

ECONOMIC RIGHTS

This summary highlights the provisions of the Law of the People's Republic of China on the Autonomy of Ethnic Areas (the "PRC Autonomy Law") and the corresponding implementing regulations in the various provinces that relate to economic rights. A general summary of the PRC Autonomy Law and such corresponding implementing regulations has been separately prepared.

In the summary of national legislation, we have also included a summary of miscellaneous legislation that relates to the economic development of minority areas.

A. National.

1. *Law of the People's Republic of China on the Autonomy of Ethnic Areas (the "PRC Autonomy Law")* (effective October 1, 1984; adopted at the Second Session of the Sixth National People's Congress and amended on February 28, 2001 by the 20th Session of the Standing Committee of the Ninth National People's Congress).

(a) Autonomy agencies, in accordance with laws, shall determine the ownership of and the right to use pastures and forests in the area. Autonomy agencies shall protect and build grasslands and forests, and organize and encourage the planting of trees and grass. No organization or individual may use any measures to destroy pastures or forests. It is forbidden to destroy grasslands or forests to create cultivated land.

(b) Autonomy agencies, in accordance with laws, shall manage and protect the natural resources of the area. With respect to natural resources that may be developed by the local areas, autonomy agencies shall have priority in the rational development and use of natural resources in accordance with laws and the uniform plan of the State.

(c) Autonomy agencies shall arrange local infrastructure projects independently under the direction of the state plan and based upon the local financial, material and other specific conditions.

(d) Autonomy agencies shall independently manage the enterprises and undertakings that report to them.

(e) Autonomous regions may develop foreign economic and trade activities. Such regions may open foreign trade ports with the approval of the State Council. Regions that share a border with foreign countries may, upon the approval of the State Council, develop border trade. Such regions shall enjoy preferential policies of the State with respect to their foreign economic and trade activities.

(f) The finances of autonomous regions shall be level one finances and part of the finances of the State. Autonomy agencies shall have the autonomous right to manage local finances. Revenues that belong to the autonomous regions in accordance with the state finance system shall be arranged or used by the autonomy agencies independently. Autonomous regions shall enjoy special consideration by the higher level finance agencies through the uniform financial transfer and expenditures system of the State under the national unified financial system. The expenditure budget shall include contingency funds in accordance with State provisions, and the percentage of contingencies in the budget shall be higher than the percentage for ordinary regions. During the implementation of the financial budget, autonomy agencies shall independently arrange and use excess revenues and savings from expenditures.

(g) When implementing the national tax laws, except for exemptions from or reductions of tax items that require the uniform approval of the State, with respect to certain tax items in the financial revenues of the locality for which there should be special consideration and encouragement, autonomy agencies may grant exemptions from or reductions of such items.

(h) Autonomous regions, in accordance with laws and based upon the needs of social and economic development in the locality, establish local commercial banks and township (village) credit cooperatives.

(i) The State shall, in accordance with uniform plans and market demand, give priority to the rational arrangement of natural resource development projects and basic infrastructure projects in autonomous regions. In major infrastructure projects, the State shall appropriately increase its percentage of investment and policy-required bank loans. With respect to infrastructure projects organized by the State in autonomous regions, if the autonomous region is required to provide matching funds, the State may, in accordance with differing circumstances, reduce or eliminate the requirement for matching funds.

(j) In accordance with the special characteristics and needs of the development of the economy in autonomous regions, the State shall comprehensively use the currency market and capital markets to increase the financial support to autonomous regions. Financial agencies shall give special support to reasonable capital needs for the development of natural resources and other economic aspects of fixed asset investment projects in the autonomous region and enterprises in the autonomous region that comply with state industrial policies. The State encourages commercial banks to increase lending to autonomous regions and actively support the reasonable capital needs of local enterprises.

(k) Higher level state agencies shall, in accordance with ethnic group trade policies and the needs of the autonomous region, give support in investment, finance, tax and other aspects to commercial, supply and medical enterprises in the autonomous region.

(l) The State shall formulate preferential policies to support the development of foreign economic and trade activities of autonomous regions, expand the foreign trade powers of production enterprises in the autonomous region, encourage the export and development of locally produced products and implement preferential border trade policies.

(m) Higher level financial departments shall gradually increase the financial transfer and expenditures dynamics for the autonomous region, and through various measures increase the capital investment in autonomous regions to speed up social progress and economic development and gradually reduce the disparities with more developed areas.

(n) Higher level state agencies shall support the improvement of the production conditions of the agriculture, animal husbandry and forestry industries, as well as water, transportation, energy, communications and other infrastructure.

(o) When the State develops natural resources or carries out construction in autonomous regions, the State shall consider the interests of the autonomous region and make arrangements that benefit the economy of the autonomous region and give consideration to the production and lives of the local minorities. The State shall take measures to give certain compensation for natural resources that are transported out of autonomous regions.

2. ***Telegraphic Notice of the State Pricing Bureau, the People's Bank of China and the Ministry of Commerce on the Price of Gold or Silver Decorative Goods Provided to Minority People*** (January 23, 1980).

This Notice was issued in response to queries from several provinces as to whether the prices for gold and silver goods for minorities should be adjusted since prices had increased for gold and silver goods that are sold to foreigners by the Friendship Stores. The Notice stipulates that the sales prices of gold and silver specially provided to minorities to make decorative goods are not to be changed, the sales prices for gold and silver decorative goods provided to minorities are not to be changed, and such gold and silver goods are to be provided to minorities only and may not be supplied to Han Chinese, foreigners or overseas Chinese.

3. ***Letter of the General Office of the Ministry of Labor on Giving Special Consideration to Minority Areas in respect of Labor Matters*** (Laobantinghanzi (1991) No. 11, April 8, 1991).

(a) The letter sets forth the following preferential labor policies for minority autonomous regions:

(i) Since the State Council's issuance in 1986 of the Interim Provisions on the Recruitment of Workers by State Enterprises, in formulating the implementing rules, the autonomous regions and other provinces where minority nationalities are concentrated have implemented the following preferential policies regarding the employment and recruitment of minority

children: (1) minimum standards for recruitment have been lowered, (2) where all conditions are equal, minorities will have priority in employment, and (3) if there is natural attrition, priority will be given to hiring minorities.

(ii) Units in which the number of Han persons are the majority shall provide a Hui canteen for the Hui people (including minority workers who are Muslim). If units do not have the conditions to provide a canteen, they may grant food subsidies to the Hui people.

(iii) In light of certain special circumstances of autonomous regions and their needs, the Ministry has adopted flexible labor and wage policies.

(iv) With respect to the training of skilled workers, the Reply of the Ministry of Labor and Personnel on Allowing Minority Students from Rural and Pastoral Areas to take Entrance Exams for Vocational Schools, Laorenpei (1985) No.41, provides that minority students in rural and pastoral areas who satisfy the enrollment requirements may take entrance exams for vocational schools. If they study at vocational schools in their own autonomous region, their residence registration and grain rations shall be handled on the strength of the admissions letter from the bureau of labor and personnel of the autonomous region. If they study at provincial and municipal vocational schools outside the autonomous region and return to the autonomous region for work assignments after graduation, there is no need to transfer their official residence registration. The students shall bring with them nationally-accepted grain coupons and the area where training is provided on an agency basis shall be their temporary household and shall supply grain rations on the strength of nationally-accepted grain coupons.

(v) Article 27 of the Enrollment Provisions of Vocation Schools, Laopeizi (1990) No. 13, stipulates that vocational schools in minority areas shall enroll a certain percentage of minority students and may appropriately relax the admissions score standards.

(vi) The Enrollment Measures of Tianjin Professional and Technical Normal School for 1991, Laopeizi (1991) No.3, stipulates that appropriate consideration shall be given to the nine remote provinces and autonomous regions (Inner Mongolia, Xinjiang, Qinghai, Gansu, Ningxia, Guizhou, Yunnan, Guangxi and Tibet) specified by the State Education Commission, and that where all conditions are equal, minority candidates shall be given priority in admission.

4. ***Provisions on the Management of Subsidies for Minority Areas*** (issued on July 7, 1979 by the State Ethnic Affairs Commission and the Ministry of Finance).

Subsidies for minority areas are included each year in the national budget and are to be used as special funds to resolve special expenses of minorities. Such subsidies shall be mainly used for supplementary expenses where minorities face special difficulties in the areas of development of production, culture, education, medical care and health. Some consideration shall also be given to using the subsidies for livelihood and other special difficulties faced by minorities. The subsidies are to be used for special purposes only. No region may reduce its normal budget because of the subsidies.

5. ***Report by the Ministry of Commerce on Certain Issues in the Further Development of Commerce in Minority Areas*** (issued on July 1, 1985 by the Office of the State Council).

The Report notes that commerce in minority areas is still relatively backward and that it is necessary to continue to give support and to implement special preferential policies. The Ministry of Commerce suggests several measures to strengthen commerce in minority areas, including: (i) to exempt or reduce taxes for certain enterprises; (ii) to subsidize the prices of a small number of important industrial, agricultural, pastoral and local products; (iii) to give consideration to trade enterprises that have insufficient capital; (iv) to provide low interest rate loans to ethnic trade enterprises; (v) to specially arrange the supply of goods that are in short supply (bicycles, sewing machines and wrist watches); (vi) to further help the construction of commercial networks in minority areas; (vii) to strengthen the training of commercial workers in minority areas; (viii) to actively develop collectively owned or individually owned commercial enterprises; (ix) to actively develop the production of products for minorities; and (x) to strengthen the leadership over such work.

6. ***Notice on the Request of the State Ethnic Affairs Commission and the Leading Team on the Economic Development of Impoverished Areas of the State Council Regarding Policy Issues in the Work of Supporting Impoverished Areas in Minority Areas*** (issued on August 28, 1989 by the State Council).

(a) The Request notes that of the 331 impoverished counties supported by the State, 141 of them are minority counties (or 42.6%) . The poverty problem is still serious in such areas. The causes for poverty in these areas are many — the natural conditions are bad (*i.e.*, harsh physical conditions and poor production and living conditions), the uneven development and growth of society (*e.g.*, subsistence living, nomadic lifestyle, educationally backward and high illiteracy rates) and the isolation and remoteness of areas, and a weak economic base. If the basic needs of the masses in impoverished minority areas are not quickly resolved, the problem can easily turn into an ethnic issue. Moreover, some minorities live in border areas, their poverty may affect the stability of the border and the State's international reputation. Therefore, the poverty issue is not only an economic problem, but also a political problem.

(b) To solve the problem, it is suggested that (i) the governments at all levels shall continue to pay attention to the work of developing impoverished minority areas; (ii) the efficiency of the use of capital shall be improved; (iii) the growth of the population shall be controlled and the quality of the population

shall be improved; (iv) the relevant departments in the central government shall continue their special support of impoverished minority areas; (v) the provinces and autonomous regions shall relax control over the rural, forestry, pastoral and industrial enterprises in impoverished counties; and (vi) the Party's trade policy for ethnic peoples shall be fulfilled and ethnic trade enterprises shall enjoy low interest rate loans, low taxes and price subsidies for agricultural and supplementary products sold by ethnic trade enterprises, as well as industrial products needed by minorities for production and living.

(c) There are also some special policy issues that need to be solved, including (i) developing strong industries; (ii) opening the sale of agricultural and other products; (iii) reducing the burden of minority impoverished areas (*e.g.*, reductions of or exemptions from taxes, extending the dates for repayment of loans or suspending the payment of interest, exempting areas from the obligation of buying State treasury bonds, and allowing areas to retain any taxes collected in excess of the amounts to be remitted to the central government); and (iv) establishing a fund for impoverished minority areas, which will derive its funds from the central finances, from a portion of the loans given to developed areas to jointly develop impoverished areas and from funds provided by the 141 impoverished areas, and which will be used for development projects that will really help these areas and strengthen the viability of undertakings.

B. Qinghai Province.

1. ***Autonomy Regulations of Hainan Tibetan Autonomous Prefecture*** (effective October 1, 1987; adopted on April 25, 1987 by the Second Session of the Eighth People's Congress of the Hainan Tibetan Autonomous Prefecture; and approved on July 18, 1987 by the 27th Session of the Standing Committee of the Sixth People's Congress of Qinghai Province).

(a) These Regulations essentially implement the corresponding provisions in the PRC Autonomy Law.

(b) Autonomy agencies shall independently arrange and manage the economic development of the prefecture, under the direction of state plans and based upon policies for social and economic development that have been formulated taking into account the actual circumstances of the prefecture.

(c) The Regulations also contain provisions on the prefecture's right to develop a diversified economic structure, and to protect and manage its natural resources, including the prefecture's land, grasslands, forests, mines, rivers, lakes and precious plants and animals.

(d) The autonomy agencies shall in a planned manner create fields on the riverbanks of the Yellow River and increase the area of cultivated land and shall adopt effective measures to do a good job of water and soil conservation.

(e) The autonomy agencies shall pay attention to the development of the production of minority goods, and shall give encouragement and support in capital, tax and the supply of raw materials. The autonomy agencies shall actively organize the purchase and supply of goods that are specially required by minorities.

(f) The autonomy agencies shall use its efforts to develop horizontal economic relationships, shall develop economic and technical cooperation within and outside the prefecture and attract talent, technology, capital and equipment, and encourage and give special treatment to all types of economic organizations and individuals from within and outside the prefecture to establish enterprises in the prefecture.

(g) The autonomy agencies shall in a unified manner manage the finances of the prefecture, independently adjust its budget and arrange and use excess revenues and savings from expenditures.

2. ***Autonomy Regulations of Haibei Tibetan Autonomous Prefecture*** (effective October 1, 1987; adopted on April 25, 1987 by the Second Session of the Eighth People's Congress of the Haibei Tibetan Autonomous Prefecture and approved on July 18, 1987 by the 27th Session of the Standing Committee of the Sixth People's Congress of Qinghai Province).

These Regulations are substantially similar to those for the Hainan Tibetan Autonomous Prefecture.

3. ***Autonomy Regulations of Huangnan Tibetan Autonomous Prefecture*** (effective March 1, 1988; adopted on October 12, 1987 by the Second Session of the Ninth People's Congress of the Huangnan Tibetan Autonomous Prefecture and approved on December 26, 1987 by the 30th Session of the Standing Committee of the Sixth People's Congress of Qinghai Province).

These Regulations are substantially similar to those for the Hainan Tibetan Autonomous Prefecture. The Regulations provide that if in the course of implementing the budget, due to a change in the relevant provisions of higher level state agencies or other special reasons, there are major increases in expenditures or reductions in revenues, then the appropriate adjustments are to be made upon the approval of the higher level state agencies.

4. ***Autonomy Regulations of Yushu Tibetan Autonomous Prefecture*** (effective July 25, 1988; adopted on November 19, 1987 by the Third Session of the Seventh People's Congress of the Yushu Tibetan Autonomous Prefecture and approved on April 20, 1988 by the Second Session of the Standing Committee of the Seventh People's Congress of Qinghai Province).

These Regulations are substantially similar to those for the Hainan Tibetan Autonomous Prefecture. The Regulations provide that if, in the course of implementing the budget, due to changes in the affiliation relationships of the prefecture and its enterprises or undertakings or major disasters or other special circumstances have occurred, resulting in major increases in expenditures or reductions in revenues, the matter will be submitted to higher level state agencies to make appropriate adjustments or to increase subsidies.

5. ***Autonomy Regulations of Guoluo Tibetan Autonomous Prefecture*** (effective January 1, 1991; adopted on April 16, 1990 by the Sixth Session of the Eighth People's Congress of Guoluo Tibetan Autonomous Prefecture, and approved on November 3, 1990 by the 17th Session of the Standing Committee of the Seventh People's Congress of Qinghai Province).

These Regulations are substantially similar to those for the Hainan Tibetan Autonomous Prefecture. The Regulations provide that if, in the course of implementing the budget, due to changes in the affiliation relationships of the prefecture and its enterprises or undertakings or major disasters or other special circumstances have occurred, resulting in major increases in expenditures or reductions in revenues, the matter will be submitted to higher level state agencies to make appropriate adjustments or to increase subsidies.

6. ***Autonomy Regulations of the Haixi Mongolian and Tibetan Autonomous Prefecture*** (effective October 1, 1987; approved on July 18, 1987 by the 27th Session of the Standing Committee of the Sixth People's Congress of Qinghai

Province and amended on August 28, 1992 by the 28th Session of the Standing Committee of the Seventh People's Congress of Qinghai Province).

These Regulations are substantially similar to those for the Hainan Tibetan Autonomous Prefecture. The Regulations provide that if, in the course of implementing the budget, due to changes in the affiliation relationships of the prefecture and its enterprises or administrative areas or natural disasters have occurred, resulting in relatively major changes to revenues and expenditures, the matter shall be submitted to higher level state agencies for adjustment.

C. Sichuan Province.

1. ***Autonomy Regulations of Ganzi Tibetan Autonomous Prefecture*** (effective July 12, 1986; adopted on June 4, 1986 by the Third Session of the Fifth People's Congress of the Ganzi Tibetan Autonomous Prefecture, and approved on July 12, 1986 by the 20th Session of the Standing Committee of the Sixth People's Congress of Sichuan Province).

(a) These Regulations are substantially similar to those for the Hainan Tibetan Autonomous Prefecture of Qinghai Province. This summary only notes certain variances.

(b) The autonomy agencies shall, in accordance with the provisions of the Sichuan Provincial People's Government, implement profit sharing, allocation of products and sharing of foreign exchange, with higher level state agencies and enterprises and units from outside the prefecture that have established businesses in the prefecture. The exact measures shall be agreed and determined by the parties.

(c) The prefecture shall independently manage its affiliation relationships with enterprises and units. Any changes required by higher level state agencies shall require the consent of the autonomy agencies.

(d) The profits retained by the prefecture from higher level state agencies or enterprises from outside the prefecture that have established a business in the prefecture shall not be included in the fixed revenues of the prefecture and shall not reduce subsidies from higher levels, but instead shall be special funds to be used for the development and construction of industry and will be independently arranged and used by the prefecture.

(e) If, in the course of implementing the budget due to changes in the affiliation relationships of the prefecture and its enterprises or undertakings or major disasters have occurred, resulting in major increases or reductions in the budget, the matter shall be submitted to higher level state agencies to adjust the base numbers or to make up the shortfall with a special allocation.

2. ***Autonomy Regulations of A Ba Tibetan and Qiang Autonomous Prefecture*** (effective July 12, 1986; adopted on May 21, 1986 as the Autonomy Regulations of A Ba Tibetan Autonomous Prefecture by the Fourth Session of the Fifth People's Congress of the A Ba Tibetan Autonomous Prefecture and approved on July 12, 1986 by the 20th Session of the Standing Committee of the Sixth People's Congress of Sichuan Province; adopted on January 5, 1988 as the Autonomy Regulations of the A Ba Tibetan and Qiang Autonomous Prefecture by the First Session of the Sixth People's Congress of the A Ba Tibetan and Qiang Autonomous Prefecture, and approved on March 16, 1988 by the Second Session of the Standing Committee of the Seventh People's Congress of Sichuan Province).

(a) These Regulations are substantially similar to those for the Hainan Tibetan Autonomous Prefecture of Qinghai Province. This summary only notes certain variances.

(b) The prefecture shall independently manage its affiliation relationships with enterprises and units. Any changes requested by higher level state agencies shall require the consent of the autonomy agencies.

(c) The profits retained by the prefecture from higher level state agencies or enterprises from outside the prefecture that have established a business in the prefecture shall not be included in the fixed revenues of the prefecture and shall not reduce subsidies from higher levels, but instead shall be special funds to be used for the development and construction of industry and will be independently arranged and used by the prefecture.

3. ***Autonomy Regulations of Muli Tibetan Autonomous County*** (effective March 13, 1992; adopted on March 18, 1990 by the First Session of the Seventh People's Congress of the Muli Tibetan Autonomous County, and approved on March 13, 1992 by the 28th Session of the Standing Committee of the Seventh People's Congress of Sichuan Province).

(a) These Regulations are substantially similar to those for the Hainan Tibetan Autonomous Prefecture of Qinghai Province. This summary only notes certain variances.

(b) The profits retained by the county from enterprises and units that are not managed by the county shall not be included in the county's base numbers and shall not reduce subsidies from higher levels, but instead shall form construction funds, which the county shall arrange and use.

(c) If, in the course of implementing the budget, there are changes in the affiliation relationships of the county and its enterprises or units or a major natural disaster has occurred, resulting in a reduction of revenues and an increase in expenditures, the matter shall be submitted to the higher level state agencies to adjust the base numbers or to make a special subsidy.

(d) The Regulations do not provide for the county to have the right to grant exemptions from or reductions of taxes.

(e) Banks in the county shall, in accordance with relevant provisions of the State, appropriately relax their lending conditions and strive to grant loans at favorable interest rates. Special loans may be granted to state enterprises that have been newly established or are expanding and whose working capital is less than the stipulated ratio.

D. Yunnan Province.

1. ***Autonomy Regulations of Diqing Tibetan Autonomous Prefecture*** (effective January 1, 1990; adopted on July 16, 1989 by the Fourth Session of the Seventh People's Congress of the Diqing Tibetan Autonomous Prefecture, and approved on October 21, 1989 by the Eighth Session of the Standing Committee of the Seventh People's Congress of Yunnan Province).

(a) These Regulations are substantially similar to those for the Hainan Tibetan Autonomous Prefecture of Qinghai Province. This summary only notes certain variances.

(b) Autonomy agencies welcome foreigners, overseas Chinese, Tibetan compatriots who are overseas and Taiwan, Hong Kong and Macau compatriots to establish trade and open businesses in the prefecture.

(c) In addition to the development of agriculture, forestry and animal husbandry industries, the autonomy agencies are to actively develop the production of medicinal herbs. Tibetan and Chinese medicine processing enterprises are to be actively developed.

(d) The Regulations do not provide for the prefecture to have the right to grant exemptions from or reductions of taxes.