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# **Introduction and Impact of Preferential Policies on Ethnic Minority Groups in China**

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# Introduction and Impact of Preferential Policies on Ethnic Minority Groups in China

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## Introduction

China has 56 nationalities altogether, 55 of them being ethnic minorities. Ethnic minority groups have a population of 113.79 million, accounting for 8.49 percent of total population in mainland China (National population census in 2010).

Most of Chinese ethnic minority groups are distributed in the northeast, northwest and southwest regions in China, with a distinct settlement feature of big dispersion and small concentration.

In the past, the minority groups inhabited in comparative adverse areas, with worse macro-social and economic environments than the Han. In all 592 state poverty-stricken counties, 257 are ethnic-related, of which 83.6 percent in the west and central regions.

Ethnic minority areas have witnessed great achievements since 1978. The total GDP in 8 ethnic provinces has increased from 32.4 billion Yuan in 1978 to 2.48 trillion Yuan in 2007, with real annual growth rate of 10.1. The per capita income of urban and rural households in the 8 provinces has risen from 414 Yuan and 168 Yuan in 1980 to 11490 Yuan and 2937 Yuan in 2007 respectively (at current prices). However, due to various reasons, the level of socio-economic development of many ethnic minority communities is still comparatively low.

## Research Questions

In the past few decades, whether the minority groups have also share in the benefit of China's high economic growth? We analyze the effects of the preferential policies targeted to improve the welfare of minority groups.

The study attempts to address the following questions:

- Macro policy level: What ethnic preferential policies has been implemented during the past few decades? And what's the effect?
- Median county level: Is there any economic development difference between the minority counties and the others? Whether ethnic factors play significant roles in the economic development and farmer income increase?
- Micro farmer level: Is there any income gap between the ethnic minorities and the Han? whether the minority factor plays an important role in the income equation?
- What's the implication for future ethnic minority preferential policies?

## Methods

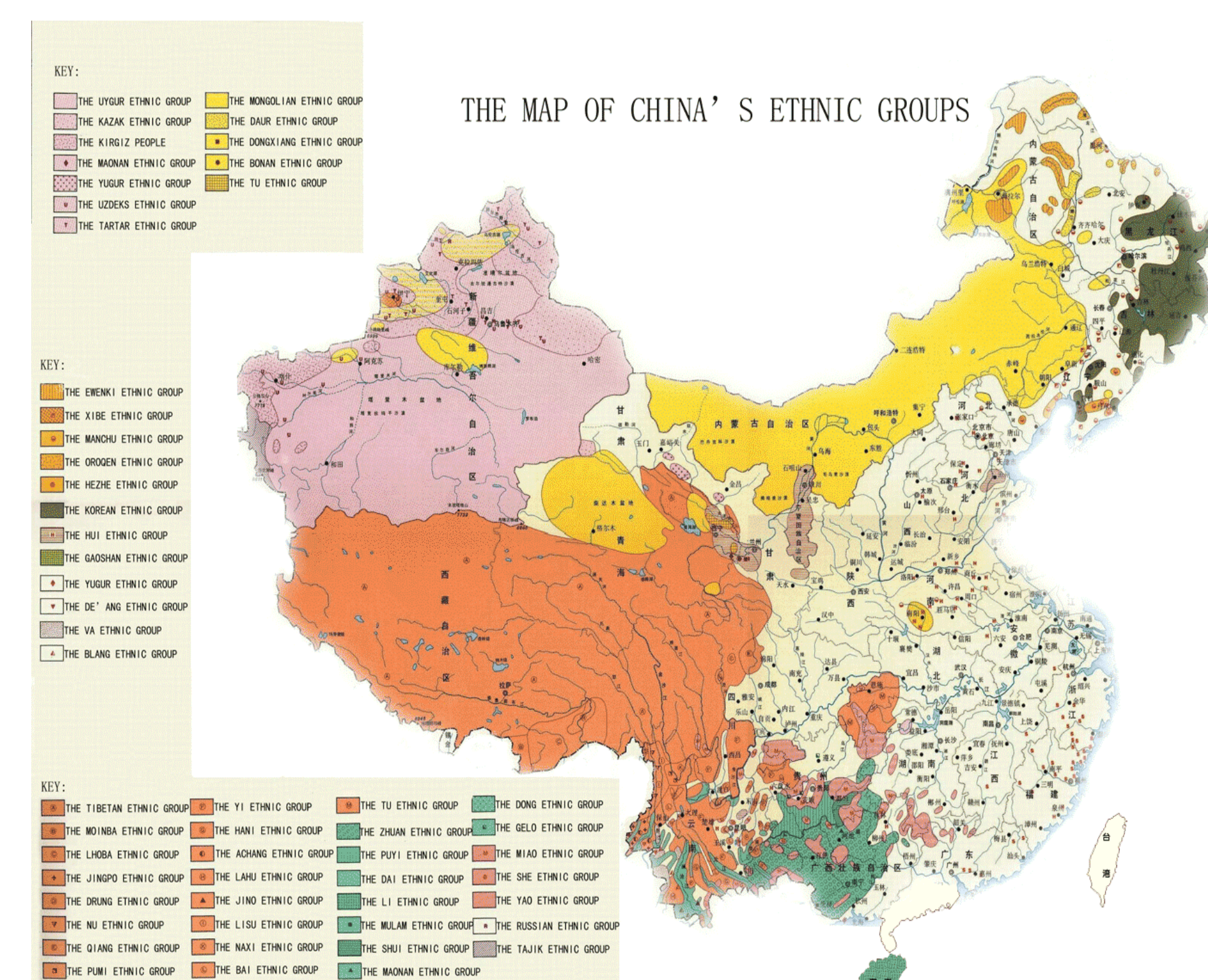
Based on time series data of 85 counties in 1994-2005 in **Gansu province**, we adopt the econometric model of calculating  $\beta$  convergence factors built by Barro et al. (1991) to explore the role of ethnic minority factors in economic growth and farmer income.

Using the census-type survey data, 805 rural household samples in three administrative villages in **Guizhou province**, we exam the income determination equation to identify the role of the ethnic factors in it. The Shapley value decomposition method (Shorrocks, 1999) is further used to quantify the contributions of each factor to overall income gap.

## Policy Review

- Finance, Tax and Education Preferential Policies
- Industrial Development Policies
- Development-oriented Poverty Reduction Policies
- Opening-up and Integration Policies
- Employment Policy of Ethnic Minorities
- ...

The Policies helped the ethnic minority groups to improve significantly both the socio-economic conditions and the living standards: population, culture, education and economy.



Source: <http://www.msdcchina.org>

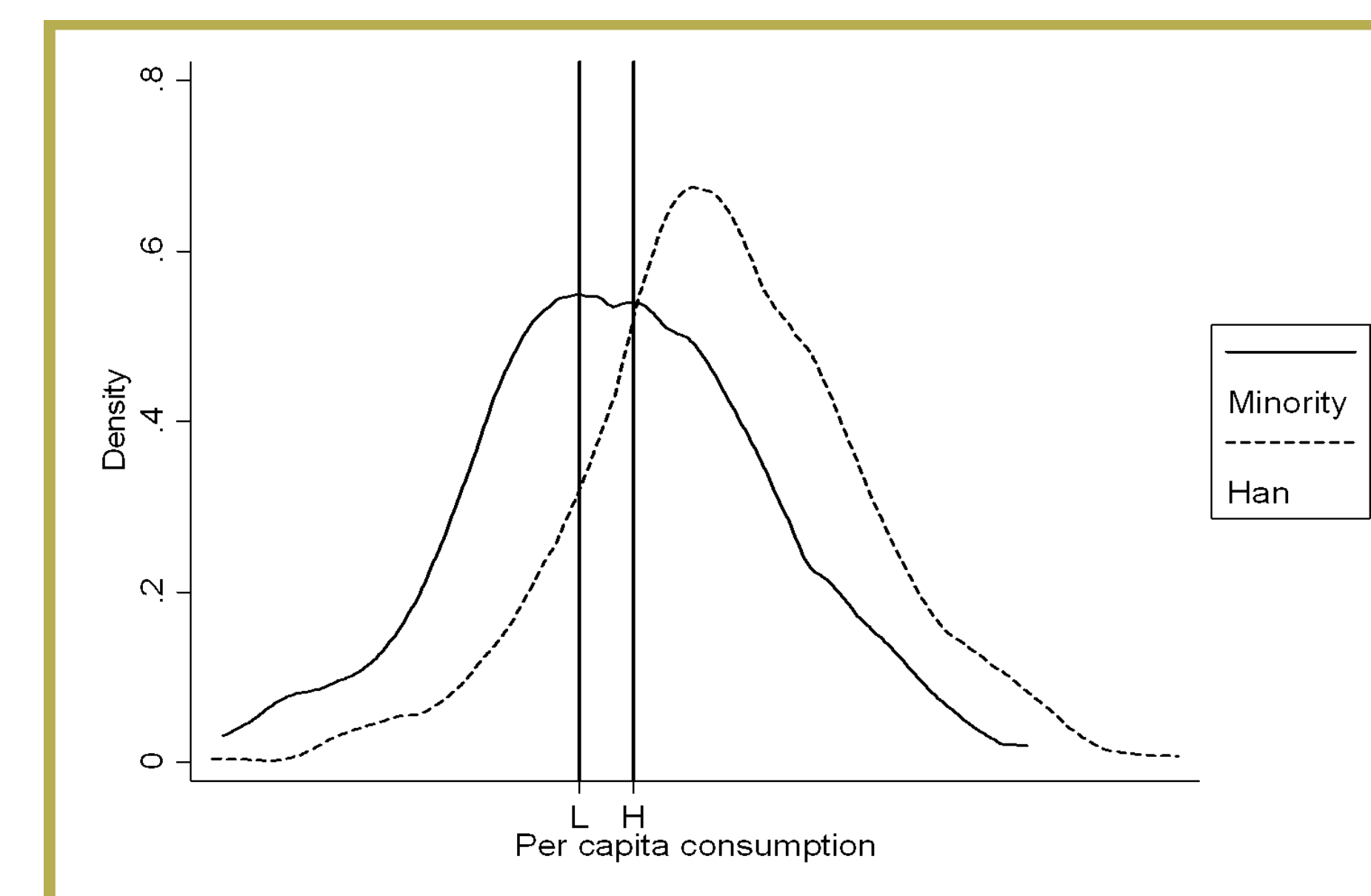
## Results

County data indicate that:

- The implementation of preferential policies targeting to the minorities over the past decades played a remarkable positive role in economic growth in ethnic minority areas.
- However, we haven't found any significant impact of such preferential policies upon the growth of peasants' income in the past few decades.

Rural household data suggests that:

- Coefficients of the ethnic minority proxies, including the direct variable of the minority dummy and indirect variables of distance and village dummy variables, are statistically significant in income equation.
  - Human capital variables, i.e. average year of schooling, having acquired training and outside work experience are strongly related to a greater per capita income.
  - Among the variables on household assets, the per capita contract land is highly significant.
- Shapley value decomposition results shows that:
- In all the variation in income inequality, 27-32 percent can be explained by the contract land per capita, 34-43 percent by human capital, 12 per cent by distance to the county seat and 4.25 per cent by the minorities dummy.



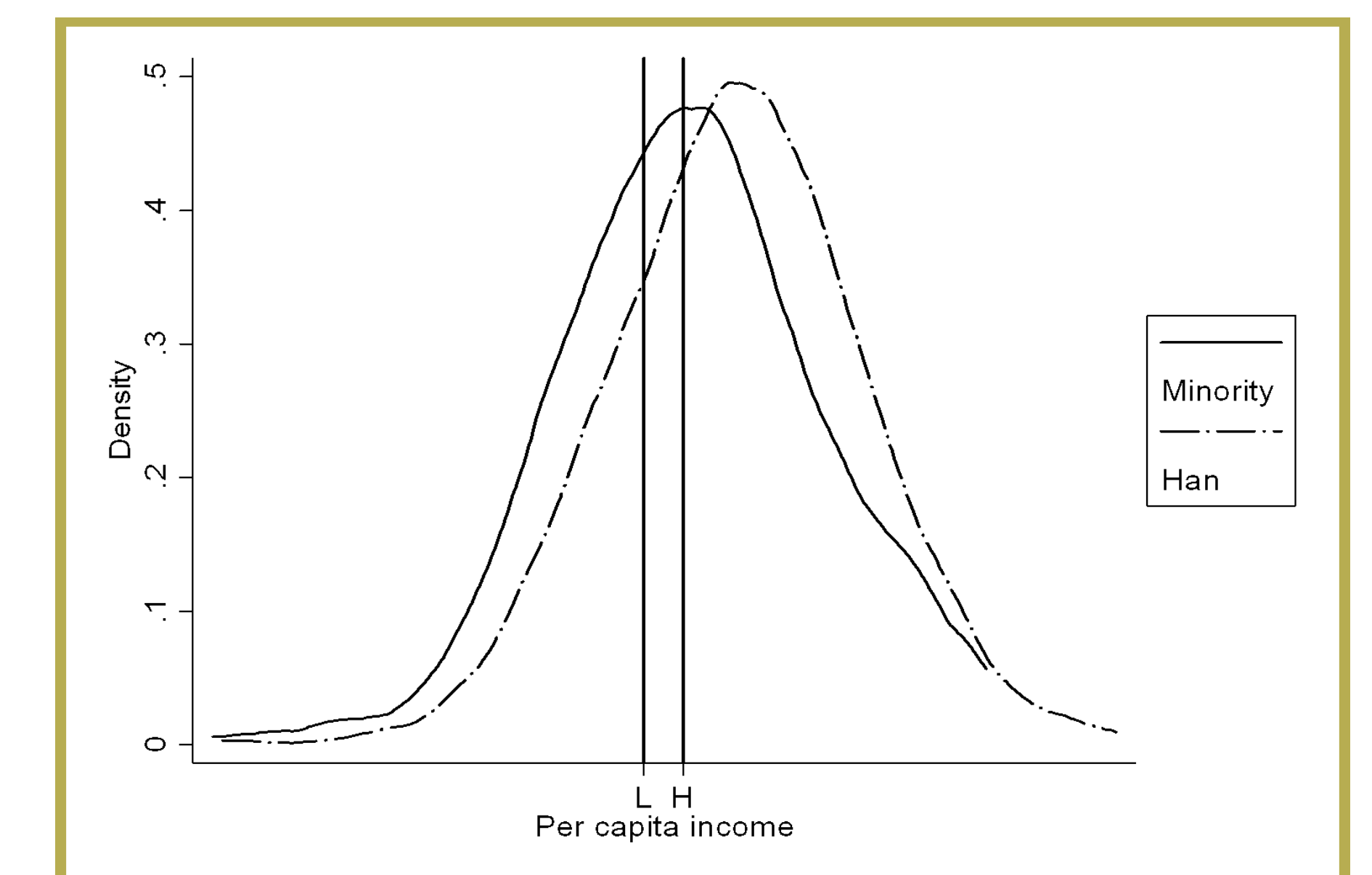
Source: <http://act3.gongyi.qq.com>

## Conclusions

Poverty is still a severe problem in some rural villages in western China. As regards the minority group, its income is still lower than that of the Han group.

Chinese preferential policies for the ethnic minority areas significantly promote the economic growth of the ethnic minority areas at large, while there is no significant impact upon the average net income per peasant by the factor of ethnic minority.

The per capita land area has a positive impact on the household income. The increasingly uneven distribution of land may turn out to be a key contributing factor to overall inequality. Besides land, another important asset for farmers is the human capital, including health and education.



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### FURTHER INFORMATION

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