CHAPTER -4

IMPACT ON TIBET
There are several intellectual enquiries to the problem of Tibet. It should be noted at the outset that the choice of enquiry largely determines how one will finally answer the question of whether Tibet legitimately (as Beijing says) "belongs to" China. Almost all ethnic Chinese (whether Communist or anti-communist) who think about the issue today have a set of facts, non-facts, principles that lead to the inevitable conclusion that Tibet is part of China's ancestral lands. Outside scholars who have studied the issue in terms of international law find less support for this claim, but probably a majority has concluded that China fails to meet the burden of proof. As for the Tibetans themselves, although they are not all of one mind, many conclude from their understanding of history that the Chinese simply have no business being in Tibet. They forcefully occupied their country. Here third perspective has been given -that of the small minority of Chinese (mostly recently exiled), who believe that Tibetans have been the victims of Chinese imperialism. Even the relatively conservative among them, such as political scientist Yan jiaqi, insist that the Tibetans are entitled at the very least to a high level of self-governance. For all of the People's Republic's so-called autonomous regions, Yan jiaqi calls for the establishment of "autonomous states" that would exist within a Chinese federation and have the power to enact their own basic laws.

China's claim to Tibet typically rests on three contentions: First, it insists that Tibet has been part of China ever since what the Chinese call the Yuan (Mongol) dynasty (1280-1368). True, the empire has waxed and waned, but "waxing" is seen as normal, disunion and shrinkage as abnormal. Second, all the world's governments go along with, or at any rate do not seriously challenge, China's claim to sovereignty over Tibet. Finally, there is the indisputable fact that the Chinese Communists took over Tibet in the 1950s. They largely conquered Tibet in 1951 and by 1959 had fully displaced the old regime there. Since then, the Chinese believe that they have achieved legitimacy through quashing the old order of "feudal, slavery" and instituting policies that are deemed beneficial. The Chinese find it imperative that the empire's vicious cycles of florescence and decline be ended, and most appear to believe that this can be affected only through its transformation into a centralized, all-embracing imperial state. Hardly any Han people in China question Beijing's position on such matters, for they have been exposed to no other position, nor to any reasonably objective account of the history of Sino-Tibetan relations. But, as Cao Changching (1997) observes, in the absence of freedom of the press, all "information" is questionable, especially in the case of China, where "history" is questionable.
controlled by media czars for whom truth matters little. In fact, he notes, the China-based scholar Ya Hanzhang admitted in a treatise on Tibet's Dalai Lamas (Chubanshe, 1963: 1). That the book was written at the Communists' behest and pursuant to the Party's ideological line. But when Chinese citizen step outside their country, they are subjected to new information, ideas, and norms. Sometimes they are astonished at what they learn. Still among exiles we find a broad spectrum of views regarding Tibet. For their part, most Tibetans that we hear from seem to view full sovereignty for their nation as natural and rational as it was for the Chinese during their period of foreign incursions. Their historical starting point is not the Mongol period— which did not last very long and seems irrelevant. Rather, it is the seventh to ninth centuries, during which the Tibetans often bested Tang China in battle. In 821, after centuries of intermittent fighting, the two countries agreed on a treaty that many Tibetans like to believe stands as the definitive statement of proper Sino-Tibetan relations. The boundary was confirmed, and each country was to respect the territorial integrity of the other. China and Tibet were equals, and each promised mutual respect for the other's territorial sovereignty. Both Tibet and China shall keep their country and frontiers of which they are now in possession. The whole region to the east of that [frontier] is being the country of Great China and the whole region to the west being the country of Great Tibet. From either side of that frontier there shall be no warfare, no hostile invasions, and no seizure of territory (Van et. al 1987). The treaty detailed how diplomatic relations between the two countries were to be conducted, and these peaceful arrangements were to last for “ten thousand generations”. Chinese are impressed by the fact that in this treaty the Tang huangdi and the Tibetan tsanpo (both terms meaning emperor) are referred to as jiu and sheng, which literally mean “uncle” and “nephew”. However, Tibetans see these terms as referring simply to the fact that the young Tibetan ruler and the elderly Chinese emperor were distantly related. In this treaty, in all material respects, the two states are deemed equal. (The text is still enshrined on a stone monument the center of Lhasa, now largely walled off from view). The Chinese governments on both sides of the Taiwan Strait hold opposing views on most issues, often resorting to verbal attacks and tit-for-tat maneuverings. On the Tibet issue, Chinese claim

49 The Chinese have also been known to cite the Tang period as the starting point of Sino-Tibetan relations, but this was so counterproductive in terms of advancing their cause that they have largely dropped the era from official accounts of Sino-Tibetan relations. Still, the idea is not completely dead. See, for example, the Xinhua dispatch of September 26, 1992 (English translation in U.S. Joint Publications Research Service, CAR-92-007, October 13, 1992, pp. 34-35), in which it is stated that, because a Tang official traveling to India went via Tibet, this “proved that the country was already an important official channel of the Tang dynasty.”

50 One of the Tsanpo's stepmothers was a niece of the Tang dynasty founder, the Taizong emperor, who was an ancestor of Gaozong, the Chinese emperor who signed the treaty as “uncle.”
sovereignty over Tibet and claim that the territory has been a part of China since ancient
times. Through a brief review of Chinese history, however, we can clearly see that Tibet
had never been a part of China until it was invaded and occupied by the Chinese in the
1950s.

1. The Historic Relationship Between Tibet and China

China properly was unified in 221 BC less than a century later, in 127 BC the first
Tibetan king was crowned. For the next few centuries tribal civil war plagued Tibet. In
the seventh century AD, about the period of China's Tang dynasty, King Songsten Gampo
of Tibet conquered the various tribes, unified Tibet, and expanded its territory. The
country became very powerful during this period. The Tibetan army was strong enough to
conquer China's capital Chang'an (now Xi'an). Princess Wen Cheng of the Tang dynasty
was given in marriage to King Songsten Gampo—a political maneuver designed to
facilitate relations between Tibet and China. At the end of China's Song dynasty (1279),
both, Tibet and China were conquered by the Mongol leader Genghis Khan, whose
cavalry actually occupied most of Asia. The Mongols established a capital on Chinese
territory to rule over some of the conquered lands. The Chinese know this as the Yuan
period. As a Buddhist, the emperor Kublai Khan recognized the authority of Grand Lama
Phagpa, Tibet's highest lama, to act as the leading lama for the Yuan dynasty. He was
something like a guoshi [literally, "national instructor"]'). But within Tibet the emperor
also gave him political power in addition to his religious role. Therefore the Mongols did
not rule Tibet directly. When the Mongol Empire fell, it was replaced in China by the
Ming dynasty during which period Tibet and China had virtually no contact. Thus China's
claim to sovereignty over Tibet depends largely on its relationship with Tibet during the
subsequent period of Manchu rule, known to Chinese as the Qing dynasty (1644-1911).
This much of the discussion below concerns Sino-Tibetan relation under the Manchus.
China's relationship with Tibet during the Qing dynasty was essentially amicable. On four
occasions, at the request of the Dalai Lama, the Qing army marched into Tibet to assist
the Tibetans in defending against foreign invasions and in repressing rebellions. Each
time, after the disputes were settled, the Qing army was immediately recalled back to
China. At the end of the Qing dynasty, Tibet was invaded by Nepal and England. In 1909,
after the death of the Guangxu emperor and the empress dowager, Ci Xi, the Qing army
stormed into Tibet and occupied it. Two years later, in 1911, the Chinese democratic
revolution led by Sun Yat-sen overthrew the Qing dynasty and established the Republic.
The old Qing army stationed in Tibet split into two warring faction. One faction
supported the emperor, the other favored the Republic. Taking advantage of turmoil
within the Qing army, the Tibetans organized an uprising and ultimately gained power over the local Qing forces; the Thirteenth Dalai Lama then announced Tibet's independence.

During the forty years between the 1911 Revolution and 1950 Tibet was essentially an independent country. Following the death of the Thirteenth Dalai Lama in 1933 and the selection of the present Fourteenth Dalai Lama, it underwent a transition. The Chinese government made a great effort to incorporate Tibet into China, and President Chiang Kai-shek twice sent his special envoys to Lhasa to try to persuade the Tibetans to become subject of the Republic. The Tibetan leaders, however, never consented to this. A collection of hundreds of documents recently compiled in China, containing nearly five hundred communications between Chiang's government and its representatives in Lhasa, clearly demonstrates that Tibet never agreed to be under China's control during the Republican period.

In early 1950, immediately after the establishment of the People's Republic of China (PRC), the Chinese Communist army made preparations to conquer Tibet. While a large Chinese military force was bearing down on the Tibetan border, the Tibetans sent a delegation to Beijing in an attempt to secure peace. However, the delegation was finally obliged to sign seventeen-point Agreement.

2. The Declining Social and Economic Role of the Monasteries

Most of historians agree that the traditional Tibetan social and economic structure, which resembled a feudal system of landholding, was characterized by a greater degree of social and demographic mobility, and equality than the equivalent feudal systems in the rest of Asia or in Europe. This was most likely due to the unique predominance of the monastic institutions in the society and economy. The sheer pervasion of the system in comparison to other Buddhist societies in Asia or to the Confucian system in China gave the Tibetan society its unique characteristics. By the 1950s, it has been estimated that ten to fifteen percent of the males in Tibet were monks, and there were over 2500 monasteries in Central Tibet, and over 6000 spread out across the Tibetan plateau (Goldstein, 1998:16).

51 China's Center for Tibetology and China's Second Historical Archives, comps., A collection of the documents of the funeral ceremony of the 13th Dalai Lama and the enthronement of the 14th Dalai Lama (Shisan shi dalai Yuanji zhiji he shisi shi Dalai zhuanshi zuochuang dang'an xuanbian). Beijing: China's Tibetology publishing house, 1990.

52 This proportion may have been as high as one quarter in the 18th, 19th, and early 20th centuries. In comparison, in Thailand, another prominent Buddhist society of Asia, only 1 to 2 percent of the male Populations were estimated to have been monks in the equivalent period (Goldstein 1998 pp.15).
As a result, the monasteries and the ordained were very much diffused throughout the society and economy across class and region, and "virtually all Tibetans in the traditional society knew a monk or nun personally as a relative, a friend, or a neighbour" (Goldstein 1998: 5). In terms of land ownership, the monasteries and the incarnate lamas were estimated to hold from 37 to 50 percent of the arable land in Tibet, while about a quarter was held by each the lay aristocracy and the government (Goldstein 1998:19). This pervasion of the monastic system therefore carried a distinctive feedback into the overall social system. This socio-economic system did abort the development of a strong state in Tibet in the first half of the twentieth century. However, given that the monasteries acted as the dominant financial institutions in the region, they provided for an impressive accumulation of capital via non-state channels, channels that were to become the main object of attack in the Chinese occupation of Tibetan areas. For instance, in the case of Drepung Monastery, the largest monastery situated close to Lhasa and housing around 10,000 monks throughout the 1950s, the Chinese government estimated that in 1959, just prior to its dissolution, the monastery had outstanding loans worth 10 million Yuan in cash (worth five million 1959 US dollars) and 130,000 tones in grain (Goldstein, 1998:23). Thus monasteries were the functionary banks in Tibetan economy.

3. Destruction and Expropriation of the Tibetan Economy

The closure, expropriation, and eventual destruction of the vast majority of monastic institutions in the period leading up to the advent of the Cultural Revolution, from 1959 to 1965, had the effect of essentially wiping out the entire financial basis of the Tibetan economy. Drepung and the other monasteries that openly supported the Dalai Lama

---

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

54 The late Gen Lobsang Gyatso (1998) points this out in his autobiography, published after his assassination in Dharamsala in 1997. He argues that the presence of the monasteries as financial institutions disproves that Tibet was a feudal society. Although feudalism does not preclude the existence of a financial sector, his observations are nonetheless very revealing about the nature of the traditional Tibetan economic system.

55 Goldstein (1998) notes that the destruction of the monasteries as functional institutions took place between 1959 and 1965, before the onset of the Cultural Revolution, and notes "all religious estates were confiscated... monasteries were seen as intrinsically disloyal and hostile to the CCP, and with only a few exceptions, their power and influence were crushed. The leaders of Tibet's great monasteries were incarcerated along with many scores of monks involved in the uprising, and most other monks were sent home or to other work units..." (Goldstein 1998 : 9). This was more or less complete before the advent of the Cultural Revolution, and within the first two years of the Cultural Revolution, "all remaining vestiges of religion in China were eliminated... all practice of Buddhism and popular religion... was prohibited and
were literally closed within days or weeks of the escape of the Dalai Lama in 1959, with their estates and granaries confiscated and loans cancelled (Goldstein 1998:23). The valuables and collateral of the monasteries, such as gold and precious metals were sent largely to China. The real estate of the monasteries was destroyed and vandalized. The ensuing collapse of the financial sector wreaked havoc in the other sectors of the economy dependent on such finance, such as agriculture or trade. The large-scale cancellation of debt would have in theory represented a massive transfer of resources to debtors, i.e. to producers and traders, the largest of whom would have been the landholders, wealthy peasants, large trading companies, the government, and of course the monasteries themselves, as they were also involved in both trade and production. Yet in practice, land reform (largely complete by 1963), collectivization (in force by 1965), and the expropriation of many aspects of the economy from 1959 onwards redirected much of this transfer of resources to the Chinese state. Simultaneously, due to the Sino-Indian war of 1962, the traditional routes of trade via India ceased to exist. Trade was instead redirected through the long and expensive route via the Chinese interior. In other words, the Tibetan economy was forcefully de-capitalized and the huge stores of financial and fixed assets that had been built up over centuries were simply cancelled, expropriated, or destroyed. This wiped out in a matter of a few years the potential for an indigenously led development of the region. As in any other society, China and the West included, the Tibetan elite and their capital would have provided the basis for locally initiated transformations, but the obliteration of the indigenous system by the Chinese precluded any possibilities for future developments to be based on local resources and leadership. This cemented the dependence of the region on the Chinese state.

The impact that these transformations had on the Tibetan people can be noted by the series of bloody uprisings and revolts that occurred in Kham and Amdo, the Tibetan ethnic areas of Sichuan and Qinghai, in the years of 1956 and 1957. It has been noted by many commentators and historians that these widespread revolts were not in response to the Chinese political authority per se, which historically had come and gone many times over the centuries. The revolts were rather in response to the early Communist attempts to change the traditional socio-economic structure through collectivization as well as by effectively eliminated” (ibid 9). Other sources note that more than half of the monasteries were dismantled and destroyed before the Cultural Revolution began in 1966.

56 These uprisings pre-empted and to some degree precipitated the Chinese military intervention in Central Tibet in 1959, and resulted in a huge flow of refugees to Central Tibet that placed considerable strain on the already fragile region and government.
limiting the influence of the monasteries. The revolts involved some of the most prominent monasteries of the region, and resulted in the bombing and shelling of the two monasteries of Litang and Batang, among others (Goldstein 1998:8). The economic dimensions of these conflicts cannot be underestimated.

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

4. The Integration of Tibet within Maoist Regional Development Programme

From the 1960s onwards, the Tibetan economy was incorporated into the overall Maoist strategy of regional development in China. This period was dramatically marked by the political turmoil and the egregious human rights abuses of the Cultural Revolution, which had a particularly ethnic focus in ethnic areas. In addition to this, two larger dynamics in the regional development policy of the period that were closely tied to the military build up of the interior regions of China would have had particular significance for the economy of Tibet. These were the Maoist strategies of regional redistribution via interior industrialization, and the circular payments system. Throughout the 1960s and up until the early 1970s the Maoist development strategy pushed industrialization into the interior of China, particularly that of heavy industry, in what later became known as the "Third Front Strategy". The main focal point of such industrialization was Sichuan (Cannon et al 1990:8, 36). The orientation was predominantly militaristic, and it emphasized

---

57 Even the Chinese government acknowledges many of the abuses during this period, and attributes the destruction of Tibetan culture and religion to this period. See Goldstein (1998a, 1998b) and Shakya.
egalitarianism and self-reliance. It aimed at building up a military-industrial base in the interior of China that would be difficult to access from the Soviet Union, India, or the US via Taiwan and South Korea.\(^5\) It has been pointed out that this strategy was quite inefficient, particularly in the western regions where scarce resources were squandered on inefficiently planned and located heavy industries. This was largely due to the top-down nature of the Maoist development strategy and to "the 'unit' mentality... owing to the military nature of most of the projects" (Dennis 2000: 39). As a result, "most of these plants had few linkages with the local economy and contributed little to the development of these localities, including most areas inhabited by ethnic minorities" (Yang 1997: 23). Despite the industrial focus of the strategy, and despite a slight increase in the minimal industrial activity of Tibet (TAR) relative to the national per capita average, by and large Tibet remained far on the sidelines of Chinese industrialization. The slight relative increase was most likely related to the military build-up in the region, and in any case it dropped off from a high point in 1974.\(^6\) In general much of the industrialization of the Third Front Strategy would have been concentrated in strategic centers, such as Chengdu and Chongqing in Sichuan, Lanzhou in Gansu, or Yining in Qinghai, or else in areas that were isolated from the military fronts and sensitive border areas. This by definition precluded most of the Tibetan areas. Thus, throughout this period, the economy of Tibet remained agrarian and pastoral, organized under collectives, albeit with a substantial autonomous apparatus related to military and security that remained largely immune to the administrative chaos of the Cultural Revolution (Yang 1997, Shakya 1999:23, 437).\(^6\)

The second major dynamic of Maoist regional development was the establishment of what Yang (1997:437) calls the "circular payments system". A circular system was established between the regions of China whereby state-fixed prices for energy and raw materials were kept low in order to subsidize processing industries, which were in turn heavily taxed, and their

\(^5\) The détente with the US in 1972, which reduced the military threat to the coastal areas, was therefore the beginning of the end of the interior oriented strategy, even before the onset of the reform period, and it marked the turning point of the national industrial strategy back towards the coastal areas (Cannon and Jenkins pp 38). Yang also argues that this timing, as opposed to 1978, was the beginning of the reorientation of industrial policy, highlighted the importation strategy of Hua Guofeng in 1972 (Yang pp 25-26).

\(^6\) Yang (1997) measures the degree of industrialization of each province by comparing its per capita industrial output to the national average per capita industrial output. In Tibet this rose from 7 percent in 1952, showing a very low degree of per capita industrialization relative to the average in China, and by far the lowest in all of China, to 13 percent in 1965, 14 percent in 1974, and then back down to 11 percent in 1979, showing a return to the 1950 relative levels of industrialization by the end of the 1970s.

\(^6\) For more discussion on the autonomous nature of the military during the Cultural Revolution in Tibet, see chapters 12 and 13 in Shakya (1999).
surpluses were returned to the raw material producing regions, predominantly located in the interior and western regions, in the form of transfer payments to support both central and local government expenditures (Yang 1997:62). Many of these subsidies were oriented towards either the interior industrialization strategy, or else towards the military build-up in the region, and did not necessarily return to the original producer in terms of services or factors that would increase general household incomes. Thus by 1978-80 Shanghai turned over to the Central Government a surplus equivalent to more than 50 percent of its GDP, while provinces like Inner Mongolia, Ningxia, Xinjiang, and Qinghai received subsidies from the Central Government of over 20 percent of their GDP, and Tibet of over 60 percent (UNDP 1999 : 65). This system had particular relevance to the integration of Tibet into the Chinese economy as it concretized the subsidization of the Tibetan economy by the Central Government.

5. Post-Mao, Reformist Approach to Regional Development

The reform period, starting in 1978 under the leadership of Deng Xiaoping, represented a return to the pre-Mao strategy of "comparative advantage" in regional development that privileged the coastal regions and neglected the interior and western regions. Given the sheer dependence of the Tibetan (TAR) economy on central government funding and its complete subordination to central control and policy making, this re-orientation of development strategy had a particularly stunting effect on the TAR economic structure. The full implications of this came to be seen in the late 1980s and early 1990s when the Tibetan economy started to fall sharply relative to the other poor western provinces. Within the comparative advantage strategy, concerns with regional development were not about equity but rather about efficiency and the rationalization of the national industrial structure in order to maximize growth. The regions were divided up into each of their own areas of specialization where they were perceived to have strategic advantage. The coastal region was thus identified as the industrial engine of the nation, as the logical location for the processing and exporting of the inland raw materials, and for absorbing imported technology and finance. To support this end, the Central Government reduced taxation on the coastal industries, which were thus relieved of their burden to subsidize the interior, and it even offered preferential polices to the coastal regions, particularly through the use of selective special economic zones (SEZ) to experiment with western investment and business relations. The interior was to focus on producing and supplying raw materials, and trickle down was promised through the socialist system, although in the long run the Central Government reduced the share of investment funds that were
being allocated to the interior (Yang 1997:28). The reduction of transfer payments was thus a direct outcome of the reallocation of scarce resources to the coast. Reduced taxation of the coastal economies and increasing control of coastal provincial governments over the fiscal resources that were being generated within their provinces led to a relative decrease in the finances of the central government, thus restricting their ability to subsidize the interior. Instead, the Chinese leadership emphasized "the allocation of limited economic and human resources to the development of the more developed coastal region in order to maximize national economic growth and national economic strength" (Yang 1997: 27). This regional division of labour was further elaborated in the seventh five-year plan (1986-90). This was the first time that the Western region was differentiated from the Central region, and respectively they were each given their sub-specializations. The Central region was to emphasize energy and the production of raw materials for industry. The Western region was to emphasize agriculture, forestry, animal husbandry, transport, and the selective development of energy, mineral resources, and certain local processing industries, but was largely directed to prepare for more extensive developments promised for the ninth five-year plan (1996-2000). In the meantime, resources were to be directed elsewhere (Yang 1997: 29).

While this reform of the economic system produced spectacular economic growth of the coastal areas, the gradual and incomplete implementation of the reforms ended out exacerbating regional inequalities and straining regional tensions throughout the 1980s (Yang 1997: 62). This was not apparent in the first years of reform, in part because the end of the collectivization of agriculture catalyzed an initial and sudden increase in rural output and income (Brandt et al. 2002: 67-68)\(^1\). Nonetheless, as reforms were gradually introduced throughout the 1980s, the regional development strategy became contentious in the interior. While the affluent coastal provinces were receiving preferential treatment in both investment and pricing policy, the poorer interior provinces and producers were not being adequately compensated for their produce due to the continued under pricing of

---

\(^1\) The boom in agriculture was related to the return of the individual responsibility system in which farmers were free to farm their own land and to sell their own agricultural produce, along with the elimination of certain taxes in the early 1980s. It continued up until 1984, after which output growth slackened considerably despite government efforts to improve the marketing environment or to intensify the use of fertilizers ("Land Right in Rural China: Facts, Fictions, and Issues". Brandt, Loren; Huang, Jikun; Li, Guo; and Rozelle, Scott (2002), The China Journal, n.47, January 2002, 67-97). There is much debate as to why agriculture has stagnated after 1985, but the initial spurt in growth was probably due to the fact the new individual incentives led to a one-time increase in labour productivity, and thus the sustainability of such growth rates was limited.
their raw materials, relative to the going market prices for these commodities, by the state-set pricing and distribution system which was still largely operative until the 1990s. In the meantime, Central Government subsidies to the interior, the prior compensation for the unfair pricing system, were being reduced. As a result, if the state-set prices were compared to the market prices, the interior provinces were losing billions of Yuan annually despite the fact that they were already strapped for cash due to the Central government cut backs. This created a significant profit disincentive, which in turn reinforced the coastal prejudice that interior folk were idle (Brandt et al. 2000: 66). Local and provincial governments and people in the interior started to complain not of the reform per se, but of the unequal manner with which it was being instituted, and they started to push for an extension of preferential treatments into the interior as well (Brandt et al. 2000:43)

6. Regional Development at the Beginning of the 1990s

The debacle of the commodity wars was compounded by an overheating of the Chinese economy in the late 1980s and by generalized political instability throughout the country. The political instability, both in the ethnic regions and in Central China, was itself partly the result of the rising inequalities of the reform period. Therefore the beginning of the 1990s was marked by several years of economic austerity in the national economy along with renewing attempts to rationalize the national industrial structure through regional

---

62 For instance, one study in the late 1980s estimated that Gansu was estimated to have been underpaid 3.3 to 3.6 billion Yuan a year supplying nonferrous metals at state-set prices in the 1980s, and Yunnan was underpaid 3.8 billion per year for supplying 7 types of raw materials with the amount reaching 5 billion per year by the late 80s (Yang 1997: 67). Given that animal husbandry comprised about 15 percent of the total GDP of Tibet in 1998, if the fixed prices for wool were undervalued by one-third to one-half of the market price in the late 1980s, as was the case of Qinghai, this would have implied a substantial loss to the economy of Tibet throughout this period, especially to Tibetan farmers.

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

64 Hui, wang ("How Tiananmen protests led to the new market economy", in Le Monde Diplomatique, April 2002) presents an interesting analysis of the Tiananmen protests as the apex of a generalized social movement throughout China that was arising in response to the regressive redistribution of wealth and the rising inequalities of the first decade of the reform period. The crushing of the protests paved the way for the monopoly of neo-liberalism as the only discourse in post-1989 China.
coordination of distribution and exchange. The Central government also attempted to have a more balanced approach to regional development, although this was short-lived and hampered due to fiscal restrictions (Yang 1997: 91). In June 1992 Deng Xiaoping made his famous Southern Tour in which he signaled the end of austerity and the opening of the floodgates of special economic zones in 51 flavours. Within the year, every province, hoping that this would be its way into the pie of the coastal areas, clamoured to open free economic zones. Even the Tibetan government jumped in and claimed that it should offer low taxes and tax exemptions wherever it could (Yang 1997: 56).

Neither the period of austerity nor the newly invigorated liberalism did much to change the regional economic balance. Regional shares of foreign investment underwent little change as a result of the liberalization of preferential zones, given that investment still tended to travel to the profitable coastal areas and certain regional centers and waterways. In 1985, 89.6 percent of all foreign investment went to the coastal regions, while 5.1 percent went to the Western Region, half of which went to Sichuan, and an imperceptible amount to Tibet. By 1994, 87.8 percent went to the coastal areas, while only 4.3 percent went to the Western Region, with Sichuan taking an even larger share of the total, and Tibet still remaining imperceptible on the national level (Yang 1997: 33). In the first half of the 1990s the Tibetan economy fell sharply relative to all of the other 29 Chinese provinces. In terms of GDP per capita it went from being the eleventh to the third poorest province of the nation. The falling real value of rural incomes explained much of this relative fall. The average Tibetan thus found him or herself sliding into poverty.

6. The Poverty Trap of the Tibetan Regions

The changing regional economic policies of the 1990s were disadvantageous to the traditional commodities, such as wool and barley, which were produced by rural Tibetans. The sheer lack of economic diversification in the rural areas meant that the average rural Tibetan had few alternatives to the production of such commodities and was thus trapped through dependence. Trade liberalization accentuated this dynamic given that these commodities were in ample supply in the international commodity markets, particularly wool. Liberalization therefore pushed down the price of wool and also decreased the dependence of the coastal processing industries on the interior wool producers. This underdevelopment could be best understood through data comparison.6.1 Rural Income, Poverty for Rural Tibetan in 1990s

In 1990s rural income of Tibet was least among the all western and south western underdeveloped region of the China. Data comparison is given here.
Starting with the reality, most relevant to the average Tibetan, the actual purchasing power of rural incomes in Tibet did not change between 1990 and 2000. Rather, the real value of rural incomes decreased sharply in the first years of the 1990s, and then slowly returned to its 1990 real value by the year 2000, as well as becoming the lowest of all rural incomes in China by 1998. Given that about ninety percent of Tibetans reside in rural areas, and that the rural areas themselves are almost exclusively Tibetan\textsuperscript{65}, this stagnation of rural incomes more or less summarizes the economic conditions of most Tibetans in the midst of rapid provincial and national growth. It also implies that Tibetans exclusively experienced such stagnation. It therefore ridicules the assertion of the Chinese government that Tibetans had improved their lot in the 1990s.

Indexed to 1998 prices,\textsuperscript{66} rural net incomes per household, worth 1232 Yuan per year in 1998, only increased by 15.7 percent in real terms between 1985 and 1998, or 1.1 percent per annum, and this increase was entirely accounted for by the period from 1985 to 1990. Between 1990 and 1995, rural household incomes decreased by 22 percent in real terms, and although they regained 14.3 percent of their value in real terms between 1995 and 1998, overall they had decreased 6.4 percent in real terms between 1990 and 1998 (China Yearbook 1998: 339).\textsuperscript{67} Moreover, given that the general price index used here does not take into consideration the changing price structures of the rural western regions, as discussed in the next section, the actual depreciation of these rural incomes was quite likely greater than that indicated.

The most recent estimates indicate that by 2000 rural incomes would have merely caught up to their 1990 value in real terms, and that up to 2001 their growth was far

\textsuperscript{65} See the first chapter one for a full discussion of the demography of Tibet (TAR).

\textsuperscript{66} Following the General Consumer Price Index (Yearbook 1999:294), if 1985 prices are given a base value of 100 the index for 1998 is 334.

\textsuperscript{67} In contrast, the real value of the per capita rural net incomes of Sichuan increased by 70 percent between 1985 and 1998, and by 36 percent between 1990 and 1998. In most other western provinces the real value of such incomes increased slightly between 1990 and 1998.
below the provincial rate of growth. In 2000 rural incomes had reached 1325 Yuan per annum, and in 2001 they were estimated to be 1410 Yuan (CNR 2001, China-Embassy 2001). This implies that rural incomes increased by 14.5 percent in current Yuan between 1998 and 2001, or 4.8 percent per year in current Yuan, far below the annual growth rates of over 10 percent in the provincial GDP.\(^{68}\)

These figures highlight the fact that the provincial GDP statistics give a misleading indication of the dismal economic conditions of Tibetan households. The overall GDP per capita of Tibet, boosted by the urban data, was 3716 Yuan in 1998, three times the per capita rural net incomes, and equivalent to 449 US dollars (China Yearbook 1998: 65).\(^{69}\)

This misleadingly suggests that the average Tibetan in 1998 was living above the extreme poverty benchmark, popularly tagged at a dollar-a-day by international agencies such as the World Bank. Yet at the same time, the net rural income per household was equivalent to only 149 US dollars per annum, or 41 US cents a day, far below the dollar-a-day international benchmark for extreme poverty, and close to the Chinese benchmark for absolute poverty at about 33 cents a day.\(^{70}\) Also note that these calculations for rural net incomes include government relief payments and various other subsidies, and thus they are the income measures after the application of poverty alleviation and not before.

Similar to the fall in real incomes, rural incomes have also fallen relative to the other Chinese provinces since 1990. In 1985 Tibetan rural net incomes per household were higher than those of every other western province besides Xinjiang, worth 88.8 percent of the national average rural net income per household. In 1990 they had risen to 94.7 percent of the national average. By 1995 they were worth 79.9 percent, and by 1998 they had fallen to 57 percent of the national average and became the lowest of all rural incomes in China, at 1232 Yuan versus 2162 Yuan for the national per capita rural net income (China Yearbook 1998: 339).\(^{71}\) By 1998 the Tibetan rural incomes had become

---

\(^{68}\) Given the low rate of inflation over these years, these rates of growth would be close to their real value.

\(^{69}\) Converted at the mid-point exchange rate of 8.28 renminbi to the US dollar in 1998 (China Yearbook 1998:906).

\(^{70}\) The outline-09 of these four areas is primarily taken from TIN (10-2000 37-8).

\(^{71}\) In comparison, the rural net income per household in Qinghai was 1425 Yuan, 1789 Yuan in Sichuan, all in current Yuan. The rural net incomes of the coastal Chinese provinces were much higher than the national average, such as 5406.87 Yuan in Shanghai, and 3527.14 Yuan in Guangdong (ibid 339).
close to ten percent lower than those of Gansu and Guizhou, the two poorest provinces of China in terms of GDP per capita.  

In contrast to rural household incomes, urban household incomes in the TAR have consistently been above the national average for urban incomes, thus indicating one of the highest urban-rural inequalities in China. For instance, between 1998 and 2001 urban incomes were estimated to have risen by over 30 percent, or by 11 percent in 2001 alone, reaching 7090 Yuan in 2001, while rural incomes, the lowest in China, grew by only 14.5 percent in current Yuan reaching only 1410 Yuan in current Yuan by 2001 (China-Embassy 2001). Already in 1998 Tibet had the second highest ratio of urban to rural household consumption in China with urban households in Tibet consuming on average 4.2 times more than rural households, compared to 3.3 nationally (China Yearbook 1999: 71). Yet due to the skyrocketing urban incomes and the stagnating rural incomes of Tibet, by 2000 the ratio of per capita urban disposable income to rural disposable income had risen to 4.82 (CNR 2001), and it reached an estimated 5.03 in 2001 (China-Embassy 2001). This in turn reflects the fact that the initial investments of the Western Development Strategy made in 2000 and 2001 have perpetuated the largely urban focus of government policy, reinforcing earlier disparities. The dramatic increase in urban incomes may also reflect the influx of Chinese migrants. Given the demography of Tibet (TAR), the disparity between urban and rural incomes indicates a very high ethnically defined inequality between Tibetans, who are mostly rural, and Han and Hui Chinese, who are mostly urban.

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

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

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

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

If we compare HDI and GDP of the backward region of the South and Western China this can be easily find out that the Tibet region is least in HDI ranking and the GDP is quite High, There is uneven relation between HDI and GDP of Tibet Region which clearly indicates to foul play. On the other hand Chinese claim is that GDP of Tibet is growing at the highest rate and this is due to growing economy and massive popular investment of Chinese Government as well as private players. Actually it’s a manipulated attempt of China. A comparative table and Analysis has been given below.

**Table 3: Measures of living standards by province in 1997**

<table>
<thead>
<tr>
<th>Name of the Province</th>
<th>HDI Rank</th>
<th>GDP Rank</th>
<th>Rural Net Per Capita Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shanghai</td>
<td>1</td>
<td>1</td>
<td>5277</td>
</tr>
<tr>
<td>Beijing</td>
<td>2</td>
<td>2</td>
<td>3662</td>
</tr>
<tr>
<td>Tianjin</td>
<td>3</td>
<td>3</td>
<td>3243</td>
</tr>
<tr>
<td>Guangdong</td>
<td>4</td>
<td>4</td>
<td>3468</td>
</tr>
<tr>
<td>Liaoning</td>
<td>5</td>
<td>8</td>
<td>2301</td>
</tr>
<tr>
<td>Zhejiang</td>
<td>6</td>
<td>4</td>
<td>3684</td>
</tr>
<tr>
<td>Jiangsu</td>
<td>7</td>
<td>6</td>
<td>3270</td>
</tr>
<tr>
<td>Fujian</td>
<td>8</td>
<td>7</td>
<td>2786</td>
</tr>
<tr>
<td>Shandong</td>
<td>9</td>
<td>9</td>
<td>2292</td>
</tr>
<tr>
<td>Heilongjiang</td>
<td>10</td>
<td>10</td>
<td>2308</td>
</tr>
<tr>
<td>Hebei</td>
<td>11</td>
<td>11</td>
<td>2286</td>
</tr>
<tr>
<td>Jilin</td>
<td>12</td>
<td>15</td>
<td>2186</td>
</tr>
<tr>
<td>Hainan</td>
<td>13</td>
<td>14</td>
<td>1916</td>
</tr>
<tr>
<td>Hubei</td>
<td>14</td>
<td>13</td>
<td>2102</td>
</tr>
<tr>
<td>Xinjiang</td>
<td>15</td>
<td>12</td>
<td>1504</td>
</tr>
<tr>
<td>Shanxi</td>
<td>16</td>
<td>16</td>
<td>1738</td>
</tr>
<tr>
<td>Hunan</td>
<td>17</td>
<td>18</td>
<td>2037</td>
</tr>
<tr>
<td>Henan</td>
<td>18</td>
<td>19</td>
<td>1734</td>
</tr>
<tr>
<td>Guangxi</td>
<td>19</td>
<td>21</td>
<td>1875</td>
</tr>
<tr>
<td>Anhui</td>
<td>20</td>
<td>20</td>
<td>1809</td>
</tr>
<tr>
<td>Neimeng</td>
<td>21</td>
<td>17</td>
<td>1780</td>
</tr>
</tbody>
</table>
Similar contradictory features are found within the GDP and HDI measures of Tibet. While the GDP per capita of Tibet (TAR) has always been within the lower range among the Chinese provinces, it nonetheless fell sharply in rank between 1990 and 1995, from 20th out of 30 Chinese provinces in 1990 to 28th out of 30 provinces in 1995, and 29th out of 31 provinces in 1997 (UNDP 1999b:96-97). The fall in relative rural incomes likely explains much of this fall in GDP.

Moreover, although the GDP per capita of Tibet was higher than 10 other provinces in 1990 and two other provinces in 1997, this belies the unprecedented social poverty of Tibet. According to the Human Development Index (HDI)76 of the UN Development Programme (UNDP), Tibet had the lowest HDI ranking among all of the provinces in China in both 1990 and 1997, well below even the next ranking provinces of Guizhou and Qinghai in 1997.77 The general HDI index in 1997 for Tibet was 0.452, while the index for China as a whole was 0.701 (UNDP 1999: 134). If compared to international indices, China ranked 98th while Tibet would have ranked 148th, in between Madagascar and Yemen. This was due to the fact that the health and education indicators of Tibet were so dismal that they managed to pull the HDI of Tibet far below the level of even the poorest

---

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

77 Accordingly, in 1997, Tibet ranked 0.452 on the HDI while Guizhou ranked 0.516, Qinghai 0.528, Gansu 0.570, and Sichuan 0.617 (UNDP 1999b:96).
regions of China\(^{78}\) (UNDP 1999b: 96). Qinghai, the province with the next highest proportion of Tibetans in its provincial population, exhibited a similar aberration. In 1997 it ranked 24th on its GDP per capita but only 29th on its HDI (UNDP 1999b:96). The GDP statistics of Qinghai were probably weighted upwards by military spending, petroleum industrial investment, and the urban activity of Xinjing, while rural social development, similar to Tibet, would have been neglected, bringing down the HDI.\(^{79}\) In other words, the GDP per capita indicators of Tibet and Qinghai were not correspondent to their levels of human development, and the funds that were entering Tibet and Qinghai to raise their GDP levels were not translating into advances in social development that would allow them to catch up to the other provinces. Also, while there was some increase in these human indicators throughout the 1990s, this may have been in part due to the influx of educated Chinese migrants into the urban areas of these provinces where social services would have been in better supply.

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

7. Economic Growth in Tibet: Economic Bifurcation

The Tibetan economy grew throughout the 1990s, a fact much noted by the provincial and national governments. In comparable prices, the provincial economy grew at the spectacular rates of 17.9 percent in 1995, 13.2 percent in 1996, 11.5 percent in 1997, and 10.2 percent in 1998, reaching 9.1 billion Yuan (China Yearbook 99)\(^{80}\). In each of these years, the rate of growth of the Tibetan economy exceeded the national growth rate, and in only one exception, exceeded the growth rates of Beijing, Shanghai, and Guangdong.

---

\(^{78}\) For instance, in 1997 the education indicator of the HDI for Tibet in 1997 was 0.435 while for Guizhou, the poorest province of China, it was 0.659. The life expectancy indicator for Tibet was 0.577 while for Guizhou it was 0.655 (ibid 96).

\(^{79}\) On the other hand, provinces such as Gansu and Sichuan have an HDI rank that is higher than their GDP per capita rank, illustrating the opposite case of an above average promotion of human development.

\(^{80}\) The Yearbook claims that the growth rates provided are in comparable prices, implying that the absolute (current) values have been indexed to the inflation rate. This is intriguing, because the indexing of the current Yuan value of the GDP of Tibet according to the inflation of each year leads to a much lower rate of growth than that reported in the indices on page 62 of the Yearbook. For instance, the rate of growth of the current Yuan value of the economy in 1996 was 15.7 percent, while the growth rate in comparable prices was registered at 13.2 percent. Given that the inflation rate was 8.3 percent in 1996, based on the current values provided, the comparable rate of growth should have been around 6.8 percent. It is not clear where the comparable growth rates of the Yearbook are derived from.
provinces.\textsuperscript{81} Such above average performance, which has continued up to 2001, has caused the Chinese government to proclaim “the region now experiences one of the best periods of stability and development since its peaceful liberation” (CNR 2001).

Nonetheless, this growth has almost entirely been concentrated in the urban industrial and service sectors and has therefore been isolated from most Tibetans. For instance, if broken down, in 1998 the secondary sector (industry including mining and construction) grew by 16.8 percent and the tertiary sector (trade and services including government administration and security) grew by 15.6 percent, while the primary sector, mostly farming and animal husbandry, the activities of most Tibetans, only grew by a mere 1.7 percent (China Yearbook 1999).\textsuperscript{82} Thus for most rural dwellers, the economy has literally stagnated in the midst of very rapid growth in select industries, construction, and services, all of which have been largely concentrated in urban areas and townships, as discussed below. In comparison, the primary sector growth rates in the other western provinces were low, but not as low as in Tibet, and the differences with the other sectors were not nearly as large.\textsuperscript{83}

The imbalance in the growth figures takes on further significance when the relative size of each sector is considered. In this regard, the economic structure of Tibet reveals two anomalies relative to the rest of China. On one hand, the tertiary sector was abnormally large and by far the largest sector of the provincial economy. In 1998 it accounted for 43.5 percent of the total economic activity, while in most other Chinese provinces the share of the service sector resembled the national average share of 32.9 percent. Only in Beijing, the national capital was the tertiary sector as predominant as the tertiary sector of Tibet. On the other hand, the secondary sector, along with components of the service sector that support productive activities, such as banking, was abnormally small in Tibet, and by far the smallest sector of the economy, accounting for 22.2 percent of economic activity in 1998, leaving the primary sector as the second largest sector at 34.3 percent. In addition, more than half (55 percent) of this secondary activity was in

\textsuperscript{81} The absolute values that such growth rates refer to must be kept in mind. For instance, the 1998 growth of 10.2 percent in the Tibetan economy was worth 1.42 billion Yuan, while the growth of 10.1 percent in Shanghai in the same year was worth 32.79 billion Yuan, thus widening the difference between the two economies by 31.37 billion Yuan. The 8.9 percent growth in Sichuan was worth 32.88 billion Yuan, widening the difference by 31.46 billion. Similar comparisons could be made in terms of per capita GDPs.

\textsuperscript{82} Again, the Yearbook claims that these indices are in comparable prices, but based on the analysis in footnote 54 above, the actual comparable growth rates, once properly indexed to inflation, are quite likely lower than this.

\textsuperscript{83} For instance, in Sichuan the primary sector grew 4.1 percent in 1998 while the secondary sector grew 12 percent (ibid 65). The other western provinces showed similar results.
construction, leaving only 9.9 percent for actual industrial processing or mining (China Yearbook 1999: 63). In comparison, secondary activity was by far the largest sector in every other Chinese province besides Beijing and Qinghai, and even in these two provinces, the secondary sector was more than double the primary sector, being surpassed only by a very large tertiary sector. In Sichuan it was worth 43 percent of GDP, and even in Guizhou, the poorest province of China, it was worth 39 percent of economic activity (China Yearbook 1999: 63). In the national GDP, the secondary sector accounted for 43 percent of the national economic activity, most of it not in construction, while the primary sector accounted for only 18.4 percent (China Yearbook 1999: 28).

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

This distortion in the economic structure of Tibet is also reflected in the labour statistics. In 1998 the service sector in Tibet employed only 18.2 percent of the provincial labour force, while the primary sector employed 76.3 percent, and the secondary sector employed a mere 5.5 percent. Nationally almost 50 percent of Chinese workers were employed in the primary sector, 23.5 percent in the secondary sector, and 26.7 percent in the tertiary sector, reflecting a more even distribution of labour according to sectoral shares, particularly with respect to the service sector (China Yearbook 1999:135). Furthermore, on national average, the concentration of economic value relative to labour occurs in the secondary sector, while in Tibet it occurs in the service sector, indicating that the main growth pole of the provincial economy is not in productive activity but rather in administrative expansion.

7.1 The Three Sectors in Tibet

The primary sector describes the economic activities of most Tibetans, while the tertiary sector describes the control structure of the Chinese government that is largely urban and non-productive. Meanwhile, the secondary sector, also oriented around urban areas and

---

84 In Qinghai the secondary sector is only marginally surpassed by the tertiary sector, perhaps due to the military presence in the region, while in Beijing the tertiary sector is close to 50 percent larger than the industrial sector, which is understandable given that it is the national capital.
townships, exhibits a huge focus on construction and a very selective development of industry in accordance with national government priorities and to the exclusion of local priorities, exemplifying the negligence of an integrated and diversified economic strategy for the Tibetan rural areas.

7.1.1 Primary Sector: Yaks, Sheep, and Barley

Given the demography of Tibet, its primary sector is almost entirely Tibetan.85 As well as being exclusively Tibetan, the rural areas are also almost exclusively agrarian, with 91.6 percent of the rural labour force working in agriculture in 1998 (China Yearbook 1999: 380). Two activities accounted for most of this agriculture in 1998. Farming (mainly cereal grain farming) accounted 53 percent of the value of the 1998 agricultural output in Tibet, while animal husbandry accounted for 45 percent (mainly milk and wool). Only 2 percent came from forestry (China Yearbook 1999: 382).86

In terms of farming, the main crop produced was barley.87 Remembering that Tibet accounts for only 0.2 percent of the national population, it produces 0.27 percent of the national wheat output (in terms of weight), and 3.4 percent of the national output of cereal grains other than rice, wheat, and corn, i.e. mostly barley (China Yearbook 1999: 391). In other words, Tibetan farmers pulled more than their share of the national grain output.

7.1.2 Tertiary Sector: Trade, Services, and Government Administration

Tertiary sector is supposed to be back bone of any economy. Curve of development in real terms starts with the growth in industrial sector. Tertiary sector must be having a range of different industries complementing each other in order to ensure health economic structure. Monopoly of a particular type of industries shows excessive concentration on the cost of other industries.

---

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

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

87 In the yearbook, barley is not specified per se, but it can be inferred after rice, wheat, and corn are deducted from the total, and it comprises 60 percent of the grain output in Tibet. The rest is mostly wheat.
Table 4: Share of different categories in tertiary sector, 1998

<table>
<thead>
<tr>
<th>Provinces</th>
<th>Trade</th>
<th>Banking and Insurance</th>
<th>Social Organisation and Govt. agencies</th>
<th>Education</th>
<th>Health, Sports and Social welfare</th>
<th>Other Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tibet</td>
<td>28.3%</td>
<td>1.7%</td>
<td>19.2%</td>
<td>12.7%</td>
<td>7.44%</td>
<td>5.3%</td>
</tr>
<tr>
<td>All China</td>
<td>26.7%</td>
<td>19.7%</td>
<td>7.7%</td>
<td>6.8%</td>
<td>2.7%</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

The tertiary sector in Tibet is exceptional given its relative size in the provincial economy, and it represents the predominance of government and urban oriented activities, although not necessarily productive activities, as the source of value in the economy. The largest categories in the tertiary sector in 1998 were transportation, trade, education, and a category known as “social organisations, party agencies, and government agencies”. Of these four, trade was the largest category in both Tibet and nationally; in China trade accounted for 26.7 percent of the tertiary sector in 1998, and in Tibet it accounted for 28.3 percent (China Yearbook 1999: 64-5). Given the larger role of the tertiary sector in the overall GDP of Tibet, trade in Tibet therefore played a relatively larger role than in the rest of China, or 12.3 percent of total economic activity versus 8.8 percent in China.

From here onwards in the tertiary sector, major differences between Tibet and the rest of China are apparent. The second largest tertiary category in China was that of banking and insurance at 19.7 percent of the tertiary activity in 1998, or 6.5 percent of total economic activity, while this category was virtually absent in Tibet at only 1.7 percent of the tertiary activity, or less than one percent of total economic activity. This is particularly irregular given that finance normally plays a pivotal role in agrarian economies and in opportunities for autonomous (Non-governmental) business creation. For instance, even in the poor western provinces neighbouring Tibet the proportion of banking and insurance in the tertiary sector was similar to the national average, and it even exceeded the national average in Sichuan. The near absence of banking in Tibet indicates that productive activities have been neglected and that industry and construction have been largely financed through party and government channels (China Yearbook 1999: 64-65).

---

88 This last category does not include the provision of either health or social services, but rather is related to the governing apparatus, including items such as the Communist Party Bureaucracy, and the military spending and public security that would be reported at the provincial level. The Yearbook specifies that provincial data do not include military statistics. Thus actual military spending in the region would far exceed the amounts reported in this or related provincial categories.
In contrast to the national pattern, the second largest category of the tertiary sector in Tibet was that of ‘Government agencies, party and social organisations’. In 1998 it accounted for 19.2 percent of the tertiary activity or 8.4 percent of total economic activity. Nationally this category only accounted for 7.7 percent of the tertiary sector, or 2.5 percent of total activity. The only other province with a similar share in this category was Qinghai at 15.7 percent of the tertiary activity. This possibly and indirectly reflects the large role of the military, prisons, and labour camps in this province, although it should be noted that the value of the military in economic activity is not included in any of the provincial-level data (China Yearbook 1999: 65). In other words, the government and party administration plays a much greater role in the Tibetan economy than it does in every other province besides Qinghai. This therefore might be related to the perceived needs of administrative and security control over the territories of Tibet (TAR) and Qinghai.

On a positive side, the shares of education, health, and social welfare in the tertiary sector in Tibet were larger than the national average shares for these categories. In 1998, education (also including culture, arts, film, and TV) had a share of 12.7 percent of the tertiary sector versus 6.8 percent nationally, and the category of health, sports, and social welfare was at 7.44 percent versus 2.7 percent nationally. Nonetheless, these shares may be deceptive given that both the fixed and per capita costs of these services are much higher in Tibet than nationally without necessarily increasing accessibility. On the other hand, social services, which require less fixed investment than health and education, accounted for a smaller share of the tertiary sector in Tibet at 5.3 percent versus 9.5 percent nationally (China Yearbook 1999: 63-65). This leads to an ambiguous conclusion about whether the overall shares of social services within the Tibetan tertiary sector correlate to the actual provisioning of these services to the general population. It is therefore useful to look at other comparisons, such as the value of government

89It is interesting to note the per capita government expenditure on education in Tibet was actually the highest in China, yet as discussed later, this was not reflected in the dismal supply of education services to the population. The high per capita measures of spending on education are due to several factors. The remoteness and low population density of Tibet results in high fixed costs given that schools require considerable fixed investment. Also the top-heavy distribution of infrastructure in Tibet, as discussed below, effects the per capita costs given that higher education is considerable more expensive than primary and secondary education. Finally the system of incentives that the government uses to attract skilled Chinese labour to Tibet increases the per capita costs considerably. For instance the average salary for professionals in Tibet, including teachers, nurses, and doctors, is close to 50 percent higher than the national average (ibid 158-9). All these factors cause a relatively high per capita cost of services while not necessarily affecting the breadth of distribution in any significant way. In any case, in comparison to the other provinces, the performance in provincial education seems to correlate with the share of public spending allocated to education and not with the per capita spending per se.
administration versus the value of education and social services in each economy. In Tibet and Qinghai, the value of government administration was much larger than the value of social services, while nationally the two values were about equal.  

7.2.3 Secondary Sector: Shopping Malls, Beer Factories, Mines, and Energy

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

First of all, the high proportion of construction in the secondary sector in Tibet, at 55 percent, did not exist anywhere else in China. In most of the other provinces it rarely accounted for more than a quarter of secondary activity. For instance in Sichuan construction accounted for only 17 percent of the secondary sector, leaving productive industry as the predominant secondary activity (China Yearbook 1999: 63). In Tibet this construction activity was most likely focused on either urban and township expansion, or on large scale and high-profile infrastructure construction, and it would have accounted for a large part of the various investment projects implemented in the province by the Central Government or by various coastal provinces, as reported from a variety of sources. This would explain the modern supermarkets in Lhasa. When construction is taken out of the sum of secondary activity, heavy industry, such as gold mining or

---

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

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

92 For instance, CIDA has noted that many of the central government investment projects and the interprovincial mutual aid projects implemented in Tibet have focused on the short-term construction of buildings and other visible infrastructure rather than on long-term productive projects (CIDA 20-01-2000 2/18). For reports on urban expansion in Tibet, see TIN (13-06-2001).
geothermal and hydroelectric energy projects, accounted for 66 percent of the remaining industrial activity in Tibet (China Yearbook 1999: 426). If these large-scale capital intensive industrial projects were further deducted from the secondary sector, very little would be left for any remaining diversified industrial activity, about 15 percent of the secondary sector, or only 3.3 percent of total economic activity. Most of this residue, consumer industries such as the Lhasa Beer Co. Ltd., carpet factories, or Tibetan medicine companies, was concentrated in Lhasa or in a few regional townships. Thus, compared to other Chinese provinces, the creation of diversified industrial activity has been severely neglected and the bloated service sector has remained largely unrelated to the support of diversified productive activity.

Table 5: Industrial units in per 10,000 people, 1998

<table>
<thead>
<tr>
<th>Province</th>
<th>Industrial Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tibet</td>
<td>1.35</td>
</tr>
<tr>
<td>Yunnan</td>
<td>65.3</td>
</tr>
<tr>
<td>Guizhou</td>
<td>66.3</td>
</tr>
<tr>
<td>Sichuan</td>
<td>42.4</td>
</tr>
<tr>
<td>Gansu</td>
<td>37.3</td>
</tr>
<tr>
<td>Qinghai</td>
<td>42</td>
</tr>
<tr>
<td>All China</td>
<td>63.9</td>
</tr>
</tbody>
</table>

In terms of industrial enterprises, the weakness of the secondary sector can be identified by both the low degree of industrialization relative to the size of the population, and by the concentration of economic power that limits any form of autonomous industrial development. In 1998 Tibet was the home to 342 of the 7,974,565 industrial enterprises of China, or 0.004 percent of the industrial enterprises of the nation for 0.2 percent of the national population. This makes 1.35 industrial units for every 10,000 people in Tibet, versus about 63.9 industrial units per 10,000 people in China on average. In contrast, all of the other western provinces had a per capita measure of

---

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

94 By 2000, the number of enterprises in Tibet was reported in The White Papers to have risen to 482, bringing the per capita number of enterprises to 1.85 per 10,000 people according to the population statistics of that year (PRC 2001b).
industrial enterprises that was similar if not greater than the national average (China Yearbook 1999: 425). Furthermore, construction activity itself is also concentrated into a small number of enterprises. There were a total of 6 real estate development companies in Tibet in 1998.

**Table 6: Industrial enterprises established in township level 1998**

<table>
<thead>
<tr>
<th>Province</th>
<th>Industrial enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tibet</td>
<td>40</td>
</tr>
<tr>
<td>Sichuan</td>
<td>1.4</td>
</tr>
<tr>
<td>Yunnan</td>
<td>0.9</td>
</tr>
<tr>
<td>Guizhou</td>
<td>1.75</td>
</tr>
<tr>
<td>Qinghai</td>
<td>2.7</td>
</tr>
<tr>
<td>All China</td>
<td>2</td>
</tr>
</tbody>
</table>

In comparison, Qinghai, with twice the population and a bit more than twice the amount of construction activity in total output value, had 63 real estate development companies (China Yearbook 1999: 232).

All of these industrial enterprises in Tibet without exception were concentrated at the township level and above and were entirely absent from the rural areas (China Yearbook 1999: 425). This is a major aberration from the industrial structure of every other province in China.

Nationally only 2 percent of industrial enterprises, producing 57 percent of the industrial output, were located at the township level and higher, while the rest were located in the rural areas. The other western provinces were similar to the national average. In Sichuan only 1.4 percent of the industrial enterprises were located at the township level and higher, while in Yunnan, Gansu, and Qinghai it was 0.9 percent, 1.75 percent, and 2.7 percent respectively.

---

95 For instance, Guizhou and Yunnan have more than the national average at 66.3 and 65.3 industrial enterprises per 10 000 people respectively, while Sichuan, Gansu, and Qinghai have about two thirds the national average at 42.4, 37.2, and 42 respectively (ibid 425).
Furthermore, the ownership of enterprises in Tibet highlights the unusual degree of state control over industrial development. State-owned enterprises accounted for 223 of the 342 industrial enterprises in Tibet in 1998, or 65 percent of firms, producing 78.87 percent of the industrial output, with the rest of the enterprises being divided up among collective-owned, share-holding, or foreign-funded enterprises. In contrast to this, in China overall, state-owned enterprises comprise a mere 0.8 percent of industrial firms producing 28 percent of the output. In even further contrast, there do not appear to be any industrial enterprises that were individually owned by Chinese or Tibetan nationals in Tibet, while 75.7 percent of industrial enterprises in China were individually owned, producing 17 percent of the output. In both cases of ownership, the proportions in all of the other western provinces were similar to the national proportions (China Yearbook 1999: 426). In other words, the industrial structure of Tibet is not only unusually urban; it is also unusually controlled by the state, to the exclusion of local non-state participation, in contrast to every other province of China. Although after 2000 private players emerged rapidly in rural Tibet but most of the enterprises are owned by Han Chinese.

This unusual concentration of industrial enterprises in Tibet is confirmed by labour statistics. While 79 percent of the urban labour force of Tibet was employed by state-owned enterprises in 1998, 93 percent of the rural labour force was employed in
farming or animal husbandry. In contrast to this, in China on average more than 30 percent of the rural labour force was diversified in a variety of non-farm activities such as township and village enterprises, private enterprises, and individually employed activities, and more than half of the urban labour force was employed outside of the state owned sector (China Yearbook 1999: 136-7).

8. Government Expenditure and Investment

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

Table 9: Transfer of payment in the percent of G.D.P

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tibet</td>
<td>-</td>
<td>61.6</td>
<td>49.6</td>
<td>45.7</td>
</tr>
<tr>
<td>Yunnan</td>
<td>9.71</td>
<td>-</td>
<td>1.19</td>
<td>1.02</td>
</tr>
<tr>
<td>Qinghai</td>
<td>-</td>
<td>25.59</td>
<td>11.57</td>
<td>6.25</td>
</tr>
<tr>
<td>Sichuan</td>
<td>24.15</td>
<td>-</td>
<td>7.02</td>
<td>4.69</td>
</tr>
</tbody>
</table>

Note that these statistics on the rural labour force are derived from the employment statistics by category of ownership in the Yearbook on page 136-7 and differ slightly from those cited earlier in the discussion of the primary sector, which were derived from statistics on the rural labour force on page 380 of the Yearbook. The former are used here because they provide for a basis of comparison in terms of the types of firms in which labour is employed.
It is undeniable that the central government has been heavily involved in subsidizing the Tibetan economy. Contrary to every other province, the Central Government has maintained the scale of their transfer payments to Tibet at almost half of the value of the GDP of Tibet. This proportion has marginally decreased over the last twenty years, yet not to the degree that has in the other interior and western provinces, indicating that while withdrawing from every other provincial economy throughout the reform period, the central government maintained its presence in the Tibetan economy.

Furthermore, contrary to the rest of China, where a large portion of investment takes place privately, most of investment in Tibet is made through government channels, either in terms of the source of funds or in terms of the recipient of investment. In 1998, 78 percent of investment in capital construction in Tibet came from state budgetary appropriation or from fund raising (usually meaning within the enterprise or through related administrative channels), while only 7 percent came from domestic loans, and a mere 0.38 percent from foreign investment. Nationally, only 50.7 percent of these funds came from state budgets or from self-financing, while 24 percent came from domestic loans, and 12.5 percent came from foreign investment (China Yearbook 1999: 190). In terms of the recipients of investment, 93.5 percent of total investment was made in state-owned units, while in China overall, only 54.1 percent of investment was made in state-owned units (China Yearbook 1999: 186-87). This further highlights the importance of government policy in determining the direction of the overall development experience of Tibet.

The analysis of government spending and investment consequently reflects several aberrations. The two largest categories of government spending in Tibet were in government and party agencies, and in capital construction. Government agencies accounted for 16.9 percent of government spending in Tibet and only 9.2 percent nationally. Capital construction accounted for 17.4 percent of the government spending in Tibet and only 9.2 percent nationally. The high priority towards expenditure in capital

---

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

98 In comparison, over a comparable time period the transfer payments to the other western provinces had been reduced to a very small proportion of their economies. For instance in Xinjiang they dropped from 24.15 percent in 1978-80 to 7.02 percent in 1991-93, in Yunnan from 9.71 percent in 78-80 to 1.19 percent in 91-93, and in Qinghai from 25.59 percent in 81-85 to 11.57 percent in 91-93.

99 In 1998, 85 percent of the total investment in Tibet was made in capital construction versus only 42 percent nationally.
construction is interesting because 32.5 percent of the total investment made in capital construction in Tibet was in the construction sector itself. Nationally this was only 1.3 percent. Most of this in Tibet was probably for the purpose of government directed urban expansion, and therefore not contributing to the productive sector per se. Also the share of capital construction invested in government administration in Tibet was 9.1 percent, while it was 7.5 percent nationally. This would imply that a disproportionate amount of the spending and investment of the government in Tibet was either directly related to the expansion of administrative infrastructure, or else indirectly related through the urban expansion that has arisen from the swelling government service sector.

Conversely, in China as a whole in 1998, the largest category of government spending was by far that of education at 15.8 percent of total government spending. In Tibet this same category was in third place at 11.4 percent of total government expenditure, while in the other western provinces it was similar to the national level\(^\text{100}\) (UNDP 1999b: 279-82). Furthermore, the shares of education within the total investment in capital construction in Tibet were similar to the national average share, and thus do not indicate that the government was making any particular extra effort to build rural schools for instance. Therefore education was not prioritized, contrary to government claims, but was neglected in the overall government budget relative to the national shares\(^\text{101}\). This would explain the poor supply of education in Tibet relative to the other western provinces, as discussed below.

The government has not paid much attention to productive spending or investment either. The high share in expenditure on capital construction might seem to imply that the government was involved with productive investments, but in fact this was not the case. Whereas 12.5 percent of national capital construction was made in

\(^{100}\) For instance it was 13.43 percent of government spending in Qinghai, 15.05 percent in Sichuan, 15.22 percent in Yunnan, 15.45 percent in Gansu, and 17.2 percent in Guizhou (UNDP 1999:279-82).

\(^{101}\) It is interesting to note the per capita government expenditure on education in Tibet was actually the highest in China, yet as discussed later, this was not reflected in the dismal supply of education services to the population. The high per capita measures of spending on education are due to several factors. The remoteness and low population density of Tibet results in high fixed costs given that schools require considerable fixed investment. Also the top-heavy distribution of infrastructure in Tibet, as discussed below, effects the per capita costs given that higher education is considerably more expensive than primary and secondary education. Finally the system of incentives that the government uses to attract skilled Chinese labour to Tibet increases the per capita costs considerably. For instance the average salary for professionals in Tibet, including teachers, nurses, and doctors, is close to 50 percent higher than the national average (ibid 158-9). All these factors cause a relatively high per capita cost of services while not necessarily affecting the breadth of distribution in any significant way. In any case, in comparison to the other provinces, the performance in provincial education seems to correlate with the share of public spending allocated to education and not with the per capita spending per se.
manufacturing, only a mere 1.6 percent of it was made in manufacturing in Tibet. Furthermore, 5.5 percent of national government expenditure was destined for innovation enterprises, while this was only worth 0.8 percent of government expenditure in Tibet, despite talk of developing alternative industries and technologies for the region. And in Tibet only 4.8 percent of capital construction investment went into farming. Although the national share is similar to this, given that Tibet is predominantly rural and agrarian, one would expect a higher proportion of farming investment for the province, particularly if the government is concerned about the welfare of most Tibetans (China Yearbook 1999:194-95).

Moreover, capital construction in transportation infrastructure in Tibet was much lower than the national share at only 9.5 percent of total capital construction in Tibet versus 27.3 percent nationally (China Yearbook 1999: 194-95). If it is assumed that much of this investment would be taken up by several high profile highway upgrades, such as the “first high-class road in Tibet” from Lhasa to Yangbajain built largely for geothermal exploitation (Xinhua 2002), then this would leave little left over for the sorely needed construction of secondary roads in the rural areas, roads that would have a much more significant impact on rural incomes. On the other hand, the share given to transportation in national capital construction reflects the much greater importance given to transportation within the national economy.

Finally, the shares of government spending in social welfare also do not seem to show any particular priority to the dismal state of most Tibetans. Social services accounted for 4.8 percent of government spending in Tibet in 1998, but 9.4 percent nationally, and the share of health spending was equivalent to the national shares despite the lower health indicators of the Tibetans. Spending on subsidies to social security programmes was worth only 1.1 percent of total governments spending in Tibet while it was worth 1.8 percent of national government spending. While the share of expenditures for supporting underdeveloped areas is twice the national average in Tibet at 2.92 percent of total expenditures versus 1.44 percent nationally – this would be expected given that Tibet is the most extreme case of underdevelopment in the nation – the share is nonetheless much lower than it is in many of the other western provinces, where it often exceeds five percent of provincial spending (China Yearbook: 279-82).

Finally, it is quite interesting to note that the per capita measure of total government expenditure in Tibet in 1998, at 1798 Yuan per person, was higher than the
average rural household income, implying that there was indeed little trickle-down effect from the high per capita levels of government spending.

9. Staff, Worker, and Cadre Wage Policies

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

Some of the perks used to attract skilled Chinese labour show up directly in the wages, while others are implicit, such as by exempting the children of immigrants from paying tuition at the schools they attend in Tibet, resulting in a substantial increase in effective household income. The education system in Tibet is then doubly burdened by the cost of such a policy because on one end higher teaching salaries are paid for teachers, and on the other end, local budgets must cover for the exempted tuition fees of the students of the cadres. This is one reason why per capita spending in education is much higher in Tibet than elsewhere. Such incentive policies can be seen quite clearly through the average wage statistics. These statistics represent the average wages of what is specifically known as “staff and workers”, many of which actually represent cadres. In Tibet they are composed of a mixture of Chinese regional leaders and skilled labour, together with the local Tibetan elite and skilled labour, based largely in urban and administrative centers such as Lhasa. They do not include the incomes of the general labour force in Tibet. In 1998 the cadres accounted for 163,000 employees in Tibet, or 13.8 percent of the total provincial labour force (China Yearbook 1999: 140).102 Their

102 The government White Paper of April 2001 claimed that in 2000 there were over 50,000 ethnic minority cadres in the Tibet Autonomous Region and that Tibetan cadres accounted for over 70 percent of the total number of cadres in the province (PRC 2001a). These figures likely refer to public officials. If they are compared to the overall figure of 163,000 “staff and workers” in 1998, along with the population of
salaries in the same year were on average 10,987 Yuan per annum, or 46.9 percent higher than the average national salaries of 7,479 Yuan for the same group. The only average salaries that exceeded this amount were those of Beijing (12,451 Yuan), Shanghai (13,580 Yuan), and Guangdong (11,032 Yuan). On the other hand, the average salary of staff and workers in Sichuan, the provenance of the majority of Chinese cadres and immigrants to Tibet, was 6,577 Yuan (China Yearbook 1999:158-9). It is easy to understand the incentive for a skilled worker in Sichuan to move to Tibet, as such a move would represent an average salary rise of 67 percent. The incentive to be a loyal cadre in Tibet is evident, as is the burden to the local economy of paying such salaries. When the per capita net income of rural households of 1231.5 Yuan per annum is considered, the inequality with the average salaries of cadres is glaring. The ratio of average salaries of staff and workers (cadres) to per capita incomes of rural households was 8.92, not including the implicit non-wage benefits received by such cadre. The equivalent ratio in Sichuan was 3.68 and even in Qinghai it was 5.62. Thus Chinese claim were mere propaganda its actual will is the total integration of Tibet in main Chinese land destruction of Tibet's culture and identity.

10. WDS and Religious Situation

It is interest to have looked on survey done by MelvinC, Goldstein on religious activity of Tibetans. Constraints on religion in contemporary Tibet exist, but religion is an important part of rural society. In terms of formal practitioners, 3.6% of all males were monks, and 2.6% of females were nuns. 16.3% of households had one member living as either a monk or nun. These numbers would certainly have been considerably higher if there were no government limits on the number of monks and nuns. Households were queried about their engagement in a range of traditional Tibetan religious activities during the previous year (1997). Table 9 reveals that 50.9% of households invited monks to do prayers/rites in their home; 43.8% spent money on religious items (prayer flags, incense, etc.); and 38.7% gave alms to monks/monasteries. The average household expenses for all religious

officially resident Chinese at around 140,000 in 1998, not including military personnel, and with the fact that outside the government sector, enterprises tend to be Chinese dominated, the number of 50,000 actually suggests that Chinese probably make up a majority of the overall cadre, managerial, and skilled posts in the province.

103 The most striking average wage in Tibet was that of banking and insurance at 17,998 Yuan in 1998, higher than the equivalent salary in Guangdong and only exceeded by banking salaries in Beijing and Shanghai. The national average wage for banking and insurance was 10,633 Yuan. Similarly, the average wage for health staff in Tibet was 12,557 versus 8493 Yuan nationally, for education was 11,458 Yuan versus 7474 Yuan nationally, and for government and party administration was 12,002 versus 7,773 Yuan nationally (ibid 158-59).
activities in 1997 were estimated by respondents at 128 Yuan ($15.50), but there was a substantial range, depending on the economic status of households. For example, whereas rich and middle households spent on average 209 Yuan ($25.30) and 206 Yuan ($25), respectively, poor households spent on average only 15 Yuan ($1.80). Other communal religious practices like the pre-harvest village religious procession through the fields ('ong skor) were also performed.

Thus it is clear that wage policy of Chinese government has a specific design. Tibetan are least earner of government funds. Han Chinese have been promoted to work in Tibet on high incentives.

**Table 10: Religious Activities of Households During 1997.**

<table>
<thead>
<tr>
<th>Item</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invite monks to one's house to do prayers.</td>
<td>50.9(396)</td>
<td>49.1</td>
</tr>
<tr>
<td>Purchase religious items such as incense.</td>
<td>43.8(341)</td>
<td>56.2</td>
</tr>
<tr>
<td>Give alms to monks or monasteries, religious rituals like Lhaps (offerings to mountain deities).</td>
<td>38.7(301)</td>
<td>61.8</td>
</tr>
<tr>
<td>Consult astrologer,</td>
<td>33.2(258)</td>
<td>68.6</td>
</tr>
<tr>
<td>Shaman, arrange for monastery to do prayers for one's household</td>
<td>3.3(50)</td>
<td>96.7</td>
</tr>
</tbody>
</table>

Source- Melvin C. Goldstein's Survey Published in Asian Survey (September/October 2003), pp. 758-79.

Notwithstanding this pattern, government policy considers Tibetan Buddhism in a negative light and constrains/controls it in various ways. For example, limits on the size of existing monasteries or nunneries are enforced, and there are prohibitions against the creation of new religious institutions. Moreover, in the 1990s, many monasteries and nunneries that had unilaterally exceeded their limits were forced to send the "excess" monks and nuns back to their families. At the same time, the government also began to enforce more strictly a rule that prohibits males less than 18 years of age from becoming monks, despite the Tibetan tradition of boys becoming monks before they reach their teens\(^{104}\).

---

\(^{104}\) Tibetans believe that to create excellent monks it is essential for them to join the monastery at a young age.
According to Melvin C. Goldstein (1998) Decollectivization in Tibet has clearly brought improvement to the livelihood and standard of living of rural Tibetans, although it has also created economic stratification and a stratum of very poor households. However, the state's policies on land tenure, family planning, and development/migrant labour have interacted to create serious structural problems for rural Tibetans. Tibetan villagers now cope with increasing population, decreasing land per capita, and increasing prices and taxes, by utilizing a variety of traditional strategies such as fraternal polyandry and adopting new coping strategies such as family planning and non-farm wage labor. However, although the government is trying to improve this situation by making a more concerted effort to reduce fertility and population growth in Tibet by increasing the use of contraceptives, with regard to the key problem area-access to income from off-farm labor-there is no sign that the government is considering reforming the current "open door" policy to provide, for example, job preferences or set-asides to citizens of the autonomous region in the government-funded construction sector, or to establish tax-rebate programs for construction projects that hire Tibetans. Thus, unless major changes in development policy such as these are instituted, the progress rural Tibetans have made since decollectivization may not continue let alone increase, in the coming decade.

11. Impact of Chinese Campaign

At very first China's policy-decision of bringing the railway to Lhasa city and then to Southern Corridor of Tibet will have far reaching effects. The project will lead to extensive damage to the fragile ecosystem of the Tibetan Plateau, damaging wildlife, and contaminating water bodies particularly the Drichu, Gyamo-gochu, and Dzachu (Mekong) Rivers and including deflection and soil erosion as a result of escalating resource exploitation. The project will also encourage a massive influx of Chinese settlers, which will lead to the marginalization of Tibetans, stigmatizing them on the basis of race and language and ultimately eroding the foundation of Tibetan culture and identity. Apart from these hazards, the project will escalate the military build-up on Tibetan Plateau, which will generally invite an arm-race in South and Southeast Asia.

11.1 Environmental Impact

The Chinese authorities and experts have assured that appropriate measures would be taken to prevent ecological damage to the areas along the Gormo-Nagchu-Lhasa railway line. China's Number One Survey and Design Institute and State Environmental Protection Administration have assured protection of soil, vegetation, animal and plant
resources, and water resources in the region (May 21 2000, People's daily). However, a number of independent experts have raised serious concerns over the ecological impact of the project. The Southern Weekend newspaper, published from Guangdong, quoted the concern of experts and stated that “given the harsh climate, the vegetation cover in this region has come out extremely slowly and if the vegetation is damaged (by engineering works); it will be very difficult to recover.”(March 14 2000, CNN)\(^{105}\)

Environmentalists have expressed concern over the impact on the existing wildlife on the plateau, particularly in ‘HOR-XIL’-Nature Reserve in Amdo and ‘Chang Thang’ (DIIR Dharamsala 2000:109). Nature Reserves in ‘TAR’ are the habitats of many endemic wildlife species, including Tibetan antelope and wild Yak. Ram Li, chief engineer of Number One Survey and Design Institute, assured on 15 February 2001 that “more bridges and passages for animals will be built” in the Nature Reserve zone to protect animal and plant resources.\(^{106}\) Nevertheless many experts believe that the railway line is certain to affect the migratory pattern of wildlife in the reserves, no matter what arrangements are made. Furthermore, the population pressure that the railway will bring to the areas will increase illegal poaching in the reserves and the pollution of sources of the Yangtze, Yellow and Mekong rivers.

One of the most serious concerns is the acceleration of the exploitation of natural resources resulting in large-scale environmental destruction of the plateau. Over the past four decades, the animal of highways and railways has completely changed the environment of the Northern and Western part of Amdo, the Tibetan autonomous prefecture of Tsonub and Tsojang over an area of 377,787 sq. km which is more than half of Qinghai. The area, sparsely populated pastoral land of these prefectures, has now become a busy site for mineral exploitation. Prisoners, forced immigrants and the PLA have all contributed to the exploration and extraction of minimal resources in the region. In 1992, “Tsanub Tibetan Autonomous prefecture” was hailed as the only ethnic minorities – inhabited prefecture in the country that turns over revenues to the higher authorities (DIIR Dharamsala 2000:89).

The Tsaidam basin in Tsonub Tibetan Autonomous prefecture is “a treasure house at mineral resources” to the Chinese government. The basin holds 42 billion cubic meters of natural gas, rich deposits of potassium chloride and several other resources. Thousands of forced immigrants from eastern China and prisoners were moved there to work on road

---

\(^{105}\)“Chinese big project raise hackles”, CNN Asia, March 14, 2000, downloaded from CNN.com.

\(^{106}\)“Chinese big project raise hackles”, CNN Asia, March 14, 2000, downloaded from CNN.com.
construction, mines and production facilities. To support the burgeoning Chinese population, the traditional grassland of Tibetan and ethnic Mongolian nomads of Amdo were turned into croplands. The author of "Tibet outside TAR" best describes the impact of railway on the TAR as early as 1997, and then they wrote:

"When and if the tracks are extended beyond the Taggula into the TAR, it is reasonable to expect it will be the most significant event for the TAR since the arrival of PLA there in the 1950s. The effect of Chinese Style development and population influx will be pervasive and can be expected to mirror those seen today in formerly Tibetan and Mongolian zone such as Tsolho and Inner Mongolia (TIN 2000)."

Currently its eastern and central regions consume 70% of China’s energy, whereas 90% of the hydropower resources and 80% of the coal reserves lie in Western and Northern China respectively. In the year 2002, the construction of Sebei-Siling-Lanzhou gas pipeline was selected as one of the nation’s ten most important projects and the work was commenced in April 2002. In the “TAR”, emphasis is being placed on the construction of water conserving projects. The 10th five-year plan proposes to see the construction of a conveyance system in the Menta, Phenpo and Yarlung irrigation areas. Similarly, it wants to see the early commencement of the construction of nine “backbone” projects including the Pang Duo irrigation hub (TIN, 2000).

Chinese geologists have recently found oil and natural gas reserves in the “TAR” Lhunpo-Lanchang Thang basin. As of now, these reserves are not drilled commercially, but the prospect of commercial drilling will be greatly enhanced once the railway is constructed. The advent of rail links will make natural resources exploitation more attractive and profitable, as the cost of transportation to China will be drastically reduced. Thus, the overall impact of the railway on the environment of the plateau will be far reaching.

11.2 Social and Economic impacts

Chinese state planners and media have been given assurances that the railway project will “boost” the regions economy by “linking the plateau’s economy with inland economy” and “making accessible its industries and products” to various parts of China and even the world (Beijing Review, 1988:17). However, Tibetan in Tibet expresses strong misgivings about this project. In classic colonial mode, the Chinese government regards the resource-rich western region - including Tibetan - merely as a provider of raw material and energy for the industries in eastern and central China. In return, the western region is expected to
receive “skilled, managerial and technical personnel” from the Chinese provinces to create a vibrant market for consumer goods for the east.

The exploitation of natural resources in Tibet will have a minimal effect in boosting the local economy. This is because all the primary industries are owned by the state and the revenues at these industries go straight to the Chinese central government. Article nine of the Chinese constitution states that, “All mineral resources, water, forests, mountains, grasslands, unreclaimed land, beaches and other natural resources are owned by the state, that is, by the whole people” (Jain, 2000). This is precisely the reason why the regional government in Tibet is so dependent on “subsidies” and “financial aid” from the Chinese central government.

Not only the railway will make it cheaper, easier and quicker to transport raw material, such as medicinal plant, forestry and other products- from Tibetan plateau to China. It will also have a similar advantage in bringing Chinese migrants and consumer goods to Tibet. This will only widen the existing economics gap between China and Tibet. According to Chinese scholars:

“The current distribution of labor and industrial structure are irrational and at a low level, when we compare the distribution of labor between the East and West. This shows that there is a division between raw material production and preliminary processing in the West and production of processed raw materials and goods with high added value in the East. The West suffers a dual profit loss through this kind of distribution, by the export of raw materials and by the import of processed products, weakening the Western regions capacity to accumulate their own fund.”

Undoubtedly, the construction of the railway will provide temporary and token job opportunity to limited number of Tibetans. As Chinese planners have predicted Tibetan living in the areas as along the railway line will get temporary, menial laboring jobs to build decks of rocks in the unstable areas on which the railway line will be laid. But the major proportions of employment opportunities will go to the engineers and other semi skilled laborers from China. Already a large contingent of Chinese contractors and nearly 70,000 laborers were camped in Gromo to undertake the project. The employment of Tibetans will be sidelined with the excuse that they lack “proper skill and technical knowledge”. The Chinese authorities and media pointed out that the railway will promote

---

107 See for details, “Tibet under communist China, 50 years”, published by Dept. of Information and International relation, Dharamsala, p.91.
tourism to TAR, bringing 5.64 million tourists over next five years (DIIR, CTA, 2000:99). If the past experience in "TAR" is any indication, it is doubtful where the local Tibetans will derive any benefit from the expected tourism boom in the region. Over the past five years, the "TAR" has received over two million tourists from China and overseas countries, bringing 1.96 billion Yuan. In the same period, many Tibetan tour guides have lost their jobs to their Chinese counterparts, due to the Chinese government policy of looking upon Tibetan guides as harboring sympathy towards the "Dalai Clique's separatist activities.(Xinhua June 1 2000)"\(^{108}\)

One of the most serious impacts of the railway- which is scheduled to run 8 trains a day in each direction once it is completed- will be the influx of Chinese immigrants, particularly from Sichuan province. For instance, Qinghiai's population increased from 1.3 million in 1949 to nearly 5 million today mainly due to improved transport facilities including the advent of railway. Gorma, which is now the second largest town in Ando, was once a vast pastoral land inhabited by a few hundred Tibetan nomads. In 1994, it has a population of 88,500 of which only 3,600 were Tibetans (4.4%). China's 10\(^{th}\) five-year plan envisages further expansion and urbanization of the town.

The "TAR" authorities already predict a 50% expansion of Lhasa city in the next 15 years. This indicates Beijing's plan to relocate a large number of forced immigrants from China. China currently has 150 million surplus rural labors, of which 11.34 million are in Sichuan province, neighboring Tibet (Xinhua, 2000, June 1). There is likelihood that the Tibet plateau will be chosen a favored spot to accommodate a section of the three million Chinese farmers who will be forced to become workers in coming five years (Xinhua, 2000, June 1).

In July 2000, Beijing announced a policy designed to make it easier for Chinese immigrants to exploit economic opportunities in Tibet and other minorities' areas in the West. Xinhua (July 14, 2000) reported that the ministry of public security issued a notice stipulating that all "investors and professionals" working in western China can be registered where they work, and that if they wish to return where they come from, they can have their new residence registration transferred. Xinhua emphasized that "the new policy is aimed at providing a better environment for the country carry out Western development strategy and encouraging a reasonable and orderly population immigration."\(^{109}\)

\(^{108}\) See for details "More framers in Sichuan to become workers", Xinhua, June 1, 2000.
The terminal itself speaks volumes for Han’s intentions in the area. Designed for a majority Chinese clientele, Chinese kiosks, Chinese signs and Chinese staff predominate. One Uighur restaurant hidden in the far comer of a strong Chinese café-complex exist a sap to the eating preferences of Uighurs who refuse to eat with the Chinese. But in fact Uighurs faces are rare commodity on the train. Most cannot afford the luxury of train travel and prefer to haggle on the bus. The train, hot off the Chinese press, with Chinese signs, Chinese staff, 24 hour piped Chinese music, Chinese announcement and Chinese food is not to the likes of the average Uighur citizen. “These trains are for the Chinese and foreign tourists” said Ibrahim, a Uighur tour guide. The Chinese are rich ones round here. “Our people like to negotiate a fare but there is no negotiation on the train. The only Uighurs you find at the station are touts buying up tickets to resell, but even that’s being knocks on the head by the Chinese authorities (Ingram 2001).”

In all probability, this scenario will be reenacted in Tibet. Tibetans today face the prospect of losing control over their lands and becoming a powerless “minority” and “cultural relics” for Chinese and foreign tourists. There are already reports of Tibetans being displaced from the sites of railway terminus in Me’u Township near Lhasa city. Lhasa and other towns in Tibet will become warehouse and transit points to dump cheap Chinese consumer goods on the Nepalese and Indian markets.

12. Regional Security Implications

In 1959, when China completed the occupation of Tibet, and Indian statesman said that the Himalayas has now ceased to exist for the first time in the history. India had to fight a bloody war against China in 1962; the trauma of that war still lingers in the minds of Indians. Analysts suggest that the 1962 attack on India was only the opening shot in a confrontation, whose later stages have to wait for China’s surer grasp on Tibet (Ruth, 2001).

However, the lack of reliable transport facilities has greatly restricted China’s military maneuverability on the plateau until now. The advent of the railway will allow China to surmount this obstacle. An Indian scholar, Dr. Subhash Kapil, said that the arrival of railway would at least double China’s military deployment in Tibet and the Indo-Tibetan border region and Beijing would be able to effectively sustaining it logistically. He added that the new railway link and efforts from the proposed oil pipeline could increase the Chinese deployment of air force and missiles.111

The China media indicate that the PLA base in Gormo may be expanded manifold only if it is connected to Lhasa by the rail. It will also facilitate the expansion of PLA bases in Kongpo and other parts of southwestern Tibet. This will become a real possibility when the second phase of extending the rail line from Lhasa to Dali in Yunnan is completed. This along with China’s naval base development on Burmese territory will pose serious threats to the Indian sub-continent and Southeast Asia. George Ginsburg and Macheil Mathes said, “He who holds the piedmont threatens the Indian subcontinent; and he who threatens the Indian subcontinent may well have all the southeast Asia within its reach, and all of Asia” (Nillhof, 1964).

13.1 The Threat to Asia

In the 1950s, the Chinese government extended its rail network to the Tibetan plateau from its northern corridor to reinforce China’s national defense and colonize Tibet. Four decades later, Beijing is in the process of bringing the railway to the heart of Tibet to consolidate its military presence and in the southern corridor of the plateau increases the efficiency of its natural resources exploitation. These projects will extract a heavy price from Tibet and its southern neighbors. As far as Tibetans are concerned, the Gormo-Nagchu-Lhasa railway and China’s Western development programme will only serve to implement China’s population policy and complete the sinicization of their country. For Tibet’s southern neighbors, these projects will bring an even more serious military threat right to their doorstep and ultimately escalate the arms race in the Asian continent.

The Chinese leadership has stated that like the 56 projects launched shortly after the founding of new China in 1949; these four new projects will “open a new chapter” in the history of China by redrawing its economic map division. There is no doubt that the implementation of these mammoth projects will intensify resource exploitation in the Western region, particularly in Xianjing Tibet, and will result in adequate resources to fuel the train of China’s economic growth. However, the Western development programme will have a devastating impact on the people of the western region.

First of all, China’s hunger for the exploitation of the natural resources will escalate the degradation of the natural environment. The people in the region will be compelled to take such consequences as desertification, frequent dust storms, water and air pollution and chronic water shortage. The situation in Tsaidam basin has already reached a critical stage. In a paper presented to the 1998 International Symposium on the
"Qinghai-Tibetan plateau"\textsuperscript{112}, two Chinese environmentalists reported that half of the Tsaidam basin's primitive forest had been destroyed and the rate of the deforestation was greater than that of the planting. There were few measures, they reported taken to prevent pollution with the result that wastes poured into the river endangered livestock and contaminated lakes downstream. They also reported chronic leakage from the oil pipeline.\textsuperscript{113}

Recently, commenting on the Western development programme, environmental scholars at the Arid land studies at the University of Arizona have said: "It is important, if not imperative, that planners take the time to seriously consider many of the potential obstacles they are likely to take and that they could derail their Western development goals (South China Morning Post March 9 2001)."\textsuperscript{114} Secondly, the programme's water diversion and urbanization projects will encourage a massive displacement and movement of population that will have a devastating social impact. Thirdly, as pointed out by the economists, the programme, which is obsessed with gigantic and correspondingly expensive projects, neglects spending on schools and health. Cheap, local roads that tie isolated communities to the broader market that are urgently needed to alleviate the poverty of the region (The Economist Dec. 2000).\textsuperscript{115} Fourthly, the programme is designed to destroy the very characteristics of the Uighur, Mongolians, Tibetans and other ethnic peoples. A minister of China's State Nationality Affairs, Li Dezhu stated that the "development" of Chinese minority nationality region is "extremely significant" in "solving China's current nationality problem (DIIR Dharamsal 2000:79)." As commented by the London based Tibet Information Network, the Chinese leadership views the culture religion and identity of the ethnic communities of the Western region as a serious "problem" to be dealt with and overcome rather than as aspects of cultural dynamism and development that should be protected and promoted.

Beijing's current strategy of placing imperative on "hard infrastructure" in the West, it moves of nurturing Chinese cadres to govern Tibet and Xinjiang and its direct interference in the affairs of the so-called autonomous regions through its central working committee, clearly indicate that, the Chinese leadership is bent on wiping out any

\textsuperscript{112} Detail description is available in "Western campaign" Far Eastern Economic Review, August 17, 2000.

\textsuperscript{113} Downloaded from www.tibet.org.

\textsuperscript{114} For further details see "China's massive water project to displace 220,000 cubic meter water", South China Morning Post, March 9, 2001.

\textsuperscript{115} For Details read, "Go West Youngman". Published by The Economist, December 23, 2000.
remaining special characteristics of Uighurs, Mongolians and Tibetans. It may not be long before these people lose even superficial autonomous status granted on paper. To sum up, the actual benefit from the expensive and ambitious “Western development programmes” will be to benefactors or certainly not to beneficiaries.

14. The Implications of Chinese Inclusion in WTO for Tibet

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

In relation to Tibetan areas, the main impacts will probably be felt through the liberalization of trade, the reduction of subsidies, and the liberalization of the service sector. Trade liberalization will free up the importation of cheap (and subsidized) farm products from western countries, such as US and Canadian barley. As of 2001, some of the highest tariffs in China were for certain agricultural products, particularly grains. Within the first year of the WTO accession, or by the end of 2002, the weighted tariff rate for cereal grains is to be reduced from 91.1 percent to three percent, and for oil seeds from 96.9 percent to 3.9 percent. These two categories account for most of the crops of Tibetan farmers, which are barley, wheat, and rapeseed (UNCTAD 2002:145). Trade liberalization in these commodities will undoubtedly produce a sudden downward push in their prices particularly that the international prices for these commodities tend to be significantly lower than the domestic Chinese prices. The downward trend in prices will lower the incomes of the rural households that are dependent on the production of these commodities. Given that rural Tibetans are excessively dependent on these commodities, the liberalization of trade in agricultural products will likely exacerbate the already extreme levels of poverty in the region. On the other hand, tariffs for wool are already comparatively low given that imports of wool, particularly Australian and New Zealand

116 Wheat and rice have been protected with some of the highest tariffs to date in China, at 114 percent. Ironically, while the tariffs for overall cereal grains will be dramatically reduced by 96 percent within a year, the specific tariffs for wheat and rice will only be reduced by 43 percent, remaining at 65 percent after tariffs reductions. This will create an incentive for farmers in Tibet to move from barley to wheat production, or will privilege those who have already done so.
wool, were liberalized as early as the late 1980s due to their role as factor inputs in the coastal processing industries.

Nonetheless, China has committed to dismantling its system of “designated trading” in wool within three years (UNCTAD 2002:145). This is the practice that allows a limited number of firms the right to trade within a restricted geographic region. Such a change may therefore lead to more freedom in the wool trade, but not necessarily to improved prices. The WTO commitment of China to reduce and remove subsidies will largely affect State Owned Enterprises (SOE), industries that produce specifically for export, and agriculture. Given that a high proportion of the industries in Tibet (TAR) are SOEs, reduced subsidies could have a significant impact on the industrial structure of the region.

Nonetheless, the SOEs in Tibet are not among those that will be worst affected by accession to the WTO (UNCTAD 2002:149), as many of these enterprises are implicitly connected to military or administrative spending in the region or to the guaranteed investment flows from the Central Government under the Western Development Strategy. Indeed, given that Tibet is a region of increasing security significance to Beijing due to its proximity to unstable regions in South and Central Asia, many of the state enterprises in the province may well receive differential treatment from the government compared to the rest of China. On the other hand, subsidies for agriculture, even for domestic production, will be limited to 8.5 percent of output value (UNCTAD 2002:146). This will limit the amount of farm support that the government will be able to extend to poor farmers, even in the event of deteriorating incomes. Service sector liberalization includes banking and insurance, telecommunications, among other sectors. The liberalization of banking may allow for the expansion of the almost non-existent financial sector in Tibet. Nonetheless, given that foreign and private investment rarely makes it out to the Tibetan plateau without substantial government incentives and coaxing, much of which will not be allowed under the WTO rules, it is unlikely that such expansion would have much amplitude. As with most sectors, the main interests for foreign investment in financial services and services in general, are in the lucrative coastal markets.