State Growth and Social Exclusion in Tibet

Challenges of Recent Economic Growth

Andrew Martin Fischer

International discussions of Tibet have tended to focus on questions of culture and human rights, but the factors most affecting Tibetans’ lives today are those caused by changes in their economic and social conditions. Until now, there has been almost nothing written in this field accessible to a general audience. Andrew Fischer’s concise, focused and scholarly assessment of current social conditions in the Tibetan areas of China is essential reading for those studying development and nationality issues in China, and it will also be valuable to much wider discussions of development. Based on a close analysis of Chinese government statistics, Fischer offers innumerable insights into the difficulties and complexities of China’s economic strategies in Tibetan areas, and makes an important argument for a change to a locally oriented approach. This is the first major work in a Western language on Tibetan economy and development since Wang and Bai’s landmark study nearly 20 years ago. By demonstrating the potential of analysing official data, it opens a new approach for the study of areas where access is often limited or research has been rare or ultra-specialized. It is a book that is likely to receive careful attention in Beijing and Lhasa, and which offers solutions as well as exposing faults. – Dr Robert Barnett, Director, Modern Tibetan Studies Program, Columbia University

Andrew Fischer has written a wonderful book on development and macro-economics in Tibet. It is a must read for all interested in contemporary Tibetan society and Chinese policy in Tibet. – Professor Melvyn C. Goldstein, Co-Director, Center for Research on Tibet, Case Western Reserve University

Development economist Andrew Fischer has done a great service to the field of contemporary Tibetan studies by systematically synthesizing and interpreting official data, particularly from Statistical Yearbooks, on the current economic situation of Tibetans living in China. ... Perhaps the most refreshing aspect of the book is Fischer’s simultaneous, if mostly implicit, critique of China’s economic policy in Tibet and the tenets of neoliberalism. ... In the end, the book has more than fulfilled its aim of showing the flaws of China’s development model in Tibet using official Chinese statistics. – Dr Emily T. Yeh, University of Colorado, Boulder (in Journal of Asian Studies)
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Challenges of Recent Economic Growth

Andrew Martin Fischer
This book is dedicated to him who inspired this work.
May his wishes be fulfilled as quickly as possible.
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Preface

The most pressing economic challenges facing the Tibetan areas of Western China relate to the marginalisation of the majority of Tibetans from rapid state-led growth. The spatial dimension – the urban–rural divide – plays an important role in this polarised dynamic.

However, the urban–rural divide alone only partially explains differences with other Chinese regions, all of which generally exhibit strong spatial inequalities. This book therefore focuses on several further factors that determine the ethnically exclusionary character of current peripheral growth in the Tibetan areas. These include processes of urbanisation, immigration, employment and education as key factors underlying structural economic change.

The study draws generally from the analytical framework of social exclusion and is based on extensive use of official Chinese statistics, focusing on the Tibet Autonomous Region (TAR) and Qinghai, and with numerous comparisons to the other provinces of western China. A variety of qualitative insights are also taken from recent fieldwork and secondary sources. The macro focus of this investigation aims to complement the growing wealth of micro level studies on Tibet produced from a variety of disciplines.
Acknowledgements

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I would also like to thank the numerous people that I have met in the course of my research. These include scholars, development workers, officials, monks and nuns, lamas, teachers, students, farmers, pastoralists, businesspeople, workers, unemployed, beggars, refugees and other exiles, Tibet support advocates, men, women and children, among many others and from across the ethnicities found wandering in and around Tibet both physically and conceptually – Tibetans, Chinese, Chinese Muslims, Westerners, Japanese, and so forth. Special mention is due for my supervisors at LSE, particularly the two prominent China scholars Dr Athar Hussain and Dr Stephen Feuchtwang, as well as Dr James Putzel, the director of the Crisis States Programme, Dr Tim Allen and Dr Tim Dyson. The lengthy and generous discussions with all of these people have provided me with many insights as well as the most important and effective means of testing my hypotheses and interpretations. Thanks also to Qing and Erika who were both very supportive at different phases of the
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In the true sense of interdependent origination (Tib. tendrel), this work is the result of collective effort and I am deeply indebted to all those who have contributed to whatever there may be of merit found in these pages. Of course, the opinions expressed are my own, and any erroneous meanderings are entirely due to my own ignorance or arrogance, having not listened enough to those who know better.
Acronyms and Abbreviations

CPI consumer price index (measure for inflation)
CSY China Statistical Yearbook
FDI foreign direct investment
GDP gross domestic product
ILO International Labour Organisation
IMF International Monetary Fund
NBS National Bureau of Statistics
NGO non-governmental organisation
OECD Organisation for Economic Co-operation and Development – an umbrella organisation and term that is generally used to represent most of the rich industrialised countries of the world, including Europe, North America and Japan.
PRC Peoples’ Republic of China
Rmb renminbi = yuan
QSY Qinghai Statistical Yearbook
SEZ special economic zone
TAR Tibet Autonomous Region (the region that China usually refers to as ‘Tibet’, although only including just under half of the officially recognised Tibetan areas and population in China)
TSY Tibet Statistical Yearbook
TVE township and village enterprise
UNDP United Nations Development Programme
WDS Western Development Strategy (Ch. xibu da kaifa)
WTO World Trade Organisation
Introduction

The Tibetan areas\(^1\) of western China have among the highest poverty rates in China, the highest urban–rural inequality and by far the worst education indicators. In addition, emerging urban inequalities also appear to rival some of the worst cases in China. In this context, the polarising dynamics of current ‘western development strategies’ (i.e. those that focus on the development of the western regions of China), combined with the increasing influx of Han Chinese and Chinese Muslim\(^2\) migrants into the Tibetan areas, point to the legitimate concern that growth will exacerbate exclusion among locals. Thus the most pressing economic issues facing the Tibetan regions relate to the socio-economic marginalisation of the majority of Tibetans from rapid state-led growth.

Such marginalisation is due in part, although not entirely, to the demographic characteristics of Tibetans. Even in 2000, they were overwhelmingly rural, much more so than the Han or Muslims living in the same areas. Tibetan rural areas are almost exclusively inhabited by Tibetans, unlike other minority regions such as Xinjiang and Inner Mongolia, where there are significant rural Han Chinese populations. As a result, there is a strong correlation between spatial and inter-ethnic inequality in the Tibetan areas, one that does not necessarily exist in most other regions of China. Hence, as argued by several authors, inter-ethnic inequalities in Tibet partly reflect the urban–rural disparities that are inherent to development throughout China. The simple policy response to inter-ethnic inequality would therefore appear to reside in this issue of the urban–rural divide.

However, the focus on urban–rural disparities typically leads to a static rural bias in poverty research in the Tibetan areas. This is often referred to as ‘ecological poverty’ – the view that existing poverty is the result of backwardness in one form or another, whether due to remoteness, to the legacy of ‘feudalism’ from the pre-communist era, or to the debacles of economic policy ever since, under both Maoist and reformist policy regimes as they were implemented in the Tibetan
areas. Such a view focuses on the failures to integrate traditional rural populations into modern social and economic transformations. This view largely overlooks the dynamic interactions within modern development itself, and how these operate to generate and reinforce structural marginality within the Tibetan population. More precisely, poverty is newly produced through the manner of integrating populations into modern development, not merely through a failure or lack of integration per se.

Essentially, the current development strategies pursued over the last decade in the Tibetan areas, while producing rapid albeit polarising growth, have engendered an ethnically exclusionary dynamic in both rural and urban areas. Ethnic exclusion does not imply that all Tibetans are excluded, but that among those who do experience exclusion in the Tibetan areas, most tend to be Tibetan. These exclusionary dynamics operate through aspects of peripherality, the structure and sources of economic growth, the confluence of population transitions and migration, and the role of employment and education as key factors underlying the polarisation of the economy through the course of its rapid expansion and transformation. Under these and other countervailing factors, policies that are conceived to ameliorate the urban–rural divide itself, let alone those that are designed to stimulate rapid growth and to catalyse a ‘leap-over’ transformation of the local economy, may in fact aggravate ethnically-defined exclusion.

In particular, the educational divide, rather than the spatial divide, probably plays a far more critical role in determining exclusionary outcomes within the local economy. Drawing a rough line, the 15 per cent of Tibetans in all of China with secondary education or above in 2002 would account for those who are profiting from the current economic boom, while the 85 per cent with no education or only primary levels account for those who are struggling on the margins. Obviously, there are cases of some people with less education yet who are successful in business, or conversely, some who have secondary education but are unemployed, although the two probably cancel themselves out. This 15 to 85 educational split among Tibetans does not necessarily match the spatial divide. In the Tibet Autonomous Region (TAR), the Tibetan population is coincidentally 15 per cent urban and 85 per cent rural. However, this does not overlap with the education ratio, given that there are rural dwellers with secondary and tertiary education, and illiteracy rates in the Tibetan urban areas are almost as high as rural illiteracy rates,
which is an anomaly for China, with no parallel in any other region, including other minority areas.

These factors help to explain the exacerbated inequalities that have been emerging in the Tibetan areas since the 1990s. For instance, the excessively urban and state foci of current growth strategies have generated urban–rural disparities that are much more extreme than elsewhere in China as well as high degrees of inequality in the Tibetan urban areas. There, migrating rural Tibetans together with the urban poor fill the lower rungs of an urban pecking order that is dominated by an administrative and managerial elite, albeit one composed of both Tibetans and Han Chinese. Furthermore, competitive pressures from outside the Tibetan areas – in particular that of Han and Chinese Muslim in-migration – increasingly drive this polarised urban order. The polarisation makes it increasingly difficult for low-skilled Tibetans to integrate into the urban growth experience, despite gradual improvements in their low educational levels. This experience of exclusion in the urban areas in turn has an important feedback effect on the rural areas, which are the sources of local migration. Within this context, the potential emergence of a large subgroup of Tibetans as an excluded ethnic underclass appears as a key contradiction within the current drive for western development.

The role of urbanisation is key in this scenario, although not necessarily for the same reasons that the government currently emphasises urbanisation as a cornerstone of its development policy. Agriculture, as elsewhere in western China, is currently very limited in its capacity to absorb surplus rural labour, let alone to increase per capita rural incomes, and there is little scope for rural industrial development in the Tibetan areas given the extreme dispersion of the population. This implies that local rural to urban migration should play a central role in development, and indeed, the greatest productivity gains for the local economy are theoretically found in the transfer of rural agricultural labour into secondary and tertiary activities, which are essentially urban in Tibet. Combined with the momentum of the demographic transition, the Tibetan population will inevitably become urbanised, albeit with a significant lag behind the Han and Chinese Muslims, although ahead of such groups as the Yi in southern Sichuan. This process is already starting to take place and will become a precedent within the next generation.
The dilemma is that local urbanisation, which started in earnest in the 1990s in the Tibetan areas, coincides with strong incentives, due to the subsidised economic boom, for skilled and semi-skilled Han and Chinese Muslim labour to move into these same areas. The two flows – rural Tibetans and immigrant Han and Muslims – collide in the urban areas. There, the predicament is not one of immigrants swamping a general population that remains predominantly rural, although, as in many contexts of immigration, this may be the conventional perception of many local Tibetans, relayed to the western media through a variety of sources and vigorously promoted by the Tibetan exile community.

Rather, competition in urban economic opportunities underlies the controversy of Chinese migration into the Tibetan areas. Rural Tibetans and the Tibetan urban poor are undoubtedly at a disadvantage compared to the immigrant Chinese and Muslims, who are emigrating from more competitive urban or semi-urban conditions and who possess much higher levels of education on average. Whether or not these immigrants actually remain in the long term, their importance is derived from the fact that they crowd out rural migrants and the urban poor from limited urban employment opportunities precisely at a moment when rural-to-urban migration is becoming increasingly important to the livelihood strategies of rural households. Therefore, if the poorer sections of the Tibetan population are to escape an underclass status during the course of their transition, emphasis must be given to their positive integration into the urban areas, where they must ultimately become able to compete with incoming labour from elsewhere in China.

This book will trace a portrait of these issues from a macro socio-economic perspective, based on extensive use of official Chinese statistics as well as numerous qualitative observations derived from recent field research. The aim is to understand the way that economic growth and transformation interact with social change and population transitions in the Tibetan areas, and how these processes influence the emergence or exacerbation of structural marginality. As such, it is intended to complement the growing wealth of micro-level studies on a variety of these issues by Tibet scholars both within and without China.

The underlying theoretical approach draws upon the analytical framework of social exclusion, as reformulated by the International Labour Organisation (ILO) and the United Nations Development Programme (UNDP) over the past decade for application to the
Introduction
devolving world. According to this framework, 'social exclusion... is seen as a way of analysing how and why individuals and groups fail to have access to or benefit from the possibilities offered by societies and economies', particularly within the context of contemporary economic transformations (Rodgers 1995: 44). The appeal of such an approach is that it ties together a variety of related issues under one rubric, such as poverty, inequality, employment, discrimination, marginality, exclusion (from the Western European perspective), underclass (from the US perspective), peripherality, rights, entitlements and agency. In particular, the ILO-UNDP approach emphasises the central role of 'citizenship rights' and how these interact with development policy, generating either inclusion or exclusion (Gore 1995: 18).

This is a particularly interesting angle for the far western regions of China given the contested notions and practices of citizenship in these areas.

Given that most of the available macro data used by this study is aggregated at the provincial level, highlight will be given to the Tibet Autonomous Region (TAR). In this province, Tibetans are easily isolated as a group because, as of the 2000 census, Tibetans accounted for over 90 per cent of the provincial population, 85 per cent of these Tibetans were rural, and the rural population was almost exclusively Tibetan, at about 97.5 per cent. Rural surveys in the TAR are therefore almost entirely the description of a Tibetan experience, as well as the experience of most Tibetans in the province. Tibetans also accounted for a majority share of the permanently resident urban population, and thus are well represented in urban household surveys. These conditions do not hold for the other provinces with Tibetan autonomous areas, where Tibetans represent a small minority of rural and especially urban surveys.

The TAR will be compared with other western provinces and national averages, with special attention also given to Qinghai, which is the province with the next highest proportion of Tibetans in the provincial population, at just over 20 per cent. The comparison of the TAR and Qinghai displays the degree to which economic development in the TAR – the exclusively Tibetan province – appears de-linked from the local productive economy, in contrast to Qinghai despite their geographic and demographic similarities in many respects. It suggests how two similar regions can experience different outcomes, thus emphasising the importance of tailoring development strategies to local rather than outside priorities. It also questions the deterministic approaches that often underlie the discussion of 'ecological poverty' in these regions.
In specific, policies in the TAR since the mid-1990s, and particularly since the advent of the Western Development Strategy (WDS) in 2000, while stimulating some of the fastest GDP growth rates in western China, have exacerbated an already sharply defined economic polarity between the rapidly growing modern urban sector and the slow growing and mostly agrarian rural sector to an extent not observed elsewhere in China. Growth in the urban sector has been fuelled by a preponderant degree of externally subsidised spending and investment that is concentrated in administrative expansion or large-scale construction projects rather than locally integrated productive activities. This in turn concentrates growth within areas of high-skill and high-wage labour, thus biasing outside or educated labour over low-skill local labour. Within this labour market, the emerging ‘Tibetan middle class’ is nested in an administrative niche, while skilled Han personnel tend to dominate the management of the large economic projects and are usually transferred to the region on a short-term basis. In absence of any significant industry, migrant labourers compete over residual opportunities in either construction or urban tertiary activities. This is unlike other regions of China, where growth is rooted in productive and labour-intensive sectors that have a high demand for unskilled and semi-skilled rural migrants. Furthermore, because growth in the TAR is largely based on administrative expansion, its ability to absorb labour is limited, depending on continuing if not increasing levels of subsidisation, which further exacerbates the economic dependence and dualism. Consequently, non-elite Tibetans in the TAR face increasingly higher hurdles to access and participate in the growing modern economy, which is essentially urban. In other words, there is an undercurrent of exclusion within the growth itself.

COMPARING THE TAR AND TIBETAN AREAS OUTSIDE THE TAR

While many of these conclusions hold for the other Tibetan regions outside the TAR, the heightened misfit between state-led development strategies and the local productive economy appears especially exacerbated in the TAR, possibly relating to the dominance of military and security interests in the governance of this particular provincial-level autonomous region. In contrast, Qinghai presents a much different model at the provincial level, one that is more rooted in the productive sectors and thus more likely to be
able to sustain current growth rates. Nonetheless, most of these developments in Qinghai are spatially concentrated in and around Xining, or in the western mining regions, where the Han and Muslims predominate. Within the Tibetan regions of the province, as well as in the Tibetan regions of Gansu, Sichuan and Yunnan, similar experiences of exclusionary growth mirror the patterns observed in the TAR, albeit with less intensive subsidisation and, inversely, more space for local policy innovation.

In this regard, the main differences between the TAR and the other Tibetan areas are their respective places in the fiscal pecking order. No doubt due to its politically sensitive status as ‘Tibet’, the TAR is much more heavily subsidized than the other areas, and it is largely subsidised directly from Beijing. The Tibetan areas outside the TAR receive subsidies via their respective provincial capitals (i.e. Xining, Lanzhou, Chengdu or Kunming), which are considerably poorer than Beijing and are themselves recipients of central subsidies. In this sense, the Tibetan areas outside the TAR find themselves at the bottom of a fiscal hierarchy that is much more austere and with many more levels of intermediation than that faced by the TAR.

Nonetheless, subsidies, whether great or small, mostly relate to the modern economy, i.e. the urban areas, construction projects and so forth, whereas most Tibetans outside the TAR are as rural, if not more rural, as those in the TAR. The difference in the intensity of subsidisation is therefore mostly seen in the rapidity and opulence of urban development. It can also be seen in the salary levels of those who have access to state or para-state sector jobs, which are again mostly concentrated in the urban areas. Such salaries in the TAR have become among the highest in China, far above those of other western provinces and increasingly so under the Western Development Strategy, regardless of ‘hardship’ condition, which will be further discussed in Chapter Four.

These differences in state-sector salaries lead to the perception that Tibetans in the TAR are spoiled, although such complaints relate mainly to inter-cadre or inter-professional comparisons. They do not relate to Tibetans as a whole, 85 per cent of whom were rural in 2000 census. While average urban household incomes in the TAR were the seventh highest in China among 31 provinces in 2001, average rural incomes were the lowest in China in the same year, even lower than those of Guizhou, the poorest province of China in terms of GDP per person.
In this sense, Tibetan rural areas inside and outside the TAR exhibit a remarkable similarity, reflected in a variety of indicators such as education levels, health indicators or average rural household incomes. This suggests that conditions in Tibetan rural areas are more or less independent from the relative intensity of subsidisation in each province. It therefore appears that increased subsidies in the TAR have largely bypassed the bulk of local Tibetans, who are mostly rural, leaving them in a similar situation to other Tibetans outside the TAR. In this regard, the rural areas of the TAR can serve as a proxy for the experience of most Tibetans in other Tibetan areas.

OUTLINE OF THE BOOK

The book is divided into six chapters. The first provides a conceptual outline of various developmental issues in the Tibetan areas by distinguishing the general dilemmas of peripheral development and Chinese regional development from the specifics of discrimination and marginalisation that might apply to the Tibetan case. This chapter also deals with the oft-noted quagmire of using official Chinese statistics. The second chapter reviews regional development in the west of China from the early 1980s as it relates to the Tibetan areas. The third chapter examines current economic developments in the TAR and Qinghai in more detail, focusing first on the structural characteristics of growth, and second on the sources of growth, namely, subsidised expenditure and subsidised investments. It also reflects on the extreme inefficiency of the TAR development model over the last decade and the subsidy dependence and polarisation that this engenders. The fourth chapter analyses household incomes, poverty and inequality in both rural and urban areas of the TAR and Qinghai. The fifth chapter addresses the predicaments of exclusionary growth in the Tibetan areas, including an analysis of productivity, employment and skill levels, the last viewed through the lens of education levels and how these drive exclusion in labour markets. The conclusion offers some policy recommendations.

NOTES

1 This book refers to the ‘Tibetan areas of Western China’, or more generally ‘Tibet’, as those areas that are administratively defined as Tibetan (Ch. Zang) Autonomous Areas by the People’s Republic of China.
Introduction

China and that are indigenously defined as Bod (Tibet) by people who call themselves Bodpa (Tibetans). The administrative definition includes the only provincial-level Tibetan autonomous area, known as the Tibet Autonomous Region (TAR), which is the territory that was more or less controlled by Lhasa on the eve of the Chinese invasion in 1950. This is the jurisdiction that the Chinese government usually refers to when they use the term ‘Tibet’. The other Tibetan areas – which account for more than half of the total Tibetan areas – are lower order jurisdictions, such as autonomous prefectures or counties, that have been divided and absorbed by four western Chinese provinces – Qinghai, Gansu, Sichuan and Yunnan. The indigenous subdivisions of Greater Tibet are generally known as Utsang, Kham and Amdo, or Central, East and Northeast Tibet. Central Tibet is located entirely in the TAR, whereas Kham has been divided between the TAR, Qinghai, Sichuan and Yunnan, and Amdo has been divided between Qinghai, Gansu and Sichuan.

The term ‘Chinese Muslim’ is often used to differentiate the Muslims who are racially close to the Han Chinese from the Turkic Uighur Muslims of Xinjiang. The dominant group among the Chinese Muslims are the Hui, who are spread throughout the country and are actually quite diverse. Nonetheless, an important concentration of Hui are based in three provinces of Northwest China – the Ningxia Hui Autonomous Region, Gansu, and the northeast corner of Qinghai – which surround Northeast Tibet (Amdo). The Hui population in this northwest region is supplemented by several other small Chinese Muslim groups, such as the Dongxiang in Gansu and the Salar in Qinghai. This book will refer to these groups as Chinese Muslims, or simply as Muslims, and the Uighur Muslims as Uighurs.

This dilemma is also described in the conclusion of Goldstein et al. (2003). The context represents a fairly rare immigration scenario, in that the majority of Han migrants tend to enter at a higher position of the labour hierarchy than locals, local elites aside, contrary to arguments made by Sautman and Eng (2001). Sautman and Eng refer to research in Canada, arguing that immigrants bring a net economic benefit to locals, although this particular Canadian example would be best compared to coastal China, where migrants tend to enter the lower ranks of urban labour markets. In fact, the discursive aim of such Canadian research is focused on deflating local protectionism towards immigration, i.e. the view that immigrants will erode economic privileges by pushing down wages, pressuring government budgets and services, and so forth. The example is therefore not appropriate for the Tibetan areas, where the concern is that immigrants will exacerbate economic exclusion among locals, particularly among local rural migrants and non-elite urbanites. In this regard, the Aboriginal Peoples in Canada would have provided a much more astute comparison, where the
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exclusion of Aboriginals in northern Canadian towns based on natural resource industries has taken place even in the midst of the economic expansion of such towns, with labour opportunities filled largely by non-Aboriginal migration from the south. This dynamic bears a close resemblance to the current bull economy in urban Tibet.

4 For instance, see Rodgers et al. (1995) and Figueiredo and Haan (1998).

5 Note that their conception of citizenship rights encompasses civil, political, economic, social and cultural rights, although these are incorporated into a larger conceptualisation of citizenship that deals with different social and political notions and modes of integration, eligibility, participation, responsibilities and so forth.

6 Qinghai is the province that exhibits the closest characteristics to the TAR, as most of the land area in the province is accounted for by Tibetan Autonomous Areas, with high altitude and low population density similar to the TAR. However, the bulk of the economic activity and more than three-fifths of the population of Qinghai are concentrated in and around the main city of Xining, close to the industrial centre of Lanzhou, a predominantly Han Chinese and Chinese Muslim area. The main mining regions in the north and west of the province were once mainly Tibetan, but now contain a majority of Han and Muslims. Otherwise, large sections of the province, particularly in the south and southeast, resemble the TAR in geography, economy and population.
Western provinces of the People's Republic of China. Representation of Tibetan cultural areas based on maps in the Tibetan and Himalayan Digital Library, www.thdl.org (University of Virginia Library). Note that international boundaries represented are not actual boundaries under international law.
CHAPTER ONE

Discerning the Common from the Exceptional in the Tibetan Areas of China

PERIPHERALITY, POLITICAL ECONOMY AND DISCRIMINATION

The politicised subject of Tibet confuses many of the developmental issues facing the region. In essence, many of these issues are common to other peripheral, remote and low population density regions in the modern period. Whether for reasons of power or competitiveness – usually a combination of both – peripheral regions have undoubtedly become marginalised from economic centres of power through the course of industrialisation and related modern social and economic transformations. Gone are the days when the pastoral societies of Tibet and Mongolia were relatively rich and represented formidable military forces. In particular, the long-run decline in the terms of trade for agricultural products, and in particular for wool, the main tradable surplus of the pastoralists, has eroded the relative economic position of these predominantly agricultural regions within the modern period.

This process is succinctly summarised by the story of wool. In the nineteenth century, Tibetan areas were engaged in an international wool trade via trade with the English through India. Under communism, wool surpluses were redirected towards China. This still offered the prospect of a secure albeit monopsonistic buyer. The control economy oversaw the underpricing of raw materials from the west in exchange for subsidies from Beijing, and thus the reduced terms of trade brought with them the advent and expansion of the modern Chinese state in the Tibetan areas. In the reform period from 1978 onwards, wool was one of the first commodities to be fully
liberalised to international trade in order to supply coastal textile industries.\(^3\) Ironically, with the inflow into China of cheaper and higher-quality wool from Australia and New Zealand, Tibetan wool producers were for the first time faced with the prospect of becoming marginalised from the wool trade. Regardless of local issues of quality or control over distribution, wool surpluses effectively no longer carried the potential for wealth and accumulation that they once commanded.

In contrast, most activities of economic and political importance are today concentrated in urban centres, in industry and services, and in dense population zones. Peripheral regions usually experience a net outflow of resources – material, and more importantly, human and financial – which reinforces their subordinate position within the economic networks of national and global capitalisms. This trend is further accentuated by policies that bias central regions. As a result of the constant leakage, combined with declining terms of trade for their main commodities, such peripheral regions have difficulty in self-sustaining economic development. In contrast, the central regions benefit from the cluster effects of continuously recycled capital and the constant inflow of new resources from the peripheries.\(^4\)

Where peripheral regions have been absorbed into larger political entities, they usually end up as deficit regions. That is, they are subsidised by the core regions of the country. Examples include the Tibetan regions of China, Ladakh and Sikkim in India,\(^5\) the Aboriginal regions of Canada and Australia, and various regions of the US, Europe and Russia. Peripheral regions that find themselves outside of such larger nation state entities, such as Nepal, Afghanistan, Bolivia or the countries of Central Africa, often find themselves in much more dubious fiscal and financial situations. Even the most generous doses of aid and FDI are rarely, if ever, able to muster the same degree of resources that a nation state is willing to plough into its peripheral regions, if only for the motivation of maintaining security and exploiting resources.

In light of peripherality, development issues in the Tibetan areas should be differentiated along three levels, all of which co-exist and interact, in order to clarify their place within the larger matrix of influences in this region. First, there are issues common to most poor developing regions, such as peripheral development, net resource, human and financial outflows, declining terms of trade, poor infrastructure, geo-political subordination and aspects of late demographic transition. Then there are political economy issues
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specific to China, such as the strong urban and/or coastal bias in regional development policy, the strong control over rural–urban migration up to the 1980s or more generally, the fact that the country has evolved out of three decades of Maoism, with the consequent legacy of a relatively equal distribution of land assets. Finally, there are issues specific to the Tibetan regions, such as ethnic or religious discrimination, geopolitical security concerns, yawning gaps in education levels with almost every other region of China, or land management systems such as nomadic pastoralism that are specific to the high-altitude plateau. Further specifying this last level, there are even issues specific to each of the sub-Tibetan regions within each of the five provinces containing Tibetan autonomous areas, given the fact that development policies are largely determined or administered at the provincial level. With regard to policy implementation, education policies, regulation of religious institutions and so forth, variations can even be observed at prefectural and county levels.
Arguments over population serve as useful examples to illustrate the clarity offered by this differentiation. For instance, the official Chinese press regularly highlights the doubling of life expectancy in the TAR since 1951, to 64 years in 2000, and the near doubling of population over the same period as signs of a resounding success in development policy, with the improved conditions credited to interventions by the Chinese state and their elimination of the previous feudal system. While the increase in life expectancy is commendable, it was about the same as the average for all developing countries in 1998, at 65 years, according to the World Bank. Indeed, such increases since the 1950s, given programmes of immunisation and vaccination, the availability of antibiotics and the extension of basic public health care measures throughout the world, should not be viewed as state benevolence but rather as state obligation. On the other hand, rapid population growth itself is a consequence of the late onset of demographic transition, a feature that is observed in all developing countries over the same period, regardless of the quality of development per se. Few point to the doubling or tripling of population in many African countries as a sign of developmental success, but rather as a developmental quagmire.

Photo 1.2: Old and new in Shigatse; view of the modern part of Shigatse from the mountain behind Tashi Lhunpo Monastery. The old Tibetan part of the city starts at the bottom of the photo.
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Conversely, the Tibetan Government in Exile and allied international organisations persistently point out that rapid urban growth in the Tibetan areas has been a product of Chinese policy, whereas such urban growth is almost universal throughout the developing world. In fact, the Chinese policy of restricting population mobility up to the 1990s may well have prevented an even faster and more uncontrolled urban growth, for instance by preventing the emergence of slums. Indeed, the fact that Tibetan cities and towns today 'look Chinese' has much to do with the fact that most of such cities and towns simply did not exist prior to the 1950s and their creation or expansion was planned and implemented by the state. Urban expansion inevitably relied on modern building techniques and materials, and might well have also done so under an independent Tibet due to cost effectiveness, competition or contemporaneous construction and design fads. With a similar logic, most Tibetan exile settlements in India 'look Indian'. The frame of reference is therefore misdirected; the Chinese government has not been causing an urbanisation that would not have otherwise taken place, although they have been managing and regulating urbanisation and thereby controlling the manner in which towns and cities take shape, with both positive and negative consequences (the Chinese government emphasises the positive while the exiles emphasise the negative).

Such discernment is essential in order to make an informed critique of Chinese policy in the Tibetan areas, for certain problems might be due to local issues, while others might be the side effects of national political economy, or else of international dynamics, and the source might change over time. For instance, the low terms of trade for agricultural products would have been a matter of national policy in the closed national economy up to the 1970s. This was significantly corrected in the early 1980s as an important component of the rural reforms that brought about the end of collectivisation; a sharp improvement in agricultural terms of trade, achieved by raising the purchasing prices for agricultural goods, accompanied the introduction of the individual household responsibility system. But from the early 1990s onwards, international prices have been playing an increasingly important if not dominant role in determining local agricultural prices, particularly since China’s ascension to the World Trade Organisation in 2001. Thus in the last decade, liberalised international trade has replaced socialist state planning as the principle force behind the deteriorating terms of trade of the main agri-
cultural commodities produced by Tibetans, such as wool, grains and rapeseed.

In light of the long-term economic marginalization of most peripheral mountainous regions, some aspects of development in the Tibetan areas might even be compared favorably with similar surrounding regions, such as Nepal, Bhutan, the Himalayan regions of India and even Northern Pakistan or Afghanistan. Nonetheless, this study will not engage in international comparisons, even though these might be useful for understanding trade dynamics between the TAR and neighboring countries such as Nepal. Instead, the study will focus on regional comparisons within western China in order to discern the special characteristics of the Tibetan areas that must be addressed by current western development strategies in China.

METHODOLOGICAL HURDLES: DEALING WITH THE OFFICIAL STATISTICS OF CHINA

There exists a whole body of literature that specializes in discrediting Chinese statistics, most of which refers to the over-reporting of Chinese statistics. The general aim of the literature is to deflate enthusiasm over the last two decades of 'Chinese exceptionalism', i.e. rapid growth, particularly following the East Asian financial crisis. Nonetheless, recently and earlier in the 1990s, there were speculative spates when many argued that the Chinese economy and its growth were also being underestimated. Therefore, the argument is often made that any use of official Chinese statistics lacks validity and must be replaced by independent surveys and case studies. Such views must be addressed because they are continuously evoked from all sides – by Tibetan exiles as well as some Chinese scholars and officials themselves – particularly where findings are contentious.

The standard argument contends that the deeply ingrained and still-operational system of politico-bureaucratic advancement based on the achievement of prioritized targets results in an incentive structure whereby officials will tend to inflate or even fabricate whatever data may pass through their sphere of influence. Consequently, many argue that the statistics cannot be trusted, and that the Chinese growth miracle is far less robust than it appears on the books, particularly in the provincial reports of GDP and growth, which tend to be blatant in their exaggeration. In the extreme, some authors go to the extent of claiming that the exceptionalism of China is cooked.
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There is a degree of official support for the more moderate forms of this argument. The National Bureau of Statistics (NBS) has publicly rejected provincial GDP estimates since 1997 on the basis that they are falsified and exaggerated. The NBS has substituted its own downwardly adjusted estimates for national aggregates ever since, and although it continues to report the data of the provincial accounts provided by the statistical bureaus of each province in the national yearbook, it notes that ‘the sum of the regional data is not equal to the national total’ (CSY 2002: 50). As a result, it is common that all or most of the provinces record growth above the national average estimated by the NBS, leaving none or few to actually pull down the average to the national growth rate (Rawski 2001). Even with regard to the national rate, former Prime Minister Zhu Rongji himself has recently and repeatedly admitted that even these adjusted national NBS growth figures may be overestimated by several percentage points. Therefore, there is little dispute regarding a marginal distortion of the growth figures at the very least.

Nonetheless, regardless of their accuracy, the official data are the only sources available capable of providing an overview of the macro society and economy, particularly among the non-household sectors, i.e. the government and corporate sectors. Indeed, the alternatives to official data – independent surveys – deal mostly with household surveys and thus sidestep the issue of measuring public and corporate entities, which account for a sizeable proportion of the economy, especially in the Tibetan areas where the state still predominates everywhere outside agriculture. Precisely for this reason, the official data carry considerable importance in policymaking, just as inaccurate census, survey and GDP data in the West carry similar importance.

In contrast, detailed case studies are extremely insightful, yet they lack the capacity to generalise outside household sectors, across a region, let alone across several regions, particularly given that they are often chosen with certain particular characteristics in mind (i.e. household income and consumption). A few recent Western studies, in collaboration with the Chinese Academy of Social Sciences, have made considerable effort to collect independent survey data across regions (again, only at the household level), yet invariably most Tibetan regions are excluded. For instance, Khan and Riskin (2001) present findings from an independent national survey that drew a large sub-sample of households in both 1988 and 1995 from the annual rural and urban surveys of the National Bureau of Statistics.
The TAR was not included in either rural survey, and Qinghai and Xinjiang were not included in the rural survey of 1995. All three were excluded from both of the urban surveys. In other words, these surveys did not treat the two only autonomous regions of China where ethnic minorities are still a majority of the population, nor the province with the next highest proportion of ethnic minorities in China. Chinese statistical bureaus therefore especially maintain hegemony over macro presentations of these Tibetan (and Uighur) areas, a hegemony which is guarded due to the security concerns related to these areas.

Clearly the official statistics cannot be taken at face value, but this is not to say that they do not have any value. It is quite likely that the National Bureau of Statistics (NBS) strives to record survey data accurately, within the range of their political, technical and institutional constraints, and considering this, their collected data certainly have considerable value, albeit taken in context. Regardless of the instrumental or constructed uses of the official data, they do manage to reflect aspects of a rapid socioeconomic transformation observed by many through fieldwork or independent surveys. In my own ongoing field work, I am always surprised to witness how the broad structural dynamics that one can detect in the official macro data, such as those analysed in depth in this book, are confirmed over and over again during fieldwork, whether from the insights of a semi-literate Tibetan peasant, an educated Tibetan teacher, a Chinese government official, or a Western NGO worker. In other words, there are certain developmental dynamics that are self-evident from the ground and which are reflected in broad comparisons of the official data, even if the accuracy of each number is dubious. In this sense, the relevant object of inquiry, insofar as it concerns exclusion or other processes that actually impact the lives of people, concerns changes in a variable over time, or changes in its relation to other variables over time (taking into consideration definitional changes that might actually change the aspect of what is being measured over time as well) rather than the precise measurement of the variable per se.

For instance, it is possible to observe the consequences of regional political economy by comparing provincial price indices across China, even if the precision of each price index is doubtful. Up to 1990, when the southeast was overheating while price controls were still being maintained in the west, official inflation rates were lower in the western provinces than in the eastern provinces. After
1992, official inflation rates were higher in the west, and highest in the TAR, reflecting the liberalisation of prices in the west, inflationary pressures from increased subsidies in the TAR, and the build-up of stocks in the east.

Similarly, if these price indices are then used to index nominal current value household incomes, the resulting real incomes demonstrate quite clearly that average rural per capita household incomes in the TAR were more or less stagnant throughout much of the 1990s, an observation that most rural Tibetans tend to agree with. More generally, growth of real rural incomes in the western provinces throughout the 1990s appears to have been correlated with changes in the terms of trade of farm over industrial goods, a logical result given that agricultural activities play a greater role in western rural incomes than in the east, where rural industrialisation has been much more significant. In various cases, rural incomes also reflect environmental or economic shocks, such as droughts and periods of high inflation, although these shocks appear only once the incomes are indexed to inflation.

Related observations can be seen in real per capita GDP measures. For instance, once indexed to inflation, per capita GDP in the TAR was actually recessionary from 1991 to 1995, falling in real value throughout these years, as discussed in Chapter Two. On many occasions I have reported this revelation to Chinese and Tibetan scholars and officials with experience in the TAR and I have never been met by an attempt at refutation. Rather, they all confirm this observation. This is precisely why the government in Beijing started treating the development of the TAR with urgency from 1994 onwards. However, the recession was never publicised. Instead, the TAR government was advertising rapid growth (in current value non-indexed yuan) in efforts to attract domestic and foreign approval and investment. The recession itself can only be observed by indexing per capita GDP to inflation, a simple exercise that most laymen are not bothered to do.

Furthermore, although there are definite difficulties with reporting, it is simplistic to reduce these difficulties to the one issue of over-reporting, working in the direction of an upward exaggeration of GDP statistics. For instance, Holz (2002: 28) notes that while most of the literature on this issue in China focuses on over-reporting, under-reporting is also very significant, as it is in all countries, developing and developed. Indeed, whereas over reporting has been an issue in the primary and secondary sectors (i.e. exaggerating output claims
to meet targets), in general it has been noted that the tertiary sector tends to be underreported in China, with many service activities going unreported altogether. Given that the tertiary sector accounts for about one-third of GDP in China (and growing rapidly) and more than 50 per cent in the TAR (and growing very rapidly), under-reporting in these areas is bound to significantly counterbalance over-reporting in other areas, particularly in the TAR where industry is minimal. Issues are therefore invariably more complex than over-reporting, particularly as economies become more diversified and various contrasting incentives compete with each other, such as tax evasion versus cadre oriented target achievement. In this regard, over-reporting is only one end of the spectrum and must be considered within a wider range of measurement issues, including under-reporting, distorted and misleading reporting, mistaken reporting, non-reporting, differences in the manner of reporting rural and urban statistics, and differences in the definitions or timings of various sources.

Considering these various influences, statisticians and others working with hard data, such as demographers, generally recommend avoiding the temptation of correcting the data. The assumed correction may be wrong and may add more error than it eliminates, with the further complication that it would then be unclear whether the error derives from the original source or the corrections. For instance, in his account of the upward GDP corrections made by the World Bank for several years, starting in 1994, Holz (2002: 37) notes that many of the corrections were disputed or not justified, and ultimately, the World Bank ended this practice from 1998 onwards. Therefore, due to the lack of credible alternatives, the existing data sets provided by the Chinese government must be looked on as proto-representations of a reality that, in any case, will only be understood through approximations, even with the best of intentions and the most controlled of surveys.

Additionally, it is rather one-sided that there is so much emphasis to discredit the Chinese statistics on the grounds of over-reporting and large discrepancies. The extension of the argument to the OECD countries is rarely contemplated, despite the fact that the tendency for over-reporting is by no means an isolated Chinese phenomenon. It occurs the world over. In light of Enron and Parmalat, many examples might be evoked from the collusion of private and public actors in the USA and Europe. The result of vastly over-reported revenues of numerous publicly listed companies,
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along with ghost revenues on the books of thousands of offshore shell companies – a practice much more common than many like to admit – does not deter Western policy makers from taking corporate, national or current accounts seriously. Nor does the World Bank dare tinker officially with GDP statistics of OECD countries despite these cases of the recent past, along with numerous other evidences of over-, under- and false reporting in OECD countries since the breakdown of the Bretton Woods system in early 1970s.

In the case of China, although precise economic values or growth rates may be questioned, the official data seem to portray overall relative trends with a degree of reliability, if interpreted properly as discussed above. Indeed, this is the strength of a structuralist method, versus statistical modelling. The former deals with structure and its historical evolution, and thus trends and relative proportions supersede in importance the precise accuracy of any one variable. This ultimately leads to a descriptive and inductive method that is not necessarily obstructed by the relative imprecision of statistical sources, so long as many interpretative elements are brought into play, both quantitative and qualitative. On the other hand, statistical modelling is much more sensitive to the precise accuracy of a statistic because it is based on an analysis of correlation between a limited number of variables. Therefore, the concern for precision in part reflects the econometric obsessions that have come to dominate the field of economics, particularly in the US, where time-static cross-sectional studies override most other forms of inquiry in the hopes and efforts to mimic pseudo-scientific experiments.

Ultimately, it comes down to a question of quantitative epistemology in the social sciences, which applies to China as much as it applies to the rest of the world. Statistics must be looked upon as heuristic interpretative devices, used as clues to pry into multi-faceted and complex social and economic realities, realities that are path dependent, and socially and historically embedded in institutions and discourses. In this perspective the data can often be found to say more than they do not say, and even statistical anomalies and discrepancies in themselves can offer insight into the particularities of any given social dynamic. They should not be discarded offhand, nor should their discrepancies be assumed to follow a unidirectional bias. An obvious antidote to any anomaly is to examine it from as many angles and sources of data as possible in order to refine interpretation.

Regardless of these methodological issues, the state uses its hegemony over the production of official statistics to present
conditions within its territory, forming the basis for most official references, even at the level of international institutions such as the World Bank and the UNDP. They therefore deserve to be taken seriously and are worth examining in their own right. For instance, if rapid GDP growth in the TAR is being showcased, then it is worthwhile to examine the presentation of such growth in detail, for this might clarify a variety of issues that would otherwise be in contention.

NOTES

1 This discussion of peripherality is inspired by the intellectual lineage of structuralism, as it evolved in the field of development economics in the first decades of the post-war period, mainly in Latin America and with the United Nations acting as the supporting environment, as opposed to the Bretton Woods institutions that supported more mainstream interpretations of economic development. One of the most influential and seminal thinkers in this regard was the late Raul Prebisch, head of the UN Economic Commission for Latin America and the Caribbean in the 1950s and the first Secretary General of the UN Conference for Trade and Development in the 1960s. He was the primary original source of centre-periphery theory as it came to be articulated in the 1950s and 1960s. Other related seminal authors of that period include Arthur Lewis, Hollis Chenery, Albert Hirschman, Gunnar Myrdal, and Ragnar Nurkse, among others.

2 See Goldstein (1989) for some descriptions of the wool trade in the first half of the twentieth century, and Shakya (1999) on the redirecting of this trade towards China from the 1950s onwards.

3 For an account of these dynamics in the mid- to late 1980s and the responses of the Central government and coastal industries, particularly with respect to wool, see Chapter Four of Yang (1997). In the case of the wool trade, conflicts in distribution and pricing – known as the commodity or wool wars – were overcome in the short term by importing wool from abroad, and Australian wool producers gladly started to supply 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 liberalisation of most non-strategic commodity 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.

4 The most dramatic example of this is the United States within the world economy. The country has been consistently consuming more than it produces by running current account and fiscal deficits for most of the
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post-Bretton Woods period. This has been financed by positive net inflows of capital from other regions of the world, with a significant proportion coming from the peripheral developing world, China being the notable example in recent years. This process accentuates instability in the peripheries, which itself is often instigated by policies dictated from Washington, and instability in turn reinforces the flow towards the core. For instance, Latin America and Africa were net exporters of capital during their debt crises of the 1980s, much of it destined to the US bull economy. Similar processes work with material and human resources, i.e. trade flows and migration.

5 Bhutan could be included here as a form of protectorate, as about 60 per cent of Bhutanese government expenditure is financed by India. See Sautman and Eng (2001).

6 More specifically, see http://devdata.worldbank.org/hnpstats/cd2.asp for 2002 life expectancy estimates. The average for all low-income countries was 58 years, 65 years for all low and middle income countries, and 69 years for ‘lower-middle income’ countries. China presumably belongs to this last category.

7 The sharp improvement in agricultural terms of trade gives a fuller explanation for the rapid fall in rural poverty experienced across China in the first half of the 1980s, although popular accounts usually only mention the incentive effects of de-collectivisation. Similarly, the subsequent fall in agricultural terms of trade from the late 1980s to the mid-1990s also helps to explain the slower growth of real rural incomes as well as the much slower rate of rural poverty reduction, as discussed by Khan and Riskin (2001) and in Chapter Four of this book. Lessons for the international economy are pertinent; improvements in the relative prices of agricultural commodities received by household producers in the developing countries would probably have one of the most pervasive impacts on world poverty, versus targeted poverty reduction strategies conducted in the face agricultural trade liberalisation and continued agricultural subsidies in the rich countries.

8 See, for instance, the account by Holz (2002: 36–37) of the efforts of the World Bank to upwardly correct the Chinese GDP data in 1994. More generally, the theories of over or under-reporting must be viewed in light of international trade negotiations and academic fads among China watchers. When China was negotiating its entry into the WTO, many in the West claimed that the country should be treated as a middle-income rather than a low-income country, thus allowing for less leeway in the conditions being placed before its entry. Later, claims that growth was much lower than reported supported popular theories of the crumbling of China, which carried much currency among the ascendant militant neo-conservatives in the USA. Recent allegations that growth is under-
estimated would similarly support those in the USA who argue that China is benefiting disproportionately from international trade. In most cases, alternative estimates of growth are based on a handful of proxy indicators that appear to have been conceived with an advanced industrial economy in mind, i.e. largely urban, industrial and service oriented. The proxies therefore gloss over the fact that about 50 per cent of the labour force is still in agriculture, more or less disconnected from such proxies yet influencing the GDP estimates. It is therefore unlikely that the independent proxy measures are any more accurate than the official figures.

9 See Rawski (2001) for one of the more sophisticated and prominent versions of this argument, which has raised a fuss ever since.

10 For instance, see his interview with the *Asian Wall Street Journal*, April 1999, cited in TIN (2000) and also the references to him in Rawski (2001). Zhu qualifies his statement in the AWSJ by arguing that although there may be an exaggeration of the growth figure, this would carry over from year to year, and thus the trends of the growth figures are more or less well represented even if the exact numbers are not known. Note that the comments of Zhu appear to play a part in his campaign against corruption and fraud. Also see the discussion of over-reporting in *The Economist* (2002: 45).

11 For an excellent analysis of the institutional constraints on the quality of statistics in China, see Holz (2002).

12 The rural and urban surveys contain different sets of questions and different methods of calculating incomes, and thus the resulting rural and urban incomes are not comparable.

13 For instance, the definition of ‘urban’ varies in each one of the five major Chinese censuses, and thus urbanisation rates are simply not comparable across censuses. Also, whereas the 1990 census was conducted in the summer, the 2000 census was conducted in November (Yixing and Ma 2003). This difference in timing would be especially significant for the Tibetan regions, where much of the migration is seasonal and would not have been captured in the 2000 census, although this latter census was generally designed to measure migrants.

14 As early as the mid-1970s the current accounts of the major OECD countries started to develop noticeable and increasing discrepancies that eventually led the IMF to recommend a special working party in 1983 to investigate the discrepancies. By the time the IMF came out with its report in 1987, the *Report on the World Current Account Discrepancy*, both the capital account and the net errors and omissions in the world balance of payments also started to develop increasingly abnormal discrepancies. This led to another recommendation in 1989, leading to another report in 1992, this time on the capital account, the *Final Report*
Discerning the Common from the Exceptional in the Tibetan Areas of China of the Working Party on the Measurement of International Capital Flows. By 1992, the working party’s report on capital flows claimed that ‘the world capital account statistical systems are in a state of crisis’, and that the state of affaires had ‘worsened dramatically [since 1988] and may well continue to worsen in the absence of a major effort to improve the data’ (IMF 1992: 1). In particular, the errors and omissions undermined the whole effort, making it ‘difficult to ascertain each country’s true capital (and current) account position and, therefore, how much saving the country has been providing to, or absorbing from, the rest of the world’ (ibid.). Again, it is to be noted that most of the major offenders in these discrepancies were the OECD countries, with the USA leading the way. The UK, France, and Germany all recorded very large and consistently positive errors and omissions, that is, consistently under-reported inflows into their economies or over-reported outflows, a possible indication of various types of systemic over-reporting.
CHAPTER TWO

A Brief Summary of Regional Economic Development in the Reform Period

The economic performance of the Tibetan areas in the 1990s was obviously heavily influenced by their preceding historical inheritance, which in turn has been moulded since the 1950s by regional political economy in China. While the Maoist decades were foundational, this chapter focuses on the dynamics of the reform period from 1978 onwards. For references of the pre-1978 period, see Goldstein (1989) for a history of the pre-1950s, Dreyer (2003), Goldstein (1998) and Shakya (1999) for historical overviews of the post-1950s, and Fischer (2002) for a brief account of the legacy of Chinese occupation from the 1950s to the 1970s in terms of the integration of Tibetan areas into Chinese regional economic planning.

Following the beginning of the reform period in 1978, development in the Tibetan areas must be framed within the larger perspective of the general lagging of the interior and western regions of China behind the rapidly growing eastern coastal regions. In particular, the most dramatic lagging was seen in the TAR and the northwest of China.1 The main policy initiatives now in place in the TAR and other Tibetan areas evolved out of this larger context of increasing regional inequality and the national responses that were designed to correct it from the mid-1990s onwards.

LAGGING OF THE NORTHWEST AND TIBETAN AREAS

Although the northwest and the Tibetan areas have been growing during the reform period, their lagging behind the rest of the country has been cause for much concern. The worst cases of lagging have been in the northwestern provinces of Qinghai,
Ningxia and Gansu, and in the TAR. Put into perspective, Qinghai, Gansu and the TAR account for about three quarters of the Tibetan population and Tibetan autonomous land area in China, while Qinghai, Gansu and Ningxia are important centres for the Chinese Muslim populations. In these four provincial cases, the fall from pre-reform grace was as dramatic as the meteoric rise of the southeast of China over the same period.

In the 1980s, many economists confused this reshuffling as a convergence of provincial per capita GDPs, due in part to an enthusiasm to read neo-liberal assumptions of regional development into the Chinese experience. The apparent convergence was due to the fact that the once poor southeastern coastal provinces quickly caught up to the national average in the early 1980s, while the once privileged northern provinces stagnated towards the same average from above. By the late 1980s and early 1990s, it became clear that the convergence had become divergence as the southeast surpassed national averages and continued to distance itself from the northwest. This is best represented by the reversal of roles between Qinghai in the northwest and Fujian in the southeast since the late 1970s.

Several studies have examined the lagging in general terms, such as Naughton (2002) and Hussain (2002a). Naughton calculates the radically changing rank orders of provincial per capita GDPs between 1978 and 1995. All four of the above provinces are at the very bottom of his list, Qinghai falling 11 places, Ningxia 12, Gansu 16 and the TAR 20 (Naughton 2002: 61). Hussain finds similar results between 1980 and 2000, measured in terms of the ratio of provincial per capita GDP to national per capita GDP, although his study does not include the TAR. In his findings, Xinjiang first experienced a sharp relative improvement in the 1980s, probably due to oil and other mineral exploitation, but then joined the downward trend in the 1990s, similar to provinces like Inner Mongolia and Yunnan. Otherwise, all of the other northwest provinces again found themselves as the worst performers in the country, with negative trends in both decades, each recording falls in relative per capita GDP amounting to more than 25 percentage points vis à vis the national average. Gansu recorded the worst relative fall over the twenty-year period, while Ningxia and Qinghai recorded the worst relative falls in the decade of the 1990s (Hussain 2002a: 1). In other words, the provinces that account for about three-quarters of the Tibetan population and territory emerged as the leading laggards amidst exceedingly rapid national economic growth. If the Tibetan areas of
western Sichuan could be included into this analysis, a similar pattern would most likely be seen.

This relative fall must be put into context. The northwestern provinces, along with parts of Sichuan, comprised the privileged core of the Third Front industrialisation strategy during the Maoist period. Throughout the 1960s and up until the early 1970s the Maoist development strategy pushed industrialisation into the interior of China, particularly that of heavy industry, in what later became known as the ‘Third Front Strategy’. The main focal points of such industrialisation were Sichuan, Gansu and Qinghai (Cannon and Jenkins 1990: 36–38). The orientation was predominantly militaristic, with an ethos that emphasised egalitarianism and self-reliance, although the Third Front industries were nonetheless heavily subsidised by the Central government, particularly those connected to the military. The strategy aimed at building up a military-industrial base in the interior of China that would be difficult to access by the military threats on three fronts; the Soviet Union, India and the US via the coastal areas (Wei 2000: 28). The beginning of the end of this strategy was the détente with the US in 1972 rather than reform in 1978. Détente reduced the coastal military threat, thereby allowing a reversal of the national industrial strategy back towards the more efficient coastal provinces. The importation strategy of Hua Guofeng in 1972 signalled this shift (Cannon and Jenkins 1990: 38; Yang 1997: 25–26).

The strategy of interior subsidisation was supported by another major policy of Maoist regional development, what Yang (1997) calls the ‘circular payments system’ or the ‘circular resource allocation system’. This system had particular relevance to the TAR as it institutionalised the subsidisation of the Tibetan economy by the Central Government. A circular system was established between the regions of China whereby state-fixed prices for energy and raw materials (including agricultural products) were kept low in order to subsidise processing industries, which were concentrated in the coastal areas, while these industries were in turn heavily taxed, and their surpluses were returned in the form of transfer payments to the raw material producing regions, predominantly located in the interior and western regions (Yang 1997: 62). Thus, by 1978–80 Shanghai turned over to the Central Government a surplus equivalent to more than 50 per cent of its GDP, while provinces like Inner Mongolia, Ningxia, Xinjiang and Qinghai received subsidies from the Central Government of over 20 per cent of their GDP, and the TAR of over 60 per cent (UNDP 1999: 65). Much of these sub-
A Brief Summary of Regional Economic Development in the Reform Period

Subsidies were oriented towards the interior industrialisation strategy or the parallel and autonomous military structure in the western provinces, mostly bypassing the rural areas, which were expected to be self-sufficient within this system despite the fact that much of their output was undervalued.

It should be noted that the Tibetan areas remained far away on the sidelines of interior industrialisation. The TAR itself experienced only a slight increase in industrialisation relative to the national average, which peaked in 1974 and was likely attributable to the military stationed there (Yang 1997: 22). In general much of the industrialisation of the Third Front Strategy was concentrated in strategic centres that were isolated from military fronts and sensitive border areas, which by definition precluded most of the TAR. The Tibetan areas outside the TAR would have been more influenced by this strategy, in particular Qinghai, which served as a centre for prison labour camps as well as several nuclear facilities. The Third Front requirements for regional self-sufficiency would have also generated considerable demand for forestry and mining resources in the Tibetan areas located close to Chengdu, Lanzhou or Xining, and it also marked the beginning of mineral exploitation in the Tibetan areas of western and northern Qinghai.

However, due to the nature of the strategy, most Tibetans even in these Tibetan areas outside the TAR were sidelined, remaining mostly agrarian and organised under collectives throughout this period. In general, it has been pointed out that this strategy was quite inefficient, particularly in the western economies where scarce resources were squandered in inefficiently planned and located heavy industries. Much of this was due to the top-down nature of the Maoist development strategy in which ‘projects were built under the direction of a small group of central leaders and with little regard to local interests’ (Yang 1997: 24). Because of ‘the dominance of the “unit” mentality, which was strengthened owing to the military nature of most of the projects, 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’ (ibid: 23). These considerations would have played an especially significant role in the Tibetan areas given the political and security sensitivity of these areas. Most Tibetan areas experienced some form of major uprising in the late 1950s and some remote areas, such as Yushu in Qinghai, witnessed ongoing guerrilla activity well into the 1960s. Tibetans were generally not trusted for their patriotism or
revolutionary fervour, which would have precluded most of them from leadership in the strategic third-front activities.

More generally though, the economies of the northwest were relatively privileged throughout this period and the TAR was heavily subsidised. Thus the lagging of the northwest and the TAR in the initial years of the reform in the late 1970s and early 1980s in part reflected the redirection of industrial investment away from the interior and towards the coastal areas, a process that had begun as early as 1972 as mentioned above. Once the reforms gained momentum, the lagging of the northwest represented a further confluence of factors. The reforms eroded the system of regional fiscal redistribution, resulting in a marked decline in the level of subsidy that was directed from the centre to the interior and western provinces, measured as a proportion of provincial GDP (UNDP 1999: 65). Meanwhile, the system of under-pricing raw material inputs for industry was maintained until the early 1990s as a means of subsidising the coastal industries. This had a disproportionate impact on the western provinces, whose economies were largely dependent on the production of such inputs. This price system was maintained despite the fact that the disappearing subsidies were originally intended to offset it. As argued by numerous authors, the rhetoric of ‘comparative advantage’ during the first decade of reforms was effectively a means of giving preferential treatment to the coastal areas in order to enhance their already strong growth potential, while disadvantaging the interior and western regions in order to free resources for this coastal take-off.3

The strategy was essentially successful in producing rapid national growth. The coastal areas led the growth, where most of the foreign direct investment was concentrated and where an increasing share of national investment was redirected. Also, fiscal decentralisation and enterprise reforms allowed for greater local retention of tax revenues and profits, as well as greater self-reliance (Liu and Lin 2002: 87). This reinforced the rich areas that had the resources to improve services, support businesses and so forth, but it had a debilitating effect on the poorer ‘deficit’ areas that were burdened with lower social indicators, poorer infrastructure and a dependence on outside funding to cover already existing expenditures. The combination of these factors naturally created a cluster effect for the coastal areas, which in turn acted as sponges, attracting human, material and financial resources throughout the country. As a result, even though pre-reform price structures were gradually dismantled and liberalised in the late 1980s
and early 1990s, the momentum of regional disparities continued more or less unremitting.

In addition to these policy issues, the slow growth of agricultural incomes after the mid-1980s had a disproportionate impact on the interior and western regions, which were more rural and agricultural than the coastal areas. The early 1980s had seen a quick boost in rural incomes throughout the country as a result of the one-off effects of de-collectivisation and a sudden (administered) increase in the terms of trade of agricultural products. Nonetheless, agricultural output growth slowed considerably from 1985 onwards, up until about 1994 (Brandt et al. 2002: 68). As a result, real rural per capita incomes in the predominantly agricultural regions stagnated for much of this period. Growth in national average rural incomes was driven by the expansion in non-farm rural activities, such as township and village enterprises (TVEs), yet the importance of these phenomena also started to sputter in 1990s (Woo 2002: 245). In any case, TVEs were also concentrated in the coastal areas, as were opportunities for non-farm wage labour. They therefore also helped to exacerbate regional disparities between coastal and interior rural areas. In contrast, the fate of rural areas in the western provinces remained much more closely tied to the fortunes of agriculture, and in particular to grains. Grains in turn were particularly stagnant between 1985 and 1994. Given that the Tibetan areas are some of the most rural and agricultural of the country, and have remained dependent on a limited range of products such as wool and barley, which were not strategically protected by the government as in the cases of rice and wheat, rural Tibetans have been particularly susceptible to these macroeconomic conditions.

This is not to say that the western or Tibetan regions did not grow. In fact, in comparison to many developing countries over the same period, even the poorest provinces such as Gansu, Guizhou and the TAR managed to achieve robust growth rates in certain years. Nonetheless, in real per capita GDP terms, i.e. after indexing for inflation, it is also accurate to say that most of the western provinces were either going through boom-bust cycles or were stagnant and even recessionary for several years in the first half of the 1990s. Although the accuracy of these provincial GDP data might well be suspect, it would not be the case that the recessionary trends were purposely crafted, for instance, as a means to attract poverty alleviation funds. To the contrary, at the level of official discourse, most of these provinces were promoting high current value growth
rates (i.e. not accounting for inflation) in the race to attract investment following the Southern Tour (nanxun) of Deng Xiaoping in 1992 and the subsequent spread of Special Economic Zones (SEZs) throughout the country in one administrative form or another. Rather, the actual recessionary trends only become apparent once growth rates are deflated by the inflation rates, which reached over 20 per cent in 1994 in most of the western provinces and were highest in the TAR. The possibility that provincial growth rates were in fact being over-reported further emphasises the dire straits faced by many of these western provinces in real terms.

PROVINCIAL GROWTH COMPARISONS FROM 1992–2001

The exercise of indexing provincial per capita GDP to inflation and determining the real per capita growth rates from 1991 to 2001 is presented in Table 2.1 opposite. The year of 1991 is chosen as a starting date because this is the first year that provincial GDPs are recorded in the various national statistical yearbooks according to the UN System of National Accounts. The selection of provinces, as throughout this study, includes all of the western provinces besides Chongqing. Also included is Inner Mongolia, defined as proto-western under the Western Development Strategy (WDS) initiated in 2000, as this province shares many characteristics with the northwest provinces such as semi-arid climate, pastoral rural areas and low population density. Fujian and Guangdong are presented as two contrasting examples of rapid and sustained growth in the southeast coastal areas.

It is clear that, according to official statistics, the TAR was in a real per capita GDP recession (or depression) from 1992, the first year for which these growth rates have been calculated, until 1995. Similarly, Gansu experienced negative real per capita GDP growth in 1994 and 1995, and Qinghai in 1996, with very little positive growth in 1994 and 1995. The more densely populated southwest provinces (Sichuan, Yunnan and Guizhou), along with Shaanxi and Xinjiang of the northwest, were apparently going through boom-bust cycles, with very high real per capita growth in one year followed by contraction in the next. This may partly be an artefact of sputtering statistical collection, particularly in the poor and under-resourced western provinces, which would have been struggling extra hard to come to terms with the dual national challenges of improving the method of data compilation and
Table 2.1: Annual percentage change in real per cap GDP, constant 2001 rmb

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<tr>
<td>National</td>
<td>3.1/yr</td>
<td>11.2</td>
<td>14.4</td>
<td>12.1</td>
<td>7.5</td>
<td>5.7</td>
<td>6.1</td>
<td>5.6</td>
<td>5.0</td>
<td>5.3</td>
<td>7.7</td>
<td>5.8</td>
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<tr>
<td>TAR</td>
<td>-1.6</td>
<td>-2.5</td>
<td>-5.8</td>
<td>-1.5</td>
<td>8.7</td>
<td>11.3</td>
<td>15.5</td>
<td>14.7</td>
<td>7.1</td>
<td>16.3</td>
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<tr>
<td>Qinghai</td>
<td>5.9</td>
<td>13.4</td>
<td>2.2</td>
<td>0.1</td>
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<td>3.5</td>
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<td>Gansu</td>
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<td>5.5</td>
<td>-2.7</td>
<td>-1.6</td>
<td>16.0</td>
<td>5.1</td>
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<td>Ningxia</td>
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<td>13.6</td>
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<td>4.7</td>
<td>7.3</td>
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<td>10.2</td>
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<td>6.6</td>
<td>16.1</td>
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<td>0.1</td>
<td>13.0</td>
<td>4.3</td>
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<td>Inner Mgr.</td>
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<td>21.9</td>
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<tr>
<td>Fujian</td>
<td>18.6</td>
<td>39.6</td>
<td>17.8</td>
<td>7.6</td>
<td>15.1</td>
<td>11.9</td>
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<td>Guangdg.</td>
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Sources: See References, pp. 176–177
implementing unfamiliar statistical concepts’ (Holz 2002: 25). Nonetheless, in comparison to either the national or the coastal situation, it is safe to say that the economic environment of the west was either stagnant or unstable up until the mid-1990s.

This bumpy ride in the peripheries of the national take-off resulted in their lagging, evident in the following two figures. Figure 2.1 (opposite) traces real (constant value) per capita GDP, while Figure 2.2 (p. 26) measures the changing ratios of each province to the national average, also in constant terms. All of the western provinces experienced a significant widening of the gap between themselves and the national average up to the mid-1990s, due largely to the years of stagnancy amidst rapid national growth. The relative fall of the TAR (Figure 2.2) was the sharpest until 1995. In 1996 the province fell to the position of second lowest per capita GDP, just under Gansu, although it regained third place in the following year and has since recovered to an average western position. Qinghai and Gansu also suffered significant lagging, with the fall of Qinghai stretching until 1997. Guizhou was and remains by far the poorest province of China in terms of per capita GDP.

In contrast, the coastal example of Fujian is noteworthy. The province was still below the national average until 1992, close to the upper range of western provinces and almost identical to Qinghai. Its spectacular take-off took place entirely in the years following the Southern Tour in 1992. In other words, the immediate benefits of the post-nanxun liberalisation were mainly accrued by newly emerging coastal provinces as the de-concentration of industrial development spread along the coast, rather than into the interior.

Growth or no growth, the lagging of the northwest (and the TAR, which is really a proto-northwest province) had serious human implications in terms of poverty and potential unrest. The more populous southwest and central provinces dwarf the northwest provinces in terms of absolute numbers of poor, i.e. a head count. Nonetheless, poverty rates – the percentage of the population that is considered poor – in the latter northwest provinces (and the TAR) are generally higher in both rural and urban areas. Under the economic stagnancy up to the mid-1990s, poverty alleviation also proved more difficult, economic trickle-down was sparse and poverty rates may have even been increasing in some of these provinces.

For instance, the large independent survey on poverty and inequality presented by Khan and Riskin (2001) indicates that ‘deep’ and ‘extreme’ rural poverty were actually increasing in Gansu
Figure 2.1: Per capita GDP in constant 2001 rmb of selected provinces, 1991–2001

Source: See References, pp. 176–177
Figure 2.2: Ratio of provincial/national per capita GDP, 1991 to 2001, constant 2001 rmb

Source: See References, pp. 176–177
between 1988 and 1995, while decreasing in southwest provinces such as Guizhou and Yunnan, although ‘broad’ poverty was nonetheless increasing in several of the southwest provinces as well (Khan and Riskin 2001: 65–67). As previously mentioned in Chapter One, their study did not include the TAR in either of the survey years, nor Qinghai in the 1995 survey. A recent report from the Asian Development Bank (2003) also asserts that rural poverty rates in the TAR and Xinjiang were among the highest of the country in 1999, followed by Ningxia, although this statement seems to be based on a comparison of provincial-level minority autonomous regions alone, perhaps assuming that these were the poorest provinces of China (ADB 2003: 271–272).

Indeed, the continuing course of regional development throughout the 1980s and 1990s, in terms of its main implications for rural Tibetans, has generally undermined Tibetan rural incomes despite the one-off improvements experienced at the beginning of the reform period. This is aptly described by the story of wool. Wool was to become one of the first commodities to be completely liberalised in the 1990s, in terms of both domestic market pricing and international trade. The role of administrative controls to keep the price of wool low was thereby replaced by the impact of cheap imports. As a double irony, by the time administrative controls on the pricing of many agricultural commodities were ended or phased out in the mid-1990s, market prices of these goods fell below the previously unfavourable fixed quota prices, most particularly in the case of wool and grains. As a result of these factors, the real value of sheep wool (i.e. the purchasing power obtained by selling one unit of sheep wool) dropped by about three quarters in the Tibetan areas between the late 1980s and 2004. This would have acted as a powerful downward pull on the real value of Tibetan rural incomes, given the importance of herding in most Tibetan areas. It also helps to explain the lack of incentive of Tibetan herders to commercialise wool production in recent years.

The message from these various insights is clear: economic lagging has not merely been a relative matter, i.e. a slower reduction of poverty compared to eastern provinces, but possibly also an absolute issue of increasing destitution for the local population. In particular, the recession in the TAR in the first half of the 1990s was far from facilitating poverty reduction. Given the political contention that pervades the minority regions in general and the Tibetan areas in specific, such social realities were not to be taken lightly.
State Growth and Social Exclusion in Tibet

WESTERN DEVELOPMENT AND POVERTY REDUCTION
FROM THE MID-1990s

The stage was set for alarm bells to start ringing in Beijing sometime in the early 1990s, at the repeated insistence of many who were shocked by the sheer speed of the rising inequalities: regional, rural-urban, inter-household and even intra-household. As a result, several decisive policy initiatives were taken in order to curb such tendencies, such as: the 8-7 plan in 1994, which was complemented in the TAR by the outcome of the Third Tibet Work Forum in Beijing in the same year; the focus on western development in the Ninth Five-Year Plan (1996–2000), which was the precursor to the Western Development Strategy, and; finally the Western Development Strategy itself in 2000, complementing the Tenth Five-Year plan and supported in the TAR by the Fourth Tibet Work Forum in 2001. To a certain extent, these initiatives were pre-planned given that prioritisation of the west was projected for the Ninth Five-Year Plan as early as the Seventh Five-Year Plan (Yang 1997: 28). Certain reforms at the national level also allowed for such initiatives. For instance, the tax reform of 1994 and related fiscal reforms in the two following years crucially re-shifted a large proportion of tax revenues from the provinces back into the hands of the central government, allowing it to finance poverty alleviation or redistributive strategies (Liu and Lin 2001: 96–98).

Thus from the mid-1990s onwards, spending and investment increased in the western region, and economic growth picked up and sometimes even surpassed national growth rates. The lagging of the west was buoyed if not reversed, as observed clearly in the two figures above. This was especially the case in the TAR, which was the special focus of the often-mentioned 62 provincial and central construction aid projects implemented during the course of the Ninth Five-Year Plan. To a lesser extent, Qinghai also rebounded. The reversal of the lag was also partly aided by bumper crops in 1996, which coincided with a sharp rise in the terms of trade of agricultural goods lasting from 1994 to 1997. Together these would have had a disproportionate positive impact on the more agricultural western provinces, inverse to the situation from 1985 to 1994.

Yet on the twist side, these improvements in per capita GDP have been accompanied by a sharp increase in socio-economic inequalities, which will be analysed in the following chapters. Kuznets is invariably evoked, i.e. that the early stages of take-off into industrial or capitalist development have historically involved increases in
inequality as a means or outcome of stimulating productive accumulation and efficiency gains. The theoretical payback is explained by the equally evoked saying that 'all boats rise with the tide', i.e. that poverty decreases even while inequality increases. This has generally been the case in China from the beginning of the reform period up to the late 1990s, although it remains to be seen whether this will be sustainable into the twenty-first century, particularly in the laggard regions.

Concerns of the relevance of the Kuznets hypothesis especially apply to the current strategies of developing the Tibetan areas. The nature of fiscally stimulated growth in the Tibetan areas has been considerably different from rapid coastal growth. It has also been different from the moderate growth of the central and non-Tibetan western areas, particularly from such western growth centres as eastern Sichuan, whose characteristics are more central than western. Because spending and investment in the Tibetan areas are concentrated in administration or in high-profile construction projects, they tend to polarise growth. The elicited rises in inequality are not necessarily 'efficient' in the sense implied by Kuznets because they are discon-nected from local productive capacity. These factors consequently make it more difficult for all boats to rise with the same tide.

**NOTES**

1 Conceptually, all of the Tibetan areas would be most appropriately defined as North Western. The TAR and the Tibetan areas of Sichuan and Yunnan belong to the southwest administrative region of China, due to the pattern of invasion and occupation in the 1950s. Nonetheless, in terms of population, geography, climate, economic performance and other development issues, they have little in common with the densely populated lower-altitude regions of the southwest but much in common with the northwest.

2 Note that this system was also the operating principle of rural-urban exchange within regions, whereby agricultural prices were undervalued in order to subsidise urban workers. However, the rural-urban exchange did not necessarily include a backflow of subsidies from urban to rural areas given that rural areas were expected to be self-sufficient.


4 National grain output only rose by 0.9 per cent per year between 1985 and 1994, versus 4.9 per cent per year between 1979 and 1984 (Brandt et al. 2002: 67–68).
In 2000, the total population of Tibetans in China had an urbanisation rate of 12.8 per cent, compared to a national rate of around 36.9 per cent. Urbanisation rates for Tibetans in the TAR reached a high of 15.2 per cent, while in Qinghai they reached a low of 8.6 per cent (Tabulation, Tables 1-6, 1-6a, 1-6b and 1-6c).

To a lesser extent, wheat and rapeseed and a few other crops also feature among the harvest of the TAR. Wheat accounts for about one-third of grain output. Meat and related animal husbandry products also complement wool, although per capita meat output is low in comparison to wool, and even lower than the national average per capita meat output. Per capita wool output on the other hand is among the highest in the country.

For a detailed description of the SEZ mania following the nanxun, see pp.45–57 in Yang (1997).

They do not appear to include Qinghai and Gansu, or any of the southwest provinces besides the TAR in their comparison, although it includes Guangxi and Inner Mongolia (ADB 2003: 272). This is because the chapter in question deals with minorities, and thus makes a comparison of autonomous regions. This is a seriously flawed method given that administratively-defined autonomous regions are a poor way to represent those provinces with high ethnic population shares. For instance, the proportion of minorities in the population of Qinghai, which is not an autonomous region, is the third highest in the country, higher than in the Ningxia, Guangxi or Inner Mongolia autonomous regions, and only surpassed by the Tibet and Xinjiang autonomous regions. Similarly, the proportions of minorities in Yunnan and Guizhou, neither of which are autonomous regions, are equivalent to those of Guangxi and Ningxia autonomous regions and higher than that of the Inner Mongolia Autonomous Region.

The poverty of the Tibetan rural areas astonished Hu Yaobang during his visit to the TAR in 1980, which led him to immediately declare a moratorium on various policies that were accentuating their economic burden. For instance, see Dreyer (2003) for a description of these various events. This coincided with the general trend of pro-rural reform policies throughout China in the early 1980s, such as de-collectivisation, which was implemented in most Tibetan areas in 1983 and 1984, as well as improvements in the terms of trade for agricultural goods, i.e. better agricultural prices relative to industrial goods. All of these policy changes made a definite improvement in the general standard of living of the Tibetan rural areas, although they were underlain by a collapse in rural health care (also occurring throughout China) as well as a sudden reduction in the supply of primary education in the early 1980s – see Iredale et al. (2001: 144–146) for a historical overview of education in the TAR.
A Brief Summary of Regional Economic Development in the Reform Period

10 See Chapter Four in Yang (1997) for a detailed description of these policy decisions and related events such as the trade wars in the late 1980s.

11 This trend has been noted by Brandt et al. (2002) in function of agricultural products in general. Throughout the entire experience of regional development from the Maoist period up until the late 1980s, price liberalisation would have implied higher rural 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 commodity prices were liberalised in early 1990s, this was accompanied by international trade liberalisation, which eliminated the potential gains of ending administrative price controls, along with other factors such as oversupply of these commodities in the late 1990s.

12 This observation is based on field research in the Tibetan areas, inside and outside the TAR. In the late 1980s wool was selling for about 20 yuan per kilogram, whereas today it sells from 6 to 10 yuan per kilogram on average, depending on quality. Over the same period of time, the general cost of living in the TAR and Qinghai has more than doubled. Therefore, the actual purchasing power of one kilogram of wool effectively fell by three quarters since the late 1980s.

13 The 8-7 Plan was a major poverty alleviation strategy intending to eliminate the remaining rural poverty of the country, which was evaluated at 80 million people (thus the eight, for eight qianwan in Chinese numbers) by the year 2000 (thus the seven, for seven years).

14 Discussions of price dynamics and agricultural output can be found in Brandt et al. (2002: 97) and Lu (2000: 196). The terms of trade can be found in the CSY (2001: Table 9-3), measured as an index of industrial over farm prices. The index fell sharply by 10 points (a relative improvement for farm prices) in 1994 and stayed at that level until 1997, when it started to creep up again. During the post-1997 price disequilibrium, both agricultural and industrial prices were deflating, although agricultural prices more so, and thus the index rose sharply again from 1998 to 2001. This explains much of the dynamics in western rural incomes, discussed later in Chapter Four.
CHAPTER THREE

The Makings of Polarisation and Dependency in Tibet

Growth under the Western Development Strategy

Rapid per capita GDP growth, i.e. higher than the national growth rates, started to take place in the TAR as early as 1996 but was slower to start in Qinghai, where growth rates picked up by 1998, as shown in Table 2.1 and Figures 2.1 and 2.2 in Chapter Two. In the TAR, this was directly linked to spending and investment initiatives started by the Third Work Forum on Tibet in 1994 and the Ninth Five-Year Plan in 1996. The process of rapid growth was therefore already well under way in both provinces on the eve of the WDS. The process accelerated from 2000 onwards. In 2000 and 2001, GDP growth rates (non per capita) in the TAR were apparently the highest of all the western provinces and among the highest in the country. Growth rates in Qinghai also surpassed 10 per cent in both years. Reports at the end of 2004 confirm the continuation of these trends, with the TAR experiencing four consecutive years of over 12 per cent GDP growth between 2001 and 2004 (Chinaview 2004).

The comparison of the two provinces nonetheless presents two different stories. Underlying rapid growth in the TAR has been a radical economic restructuring away from productive activities such as agriculture and industry, despite the fact that the TAR is the most agrarian province of China (with the possible exception of the island province of Hainan). Growth has been concentrated in urban services, particularly administrative expansion, and large-scale construction projects, such as the Golmud–Lhasa railway, both of which concentrate employment in high-wage and high-skill labour. Spending and investment has also been mostly concentrated in the state-sector. This is quite different from developments in Qinghai, where structural transformation has been much closer to the national norm.
The Makings of Polarisation and Dependency in Tibet
despite the second highest levels of subsidisation in the country. More than half of the increase in GDP in Qinghai has taken place in secondary activities, albeit this is probably dominated by mining and energy sectors and heavy industry. Construction and administration, while also important, appear to play a supporting role to productive sectors rather than overwhelming them the way they have in the TAR. Investment is also diversified, including a significant participation of non-state sectors as in the rest of China. Rapid growth in Qinghai is therefore more likely to be self-sustaining than in the TAR, where growth generates a sharp polarisation of the economy and a continuing if not increasing dependence on subsidies to produce future growth.

The following analysis examines these various aspects of growth in the TAR and Qinghai in the years just before and after the introduction of the Western Development Strategy (WDS), from 1998 to 2001, and to a limited extent including some data from 2002 and 2003. Comparisons are made with the national average and with other western provinces. The chapter is divided into three parts. The first deals with the structure of economic growth. The second deals with the sources of growth, including an examination of the uses of government expenditure. The chapter ends with an analysis of the dilemmas posed by the development model adopted in the TAR in terms of the inefficient use of subsidies and investment, along with the economic polarisation and dependence that this engenders.

I. STRUCTURE: GDP GROWTH AND SECTORAL COMPOSITION

The following series of tables (p. 34) examines the GDP and sectoral values from 1998 to 2001 in current prices. During this four-year period, the Chinese economy was faced with mild deflation in 1998 and 1999, and very slight inflation in 2000 and 2001. As a result, general price indices in 2001 were almost identical to 1998. Thus nominal renminbi (rmb) values more or less represent the real values throughout this period. Note that ‘I, II and III’ stand for primary, secondary and tertiary sectors. The secondary sector is broken down into M+I (mining and industry) and C (construction). ‘Chg rmb’ is the net change over three years expressed in gross renminbi units, using 1998 as the base year, while ‘% Chg/yr’ is the annual growth calculated non-cumulatively, i.e. (Chg rmb/1998 GDP)/3. The national GDP figures should be looked on as examples of the average of growth taking place in the country.
State Growth and Social Exclusion in Tibet

Table 3.1.1: GDP of the TAR, 1998–2001, with sectoral breakdown (100 million rmb)

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>Chg rmb</th>
<th>Chg/yr (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>91.18</td>
<td>105.61</td>
<td>117.46</td>
<td>138.73</td>
<td>47.55</td>
<td>17.4%</td>
</tr>
<tr>
<td>I</td>
<td>31.31</td>
<td>34.19</td>
<td>36.32</td>
<td>37.47</td>
<td>6.16</td>
<td>6.6%</td>
</tr>
<tr>
<td>II (total)</td>
<td>20.24</td>
<td>24.00</td>
<td>27.21</td>
<td>32.18</td>
<td>11.94</td>
<td>19.7%</td>
</tr>
<tr>
<td>• II (M+I)</td>
<td>9.02</td>
<td>9.97</td>
<td>10.13</td>
<td>10.84</td>
<td>1.82</td>
<td>6.7%</td>
</tr>
<tr>
<td>• II (C)</td>
<td>11.22</td>
<td>14.03</td>
<td>17.08</td>
<td>21.34</td>
<td>10.12</td>
<td>30.1%</td>
</tr>
<tr>
<td>III</td>
<td>39.63</td>
<td>47.42</td>
<td>53.93</td>
<td>69.08</td>
<td>29.45</td>
<td>24.8%</td>
</tr>
</tbody>
</table>

Table 3.1.2: GDP of Qinghai, 1998–2001 (100 million rmb)

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>Chg rmb</th>
<th>Chg/yr (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>220.16</td>
<td>238.39</td>
<td>263.99</td>
<td>300.95</td>
<td>80.79</td>
<td>12.2%</td>
</tr>
<tr>
<td>I</td>
<td>41.63</td>
<td>40.54</td>
<td>38.53</td>
<td>42.79</td>
<td>1.16</td>
<td>0.9%</td>
</tr>
<tr>
<td>II (total)</td>
<td>88.42</td>
<td>97.88</td>
<td>114.00</td>
<td>132.18</td>
<td>43.76</td>
<td>16.5%</td>
</tr>
<tr>
<td>• II (M+I)</td>
<td>63.44</td>
<td>69.96</td>
<td>80.55</td>
<td>89.20</td>
<td>25.76</td>
<td>13.5%</td>
</tr>
<tr>
<td>• II (C)</td>
<td>24.98</td>
<td>27.92</td>
<td>33.45</td>
<td>42.98</td>
<td>18.00</td>
<td>24.0%</td>
</tr>
<tr>
<td>III</td>
<td>90.11</td>
<td>99.97</td>
<td>111.06</td>
<td>125.98</td>
<td>35.87</td>
<td>13.3%</td>
</tr>
</tbody>
</table>

Table 3.1.3: GDP of China, 1998–2001 (100 million rmb)

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>Chg rmb</th>
<th>Chg/yr (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>78345.2</td>
<td>82067.5</td>
<td>89442.2</td>
<td>95933.3</td>
<td>17588.1</td>
<td>7.5%</td>
</tr>
<tr>
<td>I</td>
<td>14552.4</td>
<td>14472.0</td>
<td>14628.2</td>
<td>14609.9</td>
<td>57.5</td>
<td>0.1%</td>
</tr>
<tr>
<td>II (total)</td>
<td>38619.3</td>
<td>40557.8</td>
<td>44955.3</td>
<td>49069.1</td>
<td>10449.8</td>
<td>9.0%</td>
</tr>
<tr>
<td>• II (M+I)</td>
<td>33387.9</td>
<td>35087.2</td>
<td>39047.3</td>
<td>42607.1</td>
<td>9219.2</td>
<td>9.2%</td>
</tr>
<tr>
<td>• II (C)</td>
<td>5231.4</td>
<td>5470.6</td>
<td>5888.0</td>
<td>6462.0</td>
<td>1230.6</td>
<td>7.8%</td>
</tr>
<tr>
<td>III</td>
<td>25173.5</td>
<td>27037.7</td>
<td>29878.7</td>
<td>32254.3</td>
<td>7080.8</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

The Makings of Polarisation and Dependency in Tibet

This demonstrates the degree to which construction was the fastest growing component in the sectoral breakdown of the GDPs of both Qinghai and the TAR, almost doubling over the four-year period in the TAR, while increasing by close to three-quarters in Qinghai. In both cases, the growth in construction, much of which entails large-scale infrastructure projects or urban construction, far outpaced the growth of other secondary activities (mining and industry). In contrast, construction merely kept pace with GDP growth at the national level, with growth being led by secondary industries and tertiary services.

Nonetheless, beyond this qualification, the two provinces differ dramatically. Precisely, mining and industry in Qinghai still played a leading role in the GDP, in that their growth was higher than average GDP growth, and even slightly higher than tertiary growth. In addition, given that the absolute value of mining and industry was more than double the value of construction, even at slower growth rates it contributed more to the overall increase in GDP value. It is therefore plausible that a large portion of the construction activity was directed towards investment in productive ventures, such as the mining industry in western Qinghai, hydroelectric construction in the east or various processing industries around Xining.

Conversely, mining and industry in the TAR acted as a drag on average GDP growth, growing at about the same rate as agriculture, or almost one-third the overall GDP growth rate. In this province, the tertiary sector was the main force behind overall growth. With a slightly lower growth rate than construction (25 versus 30 per cent), yet accounting for close to 50 per cent of economic activity, tertiary expansion accounted for more than half of the increase in GDP value, as shown below. From this initial insight into the TAR, it would therefore appear that the growth of construction is either related to this tertiary expansion, or at the very least, unrelated to the performance of productive sectors (mining, industry and agriculture).

In all three cases agriculture has been lagging behind GDP growth and is the slowest of all the sectors. In both the national experience and in Qinghai, agriculture stagnated over the four-year period. In the case of Qinghai, this was due to a severe drought in 2000, compounded by the policies to take agricultural land out of production from 1999 onwards, following severe flooding in China in 1998. Given that the northwest region has become increasingly drought prone over the last two decades, the recent drought experience demonstrates the fragility of agriculture in its ability to
sustain a largely rural population, and in particular, Tibetans, who were over 90 per cent rural in Qinghai as of the 2000 census.

In the TAR, agriculture was the slowest growing sector, although it did manage to record modest growth over these four years in comparison to the national experience, growing at about 6.5 per cent a year, an impressive achievement in many areas of the developing world. This growth is in part due to the one-off increases in the amount of land under cultivation in the TAR. Opposite to the situation in Qinghai and most other regions of China, cultivated land in the TAR increased over these years due to the completion of several large irrigation works in the late 1990s. Agricultural growth would also reflect the rapid peri-urban development of greenhouse agriculture and intensive pig farming around Lhasa and the other major cities and towns of the TAR, which are activities that are dominated by Han Chinese migrants. Rapid growth in these areas emphasises the slow growth of the more traditional activities of Tibetan farmers and nomads.

Although the national figures only present an average, that is, a mix between the rapidly growing industrial centres on the coast and the somewhat more stagnant and agrarian interior, they nonetheless represent the average of what is considered to be one of the most dramatic economic transformations in the last century. In this perspective, the growth rates observed in the construction and tertiary sectors of Qinghai and the TAR appear even more dramatic, albeit large changes are easier to elicit in a small economy and population, particularly when the state that is initiating the changes completely overwhelms in size and wealth. These structural changes can be observed in the next set of tables, which examine the sectoral shares as they were changing throughout this period, as well as the contribution of each sector to the overall growth, designated as ‘share/growth’.

The contrast between the two provincial plateau economies is quite clear. The share of the tertiary sector in the TAR, already abnormally large in 1998 as a result of rapid urban and administrative expansion since the beginning of the Third Work Forum in 1994, continued to increase by more than 6 per cent to almost half of the entire GDP in 2001. From a cursory look at the most recent data at the time of publication, this trend peaked in 2002, when the tertiary sector reached 55 per cent of GDP, after which it settled at 52 per cent in 2003, largely due to a phenomenal increase of construction in 2003 (the 2003 GDP data are from CSY 2004: Table 3-11). Up to 2001, the
The Makings of Polarisation and Dependency in Tibet

Table 3.2.1: Composition of GDP for the TAR, 1998–2001 (%)

<table>
<thead>
<tr>
<th>Share/Total</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>Share/Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>54.3</td>
<td>52.4</td>
<td>50.9</td>
<td>27.0</td>
<td>13.0</td>
</tr>
<tr>
<td>II (total)</td>
<td>22.2</td>
<td>22.7</td>
<td>23.2</td>
<td>23.2</td>
<td>25.1</td>
</tr>
<tr>
<td>• II (M+I)</td>
<td>9.9</td>
<td>9.4</td>
<td>8.6</td>
<td>7.8</td>
<td>3.8</td>
</tr>
<tr>
<td>• II (C)</td>
<td>12.3</td>
<td>13.3</td>
<td>14.5</td>
<td>15.4</td>
<td>21.3</td>
</tr>
<tr>
<td>III</td>
<td>43.5</td>
<td>44.9</td>
<td>45.9</td>
<td>49.8</td>
<td>61.9</td>
</tr>
</tbody>
</table>

Table 3.2.2: Composition of GDP for Qinghai, 1998–2001 (%)

<table>
<thead>
<tr>
<th>Share/Total</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>Share/Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>18.9</td>
<td>17.0</td>
<td>14.6</td>
<td>14.2</td>
<td>1.4</td>
</tr>
<tr>
<td>II (total)</td>
<td>40.2</td>
<td>41.1</td>
<td>43.2</td>
<td>43.9</td>
<td>54.2</td>
</tr>
<tr>
<td>• II (M+I)</td>
<td>28.8</td>
<td>29.3</td>
<td>30.6</td>
<td>29.6</td>
<td>31.9</td>
</tr>
<tr>
<td>• II (C)</td>
<td>11.3</td>
<td>11.7</td>
<td>12.7</td>
<td>14.3</td>
<td>22.3</td>
</tr>
<tr>
<td>III</td>
<td>40.9</td>
<td>41.9</td>
<td>42.1</td>
<td>41.9</td>
<td>44.4</td>
</tr>
</tbody>
</table>

Table 3.2.3: National composition of GDP, 1998–2001 (%)

<table>
<thead>
<tr>
<th>Share/Total</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>Share/Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>18.6</td>
<td>17.6</td>
<td>16.4</td>
<td>15.2</td>
<td>0.3</td>
</tr>
<tr>
<td>II (total)</td>
<td>49.3</td>
<td>49.4</td>
<td>50.2</td>
<td>51.1</td>
<td>59.4</td>
</tr>
<tr>
<td>• II (M+I)</td>
<td>42.6</td>
<td>42.7</td>
<td>43.7</td>
<td>44.4</td>
<td>52.4</td>
</tr>
<tr>
<td>• II (C)</td>
<td>6.7</td>
<td>6.7</td>
<td>6.6</td>
<td>6.7</td>
<td>7.0</td>
</tr>
<tr>
<td>III</td>
<td>32.1</td>
<td>33.0</td>
<td>33.4</td>
<td>33.6</td>
<td>40.3</td>
</tr>
</tbody>
</table>

increase in tertiary activities accounted for 62 per cent of the reported increase in GDP over the four-year period. The share of agriculture dropped from 34 to 27 per cent of the GDP, although it still accounted for a significant share of growth, much more than elsewhere in China. This share fell further to 22 per cent by 2003. The share of the secondary sector increased only marginally, from about 22 to 23 per cent (and then more sharply to 26 per cent by 2003), and accounted for about a quarter of growth up to 2001.

The increasing share of the secondary sector nonetheless masks changes between construction and the rest of the secondary sector in the TAR. Construction actually increased its share of GDP from 12 to 15 per cent (and to almost 19 per cent in 2003), and accounted for about 21 per cent of GDP growth up to 2001, whereas the share of industry and mining fell from 10 to 8 per cent (and to 7.5 per cent by 2003), only accounting for 4 per cent of the total GDP growth between 1998 and 2001. Specifically in 2003, construction accounted for 56 per cent of growth, thereby taking over from the tertiary sector as the prime mover of growth in that year. Tertiary activity accounted for 31 per cent of growth in 2003, while industry and mining accounted for 9 per cent and agriculture 4 per cent. The economy of the TAR has been effectively de-industrialising in the midst of phenomenal tertiarisation and a construction boom, even while it is the most agrarian of China.

Note that up to 2001 the TAR was the only province in China in which the entire secondary sector, including construction, was smaller than either agriculture or the tertiary sector, and where the combination of mining and industry was smaller than construction. The secondary sector managed to surpass agriculture in 2003 due to the growth of construction, although on the other hand, the disparity between construction and industry and mining has continued to increase. In fact, the ratio of mining/industry to construction fell from 0.8 in 1998 to 0.5 in 2001 (and to 0.4 in 2003), revealing a complete disjuncture between construction and local non-agricultural productive capacity. In contrast, throughout the rest of China, industry and mining alone, without construction, consistently account for the largest overall share of GDP, from 30 to 40 per cent, and in most cases, even in the west of China, construction rarely surpasses one-quarter of the secondary sector, thus giving a ratio of mining/industry to construction of at least 3 or more. Nationally, the ratio is 6.6, with construction only accounting for 13 per cent of total secondary activity.
One of the few exceptions to this rule in China up to 2001, besides the TAR, was Qinghai, but only with regard to the size of its tertiary sector, not with regard to the importance of industry and mining. In Qinghai both tertiary and secondary activity account for a large share of the economy, reflecting the strong role of industry and mining as well as government and military in the province. The tertiary sector accounted for more of the GDP than industry and mining in 2001, although once construction is added to industry and mining, the resulting secondary sector was still the largest of the three general sectors, at over 44 per cent, slightly higher than the tertiary sector in 2001. This share increased to 47 per cent in 2003, due to increases in the share of both industry and construction, while the tertiary share remained more or less unchanged at around 41 per cent. Increases in the secondary sector were mainly compensated by decreases in agriculture, which had fallen to 12 per cent of GDP by 2003. The ratio of mining/industry to construction was lower than elsewhere in China, at around two in 2001, which was probably due to the weight of several large construction projects initiated under the WDS. As a reflection of the continued balance between construction and productive industry, this ratio was unchanged by 2003.

In other words, like elsewhere in China, rapid growth in Qinghai has been characterised by industrialisation (whereas it is characterised by de-industrialisation in the TAR), and the structural changes taking place in Qinghai over this period have been similar to the national average, albeit with a smaller industrial share and a higher tertiary share. Agriculture dropped from 19 to 14 per cent between 1998 and 2001 and accounted for very little of the growth in GDP over these four years, similar to the national experience where it dropped from 19 to 15 per cent. The share of the secondary sector gradually increased by about 2 to 3 per cent in both cases. The secondary sector also accounted for more than half of GDP growth over the four-year period, although in Qinghai only three-fifths were due to mining and industry and two-fifths from construction, whereas nationally, over 50 per cent of GDP growth was due to mining and industry alone. In both cases, the tertiary sector increased its share by about 1 to 2 per cent, and accounted for just over 40 per cent of GDP growth up to 2001. In historical terms, such structural changes are rapid within the short time period of four years, which sheds light on the dramatic changes taking place in the TAR.

It is useful to frame these changes in terms of combined productive sectors, that is, the addition of agriculture with mining
and industry. In the TAR these fell from 44.2 per cent of GDP in 1998 to 34.8 per cent in 2001, accounting for 16.8 per cent of growth in these years, and most of both shares were from agriculture. In Qinghai, the share of the productive sectors fell from 47.7 to 43.8 per cent, although they accounted for a third of growth, while nationally, they fell from 61.2 per cent to 59.6 per cent, accounting for 52.7 per cent of growth. In both Qinghai and China, the falls were due entirely to the fall in agriculture, and, opposite to the TAR, the share of growth was almost entirely due to industry and mining. These figures demonstrate the degree to which a productive focus has been sidelined from current development in the TAR.

Tertiary sector in Tibet; administration, military and expensive social services

Given that the tertiary sector weighs so heavily in the TAR in terms of both composition and growth rates, and also plays a more prominent role in Qinghai than in most other provinces apart from Beijing, it is worth examining these developments in more detail.

By far the largest tertiary category in the TAR in terms of both share and growth contribution has been ‘government agencies, party agencies and social organisations’. In other words, this is the administrative apparatus of the state, social organisations being para-state, particularly in the Tibetan areas. This category is different from actual social services, such as education and health, which are treated separately. On the other hand, it may include non-military security-related categories, such as police, courts and jails, although this is not explicit in the tertiary GDP data.

Even before 1998, government and party administration was one of the largest categories of the tertiary sector in the TAR, second to trade, but from 2000 onwards it surpassed trade to become the largest tertiary category, growing 47 per cent a year on average between 1998 and 2001, and reaching over 26 per cent of the tertiary sector by 2001. While still growing rapidly, this overblown share settled down to about 21 per cent by 2003 due to a huge jump (or correction of the data) in the transport category, while trade regained first place. While other categories also grew quickly, such as social services, it is the combination of growth rates with the size of the administrative category that has been unprecedented; it accounted for over 22 per cent of overall GDP growth between 1998 and 2001, more than that of construction. By 2001 it accounted for just over 13 per cent of the total
### Table 3.3.1: Composition of the tertiary sector, 1998–2001: TAR (100 million rmb)

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>Chg/yr(%)</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>(% of total tertiary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Tertiary</td>
<td>39.63</td>
<td>47.42</td>
<td>53.93</td>
<td>69.08</td>
<td>24.8</td>
<td>4.8</td>
<td>4.4</td>
<td>4.1</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>Agricultural services</td>
<td>1.91</td>
<td>2.08</td>
<td>2.23</td>
<td>2.18</td>
<td>4.7</td>
<td>4.8</td>
<td>4.4</td>
<td>4.1</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>Transp, post and telecom</td>
<td>5.08</td>
<td>7.37</td>
<td>2.12</td>
<td>4.79</td>
<td>-1.9</td>
<td>12.8</td>
<td>15.5</td>
<td>3.9</td>
<td>6.9</td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>0.67</td>
<td>2.13</td>
<td>2.45</td>
<td>3.22</td>
<td>126.9</td>
<td>1.7</td>
<td>4.5</td>
<td>4.5</td>
<td>4.7</td>
<td></td>
</tr>
<tr>
<td>Social services</td>
<td>1.94</td>
<td>3.11</td>
<td>3.96</td>
<td>4.28</td>
<td>40.2</td>
<td>4.9</td>
<td>6.6</td>
<td>7.3</td>
<td>6.2</td>
<td></td>
</tr>
<tr>
<td>Health, social welfare</td>
<td>2.95</td>
<td>3.30</td>
<td>3.46</td>
<td>4.67</td>
<td>19.4</td>
<td>7.4</td>
<td>7.0</td>
<td>6.4</td>
<td>6.8</td>
<td></td>
</tr>
<tr>
<td>Edu, culture, tele, etc.</td>
<td>5.02</td>
<td>5.41</td>
<td>6.89</td>
<td>9.22</td>
<td>27.9</td>
<td>12.7</td>
<td>11.4</td>
<td>12.8</td>
<td>13.3</td>
<td></td>
</tr>
<tr>
<td>Gov/party + social orgs</td>
<td>7.59</td>
<td>8.51</td>
<td>14.29</td>
<td>18.23</td>
<td>46.7</td>
<td>19.2</td>
<td>17.9</td>
<td>26.5</td>
<td>26.4</td>
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</tr>
</tbody>
</table>
Table 3.3.2: Composition of the tertiary sector, 1998–2001: Qinghai (100 million rmb)

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>Chg/yr(%)</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>(% of total tertiary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Tertiary</td>
<td>90.11</td>
<td>99.97</td>
<td>111.06</td>
<td>125.98</td>
<td>13.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(100 million rmb)</td>
</tr>
<tr>
<td>Agricultural services</td>
<td>1.31</td>
<td>1.49</td>
<td>1.59</td>
<td>1.95</td>
<td>16.2</td>
<td>1.5</td>
<td>1.5</td>
<td>1.4</td>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td>Transp, post and telecom</td>
<td>13.67</td>
<td>16.21</td>
<td>19.19</td>
<td>23.11</td>
<td>23.0</td>
<td>15.2</td>
<td>16.2</td>
<td>17.3</td>
<td>18.3</td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>18.79</td>
<td>19.58</td>
<td>21.37</td>
<td>23.06</td>
<td>7.6</td>
<td>20.9</td>
<td>19.6</td>
<td>19.2</td>
<td>18.3</td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>18.37</td>
<td>17.95</td>
<td>16.20</td>
<td>15.27</td>
<td>-5.6</td>
<td>20.4</td>
<td>18.0</td>
<td>14.6</td>
<td>12.1</td>
<td></td>
</tr>
<tr>
<td>Social services</td>
<td>3.15</td>
<td>3.63</td>
<td>6.26</td>
<td>7.79</td>
<td>49.1</td>
<td>3.5</td>
<td>3.6</td>
<td>5.6</td>
<td>6.2</td>
<td></td>
</tr>
<tr>
<td>Health, social welfare</td>
<td>3.14</td>
<td>3.58</td>
<td>4.07</td>
<td>5.03</td>
<td>20.1</td>
<td>3.5</td>
<td>3.6</td>
<td>3.7</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td>Edu, culture, tele, etc.</td>
<td>8.66</td>
<td>10.58</td>
<td>11.98</td>
<td>14.56</td>
<td>22.7</td>
<td>9.6</td>
<td>10.6</td>
<td>10.8</td>
<td>11.6</td>
<td></td>
</tr>
<tr>
<td>Gov/party + social orgs</td>
<td>14.30</td>
<td>16.95</td>
<td>19.14</td>
<td>23.05</td>
<td>20.4</td>
<td>15.9</td>
<td>17.0</td>
<td>17.2</td>
<td>18.3</td>
<td></td>
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</tbody>
</table>
Table 3.3.3: Composition of the tertiary sector, 1998–2001: China (100 million rmb)

<table>
<thead>
<tr>
<th></th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>Chg/yr(%)</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>(% of total tertiary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Tertiary</td>
<td>25173.5</td>
<td>27037.7</td>
<td>29878.7</td>
<td>32254.3</td>
<td>9.4</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Agricultural services</td>
<td>199.6</td>
<td>221.9</td>
<td>228.5</td>
<td></td>
<td>7.2</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Transp, post and telecom</td>
<td>4121.3</td>
<td>4460.3</td>
<td>5408.6</td>
<td>5222.1</td>
<td>8.9</td>
<td>16.4</td>
<td>16.5</td>
<td>18.1</td>
<td>16.2</td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>6579.1</td>
<td>6910.3</td>
<td>7316.0</td>
<td>7823.5</td>
<td>6.3</td>
<td>26.1</td>
<td>25.6</td>
<td>24.5</td>
<td>24.3</td>
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</tr>
<tr>
<td>Finance</td>
<td>4672.6</td>
<td>4847.3</td>
<td>5217.0</td>
<td></td>
<td>5.8</td>
<td>18.6</td>
<td>17.9</td>
<td>17.5</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Social services</td>
<td>2649.3</td>
<td>2893.7</td>
<td>3249.8</td>
<td></td>
<td>11.3</td>
<td>10.5</td>
<td>10.7</td>
<td>10.9</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Health, social welfare</td>
<td>687.2</td>
<td>742.7</td>
<td>826.1</td>
<td></td>
<td>10.1</td>
<td>2.7</td>
<td>2.7</td>
<td>2.7</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Edu, culture, tele, etc.</td>
<td>1823.9</td>
<td>2098</td>
<td>2391.2</td>
<td></td>
<td>15.6</td>
<td>7.2</td>
<td>7.8</td>
<td>8</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Gov/party + social orgs</td>
<td>1969.1</td>
<td>2201.2</td>
<td>2347.8</td>
<td></td>
<td>9.6</td>
<td>7.8</td>
<td>8.1</td>
<td>7.9</td>
<td>n/a</td>
<td></td>
</tr>
</tbody>
</table>

Sources (to Tables 3.3.1, 3.3.2 and 3.3.3): CSY (2002, Tables 3-1, 3-2 and 3-9) and equivalent tables in CSY (1999, 2000 and 2001).

Note that data for some of the categories for China were not available in the 2001 Yearbook, and thus the rates of change in these cases were calculated on the basis of three years, from 1998 to 2000. Note also that some subcategories of the tertiary sector were not included in this selection, and thus the sum does not equal the total tertiary.
economic activity in the province. This was almost twice the entire mining and industrial activity in the same year and close to the total construction activity as well. It was also growing considerably faster than construction. The expansion of government and communist party administration had quite simply become the ‘engine of growth’ in the TAR under the initial years of the Western Development Strategy.

Qinghai also shows a large presence of government administration in comparison to the national average, although not as dramatic as the TAR. Government administration grew rapidly, at just over 20 per cent a year, although not faster than several other fast growing categories of the tertiary sector, such as health, education, social services and transportation. In fact, the fastest growing category in this regard was social services, at 49 per cent per year, although by 2001 it only reached 6 per cent of the tertiary sector, similar to the TAR but far lower than the national average, where social services accounted for over 10 per cent of the tertiary sector in 2000. Therefore, the rapid growth in social services probably represents an intended policy to compensate for a marked underdevelopment of such activities in Qinghai. In contrast, the government administration category accounted for just over 18 per cent of the tertiary sector in 2001, or 7.7 per cent of total GDP, although this was matched by the trade and transport categories. In other words, growth in the tertiary sector in Qinghai was more evenly spread across the various categories than in the TAR.

Nationally, government administration accounted for about 8 per cent of the tertiary sector in 2000, or about 2.7 per cent of GDP. It grew at about the same rate as the tertiary sector in general, or 9.6 per cent a year between 1998 and 2000. The leading categories were education, health and social services in terms of growth, and trade, transport and finance in terms of share.

The unusually large and rapidly growing category of government administration in the TAR, as well as in Qinghai and Xinjiang (in Xinjiang it grew by 37 per cent a year between 1998 and 2001), might indirectly indicate a military and/or security focus of policy in these provinces under the WDS. If the military were included in the GDP statistics (which they are not) they would mostly tend to show up as tertiary activities, in particular as part of this government administration category. Given the large presence of the military in the TAR, its inclusion into the economic statistics would make the tertiary sector of the province appear even larger than it already does.
Conversely, the huge increases in the government administration category of the GDP may indirectly reflect a military build-up, as any increase in the military requires a parallel build-up of a complementary command and support structure in the public administration to maintain it. The sudden and very sharp increase in government and party administration in the initial years of the WDS in the TAR therefore probably indicates that an expansion of the control apparatus of the state was seen as an essential precondition to the subsequent steps of spending and investment under the WDS.

This is of course a matter of speculation, as military activity in China is one of the most closely guarded secrets of the polity. However, this inference is supported by people who have been living in or visiting Lhasa repeatedly over the last ten years and who note the recent expansion of military facilities around Lhasa and along the highway leading to the Gongkar Airport. The railroad project can also be best understood in this context, rather than any argument concerning its economic potential or viability, of which few if any stand the test of logic. Indeed, national interest in the railroad derives at least in part from its strategic military value, and the construction and eventual maintenance of the railway also contribute to the perceived need for increased military presence in order to protect the new installations. Therefore, as in the past, military concerns probably guide much of the developmental policies in the TAR, indirectly soaking up much of the subsidies as well.

In some of the smaller categories, it is interesting to make several further notes. In the TAR, finance apparently went through a phenomenal increase, basically due to a jump from an almost non-existent level in 1998 to a relatively small share in 1999, and to almost 5 per cent of the tertiary sector in 2001. This was compared to 12 per cent in Qinghai in 2001 and 17.5 per cent nationally in 2000. It is questionable how accurate the 1998 TAR statistic is in this case. It might represent a policy change towards the financial sector in the TAR during these years. For instance, it might refer to a loosening of consumer and business credit in the urban areas in order to meet financial needs created by wage increases, or else to reforms in the pension system, which specifically related to state-sector workers. In any case, it was still quite small by the end of 2001 and it remained at the same share of 5 per cent of the tertiary sector as of 2003. This would indicate that the overwhelming role of direct subsidy in the TAR, which will be discussed in the next section, has led to a marked stunting of the financial sector relative to the rest of China. The implication is that finance and capital
State Growth and Social Exclusion in Tibet

in the province continue to be scarce for those not connected to government channels, thus leaving the average rural Tibetan to rely on informal sources of finance.

Also, despite massive expansion in the tertiary sector, agricultural services grew quite slowly at less than 5 per cent a year, despite the TAR being the most agrarian province in China. Although such services accounted for a larger than national average share of the tertiary sector, that share fell from 4.8 to 3.2 per cent over the four years up to 2001. In addition, the share fell sharply to a mere 1.6 per cent of the tertiary sector in 2003, and even fell in absolute nominal value between 2001 and 2003. Evidently agriculture was not the object of the tertiary expansion. In contrast, agricultural services in Qinghai grew faster than the overall tertiary sector, albeit from a smaller share (and this share was more or less the same as the TAR share by 2003).

The category of transportation and telecommunications exhibits strange behaviour in the TAR, possibly a sign of reporting problems. In general this category has grown quickly in the west of China, such as 23 per cent a year in Qinghai over the four-year period, and it accounts for a large share of the tertiary sector – 18 per cent and increasing in Qinghai, on par with trade. In the TAR this category decreased sharply as a share of tertiary activity and even fell in nominal value between 1998 and 2001. This is most surprising given all of the hype surrounding transport and telecommunications in the TAR. If the data were even remotely accurate, the trend was worrisome. Given the focus on urban centres and long distance networks, the decrease in this overall economic category may have actually indicated a severe neglect of local and intra-provincial transportation networks, such as secondary highways or rural roads, or that little effort was being made to integrate the widespread rural areas into the main networks. In such a case, certain hubs of activity could have been booming in transport and telecommunications, such as along the Golmud–Lhasa highway, while the province as a whole was neglected. This is a matter of speculation, as the blip might simply represent a serious reporting flaw in previous data. Indeed, between 2001 and 2003, the reporting of this category appears to have been corrected, as transportation and telecommunications suddenly surged from 6.9 per cent of the tertiary sector in 2001 to 20 per cent in 2003, becoming the third largest tertiary category (after government administration), similar to Qinghai. Someone appears to have woken up in the TAR statistical bureau.5

Finally, there have also been noticeable increases in the economic value of social services up to 2001 in both the TAR and Qinghai,
particularly since the beginning of the WDS, in line with similar increases throughout the rest of China. In principle this is positive, although it depends on the distribution of such activity. For instance, increases in the economic value of education in part represent the expansion of the University of Lhasa, which has been a major recipient of government-sponsored infrastructure investments. This type of spending is of limited benefit to the rural poor of the TAR, who are faced with a severe shortage of rural secondary schools. Indeed, in 2001 there was only one regular secondary school in the whole of the rural areas of the TAR, down from two in 1998, which was only one per cent of all such schools in 2001. Over the same time period, the number of urban secondary schools had increased from 18 to 20, and county and town secondary schools from 70 to 79. These statistics may not accurately reflect the actual portrait of rural supply, for between these years many rural townships were redefined as towns. Also, the policy regarding rural secondary education in the TAR has explicitly turned towards the option of using boarding schools in county towns as a means to service the extremely dispersed population. Under such a framework, it is possible that more rural students are accessing or will access secondary education while having fewer schools actually located in rural areas. Nonetheless, the comparison with Qinghai is interesting; with the second worst education performance in the PRC (after the TAR) and a similar rural population density, about half of Qinghai secondary schools were located in rural areas in 2001, including one-third of senior secondary schools. Of course, these might be concentrated in the more densely populated parts of the province. Also, regardless of whether they are rural or urban, secondary schools are in very poor supply in the TAR on a per capita basis, far below the national average, which will be discussed below in the section on government expenditure.

In this context, the under-supply in primary and secondary education in the TAR should receive more attention, particularly education that is adapted to the rural areas. For instance, secondary schools are vital for training rural youth in skilled work and for providing a bridge to higher education in the rural areas. Without any serious effort to bridge the shortfall in secondary education in the TAR, increases in the economic activity of education may simply represent a polarisation of education in the province, heavily subsidised and rapidly developing in the urban areas and at higher levels, yet neglected in the rural areas and at intermediate levels,
leaving the poorer sections of the population with a bottleneck to pass through in order to access the opulence of higher education. The same case would apply to the health sector, where increased economic activity may represent improvements in urban health services while rural health care is neglected.\(^6\)

In fact, GDP increases in education or health care also reflect the proliferation of private health services or the fact that price inflation in these services exceeds general price inflation, while not necessarily reflecting improvements in quality or coverage. For instance, in China in general, cumulative general consumer price inflation between 1997 and 2001 was -1.1 per cent (deflation) over these five years, whereas the specific price inflation for health care services was +60.3 per cent over these same five years. The GDP values of health care services over these years would therefore have to be deflated by 60 per cent in order to ascertain their real growth in constant value and to make them comparable to other sectors of the economy. In Qinghai, price inflation in health care services was even higher, at 74.7 per cent, whereas general price inflation over this period was only 2.3 per cent. Prices indices were not available for the TAR from 1997, but from 1998 to 2001 general consumer price inflation was zero per cent while the inflation in health care services was 16 percent. The lower rate in the TAR compared to Qinghai or China might reflect the role of subsidisation in local government revenues, thereby avoiding excessive increases in user fees. However, even in the case of the TAR, this represents one of the most inflationary categories in the economy over these years, whereas agricultural prices were generally deflationary. Similar price issues would also come into play in the category of education, as the specific price inflation for tuition and child care (a subcomponent of recreation, education and culture) was 104 per cent in China (i.e. prices more than doubling) and 82.1 per cent in Qinghai between 1997 and 2001, and 12 per cent in the TAR between 1998 and 2001 (Sources: CSY 1999, Tables 9-3, 9-6, and 9-8, and equivalent tables in CSY 2000, CSY 2001 and CSY 2002). Furthermore, increases in certain social services might reflect the introduction of programmes designated for privileged workers rather than for the general population, who are mostly farmers and nomads in the TAR. For instance, the labour and social security programmes in the TAR that have been promoted over the last few years in the Chinese press are mainly targeted at the group of privileged state-sector employees. Examples would include the introduction of social security, retraining and re-employment for
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laid-off (Ch. xiagang) workers from state-owned enterprises, reforms in the system of old-age pensions for retired state-sector workers, and the establishment of a medical insurance system, which is again directed towards state-sector workers and has only achieved coverage of less than five per cent of the total provincial workforce, apparently all concentrated in Lhasa. In other words, most of the reported successes in social security only deal with this already privileged group of workers. Many of these programme ideas have probably been imported, with good intention, by officials with experience or knowledge of policy innovations in the restructuring of the industrial northeast provinces of China, where state-sector workers cover a much larger proportion of the workforce and unemployment among such workers is high and poses serious social and economic problems.

While this book provides only cursory observations into the recent data of 2003, it is shocking to note that, in fact, the GDP value of the health care sector (combined with sports and social welfare) actually decreased in absolute nominal value between 2001 and 2003, reversing the few years of rapid expansion between 1998 and 2001. In only two years, its share fell from 6.8 to 4.5 per cent of the tertiary sector. This is despite government affirmations that they have been pouring money into health care. It also vindicates many frontline health workers who argue that they have never seen any effective signs of the avowed increases in funding. Education has continued to grow in nominal terms, although much more slowly after 2001, with its share of total tertiary activity also dropping from 13.3 per cent to 11.1 per cent over two years. Given the distributional, price and other factors mentioned above, these decreases are even more alarming, particularly in light of the severe educational and health lags that the Tibetan areas experience relative to the rest of China. Although further analysis is necessary for these observations to be conclusive, it appears as if the government made a short-spurted expansion in these areas, after which their attention was diverted to other issues deemed more worthy or status-fulfilling. This is precisely one of the central problems when policy priorities and strategies are determined from the outside by dictate, in the board rooms and banquet halls of Beijing. Both education and health in the Tibetan areas require a much more long-term, systematic and well-planned expansion than they appear to be receiving if social crises in these two areas are to be averted.
It is claimed that the current strategy in the TAR is to restructure the existing industrial base and to establish certain service/tertiary industries as the ‘lead’ or ‘pillar’ industries of the province. This would contrast with past strategies, which focused primarily on erratic attempts to establish a base of secondary industries, such as mining, energy or certain processing industries. This concept of pillar industry requires clarification. Normally the service/tertiary industries that are able to act as lead industries are found in urbanised centres of economic activity, where they usually represent the core of research and development and other activities that bring high value-added, such as finance within larger economic networks.

For instance, one can talk of finance and insurance as a lead industry in certain financial centres such as Shanghai or Hong Kong, London or New York. Trade can similarly be promoted as a lead service industry in trade centres that act as conduits for trade over and above the normal levels of trade found in any economy. Again, examples might include cities like Hong Kong or Shanghai. Telecommunications is also a huge international tertiary industry that has been developed by some countries as a leading industry, although ownership and proceeds in this industry tend to concentrate heavily in the rich countries of the world. Where education services are highly developed, such as in the UK, the US or Canada, an education ‘industry’ might be cultivated by private, semi-private and even public enterprises in the export of education services. Other service industries might also include cultural industries, such as TV and film, in centres like Bollywood (Mumbai) or Hollywood.

It is difficult to see where these pillar service industries might exist in the TAR beyond the distending government and party administration (and by deduction, the military) or tourism. The expansion of social services, education and health in the TAR was short lived, as revealed above, and whatever increases that were made must be regarded as palliative measures, given significant lags with the rest of China in these sectors as well as in human development indicators such as illiteracy and life expectancy. In addition, these increases in the initial years of the WDS mirrored similar efforts being made in the other central and western provinces of China, and the centre more likely to profit from a pillar industry in social services, such as education, is Chengdu, to which the TAR acts as a sort of subsidiary.
The only conceivable pillar tertiary industry in the TAR, beyond government and party administration, is tourism. Yet this industry tends to be tightly controlled and heavily concentrated in ownership and in the urban areas, especially in the TAR, remaining marginal to most rural Tibetans. In any case, the actual GDP contribution of tourism is dwarfed by the contribution of just one of the main agricultural commodities produced by Tibetan farmers in the TAR, such as barley or wool, let alone the government administration. According to various reports in the Chinese press in 2003, the revenue derived from tourism in 2002 was around 970 million rmb, equivalent to about 6 per cent of GDP, although this is not a value-added GDP measure. It is therefore not comparable to the GDP data. The value-added measure would be less, but it is difficult to calculate given that tourism is spread among a variety of tertiary categories. A comparable revenue measure would be the gross output of farming at 2,760 million yuan in 2001, or animal husbandry, at 2,390 million yuan in 2001 (CSY 2002: Table 12-6). Although tourism is a useful ‘golden egg’ for the provincial government as an easy source of revenue to compensate for the enormous dependence on subsidies, it must be
kept in mind that agriculture is a far more important source of livelihood for the average Tibetan in the province.

Nonetheless, the fact that the ownership of tourism is concentrated in few hands and locations would also imply that its revenue and profits are similarly concentrated and thus easy to access. An example of this includes the 100 yuan entry fee for the Potala palace charged to foreigners and non-Tibetan nationals since 2003, which conceivably generates well over 50,000 yuan a day during the busy months of the summer. Such sources of revenue would be relatively simple to tap into and could conceivably be redirected towards other investment projects or supplement local government revenues (although they should in principle be retained for the renovation of the Potala).

The fact that companies based outside the province control much of the tourist industry accentuates the fact that a large share of the tourism revenue simply leaves the region after a short circulation, perhaps not much longer than the tourists themselves, or else is saved for later repatriation. For instance, most of the tourists visiting the TAR are (Han) Chinese nationals and they mostly stay in (Han) Chinese owned and run hotels on the west side of Lhasa, close to an abundant supply of (Han) Chinese restaurants and entertainment centres, complete with (Han) Chinese brothels and (Han) Chinese sex workers, who obviously service the military personnel and cadres stationed there as well. It is likely that much of the revenue that such tourism generates is channelled through such venues and eventually out of the province altogether. Under such conditions, the tourism industry will have a difficult time functioning as a self-sustaining pillar industry that accumulates capital and profits in the TAR, rather than serving as another drain from which incoming resources flow back out of the province almost as fast as they enter. Tibetan medicine industries, which are increasingly attracting the attention of Han consumers and investors, follow a similar pattern where ownership, distribution centres and head offices are increasingly located outside Tibetan areas.

On the other hand, the sluggishness of secondary mining and industry in the TAR reflects the shift away from resource-based industries in the plateau area, such as mining, at least on a formal level. This in part reflects the environmental concerns of the central government. Moves were made to cut back mining and forestry activities in the ecologically fragile watershed regions following recent flooding in central China in 1998, and most of the Tibetan
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plateau was appropriately designated. Also, given that a large share of secondary industry in the TAR is state-owned, slow industrial growth might also reflect nationwide efforts to scale down the role of state-owned enterprises. Nonetheless, such shifts would have been marginal to employment in the TAR, where only 2.3 per cent of labour was employed in manufacturing and a mere 0.24 per cent in mining and quarrying. In contrast, 6.8 per cent of the workforce in Qinghai was employed in manufacturing and 0.8 per cent in mining (CSY 2002: Table 5-5). The slow growth of mining and industry in the TAR would therefore have impacted a small minority of relatively privileged workers.

Sluggish indigenous pillar: agriculture

The relatively slow growth of agriculture characterises the conditions faced by most Tibetans in the two provinces. It has a more serious long-term consequence on the livelihoods of rural Tibetans than elsewhere in the west of China because the rural economy in the Tibetan areas is far less diversified. As a result, the fate of rural household incomes is more or less tied to agricultural growth. For instance, a worse stagnation in agriculture has taken place nationally and throughout the west of China, but rural incomes have fared much better. In the case of Qinghai and Gansu, the nominal GDP value of agriculture actually fell between 1998 and 2000, due primarily to a severe drought in 2000 and land being taken out of production, as mentioned above. In Xinjiang the value of agriculture remained lower in 2001 than it was in 1998. Agriculture in the TAR did not experience such depression over these four years, but merely grew at about one third the rate of the overall provincial GDP, as also discussed above. Yet, if the official rural household income statistics are to be credited with any accuracy, rural incomes were much more stagnant in the TAR than in these other western provinces.

It is often noted that while the Tibetan areas are vast, arable land is extremely limited. For instance, the TAR accounts for only 0.28 per cent of total national cultivated land, about the same share as Beijing, despite the fact that it constitutes almost 13 per cent of total national land area. However, this measure of arable land is an inept indication of land use, given that pastoralism, either pure or mixed with farming, is by far the most dominant form of land use throughout most of the Tibetan land areas. About 40 per cent of the land area
of the TAR is used as pastures and is therefore used productively, although not as intensively as cultivated land.

Nonetheless, both farmland and pastures are under considerable pressure from overuse, whether due to the debacles of central planning or to increasing population pressure, which has doubled since the 1950s, due entirely to high fertility and birth rates among ethnic Tibetans, not to immigration, which has been mostly urban. Land degradation has been widely reported by both government and independent sources. Therefore agriculture is an extremely limited source of increased employment for the rural population. While technological improvements may benefit the individual farmer by increasing the efficiency of labour, they also increase the redundancy of surplus labour, making the need for non-farm employment even greater. If anything, more Tibetans should move out of agriculture and into other areas of work, but there are very few opportunities. As a result, the fortunes of most Tibetans remain disproportionately determined by their agricultural output.

This analysis thus far is generally in agreement with official assessments of the dilemmas facing Tibetan rural areas. However, official discourse often blames rural poverty on a slow cycle of low output, low investment, low accumulation, leading again to low output. This is an unfair allegation, if official statistics are to be believed, given that data on agricultural production and rural capital accumulation in the TAR contradict these very government assertions. These official interpretations of conditions in Tibetan rural areas appear be picked from a textbook with little relation to Tibet.

In fact, Tibetan farmers have been among the most productive of western China and not far behind the national average in terms of yields per hectare. For instance, the national average grain yield in 1998 was 4,953 kilograms per hectare while that of the TAR was 4,341 kilograms per hectare. The only Western provinces with higher yields in that year were Sichuan (considered to be the garden of China with three harvests a year around Chengdu) at 5,307 kilograms per hectare and Xinjiang at 5,386 kilograms. Yields in Qinghai were at 3,448 per hectare, 3,809 in Yunnan, 4,288 in Ningxia, 3,121 in Gansu, and 4,168 in Guizhou (CSY 1999: 394). The yield of rapeseed in the TAR was even higher than the national average and the highest of the western region, likely due to the fact that rapeseed grows well on high altitude pastures.

These yields represent an impressive productivity of Tibetan farmers, considering that they mostly rely on one crop a year. While
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the TAR accounts for only 0.2 per cent of the national population, it produced 0.27 per cent of the national wheat output (in terms of weight) in 1998, and 3.4 per cent of the national output of cereal grains other than rice, wheat, and corn, i.e. mostly barley (ibid.: 391). In other words, Tibetan farmers have pulled more than their share of the national grain output.

While such indicators of productivity might appear surprising given the manifest rural poverty of the Tibetan areas, they are supported by field observations. Several agronomists working in the TAR and interviewed by the author during fieldwork in 2004 noted that farmland in the TAR is very productive if irrigated. Given that farmland tends to be concentrated in river valleys, this potential can be realized much more easily than farming in the semi-arid conditions of the loess plateau that covers large parts of northern China, where water is very scarce.

Concerning livestock, Tibetans pull even more of their share of national animal husbandry activity. In 1998 the TAR accounted for almost 4 per cent of the national total number of large animals (yak, dzo and cow), about 4 per cent of the national total of goats, and 9 per cent of the national total of sheep. The only provinces with a greater total number of sheep were Xinjiang, Qinghai, and Inner Mongolia, all with much larger human populations (ibid.: 399–402). As a result, the TAR was the ninth largest wool producer in the country, producing three per cent of the total national wool output in 1998. Per household, the TAR was among the highest producers of wool and dairy in the country, produced 115 kg of wool per rural household versus 1.2 kg nationally, and 359 kg of milk versus 17.6 nationally (ibid.: 405).

Furthermore, the production systems in the TAR are in fact characterised by high rather than low investment and accumulation, reflecting the fact that livestock-intensive economies are very capital intensive. For instance, the original value of productive fixed assets per rural household in the TAR by the end of 1998 was 15,068 yuan, about four times the value of the average Chinese rural household, which was only 3,971 yuan. After the TAR, the next highest value was found in Xinjiang at 8,076 yuan per household (CSY 1999: 388). Predictably, about half of these productive fixed assets were in draught and commodity animals, but the other half was in the form of non-livestock productive fixed assets such industrial machinery, transport machinery, buildings for productive purposes, and machinery for farming and animal husbandry, and the values of all of
these categories were significantly higher than in the average Chinese rural household. 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 the
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TAR as there were in the rest of China (ibid.: 389). In other words, the average Tibetan rural household at the end of the 1990s was far more capital intensive than the average Chinese rural household. Therefore, the low incomes of Tibetan rural households are not related to their levels of capitalisation or investment.

In contrast to official allegations, rural Tibetans are quite skilled and productive in what they have always done best – farming and herding – even if these traditional activities remain largely subsistence-based and conducted with minimal assistance from the state. In fact, these statistics reveal that there is a fair deal of wealth and accumulation that is produced in these subsistence economies. This is misrepresented by the income statistics given that these are probably designed with the farming areas of Central China in mind, which emphasise circulating income, whereas much of pastoral wealth is accumulated through assets rather than income. Obviously, certain activities by certain government agencies, such as the Tibetan Academy of Agriculture and Animal Husbandry Sciences in Lhasa, can enhance productivity by introducing hybridised grains and improving the application of agricultural methods. Such pilot projects give hope for even further productive increases in the future, although only a very small share of total government revenue is dedicated towards this purpose.

However, the stagnation of rural incomes in the TAR over the 1990s is not necessarily related to productivity factors. Rather, it is more likely related to price factors, given the collapse in the prices of the main commodities produced by Tibetans (wool and grains) throughout the 1990s, which was analysed in Chapter Two and will be further discussed in Chapter Four. For instance, the terms of trade of wool, relative to the general consumer price index, would have roughly fallen by around three-quarters between the late 1980s and 2004. In most other regions of China, these price factors have been compensated by the rise in off-farm employment in the rural areas, which has been a major cause behind their growing rural incomes. In the TAR, non-agricultural employment in the rural areas is very limited and the fate of rural dwellers is mostly determined by the fate of agriculture (although this has been improving since 2002).

Therefore, although Tibetans may be relatively productive and wealthy in subsistence terms (i.e. having more output and animals than the average Chinese farmer), this subsistence wealth converts poorly into cash income given the low prices for their output, therefore producing the low incomes as measured and reported by
the statistical bureaus. Given their increasing involvement in the so-called ‘commodity economy’, and more importantly, the increasing fees for health care and education, low incomes do generate a strong push factor for Tibetans to move out of agriculture and into cash earning activities, despite the wealth of the subsistence economy in subsistence terms. Rural Tibetans are already aware of this and do not need government policy to encourage them to take up this route. The main obstacle is not lack of insight or will, but rather, the exclusionary tendencies experienced by Tibetans in urban economic opportunities, which will be discussed in detail in Chapter Five.

II. SOURCES OF GROWTH

Resurgent growth in the TAR has been entirely dependent on high and increasing levels of central subsidies and investment, while in Qinghai these have been the predominant causes of growth. In particular, subsidies and investment have increased sharply under the WDS in both cases. Subsidies refer to direct subsidies, i.e. direct budgetary support from Beijing for local government revenues in order to cover provincial deficits (expenditure minus revenue), given that Chinese provinces cannot borrow. Investment is reported as a category separate from the GDP statistics. Investment data do not directly show in the GDP statistics but increases in investment (such as infrastructural construction) will be reflected in the GDP category of construction. Activities such as the 62 provincial aid projects to the TAR in the Ninth Five-Year Plan and the 117 construction projects planned in the Tenth Five-Year Plan would therefore show up in investment and construction data rather than local government revenue data (although the aid funds might in some cases also support local revenue). Investment funding from Beijing would also show up in these data, given that the Central Government finances a large share of investment and construction in the TAR and a significant portion in other western provinces alongside its role in direct budgetary support.

Direct subsidies

As discussed in Chapter Two, the policy of western development from the Ninth Five-Year Plan onwards has reversed the decline in the relative subsidisation of the west by the centre that had marked the first two decades of reform. This reversal has been definitive under the WDS, as relative subsidisation increased significantly in all western
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provinces in 2001. Relative subsidisation refers to the provincial fiscal deficit as a percentage of provincial GDP, or, in other words, the size of subsidies relative to the provincial economy.

In the TAR, the degree of subsidisation had slowly declined through the 1980s and 1990s, stabilising at around 45 per cent of the GDP by the mid-1990s, although slowly increasing thereafter up until 2000. Under the WDS, this proportion shot up from 46.5 per cent of GDP in 2000 to 71 per cent in 2001 (and to almost 75 per cent in 2003). This was mainly due to a sharp jump in the TAR government expenditures by 75 per cent in 2001, which were incidentally equivalent to 75 per cent of the GDP in this same year. This increase in expenditures resulted in an increase in the deficit of 80 percent. Locally generated revenues only accounted for about 6 per cent of total government expenditure in this year, and given that provinces cannot borrow in China, the remaining 94 per cent (equivalent to 71 per cent of GDP) was covered by direct fiscal support, mostly from Beijing.

In Qinghai, the level of subsidy rose from 20 per cent of GDP in 2000 to 27 per cent in 2001. Expenditure increased 48 per cent, from 26 to 34 per cent of GDP. Only about 20 per cent of this expenditure was covered by local revenues in 2001, resulting in an increase in the deficit by 58 per cent, equivalent to 27 per cent of GDP and also covered mostly by Beijing.

Such fiscal increases are shown in the tables and figure below. These revenue and expenditure figures do not include extra-budgetary sources and probably miss out on a variety of other fiscal variables, although these are less of a concern in the Tibetan regions, where revenues are minimal in any case. In the two tables, the fourth row shows the degree to which expenditure is subsidised, i.e. over 94 per cent in the TAR in 2001. The fifth row shows the weight of the government in the economy by measuring the ratio of expenditure to GDP, which was over 75 per cent for the TAR in 2001. The sixth row is a similar measure, showing the ratio of the subsidised deficit to GDP. Given that most expenditure in the TAR is subsidised, this measure is very similar to the previous one, at 71 per cent in 2001. As a baseline for comparison, in 2001 the national deficit was worth 40 per cent of national expenditure, national government expenditure was worth 13.7 per cent of GDP, the deficit was worth 5.6 per cent of GDP and the national per capita expenditure was 1,029 rmb. The comparison highlights the dominant role of the government in Qinghai and the preponderant role in the TAR.
Table 3.4.1: TAR government revenues, expenditures and subsidy (1 million rmb)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>363</td>
<td>457</td>
<td>538</td>
<td>611</td>
<td>67.9 %</td>
<td>13.5 %</td>
</tr>
<tr>
<td>Expenditure</td>
<td>4,532</td>
<td>5,325</td>
<td>5,997</td>
<td>10,457</td>
<td>130.7 %</td>
<td>74.4 %</td>
</tr>
<tr>
<td>Deficit (subsidy)</td>
<td>(4,168)</td>
<td>(4,868)</td>
<td>(5,458)</td>
<td>(9,846)</td>
<td>136.2 %</td>
<td>80.4 %</td>
</tr>
<tr>
<td>Deficit/Exp. (%)</td>
<td>92.0 %</td>
<td>91.4 %</td>
<td>91.0 %</td>
<td>94.2 %</td>
<td>+2.2 %</td>
<td>+3.2 %</td>
</tr>
<tr>
<td>Exp/GDP (%)</td>
<td>49.7 %</td>
<td>50.4 %</td>
<td>51.1 %</td>
<td>75.4 %</td>
<td>+25.7 %</td>
<td>+24.3 %</td>
</tr>
<tr>
<td>Deficit/GDP (%)</td>
<td>45.7 %</td>
<td>46.1 %</td>
<td>46.5 %</td>
<td>71.0 %</td>
<td>+25.3 %</td>
<td>+24.5 %</td>
</tr>
<tr>
<td>Per capita Exp.</td>
<td>1799 rmb</td>
<td>2080 rmb</td>
<td>2289 rmb</td>
<td>3976 rmb</td>
<td>121.0 %</td>
<td>73.7 %</td>
</tr>
<tr>
<td>Per cap subsidy</td>
<td>1654 rmb</td>
<td>1902 rmb</td>
<td>2083 rmb</td>
<td>3744 rmb</td>
<td>126.4 %</td>
<td>79.7 %</td>
</tr>
</tbody>
</table>
Table 3.4.2: Qinghai government revenues, expenditures and subsidy (1 million rmb)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,277</td>
<td>1,417</td>
<td>1,658</td>
<td>1,982</td>
<td>55.2 %</td>
<td>19.5 %</td>
</tr>
<tr>
<td>Expenditure</td>
<td>4,409</td>
<td>5,572</td>
<td>6,826</td>
<td>10,130</td>
<td>129.8 %</td>
<td>48.4 %</td>
</tr>
<tr>
<td>Deficit (subsidy)</td>
<td>(3,132)</td>
<td>(4,155)</td>
<td>(5,168)</td>
<td>(8,147)</td>
<td>160.1 %</td>
<td>57.7 %</td>
</tr>
<tr>
<td>Deficit/Exp. (%)</td>
<td>71.0%</td>
<td>74.6%</td>
<td>75.7%</td>
<td>80.4%</td>
<td>+9.6 %</td>
<td>+4.7 %</td>
</tr>
<tr>
<td>Exp/GDP (%)</td>
<td>20.0%</td>
<td>23.4%</td>
<td>25.9%</td>
<td>33.7%</td>
<td>+13.7 %</td>
<td>+7.8 %</td>
</tr>
<tr>
<td>Deficit/GDP (%)</td>
<td>14.2%</td>
<td>17.4%</td>
<td>19.6%</td>
<td>27.1%</td>
<td>+12.9 %</td>
<td>+7.5 %</td>
</tr>
<tr>
<td>Per capita Exp.</td>
<td>877 rmb</td>
<td>1093 rmb</td>
<td>1318 rmb</td>
<td>1944 rmb</td>
<td>121.7 %</td>
<td>47.5 %</td>
</tr>
<tr>
<td>Per cap subsidy</td>
<td>623 rmb</td>
<td>815 rmb</td>
<td>998 rmb</td>
<td>1564 rmb</td>
<td>151.0 %</td>
<td>56.7 %</td>
</tr>
</tbody>
</table>

Sources: CSY (2002: Tables 4-3, 8-1, 8-19 and 8-20) and equivalent tables in CSY (1999, 2000 and 2001).
It is striking that by 2001, government expenditure in the TAR was slightly greater than in Qinghai, despite Qinghai having almost twice the population. Even more striking, the per capita expenditure in the TAR was more than two and a half times the average per capita rural income in the TAR – a sign of complete disjuncture between spending and local living standards of most of the population. The TAR had a per capita expenditure almost four times the national average, while Qinghai had about two times the national average. Indeed, given that these two provinces have the highest ratios of expenditure to GDP and subsidy to GDP in the country, it is hardly surprising that with sharp increases in expenditure their economies grew the fastest in the west in 2001. The mere injection of cash at such volumes will inevitably create expansion.

To put this into further international perspective, the general benchmark for aid dependence is when foreign aid exceeds ten per cent of GDP. The classic cases of aid-dependent economies are typically found in Sub-Saharan Africa or in countries such as Bolivia in Latin America, particularly following the debt crisis of the 1980s. In these cases, the TAR rivals if not surpasses some of the worst cases in Africa. Of course, aid in the TAR refers to domestic transfer payments rather than foreign aid. Nonetheless, the effects are similar in terms of the distortions in structure or incentives that are created in the local economy, along with the abdication of local power in decision making that heavy outside dependence entails.

Figure 3.1: Effective rate of subsidy (deficit) in various western provinces, 1998–2001

Source: As per tables 3.4.1 and 3.4.2.
Government expenditure

Growth rates in both construction and government administration in the TAR have been vibrant precisely because these two areas have been disproportionately targeted by government expenditure and government-funded investment. In China, capital construction (one of the main forms of investment) accounted for 12.5 per cent of government expenditure in 2001, while it accounted for one-third of expenditure in the TAR and just over one-quarter in Qinghai. By 2003, these proportions had shifted to 11.1 per cent in China, 40.7 per cent in the TAR and 24.2 per cent in Qinghai. Again, the sheer distension of this spending category in the TAR represents large projects such as the Qinghai-Tibet railroad.

Figure 3.2: Proportion of government expenditure in selected categories, 2001

Source: CSY (2002: Table 8-20).

Also, a considerable amount of capital construction in China is privately financed, whereas in the Tibetan areas, most large-scale funding would come from state sources, as analysed below. It is striking nonetheless that capital construction accounts for less public expenditure in China than the operating expenses of education, where-
as in the TAR it amounts to almost four times education spending and in Qinghai about two and a half times.

Even if the category of capital construction is left aside, there was a similar reversal in the TAR with regard to spending on government administration versus education. For instance, 9 per cent of government expenditure in China in 2001 was spent on government administration, about 10 per cent in Qinghai and almost 14 per cent in the TAR. In contrast, 15.5 per cent of expenditure in China was spent on the operating expenses of education, 10 per cent in Qinghai and only 8.5 per cent in the TAR. In others words, the ratio of government administrative spending to education spending was about 0.6 for China, almost one for Qinghai and over 1.6 in the TAR. This imbalance predates the WDS and has existed throughout much of the 1990s, which can be easily tracked in the older yearbooks. By 2003, these ratios were more or less unchanged.

Part of capital construction includes capital construction in both administration (government buildings) and education (schools), and even in this case, a similar imbalance exists. The education sector accounted for 6.4 per cent of national investment in capital construction in 2001, which includes both public and private sources, while government, parties and social organisations accounted for 6.8 per cent, i.e. almost the same. In the TAR, where most of the funds for capital construction come from the public sources mentioned above, the education sector accounted for 6.7 per cent of investment in capital construction, while 11.9 per cent was made in government administration, i.e. close to double. In Qinghai, only 2.6 per cent of investment was made in education, while 6.6 per cent was made in government. The latter proportion is similar to the national average, although the ratio is even greater than the TAR due to the low level of education investment (CSY 2002: Table 6-10).

Nonetheless, as analysed below, Qinghai has many more primary and secondary schools per capita than the national average, while the TAR has considerably fewer than the national average. Thus the low share of capital construction in education in Qinghai in 2001 may be the result of a previous expansion in this area and it is counter-balanced by the share of expenditure in the operating expenses of education. On the other hand, the embarrassing reversal of priorities in both state spending and capital construction in the TAR, along with a lower than national average per capita supply of schools and around 45 per cent illiteracy in both rural and urban areas in 2001,12 indicates that far more attention has been given to state control
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rather than human development relative to the rest of China. Again, this might indirectly reflect the importance of the military interests in the TAR.

Less priority was also given to other types of social spending in the TAR. Again, the relative proportions are partly due to the weight of infrastructural investments in the government budget, and thus it is better to compare various categories to the share of government administrative spending. For instance, expenditure on public health in both China and Qinghai was just under one-half of expenditure on government administration, whereas in the TAR it was about one-quarter. Similarly, expenditure supporting agricultural production in China and Qinghai was about one-fifth of expenditure on government administration, whereas in the TAR it was less than one-tenth. Given that Qinghai does not resemble the TAR indicates that this is not simply an artefact of geographical remoteness, but rather, of a sharp disjuncture between government spending and local needs in the TAR.

A note on per capita spending versus per capita supply of social services (education)
The government might counter that even at these lower proportions of social spending, more yuan per person were still being allocated to social spending in the TAR than nationally. For instance, about 340 yuan of government expenditure was being spent on education per person in the TAR, versus about 160 yuan nationally. However, this measure must be qualified.

To continue with the example of education, the costs per person of providing education in the TAR are much higher than elsewhere in China for several reasons. For one, the salaries of teachers in the TAR were almost double the national average in 2001. Also, it is relatively more expensive to service a low population density region than a high population density region, because the catchment area of one school will cover a much smaller population, and thus the costs of providing school infrastructure per student are higher, particularly where subsidised boarding is supplied or required. For instance, most schools in the minority areas of Qinghai are four to five times more expensive than ordinary schools in China (Cheng 2003: 201).

An important additional factor is that education infrastructure in the TAR is top-heavy. There are fewer primary and secondary schools per person than in the rest of China, but there are more universities
per person. Within the universities, staff-to-student ratios in the TAR are two-thirds higher than in the rest of China. Because universities are more expensive to service than primary and secondary schools, and a higher staff-to-student ratio accentuates this costliness, the top-heavy education structure in the TAR requires much more funding per person than in the rest of China. Although far more yuan per person are being spent on education in the TAR than elsewhere in China, there are actually fewer primary schools per person, far fewer secondary schools per person, and less teaching staff per person at both primary and secondary levels.

Education in the TAR therefore presents a classic bottleneck scenario, as Table 3.5 opposite summarises succinctly. Sichuan is included in the table because its educational achievements are more or less on par with the national average despite being western and relatively poor. It also has a demographic profile that is similar to the national average, whereas the Tibetan areas have a much younger population, and thus a greater potential per capita demand on education resources. Sichuan therefore serves as a contrast to the TAR and Qinghai.

In the first two rows, it is clear that per capita government expenditure on education, as measured by the operating expenses of education, is correlated closely with staff costs in each case. Per capita expenditure in the TAR is more than double the national average, and the average salaries and wages of teachers and staff in education and culture are almost double the national average. In Qinghai, both are about one-quarter higher than the national average. In Sichuan, both are lower than the national average.

The second series of rows shows the per capita number of schools and teachers from primary up to higher education. Although the TAR has one of the youngest populations in China, it records the lowest per capita schools from primary up to the vocational level, and its gap with the national average worsens progressively towards the secondary and vocational levels. The difference at the vocational level is quite dramatic, considering the urgent need for skills training in the province. The per capita number of teachers at the primary and regular secondary levels is also lower than the national average, almost half in the case of regular secondary teachers. Although the inclusion of secondary schools and teachers in other parts of China designated for Tibetans from the TAR would raise these per capita measures, the starting point is so low at the secondary and vocational levels that the addition of schooling outside the TAR would only
Table 3.5: Expenditure, costs and distribution of education in selected provinces, 2001

<table>
<thead>
<tr>
<th></th>
<th>China</th>
<th>TAR</th>
<th>Qinghai</th>
<th>Sichuan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gov exp in education, yuan per capita</td>
<td>160</td>
<td>340</td>
<td>195</td>
<td>99</td>
</tr>
<tr>
<td>Salary (avg education + culture), yuan</td>
<td>11452</td>
<td>21105</td>
<td>14572</td>
<td>9998</td>
</tr>
<tr>
<td>Primary Schools/ million population</td>
<td>385</td>
<td>340</td>
<td>604</td>
<td>364</td>
</tr>
<tr>
<td>PS teachers+staff/ million</td>
<td>4999</td>
<td>4915</td>
<td>5617</td>
<td>4199</td>
</tr>
<tr>
<td>Regular Secondary Schools/ million</td>
<td>63</td>
<td>38</td>
<td>93</td>
<td>60</td>
</tr>
<tr>
<td>RSS teachers+staff/ million</td>
<td>4035</td>
<td>2234</td>
<td>3793</td>
<td>3234</td>
</tr>
<tr>
<td>Senior Sec Schools/ million</td>
<td>12</td>
<td>6</td>
<td>28</td>
<td>9</td>
</tr>
<tr>
<td>Vocational Sec Schools/ million</td>
<td>6.1</td>
<td>1.5</td>
<td>5.9</td>
<td>3.7</td>
</tr>
<tr>
<td>Specialised Sec Schools/ million</td>
<td>2.6</td>
<td>4.2</td>
<td>3.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Higher Ed Institutes/ million</td>
<td>0.96</td>
<td>1.14</td>
<td>1.53</td>
<td>0.57</td>
</tr>
<tr>
<td>Higher Ed student/staff ratio</td>
<td>5.9</td>
<td>3.7</td>
<td>3.8</td>
<td>6.2</td>
</tr>
<tr>
<td>Baseline from 2000 census:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15+ illiteracy rate</td>
<td>9.1%</td>
<td>47.3%</td>
<td>25.4%</td>
<td>9.9%</td>
</tr>
<tr>
<td>Share of population 0–14 years old</td>
<td>22.9%</td>
<td>31.2%</td>
<td>26.9%</td>
<td>22.6%</td>
</tr>
</tbody>
</table>

make up for a fraction of the deficiencies relative to the national average.

In this regard, Qinghai appears to have followed an entirely opposite strategy, with per capita numbers of primary and secondary schools high above the national average in all cases, and the number of teachers at the primary level also about one-eighth higher than the national average. However, the question of quality is an important issue in the Tibetan areas of Qinghai, where education infrastructure is of poor quality and poorly staffed. Also, the high per capita amounts of schools might reflect the duplication of schools due to the minority education system. Nonetheless, the higher supply of education infrastructure probably explains the rapidly dropping illiteracy rates in Qinghai reported in the last five years, from around 40 per cent in 1998 to around 25 per cent in 2001, although again, many of these gains may be largely outside the Tibetan areas of the province.

The pattern reverses at the specialised secondary and higher education levels. The TAR records the highest per capita ratios in the table, also followed closely by Qinghai. Both provinces have low student-to-staff ratios compared to the national and Sichuanese experience. The difference is that the TAR appears to have focused its education strategy at the high end while neglecting the secondary level, despite the fact that secondary is the obvious bridge to tertiary education for the local population. In contrast, Qinghai appears to have conducted a comprehensive education strategy at all levels, despite a significantly lower level of subsidy and per capita education expenditure.

There may be a general feeling among officials in the TAR that teacher training at the tertiary and specialised secondary levels is a prerequisite for expansion at the lower secondary levels of education. However, only one out of the 11 specialised secondary schools in 2001 was designated as a teacher training school (CSY 2002: table 20-24). The situation in the TAR is disturbing because the secondary and vocational levels of education are critical for the creation of a semi-skilled and skilled workforce, able to compete with incoming migrants from elsewhere in China, yet this is precisely where education is most seriously deficient and under-prioritised. The TAR had almost half the national per capita number of regular secondary schools, and one-third that of Qinghai; half the national per capita number of senior secondary schools and almost one-fifth that of Qinghai; and about one-quarter the national and Qinghai per capita number of vocational schools. Given the age structure of the TAR, its supply of education should resemble if not exceed that of Qinghai,
particularly at the primary and secondary levels, regardless of whether it follows a strategy of locating schools in rural areas or in towns.

In other words, regardless of the actual amount of yuan that the government spends in various areas, the bias that is observed in the comparison of allocated shares of government expenditure (government administration versus education), relative to other provinces or the national average, is reflected in the bias of the actual per capita supply of physical and human infrastructure (schools and teachers), relative to the same comparison. The amount of yuan that is being spent per person is therefore more or less an artefact of the relative costs of servicing each location, according to the policies that guide such servicing. This confirms that government expenditure in the TAR is heavily biased towards state control and large construction projects at the expense of local human development (education and health) relative to the rest of China.

**Investment and diversification**

Closely related to the revenue and subsidy increases, investment in fixed assets has also been playing a key role in recent growth in the TAR and Qinghai. Increases in investment to the TAR in fact preceded the dramatic burst in direct subsidisation, fuelling the high growth rates of the TAR in the late 1990s. For instance, the 62 aid projects (mostly construction works) of the Ninth Five-Year Plan amounted to 4.6 billion yuan, more than half the TAR GDP in 1996, and the financing of these was more or less shared equally between Beijing and various wealthy provinces.

Within the context of the WDS and the current Tenth Five-Year Plan from 2001 onwards, even more impressive increases in investment have mirrored the sudden increase in subsidies. The Central Government announced in 2001 that it would invest in 117 construction projects in the TAR worth 31.2 billion yuan, while the Chinese provinces would invest in 70 construction projects worth 1.06 billion yuan (TIN 2001). Together, this was equivalent to about two and a half times the GDP of the TAR in 2001. Interestingly, the provincial contribution, about one thirtieth the amount invested by Beijing, represents a relative withdrawal from the amount invested by the wealthier provinces under the Ninth Five-Year Plan, in contrast to an enormous jump in the role of Beijing.

No doubt, these sharp investment increases under the WDS, along with the predominant role of the Central Government in such
investment, is due to the construction of the Qinghai–Tibet railway and related supporting projects. The railway alone was projected at its outset in 2001 to require about 25 billion yuan in investment. This was almost double the total GDP of the TAR in 2001. As speculated by many, the costs of this project have been greater than expected, and the central government recently allocated an extra 5.5 billion yuan in the end of 2004, deemed necessary in order to complete the railroad as planned for 2007 (CNA 2004). Although this sum is shared between the TAR and Qinghai over seven years, the share directed to the TAR nonetheless dwarfs the local economy.

Given these sharp increases in investment from central and provincial sources (i.e. from 4.6 billion yuan to the TAR in the Ninth Five-Year Plan to more than 32 billion yuan in the Tenth), investment in the TAR and Qinghai has obviously been growing rapidly. For instance, investment in fixed assets in the TAR increased by 26.8 per cent in 2002, to 10.5 billion yuan, of which 87 per cent was destined for infrastructure investments, and it increased by almost as much in 2001 (PD 2003b). Infrastructure investment would include the Qinghai-Tibet railway as one of its main components as well as some of the key projects of the WDS, such as a power supply project for the railway, an airport in Nyingtri and the Lhasa railway station, or certain public utilities such as the construction and expansion of water supply projects and power grids in the rural areas.

In addition to this rapid increase in investment, investment already carried a much heavier weight in the GDPs of both provinces compared to other northwest provinces and the nation as a whole. For instance, investment in fixed assets in the TAR reached about 60 per cent of the GDP in 2001, and 65 per cent in Qinghai, compared to 43 per cent in Gansu, 48 per cent in Xinjiang and 39 per cent nationally. This national level is still considered very high by international standards. Similar to the fiscal situation, local revenues or capital in the TAR (and to a lesser extent in Qinghai) cannot finance such high levels of investment and most is subsidised through the above mentioned outside sources.

One consequence of this dependence on outside government sources of funding in the TAR is that most of it takes place through the vehicle of state-owned enterprises. This is significant because the ownership structure of current investment indicates the pattern of future ownership and distribution in the economy. The following Table 3.6 presents the sources of investment according to ownership, including Gansu and Xinjiang. Qinghai and Gansu were at the core
The Makings of Polarisation and Dependency in Tibet

of the Third Front industrialisation strategy during the Maoist period and have been left with a legacy of a higher-than-average concentration of state-owned enterprises.

Along these lines, Qinghai and the TAR again contrast. The share of investment from state-owned units in Qinghai and Gansu is higher than the national average, although not excessively so. To a certain extent, it is normal to find higher degrees of state involvement in the western peripheral areas because private and foreign capital clusters in the east. Nonetheless, despite the higher share of state-involvement in Qinghai, part of which is also explained by the presence of several large-scale projects, the residual still allows for significant shares of other ownership sources. Similar to Xinjiang, the second most significant are share-holding units. These probably represent the main mode of investment in the mineral and petrochemical industries. Over 8 per cent of investment was made in the individual economy, of which exactly half was made in the rural areas. More than three-quarters of investment by collective owned units was also made in the rural areas.

In contrast, state-owned units in the TAR were the source of 95 per cent of total investment in fixed assets, with little amplitude for other ownership forms, and apparently none in the rural areas outside of the state-sector. Again, given the sheer weight of large-scale projects within the local economy, it is normal that the state-sector would dominate, but the virtual absence of reported investment by collectives and individuals in the rural areas is bizarre. Obviously, there is individual investment in rural TAR, such as individual households expanding a farm building, purchasing a tractor or adding to their stock of animals, as mentioned above in the discussion on agriculture. These are also treated as fixed assets in the rural surveys, but such household investment does not show up in these investment figures. This may be due to the fact that these statistics only measure investment above a certain amount, such as 500,000 rmb in capital construction projects, although the measure for investment in the individual economy is presumed to include smaller amounts. The data therefore probably indicates that very little formal investment takes place in the rural areas between the micro investments by households and the large-scale projects by the state-sector, such as those represented by Township and Village Enterprises (TVEs). This is compared to Qinghai, where 7.5 per cent of recorded investment was made in the rural economy by either individual or collective investors. In the TAR, the only other significant source of investment outside
Table 3.6: Sources of Investment in Fixed Assets, 2001

<table>
<thead>
<tr>
<th></th>
<th>TAR</th>
<th>Qinghai</th>
<th>Gansu</th>
<th>Xinjiang</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investment (1 billion rmb)</td>
<td>8.33</td>
<td>19.64</td>
<td>46.04</td>
<td>70.60</td>
<td>3,721.35</td>
</tr>
<tr>
<td>Investment/GDP (%)</td>
<td>60.0%</td>
<td>65.3%</td>
<td>42.9%</td>
<td>47.5%</td>
<td>38.8%</td>
</tr>
<tr>
<td>... of which (% of total investment)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State-owned units</td>
<td>94.7</td>
<td>59.7</td>
<td>65.1</td>
<td>50.0</td>
<td>47.3</td>
</tr>
<tr>
<td>Collective-owned units</td>
<td>0.3</td>
<td>4.1</td>
<td>8.5</td>
<td>4.2</td>
<td>14.2</td>
</tr>
<tr>
<td>... rural collective-owned units</td>
<td>-</td>
<td>3.3</td>
<td>5.3</td>
<td>3.0</td>
<td>11.4</td>
</tr>
<tr>
<td>Individual economy</td>
<td>2.9</td>
<td>8.4</td>
<td>10.9</td>
<td>11.6</td>
<td>14.6</td>
</tr>
<tr>
<td>... rural individual economy</td>
<td>-</td>
<td>4.2</td>
<td>7.5</td>
<td>5.4</td>
<td>8.0</td>
</tr>
<tr>
<td>Joint ownership economic units</td>
<td>-</td>
<td>0.0</td>
<td>0.1</td>
<td>0.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Share holding economic units</td>
<td>0.8</td>
<td>26.5</td>
<td>13.1</td>
<td>33.0</td>
<td>15.2</td>
</tr>
<tr>
<td>Foreign funded economic units</td>
<td>0.7</td>
<td>0.8</td>
<td>0.6</td>
<td>0.5</td>
<td>3.8</td>
</tr>
<tr>
<td>Economic units with funds from HK, Taiwan or Macao</td>
<td>0.2</td>
<td>0.2</td>
<td>0.5</td>
<td>0.4</td>
<td>4.3</td>
</tr>
<tr>
<td>Other ownership</td>
<td>0.5</td>
<td>0.2</td>
<td>1.3</td>
<td>0.3</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Source: CSY (2002: Table 6-4)
The state-sector was from the individual economy, at about 3 per cent of total investment. This was entirely urban, probably in areas such as tourism (i.e. privately-owned hotels) or trade.

The preponderance of the state-sector in investment suggests that ownership in the TAR economy will remain heavily rooted in the state-sector for at least the next decade. In other words, the structural and institutional characteristics of spending and investment in the TAR will likely continue business-as-usual for the foreseeable future. The ramifications are analysed below.

III. BOOMERANG AID AND THE INEFFICIENCIES OF THE TAR DEVELOPMENT MODEL UNDER THE WDS

Why are government spending and investment so inefficient in the TAR?

For much of the reform period, Western provinces have been lobbying the centre for such increases in regional redistribution via subsidies and investment, as promised by Deng Xiaoping in 1988 in his ‘Two Macro-Situations’ analysis (Cheng 2003: 190). The key, of course, is how this is done, i.e. where the increased subsidies are targeted, whether they support productive sectors and actual local priorities, and whether they are diversified across public, private and collective units. The previous sectoral analysis of GDP growth suggests that subsidisation has been stimulating productive secondary growth in Qinghai but not in the TAR. However, in both cases subsidies have been inefficient, to an almost ridiculous extreme in the TAR.

To put it simply, in the TAR, for every one yuan (renminbi) the GDP increased in 2001, government expenditure increased by 2.1 yuan in the same year. Effectively, this implies a negative multiplier effect of subsidies on GDP growth, i.e. one yuan of increase in government expenditure resulted only 0.47 yuan GDP increase. In other words, subsidies were incredibly inefficient in that year. Furthermore, this does not even include increases in investment, which would further increase the negativity of the multiplier effect on GDP. Normally one would expect an opposite relationship of subsidies and investment to growth, where one yuan of subsidies or investment produces several yuan of growth. Qinghai was a bit less dramatic; for every one yuan of increase in expenditure in 2001, the GDP increased by 1.1 yuan. This was a slightly positive multiplier, although it would become negative once investment increases are included into the calculation.
The government would argue that there is a lag between increased subsidies and investment now and growth in the future, which is actualised once construction projects have been completed. The learning process of dealing with an increase of funding would also accentuate this lag, given that the various channelling government departments would have been quite overwhelmed at first in managing the sudden and dramatic increase. The government would again argue that through learning and experience, management would be mastered and efficiencies raised.

However, the negative multiplier has been a typical feature of Chinese rule in the TAR since the 1950s. For instance, a commentator in a Shanghai newspaper noted in 1985 that in over 30 years of subsidisation in the TAR, one yuan increase in state subsidies resulted in only 0.83 in total industrial and agricultural output value, also a negative multiplier effect (Dreyer 2003: 41). If anything, the inefficiency appears to have gotten worse under the recent intensification of subsidies.

**Structural foundations of inefficiencies**

The argument of a lag factor holds mainly in the realm of productive investment. For instance, investment in a factory now becomes productive in the future once construction of the factory is finished and thus there is a lag between investment and production, followed by wages, profits, input demand, taxes and fiscal revenues. In other words, in order for increased subsidies to catalyse a ‘take-off’ into sustainable growth, i.e. growth that can eventually support the employment and fiscal needs of the province, productive sectors would require nurturing, such as innovative infant industries based on local inputs, resources and labour. Locally sourced inputs for construction would also augment the linkage effects of investment even before the start of productive activities. Investment in certain tertiary industries would also function in a similar manner, such as tourism, trade, transport, telecommunications or finance.

This line of argument would therefore hold more relevance for Qinghai. Given the more productive orientation of its economy under the WDS, there is more hope that GDP increases in Qinghai would be sustainable and that subsidies and investment will indeed become productive in the future. Qinghai in this sense represents a more classical case of economic restructuring, i.e. deep and long-term investments aimed at upgrading an old and inefficient industrial base.
Yet, as examined above, productive sectors in the TAR, particularly secondary industry, have been completely disconnected from increases in investment. In contrast, the sector that is increasing most rapidly – government administration – is not productive. Because government administration consumes fiscal resources rather than generating them, besides the income and consumption taxes paid by its employees, growth centred on such expansion cannot provide for the locally generated revenue that would reduce fiscal dependence. To a limited extent, investment in transport infrastructure might enhance revenues from tourism, but not nearly enough to justify the enormous costs of these projects. Furthermore, the boom in trade in the TAR is also mainly fuelled by the subsidies themselves, through rapid salary raises of government employees and the disposable income generated through the subsidy-induced cash bonanza. However, despite the market economy ethos, trade itself also cannot sustain growth in absence of wealth created by productive sectors, particularly in locations such as the TAR that possess very little staying power for mobile profits in the hands of non-local traders. In
other words, the structure of current growth in the TAR suggests that current investments will not become productive in the future, at least not enough to justify even a fraction of their costs.

The structure of employment generated by such growth also emphasises these factors of dependency and polarisation. Both government administration and large scale construction projects concentrate employment in high-wage labour. In contrast, industry (both secondary and tertiary) tends to disperse wages across various wage categories and sectors, particularly when it is locally integrated, creating numerous backward and forward linkages in the local economy. Ultimately, industry also has a higher value-added, as discussed in Chapter Five. Growth based on the former activities (administration and large construction projects that are not locally integrated) would therefore concentrate the expansion of employment at the upper end of the labour spectrum.

Indeed, most of the value-added of administration is derived from its wage component, which, combined with high state-sector wages, amplifies the role of wages in the GDP. For instance, remuneration to labour usually accounts for about half of GDP in China, according to the income approach of calculating GDP, and in the western provinces the labour share ranges from 50 to 60 per cent. In the TAR, labour remuneration accounted for 67.2 per cent of GDP in 2001 (CSY 2002: table 3-10). Because this high contribution is disproportionately derived from a minority of high-wage staff and workers in the labour force, it actually represents a stark polarisation in employment in the TAR between the state-sector haves and the have-nots.

In addition, profits and taxation play a much larger role in productive sectors, resulting in more potential for local revenue and capital accumulation, the latter so long as profits are reinvested into the local economy (which may not happen with many projects in the TAR in any case, as discussed below). The small role of taxation and profits in the TAR is again evident in the income decomposition of the GDP. For instance, net taxation on production accounted for only 5.4 per cent of GDP in the TAR in 2001, whereas it accounted for about 14 per cent of GDP in China, and in the other western provinces, from a low of 11 per cent in Qinghai to a high of 22 per cent in Yunnan. Similarly, operating surpluses accounted for a mere 4.4 per cent of GDP in the TAR, whereas they accounted for about 19 per cent of GDP in China, from 7 to 17 per cent in the other western provinces. Again, these structural factors help to explain the inability of the current economic model to self-sustain growth.
Institutional foundations of inefficiencies

These structural factors are supplemented by a variety of institutional characteristics in the TAR (and to a lesser extent Qinghai) that further exacerbate the inefficiencies of state subsidies and investment. Institutionally, all direct subsidies are channeled through the government and most investment in the TAR takes place through state-owned units (95 per cent in 2001). Furthermore, the two are interconnected in the TAR. As analysed above, one-third of government revenue in the TAR was spent on capital construction in 2001 (i.e. investment), the next largest portion was spent on the local government itself, at 14 per cent of total revenue.

In other words, considering the combination of subsidies and investment together, most outside government funding is being spent on the state itself, either directly through government administration or indirectly through state-owned units. As discussed previously, growth generated through the expansion of government administration is not self-sustaining and requires further revenues in order to be maintained. Therefore, the hope that growth might be sustained by current strategies rests on the outcome of investment, which in the TAR mostly pertains to various construction projects given that 87 per cent of investment in 2002 was destined for infrastructure (versus various other types of investment such as innovation or capital upgrading).

In these cases, tenders for possibly all of the large construction projects are contracted to out-of-province companies, along with many of the tenders for small projects. This fact can be clearly observed on the ground and it is certainly not disputed by local scholars and officials, at least not in private. It is also advertised by the government itself, given that most donors want their activities to be known by all. This earns political brownie points with the central government. For instance, the Qinghai–Tibet railway involves a consortium of state-owned construction and engineering companies from around the country, many from the coastal areas. Indeed, it appears that a single state-owned construction company from Chengdu has constructed almost all of the numerous bridges along the railway, a fact that can be easily perceived given that the company name is painted along the side of each bridge. Similarly, the irrigation works in the large Three Rivers comprehensive agricultural development project were mostly constructed by out-of-province construction companies. This project accounted for most of the agricultural investment in the TAR under the Ninth Five-Year Plan and focused
on the farming valleys around and between Lhasa, Shigatse and Lhoka. While the irrigation works themselves might be commendable for agricultural development and the prevention of erosion, the benefits of the actual construction, in terms of wages, profits and business experience, are largely lost to the local economy.

Furthermore, the provincial aid projects typically involve construction companies from each of the provinces in question. For instance, the large oversized Shandong Hotel in Shigatse would have been built by a Shandong construction company as part of a Shandong Province aid project. In this very typical case, provincial aid is in effect spent on Shandong itself via one of its companies, that in most cases is state-owned (by Shandong). Aid thereby becomes a form of industrial support for these companies, particularly since the contracts often represent very lucrative windfalls, up for grab on a one-time basis and with little concern for the actual profitability of the project per se. This is essentially the same as international tied aid (i.e. aid that requires recipient countries to purchase goods from donor countries, as much US and EU aid), except that it functions at the national level.

Upon completion of the construction, ownership of the project sometimes remains with the investor (i.e. the Shandong Hotel might still be owned by Shandong Province, the investor) or it might be donated to local governments (as in the case of smaller projects such as schools or clinics). Ownership of the railroad for instance will most certainly be retained by the national government, the main investor. In the case of hydroelectric projects constructed along the Yellow River in the Tibetan areas of Qinghai, ownership is definitely retained by the main investors, who, whether private or public, are mostly non-Tibetans from Xining or elsewhere.

In many cases even small-scale construction projects, or projects that would be ideally suited for using and improving local Tibetan expertise, are also contracted to out-of-province companies and use mostly Han migrant workers. For instance, as part of village relocations related to poverty alleviation in Nagchu Prefecture in the TAR, houses in the relocated villages were reportedly constructed by teams of Han construction workers from Sichuan. Similarly, the renovations of the facades of new buildings facing the Potala in Lhasa, which was started in 2004 with the aim to give these key tourist streets a Tibetan look and which involves placing Tibetan-style prefabricated moulds on the recently completed buildings, appears to only involve migrant Han workers, probably through out-of-province
The Makings of Polarisation and Dependency in Tibet

collection companies (TIN 2004). Most of the construction work that can be observed in Lhasa, Shigatse or other urban centres appears to follow these same patterns. Tibetan participation is usually restricted to the lowest skill levels, such as shovelling and carrying loads in either road or building construction, but rarely at the level of ownership or management.

In this sense, much of the external funding to the Tibetan areas can be seen as a strategy to nurture and promote regional or national construction companies, subsidising the development of their expertise and capacity in large and complex engineering projects. The railroad is an excellent example of this, given that it represents a considerable feat of engineering to overcome the challenges of constructing across the high-altitude permafrost. Companies participating in this project acquire a technical and managerial expertise that then prepares them to compete on an international scale. In this sense, the railroad and other large complex projects, whose economic rationales remain highly questionable, effectively act as lucrative training grounds.

This use of public development funds by Beijing or the provinces is therefore comparable to the US strategy of using lucrative defence contracts to subsidise many US businesses, such as in information technology and aeronautics. The logic is also similar to the contracting of US funds for the reconstruction of Iraq to US companies. The country or region is constructed (or reconstructed), in one way or another, however shoddily and almost despite the local population, but in the process ownership in the economy is transferred to foreigners (in the case of the US in Iraq) or to non-Tibetan outsiders (in the case of the TAR in China).

While this strategy has been beneficial for building strong and competitive national firms, a large share of western development funding is used for precisely this purpose rather than for local economic needs. The development of locally owned businesses and local expertise tends to be sidelined in the process. Many officials in West China privately admit that in the end, eastern enterprises may benefit more from western development than the western provinces themselves (Goodman 2004: 395). Again, parallels can be made to Western official development assistance used to promote Western business interests.

On top of the distended administrative apparatus, which is completely out of proportion with the local economy, these institutional characteristics of investment and construction are also key con-
tributors to the high inefficiency of subsidies. To start with, many of the projects are, in their nature, very inefficient and ill-conceived for local needs. This is likely due to the status nature of many of the projects, in which the emphasis becomes big and gloss versus functionality or appropriateness. The former promote the donor while the latter do not. For instance, the emphasis in building a clinic might be in the construction a large and elaborate building, rather than equipping or staffing it sufficiently so that the purpose of the building becomes realised. Or constructions in schools might provide an elaborate gateway or satellite TV reception even if the school does not have running water.

Projects also typically suffer from poor quality construction and materials. This is partly due to the elaborate levels of intermediation that are often involved between project conception, approval and eventual implementation and sub-contracting, in which each level takes a share of the proceeds leaving a fraction of what was originally intended for the actual project at the receiving end. In this process, the planned quality of building materials, such as purity of cement or width of steel beams, is often cut back as a means to increase profit margins by the companies or their suppliers. This takes place relatively free from the supervisory regulation that would normally accompany such spending in other parts of China and the companies involved effectively profit from impunity, precisely because they are from outside the TAR and under the protection of their respective provinces, who are the hands that feed in any case.19

Similarly, quality also suffers from inappropriate project conception. For instance, the houses of the relocated villages in Nagchu, mentioned above, were reportedly constructed in the summer and with little knowledge of the winter-time conditions in these areas (because they were constructed in eastern Sichuan style, in addition to poor materials), and thus many of them were in a dilapidated state by the end of their first winter. For these various reasons, many new buildings in Lhasa have an estimated longevity of only five to ten years, and in cases where buildings are not properly used or inhabited, this expected life-span might even be shorter. All of these factors might help to explain why the depreciation of fixed assets accounts for such a high share of GDP accounting in the TAR, at 23 per cent of total GDP, versus about 16 per cent nationally and from 15 to 19 per cent in the other western provinces (CSY 2002: Table 3-10).

These projects often end out being white elephants, draining more from local economies than they contribute once the construction
phases have ended. Projects like the Shandong Hotel fall into this category, which apparently had an occupancy rate of only ten per cent on average in 2004 and consumes large amounts of scarce electricity and water, even while large sections of the old Tibetan part of Shigatse were still without night time electricity by the end of 2004, presumably due to rationing. The cities of the TAR are replete with such examples of underutilised or poorly equipped buildings left over from various aid projects. Local governments thereby inherit numerous burdensome and unsustainable buildings that are out of scale with the local capacities, demand or even the local revenues that would be required to maintain and use the imposing infrastructure efficiently. In particular, such projects are completely disconnected with local production. They offer little hope that the boom in construction will be self-sustaining. While they do show up as considerable economic activity during their construction phases, this says little about their potential to produce continuing economic activity in the future.

Even beyond the more dramatic cases of wasteful spending, the general characteristics of subsidised investment result in a low circulation of investment and wages in the local economy, due to their considerable leakage from the local economy. Out-of-province companies tend to retain and ‘repatriate’ their profits from the lucrative construction contracts, investing them in other national projects rather than in the local economy. Companies and their staff and workers usually return home or to other national jobsites upon completion of the projects, taking the benefits of the acquired skills and earnings with them, rather than investing or spending them in the local economy. The tourism industry functions in a similar manner, insofar as much of the industry is controlled by out-of-province businesses and employment dominated by migrant labour. In other words, money goes in and goes out, without much turnover to benefit local production or demand, besides a skimming of trade and services, which again is dominated by outsiders.

Corruption further reinforces this process. There is some debate as to whether corruption stunts growth. It appears that corruption can produce either productive results, where corruption gathers resources in local economies and directs them into productive investment, as in Korea, Coastal China or the US, or else it can hamper productive outcomes, where corruption diverts resources away from local economies. Unlike other areas of China, the latter case would apply to the TAR. When project funding is diverted
through corruption, it is usually diverted outside the TAR. For instance, when government departments divert national or foreign aid money into the purchase of numerous land cruisers, such funding leaves the region almost before it even enters. The same happens when government officials divert funds to purchase condominiums in Chengdu. The contribution to the GDP may simply be an accounting mirage.

In the final analysis, it appears that the government is digging itself deeper and deeper into a form of subsidy dependence through the very nature by which subsidies are targeted, channelled and spent. In the absence of significant linkages with locally integrated productive sectors, or without an encouragement of local ownership, management or employment, neither government administration nor the construction boom are able to autonomously sustain current economic expansion. Instead of capturing circulation within the local economy, they produce a form of boomerang finance. The danger is that this decapitates local capital accumulation and entrepreneurship even while boosting short-term growth rates.

**WHITHER THE TAKE-OFF OF THE TAR?**

In this sense, the current development model of the TAR contains within itself the seeds for its own exhaustion, doomed to a continuing if not increasing dependence on outside fiscal resources for at least the next decade. As analysed above, growth that is largely based on the expansion of administration and unproductive state-sponsored investments depends more or less entirely on increases in government revenue in order to sustain employment and output growth. In the TAR this implies *quid pro quo* increases in subsidies. Thus the TAR growth model remains, as it was in the past, effectively dependent on increasing levels of subsidies in order to generate growth.

The emphasis here is not on the level of subsidy, but rather, on changes in the level, particularly in relation to its proportion of GDP. The level of subsidy *per se* does not necessarily stimulate growth. Because of the negative multiplier effect of subsidies, which implies that resources flow out of the TAR faster than they enter, a steady state level of subsidy would tend towards recession, particularly if directed towards administration or non-productive construction. At best, it would merely maintain a steady state of economic activity, producing little if any growth. Only increases in the level would be able to produce growth by matching or exceeding the outflow,
although this has to be repeated annually as the tendency for outflow allows for no complacency borne by previous binges of subsidy injection. In this scenario, countercyclical Keynesian tinkering with fiscal policy in order to stimulate the economy mutates into a form fiscal grotesqueness that is aimed at overriding an outflow that was produced by the very structural and institutional character of Chinese economic rule in the first place.

This appears borne out by the experience of the TAR in the 1990s. For instance, even if the level of subsidy was close to 50 per cent of GDP in the beginning of the 1990s, the TAR economy was effectively in recession in real per capita terms until 1995, as observed in table 2.1 of Chapter Two. Although the level of subsidy was high, it was declining as a proportion of GDP, which also means that it was decreasing in real per capita terms given that the economy was in recession. Real per capita GDP only started to take off when this decline in the proportion (and real per capita value) of subsidies was reversed, supplemented by a sharp rise in investment. The very high growth rates since the advent of the WDS have been similarly related to a very sharp rise in the proportion of subsidies to GDP as well as to further sharp rises in investment.

This places the TAR in a dilemma. The currently high levels of subsidy and investment are in large part determined by the railway and, to a lesser extent, by a handful of supporting projects. When the railway comes to fruition, the operation and maintenance expenses will only be a fraction of the current investment demanded by the project. Short of finding some other massive investment project in the region that can be justified within the confines and obsessions of the national leadership, such as the recently discussed Yarlung Tsangpo dam, it is difficult to see how subsidies could be maintained at their current levels, let alone at increasing levels. Yet if expenditure or investment decrease from their soaring highs, the current bubble might come to bust. Indeed, boom-bust cycles are typical in economies that are dominated by a few large construction projects. Without any serious effort to expand the productive base of the economy, particularly in a manner that integrates local labour and creates linkages within the local economy, the end of subsidy dependence and the polarised growth that it engenders are far from sight.

This dilemma is solved by the two ways that growth might be generated without increasing subsidies – either by improving the use of subsidies or by improving the multiplier effect of subsidies. In both cases, the key is found in local ownership, i.e. by the Tibetans,
State Growth and Social Exclusion in Tibet

for the Tibetans and of the Tibetans. It is not enough to simply plough money into an economy as a means of producing sustainable and equitable growth. Local ownership needs to nurtured and supported by policy in order to sustain growth, and not as a side-thought, but as a cornerstone of economic strategy. For instance, locally owned businesses are more likely to invest locally in projects that are more appropriate for a local scale and for local needs and capacities. They are more likely to employ locally and they are more stable than outside investors, given that they envisage staying local rather than repatriating themselves, their profits and their experience. As a result, they are also more responsive to local demand and consultation. In this way, they would definitely serve the second purpose of increasing the multiplier effect of subsidies given that they would improve the local circulation of funds directed towards them. While they might not be as efficient or competitive as an out-of-province Chinese company in any given project, particularly with regard to typical current projects such as the construction of a Chinese-style hotel, the process of building local capacity itself is a much more developmental use of funding in any case, rather than the rapid fire completion of projects. The scaling-down and adapting of projects to local needs and capacities so that local Tibetan businesses could engage in them would also probably result in a much better conception of projects and a more effective use of funds as well. In essence, it boils down to a classic case of economy and society level efficiency versus firm-level efficiency. This issue will be revisited in Chapter Five.

The Chinese government understands all of these principles of local ownership in the development process. They have successfully applied most of them to themselves during their own process of integrating into the international economy during the last 30 years or more. They merely need to recognise that the same principles should be applied to Tibetans as a means of promoting development in Tibetan areas for Tibetan people, rather than viewing Tibetans as one small cog in the ‘Chinese’ family, with the Tibetan areas being used strategically for building the motherland in the national interests, in almost blatant disregard for local needs. As a kickback, these considerations would increase the multiplier effect of subsidies and investment, lessening the dependence on subsidies to sustain growth in the long term. The current polarisation of the economy would also be lessened, leading to much more social harmony.
The Makings of Polarisation and Dependency in Tibet

NOTES

1 Actually, Hainan has a larger share of the primary sector in its GDP due to forestry, fisheries and high-value agricultural production. But this can be considered an exception, owing to the specialised integration of the island into the booming southeast region of China.

2 Nonetheless, this masks important changes that were taking place in relative prices, where significant deflation in agricultural goods and manufactures balanced out with significant inflation in services. Therefore, nominal gains in the service sectors would tend to overestimate real service growth. However, service sector activities also tend to be under-reported and, conversely, nominal gains in agricultural and industrial sectors would tend to underestimate their real growth, counteracting the claim that output in these sectors tends to be over-reported. Dealing with these relative price and output issues is problematic and will be left aside for this study.

3 Land under cultivation increased from a level of about 223,000 hectares, which had remained more or less unchanged throughout the 1990s, to 225,000 hectares in 1996 and over 231,000 hectares in 1999, presumably due to the completion of several major irrigation projects (TSY 2000: table 9-13). An increase in land under cultivation will increase output while not necessarily increasing productivity. Irrigation will also increase considerably the productivity of land on a one-off basis.

4 Estimates for the military in the TAR in the 1990s ranged from anywhere between 40,000 to 200,000 or more, the upper end during military exercises and other shows of force (UNPO 1997: 70). If a very rough estimate of 130,000 were taken, this would be equivalent to about one soldier for every 20 residents. Nationally, the equivalent measure would be one soldier for every 4,500 residents. Obviously, the high ratio in the TAR is in part due to a vast border area, requiring many troops, compared to a small population. Nonetheless, the relative presence of the military in the TAR is enormous.

5 Perhaps the correction, made in CSY (2004), was in response to a TIN report in 2003 that pointed out this anomaly. See TIN (2003a).

6 An analogy could be made to the United States, where the health sector accounts for a larger share of the GDP than in countries such as Canada, which have universal and free health care, yet a large proportion of the American population, perhaps a quarter, does not have access to health insurance.

7 For instance, see PD (2003a).

8 In comparison, the government recently estimated that the combination of tourism and Tibetan medicine industries accounted for about 11.2 per

Also in the summer of 2003, a restriction was imposed of only 500 visitors a day to the Potala, for reasons of preservation and restoration. However, before this restriction was imposed, there were several thousand foreign and non-Tibetan visitors a day, thereby generating several hundred thousand yuan of revenue a day.

Mining would also include a larger number of informal workers and activities that do not show up in the official statistics, precisely because of their illegality. Nonetheless, even if the number of workers involved in mining were tripled in the TAR, it would not even amount to 1 per cent of the provincial workforce.

For instance, if a yak herd increases from 50 to 60 animals over a year, if unsold, are these ten additional yaks to be counted as income? Typically they are not. Instead, they are recorded as productive fixed assets. In this way, much of the increases in pastoral wealth escape detection in the income computations. Conversely, reductions in wealth might also be hidden, and may even be reflected as increases in income. For instance, a herder who is hard pressed for cash in one year may sell off a larger part of his or her herd than he or she normally would, which would increase their circulating income, even though this is achieved through selling off assets rather than productivity increases.

This refers to illiteracy rates among the population aged 15 and older, which, according to the 2001 Population Change Survey, was 45.5 per cent for the TAR as a whole, 44.2 per cent in the city population and 46.2 per cent for the rural population. In every other province, city rates are usually only a fraction of rural rates. For instance, in Qinghai, with the next highest illiteracy rate in China, provincial rates were 29.6 per cent, city rates were 10.4 per cent, town rates were 12.4 per cent and rural rates were 39.2 per cent (CPSY 2002: Tables 1-18 to 1-21). Chapter Five discusses these education levels in more detail.

Under this system, minority areas have both regular schools taught in Chinese medium alongside minority schools taught largely in Chinese medium but with some minority language content. Between the Tibetans, Mongolians and Muslims in this province, and the fact that most of the province is made up of minority autonomous counties or prefectures in one form or another, this duplication of schools is much more prevalent than in the TAR, where most schools would be equivalent to the minority schools in Qinghai given the predominance
of Tibetans in the population, or else in most other provinces in China, where Han Chinese predominate in the population.

14 Unbeknownst to all but the privileged insiders, seven were designated under the category of ‘other’. One was in agriculture, one in economics and finance, and one in politics in law. In contrast, seven out of the 16 specialised secondary schools in Qinghai in 2001 were secondary teacher training schools.

15 Let this not be taken as an appeal for economic liberalism. The TAR is an antithesis of the experience of many developing countries, which after two decades of neo-liberal dictate are in desperate need of increased resources being directed towards the administration of the state.

16 The only other provinces with an equivalent share of wages in GDP were Guangxi and Jilin, although average wages were below the national average in both provinces, implying that the wage contribution would have represented a much larger pool of labour than in Tibet.

17 In terms of operating surplus, several other northwest provinces were similar to the TAR, such as Shaanxi at 6.6 per cent, Ningxia at 7.3 and Gansu at 8.1. Qinghai was 10.7 per cent. The low figures for the TAR in both taxation and surplus were compensated by a very high share of depreciation of fixed assets in the GDP, at 23.1 per cent, versus about 16 per cent nationally and from 15 to 19 per cent in the other western provinces. This implies that 90.3 per cent of the TAR GDP in 2001 was derived from wages and depreciation.

18 All of the following qualitative observations are from interviews and personal observation during field visits by the author in 2003 and 2004.

19 Many of such cases from varied sources were reported to me during fieldwork, including Chinese construction contractors in Beijing who had worked in the TAR and talked about the delivery of poor quality materials, or Han and Tibetan scholars, development workers, business people, and ordinary people, both Han and Tibetan, who had observed these things repeatedly. Numerous cases of bank fraud have also been reported, in the Tibetan areas both inside and outside the TAR. For instance, a typical case involved a man from Sichuan who borrowed from local banks in the TAR on the pretext of planning large projects. He then defaulted on the loans and escaped to Chengdu, where again, officials from the TAR had no jurisdiction or power to bring him to justice.
CHAPTER FOUR

Distributional Impacts of Growth

Analysis of household incomes, poverty and inequality

This chapter analyses the household income, poverty and inequality measures over the same period discussed in Chapter Two – from 1992 to 2001 – in order to acquire insight into the impacts of macro structural change on households. The analysis will use the official household income data as well as income based poverty and inequality measures. Provincial per capita household incomes are further indexed by province-specific consumer prices indices (CPI). Despite the deficiencies of such a household income approach, it remains the principal way of measuring poverty and inequality in the government and in international agencies, such as the World Bank, the UNDP and the Asian Development Bank. In the interest of comparability, and in absence of alternative sources of data, this standard approach will be used. In particular, such an analysis for the Tibetan regions is not available in the English-language literature, so this study serves as a reference for future research.

One of the main obstacles to making interprovincial comparisons is the absence of any comparative data on price levels (i.e. cost of living) across the provinces. This data exists, but is not divulged, except in the case of the recent ILO-published study for the urban areas by Hussain (2003). Therefore, caution in interprovincial comparisons is required, because price levels vary across provinces, and the same purchasing power requires considerably more income in a coastal province such as Guangdong than it does in an interior or western province such as Sichuan. The implications are ambiguous for the Tibetan areas. For instance, many products in the TAR are more expensive than in Sichuan, whereas housing is probably cheaper. In the absence of any general purchasing price parity measures, the
more relevant reference for this study concerns the dynamics over time in the household incomes within one province.

Also, the income and consumption measures used by the State Statistical Bureaus may not be appropriate for measuring wealth in a pastoral economy. As explored in the section on agriculture in Chapter Three, it appears that pastoralists manage their wealth more through their assets than through their circulating income, while circulating income would be a more appropriate reference of wealth for farming households. Therefore, a wealth–consumption measure in the Tibetan areas, along with poverty measures, would ideally incorporate some measure of assets and their consumption. Alternatively, the use of locally evaluated poverty measures would be best, such as those devised by Goldstein et al (2003). Yet lacking such research on a global level, this study will treat the published income distribution data, which is available for the TAR up to 1999 and for Qinghai up to 2001, as of the 2002 provincial yearbooks.

RURAL INCOMES

The rural income statistics in the TAR essentially describe the livelihoods of about 85 per cent of the ethnic Tibetans in the province, and about 81 per cent of all residents, as of the 2000 census. Because the rural areas were 97.6 per cent Tibetan in the same census, the rural surveys are in principle almost entirely composed of Tibetan households. In Qinghai, Tibetans only account for about 23 per cent of the total provincial population, although because they are 90 per cent rural, their share of the rural population amounts to about 30 per cent. If the Tu and Mongolians are added to this amount, these closely related indigenous nationalities account for about 38 per cent of the rural population of Qinghai. The Hui and Salar Muslims, who are also indigenous to the region, account for 18 per cent. The Han, part of whom are indigenous, account for 44 per cent of rural Qinghai (Tabulation, Tables 1-6, 1-6a, 1-6b, 1-6c). In principle, the rural surveys of Qinghai should reflect these ethnic shares.

In Gansu, Sichuan and Yunnan, the Tibetan share of the provincial surveys would be too small to be significant. Nonetheless, as discussed in the Introduction, it is conceivable that the Tibetan rural areas outside the TAR would have a similar experience as those inside the TAR, and various statistical indicators point to a strong resemblance. Therefore, the rural incomes of the TAR can plausibly be used as a proxy for the remote Tibetan areas of the other
provinces, which are insignificant in provincial surveys due to their small population weight.

The lagging of western rural incomes vis-à-vis the national average in the 1990s has been more pronounced than the lagging of western per capita GDPs. This is immediately apparent in Figure 4.1 opposite, in comparison to Figures 2.1 and 2.2 presented in Chapter Two, particularly the case of the TAR, Qinghai, Yunnan and Xinjiang, although not necessarily the case for the two poorest provinces, Gansu and Guizhou. In fact, Guizhou appears less dramatically exceptional under the light of rural incomes. This can be seen even more clearly in Figure 4.2 (p. 92), which shows the ratios of provincial to national rural incomes. In this figure, the TAR, Yunnan and Xinjiang, and to a lesser extent Qinghai, go through a steep decline relative to national rural incomes up until 1996–97, from which they never recover. This divergence is further clarified by Figure 4.3 (p. 93), which shows the ratio of provincial rural income to provincial per capita GDP. Starting from their position in 1991, per capita rural incomes in the TAR and Yunnan in particular departed quite significantly from per capita GDP, much sharper than was the case nationally or in other western provinces.

As observed in Figure 4.1 (overleaf), the real purchasing power of the average rural income in the TAR was apparently lower in 2001 than it was in the early 1990s. This is according to official income statistics deflated by the official rural consumer price index (CPI) for the TAR. Obviously, there are problems with these statistical sources, most notably in how they deal with income-in-kind (own-consumption, i.e. food that is consumed by the household) up to the mid-1990s. This is particularly significant for Tibetan rural areas given that they rely on subsistence much more than elsewhere in China. Added to this is the role of assets in pastoral areas as mentioned above. Also, rural income statistics in the TAR in the 1980s and early 1990s might have been particularly susceptible to over-reporting. Nonetheless, even if the income measures are somewhat off, it is striking that no other western province experienced such stagnation in real terms. Qinghai experienced a gradual increase in rural incomes from 1992 onwards. Xinjiang, Yunnan and Ningxia experienced significant falls in the early 1990s but by 2001 their real incomes were well above 1990 levels.

Besides low quality reporting, this poor performance in the TAR may represent several additional factors. One is the fact that the province has experienced the highest cumulative inflation rates in
Figure 4.1: Per capita rural household income in constant 2001 rmb

Source: See References, pp. 176–177
Figure 4.2: Ratio of provincial/national per capita rural household incomes, 1985–2001, constant 2001 rmb

Source: See References, pp. 176–177
Figure 4.3: Provincial ratio of per capita rural household incomes to per capita GDP, 1991–2001

Source: See References, pp. 176–177
the country since the beginning of the 1990s. The cumulative rural CPI in the TAR from 1990 to 2001 was 243.7, versus 198.5 for Qinghai, 221.5 for Gansu and 191.7 for all of China (using 1990 as the base year). In other words, cumulative rural inflation in the TAR was about 27 per cent higher than the national average over this decade. In particular, during the overheating of the economy in 1994, the official rural CPI in the TAR was just over 30 per cent, while it was just over 20 per cent in most of the other western provinces, and 25 per cent for all of China. Given that nominal rural incomes in the TAR only rose by about 10 per cent in 1994, in real terms they actually fell by about 16 per cent, once indexed for inflation.

These high inflation rates in the TAR have been partly due to the nature of price liberalisation in the early 1990s. In the 1980s, prices were gradually liberalised in the east while controlled in the west, and price control was probably strongest in the TAR. Following price liberalisation in the early 1990s, inflation was higher in the west than in the east as prices adjusted towards a national level, compensating for the earlier controls. With liberalised prices, adjustments in the TAR would have been accentuated by several other inflationary factors, such as the monetary impact of fiscal transfers, the transportation costs of importing goods to the TAR and the ending of certain subsidies on various goods.

Contrasting high inflation, terms of trade for the main produce of Tibetans (grains and wool) fell sharply over the 1990s, as discussed in Chapters Two and Three in terms of the sharp fall in the price of wool. The divergence with the general cost of living would have had a particularly stunting effect on the real money value of Tibetan rural incomes, despite output and productivity increases. The stunting shows up most clearly in the case of the TAR given that it is the only province whose rural data exclusively represent Tibetans.

The second factor affecting rural incomes would have been environmental, whereby successive droughts or harsh winters weakened the growth of incomes in various years. For instance, there were reports of a harsh winter in the TAR in 1997-98 that led to significant cattle losses in certain localities. Surprisingly, though, the severe drought in Qinghai in 2000 does not show up at all in these average per capita income statistics, which will be discussed later under the subject of inequality. In any case, whatever the inaccuracies of the data, the reported stagnancy of rural incomes in the TAR points to the increasing susceptibility of the Tibetan rural economy to both economic and environmental shocks.
The other major factors explaining the relative performance of per capita rural incomes in the TAR include population pressure and the meek availability of off-farm employment, both of which are discussed in detail by Goldstein et al. (2002; 2003). Notably, the TAR has the highest rate of population increase in the country, neck and neck with Qinghai and almost double the national average. The larger share of population increase takes place in the rural areas, and thus, relative to other provinces, this places much greater pressure on per capita rural incomes, particularly in comparison to provinces such as Sichuan where the rate of population increase is almost half the national average (CSY 2002, Table 4-3). Furthermore, such population increases are taking place on gradually diminishing and/or degrading land, which reduces per capita land holdings.

Compounding this, there are fewer off-farm employment opportunities in the Tibetan rural areas compared to other regions of China, including other western provinces. All over China, the growth in per capita rural incomes, particularly in the 1990s, has been heavily attributed to the role of non-farm employment in the rural areas. Rural incomes in the coastal areas are very high largely due to this factor. Even within one locality, the division between rich and poor households is usually determined by the involvement of one or more family members in non-farm activities. This is partly due to the fact that non-farm work in China generally earns much more than farm work, at least in cash terms, and in any case, farming is simply not providing enough employment for the rural population. Furthermore, diversification away from farming activities can be a critical factor for farming households faced with poor harvests and can allay extreme poverty in the event of crop failures.

Yet in this regard the Tibetan rural areas are faced with far fewer options. For instance, more than three-quarters of the average rural income in the TAR in 2001 came from family farming activities and less than 10 per cent came from wages. In neighbouring western provinces such as Gansu, Qinghai and Sichuan, between 20 to 30 per cent of the average rural income came from wages, which was actually quite close to the national average (CSY 2002: Table 10-22). In other words, even in these other western provinces, farmers had much more access to alternative sources of income. Overall, their average incomes also performed much better in the last ten years.

Nonetheless, this situation appears to have improved in the most recent data from 2002, 2003 and 2004, which show a strong increase in the TAR rural incomes, attributed almost entirely to a sharp
increase in off-farm wages. This might be due to an increased effort to employ Tibetans in various construction projects under the WDS, such as road improvements. It remains to be seen whether such increases in rural wages will be sustainable following the completion of such projects, given that they are not backed by off-farm productive activities in the rural areas, as analysed in Chapter Three.

As a result, the fortunes of rural Tibetans are largely defined by the prices they receive for their surplus agricultural commodities, mostly barley, wheat, rapeseed, wool, meat and dairy. In the mid-1980s, the prices for these commodities were favourable, explaining the relatively positive performance of rural incomes for Tibetans in that decade, despite their poor education and health standards. In the 1990s, prices for barley and wool have been unfavourable, as discussed above. In this regard, it is interesting to note that the typical crops of Tibetan farmers (barley and rapeseed, while wheat accounts for about one third of grain output) have been less protected by the government than either wheat or rice. The dependence on such products with poor terms of trade feeds back into the downward pressure on per capita rural incomes, most reflected by the TAR data.

**RURAL POVERTY AND INEQUALITY**

A comment on poverty lines

Following the explanation of Hussain (2001), broadly speaking there have been two poverty lines in use at the national level up to 2002. One is based on the standard definition of absolute poverty, that is, the minimum income required per person for the food and non-food items deemed essential to be able to subsist at approximately 2,100 calories a day, at local prices and with local consumption patterns. Despite the range of subjective factors involved, such as which foods are considered, the balance between cheaper and more expensive foods, which non-food items, the balance between food and non-food items, the prices that are used to calculate each item in turn, and the computation of income-in-kind, the absolute line nonetheless gives a rough income estimate for a measure of absolute poverty at the national level. In 1997 and 1998, the National Bureau of Statistics (NBS) in China estimated this line to be 880 yuan per person, and 865 yuan in 1999 to 2001, the adjustment reflecting deflation. Many scholars and officials, Chinese and Western, accept this NBS line as roughly accurate for the late 1990s, in contradistinction to the official one described below.
The second line is the official line, commonly used in official pronouncements on poverty by the government or by international organisations. For instance, this line is the basis of the statement that the rural poverty rate in China had dropped to 3.5 per cent in 2000, or about 32 million people, which is an estimate that the management of the World Bank commonly cites (Hussain 2001: 3). Hussain has dubbed this the ‘benefit line’ because it is designed to target households for the purpose of providing poverty relief. However, it is not necessarily related to any concept or measure of minimum absolute needs (ibid: 4). It is also to be distinguished from the poverty lines that are used to determine whether a particular county is to be considered a ‘poverty-stricken county’. In the late 1990s, this ‘benefit’ line was set at 635 yuan. Although there is widespread
recognition that this line was far too low, resistance towards raising the line may have been related to the fact that a higher line would have committed governments (central and local) to provide assistance to a greater number of people falling below it. This would have increased the financial burden on governments that are already struggling to make due with existing poverty relief funding (ibid: 5).

Beyond these two lines, there are numerous local lines determined by provincial and lower level authorities, each designed for its own purpose. Yet these local lines are not necessarily comparable, because they would depend on the criteria and financial resources of each locality, which would differ widely across the country. Ideally, the equivalent of the NBS absolute rural poverty line would be calculated for each province based on local price levels and local consumption patterns. Although the data for this purpose is in principle available, it is not accessible. Even the two large independent national surveys in 1988 and 1995, based on collaboration with the NBS and the Chinese Academy of Social Sciences, and presented in Khan and Riskin (2001), were forced to rely on a national line, albeit calculated according to their own definitions.

A single national line carries the critical bias that poverty tends to be overestimated in cheaper provinces, such as Sichuan or Gansu, and underestimated in expensive provinces, such as Guangdong or Fujian. As a result, the standard conclusion that poverty rates are higher in the west and lower in the east is at least in part an artefact of differences in price levels. In contrast, Hussain (2003) had access to urban income and price data for 1998 of sufficient disaggregation to be able to construct an urban poverty line for each province individually. He found that urban poverty rates in the southwest were in fact lower than the national average, very close to those of the southeast, and considerably lower than those of the north and northeast (Hussain 2003: 18). Such a radical revision of the received wisdom is much less likely to take place if rural poverty rates are similarly determined province by province, but it reinforces the point that poverty rates measured by a single national line are not comparable across provinces. Nonetheless, they do reflect at least some notion of poverty within each province, as measured by an arbitrary line.

The difference between the two main national lines – over 200 yuan – is extremely significant due to the clustering of the rural population around and between the two lines. As shown in Table 4.1, the absolute line, which is about one-third higher than the benefit
line, doubled the national poverty count in 1998 and almost tripled it in 2000 (Hussain 2001: 6). This sensitivity is the result of clustering, such that small changes in the line produce large changes in the poverty head count. As a result, and precisely because of the arbitrary nature of any single line, it is recommended to use a gradation of lines, thus capturing the breadth and depth of poverty. In this sense, the official ‘benefit’ line can still be used as an indication of extreme poverty.

Table 4.1: National poverty rates measured by different lines

<table>
<thead>
<tr>
<th>Line Type</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official line – 635 rmb (%)</td>
<td>4.8%</td>
<td>3.7%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Absolute line – 880/865 rmb (%)</td>
<td>9.5%</td>
<td>9.8%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Ratio Absolute/Official</td>
<td>1.98</td>
<td>2.65</td>
<td>2.81</td>
</tr>
<tr>
<td>Official line (millions of people)</td>
<td>42.1</td>
<td>34.0</td>
<td>32.1</td>
</tr>
<tr>
<td>Absolute line (millions of people)</td>
<td>86.6</td>
<td>90.0</td>
<td>93.2</td>
</tr>
<tr>
<td>Difference (millions of people)</td>
<td>44.5</td>
<td>56.0</td>
<td>61.1</td>
</tr>
</tbody>
</table>

Source: Hussain 2001: 6

Interestingly, although the national rural poverty rate was decreasing according to the official line, it was increasing according to the absolute line. This is especially surprising given that the economy was one of the world’s fastest growing at the time. It would tentatively suggest that rapid growth combined with targeted poverty reduction were successful in reducing extreme poverty, but not necessarily absolute poverty.

*Income distribution in Qinghai and the TAR*

The following income distribution statistics have been taken from the TAR and Qinghai statistical yearbooks. The TAR rural survey was based on 400 households and the most recent distribution data was published in the 2000 *Tibet Statistical Yearbook* (TSY), for data up to 1999. The Qinghai rural survey was based on 600 households, and the most recent distribution data (used by this study) was published in the 2002 *Qinghai Statistical Yearbook* (QSY), for data up to 2001. The distributions are presented in Figures 4.4.1 (p. 100) and 4.4.2 (p. 101), albeit the distribution of the TAR is not differentiated above.
Figure 4.4.1: Distribution of the Qinghai rural sample in 1997, 1999 and 2001 (not to scale)

Figure 4.4.2: Distribution of the rural sample in TAR in 1995, 1998 and 1999 (not to scale; current values - 1998 and 1999 incomes are comparable).

Source: TSY 2000, Table 8-11.
1,500 yuan, which includes the richest 34 per cent of households, and it therefore appears top heavy, which is misleading. Also, the figure for the TAR includes 1995, in which case the shift in the line towards the right between 1995 and 1998 partly reflects inflation.

In particular, note the change in Qinghai between 1999 and 2001. In 2001, the distribution in the middle was flatter, while there were significant increases in the numbers of both very poor and very rich households. This is a sign of increasing inequality, probably brought about by the drought in 2000. Nonetheless, these measures do not differentiate sub-regions or ethnicity. As a result, rising inequality could represent changes between regions as much as changes between households within the same region. It is therefore difficult to say how this would have affected interethnic inequality without more specific data. For instance, if the drought was most severe in Haidong prefecture, it might have affected Hui and Han farmers more than Tibetans.

This rising inequality can also be represented by looking at the income of various representative households in each year, such as the

**Figure 4.5.1:** Rural incomes of representative households, Qinghai (current values)

![Graph showing rural incomes of representative households in Qinghai](image)

*Source: calculated with data from QSY 2002, Table 9.13.*
Distributional Impacts of Growth

Income of the household at 10 per cent of the sample (i.e., 10 per cent of households are poorer and 90 per cent richer), as well as the households at 25, 50, 75, and 90 per cent of the sample. These households could represent typical lower-, lower-middle-, middle-, upper-middle- and upper-class households. It should be noted that from year to year there can be much churning within the sample, and thus the representative household does not represent a particular household through time per se, but rather the household that happens to end up in that position in that year.

This reveals several very interesting changes. In Qinghai, the average income of the sample grew steadily from 1997 to 2001, although it stagnated briefly in 2000. Behind this, the incomes of the bottom half of the sample actually decreased in nominal terms in 2000, most sharply for the lowest household, while incomes continued to rise for the two richest households. This is a classic portrayal of the rich getting richer and the poor getting poorer. In 2001, the income of the middle household recovered completely, the lower-middle household recovered partially, while the income of the lowest household remained stagnant. On the other hand, the income of the richest household grew fastest throughout the five years.

Figure 4.5.2: Rural incomes of representative households, TAR (current values)

Source: calculated with data from TSY 2000, Table 8-11.
This shows the vulnerability of poorer households to environmental shocks, assuming that the glitch in 2000 was from the drought. The most affected were the poorest, while the least affected, if affected at all, were the richest. None of this shows up in the average per capita income statistics, although the drought does appear in the agricultural output statistics. The reason for this is fairly clear; as all over rural China, poor households are usually those that rely solely on agriculture for their livelihoods, whereas richer households derive much of their wealth from off-farm employment, with the richest involved in business or in government. As a result, an event such as a drought would have a disproportionate effect on the poorest households, which rely entirely on agriculture, whereas the incomes of the richest would not be directly affected, responding instead to a different set of conditions, such as salary levels or business profits, the latter of which might even increase in times of scarcity.

The same analysis cannot be made for the TAR because the upper 34 per cent of the sample is not differentiated in the statistics. Nonetheless, up to 1999, it appears that the incomes of the lowest households were growing faster than the average, in contrast to Qinghai, albeit from a lower level. This is also the case for the lower-middle and middle households up to 1998; although the average income grew faster in 1999, indicating that the upper income groups would have benefited more from the growth in incomes in that year. If these data are representative, the catching up of the lowest households may reflect the effect of targeted poverty reduction in the province.

Poverty rates
Measured by both the lower and higher national poverty lines, poverty rates in both Qinghai and the TAR were falling up to 1999. But they rose sharply in Qinghai by more than 50 per cent in 2000. Again, this would have been due to the drought, demonstrating the precariousness of poverty reduction where vulnerability is high. The apparent reduction up to 1999 in both cases would have represented a combination of various targeted poverty reduction strategies along with general improvements in rural incomes. Indeed, if the reductions in the TAR were accurate, they would represent fairly effective poverty targeting in the face of stagnant average incomes. If the provincial poverty rates are in any way comparable, the TAR rates were higher than those of Qinghai up to 1999, and likely the highest in the country. Given that the cost of living in the TAR is generally higher than other western provinces, therefore resulting in a higher
poverty line if calculated on a per province basis, these relatively high poverty rates would be further accentuated. If the drought conditions impacted the TAR less than the northwest, it is possible that poverty rates in Qinghai surpassed those in the TAR in 2000, although this is difficult to ascertain without access to the detailed data.

These results do not correspond to the official TAR government statements on poverty. For instance, it is commonly cited that poverty fell from about 480,000 people in the early 1990s to 70,000 people in 2001. Using the lower national line of 635 yuan, the rural poverty rate in the TAR was 9.1 per cent in 1999, which, according to the 2000 census, would give a head count of about 190,000 people. Using the absolute rate of 865 yuan, the rural poverty rate was 24.5 per cent, or a bit more than 500,000 people. Short of a dramatic reduction between 1999 and 2001, which is unlikely given the slow growth of rural incomes, the official TAR figures imply that the official TAR poverty line used to calculate this 2001 poverty estimate was even
lower than the official national ‘benefit’ line. This is probable, given that each locality usually has its own criteria for measuring poverty.

Sautman and Eng (2001) and Dreyer (2003) both draw from an article in 2001 in the *South China Morning Post* to explain the low official poverty count in the TAR. The ‘representatives of the Hong Kong press were able to ascertain the standard for poverty had been set in 1990, at 600 yuan a year for farmers and 700 yuan for herders, well below World Bank figures, and not adjusted for inflation’ (Dreyer 2003: 41). This journalistic claim simply does not make sense. Ignoring the line for herders, if the poverty line had been 600 yuan in 1990, it would have been much higher than any other rural poverty line in use in China at the time. Such a line would have been 92 per cent of the average income in 1990, in other words, accounting for close to half of the rural population, around 900,000 people. It therefore cannot explain the official claim that 480,000 rural residents were poor in 1990. If a line of 600 yuan were used in 1999, it would give a poverty rate of 7 per cent, or about 150,000

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**Figure 4.6.2:** Poverty rates in the TAR using national poverty lines specific to each year

Source: Calculated with data from TSY 2000, Table 8-11.
people. It is plausible that a strong poverty reduction policy initiated within a small population base under the WDS could have reduced the number of poor at 600 yuan by half between 1999 and 2001, assuming that the drought did not affect the TAR. Therefore, the Hong Kong sources might have been accurate about poverty lines at the turn of the century. However, their assertions that these were not indexed since the beginning of the 1990s is implausible.

A rudimentary sensitivity analysis can show the depth and breadth of poverty represented in the samples. In this case, proportions of households under various per capita incomes – 100, 300, 500 and 1000 – are compared to the poverty rates measured by the two lines. Proportions under 500 yuan per person can be considered critically poor, i.e. probably experiencing significant malnutrition. The results from the two provinces are compared to China.¹⁶

Table 4.2: Proportions of the rural sample below various lines

<table>
<thead>
<tr>
<th>Rural pc household income</th>
<th>TAR 1999</th>
<th>Qinghai 1999</th>
<th>2001</th>
<th>National 1999</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 100 rmb (%)</td>
<td>0</td>
<td>0.2</td>
<td>0.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 300 rmb (%)</td>
<td>1.0</td>
<td>3.3</td>
<td>0.5</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Under 500 rmb (%)</td>
<td>1.0</td>
<td>3.7</td>
<td>10.2</td>
<td>1.9</td>
<td>2.5</td>
</tr>
<tr>
<td>Under official line (635 rmb) (%)</td>
<td>9.1</td>
<td>7.4</td>
<td>16.1</td>
<td>3.9</td>
<td>4.5</td>
</tr>
<tr>
<td>Under absolute line (865 rmb) (%)</td>
<td>24.5</td>
<td>19.4</td>
<td>27.2</td>
<td>9.1</td>
<td>9.5</td>
</tr>
<tr>
<td>Under 1000 rmb (%)</td>
<td>36.0</td>
<td>31.0</td>
<td>34.5</td>
<td>13.0</td>
<td>13.2</td>
</tr>
<tr>
<td>Ratio abs/official (%)</td>
<td>2.7</td>
<td>2.6</td>
<td>1.7</td>
<td>2.3</td>
<td>2.1</td>
</tr>
</tbody>
</table>


The proportion of households under 500 yuan per person was considerably lower in the TAR than in Qinghai, before and after the drought, and in China in general, also in 1999 and 2001. In fact, the proportion below 500 yuan in both Qinghai and China increased between these two years, despite rapid growth. The proportions below 300 yuan in Qinghai and 100 yuan in China are even more striking, while no households in the TAR were recorded below 100 yuan.
If these statistics are representative, they might reflect one of two things: either that poverty reduction strategies in the TAR have been successful in targeting most of the poorest households, while in Qinghai and China they have not; or it may represent homogeneity in the rural population of the TAR whereby indigenous redistributive practices are effective in providing a rudimentary safety net for the poorest households. A combination of the two is plausible; poverty relief, backed up by large amounts of subsidies and distributed through a rudimentary welfare system within a small and homogeneous population, may well have been effective in targeting the poorest households.

In contrast, Qinghai appears to have been notably unsuccessful in this regard, particularly since 2000, with more than ten per cent of rural households in 2001 reported as having less than 500 yuan of income per person. This might represent the heterogeneity of the Qinghai rural areas, particularly in the more densely populated and multiethnic areas in Haidong prefecture and around Xining, where the same degree of social cohesion cannot be taken for granted. Again, the ethnic distribution of these poverty rates cannot be ascertained from the available data.

On the other hand, the TAR rural surveys exhibit a broader general level of poverty at the higher lines. The proportion of households living under the benefit line of 635 yuan was more than double the national line in 1999, and a quarter higher than in Qinghai. The difference is slightly larger at the absolute poverty line of 865 yuan. At 1,000 yuan, which many authors argue is closer to a more plausible national rate (i.e. Khan and Riskin 2001), over a third of rural households in the TAR were under this line in 1999, around a third in Qinghai in both 1999 and 2001, while the national rate was around 13 per cent in both years.

In other words, over a third of rural households in both the TAR and Qinghai were either in poverty, or else just marginally above it, measured in an absolute income sense. This is especially significant in the context of an increasing frequency of environmental shocks, given that households subsisting just above the poverty line are very vulnerable to falling into poverty in the event of bad weather, among other factors such as price changes. Therefore, while decreasing poverty rates may indicate fewer extremely poor, they might mask a persistent or increasing vulnerability among rural residents, particular among those who are solely dependent on agriculture, as demonstrated by the effects of the drought on poverty rates in Qinghai.
Distributional Impacts of Growth

Inequality
An intuitive and straightforward way to measure inequality is to compare the shares of income of the richest and poorest shares of households. The income share ratio of the richest 10 per cent of households to the poorest 10 per cent shows the inequality between the richest and poorest segments of the population. The ratio of the richest to poorest 25 per cent would capture the differences between the upper-middle and lower-middle classes, as well as the richest and poorest. Unfortunately, there is insufficient data to measure these ratios for the TAR, as mentioned previously. The data for Qinghai is much more detailed and complete, although certain adjustments at the top of the income distribution were required. Again, it should be noted that the survey results do not indicate place or ethnicity, and therefore it is impossible to know exactly who is getting richer and poorer, and where.

Figure 4.7: Income shares of top and bottom shares of households, Qinghai 1997–2001

Source: Calculated with data from QSY 2002, Table 9.13.
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The dramatic leap in Qinghai is striking. The ratio of the richest to poorest 10 per cent of rural households jumped from about 5 in 1999 to over 13 in 2000. Furthermore, this ratio did not improve in the following year, but continued to worsen. Figure 4.5.1 above clearly shows that this was due to the impact of the drought on the poorest households, while the richest households continued to enrich themselves regardless of the environmental conditions. As a result, the income share of the richest 10 per cent of rural households increased sharply from 22.5 per cent in 1999 to 28 per cent in 2000, and then to 27 per cent in 2001, whereas the income share of the poorest 10 per cent fell from 4.5 per cent in 1999 to 2.1 per cent in 2000 and then to 1.9 per cent in 2001. These are dramatic changes in a very short period of time, although they might be representative of similar situations under drought or other natural hazards.

URBAN INCOMES

The average real per capita urban household disposable incomes of the western provinces are portrayed in the two figures below, inflated to 2001 rmb. In real terms, most of the western provinces experienced two or three years of stagnating or even falling urban incomes in the mid-1990s (Figure 4.8, opposite). In relative terms, most western provinces besides the TAR and Yunnan fell relative to the national average up until the mid-1990s, and then stabilised or slowly regained in relative position from 1996 onwards (Figure 4.9, p. 112).

In contrast to the rural situation, urban incomes in the Tibetan areas – and in the west in general – follow national average urban incomes much more closely than the rural incomes follow national average rural incomes. As a result, regional disparity across the provinces is less in urban incomes than in rural incomes. This in part reflects the government policy of equalising wages and urban incomes across the country, adjusting for the cost of living. Given that the cost of living is generally cheaper in the west, according to such a policy it is to be expected that the urban incomes of the western provinces would also be slightly lower than the national average. Nonetheless, several western provinces – Sichuan, Xinjiang and the TAR – were above the national average in the early 1990s, and Yunnan has consistently remained almost exactly on par with the national average throughout the 1990s. In the cases of the TAR, Xinjiang and Yunnan, this probably reflects their strategic importance as remote border areas.
Figure 4.8: Urban per capita disposable household incomes, in constant 2001 rmb

Source: See References, pp. 176–177
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Figure 4.9: Ratio of provincial to national urban incomes, in constant 2001 rmb

Source: See References, pp. 176–177
Deregulation, decentralization, and the expansion of the private sector, particularly in the coastal areas, would have limited the control of central government policy over the regional equalization of urban incomes. This explains the take-off of urban incomes in the coastal provinces in the early 1990s and the poor performance in the west up to the mid-1990s. Conversely, because many of the western development strategies initiated since the Ninth Five-Year Plan have had an urban focus, they would have primarily stimulated urban growth, thus accounting for the improved performance of western urban incomes from the mid-1990s onwards. In particular, urban incomes in the poorest provinces were becoming quite divergent in the mid-1990s, but became streamlined after 1996, to the extent that by 2001, urban incomes were almost identical in Gansu, Guizhou, Shaanxi, Ningxia and Inner Mongolia, at about 80 per cent of the national average. This seems to indicate that the harmonisation of average urban living standards across the poorest provinces has again become a priority under current western development strategies.

Within this general pattern, the TAR again stands out as an exception. Urban incomes were considerably higher than the national average, albeit this fluctuated erratically over the 1990s. By 2001 they were the seventh highest urban incomes in the country, neck and neck with the urban incomes of several rich coastal provinces such as Fujian and Jiangsu. This has been due to the overwhelming weight of the state-sector in urban TAR, and in turn, due to the weight of high salaries and wages within this state-sector. For instance, 88 per cent of the average TAR urban income in 2001 came from the income of staff and workers in state-owned units. Nationally the proportion was about 54 per cent, and in the west it was generally around 60 per cent. It only exceeded two-thirds in Xinjiang, also a high security province, where it was 72 per cent (CSY 2002: Table 10-15). Therefore, average urban incomes among permanent residents in the TAR were more or less determined by wage policies in the state sector. The erratic performance from year to year reflects that wage decisions were largely administered, rather than being determined through some productive criteria. These salaries and wages in the TAR were in turn the third highest in China in 2001. In fact, they became the highest of the country for a single year in 2002, and then fell to second place in 2003. Average money wages of staff and workers in 2001 reached 19,144 rmb, 80 per cent higher than the national average of 10,870 rmb. In
comparison, the average money wages in all of the western provinces besides Qinghai, although including Yunnan and Xinjiang, were below the national average. In Qinghai they were 12,906 rmb in 2001, only 25 per cent higher than the national average. Those in Sichuan were about 4 per cent lower than the national average. Further specified, average money wages in state-owned units in the TAR, which account for about 95 per cent of the formal wage bill, were the second highest in the country in 2001, reaching 20,112 rmb, surpassing those of state-owned units in Beijing and only surpassed by Shanghai (CSY 2002: Table 5-20).

These high salary levels are justified by the 'hardship' conditions of work placements in the TAR. However, their level, relative to the national average, has increased sharply since the late 1990s. In 1998 average salaries in the state-owned sector of the TAR were only 50 per cent higher than the national average (CSY 1999: table 5-21). Between 1998 and 2001 they increased by 75 per cent in the TAR but only by 46 per cent in China as a whole. In other words, it is accurate to say that these salaries have been increasing over and above the national experience and regardless of hardship considerations. Given the weight of the state-sector wage bill in the GDP statistics of the TAR as discussed in Chapter Three, such wage increases would have played a large role in GDP growth and urban affluence over these years, and they would have accounted for a large share of increased subsidies.

More generally, these urban wage increases follow a general strategy throughout all of urban China as a means of stimulating domestic demand. For instance, average money wages in China increased by 16 per cent in 2001, while increases in the western regions have been higher than the national average. By far the highest increase in 2001 was in Qinghai, at 28 per cent and 30 per cent in state-owned units. The TAR followed second, increasing by almost 28 per cent in 2001, or 29 per cent in state-owned units. Nonetheless, the TAR is striking in that such increases have been taking place from one of the highest wage positions in the country, as discussed above. In other words, the common perception across China that the TAR is being spoilt with special treatment would mainly relate to intra-professional peer comparisons, for instance, a cadre in Sichuan, Gansu or Guizhou comparing his or her wage to a peer cadre in the TAR. These comparisons certainly do not relate to the TAR population in general, where rural poverty is equivalent if not worse than in Gansu or Guizhou.
Up to 2000, the beneficiaries of these high wages in the TAR have been more than two-thirds Tibetan, constituting what is often referred to as the emerging Tibetan middle class. For instance, 91 per cent of staff and workers in the TAR in 1999 were in state-owned units (147,000 out of 161,000), and out of these, over 70 per cent were ethnic Tibetans, or about 105,000 (TSY 2000: table 4-5). Breaking down these state-sector staff and workers by category, 72 per cent of cadres were ethnic Tibetan, along with 70 per cent of permanent workers and 71 per cent of workers on contract. The total number of these ethnic Tibetan staff and workers amounted to about 8.5 per cent of the total provincial workforce in 1999 and given the rapid wage increases since then, this group has experienced a sudden windfall of income which has helped fuel the consumption boom under the WDS in places such as Lhasa and Shigatse. In other words, disparities have not simply been an issue between Han and Tibetan, but equally between rich and poor Tibetans. Wealth is more or less defined by access to formal employment, such as state-sector and related jobs, and the Tibetans working in these positions are well off, even by national standards.

However, it should be noted that in the first three years of the Western Development Strategy from 2001 to 2003 there has been a rapid reversal of this ethnic structure of public employment. Since 2000, the numbers of Tibetan state-sector employees (i.e. staff and workers in state-owned units) as well as the share of Tibetans in state sector employment have been declining sharply. In particular, the share of Tibetans in cadre employment was lower than 50 per cent in 2003 (49.7 per cent), down from 71.6 per cent in 2000 (TSY 2004, Table 4-4). Despite the massive amount of funding from Beijing that has gone into both government administration and construction over these years, current policies therefore appear to effectively discriminate Tibetans from state employment, as well as reducing total employment in these areas, even while rapidly raising the respective wages.

Back to the broader picture, while western urban incomes are generally lower than national average urban incomes, they are consistently higher than the corresponding provincial per capita GDP in most of the western provinces besides Xinjiang. This is especially the case in the TAR and Guizhou, as indicated in Figure 4.10 (p.116). The opposite relationship exists at the national level, and particularly in the coastal areas, where urban incomes are lower than per capita GDP, indicating that a significant portion of
Figure 4.10: Ratio of provincial urban income to provincial per capita GDP, constant 2001 rmb

Source: See References, pp. 176–177
economic activity remains within the government or corporate sectors and not captured by households. Again, this is a reflection of the subsidisation of the urban economy in the western provinces, and especially in the TAR.

Urban–rural disparities
As widely noted across China, urban–rural inequality is one of the fundamental disparities within the nation. This inequality is higher in the west than it is nationally and in the eastern provinces, due to the fact that urban incomes are equalised to a national standard, as discussed above, while rural incomes are not. The poverty of the rural areas in the west results in a greater divide between the urban and rural than is the case nationally, particularly in comparison to coastal China where many rural areas have profited from TVEs, out-sourcing and so forth. In fact, it can be argued that a large share of regional inequality is due to the weight of this exacerbated urban–rural inequality in the interior and western provinces of China. The western provinces are less urbanised and more agricultural than the national average, and their rural areas are poorer, thus exerting a much stronger downward pull on the per capita GDP measures than in eastern China. In other words, the extreme regional disparities in China are not observed by comparing urban areas but by comparing rural areas across regions.

As a result, it is generally the case that the poorer the rural area, the greater the urban–rural divide. One would therefore expect that urban–rural inequality is highest in the Tibetan areas, as observed in figure 4.11 (p. 118), which measures the ratio of urban to rural per capita incomes in constant prices. The highest ratio by far is observed in the TAR, followed by Yunnan. In both cases, this is largely the result of high urban incomes in the context of a poor rural economy. Obviously, if an alternative measure for rural wealth would be used, the exact level of this ratio in the TAR might be less extreme, as it would across China. But this is a matter of speculation, because many authors also argue that the relative wealth of urban residents in China is also underestimated by currently used income measures.

What is significant with this conventional income measure of urban–rural disparity is not the exact ratio, but rather, the change in the ratio over time. In the TAR, the increase in this ratio since the mid-1990s has been striking. In the context of a relatively stagnant rural economy, it reflects that the take-off of the TAR since the mid-
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Figure 4.11: Ratio of urban to rural incomes for each province in constant 2001 rmb

Source: See References, pp. 176-177
1990s has been predominately urban, whereas in all of the other western provinces, the fluctuations in urban–rural inequality more or less follow the national pattern, multiplied by a factor to account for the exacerbated disparity in the west. In the TAR, urban–rural inequality increased sharply in 1994 and 1996, precisely at a time when it was being reversed both nationally and in every other western province. In contrast to the rest of the west, the take-off of the TAR in the mid-1990s was excessively de-linked from the local rural economy.

Urban poverty

While urban incomes in the TAR are among the highest in the country, so too is urban poverty, and thus, by deduction, urban inequality as well. As mentioned previously, Hussain (2003) measured urban poverty rates across China by constructing separate urban poverty lines for each province using local price data and consumption patterns, according to the standard definitions of absolute income poverty. He found that urban poverty rates in the TAR were actually the third highest of China in 1998 if measured against per capita incomes, at around 11 per cent of the official urban population. If measured against per capita consumption, which, as he points out, is effectively the same as using a higher line in the case of the Chinese data, the poverty rate was the seventh highest in China, at 19 per cent. The high urban illiteracy rate in the TAR sheds light on one of the causes underlying this polarity between urban wealth and poverty, which will be discussed in the next chapter. Interestingly, the two provinces higher than the TAR in income terms were Ningxia and Shaanxi. Of the four extra that were higher in consumption terms, none were western, but rather central and even one coastal (Shandong). The four other western provinces with Tibetan areas were clustered close to the national average (Hussain 2003: 16).

These calculations are made on the basis of urban surveys that only include permanent residents and do not include migrant populations, the inclusion of whom would give an entirely different picture. For instance, in the same paper, Hussain uses the same provincial poverty lines to compare poverty rates among permanent residents and migrants. For this he used a one-off urban survey in 1999 that included a sampling of migrant households. Unfortunately, Lhasa was not included in the sub-sample of 31 cities used by Hussain, but several interesting results were found in the main western cities surrounding the Tibetan regions. Migrant poverty
rates were about one and a half times higher than resident poverty rates in the entire 31-city sample, as conventional wisdom would expect. Nonetheless, migrant poverty rates were actually lower than resident rates in Xining and Chengdu by more than one-third. In Lanzhou, migrant rates were one and a half times higher, as in the entire sample. Most striking, migrant poverty rates in Urumqi, Xinjiang were almost four times the resident rates, with 54 per cent of migrants falling below the poverty line (Hussain 2003: 21). The migrant poor in Urumqi could include both Han migrants from other areas of China as well as Uighur migrants from other areas of Xinjiang, for instance, rural migrants from the poor southern part of the province.24

Because of these divergent patterns in the western cities, the relationship between migrant and resident poverty rates in a city like Lhasa can only be speculated. Migrants would include both out-of-province Han and Muslim immigrants and Tibetan rural migrants, similar to the case of Urumqi. It is likely that migrant poverty among Han immigrants would be low given that they tend to be employed or involved in business.25 Also, Han migrants tend to be temporary or even seasonal, in which case, if their expected earnings were not met, they would tend to leave from one season to the next. Some
rural Tibetan migrants might also be seasonal, although many stay long term in the city, perhaps due to the lack of options and poverty in their rural areas. For instance, Iredale et al. found that three-quarters of their minority (Tibetan) sample had been in Lhasa for more than three years, compared with about half of the Han sample, and while most Tibetan migrants want to stay permanently, most Han envisage staying for only five or six years before returning home with their accumulated savings (Iredale et al. 2001: 157–158). As pointed out by Hussain, a rural migrant may be poor in comparison to urban standards, but very well off in comparison to rural standards (Hussain 2003: 4). As a result, a Tibetan rural migrant may decide to remain in Lhasa even if relatively poor in comparison to urban residents, whereas a Han migrant, particularly from an urban or peri-urban area outside the TAR, would have a different comparative threshold, and thus misfortune in the Land of Snows would be less tolerable. Nonetheless, in absence of any accurate survey data, it is difficult to tell.
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Figure 4.12: Proxy urban inequality

Source: See References, pp. 176–177
Distributional Impacts of Growth

Urban Inequality

Because both urban incomes and urban poverty in the TAR are high, this suggests a high degree of urban inequality. A proxy measure serves as a poignant way to emphasise the challenges facing socio-economic transition in the Tibetan areas. Plotting the various western provinces according to their urban income poverty rates as measured by Hussain (2003) on one axis and their average urban per capita household incomes on the other, a logical inverse relationship between income level and poverty rates is evident. The outlying position of the TAR highlights its exceptional status as both high poverty and high income.

This final figure encapsulates the dilemmas facing the TAR, and possibly other Tibetan regions as well. Because the rural areas are broadly poor and also limited in their potential for off-farm activities, the precedent for urbanisation is even greater than in other western provinces. Yet current economic strategy, focused on the urban areas, concentrates employment in high-wage and high-skill areas where local labour absorption is limited. This results in relatively fewer opportunities in low-skill activities for urban poor and rural migrants than would be the case of such growth elsewhere in China, including western China. The cash bonanza created by the heavily subsidised economic boom nonetheless attracts Han immigrants, who add considerable competitive pressure in the areas of urban low and medium skill employment. The subject of Han immigration to urban Tibet is sensitive for this reason. These issues will be discussed in the following chapter.

NOTES

1 See Costello (2003) for a rich analysis of the relationship between assets and consumption in nomadic Golok.

2 Up until 1990, income-in-kind, or own-consumption, was valued in the surveys according to administered prices, and ‘since the official price of cereals represented, on average, 72% of the market price in 1985 compared to 48% in 1990, this resulted in an increasing underestimation of agricultural incomes’ (Jeanneney and Hua 2002: 302). This trend continued until 1996, as government purchase prices were invariably lower than the market prices for grain and cotton, the two commodity categories that were still administered by the government after 1990 and that accounted for over 50 per cent of the value of agricultural output. The valuation of income-in-kind continued to be underestimated given the fact that from 1990 to 1996 current government purchasing prices...
were used to value grain and cotton, while market prices were used for other commodities such as meat and vegetables (Hussain 2002b: 64–65). As Hussain points out, ‘rural household income data over time may not be fully comparable, which raises problems in interpreting a time trend in the incidence of poverty’ (ibid 63).

3 At the macro level, hectarage has been increasing in the TAR, which is probably due to the completion of several large irrigation projects and thereby impacting specific localities. Nonetheless, it is generally the case that individual households are faced with diminishing and/or degrading land holdings. For instance, see the survey results of Goldstein et al. (2003).

4 Most decomposition analyses of the sources of inequality in China point to this clearly. For instance, Khan and Riskin find that agriculture is an equalising factor in rural incomes, while wages are the most disequalising component (Khan and Riskin 2001: 30). Goldstein et al. (2003) find similar results in the TAR through their more intuitive approach.

5 For instance, this can be observed in the breakdown of rural incomes in CSY (2003; 2004).

6 For instance, much employment of rural Tibetans in the low-skill range of road construction work was observed during field research in 2003 and 2004.

7 On a positive side note, the current resurgence of inflation in China since 2003 has been driven by a rise in food prices, and in particular in grain prices, which would act to correct the deflation of food prices from 1998 to 2001. Thus, although such inflation may be a source of concern to monetarism-obsessed economists, it might actually represent a positive development for grain producing rural areas after years of depressed prices.

8 Wheat and rice have been protected with some of the highest tariffs to date in China, at 114 per cent up to the beginning of WTO implementation in 2001. The tariffs for overall cereal grains were to be dramatically reduced by 96 per cent, from 91.1 per cent to three per cent, and from 96.9 per cent to 3.9 per cent for oil seeds, within a year of WTO implementation (end of 2002). These two categories account for most of the crops of Tibetan farmers, wheat aside. In contrast, the specific tariffs for wheat and rice were only to be reduced by 43 per cent, remaining at 65 per cent even after tariff reductions (UNCTAD 2002 145).

9 Recently, under the new Chinese leadership, it seems that these poverty lines have been adjusted upwards to 1,300 yuan in order to reflect more realistic evaluations of poverty. It is not clear whether this new line reflects a revaluation of the absolute line or a new ‘benefit’ line, but in any case, it is not comparable to either of the previous lines. Given that
in the end all lines are more or less arbitrary, this study will restrict itself to the older definitions.

10 Perhaps coincidentally, this line corresponds to a World Bank calculation of a one-dollar-a-day purchasing-power-parity poverty line for China in 1998, which they estimated at 885 yuan, although this World Bank PPP line was strangely adjusted downwards to 772 yuan in 2000 (ADB 2003: 101). This revision would indicate a rural CPI of 87.2 in 2000 (1998 = 100), whereas the actual national rural CPI was 98.4. This downward revision of the PPP line is therefore a new line, not comparable to the 1998 line.

11 In this case, under various poverty alleviation strategies, a county is considered poverty-stricken if the average rural household income of the county falls below a certain level. This line appears to have been 500 yuan in 1990, which if indexed to the national rural consumer price index, was equivalent to about 960 yuan in 2001.

12 To give an example of such a conclusion, Khan and Riskin conclude from their regression analysis that ‘the incidence of broad poverty is, by and large, lower for the provinces with higher per capita income. Spearman’s rank correlation coefficient between the provincial rank in head count rural poverty and the provincial rank in per capita rural income is highly significant at -0.69’ (Khan and Riskin 2001: 67).

13 Although even in this case, an arbitrary line should be indexed to local inflation rates rather than national inflation rates. Thus even an arbitrary line indexed to national inflation over time introduces a bias.

14 China is different from most other developing countries in that rural inequality is not derived from inequality in the distribution of land assets. For a detailed discussion of these issues, see Khan and Riskin (2001).

15 Note that the rate for Qinghai calculated according the 635 rmb line, together with the data from the 2002 QSY, does not correspond to the Qinghai rate calculated by Hussain (2001) using the same line. He found the provincial rate to be 12.6 per cent in 1999, a higher figure, and the highest in the country, although his calculations do not include the TAR. He would have been using a different data source, although if the proportions were comparable, this would imply that the TAR, with a slightly higher poverty rate than Qinghai in 1999 according to this data, would have had the highest poverty rate in China in that year.

16 Note that these results for China in 1999 at the poverty lines of 635 and 865 rmb are slightly different from the rates given by Hussain (2001) in Table 4.1 above. I have assumed a linear relationship between 600 and 800 rmb and between 800 and 1,000 rmb, whereas Hussain was probably using a more detailed data set, possibly showing more subtlety between these fixed points, such as convexity between 600 and 800, and concavity...
between 800 and 1000. Nonetheless, the proportions measured by the other lines – 100, 300, 500 and 1,000 – are given precisely in the yearbook sources.

17 Examples of this might include kinship practices such as gift giving, and so forth. See Costello (2003) for a detailed examination of some of these practices in Golok.

18 The incomes above 5000 yuan were not indicated, although the median income of this 5,000+ group can be determined by dividing the residual after all the other income groups have been subtracted from the total income – (median)(sample) – and then dividing this residual by the number of observations in the 5,000+ group. From 1997 to 1999, this gave a median that was below 5000, indicating some measurement error. The average between the 2000 and 2001 median of this group was thus used to substitute the median in the previous years.

19 For instance, see Knight and Song (1999) for a detailed discussion of such policies.

20 Obviously, according to a Keynesian framework, wages are negotiated social contracts, and thus in most cases they can be considered to be both political and administered. Nonetheless, in a functionally productive context, they also have some relationship to productivity, among other factors such as local subsistence levels and so forth.

21 See Sautman and Eng (2001) for a detailed description of this Tibetan middle class. Similar to official discourse, they selectively focus on this middle class and pay little attention to newly emerging poor.

22 No ethnic breakdown is given for the staff and workers outside the state-owned units.

23 For more detail on these recent changes in the ethnic composition of public employment, as well as wage levels of such staff and workers, see TIN (2005a; 2005b).

24 Informal conversations with several Uighurs have indicated that there are several slum areas in Urumqi, such as the ‘Red Mountain’, that are mostly squatted by Uighurs from the south of the province.

25 75 per cent of Han migrants in the Lhasa sample of Iredale et al. were involved in business (Iredale et al. 2001: 160).

26 Note that the urban household income for 1999 is used, taken from the 2000 CSY, because the 1998 urban income for the TAR was not given in the 1999 CSY.
CHAPTER FIVE

Dilemmas of Exclusionary Growth

Unequal competition within a scarcity of appropriate employment

This chapter examines the employment dynamics that underlie the structural and distributional changes discussed in the previous chapters, highlighting the urgent need to expand low-skill employment opportunities for local labour in the secondary and tertiary sectors, which are essentially urban in the Tibetan areas. This is then framed within the contemporary migration context, in particular by analysing differences in the education and skill levels between local Tibetans and interprovincial migrants from outside the Tibetan areas. Both dynamics – the under-prioritisation of employment in locally integrated productive activities and the presence of unequal competition from out-of-province migrants in limited low skill urban employment opportunities – act as powerful forces to reinforce the exclusionary tendencies of current growth in the Tibetan areas.

STRUCTURAL CHANGE, PRODUCTIVITY AND EMPLOYMENT

The conundrum facing the Tibetan regions can be easily summarised by looking at GDP to labour share ratios (i.e. GDP share divided by labour share of sector). These ratios show the relative monetary productivity of labour within each sector, in terms of its value-added contribution to GDP. This in turn illustrates the underlying economic dynamics that drive structural change within the society and economy, and, in particular, urbanisation. Table 5.1 below presents the labour share of each sector in the TAR, Qinghai and China, and
Table 5.2 shows the GDP to labour share ratios. In this case, the secondary sector includes construction. The three last columns of Table 5.2 show the ratio of the ratios, that is, the relative difference between the GDP/labour share ratios across the three sectors.

Table 5.1: Labour shares, 2001 (%)

<table>
<thead>
<tr>
<th></th>
<th>Primary</th>
<th>Secondary (M+I+C)</th>
<th>Tertiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAR</td>
<td>71.8</td>
<td>6.5</td>
<td>21.7</td>
</tr>
<tr>
<td>Qinghai</td>
<td>60.0</td>
<td>13.0</td>
<td>27.0</td>
</tr>
<tr>
<td>China</td>
<td>50</td>
<td>22.3</td>
<td>27.7</td>
</tr>
</tbody>
</table>

*Source: CSY (2002: Table 5-3).*

Table 5.2: GDP/labour share ratios

<table>
<thead>
<tr>
<th></th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
<th>Sec/Prim.</th>
<th>Tert/Prim.</th>
<th>Sec/Tert.</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAR</td>
<td>0.38</td>
<td>3.57</td>
<td>2.30</td>
<td>9.39</td>
<td>6.05</td>
<td>1.55</td>
</tr>
<tr>
<td>Qinghai</td>
<td>0.24</td>
<td>3.39</td>
<td>1.55</td>
<td>14.13</td>
<td>6.46</td>
<td>2.19</td>
</tr>
<tr>
<td>China</td>
<td>0.30</td>
<td>2.29</td>
<td>1.21</td>
<td>7.63</td>
<td>4.03</td>
<td>1.89</td>
</tr>
</tbody>
</table>

*Source: Table 5.1 above and Tables 3.2.1, 3.2.2 and 3.2.3 in Chapter Three.*

Across China, the GDP/labour share ratio is highest in the secondary sector. This means that the relative GDP contribution of one worker in this sector, in money terms, is considerably higher than in the tertiary sector: more than double in Qinghai, almost double in China and just over one and a half times in the TAR. Compared to the primary sector, the secondary sector is over seven times more productive in China, over nine times in the TAR and over 14 times in Qinghai. Comparing the tertiary sector to the primary sector, tertiary activities are four times more productive than primary in China, six times in the TAR and almost six and a half in Qinghai. The GDP or value-added contribution essentially includes wages and profits, and thus the high secondary and tertiary ratios in the TAR in part reflect high salary levels, particularly in the tertiary sector. The huge gaps with the primary sector in terms of GDP contribution undoubtedly reflect differences in potential remuneration.
These ratios therefore demonstrate the importance of expanding employment in the secondary and tertiary sectors of the Tibetan areas for local agricultural labour, or else for the local urban unemployed. While this precedent exists throughout China, with increased relevance in the interior and western provinces, it applies even more so in the Tibetan areas, typified by the TAR and Qinghai. Productivity in the rest of China, although unbalanced, is more evenly distributed across the three sectors, even in other western provinces.

Urban unemployment aside, the greatest theoretical productivity gain in such a situation comes from transferring one local person from employment in agriculture to employment in secondary activity, and to a lesser extent, to tertiary activity, both of which are more or less synonymous with urban in the Tibetan areas. The population implicitly knows this, for they are attracted to the urban areas by the higher earning potential found there. The greatest productivity gain would not come from transferring one secondary or tertiary worker from elsewhere in China into these same sectors in the TAR or Qinghai. The productivity of such immigrants in their places of emigration would already be high, albeit their earnings probably less due to stiff competition in labour markets, and any net value-added gain that their move would represent would be derived from the increment in subsidised wages, or else from the higher profits generated by a subsidised economy, and not from a productivity gain per se. Their addition to the local economy would increase local value-added, particularly that the realisation of their productivity would be immediate, but this comes at the cost of the subsidies required to attract and keep them. Yet even abstracting from the issue of subsidies, the immigrant transfer can be considered less efficient than a local transfer in terms of national and regional allocation, especially in the long term. This is also abstracting from the circulation effects, whereby immigrant labour tends to transfer savings out of the local economy, whereas local labour mainly invests savings locally.

This societal welfare comparison is of course theoretical. It assumes that one rural labourer in the Tibetan areas has the skills to work in the secondary and tertiary sectors. Obviously, such a transfer would require considerable education and training. Yet even this considered, the potential gains in the productivity of local labour, particularly through the expansion of local employment in the secondary sector, are huge. Conversely, even if labour productivity in
agriculture were increased by 10, 20, or even 50 per cent, through improvements in irrigation and technology, or, even by improving the terms of trade for agricultural products, although commendable, this would only create a small dent in these productivity differentials. Urban bias aside, the productivity ratios highlight the imperative, indeed, the natural tendency, for labour to move out of agriculture, which inevitably implies urbanisation in the Tibetan areas.

In a similar regional analysis of China as a whole, Hussain (2002) points out this logic with regard to the importance of urbanisation in western China. After analysing the conditions that led to the dramatic growth of Township and Village Enterprises (TVEs) in coastal China, he elaborates:

The implication is that the opportunities for the development of TVEs in the Western region are not as ample as those in the coastal provinces in the 1980s. As a result, TVEs are likely to play a smaller role in the transfer of labour out of farming than they have done in some coastal provinces. This is generally accepted, but its corollary has escaped attention. The corollary is that migration and urbanization would be more crucial in the development of the Western region than they thus far have been in the development of the coastal provinces (Hussain 2002: 15).

Photo 5.1: Migrant Chinese vegetable merchants in the central market of Lhasa; most merchants in this market are Chinese.
While he discusses the west in general, such as the more densely populated Chongqing, Gansu and Guizhou, this implication becomes even more pertinent for the Tibetan areas. There, the sheer dispersion of the rural population makes it even more difficult to sustain rural-based industries, besides resource enclaves or rural areas in close proximity to cities, which in turn cover a smaller proportion of the rural population than is usually the case in western China.2

Hussain continues to argue, ‘... three interrelated policy implications follow. One is the far greater importance of removal of restrictions on labour migration in the Western region than in the coastal provinces where rural industry is well developed’ (ibid.). Outside of the specific context of the Tibetan areas, this implication would refer to intraprovincial labour migration, i.e. movements of local rural dwellers to local urban areas. Placed in the perspective of the Tibetan areas, it would follow that such intraprovincial migration should be prioritised over and above interprovincial migration, i.e. immigration from other areas of China. In particular, outside migrants are being attracted by subsidies that are intended to elicit a structural transformation of the local economy, which by definition and necessity should involve local labour.

The second and third implications continue with the same logic. The second would require:

… increased public investment in education in rural areas, which would facilitate adaptation to employment in the secondary and tertiary sectors. The third is the need for a package of measures to facilitate further urbanization through an extension of existing cities and towns and the establishment of new ones. In particular, this suggests that infra-structural investment in the Western region should also include investment in urban facilities and low cost housing as well as investment in inter-city transport (ibid.).

The third objective is current official policy in the TAR and Qinghai, while the second is at least given lip service. However, actual inputs, outputs and outcomes may vary widely from the stated objectives, particularly where rural education remains under-prioritised, infrastructure investments neglect local integration over long-distance networks and employment opportunities in infra-structural and urban expansions are filled by immigrants. This returns to the key point that these two latter policy implications must be coordinated with decisive affirmative action in the first.
The irony is that expansion in the secondary and tertiary sectors in the Tibetan areas has tended, at least in part, to be absorbed by immigrating labour, both skilled and unskilled, rather than by migrating rural labour or the urban poor. Even where immigrants are temporary, their circular flow assures a continual replacement, and because the immigrants are disproportionately male and of working age, they represent a much larger share of urban employment than their population share would suggest. Interestingly, Sautman and Eng (2001) draw heavily on the findings of Iredale et al. (2001) in order to highlight the point that Han migrants in the TAR are temporary and not settled. This may be a case in fact, yet both sets of authors omit consideration that the population structure of the immigrants amplifies considerably their employment impact, which explains why their presence is so contentious. In particular, local working Tibetans are faced with some of the highest dependency ratios in the country, whereas the immigrants have almost none, at least not with them, and most would be employed, because otherwise they would go home.

Thus, while the Han might only represent about 6 per cent of the provincial population according to the 2000 census, and about one third of the city population and about 20 per cent of the town population, they represent a much larger share of urban employment than their population share would suggest. For instance, assuming that 75 per cent of this 2000 census Han population of the TAR was working, and that they were working mostly outside agriculture, their 6 per cent population share becomes more than a one-third share of non-agricultural employment in the province (both urban and rural). Thus the impact of a net increase in in-migration, which appears to be the case since the mid-1990s, would have considerable reverberations in non-agricultural employment at this stage of the population and economic transitions.

In other words, the thesis that the Han are swamping the Tibetan areas is effectively an expression of the crowding out effect that such in-migration creates in the local urban economy, particularly at a stage when urban opportunities are so critical for the urbanising rural Tibetans. Undoubtedly, there is a skills deficit in the region, particularly for the current large-scale projects that dwarf the local economy, and the upper range of skilled labour is definitely required for the province, so long as such projects persist. In any case, migrating rural labour is not competing for such positions, but rather for the low skill opportunities that are opening up in the wake of the construction
and commercial boom. These are precisely the opportunities that the lesser skilled Han and Chinese Muslim migrants tend occupy as they arrive to take advantage of the subsidised bonanza, as opposed to the higher skilled Han staff and workers who are mainly arriving on temporary managerial and technical postings.

Thus Tibetan rural-to-urban migrants and the Tibetan urban poor clash with these out-of-province ‘spontaneous’ migrants over the residual activities left over from the unproductive boom. Given that the out-of-province migrants generally possess much higher skill levels than the local population and are emigrating from more competitive areas of China, the level playing field between migrants and locals in the urban economy effectively becomes an issue of vastly unequal competition, and thus the confluence of migration flows reinforces social exclusion among the local population. This dynamic is best represented by the observation of urban inequality in Chapter Four, i.e. that urban poverty among permanent urban residents in the TAR in the late 1990s was among the highest in China even while average urban incomes among the same population were among the highest as well.

UNEQUAL COMPETITION: EDUCATIONAL DIFFERENTIALS

Within this economic context, education and skill levels become the critical factor determining inclusion or exclusion. This is in contradistinction to the urban–rural divide emphasised by most authors. Both the urban–rural divide and the proportion of Tibetans with secondary education and above – and thus part of the skilled labour force – slice a similar 15:85 ratio across the Tibetan population. Nonetheless the two are not equivalent, as there are rural residents with university education and many urban residents who are illiterate. Rural Tibetan residents with secondary education and above are able to compete and integrate in the modern economy with relative ease. It does not appear that they face any particular discrimination in employment or remuneration once they have achieved such an education level, unlike many other cases of ethnic discrimination, including possibly that of the Uighurs in Xinjiang. The educational divide rather than the spatial divide is therefore much more relevant in determining exclusionary outcomes. Accordingly, ethnic discrimination would be best identified through
differences in the provisioning of education across majority and minority ethnic groups.\textsuperscript{5}

The skills imbalance between locals and interprovincial migrants in the Tibetan areas is best portrayed by interprovincial comparisons of education levels, expressed as illiteracy rates or else as the proportion of the population with education above a certain level. Five provinces suffice for this comparison. Sichuan is the main source of immigration to the TAR and also a significant source to Qinghai. Gansu is also another important source for Qinghai, and Shaanxi represents the administrative centre of gravity for Qinghai. Education indicators in these three provinces and the national average therefore give a broad indication of the skill levels in the sources of emigration to the Tibetan areas, both urban and rural. Illiteracy or no schooling would usually imply few skills beyond subsistence agriculture, basic trades or localised commerce. The primary level is the focus of current literacy campaigns,\textsuperscript{6} although a person with only primary education can at best be considered low or semi-skilled. Significant skills formation starts to take place at the secondary and vocational levels and beyond.

Obviously, as pointed out in much migration research, migrants often have higher levels of education than the average in their source communities. For instance, Iredale et al. found education levels among both minority (mostly Tibetan) and Han migrants in Lhasa in the mid-1990s that were significantly higher than official survey estimates for their respective places of emigration, although the rates between the two groups were vastly disparate.\textsuperscript{7} This considered, the source levels of education can reflect the general culture of education and skills that the migrants have been influenced by, are leaving from and maintain networks with throughout the course of their migration. And while there are obviously some migrants with very low or no levels of education, the rates of educational attainment should be seen as probabilities (i.e. the chance that a sampled person has such and such a level of education).

\textit{Illiteracy rates among the population aged 15 and older}

The most recent data is taken from the 2002 annual survey on population changes, which is based on permanently residing populations. In this case, the urban data for the TAR would represent a sample that is more than two-thirds Tibetan, since more than half of the Chinese in the 2000 census were temporary residents.\textsuperscript{8} Chinese censuses and surveys generally classify the urban population ac-
Dilemmas of Exclusionary Growth

cording to the categories ‘town’ and ‘city’, but no ‘town’ data are available in the TAR surveys. Probably various secondary cities such as Shigatse are treated in the ‘city’ category (see Table 5.3 below).

Table 5.3: Illiteracy rates among the population aged 15 and older, 2002 survey

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Rural</th>
<th>Town</th>
<th>City</th>
<th>Rural/City ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAR</td>
<td>43.8</td>
<td>49.0</td>
<td>---</td>
<td>35.6</td>
<td>1.4</td>
</tr>
<tr>
<td>Qinghai</td>
<td>24.8</td>
<td>33.6</td>
<td>13.3</td>
<td>9.6</td>
<td>3.5</td>
</tr>
<tr>
<td>Gansu</td>
<td>21.1</td>
<td>26.4</td>
<td>9.0</td>
<td>5.5</td>
<td>4.8</td>
</tr>
<tr>
<td>Sichuan</td>
<td>13.6</td>
<td>18.0</td>
<td>10.8</td>
<td>6.4</td>
<td>2.8</td>
</tr>
<tr>
<td>PRC</td>
<td>11.6</td>
<td>15.0</td>
<td>8.7</td>
<td>5.7</td>
<td>2.6</td>
</tr>
</tbody>
</table>


The exceptionally high level of urban illiteracy in the TAR is remarkable – almost three quarters the rural rate, which in turn was already exceptionally high for China. This might help to explain why urban poverty in the TAR was among the highest in the country, which was examined in Chapter Four. Everywhere else in China, including Qinghai, city rates were only a small fraction of rural rates and usually within a close range of the national average city rate. If the data were drawn from early surveys, the comparison would be even more extreme. For instance, in the 2001 survey, illiteracy in the TAR was estimated at 44.2 per cent in the cities and 46.2 per cent in the rural areas, i.e. almost identical (CPSY 2002: Tables 1-19 and 1-21).

In the face of these local rates among Tibetans in the TAR, out-of-province migrants – who are not captured by the TAR population surveys – would be best described by the rates of Sichuan, which are very similar to those of Shaanxi and Gansu and close to the national average. The most extreme comparison is between the city illiteracy rates of Sichuan and the rural illiteracy rates of the TAR, which is appropriate given that many of the Sichuanese emigrate from urban or peri-urban conditions while indigenous urbanisation in the Tibetan areas by definition involves Tibetan migration from the rural areas. In this case, the rural TAR rate of 49 per cent contrasts appallingly with the city Sichuan rate of 6.4 per cent. Interestingly, Iredale et al. measure a similar spread between Tibetan and Han
migrants in Lhasa in the mid-1990s. Yet even in the least extreme comparison, rural migrants from Sichuan are on average half as illiterate as the TAR city residents, at rates of 18 versus 36 per cent illiteracy. Thus even an average rural Sichuan migrant in Lhasa would have a considerable skills advantage over the average city resident, an anomaly that is simply not observed elsewhere in China.

In Qinghai, there is a sharp difference between the rural rate, which is the second highest in the country, and the city and town rates, which are closer to the national norm. This essentially reflects the contrast between the urbanised and nationally oriented northeast corner of the province (the region around Xining) and the rest of the province, which remains quite impoverished. However, much of the immigration into the Tibetan areas of Qinghai is intraprovincial, deriving from this northeast corner of Qinghai itself. On the other hand, Qinghai Tibetans were over 91 per cent rural in the 2000 census and are best captured by the rural rates. In this perspective, the disparity between urban and rural rates in Qinghai is equivalent to the comparison between Sichuan and the

Photo 5.2: Two women from Golok Tibetan Autonomous Prefecture, Qinghai, dressed up for an outing in the town market.
Dilemmas of Exclusionary Growth

TAR. A similar comparison between the rates of Gansu and the rates of Qinghai can also be made.

These illiteracy rates have shown some decline over time, although variability between surveys makes an exact evaluation difficult (see Table 5.4 below). For instance, comparing rates from 1998 onwards, it appears that up until the 2000 census, illiteracy rates throughout the PRC were being overestimated by the population surveys. After the census, the record was somewhat better, although in some cases such as Gansu and China, surveys have shown higher illiteracy than the census. The census is usually treated as the most accurate measure. Therefore, year-to-year variations in the survey figures must be treated with caution.

Table 5.4: Illiteracy rates among the population aged 15 and older, 1998–2002 (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>TAR</th>
<th>Qinghai</th>
<th>Gansu</th>
<th>Sichuan</th>
<th>National</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998 survey</td>
<td>60.0</td>
<td>42.9</td>
<td>28.7</td>
<td>15.7</td>
<td>15.8</td>
</tr>
<tr>
<td>1999 survey</td>
<td>66.2</td>
<td>30.5</td>
<td>16.3</td>
<td>16.8</td>
<td>15.1</td>
</tr>
<tr>
<td>2000 census</td>
<td>47.3</td>
<td>25.4</td>
<td>19.7</td>
<td>9.9</td>
<td>9.1</td>
</tr>
<tr>
<td>2001 survey</td>
<td>45.5</td>
<td>29.6</td>
<td>22.5</td>
<td>14.1</td>
<td>11.6</td>
</tr>
<tr>
<td>2002 survey</td>
<td>43.8</td>
<td>24.8</td>
<td>21.1</td>
<td>13.6</td>
<td>11.6</td>
</tr>
</tbody>
</table>

Sources: CSY (1999: Tables 4-8 and 4-9), CSY (2000: Tables 4-8 and 4-9); CSY (2002: Table 4-13); CPSY (2003: Table 1-18).

As a statistical side note, it appears that illiteracy rates from the 2000 census do not necessarily correspond to those often publicised by both national and provincial governments in the PRC. For instance, officials from the TAR usually present the TAR illiteracy rate in 2000 as 32.5 per cent. This figure is also cited in central government sources such as the 2001 White Paper on development in Tibet (PRC 2001).

The discrepancy is quite simply due to a statistical sleight of hand in the presentation of the statistics. Specifically, in the 2001 China
Population Statistics Yearbook, illiteracy rates were calculated by dividing the number of illiterate aged 15 and older by the total population of all ages, rather than by the total population aged 15 and older, as would more accurately be the case. As a result, the higher base population enlarged the denominator, which in turn lowered the calculation of the rate, giving the appearance of a dramatic drop in illiteracy throughout the country. The discrepancy was relatively large in the TAR because its population is one of the youngest of the PRC, and thus the population aged 0–14 would have accounted for a larger share of the population, creating a relatively stronger downward bias in the sleight of hand compared to the 'older' provinces. Recalculated using the proper denominator, as is standard Chinese and international practice, the actual illiteracy rate of the TAR in 2000 was 47.3 per cent, which is close to the estimates of later surveys.

Sex and illiteracy

Broken down by sex, the difference between male and female illiteracy is less in the TAR than in Qinghai, Gansu, Sichuan and the PRC as a whole, but this is mainly a result of the fact that the male illiteracy rate in the TAR is already extremely high, i.e. over double the next worst rate of Qinghai for the overall measure (see Table 5.5 opposite). On the other hand, to reinforce the previous comparison of local versus interprovincial migrants, a woman in rural Sichuan is less likely to be illiterate than a Tibetan man permanently residing in Lhasa, despite the fact that she is more than twice as likely to be illiterate than her male counterpart in Sichuan. Conversely, a Tibetan woman migrating from the rural areas in the TAR is more than 19 times more likely to be illiterate than a male city resident migrating from Sichuan.

The extremely high levels of female illiteracy in the TAR cannot be taken as a sign of state discrimination per se, although a strong male bias is seen all over the PRC. Social and cultural factors also influence this outcome. For instance, it is common for rural Tibetan households to keep a daughter or a relative’s daughter home for doing house or farm work while sending a son to school.

Education levels among the population aged 6 and older

The above analysis corroborates more generally with the education levels among populations aged six and older, although these 6+ measures from the population surveys appear much more
Table 5.5: Illiteracy rates among the population aged 15 and older, by sex, 2002 survey

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Rural</th>
<th>City</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>F/M</td>
</tr>
<tr>
<td>TAR</td>
<td>33.8%</td>
<td>52.8%</td>
<td>1.56</td>
</tr>
<tr>
<td>Qinghai</td>
<td>14.8%</td>
<td>35.3%</td>
<td>2.39</td>
</tr>
<tr>
<td>Gansu</td>
<td>14.4%</td>
<td>28.0%</td>
<td>1.94</td>
</tr>
<tr>
<td>Sichuan</td>
<td>8.2%</td>
<td>18.8%</td>
<td>2.29</td>
</tr>
<tr>
<td>PRC</td>
<td>6.4%</td>
<td>16.9%</td>
<td>2.64</td>
</tr>
</tbody>
</table>

Source: CPSY (2003: Tables 1-18, 1-19 and 1-21)
consistent from year to year in comparison to the 15+ illiteracy rates. Measures are here calculated as a share of the population with education including or above a certain level. The sources that provide this data appear to treat no schooling and illiteracy as synonymous, and the proportion of a population with primary education and above is obviously the inverse of no schooling. Primary education includes literacy classes. Secondary education includes junior and senior middle schools and specialised secondary schools. Tertiary education includes junior college, university and post-graduates.

Above the primary level, a notable feature in addition to the high levels of illiteracy is the sheer drop-off at the secondary level in the TAR, with Qinghai and Gansu performing below the national level. This indicates that not only is the TAR highly illiterate, but skilled labour is also in extremely short supply, with only 15 per cent of the TAR population having some form of secondary education or higher, versus 40 per cent in Qinghai, 48 per cent in Sichuan and 55 per cent nationally (see Table 5.6 below).

Table 5.6: Education levels of the population aged six and older, 2002 survey

<table>
<thead>
<tr>
<th></th>
<th>(no schooling)</th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAR</td>
<td>38.0</td>
<td>62.0</td>
<td>15.4</td>
<td>0.8</td>
</tr>
<tr>
<td>Qinghai</td>
<td>22.2</td>
<td>77.8</td>
<td>39.8</td>
<td>3.2</td>
</tr>
<tr>
<td>Gansu</td>
<td>18.1</td>
<td>81.9</td>
<td>43.5</td>
<td>3.1</td>
</tr>
<tr>
<td>Sichuan</td>
<td>12.2</td>
<td>87.8</td>
<td>48.2</td>
<td>3.7</td>
</tr>
<tr>
<td>PRC</td>
<td>10.2</td>
<td>89.8</td>
<td>54.8</td>
<td>4.7</td>
</tr>
</tbody>
</table>

Source: CPSY (2003: Table 1-14)

Similar to the previous analysis, these rates can also be broken down by sex, shown in Table 5.7 opposite. In the TAR the gap between male and female education at the primary level and above is the largest compared to Qinghai, Gansu, Sichuan and the PRC at large; female 6+ illiteracy still as high as 46 per cent in 2002, versus about 30 per cent for males. This pattern reverses towards the secondary and tertiary education levels. There are actually more women than men at the tertiary education level in the TAR as
Table 5.7: Education levels of the population aged six and older, by sex, 2002 survey

<table>
<thead>
<tr>
<th></th>
<th>Primary</th>
<th></th>
<th></th>
<th>Secondary</th>
<th></th>
<th></th>
<th>Tertiary</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>F/M</td>
<td>Male</td>
<td>Female</td>
<td>F/M</td>
<td>Male</td>
<td>Female</td>
<td>F/M</td>
</tr>
<tr>
<td>TAR</td>
<td>70.5%</td>
<td>54.3%</td>
<td>1.30</td>
<td>16.8%</td>
<td>14.2%</td>
<td>1.18</td>
<td>0.8%</td>
<td>0.8%</td>
<td>0.98</td>
</tr>
<tr>
<td>Qinghai</td>
<td>86.2%</td>
<td>68.8%</td>
<td>1.25</td>
<td>45.1%</td>
<td>34.1%</td>
<td>1.33</td>
<td>3.5%</td>
<td>2.8%</td>
<td>1.25</td>
</tr>
<tr>
<td>Gansu</td>
<td>87.4%</td>
<td>76.1%</td>
<td>1.15</td>
<td>49.8%</td>
<td>37.0%</td>
<td>1.35</td>
<td>3.6%</td>
<td>2.5%</td>
<td>1.41</td>
</tr>
<tr>
<td>Sichuan</td>
<td>92.3v</td>
<td>83.2%</td>
<td>1.11</td>
<td>52.0%</td>
<td>44.4%</td>
<td>1.17</td>
<td>4.4%</td>
<td>3.1%</td>
<td>1.45</td>
</tr>
<tr>
<td>PRC</td>
<td>94.2%</td>
<td>85.2%</td>
<td>1.11</td>
<td>60.5%</td>
<td>49.0%</td>
<td>1.23</td>
<td>5.5%</td>
<td>3.9%</td>
<td>1.40</td>
</tr>
</tbody>
</table>

Source: CPSY (2003: Table 1-14)
measured by the 2002 survey, although this represents a very small group of people and is thus liable to significant error. Also, despite this apparent equality, tertiary education rates overall in the TAR are extremely low for both sexes. Similarly, at the secondary education level and above, the male/female ratio in the TAR is more evenly spread than the average, but at very low levels for both sexes.

The education levels can also be broken down according to rural and urban, labelled as ‘town’ and ‘city’ in the survey and shown in Table 5.8 opposite. Focusing on the secondary education level and above, a similar case is seen to that drawn earlier with regard to illiteracy. A rural Sichuanese is more likely to have secondary education and above than a TAR city resident. Only in the area of tertiary education is a TAR city resident more likely to have the upper hand against the rural dweller from Sichuan, although a city resident from Sichuan is almost ten times more likely to have tertiary education than his or her urban Tibetan counterpart in the TAR. In other words, the urban labour market between migrants from other areas of China and locals in the TAR is extremely imbalanced in terms of education and skill levels.

The skills deficit in the TAR becomes appallingly evident in the rural areas, where a large gap exists with the city, particularly at the secondary level and beyond, as all over the PRC. For instance, only 7 per cent of the rural population aged six and older in the TAR has some form of secondary education, whereas 29 per cent of the city population has the same. In Sichuan the difference is 36 versus 70 per cent, and for the whole PRC it is 45 per cent versus 74 per cent.

Improvements since the advent of the Western Development Strategy
In order to see what improvements in education have been made since the advent of the Western Development Strategy in 2000, changes in the general provincial measures can be compared to the equivalent 2000 census data, shown in Table 5.9 (p. 144). Accordingly, considerable improvements at the primary level have been made in the TAR, and to a lesser extent in Qinghai, particularly in comparison to Gansu, Sichuan and the PRC in general, where the proportion of the 6+ population with a primary level or higher appears to be decreasing. These patterns match with the illiteracy rates among the population aged 15 and older from 2000 to 2002.
Table 5.8: Education levels of the population aged six and older, broken down by rural, town and city, 2002 survey (%)

<table>
<thead>
<tr>
<th></th>
<th>Rural</th>
<th>Town</th>
<th>City</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAR</td>
<td>57.3</td>
<td>7.1</td>
<td>-</td>
</tr>
<tr>
<td>Qinghai</td>
<td>70.6</td>
<td>26.2</td>
<td>0.6</td>
</tr>
<tr>
<td>Guangxi</td>
<td>77.9</td>
<td>34.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Sichuan</td>
<td>84.0</td>
<td>36.3</td>
<td>0.3</td>
</tr>
<tr>
<td>PRC</td>
<td>87.1</td>
<td>44.5</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: CPSY (2003: Tables 1-15, 1-16 and 1-17)
Nonetheless, there are two points to mention in the TAR. The change observed here in the 6+ population in the TAR, i.e. illiteracy falling by 8 per cent, from 46 to 38 per cent, is considerably greater than the fall in the 15+ population over the same period, from 47 to 44 per cent. This indicates that the drive to increase illiteracy rates has mostly focused at increasing primary enrolments among the primary-school aged population, i.e. from ages of about 5 to 14. Also, the fact that the rural illiteracy rate in 2002 among the 6+ population remained at 42.7 per cent, whereas the city rate was as low as 30.1 per cent, indicates that much of this fall in 6+ illiteracy took place in the cities rather than in the rural areas.

On the other hand, the improvements in the TAR at the secondary level are just on average, far behind improvements made by Sichuan for instance. At the tertiary level, the proportion appears to be shrinking in the TAR and Qinghai, while improving quite rapidly in China as a whole, as well as in Sichuan. This result in the TAR and Qinghai may be due to measurement errors, although it might also

---

**Table 5.9:** Education levels of the population aged six and older, 2000 census (%)

<table>
<thead>
<tr>
<th></th>
<th>(No schooling)</th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAR</td>
<td>46.4</td>
<td>53.6</td>
<td>12.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Qinghai</td>
<td>23.6</td>
<td>76.4</td>
<td>38.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Gansu</td>
<td>16.9</td>
<td>83.1</td>
<td>39.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Sichuan</td>
<td>8.7</td>
<td>91.3</td>
<td>42.7</td>
<td>2.7</td>
</tr>
<tr>
<td>PRC</td>
<td>7.7</td>
<td>92.3</td>
<td>52.3</td>
<td>3.8</td>
</tr>
</tbody>
</table>

**Changes between 2000 census and 2002 survey**

<table>
<thead>
<tr>
<th></th>
<th>(No schooling)</th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAR</td>
<td>-8.4</td>
<td>+8.4</td>
<td>+2.7</td>
<td>-0.7</td>
</tr>
<tr>
<td>Qinghai</td>
<td>-1.4</td>
<td>+1.4</td>
<td>+1.2</td>
<td>-0.4</td>
</tr>
<tr>
<td>Gansu</td>
<td>+1.2</td>
<td>-1.2</td>
<td>+3.6</td>
<td>+0.2</td>
</tr>
<tr>
<td>Sichuan</td>
<td>+3.5</td>
<td>-3.5</td>
<td>+5.5</td>
<td>+1.0</td>
</tr>
<tr>
<td>PRC</td>
<td>+2.5</td>
<td>-2.5</td>
<td>+2.5</td>
<td>+0.9</td>
</tr>
</tbody>
</table>

*Source: CSY (2002: Table 4-12 – from the 2000 census).*
Dilemmas of Exclusionary Growth

indicate out-migration among the highly educated, even the highly educated Tibetans.

These results have two implications. One is that the development of education in the TAR continues to have a strong urban bias, despite the fact that the province is over 80 per cent rural according to the 2000 census. The second implication is that because the improvements in illiteracy and education in the TAR are concentrated among the primary-school age population and in primary education, they will not impact the labour market for about another ten years. The dilemma is that inter-provincial migration is taking place in the present. The exclusionary effects of current growth combined with migration will be well set in ten years time. Therefore, exclusion within urban labour markets could only be counteracted if education levels were simultaneously improved among the current adult working population in both rural and urban areas, through adult education, vocational training and so forth.

Comparisons among ethnic groups in the PRC

The above provincial data do not differentiate ethnicity. Fortunately, the most recent population yearbook does divulge education levels by
ethnicity from the 2000 census, presented in the table below, although these data are not further subdivided by province. They nonetheless provide several additional insights, indicated in Table 5.10 below.

First, the education levels of all Tibetans are almost identical to those of the TAR in 2000 – slightly more at the primary and secondary levels and slightly less at the tertiary level – despite a more than doubling of the head count. This would indicate that education levels among Tibetans outside the TAR are essentially the same as inside the TAR.

In terms of no-schooling rates, the Tibetan education levels were the worst among the large ethnic groups in China, and the fifth worst among the entire set of 56 ethnicities. The Monpa and Lhopa (Chin. Moinba and Loba) took second and fourth to last places respectively. These are two miniscule indigenous groups of the TAR that are closely related to the Tibetans, with populations of less than 10,000 people each. The Bao’an, an equally miniscule group indigenous to Qinghai, scored third to last place.

Table 5.10: Education levels of the population aged six and older by ethnicity, 2000 census (%)

<table>
<thead>
<tr>
<th></th>
<th>No schooling</th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>7.7</td>
<td>92.3</td>
<td>52.3</td>
<td>3.8</td>
</tr>
<tr>
<td>Chinese</td>
<td>7.3</td>
<td>92.7</td>
<td>53.4</td>
<td>3.9</td>
</tr>
<tr>
<td>Tibetan</td>
<td>45.5</td>
<td>54.5</td>
<td>13.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Tu</td>
<td>18.8</td>
<td>81.2</td>
<td>34.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Hui</td>
<td>15.6</td>
<td>84.4</td>
<td>44.9</td>
<td>4.1</td>
</tr>
<tr>
<td>Salar</td>
<td>42.9</td>
<td>57.1</td>
<td>17.5</td>
<td>1.6</td>
</tr>
<tr>
<td>Dongxiang</td>
<td>58.0</td>
<td>42.0</td>
<td>8.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Yi</td>
<td>21.2</td>
<td>78.8</td>
<td>22.3</td>
<td>1.1</td>
</tr>
<tr>
<td>Qiang</td>
<td>8.2</td>
<td>91.8</td>
<td>33.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Uighur</td>
<td>8.8</td>
<td>91.2</td>
<td>35.3</td>
<td>2.7</td>
</tr>
<tr>
<td>Mongolian</td>
<td>7.2</td>
<td>92.8</td>
<td>54.8</td>
<td>5.2</td>
</tr>
</tbody>
</table>

Source: CPSY (2003: Table 2-2).
The poor education performance of Muslim groups specific to the Qinghai-Gansu region is also revealing. At the national level, Hui Muslims recorded a medium education level compared to the other large groups despite their visible minority status (i.e. lower than the Han but higher than the Yi and much higher than Tibetans). However, the Hui are spread out over the country and these figures probably do not reflect their education levels close to the Tibetan areas. On the other hand, the Salar Muslims are almost entirely concentrated in Qinghai and share much in common with the Qinghai Hui. Nationally, they were sixth worst in terms of no schooling and their education levels were only marginally higher than the Tibetans, as indicated above. The Dongxiang, another Muslim minority concentrated mostly in Gansu, had by far the worst education levels of the country, placing last among the 56 ethnic groups of the PRC.

These findings confirm the observations made by many scholars that Muslims in the Qinghai-Gansu region face significant social exclusion, despite their popular status as being crafty in commerce. This popular reputation is especially widespread in Tibet, and is also shared by many Chinese. Evidently, there is strong inequality within this community, such that the region produces very successful Hui and Salar businesspeople as well as an under-educated population. These outcomes may themselves be signs of exclusion. For instance, land in the Hualong Hui Autonomous County in Haidong, Qinghai is considerably degraded, which combined with a relatively rapid population growth among the Hui and limited off-farm employment opportunities, would put a strong downward pressure on the per capita incomes of those households that rely on solely on farming. This in turn would contribute to high inequality, given that the richer segments of the Hui community would be well integrated into commercial activities in the core towns and cities of Qinghai.11 Also, lack of publicly funded, culturally sensitive education, which for the Muslims would include some form of religious education in sexually segregated classes,12 also contributes to low education outcomes among the poorer members of the community.

Conflict between Tibetans and Muslims in the Qinghai-Gansu region therefore represents frictions between two marginalised indigenous ethno-religious groups. Tibetans claim that they are economically disadvantaged in the towns compared to the more urban and commercial Muslims. Granted, the Muslims who do venture into the Tibetan areas are likely to hail from the wealthier
sections of the Muslim community, given that their activities are usually integrated into larger Muslim commercial networks. Their presence would thereby entail a more competitive pressure than the average Muslim would imply. On the other hand, Muslims complain that Tibetans are given special treatment by the authorities, especially in the Tibetan Autonomous Prefectures and Counties where Muslims represent a significant visible minority. Yet both communities possess equally miserable education levels, particularly after five decades of public education under the Chinese Communist Party.

As a final note, the figures above reveal several additional insights into differences between Tibetans and other minorities in Western China. For instance, the Uighur – Turkic Muslims based almost entirely in the Xinjiang Uygur Autonomous Region northwest of the TAR – face an entirely different scenario from the Tibetans. They are in fact a relatively well-educated ethnic group, with close to national average illiteracy rates, although they fall behind at the secondary level and above. Therefore, where ethnically defined exclusion of Uighurs occurs, this may result from more overt forms of discrimination, whereas given the exceptionally low levels of education among Tibetans, exclusion can easily occur without overt discrimination necessarily playing a role per se. On the other hand, many forms of implicit discrimination contribute to the poor education indicators in the first place, such as the undersupply of per capita education infrastructure in the TAR discussed in Chapter Three, or else political uses of education, culturally insensitive education policies and so forth.

In contrast, Mongolians are among the best-educated ethnicity in China, with higher education levels than the Han, particularly at the tertiary level. However, this would not necessarily apply to the Mongolians of Qinghai, although it appears that the Henan (Tib. Sogpo) Mongolian Autonomous County in Qinghai has a fairly strong primary and secondary education policy, as observed during a field visit in the summer 2003. For instance, educators have apparently convinced most pastoralists to send their children to boarding schools in the county town, whereas resistance against boarding schools remains a problem in many Tibetan pastoral areas. The Tu, a Tibetan-Buddhist group of Mongolian origin indigenous to Qinghai, also have much better levels than other minority ethnic groups in the province, perhaps due to the fact that their population is concentrated close to the core northeast corner of the
province. For similar reasons, the Qiang in Sichuan, who are closely related to Tibetans in that area and who mostly reside in a few counties of the Aba Tibetan-Qiang Autonomous County that are relatively close to Chengdu, also have reasonable education levels, comparable to the Uighurs. Nonetheless, all of these minority groups, with the exception of the Mongolians and possibly the national Hui, experience a significant gap with the Han at the secondary level and above, which is precisely where skills formation becomes most relevant.

**IMPLICATIONS OF EDUCATIONAL DIFFERENCES FOR EMPLOYMENT AND EXCLUSION**

While improvements in the primary-school aged population are crucial to an education strategy, they will only influence the skilled labour force in about ten years time, if not longer. Yet the education gap between the Tibetan areas and the rest of China is so great that even as education slowly improves in the Tibetan areas, the current demands of rapid yet polarised economic growth outpace the limited skills formation within the local workforce. It is this disjuncture combined with migration from outside the Tibetan areas that drives the exclusionary tendencies of current growth.

To take the example of the TAR as discussed earlier, growth has been concentrated in the tertiary sector, particularly in administrative expansion, as well as in large-scale construction projects, yet with a notable lack of complementary expansion in the local secondary productive sectors. As a result, the dynamic sectors of the economy are disproportionately concentrated in high wage and high skill labour. As mentioned in the previous chapter, total employment in this labour force (staff and workers in state-owned units) has actually been falling since 2001, in particular, that of Tibetans. Although low-skill activities have undoubtedly increased with the boom, these have been more limited relative to comparable growth elsewhere in China, and they have been focused in the lower end of construction work or in commercial and service activities, most of which are concentrated in the urban areas. Locally integrated secondary productive activities have been falling as a share of GDP and provide little potential to absorb local low skill labour. In contrast, growth in most other regions in China, including Qinghai, has been rooted in the expansion of secondary productive activities,
thereby generating a strong demand for low-skilled labour, in particular for rural migrant labour.

Therefore, there is an important misfit in the TAR between the employment demands of growth and the actual skill levels among local Tibetans, one that migration exacerbates and current education strategies appear ill suited to address. Migrant workers fill the shortfall in local semi-skilled and skilled labour and even squeeze the low skill space where Tibetans might be able to integrate into the urban economy. For instance, low-skill employment in the activities that are performing well in the TAR – such as in tourism, in construction run by out-of-province companies and in commerce – provides a natural advantage to those who are literate and fluent in Chinese and who are connected to networks outside the province. Conversely, in locally integrated secondary productive activities, such as wool processing and textiles, fluency in Chinese would not necessarily be a competitive factor determining employment, yet this is where the creation of appropriate employment is the sparsest.

The dilemma therefore remains that skills formation in the local Tibetan labour force must contend with a striking disadvantage in front of net inflows of migrants from other parts of China, who come to take advantage of the heavily state-subsidised economic boom. The 15 per cent of Tibetans with secondary education and above might perform well in such an environment, but the urgent issue does not regard this small segment of the Tibetan population. Rather, it is the remaining 85 per cent with little or no education that are a cause for concern. These under-educated and lower skilled Tibetans, in particular women, are left to compete with out-of-province migrants in the Tibetan urban areas on grossly uneven terms. In the case of the extremely poor education performance among Tibetan women, their restricted options in the urban areas would obviously encourage them to become involved in such trades as sex work.15

The government counters that as the Tibetan workforce becomes more educated or skilled, it will naturally come to fill the roles currently occupied by the migrants. However, in light of labour market segmentation and exclusion, this hypothesis simply cannot be taken for granted, particularly in the absence of sufficient secondary, vocational and adult education, affirmative employment policies to assist employment and training, and a preferential economic strategy that supports the expansion of locally owned and integrated productive activities. Unless the ethnicity of exclusion is
clearly acknowledged and addressed by affirmative and pro-active policies to support Tibetan workers and businesses, under-skilled Tibetans can easily lose out within current economic development.

The key to a coherent economic and employment policy must therefore take into consideration the issue of migration. This is not because of the fears of a population invasion, which are probably not well founded. It is because of this very specific migration scenario in the urban areas, wherein migrants possess an overwhelming competitive superiority over locals, thus producing exclusion among locals. The challenge would be to attract skilled labour from outside the Tibetan areas while avoiding the immigration of semi-skilled and low-skilled labour, in combination with affirmative and preferential strategies. As argued by Goldstein et al. in reference to debates in the TAR in the 1980s concerning two possible models of development:

In the other [affirmative] model of economic development, Tibetans would be given preferential treatment for jobs, contracts, etc. The aim was still rapid development, but this would be tempered somewhat so that the citizens of the minority autonomous region would be the primary beneficiaries of the economic growth. This approach is somewhat analogous to the model being used in China’s dealings with more advanced Western companies where combinations of preferences and constraints are used so that the less skilled group – the Chinese – have time to catch up and compete (Goldstein et al. 2003: 779).

This practice of protecting and promoting local workers in the face of unequal competition from the outside could be tried in the Tibetan areas, if there were the political will. Firm-level efficiency might not be optimum as a consequence of such policies, but this would be outweighed by the welfare gains achieved at the societal level. And in light of the remarkable inefficiency of subsidies and investment in the TAR, efficiency does not seem to be a high government priority in any case.

NOTES

1 More precisely, according to the income method of calculating GDP as discussed at the end of Chapter Four, the GDP is a combination of labour remuneration, depreciation on fixed assets, net taxes on production and operating surplus. See CSY (2002: Table 3-10).
State Growth and Social Exclusion in Tibet

2 For instance, 74 per cent of the population in Sichuan lives within the administrative boundaries of towns and cities, the majority of whom are rural, and their proximity to urban areas allows for a greater range of non-farm activities. The equivalent measure in China is 75 per cent, 47 per cent in Gansu, 38 per cent in Qinghai and only 30 per cent in the TAR, which is the lowest in China (CPSY 2002: Tables 3-5 and 3-6). This implies that a much smaller proportion of the rural population in the Tibetan regions would be affected by peri-urban development, which is where most rural industrial development takes place.

3 For instance, see Iredale et al. (2001: p. 156), in particular where they discuss the results of two surveys on minority and Han migrants in Lhasa. Although they provide useful socio-demographic information, they do not explore the logical implications further in terms of urban labour markets.

4 For instance, Sautman and Eng (2001) push the urban bias thesis, arguing that much of the imbalance seen in the TAR development is due to urban–rural inequality, common to all of China.

5 As discussed in Chapter Three, supply of per capita education infrastructure in the TAR is far below the national average despite an enormous need. These factors would at least partly explain the low educational attainments of Tibetans in the TAR.

6 Current education campaigns in China aim to achieve 100 per cent primary enrolment and the eventual completion of the nine-year compulsory education, which includes the junior secondary level. Nonetheless, in remote Tibetan prefectures such as Yushu and Golok in Qinghai, the policy of 100-per-cent enrolment had yet to be implemented in 2004.

7 This is not a conclusion that Iredale et al. made, but becomes apparent when their results are compared to the census and survey results. The two surveys that they analyse – one in 1996 and another in 1997 – found that 43.8 per cent of the minority (Tibetan) sample was illiterate or quasi-illiterate, with no schooling, while 5.1 per cent of the Han sample was illiterate (Iredale et al. 2001: 156). Both rates were considerably lower than the respective resident rates in the late 1990s, which were around 60 per cent for the 15+ age group in the TAR and around 15 per cent nationally for the same age group (CSY 2000: Table 4-8).

8 This can be indirectly deduced by the fact that Public Security Bureau (PSB – named ‘Department’ in the Yearbook translation) sources put the non-military Han population of the TAR at about 70,000 in 1999, which has remained unchanged throughout the 1990s, whereas the 2000 census counted 160,000. The Public Security Department probably uses a definition that is similar to the surveys, i.e. permanent and long-term categories of residence (TSY 2000: 33).
Dilemmas of Exclusionary Growth

9 For instance, Iredale et al. found that 43.8 per cent of their minority (Tibetan) sample in Lhasa was illiterate or quasi-illiterate with no schooling, versus 5.1 per cent of the Han migrant sample in Lhasa (Iredale et al. 2001: 156).

10 The rural rates in Qinghai used to be closer to the TAR rural rates, but in recent years they have been dropping more rapidly than those of the TAR, perhaps due to the much better supply of per capita education infrastructure, as discussed in Chapter Three.

11 Given the land-tenure system in China, landlessness is not observed as it is in other parts of Asia, but the small size of landholdings nonetheless makes sustenance difficult for households based solely on agriculture. Thus rural inequality in China is largely determined by access to off-farm employment, with the exception of coastal or suburban farming that is specialised in certain high-value crops. For instance, see the work of Khan and Riskin (2001). This rule applies even more in the arid western areas, such as the Hualong Hui Autonomous County of Qinghai, where the land is considerably degraded and the cultivation of high-value crops limited. The same principles would apply to the Tibetan areas, except that their populations are much more dispersed than in the Muslim areas of Haidong, and less urbanised and less involved in commerce. Thus manifest extremes of inequality are less visible in the Tibetan areas.

12 For instance, see Goodman (2004: 396).

13 For an excellent discussion of many of these issues, see Bass (1998).

14 This point was made in the discussion of urban incomes. For more detail, see TIN (2005a; 2005b).

15 For instance, see TIN (2003b) for a recent report on prostitution in the TAR.

16 See Fischer (2004) for a detailed explanation of why the arguments of population swamping, also termed the ‘demographic invasion’ by the Tibetan exile leadership, are probably not well founded. This is not to say that interprovincial migration is not a problem, but rather, that the problem is misconceived.
Chapter Six

Conclusions and Recommendations

In light of their inevitable urbanisation, Tibetans face two fundamental dilemmas. One is the education and skills lacuna among both urban and urbanising Tibetans, who on average were over 40 per cent illiterate as of 2002. They reside or migrate into urban areas where, outside of the lower end of construction work, services and trade, the booming sectors of the economy demand high education and skill-intensive labour, unlike growth in other urban centres around the country that are founded on much more diversified bases of secondary and commercial activities, and consequently, more diversified low-skill employment opportunities. Similar low-skill employment would be required to meet the needs of the largely rural Tibetan population in transition, as in any similar developing context. Yet such opportunities are precisely limited by the minimal role of productive activities in the Tibetan urban areas, which are actually shrinking as a share of GDP from an already very small base. The disjunction between current ‘leap over’ growth strategies and the actual skills and needs of the local Tibetan population in part helps to explain the high poverty rates among the permanently resident urban population in the TAR despite one of the highest average urban incomes in the country.

The second dilemma is that where low skill opportunities do exist within the subsidised boom economy of the Tibetan cities and towns, Tibetan rural migrants and the urban poor are met by competition from Chinese migrants who possess, on average, much higher levels of education and skills. In addition, the disadvantage of less educated Tibetans is compounded by lack of fluency in Chinese and lack of connections with larger regional commercial networks, which can be critical competitive factors in the lower-skill areas of the economy that are booming, such as services, commerce and tourism. Indeed, these competitive factors are compounded by the fact that most of
the large and medium sized construction projects in the Tibetan areas are contracted to out-of-province Chinese companies that mostly hire non-Tibetans, whether as a policy of intended discrimination or simply because of cultural preferences or skills advantages. Tibetans are largely sidelined in the process, despite the fact that the greatest economic gain would theoretically be made by their successful integration into the urban economy, as discussed in Chapter Five.

In contrast, the relatively educated Tibetans – a snug 15 per cent of the population – tend to fill the administrative and professional positions within the government sector, although ironically these positions are not expanding despite government administration itself being one of the fastest growing components of the GDP. Nonetheless, these state-sector employees are touted as evidence that Tibetans are indeed benefiting from the expansion, although their affluence is largely fuelled by salary and wage increases decided in Beijing and it is underlain by rapidly mounting inequality between Tibetans themselves. Ironically, in their enthusiasm to create an appearance of Tibetan prosperity, the Communist Party has resuscitated strong class divisions in the Tibetan areas through administrative means, particularly in the TAR and most obviously in Lhasa. However, at best this accentuation of inequality between Tibetans only partly offsets the wider structural process of ethnic marginalisation.

Ultimately, out-of-province migration into the Tibetan areas is not an issue of general population swamping or ‘demographic invasion’. In the high-altitude plateau, few Han migrants venture out of the urban areas, while the TAR is over 80 per cent rural and these rural areas are almost entirely Tibetan. As a result, the population in general remains overwhelmingly Tibetan (as well as rural). Furthermore, the demographic momentum sides with the rural dwellers and thus increases in net in-migration are offset by faster natural population growth among Tibetans. This is a matter of arithmetic and, indeed, becomes a further downward pressure on rural incomes.

However, this is not to say that migration is not a problem. The migration controversy is specifically an urban issue. Even more specifically, it is about the short term swamping of urban employment. According to the 2000 census, less than 20 per cent of the TAR population was urban, as were only 15 per cent of Tibetans in the province, and the proportions are similar in the other Tibetan areas. These Tibetans, along with increasing numbers of rural Tibetans
who come to the urban areas in search of work, must face the net increases of Chinese and Muslim in-migration that are mostly urban in destination. The presence of these incoming non-Tibetan migrants is further emphasised by their economic and thus visual dominance in the expanding urban areas. Many of these migrants are temporary, even seasonal, and thus their re-supply is dependent on continued, if not increasing, high levels of subsidy. However, this condition has been met since the mid-1990s. It is questionable how many of them would remain steadfastly in the event that boom time would come to bust, but for now, while the boom lasts, their impact is overwhelming in the urban economy.

Local sensitivities to non-Tibetan migrants are thereby founded, at least in part, on the crowding-out effect that such migrants have on limited urban economic opportunities, especially given that their employment impact is much greater than their population impact. Han migrants are overwhelmingly concentrated in the economically active age groups and bring few dependencies with them to the Tibetan areas, while local Tibetans are faced with some of the highest dependency ratios of elderly and young to working age population in the country. And despite the portrayal of masses of impoverished Han peasants making their way to the plateau in search of a new frontier, many of the migrants are arriving from equivalent urban or semi-urban conditions in other parts of China, and thus their skills and experience are already adapted to the urban work environment, even if they are only semi-skilled.

In other words, Tibetans are in a vulnerable transitional stage, both in demographic and economic terms, which the structural characteristics of growth exacerbate. Precisely at this moment of vulnerability, Tibetans are faced with strong competitive pressures, produced by non-Tibetan migration, which has in turn been induced by the heavily state-subsidised strategies of rapid ‘leap-over’ development of the Tibetan areas, in particular the TAR. The risk is that development will leap over the majority of Tibetans themselves, leaving behind a highly stratified social structure, similar to the experience of indigenous groups in the Americas, where a minority of the indigenous group becomes co-opted at the expense of policies that marginalise and exclude the majority.

The key issue for policy makers in the TAR and other Tibetan areas should be this question of how to avoid social exclusion within growth, particularly at a key moment of transition for the Tibetans. While exclusionary growth is a concern throughout China, it carries
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added weight in the Tibetan areas because exclusion operates along ethnic lines, it is reinforced through the political subordination of Tibetans, and it exacerbates the cultural marginalisation of Tibetans. And while this issue is being openly discussed throughout China, there is a measure of caution to address it in the Tibetan areas precisely because of its ethnic dimension, and thus its political overtones.

Tibetans often understand the various causes and consequences of exclusion through concepts of self-determination, and thus their developmental experience validates an evolving nationalist discourse (although not necessarily a separatist discourse, there being many forms of nationalism). This is not tolerated by the Chinese Communist Party, which acts to stifle or muffle this ethnic nationalist response to ethnic exclusion, even though such a response is wholly rational given the dilemmas faced by Tibetans. Lack of tolerance in turn adds force to feelings of resentment and alienation among many Tibetans, even if the material situation of some slowly improves with the annual addition of motorcycles, mobile phones and other consumer durables to their stock of goods. In this way, the government strategy of winning over the hearts and minds of Tibetans with a dazzling display subsidies is sabotaged by its own internal contradictions.

TOWARDS A TIBETANISATION OF DEVELOPMENT STRATEGY

It would therefore be favourable both for Tibetans and for Beijing’s own long-term interests in the Tibetan areas to reconsider the prevailing government development strategies that have been dominant since the 1990s. In particular, there are strong reasons to return to a paradigm of ‘Tibetanising’ development, prioritising as much as possible the use of Tibetan labour, businesses, decision making and so forth, parallel with the innovation of similar policies in the political, social and cultural realms. Such policies were advocated by a variety of leaders in the 1980s, of whom the most prominent was the 10th Panchen Lama. They are still supported now by many Tibetan and Chinese scholars and officials, among others. They contrast the currently dominant policies of ‘opening to the nation’ and ‘using the best’.1

Central to the choice between these strategies is the issue of interprovincial migration. Proponents of the current strategy argue that Tibetans will learn by seeing and imitating migrants and thereby progressively develop through a form of evolutionary osmosis, slowly appropriating the new economic spaces that have been innovated
and opened up by enterprising migrants. The classic example is the Chinese bicycle rickshaw driver in Lhasa who in time comes to be emulated by Tibetans, with more and more Tibetans plying the rickshaw service trade, while the rickshaw driver moves up to purchase a taxi, and yet again, within a few years, Tibetans start to be seen driving taxis, emulating the good example set by the migrant.

This linear and ahistorical teleology of development, ironically much in common with neoliberal theories of development and not necessarily applied in the rest of China, ignores issues of power, labour market segmentation and structural processes of marginalisation and exclusion. All of these issues have, throughout history, only been mediated and counteracted through strong public policies of social protection, not through the natural course of some sort of evolutionary osmotic developmental tutelage. Given their historical materialist proclivities for finding scientific analogies, Chinese scholars would be better to draw off the evolutionary theories of the survival of the fittest in order to the describe to confrontation of weaker and stronger ethnic groups in the Tibetan areas, particularly in absence of any significant public social protection for the weaker. For besides the overwhelming role of the state in the Tibetan areas, the actual provisioning of social services is notably underdeveloped and under-prioritised in comparison to every other region of China. In this context, the purported level playing field between migrants and locals is, in fact, very unlevelled in terms of inputs, outputs and outcomes, recalling Marx’s insight that equal rights in an unequal world is the equivalent of unequal rights because it reinforces an unequal structure of power and social relations. Indeed, in reference to the taxi example, several prominent western scholars have personally noted that Tibetans, who only a few years ago were much more present in the taxi business in Lhasa, appear to have been squeezed out of this service trade in recent years, particularly since the beginning of the WDS, as well as from an increasing variety of other trades as well. Given the blatant imbalance between Tibetan locals and non-Tibetan migrants in the Tibetan areas, the state should acknowledge and mitigate the ethnically exclusionary repercussions of their policies.

Restricting immigration to the Tibetan areas is not a viable option, even if there were the will and capacity to do so along the vast and largely uncontrolled boundaries with the rest of China. The age of migration control has effectively ended in China and, in any case, tourism in the Tibetan areas requires open population mobility,
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principally for Han, given that they account for the largest share of tourists by far. The migrant worker, the short-term trader and the tourist are a package deal; there is no effective way to differentiate them upon entry to the Tibetan areas. Some control could take place at the destination of migration, such as during registration with the Public Security Bureaus, but migration has become quite fluid in slipping around such obstacles. In any case, such forms of direct population management could be easily turned against Tibetan migrants from rural areas or from other Tibetan regions. In absence of any political reform, things could easily go array.

Therefore, the only real option ahead is to pursue a much more proactive, affirmative and preferential policy towards Tibetans, particularly with regard to the rural and urban poor, encompassing education, training, employment and business, and combined with a variety of locally oriented infrastructural and service developments. In this light, two larger policy initiatives can be envisaged that would address the challenges of both exclusion and growth in the Tibetan areas. One would involve a massive expansion of social services, primarily in education and health care, but also in various forms of social security. The other would involve a re-orientation of economic strategy towards local integration and ownership. Both are best conceived within an overall shift towards Tibetanising development.

Social policy

The first initiative – a massive expansion in social services – implies bringing the per capita level of social services at least up to the national average, and preferably above the national level, along with focused campaigns to remEDIATE lagging in specific areas, such as adult illiteracy, tuberculosis, malnutrition or child and maternal mortality. Expansion should obviously be accompanied by efforts to improve the quality of services as well as to reform the more defective aspects of government service provisioning. Ideally, a comprehensive reform of social service provisioning and decision-making would also be planned. However, such political reform might be a bit too ambitious to consider at this stage, given that it addresses the nature of power in China. Nonetheless, this should not preclude the serious consideration of lower-order reforms.

To take the example of education, a massive expansion would imply bringing the per capita levels of schools, teachers and students over and above national levels, regardless of whether the schools are to be located in rural areas or in towns. Per capita supply exceeding
the national average would be justifiable given the young age structure of Tibetans and the high levels of illiteracy. Based on numbers from 2001, in the TAR this would, at the very least, double the number of secondary schools, quadruple the number of vocational schools and marginally increase the number of primary schools. It would also include programmes and funding to support and improve existing schools, particularly in many remote Tibetan areas where the quality of education is exceptionally poor. Ideally, free tuition (and related expenses, which are often considerable) would be provided for Tibetans up to the higher secondary level, in all types of schools (not just the city and county town schools), and loans would be guaranteed for poor Tibetans at the tertiary level. Outside the TAR, some Tibetan autonomous counties and prefectures have built new Tibetan schools although these often remain severely under-funded, particularly at village and township levels, and even county level schools face persistent funding difficulties. Many of the more successful schools depend on non-governmental sources of financing to survive, either from prominent Tibetans or else from a handful of NGOs. While tuition for primary education in the TAR is free in principle (although not always in effective practice), outside the TAR tuition and related fees for primary education continue to be a heavy burden on rural families, despite levels of illiteracy that are equivalent to the TAR. This is not to mention tuition for secondary education, both inside and outside the TAR, which can make higher levels of education inaccessible to poor families, a paradox for a country that purports to be communist. Thus depending on the circumstances of each case, priority should be given to increasing the supply of education infrastructure, to improving the quality and support of existing infrastructure, or to lowering the costs of education.

Such a wide-ranging reform of education (and other social services such as health) in the Tibetan areas would be experimental for China. However, because the Tibetan population is very small and per capita subsidies are very large in comparison to elsewhere in China, experimental implementation of major social service reform could be feasible without overly straining existing subsidies, provided that subsidies are channelled into this rather than other priorities. Essentially, it would involve shifting the concept of ‘leap-over’ development from large-scale construction projects and government administration to the realm of social services.
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Indeed, this shift would not only be feasible but also sensible. Most successful cases of late developers in history, including Mainland China itself, have involved state-initiated expansions into public and social services that pre-empted their stage of wealth, industrialisation or other characteristics in comparison to previous experiences of richer and more industrially advanced countries. In particular, an early expansion into education and social security has been identified by many of the early development economists as critical to the experience of the ‘late-industrialisers’ such as Germany and Japan in the late nineteenth century and Korea and Taiwan in the twentieth century. The more ‘backward’ the country or region, the more urgent this imperative becomes with regard to the objective of catching up. In contrast, development strategies based on large-scale construction projects that are completely out-of-synch with the local economy rarely, if ever, produce enviable outcomes, although they might be profitable for the investors and shareholders of such projects, particularly if guaranteed by government treasuries.

Conceived in this way, a concerted expansion into social services could plausibly serve as a less exclusionary and more sustainable alternative to current economic strategy. The current strategy of focusing subsidies and investment primarily on construction or government administration runs the serious and impending risk of a worsening dependence on increasing levels of subsidies in order to produce continued growth, along with the worsening social polarisation that this incurs. Other risks include the boom-bust cycle that might follow the completion of large projects such as the railroad, which is projected to be finished in 2007, if equivalent levels of subsidies are not relayed towards some other project, as discussed at the end of Chapter Three. The timing of the completion of the railroad therefore offers a window of opportunity for a shift in economic policy away from engineering feats and monumental construction fetishes that have questionable relevance to local needs, or else oversized government bureaucracies that appear disassociated from the actual provisioning of public goods. While equally dependent on subsidies, an expansion of social services carries several key advantages.

To continue with the example of education, an expansion such as the one described above would be strongly justified first and foremost in terms of the urgent need to improve education in the Tibetan areas. Although the Chinese leadership argues that they are precisely expanding education in the TAR, efforts are still far from
sufficient to address the abysmal education levels of Tibetans within and outside the TAR, far lower than any other major ethnic group in China, besides the Chinese Muslims of the Northwest. In light of the under-supply of education infrastructure at the primary level and the sheer bottleneck at the secondary level in the TAR, current improvements can only be considered limited correctives to the sheer neglect of the past, and they have yet to come close to the average found in all other regions of China. Thus while current policy is pushing towards the achievement of 100-per-cent primary enrolment and completion of the nine-year compulsory education, it is pushing this objective within a per capita under-supply of schools and teachers. This will effectively put more pressure on existing education resources, lowering the quality of education even while increasing its spread. The bias among rural dwellers that they are receiving a sub-standard yet expensive education therefore increases, which in turn reinforces resistance towards such education, or else increases disparities in education as richer families send their children to better schools outside the community.

Education policy also needs to be tailored and expanded in ways that more immediately and directly address the current needs of the labour market. Secondary, vocational and adult education should be given much more emphasis, in particular in the rural areas and among rural Tibetan migrants in the urban areas, as a means to improve skill levels within the existing workforce and at both the origins and destinations of local rural to urban migration. Education programmes could be combined with policies that promote inclusion, such as affirmative employment practices, or else by combining training programmes with job placements or enterprise start-up assistance. Indeed, the social exclusion framework of the UNDP/ILO highlights the importance of proactively linking education with employment as a critical element to avoid the exclusion of individuals or groups within the development process.

Besides these obvious social needs, there are also strong economic reasons for relaying subsidies into a massive expansion of social services. One is that this would have a stronger potential for sustained long-term employment generation, particularly in the rural areas where many primary schools are located, and in a manner that would be much more suited to the needs and skills of current Tibetan high school, college or university graduates. The young generation of educated Tibetans currently entering the labour market have typically received an education that is suited for
teaching or other public services, but poorly adapted to the skilled needs of large-scale construction and engineering projects. In any case, educated locals are usually excluded from these latter skilled jobs given that construction projects are mostly managed, owned or operated by out-of-province companies that source their skilled labour from their origins, e.g. Chengdu, Shanghai or Guangzhou. Local hiring on such projects is concentrated in low-skill construction work, inappropriate for the more educated locals and providing few means for locals to work their way up the employment chain into more skilled positions. Even such low-skill employment tends to be spatially concentrated, temporary and even irregular. Employment generated from administrative expansion also tends to be concentrated in provincial capitals or prefectural seats and is difficult to obtain without good social connections. In any case, as previously noted, expansion of public employment has not followed from the massive GDP expansion of government administration in the TAR, which is the most exaggerated example of government expansion in the Tibetan areas. There is therefore a disjuncture between the generation of skilled employment in the current strategy and the typical skills formation and employment prospects of most Tibetan graduates.

Reinforcing this disjuncture and parallel to the WDS, the government policy of guaranteeing employment for high-school and university graduates, which was ended in China in the first half of the 1990s, was generally ended in the Tibetan areas around 2001. The Tibetan areas have been especially ill prepared for such a policy change, particularly outside the TAR. They have had few means to absorb unemployed graduates given sluggish growth (outside the large-scale projects) and scarce public revenues, which in any case are heavily subsidised and therefore guided by outside priorities that often misconceive local realities. This has had the ironic effect of exacerbating the out-migration of Tibetan graduates despite the desperate need of local communities to retain the skills of their educated youth, particularly after families have invested so heavily in their education. Indeed, without countervailing measures to employ such young people, many Tibetan communities are left with the perception that the education they are being supplied is either worthless or else that it drains their youth from the community. An immediate expansion in social services, particularly in terms of providing reasonably paid employment, especially at the village, township and county levels, would be very opportune at this precise
moment, mediating many of the dislocating effects of current policy changes.

Where expansion of such employment takes place in rural areas, such as in rural primary schools, this would also make a significant impact on rural poverty. It is very common for poor rural households to designate one or two children to pursue education with the eventual aim that they gain stable employment in one of these social service areas, typically teaching, which is a coveted and respected vocation among Tibetans. If acquired, such employment can be one of the most crucial factors eliminating the vulnerability of a rural household to falling into poverty. Many of the young Tibetan graduates mentioned previously fit this rural profile and aspire to find employment, preferably close to home where they can continue helping their families. Lacking local jobs, they search for employment outside the Tibetan areas. Yet their education is often of mediocre quality in comparison to that supplied in the Chinese areas. Combined with social and cultural factors, they do not have much prospect competing for skilled employment in the major Chinese urban centres surrounding the Tibetan areas, outside specific niche areas such those dealing specifically with Tibetan language or culture. Rural graduates also have little clout vying for government positions, which in any case are limited in the rural areas. Those that do exist are often monopolised by urbanites or by families already positioned in the government. Graduates therefore often end up opting for poorly paid service jobs for which they are overqualified, or else they linger in unemployment. This provides far less security for a rural household already heavily burdened by the costs of secondary or tertiary education, and again communities are left questioning the worth of such education when graduates scramble for lower-skilled employment in any case. The ideal means to employ such youth would be close to their rural communities in moderately skilled, reasonably paid positions, such as adequately funded primary school teaching, preventative health care interventions, and so forth.

In macroeconomic terms, a strategy focused on social service expansion would have the same direct impact on growth rates as construction or administration, with greater multiplier effects. As analysed in Chapter Three, current growth rates are being generated merely through a massive influx of subsidies, which are extremely inefficient due to the way that they are directed and managed in the local economy. As a result, an increase of more than one yuan of subsidies is required in order to produce one yuan of economic
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expansion. In other words, beyond a flood of injected cash, there is no special formula or model producing growth in the Tibetan areas. Growth is merely taking place in construction and administration because these are the areas targeted by the deluge. Accordingly, if equivalent subsidies were directed into social services, they would also produce similar growth rates, given that social services are also counted in the GDP statistics.

The difference lies in the fact that for the same amount of subsidies, social service expansion would produce less polarised and more sustainable, diversified and locally integrated growth, provided that such an expansion relies on local Tibetan labour. While migrants come and go, Tibetans are the ones who will remain in the Tibetan areas in the long term. Their employment provides the only effective means to achieve a sustainable development of human resources in the region. Also, where locals are employed, particularly in rural areas or in small towns, they are more likely to spend, save or invest their income within their community, rather than repatriating their savings out of the region, as do temporary migrants. This in itself would have an immediate effect on aggregate demand within the local economy by augmenting the local circulation of subsidies and wages.

Similar linkages would exist with the development of local businesses and local development initiatives. In the Tibetan areas outside the TAR, which are less constrained by the hype of security control, there are increasing examples of young Tibetan graduates initiating community projects, NGOs and so forth, or local Tibetan businesspeople supporting similar initiatives. Such synergies would be included among the many multiplier effects of subsidies directed in a more diversified and locally relevant manner. A shift in subsidies towards social and public service expansion would therefore have a more lingering and sustainable effect on the local economy, as opposed to large-scale projects where the majority of wages and profits leak out of the region and the projects have few direct linkages of the local economy.

Locally-integrated and adapted economic strategies

Related to this, the second policy shift recommended here would involve a re-orientation of economic strategy towards locally integrated forms of economic development, adapted to local skill levels and scale, supporting the growth of locally owned or controlled businesses, expertise and capital accumulation. Despite the fact that
the potential for township and village enterprises is limited in the
Tibetan areas, particularly in the rural areas, there are still many
avenues to explore, particularly with respect to trades and products
that are locally demanded by Tibetans and in which Tibetans have
a natural competitive advantage over Han migrants. One successful
rural example in the TAR includes a vocational school in Shigatse
Prefecture founded by Tashi Tsering that focuses on six main areas,
namely Tibetan-style textiles that are sold in local markets, stone
making for local Tibetan-style construction, Tibetan-style carpentry
and painting, Tibetan carpets, agricultural machinery repair, green-
houses and pig raising.\textsuperscript{5}\textsuperscript{5} In the urban areas, there is also potential
for replacing Han migrant workers or substituting imports if
initiatives are properly supported by policy, training, assistance and
infant industry protection, particularly in areas such as tourism,
retailing, hotels and restaurants, which are presently dominated by
outsiders. Several international NGOs have been collaborating with
local government departments in urban vocational education and
have found that training in skills such as Tibetan and Mandarin
computer software, Tibetan and Chinese cooking and restaurant
work, Tibetan hotel work, artisan products, driver training and
construction skills have all led to successful urban employment.\textsuperscript{5}\textsuperscript{5}

Within such a strategy, Tibetan businesses should envisage moving
beyond raw material production and basic processing, into the control
and ownership of higher stages of processing and distribution, where
value-added is greater. Examples include those products where
Tibetans should, in principle, have a natural advantage, such as
Tibetan medicine, caterpillar fungus, wool and other livestock
products. Locally based businesses should be supported through an
extensive use of preferential and affirmative policies and credit,
coordinated with vocational and adult education as discussed above.

There are some successful pilot examples of this in the TAR, such
as a Tibetan-owned processing plant of locally produced rapeseed
that has marketed its products in China as a brand of healthy oils.
This business was developed with vocational, financial and
marketing assistance from the Tibetan Academy of Agricultural and
Animal Husbandry Sciences in Lhasa. The example appears as an
exception in the de-industrialising Tibetan areas, and it might be a
subsidised showcase model for government PR purposes, but the
principle should be emulated as a cornerstone of business develop-
ment policy. Even if subsidised, subsidies spent in this way are far
more effective than the bulk of WDS projects. Unfortunately, such
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Agricultural-related government spending represents a small and shrinking fraction of total government expenditure and is under-prioritised relative to the rest of China, despite the TAR being the most agrarian region of China, as discussed in Chapter Three. This bias, along with a similar bias in social service expenditure, should be reversed.

Locally oriented infrastructure that prioritises local integration can serve as a further means to incorporate rural areas into regional development in a graduated manner, at technological levels that are appropriate and within the reach of local businesses or rural community management. Projects, such as improvements in the network of rural secondary roads, rural electrical grids, and rural water-supply systems, or locally managed, small-scale power-generation projects that do not require a high level of infrastructural logistics, could be used as means to promote enterprise development at the local level. For instance, secondary road contracts could be used to nurture locally owned and operated construction, transportation, maintenance and repair companies, particularly if coordinated with skills training and micro-credit programmes. Where larger national firms are involved, affirmative employment policies could assure that skills and other benefits are disseminated into local communities. Although such affirmative strategies may not be as efficient as the current policy of ‘using the best’ at the project or firm level, efficiency at the economy level does not appear to be a concern of current strategies in any case, as evidenced by the remarkable inefficiency of subsidies.

STRUGGLING AGAINST THE FLOW OF LOCAL DISEMPowerMENT AND NATIONAL INTEGRATION

A variety of local cadres and scholars, Tibetans and Chinese, along with a handful of development organisations such as local and international NGOs and bilateral aid projects, are already promoting some of these ideas. The question remains whether these efforts will be overwhelmed by the general trend of polarisation in the regional economy, which is pushing rapidly towards a form of exclusionary growth to a degree that is simply not observed elsewhere in China. Polarisation means that whatever small gains are made in the rural economy or in education, the hurdles to access the dynamic sectors of the economy, concentrated in the urban areas and controlled by out-of-province companies or local Tibetan elites, may nonetheless
become ever higher for rural migrants and the urban poor. In this manner, social exclusion can be understood as the dark side of current growth in the Tibetan areas; poverty is not merely an issue of a residual of remote communities still trapped in some form of ‘ecological’ destitution, but rather, it is a dynamic integral to the very processes of modernisation within the Tibetan areas, processes that are essentially determined by the state.

Current development strategies are symptoms of the fact that decision-making in the Tibetan areas largely follows the priorities of the Central Government (in the case of the TAR) or provincial capitals (in the case of the areas outside the TAR). In other words, non-Tibetan outsiders who are often unfamiliar or unconcerned with the precise nature of local needs devise strategies that are mainly concerned with their own objectives. Subsidies are used to support provincial and national businesses. Infrastructure developments are planned according to outside priorities and are often dismissive of local bottlenecks. All is couched in the discursive justification of working towards ‘constructing the motherland’ mixed in with a strain of developmental paternalism, while the strategies of promoting local ownership that are applied in the rest of China are simply ignored in the Tibetan areas. Education is underprioritised and underdeveloped vis à vis the rest of China, but Tibetan locals are treated condescendingly with the assumption that they will learn like children by imitating Chinese migrants. The Chinese Communist Party conveniently overlooks the lessons of its own struggle against imperialist subordination when it chances to turn its eye westward to Tibet.

The TAR highlights this predicament at the provincial level, although similar dilemmas can be observed at sub-provincial levels in the other Tibetan areas. At the provincial level, other heavily subsidised western provinces such as Qinghai appear to have a much larger space to determine the direction and implementation of local policies, allowing for more responsiveness to local needs when increased subsidisation is forthcoming. Nonetheless, this latitude would mainly relate to the core regions of Qinghai, which are predominantly Han Chinese in population. This reinforces the impression that the weakness of Tibetan self-determination over the development strategies that affect their areas is the continuing result of the public security bias that guides Chinese Communist Party rule over Tibet and Tibetans. In this light, the overwhelming degree of central subsidisation in the TAR economy may be a curse disguised
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as a blessing, so long as it continues to emphasise the priorities of the centre at the cost of local integration and indigenous development.

Photo 6.1: The way forward? Nomad in Tranggo (Ch. Luhuo) County, Kardze (Ch. Ganzi) Tibetan Autonomous Prefecture, Sichuan

NOTES

1 These were quoted to me in an interview with one senior government official in Qinghai, who explained that the policy for infrastructure and other projects was non-discriminatory, awarding contracts to the best quality companies available at the national and even international levels, which in turn are entirely free to determine who they hire and so forth. This explains why most of the larger infrastructural projects are contracted to out-of-province construction companies and hire mostly non-Tibetan labour.

2 For instance, several of the relatively successful Tibetan schools in Qinghai continue to secure non-governmental sources of funding due to the efforts of the mother of the 10th Panchen Lama, now in her 90s. Where financial survival is dependent on the clout of one such famous person, many people obviously worry about the future of these schools once she passes away. Similar dilemmas exist when prominent lamas or
business people start schools but then are subsequently detained and imprisoned, or else when NGOs change their funding priorities.

3 Notably, between 1997 and 2003 the price inflation of ‘Tuition and Child Care’ in Qinghai was 122 per cent, whereas general consumer price inflation was only one per cent, while the farm gate prices for agricultural goods have been deflationary. Even more outstanding, the price inflation for health care services in Qinghai was 349 per cent (compiled from tables 9-6 of various CSYs).

4 For instance, in Tibetan areas of Qinghai it appears that guaranteed employment for college and university graduates was ended in 2001 and for high-school graduates in 2002 (from field research).

5 From an interview with Tashi Tsering; see also Siebenschi and Tsering (2003).

6 These insights are taken from interviews with several international NGOs in Lhasa in the fall 2004.

7 According to the most recent data at the time of publication, government expenditure in the TAR across the various categories dealing with agriculture and related activities fell from 6 per cent of total government expenditure in 2001 to 4.3 per cent in 2003, whereas on average, across the 31 Chinese provinces, it fell from 6.2 to 5.8 per cent over the same period (CSY 2004: Table 8-15 and; related tables in previous Yearbooks).
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TSY. See Tibet Bureau of Statistics


State Growth and Social Exclusion in Tibet


SOURCES OF DATA FOR PER CAPITA GDP, RURAL AND URBAN INCOMES

Current value per capita GDP
All national data is from CSY (2002: Table 3-1). The provincial data has been compiled from the following: 2001 data from CSY (2002: Table 3-9); 2000 data from (CSY 2001: Table 3-9); 1999 data from CSY (2000: Table 3-9); 1998 data from CSY (1999: Table 3-9); 1997 data from CSY (1998: Table 3-9); 1996 data from CSY (1997: Table 2-11); 1995 per cap GDP calculated from data in CSY (1996: Tables 2-11 and 3-3); 1994 data from CSY (1996: Table 2-12); 1993 data from CSY (1995: Table 2-12); 1992 data from CSY (1994: Table 2-14); and 1991 data from CSY (1992: T2.16). Up to the 1992 CSY the ‘National Income’ calculation is used, which is not comparable to the GDP statistics.

Consumer Price Indices (General, Urban and Rural)
data from CSY (1988: p. 693); 1986 data from CSY (1987: p. 573); and
1985 is the base year.

The CPI indices for the TAR up until 1999 were not included in the
national CSYS. The indices up to 1999 have therefore been taken from
the 2000 Tibet Statistical Yearbook, where the time series is complete
back to 1990. I have assumed that the CPIs in the TAR from 1985 to 1990
were roughly equal to the national CPI in each year. This seems reason-
able given that the indices in neighbouring provinces with similar
inflation experiences were all very close to the national rate as well.
Nonetheless, this estimate does not affect the constant value calculation
of incomes from 1990 onwards.

**Constant values in 2001 rmb**
The calculation of constant values incomes has been made by inflating
current income values to 2001 renminbi, as per the following equation:
\[(GDP_{xy}) \times (2001\text{CPI}_y) / (\text{CPI}_{xy})\],
where x is for year x and y is for
country y. The same applies for rural and urban incomes, using the
appropriate rural and urban CPI.

**Rural per capita household incomes: current value**
The national and provincial sources are: 1985, 1990, 1995, 2000 and
2001 data from the CSY (2002: Table 10-21); 1998 and 1999 data from
the CSY (2000: Table 10-20); 1994 to 1997 data from CSY (1998: Table
10-16); 1993 data from CSY (1997: Table 9-17); 1991 and 1992 data
from CSY (1993: Table T8.22).

**Urban per capita household disposable incomes: current value**
The national and provincial sources are all taken from the CSYS, besides
the 1995 entry for the TAR, which was taken from the TSY (2000).
National source is: CSY (2002: Table 10-3). Provincial sources are: 2001
data from CSY (2002: Table 10-15); 2000 data from CSY (2001: Table
10-12); 1999 data from CSY (2000: Table 10-11); 1998 data from CSY
(1999: Table 10-11); 1997 data from CSY (1998: Table 10-11); 1996 data
from CSY (1997: Table 9-12); 1995 data from CSY (1996: Table 9-12);
1994 data from CSY (1995: Table 9-11); 1993 data from CSY (1994:
Table 9-13); 1992 data from CSY (1993: T8.17); 1991 data from CSY
(1992: T8.16). Note that this 1991 data is indicated as ‘total real
income’, which is slightly higher than the disposable income but almost
the same, i.e. in the national case the total real income is 1,713 rmb,
only 12 rmb higher than the disposable income for that year. Data prior
to 1991 is taken from the relevant provincial yearbooks where available.
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