Market Formation and Transformation

Private Business in Lhasa

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Introduction and Research Questions

The purpose of this chapter is to analyze the development of the private business sector in Lhasa, capital city of the Tibet Autonomous Region (TAR) of the People’s Republic of China, and its relation to migration from other provinces. The issue of rural labor flows into the TAR has long been debated, almost exclusively in the context of the ongoing political struggle over the status of the region and as part of the macro political strategy, with very little reference to matters of economic development or established migration theory.

Besides the inevitable politicization of almost any topic related to Tibet, this technically neglect is the result of three main reasons. First, compared to other parts of China, migration from and to Tibet is both more recent and on a much smaller scale, which has caused most studies of internal migration in the PRC to ignore the TAR. Second, scholars who study migration in general, or China’s migration in particular, rarely interact with Tibetan studies scholars, who are mostly historians and researchers on religion, language, literature, and the arts. Third, accurate data on migrants in the TAR in general and Lhasa in particular are intrinsically difficult to obtain. This is not so much the result of official obfuscation and data-massaging as it is the simple result of a lack of accurate knowledge, even on the part of officials in Tibet and the rest of the PRC. Estimates from different sources are usually based on very different definitions of migration and inevitably vary greatly.

Moreover, because of the politicization of the debate over this issue, public policymakers often delay claims about the effects of migration that have long been discredited in the economic, sociological, and demographic study of migration.
coastal regions), however, it is industry, especially the labor-intensive manufacturing sector, that absorbs the largest proportion of rural migrants. Moreover, Lhasa is not a rich city in a rich region. The TAR’s GDP is among the lowest of all PRC provinces and it would be a common-sense assumption that migrants should follow the gradients of prosperity. Furthermore, the TAR was the last region to become open to migrant economic activities. Only by understanding the mechanisms by which migrants enter Tibet’s economy can we start to reasonably assess the economic and social consequences of labor migration to Tibet, with respect to both its intended and unintended consequences.

This chapter will focus on the development and transformation of Lhasa’s current, largely migrant-dominated, private business market and answer the question of what factors bring a specific group into a specific business field.

Data Sources

To address the evolution of Lhasa’s private market, this chapter analyzes data from two sources, presenting a fairly complete, dynamic, and detailed picture of market formation and transformation.

The first source is general statistics on the overall pictures of the TAR and Lhasa private economies, collected from an assortment of media and government sources, or from the work of other researchers. These general statistics provide a picture of the scale of market development in Lhasa. The government of the TAR has often used these statistics to demonstrate the overall achievement of the opening and reform program, and the growth of the private sector. At the same time, some scholars have made use of these aggregate statistics to draw conclusions regarding the overall migrant-heavy nature of the market, spelling out negative social consequences.

However, the market economy, by its very nature, is resistant to planning. Economic fields grow and change independently of each other and are interdependent with each other. Therefore, this chapter will use only macro statistics to set up a general background that will facilitate the analysis of more nuanced data obtained from middle-level data sets.

The second source of data are the business registration data (hereafter BRD) of individual businesses in Lhasa City, 1990–2000. BRD are the complete original records maintained by the Lhasa Industrial and Commercial Bureau (ICB). They contain all the private businesses registered in Lhasa City (not including the seven counties subject to Lhasa Municipality), from 1990 to June 30, 2000—a total of 34,000 business records. Every person who registers a business needs to fill in a form at the ICB and pay fees. On the registration form, the owner is asked to enter his personal information: name, age, gender, occupation, education, province of origin, and so forth, plus basic business information: business name, address, business area, specialty, number of employees, size of initial investment, source of products, and so on. In the BRD, there is no information about how long the business had existed, and if and when it was closed, though this information does appear in the aggregated statistics of the ICB report.

There was a two-tier classification system for business licenses. People who have permanent resident registration in the TAR got a “Regular Business License” valid for a year. People without permanent residence were only allowed a “Temporary Business License,” valid for three months, which was supposed to be renewed every three months in case of longer stays. The rationale for giving such short-term licenses was the informal, and not unwarranted, belief that migrants without abodes (residence registration) would not stay long regardless. Many migrant small-business people close their shops when winter comes and head home. Some suspend their licenses; most just leave without informing the ICB. There is a large level of circulation of people every year in Lhasa’s private business sector. From the second half of 1998, as a modernizing measure, the ICB conducted a complete re-registration of all existing businesses at the time, in addition to the registration of new ones. The re-registration, using new forms and giving for the first time unique numbers to each application, was a major modernization of the public regulation of business management, at least from the perspective of officials.

During this time of re-registration, the registration fee was lowered. With increased personnel at the ICB, better planning, and an increased determination to catch all previously unregistered businesses, the re-registration results showed a large growth in registrations between 1998 and 2000 (the end date of this study). The ICB estimated a 50 percent registration rate for fixed-location businesses (as opposed to the more elusive sidewalk peddlers). Observations in the field largely confirm this estimate. The rate of registration was very high among all small businesses interviewed, as there is relatively little incentive to avoid it.

Therefore, without the necessary detailed statistics on the business development of each business, some patterns can be determined when we compare the two data sets of registration and re-registration. Apart from the information of each year's new businesses, we can also see from the re-registration how many of the previously registered businesses stayed in business long enough to be re-registered, which gives us a rough sense of the average duration of each type of business.

It is important to note that all the data used in this chapter were obtained in raw, unsubstantiated paper form. Because of a lack of computing facilities, all public statistics from the ICB had to be tabulated by hand; published statistics were therefore simple, with little detailed cross-tabulation. There was no breakdown and cross-tabulation of registration data in terms of ethnic group, province of origin, or other variables.

The fact that the data were found largely in the form of undigested slips of paper has the effect of increasing its credibility. It is unlikely that officials would misplace data at such a raw level without losing the incentive to collect the data in the first place.

A final data source was gathered by conducting direct interviews with private
business owners and government officials in Lhasa. These interviews were conducted in 1999–2000, and we shall use them to provide descriptive depth to specific business fields and specific outfits.

The Formation of Lhasa’s Private Economy Sector

In this section we sketch a general picture of Lhasa’s private economy. Specifically shown are the scale of the businesses in general, the annual influx of migrants, profits of newcomers, the estimated turnover rate, and business specialization by region of origin or ethnicity.

Lhasa Municipality contains seven rural counties and one urban district. The urban district, Chengguangpo, is commonly referred to as Lhasa or Lhasa City. This chapter talks only about Lhasa City, a relatively small city with an area of 33 km² (20.5 square miles). It is located in the Lhasa River valley at an altitude of 3,600 meters (11,800 ft) above sea level, with a permanent urban population of 140,000.

Overall Development of the Private Sector in the TAR and Lhasa, 1980–2000

The technical term for “business” used by the ICB is “indivisual industrial and commercial household” (sui gongzhuang jia). It refers to privately owned commercial or industrial establishments with eight or fewer employees. The term therefore refers mostly to small businesses. Table 6.1 shows data on the development of small businesses from 1980 to 2000.

As mentioned above, the question of who lost out can be divided into absolute and relative losses. The question of absolute loss is fairly straightforward to address. Given that most outsiders in Tibet before the opening reforms were state employees, and cross-regional private economic activities were strictly forbidden and harshly punished, it is reasonable to assume that in 1980 nearly 100 percent of all private business was registered in the TAR were owned by local Tibetans. We can, therefore, easily estimate that in absolute terms, the number of Tibetan-owned businesses in the private sector increased from 489 of 1980 to about 50,000 in 2001, at least a 55-fold increase. The number of Tibetans employed in these businesses also increased at a comparable rate because Tibetan-owned businesses usually recruit relatives or other ethnic Tibetans as shop assistants and employees.

The question of relative losers is much more complicated. The ratio of regular licensed business (i.e., permanent residents) to temporary licensed business (i.e., migrant businesses) in Lhasa City is about 3:7. However, for the TAR as a whole, this ratio is inverted to 7:3.

These ratios reflect several phenomena. First, there is the urban, Lhasa-centered nature of the migration economy. Second, the urban 3:7 local-to-migrant ratio found in Lhasa is in fact fairly common in the context of the post-reform PRC. The influx of migrant petty entrepreneurs, although both a dramatic change from the
<table>
<thead>
<tr>
<th>Year</th>
<th>Number of businesses</th>
<th>Number of people employed</th>
<th>Capital (RMB)</th>
<th>Sales (RMB)</th>
<th>Permanent population</th>
<th>Number of private businesses</th>
<th>Number of people employed</th>
<th>Capital (RMB)</th>
<th>Sales (RMB)</th>
<th>Tourists</th>
</tr>
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<td>2001</td>
<td>42,348*</td>
<td>63,198*</td>
<td>422,811*</td>
<td>422,811*</td>
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<td>2003</td>
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</tr>
</tbody>
</table>

Projection: 4,400,000 (240,000 in 1993)

Sources:
2. Ibid.
4. Data of 1992 are calculated from the information, "although the total number of individuals [of 1993, 41,830] was about the same as that of 1992." Xizang ribao (Tibet Daily), February 4, 1994. Note from the authors: the numbers of 1992 and 1993 seem to be inconsistent with those of 1994 and later years. It is likely that the statistical criteria have changed during this period of time. The 1994 and later data are more accurate and relevant to this study.
8. Total number of 1992 is unknown. The increase over 1991 is calculated as 3400 from the information: "$300 were added last year, an increase [of the same index] over 1992 [over 1991]." Xizang ribao (Tibet Daily), February 4, 1994.

11. Ibid.
14. TAR Press Office, Response to Foreign Journalists' Questions, July 27, 1993. Also "for the entire municipality (including seven rural counties), Tibetan residents took up 87.20%, Han nationality took up 11.55%, and other nationalities took up 0.85%.
15. Total number of 1993 is unknown. But "5,380 were added last year [1993]." Xizang ribao (Tibet Daily), February 4, 1994. Also, "300 come in June and July 1993 alone" according to Kramsky, "Central Lhasa and Migration." Provincial Clues, no. 2 (October 1994), p. 21.
19. TAR Press Office, Response to Foreign Journalists' Questions, July 27, 1995. It also specifies that "60% of them invest in food services."
22. Ibid.
23. People's Daily, January 3, 1995. Number of overseas tourists only. The total number is unknown.
24. Xinhua News Agency, January 12, 1996. Number of overseas tourists only. The total number is unknown.
26. Ibid.
29. Ibid.
30. Lhasa HIV/AIDS Situation Analysis, August 2000. 4. Said obtained from the TAR government. The number given is 857,923. Seems to be an error. The current number is the result of subtraction of the rural population from the total. It seems more reasonable, especially when compared with the data of 1995, 1997, and 2000.


33. Lhasa ICBC, end of 1999.

34. Ibid.

35. Ibid.

36. Data from 1999 are calculated from the information, "Tourists number of 2000 was 608,300, an increase of 36.45% over 1999." Zhongguo Xizang (China's West: Tibet) (Beijing: China Continental Press, 2001), 21.


38. Ibid.


41. Ibid.

42. Ibid.

43. The whole-year sales are estimated based on the half-year sales (443.55 million). Lhasa ICBC, July 2000.

44. White Paper on Tibet's Modernization, 2001, Information Office of the State Council of the PRC.


46. Ibid.

47. Ibid.

The turnover rate of Lhasa's migrant businesses is strikingly fast. There are no detailed data on how long an average business stays in Lhasa. However, studies of migrant labor in the PRC generally agree on a pattern of short-term work-and-move, similar to the fast-moving daylaboring itinerant workers of pre-war Japan. To account for this phenomenon, the terms "temporary migration" and "circular migration" have been coined. The only study on this issue in the TAR is a survey that asked migrants in Lhasa about their intended length of stay. Needless to say, the problem of a major census of data about work-and-move is obvious: most likely to stay for short terms are obviously most likely to have gone already at the time of the survey. Even considering this inevitable sampling weakness, a genuine statement of intention by a temporary migrant is still often not a reliable indicator of the actual length of stay.

Most migrants adjust their business plans with the utmost flexibility, reacting to changes in economic opportunities and the business climate. Fixed long-term plans never survive contact with changing profit rates. Many ethnographic studies on PRC migrants seem to confirm the wide predominance of such short-termism.

In the case of Lhasa, the availability of the two complementary data sets mentioned above offers a rare opportunity to analyze longitudinally the operation of migrant business. Comparing the two data sets, those who stayed long enough to be registered again in 1998 should have at least two records. Based on the longitudinal model, we are able to track these people and find their mobility pattern. Table 8.2 shows the number and percentage of people who registered each year from 1990 to 1998, and who are also then found in the post-1998 re-registration.

Two things need to be addressed in reading this result. First, how to access the average length of stay of those who didn't register? If obtaining an official registration is a reasonable indicator of a level of commitment, it can be assumed that unregistered businesses are more likely to leave a place than registered ones. So if there is a bias caused by the missing registrations, the turnover rate should be higher than registered business data reveal. Second, in this study, only the names of the business owners, not the names of the businesses, have been tracked. That is to say, if one person registered different businesses at different times, he would be counted more than once. But if a business under one name is owned by different owners at different times, it is counted as different businesses. In reality, a business is often sold or transferred to a newly arrived relative rather than to a total stranger. Therefore, continuity and stability inside migrant networks is not captured by the high turnover rate of individuals. However, that issue will not be analyzed in this chapter.

We can tell several things from Table 8.2. First, data confirm the observation of a very high mobility among Lhasa busnesspeople. Second, the first-year mobility rate is the highest. Among the 2,465 businesses opened in the first half of 1998, less than 30 percent re-registered in the 1998-2000 process. It is reasonable to estimate a 60-70 percent departure rate for newcomers in the first or second year after arrival. Third, the departure rate slows down after the second year of residence and stabilizes after five years. This observation fits the predictions of cumulative causation theory, the longer one stays, the more likely one is going to stay. Among each year's migrant cohort, about 10-15 percent stayed in Lhasa over a relatively long period of time. These semi-stable settlers comprise a very small portion of Lhasa's small businesses, at least in comparison to the high yearly influx of newcomers.

### Business Concentration

It is evident to any observer that there is a large degree of specialization of trades and businesses by ethnicity or region of origin. Every resident in Lhasa knows whom to go to for what kind of service or products. Corner grocery stores are owned and patronized by a very wide variety of people, but when it is time to have a new dress made, either Western or Tibetan style, the average buyer will go to a tailor from Xizang, tourists who want to buy a ready-made Tibetan dress will go to a Tibetan-owned clothing store. Grain will likely be bought from an ethnic Tujia vendor from Qinghai, while measured window glass and aluminum frames will be ordered in a shop run by migrants from Hubei. For gold jewelry, shoppers will go to a Japanese smith, but for silver decorations and accessories, they would undoubtedly resort to a Bai silversmith from Yunnan. To buy jewelry, perfume, antiques, scarves, prayer flags, and so on, they will go to fellow Tibetan traders.

The published aggregate statistics from the JCB show a clear advantage of migrants in absolute numbers, even in prima-facie traditional fields such as "crafts." This aggregate predominance of migrants has led some observers to the conclusion that local Tibetans are at a clear, across-the-board disadvantage via-b-vis migrants. However, a further breakdown of categories in each field shows a much more complex story.

In the self-completed registration forms, businesspeople often list in great de-
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tail the products and services they provide. In fact, the information on the forms is so detailed that it is often difficult to classify. A rough illustration of field specialization by region of origin and ethnicity is shown in Table 8.5.

It is important to clarify further the classification of small businesses into fields. First, the categories of business activities used here are not taken from the administrative sources that collected the original data, but directly from what the business operators and customers in Lhasa classify and perceive their own activities to be. These self-perceptions may be different from the administrators' point of view, or from the point of view of external observers. For example, silverware processing, gold and silver processing, and jewelry are considered three mutually unrelated fields by the entrepreneurs themselves. Cotton quilt reprocessing is an activity distinct from bedding. A tea garden (che gom) serving green tea is considered a totally different concern from that of a tea house (che gom), which serves traditional Tibetan sweetened tea.

From this table, we see that traditional products (Tibetan food, sweetened tea, brick tea, etc.) are still firmly in the hands of Tibetans. Migrants have come to dominate the fast-growing nontraditional fields instead. Traditional fields, generally speaking, consist of a market of fixed size, primarily determined by the size of the ethnic Tibetan population in and around the city. This is a market with limited growth potential for entrepreneurs, unless it is possible to convince non-Tibetans to adopt a more Tibetan lifestyle.

On the other hand, initial success in nontraditional fields seems to depend on having connections and links with producing regions or else having access to the complex and mostly informal distribution channels that characterize present-day China. Most forms of consumer goods trade require a level of personal relationships with intermediaries and distributors. Lacking an industrial base, Tibet imports the vast majority of the manufactured goods it consumes. Ethnic Tibetans without those links find themselves at an initial and persistent disadvantage to outsiders. Some exceptions are the trade of handicrafts from Nepal that feeds the tourist trade, and the perfume trade. This Tibetan connection with Nepal and India is far undervalued due to relatively poor communications and other limitations on trade. Smuggling is the most common form of border trade.

In Lhasa's market, we can find various types of ethnic concentrations in specific businesses. First, we find traditional skill-based businesses. These involve skills that are normally passed on only to family members within a strict master-apprentice system. Therefore, this kind of artisanship-based business tends to be heavily concentrated in one ethnicity or is geographically based. Examples are the Bai silversmiths of Deqing County, Yunnan Province, and the goldsmiths of Putian County, Fujian Province. A second type of ethnic specialization is, on the contrary, based on modern knowledge and skills. Specialization in these areas seems to depend largely on the exploitation of first-mover advantage. Skill acquisition forms a temporary barrier to entry, but allows much wider profit margins.

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<thead>
<tr>
<th>Specialty</th>
<th>Place of origin</th>
<th>Ethnicity</th>
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<tbody>
<tr>
<td>Khnades and bonetare</td>
<td>Aba Prefecture, Sichuan</td>
<td>Tibetan</td>
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<tr>
<td>Jewelry</td>
<td>Aba Prefecture, Sichuan; TAR</td>
<td>Tibetan</td>
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<tr>
<td>Antiques</td>
<td>TAR</td>
<td>Tibetan</td>
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<tr>
<td>Brick tea</td>
<td>TAR</td>
<td>Tibetan</td>
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<tr>
<td>Chang'g</td>
<td>TAR</td>
<td>Tibetan</td>
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<td>Hair strings</td>
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<td>Tibetan</td>
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<tr>
<td>Hats</td>
<td>TAR</td>
<td>Tibetan</td>
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<tr>
<td>Dairy crunch</td>
<td>TAR</td>
<td>Tibetan</td>
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<tr>
<td>Perfume (from India)</td>
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<td>Tibetan</td>
</tr>
<tr>
<td>Alu'ur</td>
<td>TAR</td>
<td>Tibetan</td>
</tr>
<tr>
<td>Sutras, candles</td>
<td>TAR</td>
<td>Tibetan</td>
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<tr>
<td>Thangka'</td>
<td>TAR</td>
<td>Tibetan</td>
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<td>Tibetan furniture</td>
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<td>Tibetan restaurations</td>
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<td>(Fried) music cassettes</td>
<td>TAR</td>
<td>Tibetan and Hui</td>
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<td>Tu</td>
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<td>Beef</td>
<td>Gansu</td>
<td>Hui</td>
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<tr>
<td>Green tampa</td>
<td>Gansu</td>
<td>Hui</td>
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<tr>
<td>Wooden head</td>
<td>Gansu</td>
<td>Hui</td>
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<td>Handbags</td>
<td>Guangxi, Gansu</td>
<td>Hui</td>
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<td>Weaving</td>
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<tr>
<td>Cooling oil</td>
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<td>Handbags</td>
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<td>Auto parts</td>
<td>Henan; Sichuan</td>
<td>Han</td>
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<tr>
<td>Basket</td>
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<td>Han</td>
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<td>Bike, parts and repair</td>
<td>Sichuan</td>
<td>Han</td>
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<td>Yongxi, Zhejiang</td>
<td>Han</td>
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<td>Dongting truck parts</td>
<td>Yongxi, Zhejiang</td>
<td>Han</td>
</tr>
<tr>
<td>Eyeglasses</td>
<td>Jiangsu; Zhejiang; Hubei</td>
<td>Han</td>
</tr>
<tr>
<td>False teeth</td>
<td>Hubei</td>
<td>Han</td>
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<tr>
<td>Fresh flower</td>
<td>Sichuan</td>
<td>Han</td>
</tr>
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<td>Gas stoves</td>
<td>Jiangxi; Hubei; Sichuan</td>
<td>Han</td>
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<td>Glass and aluminum alloys</td>
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<td>Goldenfish</td>
<td>Putian County, Fujian</td>
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<td>Sichuan</td>
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<td>Han</td>
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<tr>
<td>Motor repair</td>
<td>Sichuan</td>
<td>Han</td>
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<tr>
<td>Shop signage</td>
<td>Zhejiang</td>
<td>Han</td>
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<tr>
<td>Solar stoves</td>
<td>Nantong County, Jiangsu</td>
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<tr>
<td>Sheepbread and noodles</td>
<td>Henan; Sichuan</td>
<td>Han</td>
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</tbody>
</table>

(continued)
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of who successfully enters and establishes businesses in what sector. Many tourists have noticed that Huis (Kalis), the distinctive, traditional Tibetan greeting scarves, are almost solely sold by Huis. On the other hand, Internet cafés in Lhasa are mostly owned by local Tibetans, both rather countertrend examples of niche formation. Below we shall discuss the examples of two fields that are currently migrant-dominated. We want to show that the different patterns of market formation for each field and the different market transformation of such fields are the result of factors and processes much more complex than simple invasion and usurpation by “modernized” outsiders.

Case Studies: Grain/Cooking Oil and Dry Cleaning

In this chapter, two migrant-dominated fields are analyzed to illustrate patterns of market formation and transformation in Lhasa. The first field, grain and cooking oil, is a trade-oriented business in which access to production and/or distribution channels is the key to competition. The business is low-capital intensive, with no requirement of operator formal education or special skill. The consumer in this market is the entire population in the city. The second field, dry cleaning, is chosen for its almost opposite nature. It is a capital-intensive, service-oriented business. Modern knowledge and some skills are required. It is a stranger to the traditional local economy and lifestyle and only caters to “high-brow” consumers.

The Case of Grain and Oil

What is usually referred to as the “grain and oil” sector is large, supplying the most basic staple to the widest possible market. This is a business that requires relatively low initial capital outlays and no special education or skills. As with grocery stores, the most important factor is a convenient location. These factors would seem to give Lhasa residents, who control most of the real estate, natural advantages to get a fair share of the grain business. However, by 2000, only 19 (11 percent) of Lhasa’s 172 grain stores were owned by permanent TAR residents, and just over half of these 19 owners were ethnic Tibetan. The rest were Han and Hui with broader connections to other provinces.

On the other hand, almost two-thirds of the 172 Lhasa grain stores are owned by ethnic Tu. More specifically, and notably, around 90 percent of the Tu in Lhasa are from the same town in the same county of the same province: Guising Town, Minhe Hui and Tu Autonomous County, Qinghai Province. To a fair degree, the grain business in Lhasa is an ethnic enclave dominated by Tu.

There are no apparent reasons why Tu, and Tuis from Minhe County alone, should specialize in, and dominate, the grain and cooking oil trade in Lhasa. The Tu are a tiny group with a total population of only 192,566 (1990) in all of China. Most of them live in four counties at the eastern corner of Qinghai Province. Moreover, Qinghai Province is not a grain-producing province and Minhe County is even

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Place of origin</th>
<th>Ethnicity</th>
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</thead>
<tbody>
<tr>
<td>Tailors</td>
<td>Yuxing County, Zhejiang</td>
<td>Han</td>
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<td>Tea leaves</td>
<td>Sichuan</td>
<td>Han</td>
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<tr>
<td>Telephones and cell phones</td>
<td>Sichuan</td>
<td>Han</td>
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<td>Vegetables</td>
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<td>Handbags</td>
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<td>Window curtains</td>
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<td>Silverware and copperware</td>
<td>Yuxing County, Yunnan</td>
<td>Bai</td>
</tr>
<tr>
<td>Books</td>
<td>Mixed</td>
<td>Ethnically mixed</td>
</tr>
<tr>
<td>Curtains</td>
<td>Mixed</td>
<td>Ethnically mixed</td>
</tr>
<tr>
<td>Carpets</td>
<td>Mixed</td>
<td>Ethnically mixed</td>
</tr>
<tr>
<td>Furniture</td>
<td>Mixed</td>
<td>Ethnically mixed</td>
</tr>
<tr>
<td>General clothing</td>
<td>Mixed</td>
<td>Ethnically mixed</td>
</tr>
<tr>
<td>Groceries</td>
<td>Mixed</td>
<td>Ethnically mixed</td>
</tr>
<tr>
<td>Bedding</td>
<td>Mixed</td>
<td>Ethnically mixed</td>
</tr>
<tr>
<td>Photo taking</td>
<td>Mixed</td>
<td>Ethnically mixed</td>
</tr>
<tr>
<td>Shower house</td>
<td>Mixed</td>
<td>Ethnically mixed</td>
</tr>
<tr>
<td>Snacks</td>
<td>Mixed</td>
<td>Ethnically mixed</td>
</tr>
<tr>
<td>Solar energy equipment</td>
<td>Mixed</td>
<td>Ethnically mixed</td>
</tr>
<tr>
<td>VCR rental and playing</td>
<td>Mixed</td>
<td>Ethnically mixed</td>
</tr>
</tbody>
</table>

A third type is capital-intensive businesses. Here what is critical is the financial advantage of extensive social networks from which financial resources can be tapped at much lower costs than the underdeveloped financial market. A fourth type is niches based on the aforementioned access to production and/or distribution of products. A fifth type is more dependent on local advantage. This includes knowledge of language, customs, and location, which heavily favors local people.

In the case of Lhasa, this involves the market for sutras, prayer wheels, and flags, chang, sweetened tea, and so forth.

Some authors have suggested that due to the lack of “capitalization, education, and connections,” local businesspeople cannot compete with migrants trained and prepared for the “modern sector.” However, there is no intrinsic reason why the “traditionalness” or “modernness” of a sector per se should be the crucial determinant

Notes:
1. Cheng is Tibetan barley beer.
2. Pedicabs are allocated to some Lhasa ethnic Tibetan residents as a welfare measure, so the ownership of pedicabs is 100 percent Tibetan. The owner can then rent them out to peddlers, who are all half Tibetan, half Han, and some Hu.
3. Pala is a kind of Tibetan woolen fabric. It is used to make the usually heavy traditional-style clothing.
4. A thangka is a traditional Tibetan Buddhist painted scroll.
5. Tsampa is milled barley flour, the staple of a traditional Tibetan meal.
6. Dongeling is a brand of tea made in Huihe Province and widely used in Tibet.
7. Ethnically mixed here means there are substantial numbers of people of at least three ethnic groups in the businesses.
8. Kashi, a custom made of wool and tapestry, like a small carpet, is used to cover a bed.

A third type is capital-intensive businesses. Here what is critical is the financial advantage of extensive social networks from which financial resources can be tapped at much lower costs than the underdeveloped formal financial markets. A fourth type is niches based on the aforementioned access to production and/or distribution of products. A fifth type is more dependent on local advantage. This includes knowledge of language, customs, and location, which heavily favors local people.

In the case of Lhasa, this involves the market for sutras, prayer wheels, and flags, chang, sweetened tea, and so forth.

Some authors have suggested that due to the lack of "capitalization, education, and connections," local businesspeople cannot compete with migrants trained and prepared for the "modern sector." However, there is no intrinsic reason why the "traditionalness" or "modernness" of a sector per se should be the crucial determinant
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less so. Minhe is a mountainous rural backwater, only opened to foreigners in 1997. Farmland is scarce, and droughts, floods,6 and desertification make farming even harder. Traditionally, the Tu were shepherds, not farmers.

Minhe’s modern industry is based solely on natural mineral resources and there is a large magnesium smelter and foundry. While relatively large employers, these concerns provide a livelihood for only a fraction of the population. Minhe and its surrounding areas suffer from a very low ratio between arable land and population. This, and the harshness of the weather, has made the whole area one of the poorest regions in China, constantly dependent on state aid to survive. The World Bank once chose it as a target area for the Western China Poverty Reduction Project.

Minhe County’s sole advantage is its geographic location at the juncture of Gansu and Qinghai provinces. It is 130 km west of Lanzhou, the capital city of Gansu Province, and 110 km east of Xining, the capital city of Qinghai Province. The main railroad and highway between Gansu and Qinghai provinces pass through this area. At the western end of the railway is the city of Golmud, the starting point of the 1,937-km-long Qinghai-Tibet plateau highway, and thus the effective railroad for Lhasa. Eighty-five percent of all goods shipped to and from Tibet pass along this route, making Golmud the trade entrepot for Tibet.

However, the relatively convenient location and the bleak economy of Minhe County alone cannot explain why Tu from Minhe should have such a strong presence in Lhasa’s grain market. Tu people of other counties in the same area do not go to Lhasa, nor do Hui from Minhe; other peoples from the vicinity of Golmud do not enter the market either. Is there any specific trait unique to Minhe Tu that has allowed them to conquer such a large part of the grain market?

Digging into the history of ethnic Tu business in Lhasa, it seems that the entry of the Minhe Tu into the grain market was accidental. The first business registered by an ethnic Tu in Lhasa appeared in 1992. This Tu was from Gansu Province and set up a mini-grocery. It was only in 1993 that there appeared the first ethnic Tu grain and oil store.7 In 1994, two Tu brothers came from Huangzhang County, Qinghai Province, and each opened a snack stall. In 1995, however, an avalanche of Minhe Tu into the grain market began. That year, 23 Tu businesses were registered. Of these, 22 were from Minhe County and all were in the grain business. In 1996, 33 Tu businesses opened, all from Minhe, and 32 in the grain business. The trend continued. In the first half of 2000, 99 of the 109 newly registered Tu businesses were in grain. The Tu now own nearly 70 percent of the 144 grain stores registered in 2000.

Most of the Tu grain stores are husband-wife outfits that look very much alike. Shop signs contain exactly the same characters: Grain and Oil Store. The products, services, and prices are almost identical. At the beginning, all the grain was purchased wholesale in Golmud and trucked to Lhasa by relatives, to be distributed to individual stores. Even most of the Tu business registration forms are filled in exactly the same way, apparently following the same template.

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The fast growth of the private grain retailing sector coincides with the rapid retreat of the decades-long state-owned grain supply system and the turning over of the distribution of grain to private markets. Private retailers bring in grains that are fresher, better quality, and more varied compared to the old state grain system. With the growth of a grain retailing sector, the market diversified. People from several other provinces are filling the half of the grain market not filled by Minhe Tu. In 2000, though Tu businesses held a half share of the grain market, people from eight other provinces were also operating. People from Gansu (Hui), Sichuan, Henan, Hebei, Jiangsu, and Shanxi have all registered grain shops of various kinds. The grain available to Lhasa residents is not only from Golmud, but also Hebei and Jiangsu, both famous high-quality rice producers, and from Henan, which has high-quality flour. Thus, stores started to add specifications in their signs, such as “Qinghai Rice,” “Jiangsu Rice,” or “Henan Flour.”

Regular license holders, that is people with TAR residence registrations, have never been a big presence in this market. Available data show that in 1999 only 7.4 percent of grain stores were owned by permanent TAR residents, that is, of 122. In 2000, this proportion increased to 11 percent, 19 out of 172. Of the TAR permanent residents in the grain market, only half are ethnic Tibetans; the others are Hui and Han. It seems that this distributive business is hard to enter without friends or relatives somewhere in the chain.

Dry Cleaning

Dry cleaning is chosen here as an example because it is clearly one of the least traditional business fields in Lhasa. It requires intensive and ongoing investment that is hundreds of times higher than that needed for a stall or a street-corner grocery shop. The operators need to have knowledge in handling modern machinery, chemicals, and expensive fabrics. Dry cleaning is also regarded as a luxury service, and presumably only catering to a small, high-end customer base. It is completely alien to both traditional Tibetans and Han lifestyles. All the characteristics of this business run counter to the likelihood of local participation in Lhasa, in particular if the modern invasion theory holds. Table 8.4 illustrates the development of the Lhasa dry cleaning market over time.

The table reveals several patterns of how this market was formed, transformed, and saturated in a very short period of time. First: the overall pattern of the dry cleaning business is very similar to the macro pattern of private businesses shown in Table 8.1. The number of newly registered dry cleaners has grown rapidly since 1994, especially in 1996 and 1997, but the trend slowed down after several years. Two: the sector gradually shows a dispersion of the owners’ provinces of origin. Though Jiangsu people, mainly from Qingchou County, still hold a large share of the market, people from more and more provinces also participate. In 1999, apart from 8 businesses belonging to TAR people, 53 new businesses belonged to people from 13 provinces. Third: TAR people’s entry into this totally new and alien field was not
Table 8.4
Registration of Dry Cleaning Business in Lhasa, by Year

<table>
<thead>
<tr>
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<tr>
<td>Total</td>
<td>2</td>
<td>2</td>
<td>11</td>
<td>9</td>
<td>20</td>
<td>23</td>
<td>15</td>
<td>58</td>
<td>91</td>
<td>11</td>
</tr>
<tr>
<td>By others</td>
<td>1</td>
<td>1</td>
<td>7</td>
<td>13</td>
<td>3</td>
<td>9</td>
<td>8</td>
<td>8</td>
<td>44</td>
<td>0</td>
</tr>
<tr>
<td>(From number of provinces)</td>
<td>2 (5)</td>
<td>2 (1)</td>
<td>13 (2)</td>
<td>15 (6)</td>
<td>12 (5)</td>
<td>47 (7)</td>
<td>53 (7)</td>
<td>11 (1)</td>
<td>82</td>
<td>85</td>
</tr>
<tr>
<td>Total survived</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>82</td>
</tr>
</tbody>
</table>

late. The first TAR-owned dry cleaners appeared in 1994, only two years after the service first appeared in Lhasa, and they became the third largest market holders after people from Jiangsu and Sichuan.

During the 1998–99 re-registration, 17 dry cleaning shops (9 in 1998, 8 in 1999) were registered by TAR khasok carriers (mostly ethnic Tibetans), and 100 (47 in 1998, 53 in 1999) were registered by migrants. Aggregate statistics from the ICBC show that at the end of 1999, 82 dry cleaning stores were still in business, 12 owned by TAR people and 70 by migrants. TAR people thus took a 15 percent of market share. Twelve of the 17 TAR shop owners were still in business at the end of 1999, and 70 out of 100 belonging to migrants were in business at the same time. Each group had the same survival rate of 70 percent.

ICBC statistics show that in the first half of 2000 there were 85 dry cleaning shops in service, 12 owned by TAR people and 73 by migrants. The net increase in the number of businesses was only 3. In this period, no TAR people registered a new dry cleaning business, as all 11 new registrations belonged to migrants. These statistics mean that the 12 TAR-owned dry cleaners founded in 1999 were still in business in 2000. Among the 73 migrant businesses founded in 1999, 8 had been closed or transferred.

The stabilization of the dry cleaning market is an example of the whole market in Lhasa. Despite the long-argued advantage of migrants in capitalization and know-how, the above pattern indicates a common reaction to market pressures, rather than a result of endogenous advantage for either group. The market pressure in play seems to be simple saturation.

There were 85 dry cleaning shops in Lhasa in 2000. The city of Lhasa has an urban population of 140,000, with an average income of 7,090 yuan (2001). Even adding another 100 percent floating population at peak season, as per the highest estimates (though tourists and rural migrant laborers are unlikely to fre-

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quent dry cleaning services) gives us one dry cleaning shop per 3,300 people.

Compare that with Guangzhou, the capital city of Guangdong Province. Guangzhou has an urban population of 9.94 million (7.03 million permanent residents and 2.91 million migrants), with an average income of 14,416 yuan (2001), claimed to be the highest among Chinese big cities and even higher than Beijing and Shanghai. It is one of the first cities in China to have entered the reform era, and is far more modern than Lhasa. In Guangzhou, there are 2,000-plus dry cleaning services for an average of one shop per every 5,000 people. It is easy to see that Lhasa’s dry cleaning industry has in all likelihood reached saturation. Nevertheless, in this crowded market we can still find new entrants and, noticeably, an increasing number of local Tibetans.

This rush-to-saturation development pattern of the dry cleaning business is rather representative of Lhasa’s service sector. It fits well with the following observations from an ICBC official: “Lhasa is after all a small place; you can’t compare it with Beijing and Shanghai. How many do we have? There is only so much demand. If you think that Lhasa doesn’t have something, then you sell it, and then he also sells it, then ten shops open up, then, Boom!, suddenly the market is full. Unless you bring out newer, fancier products, you can’t make money. The price is falling now. It is good for consumers but not good for businesses. Unlike before,” the official said.

As the market has saturated, competition within the dry cleaning business has become fierce. Profit margins had already become quite thin by the year 2000. Operations costs were becoming more and more of a concern. Thus, cleaners began to hire rural ethnic Tibetans due to the significantly lower wages necessary to hire them.

The competition for new customers is also very fierce. To attract foreign tourists, dry cleaning owners copy each other’s often misspelled English signs to add foreigner appeal. Ethnic Tibetans from Sichuan Province have also become a coveted group of new customers. This group, especially males, is believed to spend luxuriously and to be able to afford luxuries because most of them are in the antique and precious stone trade. The preference for leather jackets among Lhasa residents is also believed to be an unapped source of customers for dry cleaning.

Cutting corners is fairly universal. Water washing, followed by careful ironing, is often carried out instead of genuine dry cleaning. But unlike in other cities where complaints on the quality of dry cleaning have already made it into both the news and official notice, in Lhasa there simply is not yet enough local knowledge (or concern) about such a recent luxury. Even as official from the Quality Control Bureau admits: “I have never had anything dry cleaned; I don’t know how you can wash clothes dryly.”

It is significant that ethnic Tibetans are joining this unlikely and very competitive business at a steady rate, competing successfully, and having a substantial share of this market. The factors facilitating and inhibiting participation of ethnic Tibetans in the private market are more complex than a simple modern-versus-traditional
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dichotomy. Tibetans are exploiting a better understanding of the local market (the local preference for leather is one) and their better position vis-à-vis local authorities to establish their relatively late-coming business.

Comparison of the Two Cases

Comparing these two migrant-dominated cases, we can venture the following hypotheses. First, in the commercial sector, that is, those enterprises related to the market and distribution of (mostly) consumer goods that are produced, it is likely that the dominance of migrant entrepreneurs will remain for as long as intermediary markets and distribution channels are dependent on personal connections and informal contacts based on kinship and in-group trust. Ethnic Tibetans may improve their relative position in the consumer goods trade if they are able to exploit their existing connections with South Asia. For example, the perfume trade is now controlled almost solely by ethnic Tibetans because of their access to the source of smuggled perfumes in India and Nepal.

Nevertheless, as the market matures and new forms of consumer demand emerge, we can expect new opportunities to open, opportunities that can be best exploited by groups other than the current incumbents. We should thus expect that consumer goods markets will tend to diversify somewhat, to be exploited by new groups and social networks that may well, like the Tu, seem unlikely candidates at first sight. We should expect greater levels of ethnic diversification both within (members of a regional or ethnic group dispersing in a wide field of activities) and without (more groups entering a given activity field).

The second main hypothesis is that the main barrier to entry in which ethnic or regional origin is critical is access to the informal social networks on which trade depends in the PRC at present. Thus, in those fields in which access is not so critical we will find a much faster increase of ethnic and regional diversification. While factors such as initial capital, skills, and knowledge may give a significant first-mover advantage, facilitating the formation of an ethnic niche, these factors have limited force as barriers to entry for second-wave entrepreneurs, including locals. We can thus expect both higher ethnic and regional diversity in these sectors and an increasing local resident share. While novel products and services, by definition, are initially brought into a place by outsiders, locals will find the way easier as second-movers, able to exploit their relative advantage of better knowledge of local conditions and their superior local social capital networks.

Conclusion

Among the large body of literature on the study of immigration, it is accepted wisdom that permanent labor and is inherent in the very nature of modern industrial societies. As an inherent element of urbanization and industrialization, and through the swift penetration of the market to formerly untouched parts of the economy, modern cities will absorb labor from other, less modernized parts of the economy. This pattern of labor absorption can be observed in most parts of the PRC in the past twenty years. The cities of the TAR, although relatively latecomers to economic reform, do not have any special characteristics that should them from these effects.

It is important to shift attention for a moment from the effects of migration on Tibetans to the ways in which migrants succeed in surviving and thriving in a fairly hostile host social setting in which they have to deal with both an unwelcoming officialdom that, in essence, gives them the status of illegal migrants, and an unproviding economic environment. Students of migration have often wondered about the puzzling success of migrant entrepreneurship. One popular theories that depended on the idea of a migrant entrepreneurial personality (or culture) have long been discredited. Attention has shifted to other characteristics that come with the status of migrant, namely the powerful effect that comes from the different social networks that migrants form and belong to.

One of the consequences of the importance of social capital in the establishment of migrant enterprises is a marked path-dependency effect in the formation of ethnic niches and enclaves. The relatively accidental initial settling of a small number of pioneers is likely to generate a chain effect that will result in dominance in a given niche.

The serendipity of Miehe Tu concentration on grain is a good example of this path dependency. Ethnic networks greatly influence the recruitment of personnel and the induction of new entrepreneurs, funneling more members of the same group into the field and sometimes resulting in an "ethnic colonization" of the niche. This, rather than an overall modernity advantage, an ethnic conquest of unoccupied natives, or official support, seems to be the driving force of the ethnic and regional pattern of specialization we find in Lhasa.

On the receiving end, we also find the patterning effect of the specific structural opportunities provided by the receiving cities. In the case of Lhasa, no jobs in the most coveted public sector occupations are open to rural migrants (of any ethnic group), and there is a marked lack of the industrial assembly line jobs that characterize rural migration into the coastal regions. Instead, the opportunities that exist are in the commercial and service sectors. Both sectors were woefully unprovided for in the days of the planned economy. They are now fueled by increased demand for consumer goods and creature comforts on the part of the heavily subsidized permanent residents of Lhasa. The city, blessed with government largesse due to its delicate political status and having also a tourist industry, is always hungry for services and goods.

The nature of a specific business field—labor-oriented, skill-oriented, trade-oriented, service-oriented, or some combination thereof—interacts with local conditions and characteristics of various entering groups, in particular the nature of their social capital networks and random contingencies of their historical paths to enterprise. The opening up has created an entire virgin field of economic oppor-
millions migrants each, per year, while the high estimate of migrants to Lhasa in the peak summer season is 200,000.

2. For a detailed discussion of this issue, see Barry Sautman, "Is Tibet China's Colony?: The Claim of Demographic Catastrophe," Columbia Journal of Asian Law 15, no. 1 (Fall 2001): 82-131.

3. Tibet Information Network, China's Great Leap West (London: Tibet Information Network, 2000), and other pro-Tibet publications and media reports.


7. Delhi Darlin, Internal Migration in Contemporary China (London: Macmillan, 1999), 120.


12. Interviews with ICB officials, 2000. However, interviews with businesspeople show that they believe that such a practice was designed by the ICB as a "local protection measure" to collect more renewal fees from migrants, which "regular license" holders can skip.

13. A more recent upgrading measure has taken place from July 1, 2000, when the ICB started to use the national standard five-year business license for all businesses regardless of the applicant's "hukou" status, as a measure to keep up the pace of national development after the PRC entered the WTO. The TAR is the last provincial-level region to adopt this national standard, which has been used for years elsewhere. The reason for this delay was said to be to ensure that the TAR's all licensees have to be bilingual, placing added demands on the ICB's facilities and manpower, and making it take longer for the ICB to adapt. Interviews with ICB officials, 2000.

14. There are no exact statistics at the TAR level on the proportion of migrant-versus TAR-owned business. This number is calculated by the rather stable total number of private businesses from 1994 to 2001, in proportion to the number of migrant-owned businesses in the TAR level in 1994, assuming the proportion stays constant.

15. For the urban-centered nature of migrant business in Lhasa, see Sautman, "Is Tibet China's Colony?" 82-131; Wang Liang, Tiansheng Xiang de Mengzuan [Sky Burial: The Fate of Tibet] (Hong Kong: Mirror Press, 1998).

16. Educational level is calculated from the data set.

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18. Davis, Internal Migration in Contemporary China, 120.
24. Despite the stereotypical impression that Tibetans live on nanpa (barley), Lhasa’s Tibetans residents have long preferred rice and wheat flour when available, Tsampu has become a flavored snack rather than a staple for urban residents.
27. From August 4–7, 1999, torrential rains flooded the upper reaches of the Yellow River and its Hengshui tributary. Minhe and 14 other counties and 100 townships in Qinghai were flooded. The flood displaced 24,000 people, caused 20.3 million U.S. dollars in economic losses, and damaged 66,000 hectares of farming. See www.dartmouth.edu/~artsci/ png/foods/1999tnn.html.
28. Tsampu rice (People’s Daily, July 5, 2000).
29. Unfortunately, this person didn’t write down which province he came from on the registration form, although it is likely that he was the first Ts from Minhe County to do grain trading.
34. Beijing has a population of 10 million; Shanghai has 13 million.
35. Interview with Tibetan official from the CIB, February 2000.