

Circular of the State Council's General Office on the Distribution of "Suggestions on the Implementation of Policies and Measures Pertaining to the Development of the Western Region" Submitted by the Western Region Development Office of the State Council

(September 29, 2001)

Governments of all provinces, autonomous regions and municipalities directly under the Central Government, all commissions, ministries and organizations directly under the State Council:

The State Council has approved the Suggestions on the Implementation of Policies and Measures Pertaining to the Development of the Western Region submitted by the Western Region Development Office of the State Council. It is distributed to you herein and should be implemented earnestly.

The General Office

The State Council of the People's Republic of China

**Suggestions on the Implementation of Policies and Measures Pertaining to the Development of the Western Region
(Submitted for Approval by the Western Region Development Office of the State Council on August 28, 2001)**

To carry out the strategy of developing the Western Region and accelerate the development of the middle and western regions is an important decision made by the Central Committee of CPC, showing great foresight and taking into consideration the overall interests of our country. In accordance with the Circular of the State Council on Policies and Measures Pertaining to the Development of the Western Region (Guofa [2000] No.33), the West Region Development Office of the State Council, in joint efforts with government agencies concerned, has further studied and formulated suggestions on the implementation of policies and measures pertaining to the development of the Western Region.

I Scope of Application of Policies and Measures

1. The policies and measures pertaining to the development of the Western Region and suggestions on their implementation enacted herein are applicable to Chongqing Municipality, Guizhou Province, Sichuan Province, Yunnan Province, the Tibet Autonomous Region, Shaanxi Province, Gansu Province, the Ningxia Hui Autonomous Region, Qinghai Province, the Xinjiang Uygur Autonomous Region (Xinjiang Production Construction Corps separately listed), the Inner Mongolia Autonomous Region, the Guangxi Zhuang Autonomous Region (these areas hereafter abbreviated as the Western Region). With regard to ethnic minority autonomous prefectures located in other provinces (the Xianxi Tujia-Miao Autonomous Prefecture of Hunan Province, the Enshi Tujia-Miao Autonomous Prefecture of Hubei Province, and the Yanbian Korean Autonomous Prefecture of Jilin Province), preferential treatments could also be applied to them in the light of related policies and measures.

II Increase Investment in Development

2. The proportion of funds in the central budget that are earmarked for the Western Region should be increased, including central funds for capital construction and funds raised through treasury bonds. In the allocation of loans from state policy-mandated banks and concessional loans from international financial organizations and foreign governments in accordance with lending terms, vigorous efforts should be made to direct as much capital as possible towards projects in the

Western Region and increase the proportion of loans taken by the Western Region.

3. In the Western Region, new major infrastructure projects set up by the State should mainly be funded by development funds out of the central budget, other special development funds, bank loans, foreign capital and capital raised by enterprises themselves, and no funding gaps should be allowed in the implementation of these projects. Local governments should provide their due support actively with regard to land use and fee deduction etc. It is a necessity to concentrate resources on the construction of major projects that will steer the entire Western Region Development Program, such as West-East Gas Pipeline Project, West-East Power Transmission Project, Qinghai-Tibet Railway Project, national trunk highways, and water resources development and water saving projects.

4. The Central Government will strive to support major projects in the Western Region Development Program by raising special funds with various means for the exclusive use of Western Region development. The ministries of railway, communications, water resources, agriculture, forestry, and information industry etc. should continue to increase the proportion of funds invested in the major projects for the Western Region in their arrangement of construction capital.

III Prioritize Construction Projects

5. The layout of construction projects in the Western Region should be under the guidance of scientific planning and bring into full play both planning and market forces in the allocation of resources. And priority should be given to projects in the following fields: infrastructure development such as water conservancy, highways, railways, airports, pipelines and telecommunications; eco-system improvement; agriculture that takes advantage of local characteristics; the exploitation and utilization of advantageous energy and mineral resources such as hydropower, high-quality coal, oil, natural gas, copper, aluminum, potassium and phosphorus etc.; urban infrastructure development; tourism that takes advantage of local characteristics; the industrialization of high and new technologies and military technologies converted to civilian use.

IV Increase Transfer Payment to the Western Region

6. General transfer payment to the Western Region, especially to Ethnic Minority Regions (autonomous regions, provinces entitled to the same preferential treatment as autonomous regions and autonomous prefectures), should be increased. As the financial strength of the Central Government improves, transfer payment from the Central Government to local authorities in the Western Region will be increased gradually. The calculation of general transfer payment is based upon the balance between standard revenue and expenditure of local governments. In accordance with scientific and reasonable rules, standard revenue and expenditure are calculated with unified formula, not subject to the influence of subjective factors. In the allocation of general transfer payment funds, proper preference should be given to Ethnic Minority Regions. Starting from 2000, the Central Government has arranged part of the central budget for special transfer payment to Ethnic Minority Regions.

7. Priority should be given to the Western Region in the distribution of special subsidies from the Central Government. More funds should be channeled to the Western Region for the development of agricultural science and technology, arid agriculture, water-saving agriculture, protection and construction of agricultural ecological environment, and prevention and control of plant diseases and insect pests. Support should be given to the exploitation and utilization of cloud water resources in the sky and the monitoring and forecast of water and soil conditions and sand storms in Northwestern China. The investment in the comprehensive development of agriculture in the Western Region should be increased to improve the basic agricultural production conditions and eco-system, focusing the upgrading of middle and low yield fields; great efforts should be made to develop agriculture of high-quality, high-yield and high efficiency and promote the industrialization of agriculture;

demonstration areas of modern agriculture and agricultural science and technology should be built selectively. Starting from 2001, in the comprehensive development of agriculture in the Western Region, the proportion of supportive funds from local finance could be reduced properly in accordance with local conditions, but investment in land improvement and consolidation should be scaled up. As for the provinces (autonomous regions, municipalities directly under the Central Government) with difficulties in finance in the West Region, if they have encountered expenditure increases due to the implementation of the 1999 policy that raised the salaries of government employees and the income of urban low-income residents, the Central Government will subsidize these provinces properly out of the central budget. The amount of subsidy will be based on local factors including the number of working and retired employees, monthly salary per capita, increment of pension, and subsidy coefficient of transfer payment. Proper preference will be given to the Western Region when the Central Government subsidizes such local expenditures as living wages for workers laid off by SOEs, basic pension for SOE retirees, and minimum living standard guarantee payment to urban residents. Preference will also be given to the Western Region in the allocation of special subsidies for education, science and technology, health care, legislation and law enforcement, culture, and cultural relic protection etc.

8. Poverty-stricken areas in the Western Region should be given priority in the allocation of central budget funding for poverty alleviation. Along with the improvement of the central finance, poverty alleviation funds for poverty-stricken areas and Ethnic Minority Regions in the Western Region should be scaled up, mainly for infrastructure development, crop farming and livestock breeding, rural elementary, vocational and technical education, culture and health care, and the popularization of advanced applicable technologies and related training.

9. To implement natural forests protection projects, the State will render support in the arrangement of investment in capital construction, special subsidies out of the central budget and subsidies intended to mitigate losses of local finance. The investment in capital construction includes subsidies for closing hillsides to facilitate afforestation and grass cultivation, aerial sowing for afforestation, reforestation, and the construction of seedling nurseries. Special subsidies out of the central budget covers operation expenses of forest management and protection, subsidies for pension contribution of state-owned forestry enterprises, subsidies for policy-oriented social expenses, subsidies for minimum living standard guarantee payments to laid-off workers, and subsidies for one-off settlement payment to laid-off workers. If local finance revenue decreases due to the implementation of natural forest protection projects, the Central Government will compensate local governments for a certain period of time. If forestry enterprises are made insolvent and become incapable of paying back bank loans due to compulsory wood yield reduction, these loans should first be suspended for auditing and liquidation, and related debts should be settled through writing off bad and doubtful accounts.

10. Pilot projects should be carried out to convert cultivated land back into forestry and pasture. Farmers who have withdrawn from cultivated land should be compensated in the form of grain for a certain period of time: the State will subsidize farmers with 150-kilogram grain per year for each mou (=0.1644 acre) of cultivated land converted to forestry or pasture in the upper reaches of Yangtze River and 100-kilogram unprocessed grain per year in the upper and middle reaches of Yellow River. The funds used to purchase grain for compensation (at 1.4 yuan per kilogram of unprocessed grain) will be appropriated from the central budget while local finance covers the expenses for the transportation of grain. Meanwhile, the Central Government will also provide farmers with cash subsidy at 20 yuan per mou of cultivated land converted to forestry or pasture. In addition, the State will provide farmers with seedling subsidy at 50 yuan per mou of cultivated land converted to forestry or pasture or barren land afforested or clothed with grass; such subsidy should be arranged out of central budget funding for infrastructure development. If the conversion of cultivated land back into forestry and pasture incurs losses of local finance revenue, the Central Government will also compensate local governments for a certain period of time. Moreover,

active support should be given to sand control efforts.

11. If township finance meets insurmountable difficulties resulting from rural taxation and fee reform, the Central Government will compensate township governments properly in the form of transfer payment.

V Give More Financial and Credit Support to the Western Region

12. More credit support should be given to infrastructure development in the Western Region, focusing on the construction of large and medium-sized communications and energy projects such as railway, trunk highway, power, oil, and natural gas etc. Infrastructure projects requiring large investment and long lead-time can be given a proper grace period on the basis of the building progress and debt-servicing capacity. Accordingly, the maturity period of loans granted by the State Development Bank of China to highway projects could be extended to 18 years, provided these loans account for no less than 40% of the total construction capital and are granted under terms of unified borrowing and repayment; the maturity period of loans granted to hydropower generation projects could be extended to 25 years; the maturity period of loans granted to non-hydro power generation projects could be extended to 18 years (and 20 years at a maximum), provided these projects are part of the West-East Power Transmission Project and each loan does not exceed 300 million yuan; the maturity period of loans granted to urban infrastructure projects could be extended to 10 years; and to 15 years at a maximum for other types of infrastructure projects.

13. Loans should be granted to a wider range of infrastructure projects that use tolling right or project's future returns as mortgage. Lending against future returns mortgage to rural power grid projects should be maintained; lending against tolling right mortgage to highway projects should be carried out; efforts should be made to extend such lending operations to urban infrastructure projects including water supply, heat supply, public transport and telecommunications etc; if possible, to water conservancy projects and urban environmental protection projects such as those treating sewage and garbage, provided these projects are of good debt-servicing capacity.

14. More credit support should be given to agriculture and ecological improvement. Credit support should be provided to develop agriculture with western characteristics, water-saving agriculture and ecological agriculture, targeting at those leading enterprises that show good prospect, play a driving role and engage farmers in production. Agricultural Bank of China and rural credit unions should actively expand their petty loan operations and grant normal loans to farmers who have good debt-servicing capacity. More loans should be made to ecological improvement projects on a selective basis. To support the conversion of cultivated land back to forestry and pasture and closing off hillsides to facilitate afforestation, more loans should be granted to projects of good debt-servicing capacity that grow fast-growing high-yield timber, commercial forest, edible wild herbs and traditional Chinese medicinal materials and projects that develop private-owned seedling nurseries.

15. Credit leverage should be used to facilitate economic restructuring and industrial restructuring in the Western Region. To facilitate the development of sectors in the Western Region with competitive edge such as power, natural gas, tourism and biological resources, loans to major projects that demand large amount of capital may be made directly from the headquarters of commercial banks; such loans should not be taken into account in the examination of deposit loan ratio or loan limit of local branches of these commercial banks. Loans to finance rural power grid upgrading in the Western Region should be arranged and granted unitedly by Agricultural Bank of China. In addition, credit should also be granted to support industrial technological upgrading and the development of high-tech enterprises and small and medium-sized enterprises in the Western Region.

VI Vigorously Improve Soft Environment for Investment

16. Policies concerning the reform and development of SOEs should be earnestly implemented to deepen SOE reform in the Western Region and turn these SOEs into real market players. The establishment of modern corporate system and corporate institutional innovation should be accelerated. The State must hold a controlling stake in strategic enterprises that concern the national economy and national security, but other state-owned large and medium-sized enterprises are encouraged to transform themselves into limited-liability companies or share-holding companies in accordance with law by listing their shares on the stock market, setting up joint ventures with foreign investors or holding each other's shares. After such reform, enterprises should set up the board of directors and the board of supervisors in accordance with law, and explicitly stipulate respective responsibilities of stockholders meeting, the board of directors, the board of supervisors and the management, ensuring that they fulfill their respective responsibilities and operate in a coordinated way and with effective check and balance. A regulatory framework concerning the management, operation and monitoring of state-owned assets should be established with clear division of labor to ensure that state-owned assets are invested timely and strengthen the external supervision over the management of state-owned assets. Enterprises need to further reform their labor, personnel and income distribution systems, gradually establishing new mechanisms that allow managers to be promoted or demoted, personnel to be employed or discharged and salaries to be raised or lowered. Coupled with industrial restructuring, the strategic readjustment of the layout of the state-owned sector should be carried out, adhering to the principles of "advancing in some aspects while retreating in others" and "focusing on certain tasks while putting other side". The control over small and medium-sized SOEs should be further relaxed to enhance their vitality; great efforts should be made to strengthen the organization and management, policy framework and social service system of these small and medium-sized enterprises. Preferential support should be given to the reform and restructuring of SOEs in the Western Region aiming at turning them from losses to profits and disengaging them from difficulties.

17. Active efforts should be made to accelerate the development of the self-employed, private and other non-public sectors of the economy in the Western Region; meanwhile businesses and individuals in the middle and eastern regions are encouraged to invest in the Western Region. Domestic enterprises, regardless of their ownership category, should be given access to all investment fields that are open to foreign investment, except for those fields closed to domestic investment in accordance with special regulations. Such non-public economic entities as self-employed and private ones are encouraged to invest in the Western Region through sole investment, joint venture, economic cooperation and franchise etc.

18. The examination and approval procedures of project investment should be simplified. Except for major projects that have a significant bearing upon the national economy, its long-term development and national security and projects governed by special regulations, if enterprises, using either their own capital or bank loans, invest in projects in sectors that are opened for investment and need governmental intervention in balancing the construction and operation conditions of the project, competent authorities will only examine and approve the project proposal. It is up to investors to decide whether to start project construction after having made various arrangements for construction, and after starting construction, investors should report to competent authorities for record.

19. Policies and regulations concerning foreign investment formulated by the CPC Central Committee and the State Council should be implemented earnestly. Efforts should be made to optimize the regional layout of foreign investment, encourage foreign businessmen to invest in the Western Region and simplify the examination and approval procedures of projects with foreign investment. Except for major projects or projects governed by special regulations, if foreign investors, using their owned capital or commercial loans, invest in the Western Region in projects in sectors where investment is encouraged by the State or sectors with competitive edge, only the feasibility report should be submitted to competent authorities for examination and approval, and the project proposal and report on starting construction need not be submitted. The

examination and approval procedures concerning contracts and regulations of foreign-invested enterprises will be simplified gradually.

20. Continuous efforts should be made to further change functions of the government, improve the soft environment for investment, rectify market order, and protect intellectual property rights earnestly and to safeguard rule of law in the economy. Efforts should also be made to separate government from enterprise management, reduce the number of matters requiring government examination and approval, standardize administrative procedures, and dispose and abolish rules and regulations that curb the development of socialist market economy and the opening-up to the outside world. As for matters really requiring government examination and approval, government departments at various levels should strive to provide convenient services and improve efficiency and transparency. The development of arbitration systems should be strengthened to deal with economic disputes timely and protect investors' lawful rights and interests.

VII Implement Preferential Taxation Policy

21. The corporate income tax of enterprises in government-encouraged sectors that are financed either domestic or foreign investment in the Western Region should be collected at a reduced rate of 15% during the period of 2001-2010. Domestic enterprises in government-encouraged sectors refer to those enterprises whose main business falls into industries covered by the Catalog of Industries, Products and Technologies the State Encourages to Develop (revised in 2000) and generates more than 70% of the enterprise's total income. Foreign-funded enterprises in government-encouraged sectors refer to those enterprises whose main business falls into industries covered by the Industrial Catalog for Foreign Investment and the Catalog of Industries with Competitive Edge for Foreign Investment in the Middle and Western Regions and generates more than 70% of the enterprise's total income. Upon approval by the provincial-level government, domestic-funded enterprises based in autonomous regions, prefectures or counties may also be granted reduction or exemption of corporate income tax, and foreign-funded enterprises based in autonomous regions, prefectures or counties may be granted reduction or exemption of local income tax. The granting of income tax reduction or exemption to enterprises controlled by the Central Government is subject to examination and approval in accordance with related regulations.

22. New enterprises engaged in transport, power, water conservancy, postal service, broadcasting and television and etc. in the Western Region are eligible for preferential policies of income tax reduction and exemption. Particularly, domestic-funded enterprises are entitled to a two-year income tax holiday starting from the first day of business operation and a 50% reduction of corporate income tax for the next three years following the tax holiday; foreign-funded enterprises with expected operation period over ten years are also eligible for a two-year income tax holiday starting from the year of initial profit and a 50% reduction of corporate income tax for the next three years following the tax holiday. Herein transport enterprises refer to newly established enterprises that provide transport services through highway, railway, civil aviation, port, wharf and pipeline. Power enterprises refer to newly established enterprises engaged in the business of power generation, transmission and distribution. Water conservancy enterprises refer to newly established enterprises engaged in the development of water conservancy and flood control, including the comprehensive harnessing of rivers and lakes, flood control and water-logging elimination, irrigation, water supply, water resources protection, hydropower generation, water and soil conservation, river course dredging and the construction of riverbank and sea wall etc. Postal enterprises refer to newly established enterprises that provide postal services. Broadcasting and television enterprises refer to newly established enterprises in the business of broadcasting and television. If not subject to other prevailing regulations, the main business of the above-mentioned enterprises need to account for more than 70 % of the enterprise's total income to make it eligible for preferential tax policies stipulated hereinabove.

23. No special agricultural product tax should be levied for ten years starting the year of initial profit from special agricultural products produced by projects that convert cultivated land back into forestry and pasture for the purpose of ecological protection, provided that the size of ecological forests accounts for more than 80% of the total area converted.

24. By analogy with tax exemption in railway and commercial airport construction, no occupation tax should be collected for taking cultivated land to build state-level or province-level highways in the Western Region. This occupation tax-free policy is only applicable to the cultivated land occupied by highways and their two side trenches, but not applicable to the cultivated land occupied by stockyards, road maintenance crews, checkpoints, engineering teams and vehicle washing yards etc. located along the highways. It is up to provincial governments in the Western Region to decide on any reduction or exemption of taxes for taking cultivated land to build highways other than state-level and province-level ones. If land that should have been used to build state-level and province-level highways is occupied for other purposes, it will no longer be eligible for exemption from occupation tax, which should be paid starting from the occupation.

25. If domestic or foreign investors invest in the Western Region in sectors where investment is encouraged by the government or sectors with competitive edge and need to import advanced technologies and equipment to facilitate projects with their investment, these imports, except for those not exemptible according to the Catalog of Non-Tax-Free Imports for Domestic Investment Projects (revised in 2000) and the Catalog of Non-Tax-Free Imports for Foreign Investment Projects, should be exempted from tariff and import VAT, provided that the imports are purchased within the total amount of investment. If foreign investors invest projects that conform to the Catalog of Industries with Competitive Edge for Foreign Investment in the Middle and Western Regions and need to import equipment to facilitate their projects, these imports should be exempted from tariff and import VAT, provided that the imports are purchased within the total amount of investment. The examination and approval procedures for such exemption should be implemented in accordance with the Circular of the State Council on the Adjustment of Tax Policies for Imported Equipment (Guofa [1997] No.37).

VIII Implement Preferential Policies on Land Use 26. The government encourages afforestation activities, the cultivation of grass on barren mountains and infertile land and the conversion of slopes into forestry and pasture in a planned and step-by-step way in the Western Region. The government allows those economic entities or individuals engaged in afforestation and grass planting to own wood and grass in question and hold land tenure over such areas. Unutilized state-owned land such as barren hills and uncultivated land may be transferred without charge to economic entities and individuals for afforestation and grass planting aiming at ecological improvement, and such land tenure can remain in effect for 50 years. If economic entities and individuals holding land tenure have invested sufficient capital in afforestation and grass planting as required by the transfer contract and improved the ecology to the required level, they may transfer, lease or mortgage such land tenure, which can be renewed at the end of 50 years. The land tenure of barren hills and uncultivated land owned by rural collectives may be transferred to entities and individuals for 50 years through contracting, lease or auction for afforestation and grass planting aiming at ecological improvement, and such land tenure can be inherited, transferred, leased or mortgaged.

27. Basic farmland should be protected strictly, with a balance of farmland occupation and supplementation. To maintain local grain production capacity, in the areas where sloping cultivated land prevails, the long-cultivated land that slopes at 15-25 degree and has good facilities for irrigation and water and soil conservation can be classified as basic farmland in accordance with overall plans of land utilization, provided that this classification does not hamper ecological improvement; and newly-cultivated land that has good facilities for irrigation and water and soil conservation can also be classified as basic farmland. In accordance with regulations concerned, the productive layout of crop farming can be adjusted to facilitate the

development of cash crop, provided that the adjustment does not damage tilling conditions. Priority should be given to basic farmland conservation zones in the allocation of land improvement and consolidation projects so as to continuously increase the area of tillable land within conservation zones and improve land quality. The State will increase its investment in land consolidation and reclamation in the Western Region. In principle, land use charges collected by provincial governments in the Western Region from new construction projects and turned over to the Central Government should be fully appropriated to support projects of land development and consolidation. Unutilized land should be developed into grassland or garden; if competent authorities classify unutilized land as tillable land, it should be protected and managed as tillable land and may be used to meet cultivated land quota. In accordance with the principle of maintaining a balance between the occupation and supplementation of cultivated land, cultivated land occupied by infrastructure development projects should be substituted by newly reclaimed land, and reclamation charges can be collected at the minimum rate set by provincial governments in the Western Region.

28. The examination and approval procedures concerning land for construction should be simplified to improve efficiency and ensure that land is supplied timely for economic construction. With regard to proposals on land occupation for construction that require the final approval of the State Council, competent authorities mainly examine whether the proposal conforms to plans of land use and the balance between occupation and supplementation and whether compensation for land occupation is settled; such proposals should be simplified basing on what to be examined and approved. The settlement of compensation for land occupation should comply with such laws as Land Management Act; efforts should be made to prevent any unauthorized additional charges and protect farmers' interests. Compensation for land occupation can be exempted if state-owned unutilized land is occupied. If not governed by other laws and regulations, land use charges should be paid for the land occupied by construction projects, and land supply through tendering and auction is encouraged. If foreign investment projects do need to occupy land, upon approval, land tenure can be granted through equity participation and capitalization of land tenure.

IX Implement Preferential Policies on Mineral Resources 29. In land and resources survey planning, priority should be given to the Western Region in the arrangement of survey and evaluation projects and related funds, focusing on the survey and evaluation work in concentration areas of important mineral resources and of minerals in short supply and underground water resources, and on the basic geological work in areas where geological work is underdeveloped and areas with severe geologic hazards.

30. In the Western Region, prospecting and mining rights stemming from state-funded surveying, upon approval, may be partially or fully transformed to state-owned equity of mining or prospecting SOEs if falling into one of the following categories: those SOEs engaged in the prospecting or mining of mineral resources such as oil, natural gas, coal-bed gas, iron-rich ore, high-quality manganese ore, chrome iron ore, copper, nickel, gold, silver, sylvite, platinum metals and underground water etc.; those SOEs prospecting or mining for mineral resources in key poverty-alleviation areas and key development areas designated by the State; large and medium-sized mining SOEs that need to prospect substitute resources due to resource depletion; equity participation with prospecting or mining rights by mining SOEs in their approved transformation into joint-stock companies or joint ventures; or those mining SOEs that are unable to pay for prospecting or mining rights due to irresistible reasons such as natural disasters etc.

31. In the Western Region, prospecting and mining enterprises may apply for reduction or exemption of the payment for prospecting or mining rights if falling into one of the following categories: the prospecting or mining of mineral resources such as oil, natural gas, coal-bed gas, iron-rich ore, high-quality manganese ore, chrome iron ore, copper, nickel, gold, silver,

sylvite, platinum metals and underground water etc.; the prospecting or mining of substitute resources by large and medium-sized mining SOEs due to resource depletion; the exploitation of mineral resources with new technologies and means that improve the level of comprehensive utilization, including the exploitation of low grade mineral resources with difficulties in screening and smelting and the utilization of tailings; or other conditions recognized by competent authorities. The payment for prospecting rights can be exempted for the first year of prospecting, reduced by 50% for the next two years and by 25% for another four years following the two years. The payment for mining rights can be exempted during the period of mine construction and for the first year of mining, reduced by 50% for the next two years, by 25% for another four years following the two years and exempted again in the year of mine closure

32. With investment in prospecting and upon discovery of exploitable emplacement, prospecting rights holders may obtain mining rights through legal procedures. In such cases, prospecting expenses may be taken as deferred assets and amortized during the period of mining.

33. Active efforts should be made to cultivate a market of mineral properties and promote the legal transaction of prospecting and mining rights. Transferable mineral properties include those related orefields proved by state-funded prospecting, nationalized orefields and areas where mineral properties are not established. Apart from application for approval, mineral properties may be transferred through other means such as tendering and auction etc. Holders of prospecting or mining rights may transfer their rights through such legal procedures as sale, equity participation, joint prospecting or mining and listing on the stock market and may also lease or mortgage their rights in accordance with related regulations.

34. Apart from enjoying existing preferential policies, foreign investors engaged in the prospecting and mining of mineral resources other than oil and natural gas may also be exempted from paying for their prospecting and mining rights for one year and entitled to a 50% reduction for two years in the payment for prospecting and mining rights. Foreign investors engaged in the exploitation of non-oil and non-gas mineral resources that fall into the government-encouraged category in the Industrial Catalog for Foreign Investment are eligible for five-year exemption from paying mineral resource compensation fees. In Chinese-foreign joint ventures, if the Chinese investor invests through equity participation with prospecting or mining rights, such rights should be evaluated, confirmed and capitalized in accordance with related regulations, and the Chinese investor should submit related geological documents.

X Regulate through Pricing and Fee-Charging Policies

35. The price reform should be deepened to enhance the effect of market forces on prices. The pricing of part of railway transport in the Western Region will no longer be set but guided by the government. The policy of floating prices will be implemented for feeder lines within provinces (autonomous regions or municipalities directly under the Central Government) in the Western Region. With regard to the pricing of ethnic minorities' traditional medicine listed in the medicine catalog of National Basic Medical Insurance for Urban Workers and Administrative Staff, competent provincial authorities of the province where such medicine is produced are authorized to examine and approve.

36. Power and water prices should be adjusted to promote the reform of fee charging related to sewage and garbage treatment. Active efforts should be made to resolve price differences among power grids in the Western Region, and the transmission and distribution tariffs of different power grids should be checked and ratified separately. Power generation enterprises are encouraged to directly sign power purchase contracts with their customers so as to reduce the power expenses of customers. The transmission costs of interconnection ties that connect major power grids in the Western Region to those in the Eastern Region should be lowered properly to facilitate West-East Power Transmission. With the precondition that rational development and bearing capacity are taken into consideration, water prices of water conservancy projects in areas short of

water resources in the Western Region should be adjusted with priority so as to ensure that construction and maintenance costs of water conservancy projects are recovered reasonably. In cities in the Western Region where sewage treatment plants have been constructed but sewage treatment fees are not charged, sewage treatment fees should be collected as soon as possible in accordance with related regulations. In those cities where sewage treatment fees are charged, such fees should be raised gradually following the principle of breaking even and making meager profit, provided that the bearing capacity of local residents is taken into consideration. Governments in the Western Region should promote the fee-charging system for garbage treatment and may put forward their own fee-charging policies for garbage treatment while considering local conditions.

37. Special transport prices should be set for newly built railways and feeders in the Western Region. In accordance with the “new railway, new price” policy formulated by the State Council, special transport prices for newly built railways in the Western Region can be set following the principles of enabling the repayment of principal and interest of loans and reasonable recovery of operation costs, so as to ensure the repayment of loans made to new railway projects, enable railways’ normal operation and facilitate the construction of railways in the Western Region. It is necessary to further study the options of resolving price differences between special transport prices of new railways in the Western Region and unified transport prices of the national railway network. Special transport prices should be set for railway feeders in the Western Region. Competent authority under the State Council is responsible for formulating pricing principles concerning railway feeders in the Western Region; competent authority under the provincial government in the Western Region is in charge of setting prices. If conditions permitting, government-guided pricing or even market-regulated pricing can be applied to railway feeders in the Western Region; railway transport enterprises may have some pricing power in this regard.

XI Open Up More Investment Fields to Foreign Investors

38. Foreign investors may enjoy all preferential policies under the category of sectors where foreign investment is encouraged by the government, if they invest in basic industries, infrastructure development or resource exploitation in the Western Region, including agriculture, forestry, water conservancy, transport, energy, municipal public utilities, environmental protection, mining, tourism etc., and in the establishment of research and technology development centers. To expand opening-up of the Western Region to the outside world, the State will make timely supplement and revision to the Catalog of Industries with Competitive Edge for Foreign Investment in the Middle and Western Regions and related policy measures, in accordance with local economic development and changes.

39. A greater proportion of the service and trader sectors in the Western Region should be opened up to foreign investment. The pilot operations of foreign investment in banks and retail stores should be extended to central cities in the Western Region, including municipalities directly under the Central Government, capital cities of provinces and autonomous regions. The piloting of foreign trade joint ventures should also be extended to central cities in the Western Region, and both Chinese and foreign investors should be given more flexible treatment than in the Eastern Region in their qualification for setting up such foreign trade joint ventures. With China’s accession to the WTO and within the legal framework of related agreements, preferential consideration should be given to request made by foreign banks in the Western Region for the engagement in RMB transactions; preferential permission should be given to application made by foreign insurance companies for setting up branches in the Western Region; preferential consideration should be given to foreign investors’ request for setting up insurance agencies and insurance brokerage joint ventures. Proper flexibility should be allowed in the qualification examination and project approval concerning setting up Chinese-foreign joint-venture travel agencies in the Western Region. In accordance with China’s WTO commitments and related regulations, foreign accounting firms are allowed to set up

joint-venture accounting firms in the Western Region. If unable to set up joint venture, foreign accounting firms are then allowed to establish subsidiaries in the Western Region. Existing Chinese-foreign accounting joint ventures are encouraged to set up branches in the Western Region. Conditions permitting, Chinese-foreign cooperative law firms may be first set up in the Western Region. Foreign investors are allowed to set up Chinese-foreign cooperative ventures or joint ventures in the field of building, related service and architectural design and take controlling interest in such ventures. Foreign investors will be gradually allowed to set up foreign-funded enterprises in the fields of building and related services, designing service, engineering service and urban planning service. Foreign investors will be gradually allowed to have controlling interest in Chinese-foreign railway cargo joint ventures and highway cargo joint ventures and to set up foreign-funded railway cargo and highway cargo enterprises.

XII Open More Channels for Foreign Capital Utilization

40. It is necessary to work out administrative procedures for the Western Region concerning the listing of foreign-invested enterprises on stock market at home and abroad, foreign investment in domestic-funded enterprises through management power transfer, equity transfer, merger and acquisition and foreign investment through Chinese-foreign joint industrial funds and venture capital funds.

41. Concessional loans from international financial organizations and foreign governments should be made best use of, particularly in education, health, poverty reduction and environmental protection in the Western Region. Active efforts should be made to seek more multilateral and bilateral grants, and priority is given to the Western Region in the arrangement of grant-funded projects. The Western Region should be timely informed of the administrative and applying procedures and priority areas of concessional loans, grants and ODA from international financial organizations and foreign governments. Assistance should be provided to the Western Region in the training of managers of ODA and grant projects, the improvement of project management, increasing transparency of project management and ensuring the Western Region obtains relevant inform timely. Top priority should be given to projects in environmental protection, agricultural development, basic education, health and water resources that have a long-term bearing on economic and social development in the Western Region.

XIII Create More Favorable Condition for Foreign Capital Utilization

42. With regard to foreign investment in the Western Region in infrastructure and other sectors with competitive edge, the allowed proportion of equity held by foreign investors can be appropriately raised, and such increase should be differentiated across different sectors of investment. Foreign investors are allowed to manage their marketing and distribution businesses in the Western Region for 40 years, 10 years longer than in the Eastern Region; the required minimum registered capital can be lowered to 30 million yuan, 20 million yuan lower than in the Eastern Region. Foreign-funded enterprises based in China and Chinese-foreign joint ventures are encouraged to re-invest in the Western Region, and if the proportion of foreign capital in the registered capital of the re-investment enterprise is no less than 25%, the re-investment enterprise will be entitled to the same preferential treatment enjoyed by FDI enterprises.

43. With regard to foreign investment projects in the Western Region in infrastructure and other sectors with competitive edge, the allowed proportion of loans from domestic banks in RMB for fixed-asset investment can be appropriately increased. The limit of RMB borrowing can be extended to 120% of Chinese investors' capital in Chinese-foreign cooperative ventures or joint ventures; to 100% of registered capital in projects with exclusive foreign investment. If the project in question falls into the government-encouraged category in the Industrial Catalog for Foreign Investment and the Catalog of Industries with

Competitive Edge for Foreign Investment in the Middle and Western Regions, the foreign investor has good credit standing and loans are made from domestic banks for the purchase of home-made equipment and materials and payment to domestic contractors of the project, the above-mentioned ceiling on RMB loans from domestic banks will not longer stand; in such cases, it is up to the domestic bank to make independent evaluation of the project and decide on the amount of loans. Foreign investment projects are allowed to carry out project financing, including that in RMB .

44. With regard to projects in the Western Region that utilizes foreign concessional loans, it is allowed to increase appropriately the proportion of such loans in the total amount of investment. Regarding to projects of infrastructure development, environmental protection and poverty reduction in the Western Region, on basis of the project's repayment capacity, the general requirement is that foreign concessional loans should account for no more than 50% of the total investment, but this ceiling can be raised to 70%, except for those loans with purchase limitation or other requirements imposed by the lending bank. Efforts should be made to strengthen the coordination between the planning of foreign concessional loans and the planning of government investment in the Western Region; the State will provide financial support to those key foreign investment projects in the development of the Western Region.

XIV Vigorously Develop Foreign Trade and Economic Cooperation

45. Enterprises based in the Western Region should be granted more management power in foreign trade and economic & technical cooperation. In the granting of independent import-export operations right, the minimum requirement on the registered capital of manufacturing enterprises in the Western Region is lowered from 3 million yuan to 2 million yuan, and from 2 million yuan to 1 million yuan for research institutes, high-tech enterprises and enterprises that manufacture machinery and electrical equipment. Private manufacturing enterprises are entitled to the same treatment as manufacturing SOEs and collectively-owned enterprises in the application for independent import-export operations right. In the granting of operations right for overseas labor services to foreign trade enterprises based in the Western Region, the new minimum requirement is that the enterprise's total export-import volume reached 50 million USD in previous year or its export volume reached 30 million USD. Those prefectures (cities) where no foreign trade enterprise is engaged in overseas labor services may set up a state-owned foreign trade enterprise that provides such services exclusively, or designate a state-owned foreign trade company to apply for operations right for overseas labor services.

46. The Western Region is encouraged to promote the export of products with competitive edge. A production and service chain of organic agricultural products and related quality certification systems should be established in the Western Region; the transformation of achievements of organic agriculture research into production should be accelerated; areas free of specific epidemics and export-oriented production bases of livestock products should be developed; the export of organic agricultural products and livestock products should be expanded. As long as it complies with national industrial policies, the export quota of a product granted to its major manufacturing enterprises located in a province (or autonomous region, municipality) that is the main producer of such product should be increased gradually. The production of primary mineral products and agricultural and sideline products with competitive edge in the Western Region should develop toward the direction of downstream processing and high added value.

47. Enterprises based in the Western Region are encouraged to carry out overseas project contracting and provide overseas labor services. Active support should be given to large construction companies based in the Western Region in their application for business qualification for overseas project contracting and labor services, and in project contracting, information acquisition and corporate financing. Incentives should be provided to large SOEs under the Central Government to promote their cooperation with enterprises based in the Western Region in overseas project contracting and labor

employment, helping western enterprises expand their international business. The cooperation between large enterprises at home and abroad and enterprises based in the Western Region should be promoted to encourage their joint contracting of infrastructure projects in the Western Region that utilize foreign capital.

48. Enterprises based in the Western Region are encouraged to invest in foreign countries and set up factories there, especially in neighboring countries and regions. Priority should be given to enterprises based in the Western Region in processing applications for setting up overseas processing and trade enterprises or for contracting overseas Chinese-aid projects or foreign-Chinese cooperative projects. Priority should also be given to qualified enterprises based in the Western Region in approving applications to the Central Foreign Trade Development Funds for capital to set up overseas processing and trade enterprises.

49. Proper preferential treatment should be given to enterprises based the Western Region in processing their import of technology and equipment in urgent need for the economic development of the Western Region. Import restrictions can be relaxed appropriately for the import of products that are urgently needed in Ethnic Minority Regions and will be used for production there. On a case-by-case basis, preferential treatment can be given to the Western Region in the arrangement of import quotas.

50. In conformity with international norms, preferential border trade policies should be continued in border areas, simplifying procedures and easing restrictions on export tax refund, the scope of imports and exports, quotas for commodity import and export, license control and entry and exit of people. In accordance with relevant regulations formulated by competent central authorities, competent authority within the provincial government is responsible for the registration, administration and record keeping of border trade operations right. The government of the border province is in charge of the examination and approval of contracts concerning Chinese border trading companies' project contracting and labor services in the border areas of neighboring countries. Border trading companies exporting local products that are subject to the license management of export quota should be exempted from license management, except for the export of commodities subject to national unified bidding, important industrial products subject to aggregate control, commodities subject to voluntary quota management, commodities subject to quota compensation management, border exports subject to focused management, military-civilian dual-use chemicals, chemicals that could easily used to manufacture narcotics and substance that depletes ozone layer. If border trading companies export local products subject to quota compensation management, the restriction on their export qualification may be eased and the payment for using quota be exempted or reduced. In the case of border trading companies exporting through border trade commodities subject to national focused management, competent authority under the State Council should allocate a number of special quotas, and distribute sufficient quotas on the equipment, materials and personal means of livelihood carried by border trading companies and their employees to border areas of neighboring countries to facilitate their economic and technical cooperative projects. To reduce the operation costs of border trading companies, only government agencies authorized by the State with unified regulations can collect administrative charges at customs ports.

XV Promote Regional Cooperation and Counterpart Aid

51. Regional economic and technical cooperation should be promoted. In accordance with national industrial policies and on the basis of making a full play of regional comparative advantages, the eastern and middle regions and the Western Region should carry out all-round economic and technical cooperation that is market-oriented, efficiency-centered, based on mutual benefits and the involvement of enterprises as main players. By analogy with preferential policies enjoyed by foreign investors, strong measures should be adopted to improve investment environment and service level and support enterprises based in the eastern and middle regions to invest in the Western Region through sole proprietorship, equity participation,

merger and acquisition, consortium, lease, contracting and etc. and to set up factories and be engaged in cooperative development. In such cooperation, it is forbidden to transfer to the Western Region production facilities that should have been weeded out, obsolete processes and technologies and projects that severely pollute the environment.

52. Counterpart aid and assistance should be strengthened. Eastern provinces, municipalities directly under the Central Government and municipalities with independent budgetary status should, basing on their own advantages and local characteristics of their western counterparts receiving aid, continue to construct elementary schools, secondary schools, health centers and cultural activity stations in counterpart-aid areas in the Western Region and to organize itinerant education, itinerant health care and technological consulting and demonstration in these target areas. Basing on local conditions, eastern provinces and municipalities can raise funds for the exclusive use of counterpart aid. The work of poverty reduction with petty loans should be continued, targeting at farmers in poverty-stricken areas in the Western Region. The campaign named "Development the frontier and help frontiersmen prosper" should be carried out in a planned way, focusing support on Ethnic Minority Regions and poverty-stricken border counties, and great efforts should be made to carry out pilot projects and put assistance measures into effect at the grassroots level in these regions and counties.

XVI Attract and Make Good Use of Talents

53. Starting from 2001, the system of distributing hardship allowances to those people working in harsh, remote or frontier areas should be established, with funds coming from the central budget. The salaries for personnel of government agencies and public institutions in harsh, remote or frontier areas should be gradually raised to reach the national average level or even a higher level, aiming at encouraging talented people to work in these areas.

54. The enthusiasm and creativity of professional talents in the Western Region should be mobilized. With regard to senior technicians who have reached the retirement age but are still undertaking major economic construction projects or working in harsh, remote or frontier areas, they, if urgently needed and in short supply, may be employed in extension upon the approval by the competent authority within the provincial government, and they should not be included in the counting of the authorized size of the organization and the number of technician posts in the organization. Great efforts should be made to select experts and award them special government allowances, set up postdoctoral research centers and enterprises-owned postdoctoral research centers and to subsidize the research of researchers returning from abroad after completion of higher learning. The working conditions and living standard of high-level talents in the Western Region should be further improved, and they should be given preferential treatment in the appropriation of research funds, the appointment of assistants and their project application.

55. Talent training in the Western Region should be strengthened. Linked with the implementation of key tasks of Western Region development, key construction projects and important research programs, the training of talents in the Western Region should be strengthened, in the form of local training, training in the Eastern Region or overseas training. More guidance and support should be provided to the training of ethnic minority talents, young and middle-aged leading scientists and civil servants. Training funds should be increased to support the development of training institutes and training staff. Special funds from the central budget should be made full use of, and international aid should be sought vigorously. Priority support should be given to the training of talents in the Western Region.

56. Talents and intelligence are encouraged to move to the Western Region. Talents working in other regions are encouraged to engage themselves in the development of the Western Region through part-time employment, short-term employment, research consignment, cooperative research, equity participation with technology and contracting for management power. Domestic senior experts, outstanding postdoctoral talents and Chinese students and scholars returning from overseas study

will be invited to conduct field surveys in groups in the Western Region and provide consulting services, or to provide distant service with means of modern telecommunication and internet technologies. In the Western Region, if conditions permitting, business initiation parks should be established for talents returning home after having studied abroad, and advantages of the parks such as technology intensiveness, complete facilities and preferential policies should be made full use of to attract talents returning home after having studied abroad and encourage them to set up high-tech companies or develop high technologies in the parks.

57. The counterpart aid of talents and intelligence should be carried out. With reference to economic counterpart aid between the Eastern Region and Western Region, similar counterpart aid relations should be shaped up to connect the two regions in human resource development, and main aid projects should be defined. The exchange of scientific and technological talents between the two regions is supported to facilitate the sharing of talents and information. The exchange of government officials between the two regions should be expanded. The original salaries and fringe benefits of talents who move to work in the Western Region under counterpart aid programs should be retained during their working period in the Western Region, and their temporary employers in the Western Region may award them supplementary allowances in accordance with actual conditions.

58. The policy of free movement of talents working in the Western Region should be implemented. The talent's personal files can be archived at his original place of work or be transferred to his new employer in the Western Region; the personnel files can also be consigned to a talent exchange agency under competent authority located in the place where the talent used to work or is working. College graduates going to work in the Western Region may transfer his hukou (permanent residence registration) to the place of employment or domicile of origin, and the talent exchange agency under local competent authority should manage their personal files, free of charge for the first five years, and provide other personnel services related to the adjustment of file wage and appointment of professional titles. With regard to those talents who have come to the Western Region to invest, set up companies or devote themselves to the development of the Region, they can move their hukou to its previous place of registration if they return to the Eastern Region. With regard to those talents who have been assigned to work with major tasks and construction projects of the Western Region Development Program, they may retain their hukou at its original place and keep their employment relationship with their original employer and enjoy the same treatment as their colleges at their original working place in terms of promotion, appointment of professional and technical titles and salary increase; personal problems such as being separated from one's spouse due to job transfer should be solved with priority, and if possible, the new employer in the Western Region should purchase accidental injury insurance for these talents. Graduates of universities, college and technical secondary schools going to work in harsh, remote or frontier areas may have their wage scale graded in advance, and even have their wage scale graded higher than normal level in accordance with local conditions. The Western Region should accelerate the reform of personnel and employment system, and allow people who have retained their original hukou to move to the Western Region to invest and be engaged in construction.

59. Entry and exist facilitation should be provided to foreign high-tech talents, high-level management talents and investors: including foreign high-tech talents and high-level managers who come to the Western Region to execute state-level or province-level Sino-foreign cooperative scientific and technological projects or major construction contracts signed by the Central Government or local governments; high-tech talents and high-level managers who studied abroad, obtained foreign citizenship and returned to China to work; foreign experts or officials executing inter-governmental free aid agreements; foreign investors investing in large-scale enterprises and senior managers and technicians working in such foreign-funded enterprises. In accordance with actual needs, foreigners falling into above-mentioned categories may be issued one-to-five-year multiple-entry visa; in accordance with actual needs, foreigner who fall into above-mentioned categories and

need to reside in China for a long period may be issued one-to-five-year residence permit for foreigners and multiple-entry visa effective for the same period of time.

60. The administrative system of household registration should be reformed. Any person who owns a permanent residence and has a stable job or other reliable sources of income in a city at or below the prefecture level in the Western Region may apply for a local urban residence permit. Considering the demand of local economic and social development and overall bearing capacity, municipalities under the Central Government or municipalities with independent budgetary status may adjust their policies on hukou movement and relax the restriction on talents' hukou movement in accordance with urban development plans and population plans, with the basic requirements being a permanent residence, stable job or other reliable sources of income. The planning and administrative procedures concerning the alteration from rural hukou to urban ones should be reformed. No government authorities should collect urban population surcharging fees or similar fees from those people moving their hukou to the Western Region.

XVII Make a Full Play of the Leading Role of Science and Technology

61. Priority should be given to the Western Region in the allocation of such special funds as science and technology funds set up by the State or funds included in science and technology plans, particularly funds supporting the development and industrialization of key common technologies linked to environmental protection, infrastructure construction and industrial restructuring in the Western Region. Scientific and technological capacity of the Western Region should be built up, and more support should be given to the development of national key laboratories, engineering centers, field observation stations, basic databases, biological and gene pools and information network.

62. Enterprises based in the Western Region are encouraged to raise the proportion of technological development expenses in their total expenditure. In these enterprises, all expenses incurred by the development of new products, technologies and processes can be accounted as management costs without the restriction of percentage, including expenses incurred by the designing of new products and processes, equipment adjustment, raw material and semimanufactures testing and the purchase of technical books and documents; costs of intermediate experiment; salaries of researchers; depreciation of research equipment; other expenses related to new product testing and research; and expenses incurred by consigning research to other research institutions. Enterprises should gradually increase their expenses on the development of new products, technologies and processes year by year, if the grow rate of such expenses exceeds 10%, 50% of the expenses can be used to deduct the tax base of corporate income tax.

63. Innovation funds for small and medium-sized technology-oriented enterprises should intensify their support for the Western Region. In accordance with administrative procedures concerned, if two project proposals submitted to innovation funds for small and medium-sized technology-oriented enterprises are on an equal footing, priority should be given to the Western Region in approving such project proposals.

64. Efforts should be made to implement relevant policies specified in the State Council's Circular on Issuing Regulations Formulated by the Ministry of Science and Technology and Other Ministries on Facilitating the Translation of Scientific and Technological Achievements into Production (Guobanfa[1999]No.29). More favorable treatment should be given to researchers who transfer their scientific and technological achievements to the Western Region or set up technology-oriented companies in the Western Region; the researcher can draw a higher-percentage commission from the transaction of scientific and technological achievements or claim more shares with their scientific and technological achievements in equity participation.

XVIII Increase Investment in Education

65. Investment in education should be increased. Ethnic Minority Regions, mountainous areas, pastoral areas and border areas in the Western Region should be listed as the priority localities for the implementation of the National Compulsory Education Program for Poverty-Stricken Areas, and should be given priority support from the central budget. During the Tenth Five-Year Plan period, special funds will be arranged to implement National Compulsory Education Program for Poverty-Stricken Areas Phase II, mainly supporting the development of compulsory education in the Western Region, and the proportion of funds contributed to the Program by local governments can be reduced properly. Priority should be given to the Western Region in the allocation of special funds for the renovation of dilapidated houses of elementary and secondary schools. Means of all kinds should be employed to raise funds to support the development of vocational education with local characteristics in the Western Region and to help state-designated poverty-stricken counties in the Western Region to build vocational secondary schools; support should also be given to the Western Region to set up demonstration vocational colleges. Competent authorities under the State Council and western provinces (autonomous regions and municipalities directly under the Central Government) should make joint efforts to build key universities and colleges in the Western Region. More loans should be borrowed from commercial banks, international financial organizations and foreign governments to support developing tertiary education and basic education, improving schooling conditions and expanding the scope of education. All measures used to support students with financial difficulties, including scholarship, student grant, concessional loan, subsidy, tuition reduction and exemption, should be implemented earnestly, and state-funded student loans should be distributed, so as to ensure that college students from the Western Region who have financial difficulties can complete their education.

66. The scale of student enrolment should be expanded. Universities and colleges based in the Western Region should enroll more students, especially students who are pre-assigned to specific posts or areas; universities and colleges under ministries of the Central Government should gradually expand their enrollment of students from the Western Region; thus a higher proportion of high school graduates in Western Region can be admitted to universities and colleges. Preferential treatment should be given to the Western Region in textbook compilation, the authorization of degree awarding, and the development of key branches of learning and key laboratories. Various means should be adopted to strengthen the training of educational officials, headmasters and teachers from the Western Region; teachers of elementary and secondary schools from the Western Region should be trained periodically. Social sectors are encouraged to set up schools with various means. The exchange and cooperation are encouraged between western higher learning institutions and higher learning institutions based in the eastern and middle regions, foreign countries, Hong Kong, Macao and Taiwan. Universities and colleges based in the Western Region are supported to send more people to study abroad.

67. Counterpart assistance in education should be carried out. Educational counterpart assistance programs involving schools based in the Eastern Region and schools based in poverty-stricken parts in the Western Region should be implemented. Good schools based in the Eastern Region should be selected to assist their counterpart schools located in poverty-stricken areas in the Western Region. Schools based in major cities in the Western Region should be involved to assist schools in poverty-stricken areas of the same province, autonomous region or municipality, so as to promote the development of compulsory education. Counterpart assistance between higher learning institutions in the Eastern and Western Regions should be strengthened; universities and colleges based in the eastern and middle regions should help their western counterparts develop disciplines needed, train teaching staff, build laboratories or through setting up college branches in places there conditions permit, so as to improve the teaching quality of western universities and colleges. The State will continue to provide financial support and mobilize educational resources outside Tibet and Xinjiang to open exclusive classes for Tibetan students and Xinjiang students in secondary schools located outside Tibet and Xinjiang and offer foundational courses to

ethnic minority students before their entry into college.

68. Educational informatization should be accelerated. Efforts should be made to gradually connect all higher learning institutions and good-conditioned vocational secondary schools, elementary and secondary schools in the Western Region to China Education & Research Network and China Broadband Multimedia Educational Network. During the Tenth-Five Plan period, basic training in computer skills should be offered to teachers of elementary and secondary schools and students of normal schools in the Western Region. Effort should be made to spread computer and IT-related courses to elementary and secondary schools in the Western Region. Various means should be explored to increase IT teaching facilities in western schools, build distance-learning networks in the Western Region, develop high-quality educational software and related standards and provide high-quality sources to the development of distance learning in the Western Region. Preferential treatment should be given to all schools in the Western Region in their accession to China Education & Research Network.

XIX Step Up the Development of Culture and Health

69. The development of the social sector should be strengthened. In the distribution of special health subsidies from the Central Government, priority should be given to areas in the Western Region where public health is underdeveloped. In the distribution of special subsidies for legislation and law enforcement, priority should be given to key poverty-alleviation counties designated by the State, some of the key poverty-alleviation counties designated by the provincial government and other poverty-stricken counties with financial difficulties in the Western Region, so as to strengthen the financial capacity of government agencies responsible for legislation and law enforcement in these counties. In the arrangement of special subsidies for cultural facility maintenance and special subsidies of the Long Cultural Corridor Program, priority should be given to cultural centers, people's art centers, libraries, theatres and theatrical companies under the direct guidance of cultural competent authorities within county government or government at a higher level in frontier areas in the Western Region. In the allocation of special funds for the protection of national key cultural relics, priority should be given to key historic sites under state protection, key national museums, key national treasuries of cultural relics and important archeological projects located in the Western Region; special funds should be mainly used to salve, repair, protect and excavate cultural relics by the above-mentioned organizations.

XX Interpretation and Implementation of Policy Measures

70. The Office of the Leading Group for Western Region Development of the State Council is responsible for the general interpretation of policies recorded in the present document, while the interpretation of specific policies should be referred to the State Development Planning Commission, Ministry of Foreign Trade and Economic Cooperation, Ministry of Education, Ministry of Public Security, Ministry of Finance, Ministry of Personnel, Ministry of Land and Resources, People's Bank of China, State Administration of Taxation and other competent authorities. In accordance with the Circular of the State Council on Policies and Measures Pertaining to the Development of the Western Region and the present Suggestions on Implementation, competent authorities may go on to formulate more detailed policies and more concrete implementation measures within their scope of administrative power. Governments at all levels in the Western Region should implement the Circular of the State Council on Policies and Measures Pertaining to the Development of the Western Region, the present Suggestions on Implementation and related detailed regulations. The implementation of the present Suggestions on Implement of Policies and Measures Pertaining to the Development of the Western Region should start in 2001.