule in Tibet. In this way, the best efforts can be made to ensure that such involvement actually benefits Tibetans, rather than accentuating their marginalization.

#### **The Western Development Strategy**

On an official level, the WDS has been presented as a response to western poverty and regional disparities. In practice, it essentially intensifies the strategy of “comparative advantage” pursued by the Central Government since the 1980s under Deng Xiaoping, prioritizing four general areas of development for all of the western regions. In relation to their importance to Tibet (TAR), there are the following:

1. The most important area in terms of central funding and priority is the construction of large-scale inter-regional transportation and communications

- infrastructure, such as the expensive Golmud (Qinghai)-Lhasa railroad that is to link the TAR to the rest of the Chinese rail networks.
2. A second area aims at the development of energy and raw material industries, such as hydroelectric power stations, water diversion projects, petroleum and natural gas exploitation, mining, and potash fertilizer plants. Most of these are not directly related to the TAR, but many involve Tibetan regions in Qinghai and Sichuan, such as petroleum and mining exploitation in the Tsaidam Basin of Qinghai, or forestry and mining in Sichuan.
  3. A third area aims at the construction of infrastructure for the transfer of resources from west to east, such as pipelines and power grids. Most of these do not involve the TAR or the Tibetan areas of Sichuan, but they are likely to have significant impact on Qinghai given the planned pipeline project from the Tsaidam Basin in western Qinghai to Lanzhou in Gansu, thus crossing most of Qinghai.
  4. A fourth general area is in the construction of soft infrastructure such as rural irrigation and roads, schools, colleges, and so forth. Unfortunately, outside the development of higher education and certain large-scale irrigation projects, this area tends to receive less attention from the Central budgets and thus tends to be limited in its impact, particularly in the TAR where local revenues are highly inadequate.<sup>92</sup>

According to these four priority areas, the government listed ten initial key WDS projects for funding and development in 2000 and 2001. Three of these were in railway development, one in highway development, one in airport and regional air network development, one in pipeline construction from Tsaidam in Qinghai to Xining and then Lanzhou, one for water conservation and flood control in Sichuan and Ningxia, another related project in reforestation in the upper reaches of the Yellow and Yangtze rivers, one in a potash fertilizer plant in Qinghai, and one in the improvement of infrastructure for higher education (dfait 4).

Specific to the TAR, these WDS priorities were further specified in the TAR tenth five-year plan (2001-2005) and in the Fourth Tibet Work Forum in 2001. In the Fourth Forum the Chinese Premier Zhu Rongji set out the guidelines for development in the TAR that focus “on the acceleration of infrastructure construction and ‘bringing into play’ Tibet’s ‘superior resources’ and developing specialist industries and economies... likely to be a reference to industries such as Tibetan medicines and mining” (TIN 27-07-2001). Rongji also gave specific mention to the tourist industry as one of the main cash cows of the economy (ibid). Finally, he discussed the need to strengthen “the status of farming and animal husbandry as a foundation of the economy and the need to develop

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<sup>92</sup> The outline of these four areas is primarily taken from TIN (10-2000 37-8). Also see dfait.

science, technology, and education and improve Tibet's human resource capabilities".<sup>93</sup> Nonetheless, central funding has not always been forthcoming in these latter areas, particularly in matters of primary and secondary education and remote rural infrastructure, which have been left largely to local government funding.

Within these various policy statements, the Central Government explicitly mentions the security and social stability of the Western Regions as one of its central objectives of the WDS, to the detriment of concrete ethnic autonomy.<sup>94</sup> In particular, in February 2001 significant revisions and amendments were made to the 1984 Regional National Autonomy Law at the China National People's Congress. The legal revisions were made in order to override many of the existing and limited commitments to the exercise of minority nationality autonomy with respect to control over their local interests. The revisions allowed for policies in the autonomous regions to be more closely coordinated with the "unified plans" of the central authorities and in accordance with "market demand" (Xinhua 28-02-2001, cited in TIN 13-03-2001).

For instance, many of the centrally prioritized projects are seen "as essential to achieving a 'stable' domestic environment and to national defence". The prime example of such a project is the Qinghai-Lhasa railway, which is unlikely to be viable on economic grounds given the extreme costs associated with the high altitude, mountainous, and permafrost aspects of the rail construction. Yet there has been little open criticism of such projects "due to the personal interest that Chinese President Jiang Zemin and Premier Zhu Rongji have reportedly expressed [in them]" (CNN.com 14-03-2001, cited in TIN 23-03-2001)<sup>95</sup>. The projects can therefore only be fully understood in light of the security concerns of the government, rather than their economic or developmental concerns.

### **Constraints to WDS and the Main Actors**

The WDS and previous western projects have been consistently faced with the two constraints of lack of skilled labour and funding. The skills deficit, which includes both managerial and technical skilled labour, has been created by a brain drain within China whereby the educated and talented are often drawn off into positions in coastal China, a process that is accentuated in Tibet by the policy of sending talented secondary students to schools outside of the province in Chinese areas, as discussed earlier. The

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<sup>93</sup> See CNR (2001) for a more detailed description of the TAR development priorities.

<sup>94</sup> For instance, see TIN 11-2000, 27-07-2001, and Yang 92.

<sup>95</sup> The point of national defence should be noted. In 2002 the CCP officially authorized a 17.6 percent increase to defence spending in the national budget, and unofficial estimates put the increase much higher (Economist 2002a 47). Given the important position that the Tibetan plateau plays in Chinese regional security, particularly given the political and military instability in Nepal and Kashmir, both of which border Tibet, along with the war in Afghanistan and instability in northern Pakistan, which are close to western Tibet, it is very likely that the Tibetan plateau will receive a substantial portion of the increases in military spending.

funding deficit is also more pronounced in the Tibetan areas given the fact that very little of foreign direct investment makes it to the western regions, and only a trickle of this ends up in Tibetan areas. The investment that does find its way west tends to concentrate in regional centres such as Chengdu or Lanzhou, along certain major waterways, or in regions of resource exploitation that are of obvious and strategic value, such as the Tarim Basin in Xinjiang and the Tsaidam Basin in Qinghai.<sup>96</sup> This has been demonstrated by the lack of concrete interest for Tibetan projects at various trade fairs on western development, or for a lack of significant industrial investment in the special economic zones and free trade zones established in the TAR since 1992.<sup>97</sup> Added to this, the western provincial governments have been generally strapped for cash due to the relative decrease of Central Government transfer payments. As a result, in the case of the TAR, locally generated government revenues were less than one-tenth the government expenditures in the province in 1998.

The Central Government has responded to these two constraints in one of three ways. It has continued to be involved as the primary actor through direct budgetary allocation, project implementation, and by encouraging the migration of skilled Chinese labour from the rest of China. It has secondarily striven to increase inter-provincial mutual assistance construction projects, whereby coastal and affluent Chinese provinces and municipalities arrange in coordination with the Central Government for the funding and management of various western projects in exchange for access to needed western resources. The third method to overcome constraints has been through the encouragement of foreign investment and international development assistance from multilateral agencies and foreign governments such as Canada, the EU, and Japan.

In Tibetan areas, by far the most prominent of these three has been the Central Government involvement, and the least prominent has been the foreign assistance. For instance, within the context of the current tenth five-year plan, the Central Government announced in 2001 that it would invest in 117 construction projects in the TAR worth 31.2 billion yuan, or about 3.76 billion USD, while the Chinese provinces would invest in

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<sup>96</sup> Yet even in the case of the Tsaidam Basin, it is considered difficult to access, and exploration is considerably more expensive than in the Tarim basin of Xinjiang. The reserves of the Tarim Basin are also much larger than in the Tsaidam Basin. These factors result in higher long-term returns on investment in the Tarim Basin, therefore attracting more investment (Shengliang et al 81).

<sup>97</sup> For instance, see the discussion on this in Yang (55-6) or in TIN (11-2000). Although the TAR government claims the success of the fairs and zones, it appears that the establishment of industry in them has been predominantly government led, and that otherwise, the special zones are largely retail and trade oriented. The positive claims of the TAR government are not necessarily intended to justify Chinese rule in Tibet per se, but rather, to attract investors to the region by convincing them that the opportunities are indeed wondrous. It is therefore related to the post-1992 frenzied devotion to the special-economic-zone form of neo-liberalism as practiced in China, whereby the success of the coastal regions has been in part perceived as related to their special economic zones. Note that the conditions that made SEZs so successful in the coastal areas, such as abundant cheap labour, a large pool of skilled and experienced managerial labour, proximity to transport infrastructure and supporting linkage industries, and a lack of SEZs elsewhere in the country, do not exist in the Tibetan regions, nor in many of the other western regions, and thus the western SEZs have not generated the same effect as they did in the coastal areas.

70 construction projects worth 1.06 billion yuan, or 128 million USD, about one thirtieth the amount invested by the state (People's Daily 2-07-2001, cited in TIN 27-07-2001)<sup>98</sup>. In comparison, for the entire decade of the 1990s the World Bank lent a total of 3.8 billion USD in loans to China as a whole for projects located throughout the country yet very few if any directly involving Tibetan areas (WB 21-06-2000). Also, ongoing direct and indirect funding for projects in the TAR or other Tibetan areas from the Canadian government probably does not exceed 10 million US dollars (see CIDA 2002). Assistance from several other western countries would be in a similar range. Therefore, the foreign assistance to the TAR is dwarfed by domestic investment from official Chinese sources, although it may play a role that is strategic for both partners.<sup>99</sup> The resulting predominance of the Central Government in investment subordinates local policy and other sources of investment to the centralized strategies of the region.<sup>100</sup>

### ***Central government involvement***

The priorities of the Central Government that were earmarked in the budget of the tenth five-year plan (2001-2005) and that were identified as the four major projects of the WDS were the railways, the west to east gas pipelines, the west to east transmission of electricity, and the north to south water diversion schemes, all of which are large-scale, high-tech, capital intensive, and high status projects involving major international participation (TIN 23-03-2001). These high-priority investments are proceeding ahead with abundant Central funding.<sup>101</sup> Nonetheless, funding for the lower priority soft investments has tended to stagnate despite official claims to the opposite and despite the fact that such areas of soft investment are much more likely to have significant impacts on the majority of Tibetans in the rural areas as they assist local participation in the development process. The following section will therefore assess these areas, in particular the policies and projects regarding the agricultural sector and education, as well as other forms of soft infrastructure such as communications and rural secondary roads.

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<sup>98</sup> In the ninth five-year plan, the contributions towards the 62 TAR construction projects of the ninth five-year plan, worth 4.6 billion yuan (550 million US dollars), were more equally shared between the two sources, although the Central Government may have been contributed through other sources as well. The sheer scale of the current Central funding is related to the Qinghai-Lhasa railway (CNR 05-2001).

<sup>99</sup> The strategic role may involve the opening up and access to Chinese markets and contracts for the foreign partners, and for the Chinese it may involve access to foreign technology, expertise, and legitimacy, the last not to be underestimated. Development assistance may also play a "flagship" role as a precursor for access to more lucrative contracts, such as petroleum development.

<sup>100</sup> Note that the opposite is the case for the coastal provinces. Given that private and foreign direct investment in China overwhelmingly concentrates in the coastal areas, local coastal governments are able to increase their autonomy vis à vis the Central Government (although not towards foreign investors), and they can therefore hold more influence over the course that development takes.

<sup>101</sup> For instance, in the budget for the tenth five-year plan the Central Government is allocating over 20 billion yuan (2.4 billion USD) for the Qinghai-Lhasa railway, and this is likely to absorb much of the government funding for the region. See for instance CNR (2001), TIN (23-03-2001, 13-06-2001, and 15-01-2002).

The exact role of agriculture within the WDS is ambiguous. The government has boasted of the importance given to agriculture in its past and present development planning for the TAR, but this importance appears to be selective and often self-interested. Also, the deterioration of real rural incomes in the TAR throughout the 1990s, particularly in relation to other provinces, tempers any of the buoyant claims made by the government in these matters. Furthermore, as of yet it is difficult to identify any major changes in the overall strategy for rural and agricultural development within the provincial and national plans of the WDS for the Tibetan regions. Agricultural projects have been implemented, such as on irrigation infrastructure, animal husbandry industries, and so forth, but these have been focused in selective areas of interest where the projects can either support the urban development of the region, such as farming developments in well situated areas that can easily supply urban demands, or else in industries that have a specific export interest for the partners, such as in the development of cashmere wool production.

For instance, among the various aid projects that were associated with the ninth five-year plan for the TAR, 13 were presumably related to farming, livestock breeding, forestry, water conservation, and the processing of cereals and edible oils. Nonetheless, one project alone, the Mamlha Waterworks, accounted for five-sixths of the investment in these areas, and was also the largest of all of the projects in the plan. The project focused on irrigation, power generation, and flood prevention in the Nyang Qu river valley with the aim to establish a “Tibetan granary” (china.org). It thus played a central role in the strategy of concentrating development efforts in the Yarlung Zangbo-Lhasa-Nyang Qu river valleys, around and between the two major cities of Lhasa and Shigatse, and in the region where Chinese migration is strongest. It will therefore be critical to observe the gradual articulation of the rural development strategy over the course of the next few years in order to see if it goes beyond such concentrated strategies.

The government also brags of the priority it gives to education. Nonetheless, outside of a few construction projects,<sup>102</sup> central funding has neglected the funding of primary and secondary level education in the rural areas where the needs are the greatest, and has instead focused its funding at the level of higher education, which as analyzed in the second section, is already top heavy relative to the rest of China. It has furthermore formalized the transfer of primary and secondary funding responsibility onto local governments. In the revisions of the National Autonomy Law that occurred almost simultaneous with the tenth five-year plan in 2001, it was stipulated that the general funding for rural schools in the pastoral and mountainous areas would not come from the

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<sup>102</sup> In the previous five-year plan, 6 of the construction projects involved the construction of schools. Five of these were middle (secondary) schools, which the government claimed would raise middle school enrolment by 4,900 students (china.org). Note that this would have increased the already very low secondary enrolment, at about 47,000 students in 1994, by about ten percent over the five-year period of the ninth plan. Nonetheless, one of these was based in an urban centre (Shigatse) while another was in Nedong (Zetang) in Lhoka, an important administrative township with an already large concentration of Chinese in 1990, and at least two others were located in townships. Furthermore, the sixth school was actually the “Comprehensive building for the Communist Party School of the TAR and Administrative College”, based in Lhasa (ibid).



Central Government, but would rather be the responsibility of the local authorities (TIN 13-03-2001).<sup>103</sup> Yet local authorities have already been severely short of money due to the decrease of government subsidies throughout the 1990s. This has already resulted in deteriorating services and increasing user fees throughout the same period. In lieu of increased local taxation and user fees, it is uncertain how the local authorities could afford to make such an ambitious plan to expand education, especially in Tibet where local revenues are miniscule and rural education is severely undersupplied. In this context, the occasional education project supported by the Central Government or by international development agencies is likely to merely partially compensate for the severe shortage of education services, and the overall provisions for education funding will tend to exacerbate the imbalance already apparent in the education system.

In contrast, the government has nonetheless prioritized the penetration of telecommunications into Tibetan rural areas, in part justified as a means to extend long-distance education into the remote areas (see CRI Online 07-05-2002). Thus the authorities aimed in their tenth five-year plan to connect 60 percent of townships and 40 percent of villages in the TAR to a power supply, all townships and 20 percent of administrative villages to telephone lines, and that all villages with a population greater than 150 should be able to access television and radio broadcasting services (TIN 11-2000 89). In the previous ninth five-year plan, four of the 62 projects were based on the extension of telecommunications, radio broadcasting, and TV relay stations. Purportedly designed to improve the quality of life of Tibetan farmers and herdsmen, the TAR authorities thus proudly claimed in the ninth national people's congress of the PRC in Beijing in 2001 that the penetration rate of radio and television had soared to 77.8 percent and 76.2 percent respectively. While the use of telecommunications can have a positive impact in the development of long-distance education services, the effective absorption of such non-traditional education services into the rural communities would depend on the presence of educated people and teachers, as well as on the cultural-appropriateness of the teaching material (i.e. it would not be of much use if it was delivered in Chinese). It cannot therefore replace the need for rural teachers and schools, but can only enhance the existing services. Therefore, the usefulness of such technologies outside the dissemination of propaganda, which itself may be a primary motivation,<sup>104</sup> is entirely dependent on the policies guiding the overall education system in the Tibetan areas.

Similar to the case of education, rural secondary roads have been neglected due to the concentration of investments on large-scale highway construction. The authorities did indeed recognize the need for rural secondary roads due to the fact that by 2000, 680 townships of the western region had no access to highways at all, or 85 percent of all such townships in China (TIN 11-2000 41). Nonetheless, in terms of funding the

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<sup>103</sup> It was stipulated that "the organs of autonomy" in the autonomous areas were to set up state-run nationality primary and middle schools in the pastoral and mountainous areas, mainly as boarding schools, in order to fulfill requirements of compulsory education.

<sup>104</sup> For instance, telecommunications have played a central role in the surveillance technology of the Chinese state. See Walton (2001).

government has explicitly privileged the construction of large-scale highway projects that attract foreign capital. The Chinese vice-premier, in a speech on this subject in July 2000, stated, “in the near future, we must concentrate our efforts to quicken our pace in constructing national main and trunk highways leading to the western region and those major highways that will greatly help local economic development” (ibid 41). An example of the latter type of priority highway construction is the segment between Lhasa and Yangbajain, which opened to traffic in 2002 and is proclaimed to be “the first high-class road in Tibet” (Xinhua net 04-05-2002). The road was prioritized to give impetus to the exploitation of geothermal energy resources in Yangbajain.<sup>105</sup> Other road construction projects include the improvement of the highways leading to Qinghai, Sichuan, and Yunnan. Similarly, among the construction projects of the ninth plan, two were renovations of existing highways, one was a renovation of the roads in the Zetang (Nedong) Township in Lhoka, and apparently, there no were projects in rural secondary roads (china.org). In other words, central resources are being focused in the long distance roads that connect Tibetan regions to China, or roads that support the urban expansion of Tibet, rather than the secondary local roads that would integrate and support the local rural economy<sup>106</sup>.

### ***Inter-provincial mutual assistance***

The inter-provincial mutual assistance arrangements follow this general pattern of established by the Central Government, in particular in the Tibetan regions where they are closely coordinated with the Central involvement. In this regard it should be noted that the inter-provincial arrangements have not been designed as a form of aid in the strict sense, but rather, as a self-interested arrangement whereby coastal funding and expertise is exchanged for stable and controlled access to western resources, such as raw processing materials, mining, oil and gas, and energy. Such coordination was particularly encouraged by the Central government from the 1980s onwards as a means to smoothen the fierce regional competition over resources (Yang 93, 97).

Nonetheless this has posed a particular problem for the Tibetan regions in that they possess little that is of interest for the affluent provinces. The raw materials that are available in the Tibetan regions (outside the Tsaidam Basin), such as wool, cereal grains, and certain metals from mining, have little weight in the national equation. They are also expensive to access, given their location in high altitude mountainous regions.<sup>107</sup> For

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<sup>105</sup> To show the collusion of international assistance and government projects, the Japanese government provided 400 million yen in 2001 to develop this geothermal energy project (CTIC). Given the proximity of the project to Lhasa, the energy would presumably be used to supply the growing expansion of the capital.

<sup>106</sup> It should be noted that this is not necessarily the case in other provinces. The World Bank has been involved in the successful construction and improvement of rural roads in Inner Mongolia, Gansu, and Ningxia as part of their larger involvement with the Chinese government in poverty reduction (WB 21-06-2000). Besides the cancelled Qinghai component of this World Bank involvement, such projects do not appear to have implemented in the Tibetan areas.

<sup>107</sup> For instance, Wandu points out that “large-scale engineering projects in Tibet are much more difficult than in inland areas... Steel and construction equipment are not available and must be transported by lorry

instance, although Tibet (TAR) produces an impressive share of wool given its population, the amount produced can be easily replaced through imports, and the per-unit transportation costs from Tibet to the coastal processing industries are possibly larger than those incurred by large scale shipments of imported wool. The forestry activity in Tibet and Qinghai is very small, and although it is relatively large in Sichuan, about 5 percent of the total national timber output, this would be spread out among Tibetan and non-Tibetan areas, and in any case, it is significantly smaller than the timber output of several other interior provinces such as Fujian, Hunan, Guangxi, all of which are also much closer to the coastal pulp and paper processing industries. Although many of the rivers of China originate from the Tibetan plateau, most of the hydroelectric and river diversion development is happening downstream, quite far removed from Tibetan areas. The one exception within the Tibetan regions is the Tsaidam basin in Qinghai, as mentioned earlier, but even in this case, private and coastal investors have been hesitant to get involved due to the difficulties of access and the high costs of exploitation in the basin. Thus, for a variety of reasons, there has not been much coastal interest in the commercial exploitation of natural resources on the Tibetan plateau.<sup>108</sup>

As a result, despite the Central Government advertisement of coastal participation in the construction projects in Tibet (TAR), such participation was reported to be reluctant and heavily coordinated by and tied to the Central Government planning. Yang actually points out that in comparison to the other western and interior regions, the Centre had to do “quite a bit of arm-twisting to get coastal provinces and cities like Guangdong, Jiangsu, Zhejiang, Shandong, and Shanghai to help build [these projects]” (Yang 97). Once involved, they have tended to focus on short-term construction of buildings and other visible infrastructure rather than on long-term productive projects, a practice that has been heightened by the fact that the term of service of the cadres associated with many of these various programmes is only two years (CIDA 20-01-2000 2/18). In other cases, they have been involved with the development of some mineral activity, such as gold, chromite, or coal mining, or in the development of power grids and power stations, such as a power station in Nyingchi built by Fujian province in the ninth five-year plan. In a few commendable cases, specialized hospitals and health projects have been developed, but only in the urban areas.<sup>109</sup>

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from thousands of miles away. This explains why the budget for building a small power station in Tibet is usually double that of a medium-sized one in inland areas”. Of course, part of the higher costs are also associated with the salaries paid to Chinese cadres and professionals in these regions, and that project planners often insist on technology and scales-of-size that are inappropriate to the local economy.

<sup>108</sup> The lack of interest in the limited and difficult to access *exploitable* natural resources of the Tibetan regions actually contradicts the current view of the Tibetan Government in Exile. In its 2001 report it presents the contemporary exploitation of Tibet as “mammon at earth’s altar”, whereby the resource rich Tibetan regions are forced into supplying the voracious coastal appetite for raw materials. Nonetheless, this does not refute the fact that when and where resource exploitation does occur, it occurs in an ethnically discriminatory manner, whereby Chinese companies and workers are privileged over local Tibetans, such as in the logging industry of the Tibetan areas of Sichuan.

<sup>109</sup> For instance, the Shanghai municipal government constructed the Tibet Hospital for Infectious diseases in Lhasa as well as a water supply and sewage project in Shigatse. The latter reportedly caused “the happy people of Xigaze [to join] in spontaneous song and dance at the arrival of tap water” (china.org).

### ***International assistance***

The third way of overcoming the constraints to development projects in the Tibetan regions is through the encouragement of international involvement. In this case western development projects are typically offered on government determined tenders and involve a shared contribution of funds, typically one third from the foreign partner, such as a foreign government or a multilateral lending agency such as the World Bank, and two thirds by the Central and local governments. Once the various governments become involved, private and para-state partners often engage in the process, particularly where the government provision of infrastructure opens a region for profitable exploitation, such as in the case of petroleum exploitation in the Tsaidam or Tarim basins by China National Petroleum Corporation. In turn, foreign governments usually open the approved projects and funding for tender among NGOs or private businesses within their own country. The close interconnection between the partners, together with the political implications of some of the projects, may therefore lead to projects that are ethically dubious within the context of international standards, particularly in regions where ethnic discrimination is blatant, such as Tibet.

One well-known case was the “Qinghai Component” of a World Bank western poverty reduction project. The Chinese government cancelled the component in 2000 after a year of international controversy initiated by several Tibetan advocacy groups over the fact that the project was essentially financing Han and Hui Chinese migration into a traditionally Tibetan and Mongolian ethnic area.<sup>110</sup> The World Bank also came under fire in 1996 when a leading Chinese dissident, Harry Wu, testified before the United States Senate Foreign Relations Committee that the para-military Xinjiang Production and Construction Corp (*Bin Tuan*) was running 14 forced labour camps (*laogai*) in Xinjiang under World Bank supported projects. The projects had aimed to help the ethnic Uyghurs of the area, but in the end they “had actually strengthened government control over the region and facilitated a crackdown against anti-Chinese dissidents” (George 6). Similarly, projects in Tibet (TAR) by the World Food Programme, the European Union and Britain were cancelled in the 1990s due to human rights concerns or charges of mismanagement and corruption.

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<sup>110</sup> The controversy impelled the World Bank to conduct an investigation of the project through an independent inspection panel in 1999, at the request of the International Campaign for Tibet (ITC) in the US and in accordance with World Bank regulations. After 10 months of study, the inspection panel concluded that the management of the Bank was “in apparent violation of several provisions” of its own operating directives with respect to environmental assessment, provisions for indigenous peoples, involuntary resettlement, and disclosure of information, among others. In particular, the panel found that there was a “high level of ambiguity, uncertainty, and inconsistency in the use of the term ‘project area’” that omitted significant numbers of effected minority nationalities from the project preparation (IP xvi). They further pointed out that their short field visit, “yielded some disturbing and dramatic examples of what can only be described as a climate of fear”, and that “there was a strong perception of risk from those expressing opposition to the Project during the Inspection Team’s visit, [indicating] that methods of public consultation used for this Project have so far been inadequate” (ibid xix).

### **Canadian Development Assistance to the WDS**

The Canadian government in general has clearly opted for non-intervention with the internal affairs of China, and thus falls into the same ethical predicament of supporting Central strategies in regions where ethnic discrimination is rampant. The Canadian government officially endorses the objectives of the Central Government in Western Development Strategy, using high-profile venues such as the Canada Team visit to China in 2001 to promote “large-scale infrastructure projects, including airport, road, railway and pipeline development... mining and reforestation where improved infrastructure will begin to allow more development in these sectors, [and] opportunities in the services, education, and technology sectors...” (dfait 4). In addition, the Canadian government officially appears to endorse the Central and coastal Chinese diagnosis of poverty in the western regions, effectively parroting the coastal prejudice that the Western Regions are laggard. “Regional governments in this area have tended to be conservative and often anti-business because of their more limited exposure to outside influences... they are now beginning to be more interested and proactive in attracting foreign investment through increased communication, financial incentives, and promotion” (dfait 3). Such an interpretation demonstrates a profound misunderstanding of the role of Central Government policies in Chinese regional development, as previously discussed.<sup>111</sup>

It should be noted that much of the Canadian promotion of the western development projects has been towards the private sector with the objective of securing for Canadian business some of the lucrative contracts in the large-scale development plans of the Chinese government. In this regard, even the promotion of education projects can be understood within the larger context of the WTO trade negotiations with China and efforts to open the Chinese market in education and other services to foreign and private suppliers. Canada has been keen to develop this market in China, as evidenced by the Canada-China Higher Education Linkage Forum that took place in October 2000 in Chengdu, Sichuan, and included some 104 participants in Higher Education projects sponsored by CIDA, representing Canadian and Chinese universities and colleges (CIDA 10-2000). Indeed, Howard Balloch, the former Canadian ambassador to China from 1996 to 2001, left his public post and was immediately appointed as Chairman of a private Canadian e-learning company in China.<sup>112</sup>

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<sup>111</sup> Special economic zoning was restricted in the western regions until 1991-92, despite the intense lobbying of the western provincial governments throughout the 1980s for an extension of SEZs and other forms of preferential treatment selectively offered to the coastal provinces. See Yang (1997 43-60) for further discussion of this period. Yang points out that despite the prejudice that the western regions were afflicted by a “psychology of idleness” (to quote CNR), this was largely the result of a profit disincentive in the regional price structures, and when given a chance during the commodity wars, many western home-bred processing industries proved themselves to be very competitive with the coastal processing industries.

<sup>112</sup> “Howard Balloch served as Canada’s Ambassador to China for more than five years, retiring from the Canadian Foreign Service in July 2001. In this role, Howard led the promotion and protection of Canadian interests in China. In August 2001, Howard was also appointed chairman of one of Zi Corporation’s

In terms of actual bilateral aid, the principle distributor of Canadian official development assistance is the Canadian International Development Agency (CIDA). Corresponding to the priorities of the Canadian government in general, the CIDA projects in China reflect both the priorities of the Chinese Central Government in regional development as well as Canadian interests in establishing linkages with Canadian industry in lucrative project areas. For instance, among the current ongoing bilateral projects of the Agency, the majority are actually located in the coastal or the central regions, including most of the large-scale agro-industrial projects, probably reflecting the affluent consumer demand for such industries in the coastal provinces rather than a concern for the equitable distribution of such projects in the poorer western provinces.<sup>113</sup> Those that are located in the western regions often include a component based in the coastal areas. The projects in the western regions deal largely with energy, resource exploration, and long-distance infrastructure such as railways, highways, or pipelines that integrate the western regions to the national economy.<sup>114</sup> Several recent projects, including a few in the western regions, include a strong focus on education and basic needs, although much of the education projects are concentrated in certain regional centres such as Chengdu and Lanzhou, or even in Beijing, and they tend to focus on higher education and would thus tend to reinforce the top heavy nature of education in the TAR. They also play an important role in opening the market for education services, particularly in the lucrative coastal areas.<sup>115</sup>

#### ***The “Basic Needs” CIDA project in Tibet (TAR)***

The ongoing CIDA project in Tibet, entitled “Providing Basic Human Needs in Tibet AR”, is the first such bilateral Canadian involvement that explicitly involves Tibet (TAR), although several previous CIDA projects have involved components dealing with

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subsidiaries, Oztime, an e-learning solutions company in China”. See <http://www.zicorp.com/articles/hbprofile.htm>.

<sup>113</sup> Examples of these include a C\$17.7 million project for “Integrated dairy cattle breeding” executed by Semex Canada in Beijing, Shanghai, Xi’an, Hangzhou (near Shanghai), and “nationwide”, a C\$5.5 million “China Feed Industry Centre” executed by Agriteam Canada in Beijing and nationwide, and a C\$18.8 million “Lean Swine Production” project, again executed by Agriteam Canada in Beijing, Yutian (near Beijing), Neijiang (near Chongqing in Sichuan), and Jinhua (near Shanghai).

<sup>114</sup> Examples include; a C\$18 million project for “Strategic energy planning for Southern China”, executed by Canada China Electrical Power Consultants, and including Beijing, Yunnan, Guizhou, Guangxi, and Guangdong, a C\$7 million project for “Intermodal transport services to interior provinces”, executed by TTA Technology Training Associates Ltd., and including 17 interior provinces, and a C\$3.4 million project in the potash industry, executed by the Potash and Phosphate Institute of Canada, and whose location, although unspecified, most likely involves some of the potash developments in the Tsaidam Basin of Qinghai (CIDA 04-2002). Previous western projects have also included petroleum and pipeline development in Xinjiang and Qinghai in collaboration with the China National Petroleum Corporation. See [http://www.acdi-cida.gc.ca/cida\\_ind.nsf/eff12ba4cbb097c1852566ce00644c8a/For%20more%20about](http://www.acdi-cida.gc.ca/cida_ind.nsf/eff12ba4cbb097c1852566ce00644c8a/For%20more%20about).

<sup>115</sup> Many of the contracts involve Canadian universities and deal with higher education or long-distance learning. One example is the C\$12.2 million “Canada-China Higher Education Program”, executed by Cross Referencing Consulting, and largely located in the coast and centre although also involving Lanzhou.

Tibetan ethnic regions in Sichuan, Qinghai, and Gansu.<sup>116</sup> As such the project deserves further analysis. A consulting firm based in Calgary called Agriteam Canada Consulting Ltd is implementing the project. The firm has extensive experience managing CIDA projects in the developing world in general and in China in specific, most notably the C\$18.8 million “Lean Swine Production” project in collaboration with the World Bank. The “Basic Needs” project involves a five year C\$5.4 million contribution in two counties of the TAR, located in the Lhoka and Nagchu prefectures. The project aims to “increase the capacity of rural communities in Tibet to provide for their own basic needs”, through improvements in water supply and management, livestock and rangeland management, irrigated crop production, and improved sanitation and other preventive health measures. The project will also emphasize gender equality, community development, environmental sustainability, income generation and marketing, and capacity building”.<sup>117</sup> As such, it appears to be a sophisticated approach to sustainable development in the TAR, employing an impressive array of specialists in the fields involved, with substantial agronomic and environmental expertise.<sup>118</sup>

Nonetheless, the project raises several concerns. One involves the choice of the sites. Agriteam has subtly acknowledged this in its 2001 *Initial Workplan*. It admits that the pre-determined selection of the two sites, Nagchu and Lhoka, should be maintained due to “cultural, economic, and political sensitivities” (Agriteam 1-2). The site in Nagchu (Naqu) is influenced by the fact that the Qinghai-Lhasa railway will pass through Naqu, thus raising concerns that the development could be sidetracked towards supporting the railway project, particularly after the departure of the Canadian project partners. For instance, the development of surface water supply could be directed towards railroad and township infrastructure rather than to the local farmers and herders as the project intends. Ironically, although the Chinese government appears to privilege the Nagchu prefecture by consistently sending donors there, Agriteam justified its choice by claiming that the site is a remote region with a relative absence of other donors. They nonetheless noted that the Canada Fund has “very good experience... in doing project planning and implementation with Naqu authorities” (ibid 1-2). On the other hand, the site in Lhoka (Shannan) is not connected to railway development. It nonetheless fits into the general

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<sup>116</sup> These included a C\$10 million project with the AUCC for “Women and Minorities as Educational Change Agents”, which included a component for developing, among other things, bilingual education for Tibetans in Gansu and Sichuan, and a project involving about C\$1.5 million and executed through the Ontario Institute for Studies in Education, part of which funded the development of bilingual Tibetan texts for Tibetan minority primary and secondary education. A further education bilateral project in the Western regions was announced by CIDA in September 2001 involving a C\$11.8 million for a five-year project to improve basic education in Western China, which will likely involve Tibetan areas given that “special attention will be given to developing materials that are relevant to women and ethnic-minority teachers” (CIDA 09-2001).

<sup>117</sup> See the Agriteam website at <http://www.agriteam.ca/proj2.htm>.

<sup>118</sup> See the 2001 Agriteam report on the project. They have clearly shown much sensitivity to many of the aspects related to environmental degradation and local impoverishment.

government strategy of concentrating agricultural development in the main valley systems of Central Tibet that are located close to Lhasa and Shigatse.

Another, possibly more significant concern involves the apparent absence of an independent source of Tibetan translation. Given that the project emphasizes a participatory and iterative approach to project implementation, the use of language becomes essential in public consultations, interviews, surveying, education sessions, and in all of the elements that could lead to the successful adoption of the project by the local population. This is especially relevant in the “soft” investments related poverty alleviation given that the success of such projects depends on sensitivity to local concerns and experience, both official and unofficial. Yet in this regard, the Agriteam and CIDA preparatory studies are noted for their absence of any independent source of Tibetan language translation. For instance, during a one-month reconnaissance mission in the fall of 2000, Agriteam and CIDA brought a “highly qualified Canadian interpreter” for Chinese and English, but apparently none for Tibetan (ibid 2-1). Such an interpreter would be very useful to converse with government officials and with the few people in the rural counties with a secondary education and above, but not very useful for conducting iterative methods with most of the nomads and peasants in the remote villages that have no education beyond the primary level and thus a limited fluency in Chinese. Furthermore, it would imply that the government supplied the Tibetan interpretation. Thus, where independent interpretation would have been most crucial, it would have been heavily influenced by the position of the government.

It is important to recall the “climate of fear” that was observed by the independent Inspection Panel of the World Bank with regard to the cancelled “Qinghai Component” of the World Bank poverty reduction project in 2000 (IP xix). An important aspect of the investigation conducted by the Panel was that it used an independent Tibetan interpreter who was *not* a Chinese national, and thus was immune to punishment after the departure of the panel. The inspection panel also emphasized the need for confidentiality in local consultations where views differing from the government would not be punishable upon the departure of foreign “missions” (IP xix). Indeed, in the initial design of World Bank project, many of the problematic aspects of the project were overlooked due to the absence of an independent interpreter.

It is therefore not clear how the current CIDA/Agriteam project is learning from this previous experience, particularly that both organisations have experience collaborating with the World Bank on other projects in China. The apparent abstraction from the underlying political and social fissures of the regions involved may simply be naïve. For instance, the Lhoka prefecture has been the source of much local political dissent and is the home of a notorious detention centre. It is difficult to see how the project could honestly allege to be participatory and iterative among the wider population under such conditions, particularly without independent interpretation and thus without confidentiality.

This concern was in part recognized in the Agriteam 2001 report. It noted, “the lack of experience [of local decision makers] may cause hesitation in some quarters and



creation of deliberate political bottlenecks”, and they also foresee “another important consideration is the typically top down planning process to which the official partner institutions are accustomed. This is strongly contradictory to the participatory planning processes that are fundamental to this project” (Agriteam 03-2001 3-2). Yet this insight is all the more reason for caution to be made in dealing with a government that has a proven track record of discrimination towards the targeted population.<sup>119</sup>

### ***Basic education in western China***

The C\$11.8 million CIDA project to improve basic education in Western China, announced in September 2001 and also to be executed by Agriteam, raises similar concerns with respect to its possible involvement of Tibetan areas. The basic idea of the project appears excellent; Agriteam will design a project to improve basic education in poorer counties of Western China by helping teachers to upgrade their skills through a distance-learning programme (CIDA 09-2001). This idea has been well developed in Canadian native communities, resulting in the provision of specialized education services to remote regions without requiring students to leave their communities, particularly at higher levels. Nonetheless, a critical aspect such projects in Canada has been a parallel empowerment of native communities whereby the linguistic and cultural content for such education has been managed by the communities.

In Tibetan areas, the education projects would rather fit into a wider education policy that is moving away from Tibetan-medium education and towards Chinese-medium even at the primary level, that is emphasizing greater integration into the national education system, and that is heavily oriented towards the development of higher-end educational infrastructure rather than primary and secondary schooling. This would particularly be the case if the project were a regional level project, most likely managed out of a Chinese regional urban centre, such as Chengdu or Lanzhou.<sup>120</sup> Furthermore, the encouragement of international development projects in education in Tibet is merely and only partially compensating for the regressive funding policies for education in Tibet in the 1990s.<sup>121</sup> In this context, it is difficult to determine how the education projects would influence the regional education policy towards minorities.

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<sup>119</sup> It is not clear to what degree such dynamics have been taken into consideration in the project planning. For instance, the report noted a lack of conviction among the rural populations about the utility of basic education (ibid 3-1), but such lacuna has in many cases been created by the political, ideological, and ethnically discriminatory use of education in the Cultural Revolution, along with the increasing use of education as a vehicle in the current Patriotic Education campaigns. For instance, see Hannum (2002 111).

<sup>120</sup> The project probably fits into similar long-distance teacher training programmes organized by the government through the Tibet University in Lhasa (CRI 07-05-2002), which may also be connected to the policy of training Chinese cadres to serve in Tibet through the same university.

<sup>121</sup> For instance, it is interesting to compare the foreign assistance to government expenditure. If the share of government expenditure in education and related categories in Tibet were brought up to the national average share, then according to the 1998 statistics, this would have increased the amount spent by the government on Tibetan education by 197 million yuan in 1998 alone, or about 36 million Canadian dollars.

### ***To Be or Not to Be (Involved)***

In the end, foreign investment in the Tibetan regions, as well as in other ethnic minority regions where discrimination and repression are flagrant, involves an ethical balancing act. Participation allows for the much needed resources and expertise to be channelled to the impoverished region, in whatever form or fashion (as long as they get there). It also allows for a certain degree of observatory presence in the region. On the other hand, it might feed into the discriminatory policies of the government in the region, reinforcing the strength and legitimacy of such policies. In the worst case, the lack of transparency in local project management could lead to the misappropriation and abuse of funds, leading to a mere oiling of the mechanisms of control over the region. Yet non-involvement prevents foreign resources from entering the region, and precludes an international presence in project implementation, as poignantly demonstrated by China's reaction to the World Bank recommendations in July 2000.

This balancing act has been acknowledged by many of Tibetan advocacy groups, such as the Canada Tibet Committee (CTC), as well as the Tibetan Government in Exile, based in India. In fact, in many cases such groups approve of international assistance to projects in the Tibetan regions, given the sheer poverty and needs of these regions. However, they insist that foreign investors and governments engage in meaningful consultation with independent sources of Tibetan opinion and representation during the phases of project design, negotiation, and even implementation. While this is an obvious demand in an era where public reform and the enhancement of "civil society" are popular catch words among development agencies, it appears to meet some resistance along the way. For instance, while the bidding process for the Basic Needs project was underway, CIDA delayed providing the CTC with project information and denied access to various information sessions on the project (CTC 2001 8-9). Despite this fact, and the fact that members of the CTC were regularly attempting to convey their interest in consultation, in an addendum to the *Request for Proposals* issued for the project, CIDA implied that the CTC had already supported the project (ibid 9). Such evasions and misrepresentation clearly breach the consultative principles of within CIDA.

### **The Implications of WTO Accession for Tibet**

The impact of China's WTO accession is a complicated issue that is likely to have dramatic effects throughout China. As with aspects of regional development policy, WTO entry is largely oriented towards the integration of coastal and central regions of China into the world economy. There is an absence of any provisions for the special or differential treatment of the impoverished western regions that would otherwise be accorded to Least Developed Countries (LDC) of an equivalent economic level. As such, the conditions of the WTO reinforce the ongoing orientation of "comparative advantage" within regional development, and will thus tend to exacerbate regional imbalances.

In relation to Tibetan areas, the main impacts will probably be felt through the liberalization of trade, the reduction of subsidies, and the liberalization of the service sector. Trade liberalization will free up the importation of cheap (and subsidized) farm products from western countries, such as US and Canadian barley. As of 2001, some of

the highest tariffs in China were for certain agricultural products, particularly grains. Within the first year of the WTO accession, or by the end of 2002, the weighted tariff rate for cereal grains is to be reduced from 91.1 percent to three percent, and for oil seeds from 96.9 percent to 3.9 percent. These two categories account for most of the crops of Tibetan farmers, which are barley, wheat, and rapeseed (UNCTAD 2002 145).<sup>122</sup> Trade liberalization in these commodities will undoubtedly produce a sudden downward push in their prices, particularly that the international prices for these commodities tend to be significantly lower than the domestic Chinese prices. The downward trend in prices will lower the incomes of the rural households that are dependent on the production of these commodities. Given that rural Tibetans are excessively dependent on these commodities, the liberalization of trade in agricultural products will likely exacerbate the already extreme levels of poverty in the region.

On the other hand, tariffs for wool are already comparatively low given that imports of wool, particularly Australian and New Zealand wool, were liberalized as early as the late 1980s due to their role as factor inputs in the coastal processing industries. Nonetheless, China has committed to dismantling its system of “designated trading” in wool within three years (ibid 145). This is the practice that allows a limited number of firms the right to trade within a restricted geographic region. Such a change may therefore lead to more freedom in the wool trade, but not necessarily to improved prices.

The WTO commitment of China to reduce and remove subsidies will largely affect State Owned Enterprises (SOE), industries that produce specifically for export, and agriculture. Given that a high proportion of the industries in Tibet (TAR) are SOEs, reduced subsidies could have a significant impact on the industrial structure of the region. Nonetheless, the SOEs in Tibet are not among those that will be worst affected by accession to the WTO (ibid 149), as many of these enterprises are implicitly connected to military or administrative spending in the region or to the guaranteed investment flows from the Central Government under the Western Development Strategy. Indeed, given that Tibet is a region of increasing security significance to Beijing due to its proximity to unstable regions in South and Central Asia, many of the state enterprises in the province may well receive differential treatment from the government compared to the rest of China. On the other hand, subsidies for agriculture, even for domestic production, will be limited to 8.5 percent of output value (ibid 146). This will limit the amount of farm support that the government will be able to extend to poor farmers, even in the event of deteriorating incomes.

Service sector liberalization includes banking and insurance, telecommunications, among other sectors. The liberalization of banking may allow for the expansion of the almost non-existent financial sector in Tibet. Nonetheless, given that foreign and private

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<sup>122</sup> Wheat and rice have been protected with some of the highest tariffs to date in China, at 114 percent. Ironically, while the tariffs for overall cereal grains will be dramatically reduced by 96 percent within a year, the specific tariffs for wheat and rice will only be reduced by 43 percent, remaining at 65 percent after tariff reductions. This will create an incentive for farmers in Tibet to move from barley to wheat production, or will privilege those who have already done so.

investment rarely makes it out to the Tibetan plateau without substantial government incentives and coaxing, much of which will not be allowed under the WTO rules, it is unlikely that such expansion would have much amplitude. As with most sectors, the main interests for foreign investment in financial services, and services in general, are in the lucrative coastal markets.

#### 4. Concluding Comments

Analysis of the recent statistics of Tibet (TAR) suggests that socio-economic development in Tibet has been seriously neglected as a matter of policy. The growth rates and sectoral shares of the provincial economy clearly indicate that the dynamic and growing parts of the economy are concentrated in services, administration, construction and a limited amount of industry, all of which are closely tied to the state. Furthermore, these areas of activity are exclusively located in urban areas and townships where non-Tibetan immigrants and government administration increasingly congregate. Government spending and investment reinforces this bias within the economy.

On the other hand, most Tibetans reside outside of these centres, in the rural areas, and they are thus cut off from most of the benefits of economic growth. Aside from a few areas of agricultural development close to Lhasa, the rural economy has been disregarded by government policy, with the result that there is almost no diversification away from the traditional activities of farming and animal husbandry. The primary sector has stagnated and rural incomes have progressively dropped behind the national average to become the lowest of all rural incomes in China by 1998. When indexed to inflation, rural incomes actually dropped in real terms throughout much of the 1990s. Due to the lack of diversification in the rural economy, Tibetan households find themselves increasingly vulnerable to the economic shocks that have arisen from changing government policies, such as price liberalization and decreased subsidization.

As a result, inequality within Tibet (TAR) between the rural Tibetans and the urban residents, whether Chinese, Hui, or Tibetan, is among one of the highest in China. In the rural areas poverty prevails and is reinforced through a dismal under supply of social services, the most critical of which is education, particularly secondary education. This results in very low social indicators among the Tibetans, particularly in the rural areas. Even within the urban areas, due to the fact that cadres in Tibet are among the highest paid in China, inequality appears to be very high between cadre and non-cadre urban households and suggests a significant degree of urban poverty among the under-privileged urban residents. In the face of such discrimination, many young Tibetans opt to escape into exile, resulting in a resurgence of refugee flows to South Asia in the 1990s, a sure sign of mounting socio-economic alienation.

For all intents and purposes, this is a socio-economic description of an ethnically distinct, exploited peripheral region controlled from the outside. In the rest of China the process of economic development has been endogenously determined within the terms of reference of the dominant Han culture. In Tibet, it has been exogenously determined according to the perceived needs of the central government. These perceived needs do not appear to be necessarily oriented towards resource exploitation nor towards agrarian colonization as they would be in Xinjiang or to a lesser extent in parts of Qinghai. The agrarian resources of Tibet are already completely overstretched and depleted by the existing population, and Chinese migration in the region is largely urban oriented with a

focus in the service sector. Rather, the occupation of Tibet seems to be largely related to the security concerns of the Chinese leadership. Any form of grass-root development has been neglected and even stunted, to the degree that state dominance has been maintained in the economy despite reforms in the rest of China. As such government policy can be directly identified as reinforcing the poverty, inequality, and underdevelopment of Tibet. The fact that this form of Chinese control has continued unabated into the present is one of the single most important features in the development of Tibet, and one that defines the Tibetans as an occupied and suppressed people.

In this context, the current economic strategies for the region, ostensibly designed by the government to uplift Tibetans from their dismal poverty, are fundamentally flawed in that they do not acknowledge the basic underlying conditions of poverty in the region. Economically and socially, the model has and will continue to marginalize Tibetans. The preference of the government for selective large-scale high-tech projects creates a dual economy separating most Tibetans from developments that are largely urban or requiring highly skilled labour. The government further chooses to disregard the funding of the essential services necessary for Tibetans to partake in the dynamic parts of the economy. For instance, while the government focuses on high-end post-secondary education, it neglects responding to the severe undersupply of secondary education. Access to post-secondary education and related employment thereby becomes very difficult for the average Tibetan.

Meanwhile, given the degree to which projects are out of scale with the local economy and unsustainable through local revenues, the strategy increases the dependence of the region on both Central funding and skilled labour from Central China. This becomes the primary motive for the government to encourage increased migration into the region. Migration in the context of severely restricted resources, tight control over security, and the complete suppression by the authorities of independent political expression in turn exacerbates social and ethnic conflicts, which invariably favour the Chinese migrants over the local Tibetans.

A policy approach that considers the welfare of the average Tibetan would preferably focus on an intensive rather than an extensive model of regional development. It would include strategies that develop skills within the existing indigenous population through a focus on in-province and rural education, particularly secondary and technical education in fields that have direct linkage to the local economy. Economic policy would respond primarily to local needs. It would give much greater attention to the development of non-farm alternative rural industries that would not rely on a high population density nor on a proximity to national and international markets, and to local linkages between farm and non-farm activities. It would also prioritize the rapid extension of low-cost and low-tech infrastructure and services that would aim at integrating the local economy. These would include secondary roads, micro credit to farmers and investment in small-scale technology, in particular in alternative energy sources such as wind and solar, which are abundantly available in the region and that could be exploited by and for remote communities.

The absence of such strategies in Tibet, and the deprivation of Tibetans from the benefits of development within their province, clearly violates their Right to Development. In this context, the discussion of development policy cannot be made outside of the consideration of such rights. Local self-determination on the economic level need not be considered in terms of the polemical debates regarding political autonomy. Self-determination could merely involve a more progressive policy towards minority nationalities whereby social and economic development is linked to the promotion and preservation of minority nationality culture, as well as to the encouragement of local autonomy in economic management. In this way, the Tibetan people would be able to articulate the form that development takes, even if this development takes place within the Chinese polity.

In fact, this should be an imperative given the formal commitments that both China and the international community have made towards the Right to Development and the two covenants dealing with civil, political, economic, social, and cultural rights. In principle, these covenants should be the cornerstone of international assistance programs, particularly in disputed or occupied regions such as Tibet. If human rights principles do not guide such programs, there is a great danger that they may merely assist the impoverishment of Tibetans and reinforce the legitimacy of China's discriminatory rule.

### Appendix 1: A Note on Demography

Three demographic features distinguish Tibet (TAR) and make it useful as a standard for deciphering the conditions of Tibetans within China. The population of Tibet (TAR) is predominantly of indigenous Tibetan ethnicity, most of these Tibetans live in rural areas, and most of the Chinese immigrants in the TAR reside in urban areas or townships. Because the Tibetans are homogeneous in the rural areas, they can be identified as a group within the TAR statistics, and their conditions thus appraised. The conditions of the Chinese and other migrants can be partially inferred from the urban statistics. See the appendix for more details.

In 1990 the total ethnic Tibetan population throughout the five Chinese provinces inhabited by Tibetans was 4.593 million (Yearbook 39). From this total, 2.097 million resided in Tibet (TAR), 1.087 million in Sichuan, 912 thousand in Qinghai, 367 thousand in Gansu, and 111 thousand in Yunnan (TIN/Census). If the growth rate of the Tibetan population in Tibet (TAR) were used as a measure for the growth rate of the overall Tibetan population, by 1998 the total Tibetan population would have been over 5 million.

The total reported population of the TAR in 1998 was estimated to be 2.52 million, making the Tibetan, or ethnic minority share of about 2.38 million more than 90 percent of the reported total (Yearbook 113). This figure does not include military personnel and it may not include many of the unregistered migrants in the region, which would lower the proportion of Tibetans in the effective total population of the province<sup>123</sup>. On the other hand, Tibetans are generally a small minority within the total provincial populations of the Sichuan, Qinghai, Gansu, and Yunnan. For instance, in Qinghai Tibetans accounted for only 20.5 percent of the provincial population in 1990 and were outnumbered by other ethnic groups (TIN/Census). In Sichuan they are concentrated in two Tibetan autonomous prefectures and only represent about one percent of the total provincial population, and a minority of the provincial ethnic population as well. Even within many of the specially designated Tibetan autonomous prefectures of these provinces, Chinese and other ethnic groups, such as the Hui Muslims, often outnumbered Tibetans<sup>124</sup>. Thus any provincial data sets from Sichuan, Gansu, and Yunnan, and to a lesser extent from Qinghai would reflect very little about the specific

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<sup>123</sup> Estimates of the total number of PLA soldiers stationed in the TAR range from 40,000 to 200,000 (UNPO 70). For instance, an article in the *Far Eastern Economic Review* on 19-11-1992 cited that 170,000 troops were deployed near Lhasa. Given the current instability in the bordering countries, such as in Nepal and Kashmir, these numbers are likely to have increased significantly. The overwhelming majority of these soldiers are Chinese and it is clear in the Yearbook that they are not included in the provincial population statistics. If an average of the estimates is made, this makes about 120,000 PLA soldiers, or about five percent of the population, almost doubling the registered 1998 Chinese population, and raising its share of the total population above ten percent. Or in other words, there was an estimated one Chinese PLA soldier for every twenty Tibetans in the TAR.

<sup>124</sup> For instance, within the two Tibetan autonomous prefectures of Sichuan in 1990, the Tibetan share of the prefecture population was only 48.4 percent in Ngaba and 75.7 percent in Kanze (TIN/Census).



conditions of the Tibetans per se. As a result, only the data from Tibet (TAR) can be used to determine the conditions of Tibetans with some degree of certainty.

Tibet (TAR) is predominantly rural, with 84.64 percent of the total population residing in rural areas in 1998, and 82.35 percent of the labour force working in the rural areas (Yearbook 379). This makes the population of Tibet the most rural in China<sup>125</sup>. As previously noted, this share may be overestimated due to the fact that military personnel and unregistered migrant workers tend to go unreported in the provincial population statistics and both of them tend to concentrate in Lhasa or in townships (TIN 2001a). Moreover rural population statistics are based on rural registers, yet it is common that some members of a rural household will go to urban areas in search of work for at least part of the year (Goldstein et al 2002 36). Thus both the ratios of urban to rural and migrant to indigenous population may be significantly underestimated. Nonetheless similar problems exist in the estimations of the urban population for the rest of China, maintaining the fact that Tibet is the most rural region of China.

Finally, while the rural areas are almost exclusively populated by indigenous Tibetans, most Chinese and Hui migrants in Tibet (TAR) reside in urban areas or townships, where they form a significant proportion of the urban population<sup>126</sup>. Or in other words, if an extrapolation along ethnic lines is made from the 1998 data of the Yearbook, about 89 percent of ethnic Tibetans were rural, while only 14 percent of the registered Chinese resided in rural areas and they accounted for only 0.9 percent of the rural population. On the other hand, 86 percent of the registered Chinese population resided in urban areas or townships, accounting for about one third of the urban and township population<sup>127</sup>.

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<sup>125</sup> The rural population was slightly lower as a proportion of total population in several of the other western provinces such as Gansu, Guizhou, Sichuan, and Yunnan, although it was much lower in Qinghai (65.83 percent) and in Xinjiang (51.54 percent).

<sup>126</sup> For instance, in the 1990 census, registered and non-military Chinese were largely concentrated in the inner city of Lhasa, where they reached 29 percent of the urban population, or half of the total Chinese population of Tibet, not including military personnel and unregistered migrants (TIN/Census). Some estimates claim that by 2001 the unofficial population of Lhasa city was at least 70 percent Chinese (TIN 2001a). In a handful of administrative centres outside Lhasa the proportion was also high in 1990, such as in Nyingtri (27 percent), Gar (12.4 percent), Nedong (7.9 percent), and Chamdo (6.1 percent), among others, although it was only 3.7 percent in Shigatse, the second largest city of Tibet. On the other hand, outside of Lhasa city and the select regional centres, the proportion of Chinese was usually only a fraction of one percent. Even close to Lhasa city, in five of the seven counties of the Lhasa municipality, Chinese rarely passed beyond two percent of the population (TIN/Census).

<sup>127</sup> Extrapolation is made from the fact that the vast majority of rural dwellers were Tibetan in the 1990 census. The minority nationality population in 1998 was 2.38 million, and the rural population was 2.133 million in the same year, which was mostly Tibetan. This would imply that there were approximately 270,000 registered minority nationalities residing in the urban areas and townships. We can assume that about 250,000 of these were Tibetan, given that in the 1990 census there were about 18,000 registered residents from "other ethnic groups", mostly in urban areas and townships (TIN/Census). This would imply that Tibetans accounted for about 65 percent of the registered urban population of 387,000 in 1998. Furthermore, the residual would put the Chinese urban population at around 120,000, or 85.7 percent of the

These demographic features imply that it is possible to discern the principal socio-economic conditions of the Tibetans as a group by examining the statistics for rural households. It is also possible to infer the main cleavages of wealth and power divided along the sharply defined ethnic lines of Chinese and Tibetan by comparing the socio-economic indicators of rural and urban areas, and of agrarian and non-agrarian economic activities, particularly in comparison to other Chinese provinces. This technique would not be possible in the provinces of Qinghai and Sichuan because Chinese make up a majority of the rural population in these two provinces, nor would it be possible in Xinjiang and Inner Mongolia where Chinese migration and colonization has had a significant agrarian and rural focus. Therefore, the same analysis in these other provinces would not indicate horizontal ethnic inequalities, and other methods, such as detailed households surveys that indicate ethnicity, would be required. In Tibet, Chinese colonization and migration have been largely urban and non-agrarian, and thus the socio-economic conditions of the various groups are easier to identify in the statistics.

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total 140,000 registered Chinese in the province in 1998, not including military personnel. The 20,000 rural Chinese were therefore 0.9 percent of the total rural population of 2.133 million (Yearbook 38, 112, 379).

## **Appendix II: The UN Declaration on the Right to Development**

### **Adopted by General Assembly resolution 41/128 of 4 December 1986**

*The General Assembly,*

*Bearing in mind* the purposes and principles of the Charter of the United Nations relating to the achievement of international co-operation in solving international problems of an economic, social, cultural or humanitarian nature, and in promoting and encouraging respect for human rights and fundamental freedoms for all without distinction as to race, sex, language or religion,

*Recognizing* that development is a comprehensive economic, social, cultural and political process, which aims at the constant improvement of the well-being of the entire population and of all individuals on the basis of their active, free and meaningful participation in development and in the fair distribution of benefits resulting therefrom,

*Considering* that under the provisions of the Universal Declaration of Human Rights everyone is entitled to a social and international order in which the rights and freedoms set forth in that Declaration can be fully realized,

*Recalling* the provisions of the International Covenant on Economic, Social and Cultural Rights and of the International Covenant on Civil and Political Rights,

*Recalling further* the relevant agreements, conventions, resolutions, recommendations and other instruments of the United Nations and its specialized agencies concerning the integral development of the human being, economic and social progress and development of all peoples, including those instruments concerning decolonization, the prevention of discrimination, respect for and observance of, human rights and fundamental freedoms, the maintenance of international peace and security and the further promotion of friendly relations and co-operation among States in accordance with the Charter,

*Recalling* the right of peoples to self-determination, by virtue of which they have the right freely to determine their political status and to pursue their economic, social and cultural development,

*Recalling also* the right of peoples to exercise, subject to the relevant provisions of both International Covenants on Human Rights, full and complete sovereignty over all their natural wealth and resources,

*Mindful* of the obligation of States under the Charter to promote universal respect for and observance of human rights and fundamental freedoms for all without distinction of any kind such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status,

*Considering* that the elimination of the massive and flagrant violations of the human rights of the peoples and individuals affected by situations such as those resulting from colonialism, neo-colonialism, apartheid, all forms of racism and racial discrimination, foreign domination and occupation, aggression and threats against national sovereignty, national unity and territorial integrity and threats of war would contribute to the establishment of circumstances propitious to the development of a great part of mankind,

*Concerned* at the existence of serious obstacles to development, as well as to the complete fulfilment of human beings and of peoples, constituted, inter alia, by the denial of civil, political, economic, social and cultural rights, and considering that all human rights and fundamental freedoms are indivisible and interdependent and that, in order to promote development, equal attention and urgent consideration should be given to the implementation, promotion and protection of civil, political, economic, social and cultural rights and that, accordingly, the promotion of, respect for and enjoyment of certain human rights and fundamental freedoms cannot justify the denial of other human rights and fundamental freedoms,

*Considering* that international peace and security are essential elements for the realization of the right to development,

*Reaffirming* that there is a close relationship between disarmament and development and that progress in the field of disarmament would considerably promote progress in the field of development and that resources released through disarmament measures should be devoted to the economic and social development and well-being of all peoples and, in particular, those of the developing countries,

*Recognizing* that the human person is the central subject of the development process and that development policy should therefore make the human being the main participant and beneficiary of development,

*Recognizing* that the creation of conditions favourable to the development of peoples and individuals is the primary responsibility of their States,

*Aware* that efforts at the international level to promote and protect human rights should be accompanied by efforts to establish a new international economic order,

*Confirming* that the right to development is an inalienable human right and that equality of opportunity for development is a prerogative both of nations and of individuals who make up nations,

*Proclaims* the following Declaration on the Right to Development:

*Article 1*

1. The right to development is an inalienable human right by virtue of which every human person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realized.
2. The human right to development also implies the full realization of the right of peoples to self-determination, which includes, subject to the relevant provisions of both International Covenants on Human Rights, the exercise of their inalienable right to full sovereignty over all their natural wealth and resources.

*Article 2*

1. The human person is the central subject of development and should be the active participant and beneficiary of the right to development.
2. All human beings have a responsibility for development, individually and collectively, taking into account the need for full respect for their human rights and fundamental freedoms as well as their duties to the community, which alone can ensure the free and complete fulfilment of the human being, and they should therefore promote and protect an appropriate political, social and economic order for development.
3. States have the right and the duty to formulate appropriate national development policies that aim at the constant improvement of the well-being of the entire population and of all individuals, on the basis of their active, free and meaningful participation in development and in the fair distribution of the benefits resulting therefrom.

*Article 3*

1. States have the primary responsibility for the creation of national and international conditions favourable to the realization of the right to development.
2. The realization of the right to development requires full respect for the principles of international law concerning friendly relations and co-operation among States in accordance with the Charter of the United Nations.
3. States have the duty to co-operate with each other in ensuring development and eliminating obstacles to development. States should realize their rights and fulfil their duties in such a manner as to promote a new

international economic order based on sovereign equality, interdependence, mutual interest and co-operation among all States, as well as to encourage the observance and realization of human rights.

*Article 4*

1. States have the duty to take steps, individually and collectively, to formulate international development policies with a view to facilitating the full realization of the right to development.
2. Sustained action is required to promote more rapid development of developing countries. As a complement to the efforts of developing countries, effective international co-operation is essential in providing these countries with appropriate means and facilities to foster their comprehensive development.

*Article 5*

States shall take resolute steps to eliminate the massive and flagrant violations of the human rights of peoples and human beings affected by situations such as those resulting from apartheid, all forms of racism and racial discrimination, colonialism, foreign domination and occupation, aggression, foreign interference and threats against national sovereignty, national unity and territorial integrity, threats of war and refusal to recognize the fundamental right of peoples to self-determination.

*Article 6*

1. All States should co-operate with a view to promoting, encouraging and strengthening universal respect for and observance of all human rights and fundamental freedoms for all without any distinction as to race, sex, language or religion.
2. All human rights and fundamental freedoms are indivisible and interdependent; equal attention and urgent consideration should be given to the implementation, promotion and protection of civil, political, economic, social and cultural rights.
3. States should take steps to eliminate obstacles to development resulting from failure to observe civil and political rights, as well as economic social and cultural rights.

*Article 7*

All States should promote the establishment, maintenance and strengthening of international peace and security and, to that end, should do their utmost to achieve general and complete disarmament under effective international control, as well as to ensure that the resources released by effective disarmament measures are used for comprehensive development, in particular that of the developing countries.

*Article 8*

1. States should undertake, at the national level, all necessary measures for the realization of the right to development and shall ensure, inter alia, equality of opportunity for all in their access to basic resources, education, health services, food, housing, employment and the fair distribution of income. Effective measures should be undertaken to ensure that women have an active role in the development process. Appropriate economic and social reforms should be carried out with a view to eradicating all social injustices.
2. States should encourage popular participation in all spheres as an important factor in development and in the full realization of all human rights.

*Article 9*

1. All the aspects of the right to development set forth in the present Declaration are indivisible and interdependent and each of them should be considered in the context of the whole.
2. Nothing in the present Declaration shall be construed as being contrary to the purposes and principles of the United Nations, or as implying that any State, group or person has a right to engage in any activity or to perform any act aimed at the violation of the rights set forth in the Universal Declaration of Human Rights and in the International Covenants on Human Rights.

*Article 10*

Steps should be taken to ensure the full exercise and progressive enhancement of the right to development, including the formulation, adoption and implementation of policy, legislative and other measures at the national and international levels.

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