

No.

Japan International Cooperation Agency (JICA)

National Development and Reform Commission, the People's Republic of China

**The Strategic Study
for
Development of Medium-Sized Cities in the Western Region
in the People's Republic of China**

Final Report

May 2005

**International Development Center of Japan
KRI International Corporation
Pacific Consultants International**

S D

J R

05-028

Japan International Cooperation Agency (JICA)

National Development and Reform Commission, the People's Republic of China

**The Strategic Study
for
Development of Medium-Sized Cities in the Western Region
in the People's Republic of China**

Final Report

May 2005

**International Development Center of Japan
KRI International Corporation
Pacific Consultants International**

Exchange Rate
RMB 1 = JP¥12.47
(January 18, 2005)

Preface

In response to a request from the Government of People's Republic of China, the Government of Japan decided to conduct "the Strategic Study for Development of Medium-Sized Cities in the Western Region in the People's Republic of China", which was implemented by the Japan International Cooperation Agency.

JICA dispatched a study team headed by Dr. Norimichi TOYOMANE of the International Development Center of Japan to the People's Republic of China several times between August 2003 and January 2005.

The team held discussions with the officials of the Government of the People's Republic of China and conducted related field surveys. After returning to Japan, the team conducted further studies and compiled the final results in this report.

I hope that this report will contribute to balanced development of the medium-sized cities in the Western Region in the People's Republic of China, to elimination of regional socio-economic disparity, and to enhancement of friendly relations between our two countries.

Finally, I wish to express my sincere appreciation to the officials of the People's Republic of China for their close cooperation throughout the study.

May 2005

Kazuhisa Matsuoka
Vice President
Japan International Cooperation Agency

Letter of Transmittal

May 2005

Mr. Kazuhisa Matsuoka
Vice President
Japan International Cooperation Agency
Tokyo, Japan

Dear Sir,

We are pleased to submit the final report of the Strategic Study for Development of Medium-Sized Cities in the Western Region in the People's Republic of China. This report compiles the results of the study, which was conducted by the study team jointly formed by the International Development Center of Japan, the KRI International Corporation and Pacific Consultants International in accordance with the relevant contract with the Japan International Cooperation Agency (JICA).

The Report compiles development strategies for five cities in the Study Area, i.e. Dujiangyan and Deyang in Sichuan Province, Dali and Yuxi in Yunnan Province and Huaihua in Hunan Province as case studies, and a general development strategy for medium-sized cities in Western China. In regard to the latter, a development strategy featuring eight elements has been formulated based on the development vision of pursuing "a city of wholesome development" from "a city of quantitative development". These eight strategies are (1) develop urban industries, (2) improve regional and city planning, (3) develop urban infrastructure, (4) reform the land use system, (5) create a social security system, (6) improve education in rural areas, (7) reform local administration and finance, and (8) utilize natural resources and protect the environment.

For the preparation of the report, we made reference to the 10th Five-Year Plan for Regional Economy and Social Development, the 10th Five-Year Development Plan for the Western China, and corresponding plans for the provinces and cities relevant to the Study, as well as other achievements in China. We also received the valuable guidance and assistance from JICA and its China Office. Moreover, the field survey was greatly assisted by various government organizations in China, including the National Development and Reform Commission of China, the Provincial Development Planning Commission in Sichuan, Yunnan and Hunan and the Municipal Development Planning Committee in Dujiangyan, Deyang, Dali, Yuxi and Huaihua, as well as private enterprises.

We would like to express our deep appreciation and sincere gratitude for such guidance and assistance extended to the Study Team by all of these organizations.

We sincerely hope that this report will contribute to the development of not only medium- sized cities in Western China but also Western China as a whole, and to the promotion of further international cooperation between the People's Republic of China and Japan.

Norimichi TOYOMANE

Team Leader

Strategic Study for Development of Medium-Sized Cities
in the Western Region in the People's Republic of China
Joint Venture - International Development Center of

Japan

- KRI International Corporation
- Pacific Consultants International

**The Strategic Study for Development of Medium-Sized Cities in the Western Region
in the People's Republic of China**

Final Report

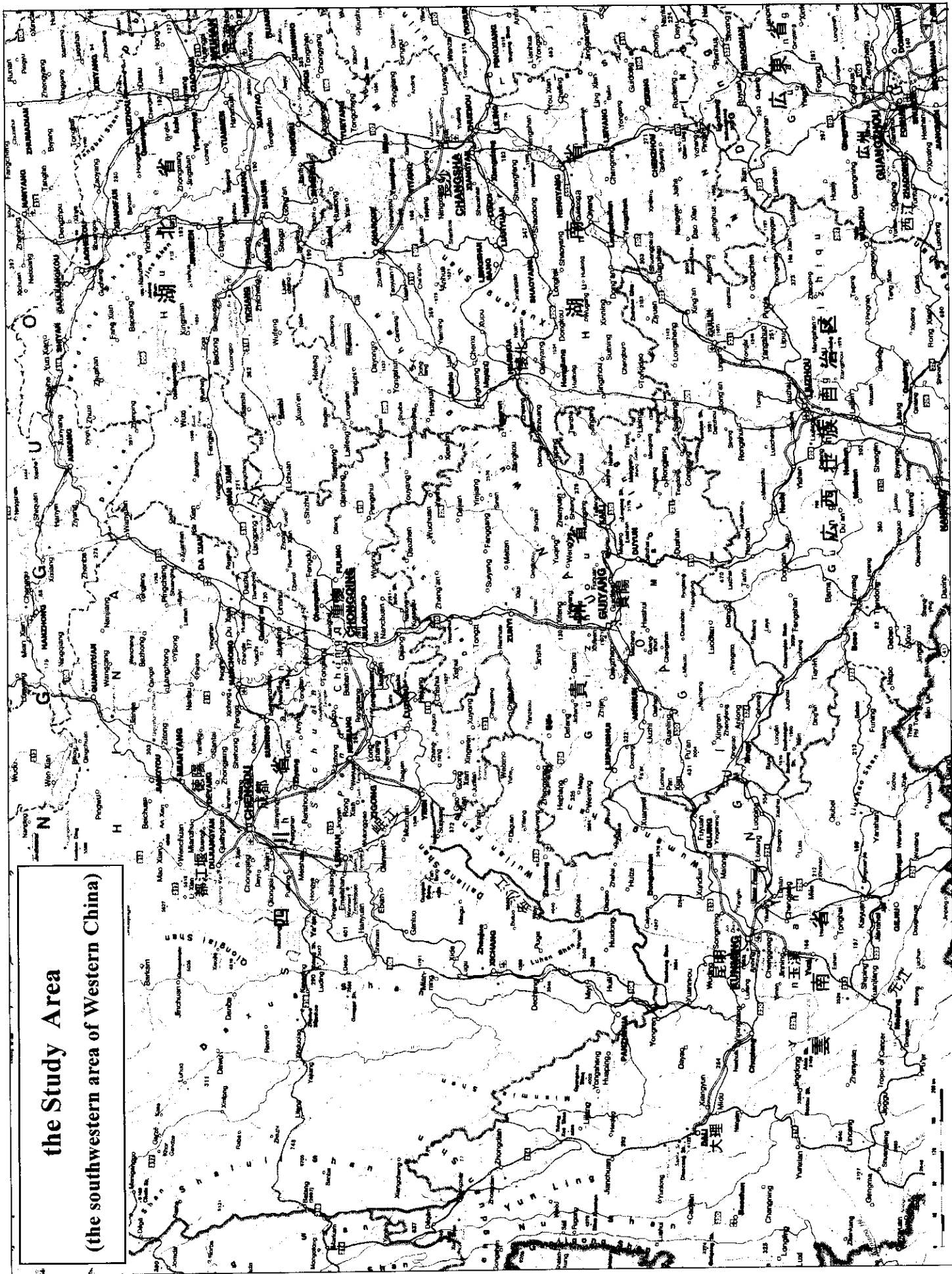
Summary

Table of Contents

Introduction: Massive Development with Great Strategy and Policies	1
Volume 1 Development Strategy for Medium-Sized Cities in Western China	1
Part 1 Understanding the Background	1
1. Why Western China?	1
2. Why Medium-Sized Cities?	2
3. Medium-Sized Cities in Western China	3
4. Rural Villages and Farmers in Western China	7
5. Socioeconomic Framework in Western China	8
Part 2 Overview of Development Strategy for Medium-Sized Cities in Western China	8
1. Framework of Development Strategy for Medium-Sized Cities in Western China	8
2. Basic Concept of Development Strategy for Medium-Sized Cities in Western China	10
Part 3 Eight Strategies for Development of Medium-Sized Cities in Western China	16
1. Develop Urban Industries	16
2. Improve Planning Process for Regions and Cities	17
3. Develop Urban Infrastructure	19
4. Reform the Land Use System	21
5. Create a Social Security System	22
6. Improve Education in Rural Areas	23
7. Reform Local Administration and Finance	25
8. Utilize Nature and Protection of the Environment	26
Volume 2 Development Strategies for Five Case Cities	28
1. Development Strategy for Dujiangyan	28
1.1 General Conditions of the City	28
1.2 Outline of Development Strategy	28
2. Development Strategy for Deyang	30
2.1 General Conditions of the City	30
2.2 Outline of Development Strategy	31
3. Development Strategy for Dali	35

3.1	General Conditions of the City	35
3.2	Outline of Development Strategy	35
4.	Development Strategy for Yuxi	40
4.1	General Conditions of the City	40
4.2	Outline of Development Strategy	40
5.	Development Strategy for Huaihua	45
5.1	General Conditions of the City	45
5.2	Outline of Development Strategy	46
6.	Conclusions: Key Points of Development Strategies for Medium-Sized Cities in Western China	48
6.1	Generalisation of Strategy Formulation Method	49
6.2	Generalisation of Strategy Components	50

the Study Area
(the southwestern area of Western China)



The Strategic Study for Development of Medium-Sized Cities in the Western Region in the People's Republic of China

Final Report

Summary

Introduction: Massive Development with Great Strategy and Policies

“Let’s massively develop medium-sized cities in Western China with a great strategy and policies and with a deep insight of the entire situation.”

The economic gap between Eastern China and Western China is widening. The strategic development of medium-sized cities in Western China is conceived as a highly effective means to facilitate economic development in Western China. For this reason, the Government of China made a request to the Government of Japan for the implementation of a study under which a strategy designed to develop medium-sized cities in Western China would be formulated for five model cities. In response to this request, the Government of Japan decided to conduct “the Strategic Study for Development of Medium-Sized Cities in the Western Region in the People’s Republic of China” and the two governments exchanged the minutes of discussion on 13th December, 2002. Based on the minutes, the Study was conducted over a period of approximately two years from September, 2003 to September, 2005. The executing bodies of the Study on the Japanese side and the Chinese side are the Japan International Cooperation Agency (JICA) and the National Development and Reform Commission respectively. The Study has the following three objectives.

- (1) To examine a development strategy for medium-sized cities in Western China and to make recommendations on the institutional system and policies to materialise the strategy
- (2) To formulate different development strategies to suit different types of cities using five medium-sized cities in Sichuan, Yunnan and Hunan Provinces as examples
- (3) To exchange knowledge with Chinese officials who have participated in the country-specific special training session conducted by the JICA

Volume 1 Development Strategy for Medium-Sized Cities in Western China

Part 1 Understanding the Background

1. Why Western China?

Western China referred to in the Study means the area to which “the Policy for Great Development of Western China” formulated in 2000 applies. Compared to Eastern China, Western China is characterised by (1) fragile nature and a rare ecological environment, (2) less developed industry, (3) lagging social services and (4) a major source of migrating population. Until around 1972, Western China was given priority for government investment.

However, the subsequent change of the policy to prioritise Eastern China has led to a conspicuous gap between Eastern China and Western China. To narrow this gap, the Government of China commenced “the Policy for Great Development of Western China” in 2000. The reason why the Study features Western China is that solving the problem of the regional disparities between Eastern China and Western China while maintaining development nationwide has become an important national task for China. In this sense, the Study is part of the overall attempt to produce a viable development strategy for Western China.

2. Why Medium-Sized Cities?

A medium-sized city is defined as having a non-farming population of 200,000 or more but less than 500,000. According to this definition, Deyang, Dali and Huaihua are medium-sized cities while Dujiangyan and Yuxi are small cities. The number of cities in China has rapidly increased from 245 to 662 in the last 20 years. In recent years, the ratios of cities by size have been fairly constant at slightly more than 50% for small cities, slightly more than 30% for medium-sized cities and around 15% for large cities. By region, 44% of cities are located in Eastern China, 37% are located in Central China and 18% are located in Western China.

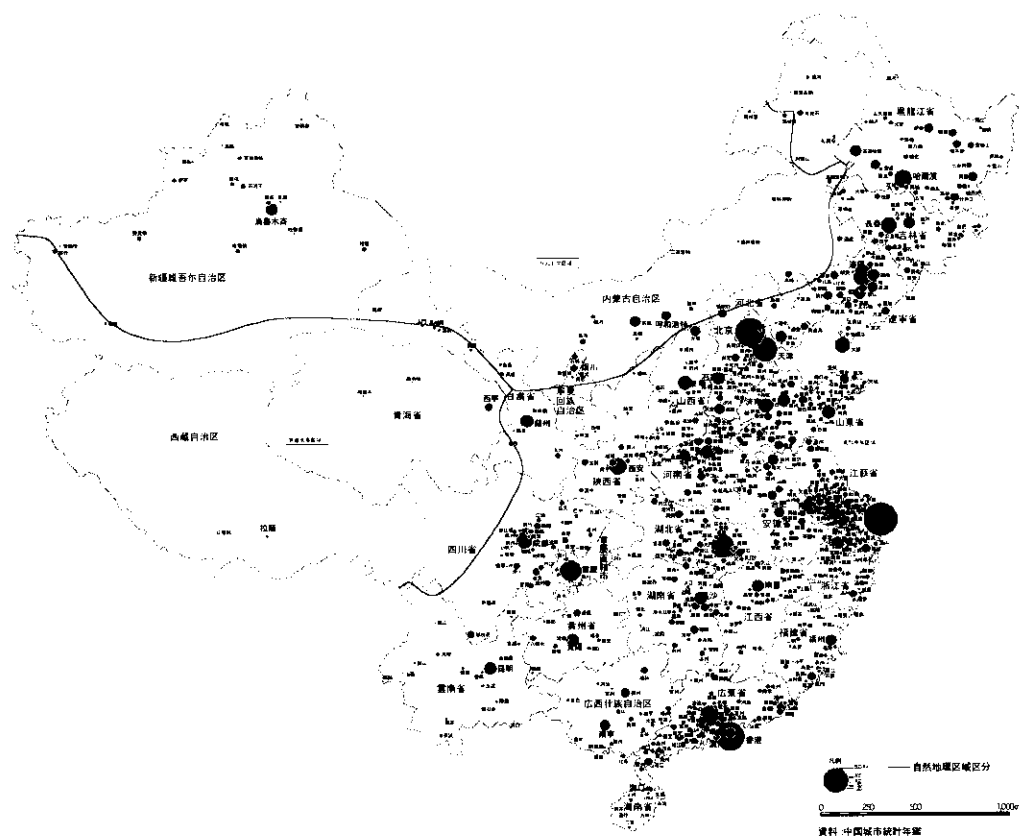


Fig. 1 Distribution of Cities in China

Source: Prepared by the JICA Study Team

Urbanisation in China has followed one of two patterns. The first is the inflow of population from outside a city, increasing the non-farming population (as well as the total population) of the city (exogenous urbanisation). The second is a population shift from rural areas of a city to urban areas, increasing the non-farming population (endogenous urbanisation). The second pattern has a significant meaning for medium-sized cities in Western China. These two urbanisation patterns have the common feature of “farmers becoming urban residents”. This does not simply mean changes of the dwelling location or vocation but means a change of lifestyle. This is the first step for a profound change to a civil society in the future and such a change has profound implications for Chinese society.

In the period of the People’s Republic of China, there used to be a prevailing view that “cities are bad and rural villages are good”, suppressing the process of urbanisation. Since the second half of the 1980’s, however, the restrictions on population movement have been relaxed and there has been a massive population inflow to coastal cities which have been experiencing rapid economic development. At present, the policies implemented by the Government of China are based on the view that “although urbanisation is inevitable, the order of society must be maintained”. Nevertheless, there appears to be two opposing opinions on urban policies and debates on such policies. On the one hand, emphasis is placed on “large cities” to use the efficiency of large cities to maximise economic development. On the other hand, emphasis is placed on “small cities” to achieve balanced economic development through intensification of the relationship with surrounding rural villages. The existence of these two opposite opinions should be noted when trying to understand urban policies in China.

Where cities are classified as large, medium-sized and small cities, there are three reasons why the Study has specially focused on medium-sized cities. Firstly, large cities have attracted policy intervention and scholastic interest and development knowledge and experience have been sufficiently accumulated. Moreover, the scale and capacity of large cities have reached a sufficient level to achieve autonomous economic development. Secondly, while small or even smaller cities have been at the centre of policy intervention throughout history of the Peoples’ Republic of China, policies emphasising small cities have achieved fewer results than hoped for. Thirdly, to rectify the regional gap between Eastern China and Western China, it is necessary for medium-sized cities to play a respectable role in Western China where large cities are few.

3. Medium-Sized Cities in Western China

The nationwide distribution of Chinese cities in 2001 showed that there are 293 cities in Eastern China (44.3%), 247 cities in Central China (37.3%) and 122 cities in Western China (18.4%), clearly indicating a small number of cities in Western China. Five southern and southwestern provinces (Chongqing, Shichuan, Guizhou, Yunnan and Xicang) have 86 cities, out of which 32 are located in Sichuan Province, 16 in Yunnan Province and 13 in Xicang Province. There are conspicuous clusters of cities in the Wuhan-Changsha area around Lake Dongting and the Chongqing-Chengdu area in the Sichuan Basin.

Under the Study, the following five cities in the southwestern area of Western China and three neighbouring provinces have been selected for a case study to examine a development strategy for medium-sized cities in Western China.

- Sichuan Province : Dujiangyan
- Sichuan Province : Deyang
- Yunnan Province : Dali
- Yunnan Province : Yuxi
- Hunan Province : Huaihua

The classification of cities features five provinces in the southwestern part and three provinces in Central China, i.e., Hubei, Hunan and Guangxi. For this classification, two criteria are used. One relates to the location, population size and administrative class while the other is the industrial characteristics. The classification results show that there are six types with indicator 1) and four types with indicator 2).

Classification Based on Location and Population Size

- Type 1 : pivotal city in a large city area
- Type 2 : core city in a large city area
- Type 3 : main city in a large city area
- Type 4 : satellite city in a large city area
- Type 5 : main local city in a rural area
- Type 6 : local city in a rural area

Classification Based on Industrial Characteristics

- Type 1 : industrial city
- Type 2 : commercial city
- Type 3 : physical distribution/trade city
- Type 4 : tourist city

Using the above classification results, the five cities selected as the case cities for the Study can be described in the following manner.

	Indicator	Sichuan		Yunnan		Hunan
		Dujiangyan	Deyang	Dali	Yuxi	Huaihua
City	1 City size	Small	Medium	Medium	Small	Medium
	2 Non-farming population (nfp)	159,100	274,700	195,800	126,600	217,800
	3 nfp/total population	26.7%	44.6%	37.8%	37.8%	68.0%
	4 nfp increase	129%	149%	143%	194%	172%
Administration	5 Administrative level	County-level	Prefecture-level	County-level	Prefecture-level	Prefecture-level
	6 Urban status		Municipal district (Shengyang District)	Semi-autonomous city	Municipal district (Hongdong District)	Municipal District (Hechong District)
Location	7 Location type	Greater Chengdu area	Greater Chengdu area	West area	Greater Kunming area	Xiangxi area
	8 Function type	Satellite city	Main city	Local main city	Main city	Local main city
Society	9 Ethnic composition	No data	No data	Ethnic minorities: 70.8%	Ethnic minorities: 13.3%	No data
Economy	10 Economy type	Economically intermediate city	Economically intermediate city	Economically intermediate city	Economically advanced city	Economically intermediate city
	11 GDP	¥6.99 billion	¥7.06 billion	¥6.75 billion	¥18.2 billion	¥3.98 billion
	12 GDP per capita	¥11,750	¥11,460	¥13,030	¥46,830	¥12,440
Industry	13 Industry type	Industrial/tourist city	Industrial/commercial city	Industrial/tourist city	Industrial city	Commercial/physical distribution city
	14 GDP shares by industry	14.6: 41.5: 43.9	14.3:44.5:41.2	10.8:51.9:37.3	1.8:79.0:19.3	2.9:16.1:81.0

Note: Figures are for 2002.

Although it is difficult to generalise medium-sized cities in Western China, these cities face common problems as listed below.

(1) Weak Industrial Activities

Even if there is a core industry, there is no sufficient accumulation. Linkage with other industries is also non-existent. Accordingly, industrial activities take place at individual spots. The population size of medium-sized cities is not yet large enough to allow them to pursue autonomous economic development. In addition, Western China lacks attractive conditions to attract rapid inward investment by foreign capitals. Accordingly, this industrial weakness is difficult to overcome.

(2) Lack of Development of Urban Infrastructure

While the development level of urban infrastructure varies from one city to another, the development of infrastructure has generally been slow, primarily because of dependence on the municipal budget to fund the construction of urban infrastructure. To make matters worse, dependence on the profits from land sale and/or lease for such funding has led to a further problem of inappropriate land use.

(3) Difficulty of Shifting from “Administration by Municipal Government” to Proper “City Management”

Municipal governments in general are struggling to shift their approach from “administration” to “management”. Up to the present, municipal governments have been entrusted to “administer” their respective cities but are now required to “manage” their cities. However, the administration of a city is not the same as the management of a city and not all municipal governments have successfully completed this transition. “Inappropriate city management”, where the meaning of city management has been misunderstood, has been prevalent in recent years. This practice has been causing much harm and its further spread must be prevented.

(4) Unutilised Human Resources and Urban Dwellers Failing to Become Citizens

There is a vicious cycle where the backward economy cannot attract able human resources and few human resources cannot develop the economy. Urban dwellers lack the identity and sense of responsibility of “citizens”.

There are two reasons to proceed with “urbanisation”. The first is that, in the context of economic development, urbanisation can trigger a virtuous cycle where urbanisation facilitates the development of the local economy, in turn facilitating further urbanisation. The second is that, in the context of social development, urbanisation increases the number of people enjoying “the fruits of socioeconomic development” symbolised by a city. A city is a base for socioeconomic development and, in Western China, the expansion and rational distribution of cities should be sought. The basic principle for the strategy, however, is the development and strengthening of existing cities rather than the building of new cities.

Cities can play the following three roles in the development of Western China.

- 1) Base for socioeconomic development and also as a prime mover for economic development
- 2) Supply base for urban services, especially a supply base for neighbouring rural areas
- 3) Leader for social transformation in China

Large cities (Chongqing, Chengdu and Xian) function as places where human resources, capital and information are concentrated, bases to spread the economic knock-on effects to surrounding areas, windows of Western China to the world and models of civil society. Medium-sized cities perform the same functions on a smaller scale and are expected to develop in tandem with the surrounding rural areas based on strong awareness of their vital relationship with rural areas. Meanwhile, the principal role of small cities is to raise the level of social services for the surrounding rural areas.

Viewed from rural areas in Western China, those cities near villages, especially large and medium-sized cities, have important roles to play. For the rural development of Western China, all of the following three approaches should be combined in an appropriate manner.

- 1) Increase of agricultural income (through improvement of the productivity and change of crops, etc.)
- 2) Increase of non-agricultural income (through an increase of the opportunities for side jobs and working away from home, etc.)
- 3) Facilitation of the migration of surplus population

The second approach, i.e., increase of the opportunities for side jobs, should particularly be the main pillar and large and medium-sized cities near rural areas must provide such opportunities. The development of medium-sized cities and the development of rural villages in Western China are, therefore, closely linked.

In this Study, five medium-sized cities have been selected for case studies because of the study aim of creating a development strategy which lies somewhere between a universal as well as abstract “general development strategy for medium-sized cities” and a more individual and concrete “development strategy for a specific city”. These five medium-sized cities have been selected as real examples of medium-sized cities. They represent as many city types with respect to two criteria: (i) existence and diversity of key industries and (ii) level of urban development. The locations of these five case cities are shown in Fig. 2.

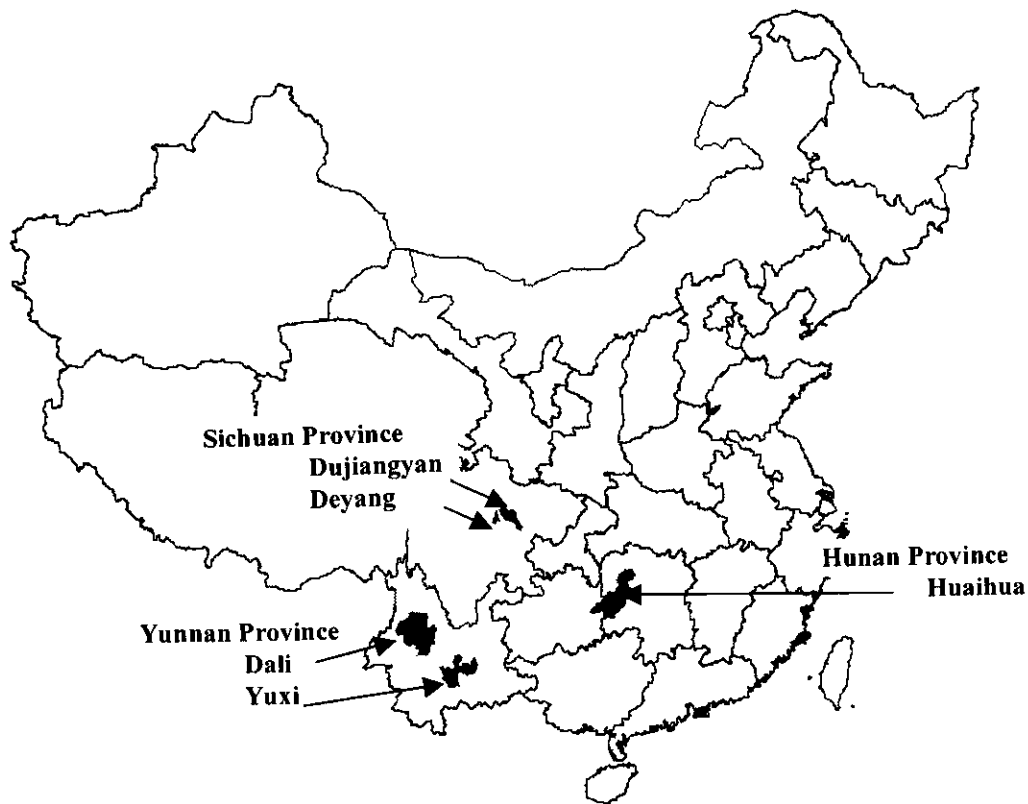


Fig. 2 Locations of Five Model Cities

Source: JICA Study Team

4. Rural Villages and Farmers in Western China

The rural population accounts for 77% of the total population of Western China where three rural-agricultural problems are highly noticeable. Although the income gap between cities and rural villages is 3.1 times the national average, it is 3.8 times in Western China. This low income level is the reason why many farmers in Western China seek employment away from home. Japan's experience suggests that unipolarisation of the population in mega cities is not a viable solution to this income gap problem and that the development of dispersed medium-sized cities is more desirable. What is important to achieve desirable development are (i) the formulation of a development strategy to suit the actual situation of each city or area and (ii) the development of human resources for the future.

General analysis of the movement of farmers in Western China using the national population census for 2000 and the results of a local survey conducted by the Study Team has found that outward migration from Sichuan and Hunan Provinces is quite active while outward migration from Yunnan Province is at a very low level. However, giving the growing link between Yunnan Province and Guangdong Province, outward migration from Yunnan Province is expected to increase in the coming years.

The results of an interview survey with officials of town and village authorities and some farmers in the five model cities indicate that while farmers still want to find employment away from home, farmers in their thirties and older have a strong desire to remain in their home areas. These findings bear out the strong necessity for the development of medium-sized cities not far from farmers' homes.

5. Socioeconomic Framework in Western China

To establish numerical targets for the development of medium-sized cities in Western China, the likely trends of population and GDP growth (for 2005, 2010 and 2020) were forecast using publicised statistical data. The forecast items using provincial data are the GDP, permanent population, urban population and working population for each of Eastern, Central and Western China and the permanent population, city population, urban, district population, non-farming urban district population, GDP and municipal GDP for each case city.

According to the analysis using these forecasts, further promotion of the growth of large cities in Western China is desirable and the guidance target for the urban population (non-farming urban district population) in Western China is set as follows depending on the city size. The population forecast for the five model cities is based on these target values.

	Small	Medium-Sized	Large
1996 – 2002 Actual	2.93%	2.67%	3.44%
2005 – 2020 Guided Target	2.2%	3.0%	3.5%

Part 2 Overview of Development Strategy for Medium-Sized Cities in Western China

1. Framework of Development Strategy for Medium-Sized Cities in Western China

One major issue currently faced by China is rectification of the regional gap. There is an “inverted U hypothesis” for such regional disparities in that the regional disparities initially widens with the development of the economy but then starts to contract after hitting a peak. However, no signs of contraction are observed in China. The “Great Western Development” has begun to stimulate the development of Western China which is lagging behind Central and Eastern China. However, compared to Eastern China, Western China has several major disadvantages which must be overcome. Firstly, the natural and climatic conditions are harsh. Secondly, Western China is located inland and is far from ports or major consumption areas. Thirdly, the development of socioeconomic infrastructure has been slow compared to other regions. As these disadvantages cannot be overcome by relying on the market principle, some types of government intervention are necessary.

There are principally four methods to narrow the regional gap, i.e., (i) endogenous development of the economy in Western China, (ii) encouragement of the trickle down effect from Eastern China, (iii) income transfer from Eastern China to Western China and (iv) encouragement of population migration from Western China to Eastern China. This Study especially features the first method while briefly describing the third method at the end of the chapter.

There are many approaches to stimulate endogenous economic development in Western China. In this Study, medium-sized cities are specially selected to clarify their expected roles. It must be noted that medium-sized cities do not constitute a trump card to solve the problem of a regional disparity although this is also true for large cities and rural villages. Recognising that there is no trump card to solve the problem of regional disparities, the Study considers how medium-sized cities in Western China can perform their expected roles to the maximum.

Cities are tools created by humans and exist “to serve humans”. The development of a city means “enhanced happiness and an improved quality of life among city dwellers”. The prime mover of urban development is “economic activity”. Infrastructure and the administrative and fiscal systems play a supporting role for development while the urban environment provides the basis for development. There are several stakeholders in urban development, i.e., (i) central government, (ii) local governments, (iii) enterprises and (iv) urban dwellers. Successful development requires all of these stakeholders to play their respective roles.

Although the Study primarily focuses on “medium-sized cities”, its analysis assumes that the development of medium-sized cities simultaneously induces the development of rural villages because of their close relationship.

The Study envisages the formulation of a general development strategy for medium-sized cities in Western China in general and of individual development strategies for the five case cities. However, these two types of strategies are not independent from each other as the general development strategy is formulated based on the individual development strategies for the five case cities and, therefore, incorporates all of the individual development strategies without any contradictions.

One powerful method to rectify the regional disparities between Eastern China and Western China is the transfer of funds from the former to the latter. This idea is presented by Deng Xiaoping in his Theory of Common Wealth and is listed as one of the means to stimulate the development of Western China in the notification on the Great Western Development. For the transfer of funds to achieve positive results, the following mechanism which has several attributes must properly function.

- 1) Collection of taxes from individual persons and enterprises within higher tax rates for advanced areas and lower tax rates for less developed areas
- 2) Pooling of some of the tax revenue at the centre as “a balancing fund”
- 3) Priority distribution of “the balancing fund” to less developed provinces
- 4) Priority distribution of “the balancing fund” by less developed provinces to less developed cities and counties in the provinces

The effect of this mechanism is higher with a larger “balancing fund” amount, the stricter and more prioritised distribution of the fund to less developed provinces and the stricter and more prioritised distribution of the fund within each less developed province. From this viewpoint, the present mechanism of fund transfer in China has the following problems.

- 1) Small ratio of tax revenue to the GDP
- 2) Small ratio of tax revenue allocation to the central government

- 3) Inverted priority of fund transfer to local governments
- 4) Lack of fund distribution rules within a province
- 5) Incompatibility between administrative responsibilities under the jurisdiction of lower level governments and the scale of funding sources

In view of the above problems, the desirable mechanism for fund transfer should have the following attributes.

- 1) Increase of the ratio of tax revenue to the GDP to 25%
- 2) Increase of the tax distribution ratio between the central government and local governments to 2 to 1
- 3) Allocation of half of the central tax revenue to “a balancing fund”
- 4) Redistribution within the province by the provincial government in accordance with clear rules
- 5) Review of the administrative responsibilities of lower level governments to match the scale of funding sources
- 6) Increase of the financial contribution of upper level governments to the supply of social services

According to this mechanism, slightly more than 8% of the annual GDP is secured to make up “the balancing fund” (approximately ¥940 billion based on the 2003 GDP figure) for strictly prioritised distribution to less developed areas. The socio-economic impact of this funding is considered to be sufficiently large.

2. Basic Concept of Development Strategy for Medium-Sized Cities in Western China

The development strategy in question comprises the following components.

- Vision
- Three frameworks and two roles
- Six basic principles
- Eight strategies for urban development
- Individual development strategies for five case cities

Vision: From a City of “Quantitative Development” to a City of “Wholesome Development”

A city of quantitative development means a city of which the population size and economic scale are growing. What medium-sized cities in Western China should be aiming at is “a city of wholesome development” or “a city of both quantitative and qualitative development”. What is pursued by medium-sized cities in Western China will gradually change from “quantity” to “quality”, transforming these cities from “places which consume values” to “places which create values”.

Three Frameworks and Two Roles

Medium-sized cities in Western China should be viewed through three frameworks, i.e., “China versus the World”, “Western China versus Eastern China” and “urban versus rural”.

Medium-sized cities in Western China are situated in an overlapping area of these three frameworks. Their roles are as follows.

- 1) To play a part in the rectification of the East-West regional disparity by promoting the socio-economic development of Western China while including the world in the perspective
- 2) To play a central role in the uniform development of cities and villages in Western China

Six Basic Principles

Principles for Economic Development

- 1) Balance between the market principle and public welfare

Although economic development should be led by the market principle, desirable urban development cannot be achieved with sole reliance on the market principle. Meanwhile, government intervention in the market principle is not necessarily always appropriate. The market and the government must be clearly separated and cities and the economy should be run while maintaining a balance between the market principle and public welfare.

- 2) Use of local resources to the maximum with the aim of reaching the local markets

External resources (capital, human resources, natural resources, etc.) cannot always be relied upon for the development of medium-sized cities in Western China. Instead, local resources must be used to the maximum. Industries should firstly aim at reaching markets in Western China and should aim at reaching external markets when the industrial infrastructure and the industrial linkage in Western China have been consolidated.

Principles for Spatial Development

- 3) Fostering local cities to act as provincial core cities

In Western China, cities at the next level to provincial capitals are generally lacking. As a result, the functional ranking of cities is not clearly established. When a province covers a huge geographical area, unipolarisation to the provincial capital makes the balanced development of the province difficult. What is required is identifying and fostering a few core cities in each province, which lead respective economic regions as identified in view of the economic and spatial structure of the province.

- 4) Strengthening the links to vitalize local economic zones

The priority of development should be given to enhancing the links between medium-sized cities and neighbouring villages, nearby large cities, large cities in neighbouring provinces, bases for international trade, national trunk networks, etc. through which urban areas centering on medium-sized cities or nearby large cities should be consolidated as local economic zones.

Principles for Administrative Development

- 5) Clarification of the respective roles of the government and the private sector for better collaboration

The role of the government is to make the market function more efficiently and that of the private sector is to act as the main player in the market economy. Their roles should be clarified for better collaboration while removing all remains of the centrally planned economy.

- 6) Strengthening inter-city cooperation

Stronger horizontal cooperation between cities is one crucial key to urban development in China in the coming years. The urban administration should aim at creating an inter-government administrative cooperation system and establishing a coalition of city governments.

Eight Strategies for Urban Development

- 1) Develop urban industries
- 2) Improve regional and city planning
- 3) Develop urban infrastructure
- 4) Reform the land use system
- 5) Create a social security system
- 6) Improve education in rural areas
- 7) Reform local administration and finance
- 8) Utilize nature and protect the environment

These eight strategies are identified because of the following thinking. Firstly, 1) the development of urban industries is necessary as these industries act as the prime movers for urban development. At the same time, 2) the improvement of area/urban planning is required to develop the base to support industrial development and to improve the living environment of urban dwellers. Moreover, 3) the development of urban infrastructure is required and 4) reform of the land use system is necessary to achieve 3). Meanwhile, the uniform development of cities and villages and orderly urbanisation demand the removal of institutional barriers which exist between cities and villages. One of the major issues in this context is 5) the creation of a social security system which serves both cities and villages. To support productive urban development, 6) the improvement of education in rural areas, including basic education, vocational education and higher education, must become a reality. While local governments of medium-sized cities are primarily responsible for executing the above development strategy components, they are unable to lead a new kind of urban development under the existing administrative and fiscal mechanism, necessitating 7) their reform. As part of such reform, 8) strengthening of the mechanism to utilise nature and to protect the environment is required.

Development Strategies for Five Case Cities

A development strategy for each of the five case cities will be considered by applying the six basic principles and eight strategies for urban development. The five case cities are classified into the following types.

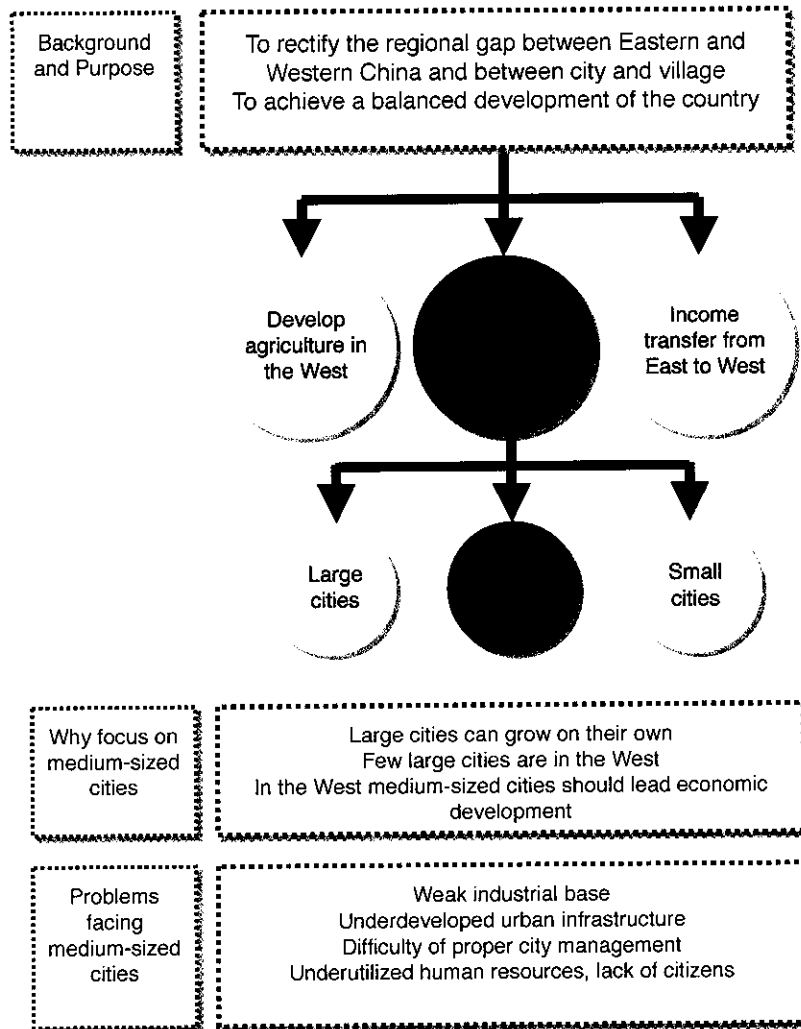
Classification Basis	Sichuan		Yunnan		Hunan
	Dujiangyan	Deyang	Dali	Yuxi	Huaihua
City Size	Small	Medium	Medium	Small	Medium
Administrative Level	County-level	Province-level	County-level	Province-level	Province-level
Function Type	Satellite	Satellite	Main	Satellite	Main
Economic Type	Intermediate	Intermediate	Intermediate	Advanced	Intermediate
Industrial Type	Industrial/ tourist	Industrial/ commercial	Industrial/ tourist	Industrial	Commercial/ Physical Distribution

Having considered the type of each case city, the following “development themes” are set for the cities to clearly indicate the representative features of these cities among medium-sized cities in Western China.

- Dujiangyan : Creation of an attractive hinterland (a flower garden in the backyard) for Chengdu
- Deyang : Creation of an attractive industrial city
- Dali : Creation of Dali, a utopia of the 21st century
- Yuxi : Model green city
- Huaihua : Model city for the intensive use of sustainable resources

The background of the development strategies for the five case cities is shown in Fig. 3.

Why medium-sized cities?



What Is Urban Development?

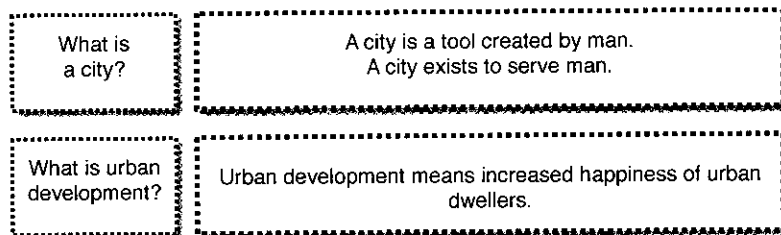


Fig. 3 System of Development Strategies for Medium-Sized Cities in Western China (1)

**Prescribing Development Strategies for
Medium-Sized Cities**

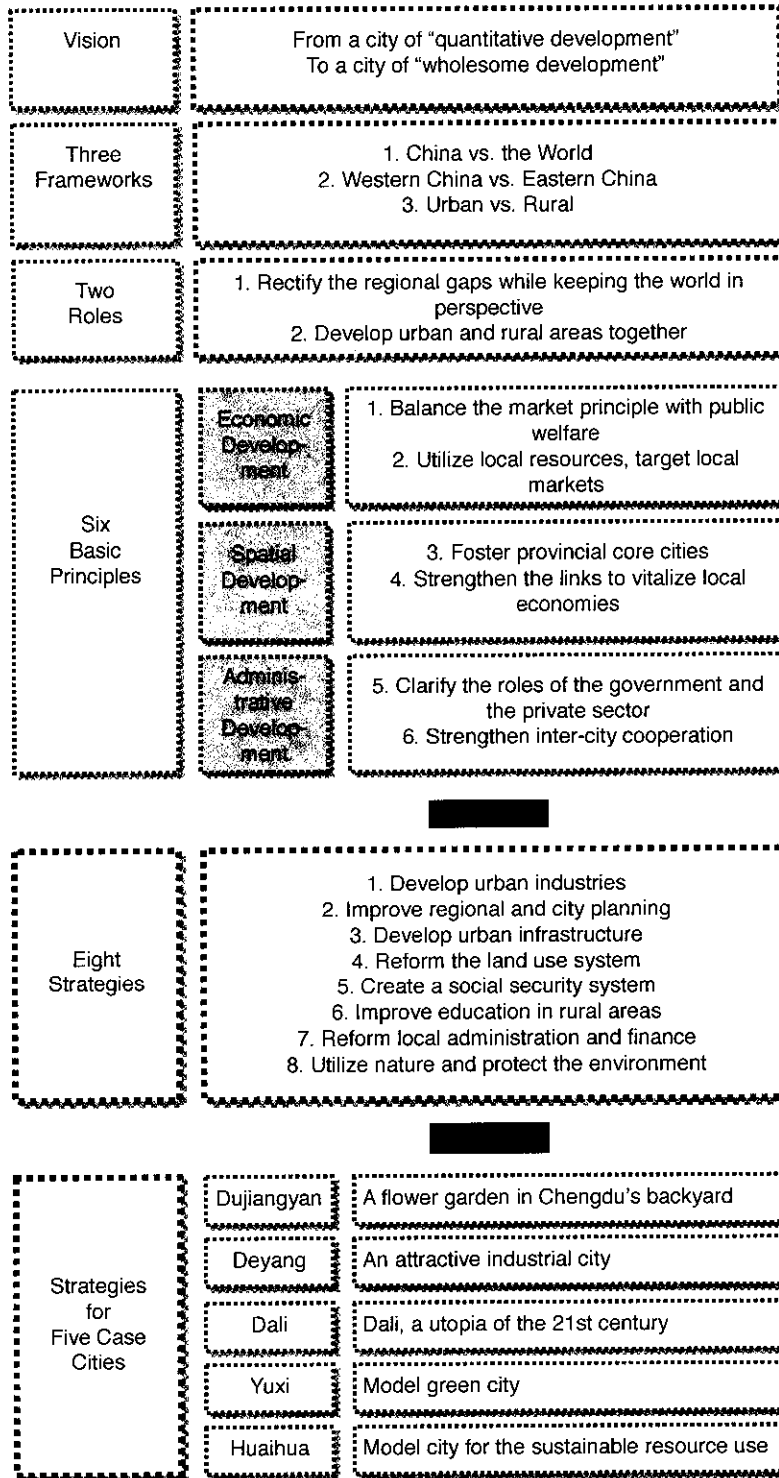


Fig. 3 System of Development Strategies for Medium-Sized Cities in Western China (2)

Part 3 Eight Strategies for Development of Medium-Sized Cities in Western China

1. Develop Urban Industries

Industrial development is the most important key to urban development. Although Western China has such advantages as abundant resources (mineral products, energy sources, biological resources and tourist attractions) and cheap labour, it has so far been unable to fully exploit these advantages because of its geographical handicap, lack of infrastructure, delayed development of industrial linkage, uneven industrial structure and insufficient inward investment. Any attempt to formulate a viable industrial development strategy for Western China must start with such basic understanding that (i) policy guidance has its limits, (ii) local markets in Western China should be given priority, (iii) the viewpoint of investors should be adopted, (iv) the administration should clarify its own roles and should refrain from becoming a controller of private enterprises and (v) the fostering of market-oriented new industries is necessary.

Industry Promotion Strategy

The components of the industry promotion strategy are (i) establishment of closer industrial linkage, (ii) redistribution of industries from the viewpoint of optimisation to suit the local conditions, (iii) expansion of the market and shift to market-oriented industries, (iv) utilisation of the vitality of enterprises, particularly focusing on private enterprises and the fostering of SMEs (small and medium-scale enterprises) and venture companies and (v) promotion of industrial adjustment (promotion of urban-type industries and modernisation of traditional industries).

SME (Small and Medium-Scale Enterprise) Development Strategy

The basic purpose of the SME development strategy is “to concentrate policy assistance to small enterprises to create medium-scale and large enterprises”. The concrete measures are (i) establishment of the basis to plan and implement SME assistance policies, (ii) establishment of a wide platform to foster small enterprises: establishment of a SME service centre equipped with a practical support function, (iii) step-by-step expansion of the loan system for SMEs: establishment of a small loan recommendation system and a multi-layer credit guarantee system and (iv) expansion of employment opportunities and advancement of industries: creation and clustering of new businesses and assistance for the start of new businesses.

Investment Promotion Strategy

The investment promotion strategy targeting the central government aims at creating a conducive environment for investment in Western China. Its main pillars are (i) elimination of spatial friction and reduction of the spatial trading costs through improvement of major passageways in Western China, (ii) prioritised support for the promotion of overseas as well as domestic “export-oriented” industries, (iii) encouragement of “overseas as well as domestic import-substitution” type investment, (iv) implementation of open, transparent and powerful investment encouragement and support measures, (v) arrangement, adjustment and grouping

of development zones and (vi) establishment of a system capable of planning scientific and detailed policies to induce investment by enterprises.

The actual components of an investment promotion strategy for medium-sized cities are (i) improvement of specialities and reliability of investment inducement activities, (ii) creation and appeal of local images, (iii) establishment of a good administrative environment through a consensus between government offices, (iv) creation of successful investment models and location brands, (v) promotion of industrial linkage and formation of a clustering mechanism, (vi) development of comfortable living conditions for foreigners as well as the local populace and (vii) treatment of SMEs and external investors as indigenous bodies/citizens (prohibiting discriminatory treatment).

Commerce and Logistics Promotion Strategy

The commerce and logistics promotion strategy aims at achieving (i) development of physical distribution infrastructure and introduction of the latest systems for the expansion of markets in Central and Western China, (ii) facilitation of the formation of a union of wholesalers, (iii) vitalisation of commercial districts through links with cities, (iv) advancement of the retail industry and (v) establishment of a strategy for trading between the Asian market and Western China, assuming the signing of free trade agreements.

Tourism Promotion Strategy

The tourism promotion strategy aims at achieving (i) creation of excursion routes for tourists and the combination of well-known souvenir products with new products, (ii) clarification of the target markets, (iii) implementation of travel exhibitions at the provincial level, (iv) conservation of tourism resources, (v) strengthening of travel associations, (vi) improvement of the quality of tourist services and human resources development, (vii) improvement of the service level at hotels, (viii) promotion and preservation of the traditional culture through new sightseeing opportunities to areas of minority ethnic groups and (ix) implementation of village tourism.

Agriculture and Agricultural Product Processing Promotion Strategy

The agriculture and agricultural product processing promotion strategy involves three different approaches, i.e. (i) “urban demand type approach” for areas with good access to a large city, (ii) “local resources utilisation type approach” for areas with relatively poor access to a large city and (iii) “environmental emphasis type approach” for areas where a good environment is the key. The components of this strategy are (i) utilisation of U-turned human resources, (ii) utilisation of local universities and research organizations, (iii) utilisation of the biodiversity, (iv) utilisation of former town or village enterprises, (v) utilisation of the geographical advantages originating from proximity to a large city and/or centre for physical distribution and (vi) processing of agricultural products using local resources.

2. Improve Planning Process for Regions and Cities

The framework of the urban planning administration in China was put into place in 1989 with the enactment of the Urban Planning Law. Many medium-sized cities formulated their respective master plans in the second half of the 1990s. These urban development plans

obtained legal status with their approval by the provincial government after being discussed at a meeting of the People's City Congress. The urban planning administration is currently searching for a way to change from the central command model during the period of a planned economy to an urban planning model under the market economy. The required improvements are (i) refinement of the urban planning system and strengthening of the rule of law, (ii) affirmation of urbanisation and improvement of the related systems, (iii) improvement of the national and regional land development plans and (iv) improvement of the conformity between businesses in development zones and the urban planning section.

The urban planning administration in the five case cities faces several common problems, i.e., (i) absence of a plan for a greater urban area, (ii) insufficient coordination with national plans, (iii) inflexible systems and designs, (iv) necessity to review the relationship with the land management section and (v) insufficient human resources of the urban planning section and insufficient disclosure of information to and insufficient participation of residents.

The area/city planning strategy has the following components (excluding those components of which discussion has much advanced in China).

- Promotion of a Uniform Land Use Policy

The rationalisation of land use is still a major problem. Administrative reform at the national level is in progress through coordination between national land administration by the Ministry of National Land Resources and urban planning administration led by the Ministry of Construction. The central government must seek the establishment of uniform land use administration which can satisfy both ministries.

- Formulation of Plans for Greater Urban Areas

For a mega urban area (mega city area) of which the population exceeds five million, national as well as provincial level projects and plans should be promoted regardless of its administrative boundary. A law focusing on the planning of mega city areas should be enacted.

- Promotion of Disclosure of Information Related to Urban Planning

While urban development plans which have been approved or promulgated are disclosed to the public, their access by ordinary citizens is not necessarily easy. Although land use regulations are important for citizens and investors, they are not easy to understand at present. In addition to the disclosure of the planned contents after their approval, the transparency of the planning process itself should be actively increased.

- Fostering of Provincial Core Cities

Cities other than provincial capitals should be urgently fostered to become provincial core cities. Approximately two cities in each province should be selected as provincial core cities to share various functions.

- Streamlining of Vocational Qualifications Relating to Urban Planning

Urban planning for small and medium-sized cities is often entrusted to an external urban planning and design institute. Under the current regulations, a person who is qualified as “urban planner” cannot personally apply for urban planning work as only companies with at least 20 technical staff members can apply for such work. Vocational qualifications, including those for architects and real estate appraisers, should be reviewed and streamlined to widen the choices for urban planners.

- Formulation of Wide Area Urban Development Plan at Provincial Level

At the provincial level, city and area development plans should be formulated to form multiple layers. In addition to urban development plans, area development plans focusing on specific priority issues, inter-provincial plans, plans covering river catchment areas, etc. should be formulated under the same system used for urban development plans. As the development of provincial core cities in provinces will necessitate the construction of provincial ring roads to supplement the radial trunk roads, the rough alignment of these ring roads should be determined.

- Promotion of Simplification and Transparency of Decision Making Process for Urban Development Plans

An urban planning council should be established at the national, provincial and city levels so that the urban planning administration incorporates expert opinions.

- Enhanced Response to Internationalisation as Economic Vitalisation Strategy for Medium-Sized Local Cities

Although the response to internationalisation is an important theme for medium-sized cities, there are still many “closed” cities which cannot be visited by foreigners without a permit issued by the Bureau of Public Security. The fact that some of these cities plan to invite foreign investment suggests some disarray among the various offices. It is, therefore, necessary for city governments to take the lead in the response to internationalisation.

3. Develop Urban Infrastructure

The situation of infrastructure development among medium-sized cities in Western China greatly varies from one city to another, primarily because of the fiscal situation of each city. The lack of a proper sewer system and the slow response to motorisation are, however, common to all cities. Following the introduction of the tax sharing system in 1994, the fiscal expenditure of local governments has been rapidly increasing despite reduced revenue sources. As a result, many cities have no budgetary manoeuvrability to finance infrastructure. Many cities have, in fact, rushed to introduce “a development zone”, partly to create an additional source of revenue. However, their efforts have resulted in a number of problems, including the expulsion of farmers, financial affairs which lack transparency and an increase of bad debts.

The basic strategy to develop urban infrastructure primarily emphasises three points, i.e., (i) strengthening of the linkage with the industrial promotion strategy, (ii) re-establishment of the land use system and (iii) promotion of the participation of local residents. In addition,

consideration is given to urgent or potential problems (motorisation, acceptance of migrants or people seeking work away from home and environmental conservation).

The biggest problem for the development of urban infrastructure is finance. As far as funding sources for development in China are concerned, the recent trend is of a gradual decline of the ratio of “government funding” which is being replaced by “market funding”. Government funding is characterised by a high proportion of funds raised by local governments. With the apparent petering out of government funding, the adoption of the “market-oriented” approach as well as the “privatisation” approach is necessary for the development of urban infrastructure in Western China. Many cities are, therefore, trying to adopt these approaches.

For the effective and efficient development and maintenance of high quality urban infrastructure without an excessive financial burden, “market formation” and “privatisation” should be further promoted. In other words, the five principles of (i) appropriate sharing of the development cost by different types of beneficiaries, (ii) leadership by the private sector, (iii) emphasis on the market mechanism, (iv) transfer of the responsibility and authority to local governments and (v) introduction of business concepts for private businesses should be adopted. However, special consideration should be given to not ignoring certain fields where “market formation” and “privatisation” are inappropriate.

- Formulation of High Quality Infrastructure Development Plans and Strengthening of Planning Function

An integrated medium to long-term infrastructure development plan, including a funding plan, should be formulated as a rolling plan.

- Raising of Infrastructure Development Funds for Development of Western China Through Promotion of Privatisation at National Level

It is impossible to meet the development cost of the urban infrastructure required for the development of Western China solely by funding by local governments and the private sector, making the injection of national funds necessary. To meet such a huge financial demand, state-run public utilities should be privatised in the future with a view to allocating some of the funds raised to infrastructure development in Western China. The likely public utilities are electricity, gas and railways.

- Promotion of Development of Conditions to Accelerate Market Formation and Privatisation

The trends of market formation and privatisation are making steady progress in Eastern China and the necessary conditions should be developed to make these trends take root in Western China as well. Some of the relevant measures are strengthening of the preferential measures for private sector investment issuing local bonds, the development of “a Western China model” project finance method and the creation of a Western China development and investment bank.

- Improvement of “City Management” Capability

For the development of urban infrastructure, an approach from the viewpoint of “city management” is essential. All of the stakeholders should improve their capabilities with a uniform understanding that “city management” must be achieved through the collaboration of residents, enterprises and the administration.

4. Reform the Land Use System

The proportion of flat land in China is relatively low in the light of its massive population. As the total population is still increasing, urban land must be efficiently used in the process of urbanisation in the coming years. According to one estimate, by the time that the rate of urbanisation reaches 70%, some 550 to 600 million people will have moved from rural areas to urban areas, requiring some 5.5 to 6 million ha of urban land to accommodate them. As a result, 3.5 million ha of current farmland will have been lost. The situation of land availability in China is harsher than the average picture.

The urban land use system in the People’s Republic of China has undergone a series of major changes. Firstly, land became state property in the mid-1950s (free use, unlimited use and non-transferable use). After the Reform, the right of use was separated from the right of ownership in response to the increasing demand for land and the transfer of the right of use was allowed. Presently, further improvement of the system is in progress for the purpose of managing land under the market mechanism by spreading the payable land use system nationwide while preventing the wasteful conversion of farmland.

Urban land use has two major institutional problems. One problem is that two plans are involved in land use in urban areas without proper coordination while the other is that the land expropriation system has flaws.

In China, the “land use plan” and the “urban plan” govern land use in urban areas and, from the legal point of view, the former has priority over the latter. However, there are discrepancies between these two plans, partly because these plans are under the jurisdiction of different offices and partly because of the fact that the formulation of the urban plan preceded that of the land use plan.

The biggest problem of the present land expropriation system is the large difference between the cost of land expropriation and the sales price of the land. For this reason, some local governments are eager to expropriate land to make a huge profit from expropriation and the subsequent sale of the land. As this profit constitutes income outside the normal budget, it has become a source of inappropriate spending by local governments.

The following recommendations are made to solve the problems relating to land use.

- Development of Classification and Protection System for Land for Farming

Land for farming should be classified and protected. Farmers should be compensated for economic loss caused by the protection of such land in the public interest.

- Standardisation of Land Transfer Method

In regard to farmland, three principles (voluntary, legal and payable) should be strictly observed. For the transfer of farmland, a written agreement which is signed by both parties and an audit by the competent office should be made compulsory requirements. The control of farmland transfer should be standardised with a farmland transfer registration system. For land for urban use, there should be three basic modes (transfer, lease and investment) and each mode should be standardised.

- Improvement of Land Use Master Plan at Each Level

The existing land use master plan at each administrative level should be modified to match the actual demand for land.

- Better Disclosure of Information on Land Auctions and Formulation of Land Auction Rules

The speedy disclosure of accurate and clear information on land auctions should be facilitated in view of the strict enforcement of the auction system for “land for business use”.

- Reform of Land Expropriation System

Firstly, the scope of “public interest” should be restricted to prevent improper land expropriation under the false pretext of public interest. Secondly, the land compensation standards should be raised to provide reasonable compensation for lost interest on the part of farmers. Thirdly, farmers who lose their land should be embraced under the urban social security system to guarantee the stability of their lives. Fourthly, a land expropriation body which is independent from the government should be established to ensure fair and impartial land expropriation. Fifthly, the practice of the one-time payment for the right to use land should be replaced by payment in instalments (leasing) over the period of use.

5. Create a Social Security System

The existing social security system in China consists mainly of social security and social welfare/relief and is characterised by the fact that different systems operate in urban and rural areas. In urban areas, the low subscription rate of social insurance schemes is a major problem. Efforts should be made to improve the subscription rate among private enterprises and one-man businesses and to apply the social insurance scheme to those working away from their homes in rural areas. To facilitate subscription by enterprises, various schemes should be standardised and unified to equalise the level of contribution by enterprises. In rural areas, the present situation is that the social relief system, which has been the mainstay of social security, is becoming increasingly insufficient to meet the social security needs on its own. However, the subscription rate of existing social insurance schemes, such as the rural social insurance scheme for the aged and the rural community medical care scheme is low, particularly in rural areas of Western China. In rural areas of medium-sized cities in Western China where full-time workers in primary industries account for nearly 80% of the working population, the subscription rate of the rural social insurance scheme for the aged is extremely low because contribution by town or village enterprises or local governments cannot be expected. This situation suggests the necessity to introduce a new system in correspondence with the situation of economic development in each area. In regard to

medical insurance, while it is desirable for the new type of rural community medical care scheme to spread to a wide area, various problems must be overcome for such a situation to become a reality.

Development of the social security system will not only contribute to social stability, industrial development, economic growth and the uniform development of cities and villages but will also constitute a measure to deal with the aged society which will certainly arrive in the future.

Any attempt to improve the social security system must be aware of the fact that social security has two functions. One is “the redistribution of income” to guarantee a certain standard of income for all. The other is “dispersion of the risks” whereby everyone makes some contribution to deal with potential risks. In other words, this function can be described as the group insurance function. Accordingly, social security schemes which primarily perform the function of income redistribution should basically be financed by public money (tax) while those aiming at risk dispersion should be financed by contributions by subscribers as social insurance schemes.

Based on the above understanding, the strategy to improve/develop the social security system should have the following components.

- Elimination of Dual Structure of Social Security in Urban Areas

To eliminate the dual structure of social security in urban areas (coexistence of the public sector with a high subscription rate and the private sector with a low subscription rate), (i) a social insurance scheme targeting SMEs and one-man businesses and (ii) a medical insurance scheme targeting urban workers whose family registration site is in a rural area, should be developed.

- Rebuilding of Social Security System in Rural Areas

(i) Establishment or expansion of a rural medical insurance scheme which has an income redistribution function and which corresponds to the reality of each area, (ii) promotion of subscription to an urban social insurance scheme among town or village enterprises and (iii) examination of the feasibility of a rural pension scheme assuming government contribution.

- Improvement of Existing Institutional Problems

To stabilise pension finance, (i) the rate of individual pension contributions should be reviewed following revision of the pension age and pension eligibility, lowering of pensions and increase of income for the pension scheme, (ii) pension funds should be unified nationwide and (iii) more refined calculation of pension finance should be made.

6. Improve Education in Rural Areas

Urban development is closely linked to education in rural areas because of the fact that the quality of education in rural areas must be of a certain standard for the surplus labour in rural areas to be employable in non-farming sectors in urban areas. In addition, human resources

must be developed locally in Western China where it is difficult to recruit excellent human resources with a high academic background from outside. Basic education in rural areas is the key to such development. Moreover, the quality of labour should be emphasised in accordance with the advancement of industries in the long run and the standard of education in rural areas may constitute an impediment factor for the advancement of local industries at that stage.

The present situation of education in rural areas of medium-sized cities in Western China indicates several common problems, i.e., (i) a large gap between schools in both primary and secondary education, (ii) several financial strain faced by lower governments, (iii) suppression of the number of pupils going on to upper secondary schools due to a shortage of facilities and (iv) duplication of vocational/technical schools and the short-sighted demand-driven provision of courses.

The strategy to improve the educational system in rural areas has the following components.

- Review of Financing Method for Compulsory Education

The financing method for compulsory education should be reviewed by means of (i) transferring the responsibility for payment of the compulsory education cost to higher governments and clarifying the division of contribution to the education cost between the central government and local governments, (ii) correcting the gap between schools through the fair distribution of “the school selection charge” and (iii) establishing a system where the public sector and the private sector play their respective roles and cooperate with each other.

- Improvement of the Quality of Compulsory Education

The quality of compulsory education should be improved by means of (i) levelling the quality of teaching staff through the rotation of teachers in a wide area, (ii) introducing a programme to train primary school teachers capable of teaching more than one subject, (iii) introducing a preferential treatment policy for teachers in mountainous and other remote areas, (iv) evaluating the results of compulsory education with emphasis on quality, (v) promoting collaboration between upper schools run by the state, provinces and prefecture level cities and county-level city schools, (vi) promoting the participation of parents and local residents and (vii) re-examining the school districts (school selection system).

- Creation of Vocational Educational Programmes Corresponding to Concrete Labour Demands of Enterprises

Vocational education programmes which correspond to the concrete labour demands of enterprises should be created by means of (i) providing vocational education taking the viewpoint of long-term education into consideration, (ii) facilitating public-private cooperation regarding the creation of vocational education programmes, (iii) reorganizing and integrating vocational/technical schools and introducing core programmes, (iv) expanding the enrolment of selected or recommended school leavers by vocational secondary schools to universities, (v) promoting work experience as a part of secondary education, (vi) actively using adults with rich experience as visiting lecturers, (vii) promoting the building of vocational schools which are open to local communities, (viii) holding competitions and

exhibitions on vocational education and (ix) developing higher education/training systems, including the consolidation of the evening schools of universities.

7. Reform Local Administration and Finance

The local administration in Western China faces such problems as the poor efficiency of the swollen administration, delay of the participation of citizens in urban planning and the absence of a cooperation mechanism between different areas/districts due to discrepancies between administrative areas and economic areas. The transformation to a participatory administration is necessary to improve administrative services together with the promotion of economic as well as administrative cooperation between different areas/districts. The strategy to achieve such goals has the following components.

- **Reform of Administrative Management System Through Participation of Citizens**

(i) Establishment of town management bodies, (ii) use of the private sector as a public service provider through PPP (public-private partnerships) and (iii) establishment of city administration reform committees.

- **Establishment of Area/District Federation System**

(i) Establishment of local development corporations, (ii) introduction of a wide area administration system and a wide area federation system, and (iii) establishment of a cooperation system involving the government, industries and universities.

In regard to local finance, the financial strength of local governments in Western China is generally weak. Such weak financial strength results in a vicious cycle where the inability to meet the necessary level of fiscal spending leads to a slowing down of economic development, in turn causing stagnant tax revenue and the impossibility of expanding the scale of fiscal spending. Efforts must be made to improve the financial strength of medium-sized cities in Western China to maintain disciplined finance while responding to the diverse financial needs. The relevant strategy has the following components.

- **Enhancement of Fundamental “Local Strength” Through Vitalisation of Local Economy**

In order to enhance the “local strength”, the importance of which in the development of urban infrastructure is expected to steadily grow, policy changes, institutional building and reorganization should be conducted to achieve the following five points.

- (1) Formulation of a high quality urban infrastructure development plan
- (2) Creation of a new system designating special districts for structural reform
- (3) Acceleration of the management reform of state-owned enterprises
- (4) Consolidation of human capital for long-term growth
- (5) Implementation of eight reforms to improve local finance: (i) strengthening of the fiscal basis through a variety of fund raising schemes from various sources, (ii) improvement of the efficiency of public works, (iii) improvement of the operation of the city administration, (iv) reform of the budget system with emphasis on achievements, (v) introduction of a test on market development, (vi) preparation of a balance sheet for city

finance, (vii) thorough education of city officials to improve local finance and (viii) expansion of municipal publicity activities.

- Establishment of Finance Sources Through Review of Existing Financial Transfer and Support Schemes Between Central Government and Local Governments

The existing financial transfer and support system should be reviewed to increase the subject fields for a special subsidy in Western China from the existing six fields to seven fields with the addition of the development of urban infrastructure.

- Establishment of Infrastructure Development Fund Through Creation of System to Issue Local Bonds

The issue of local bonds should be approved with some restrictions to establish a fund to cover expenditure for investment purposes by local cities. The establishment of a Western China development and investment bank should be considered to undertake the issue of bonds guaranteed by the government so that the money raised can be loaned to city governments.

- Establishment of New Finance Sources for Development of Western China

The development of Western China is a major national project requiring many years and the input of a huge amount of resources. As the existing finance sources are inadequate, the creation of a new finance system is necessary. One idea is the introduction of such new national taxes as a water source tax, gas source tax, carbon tax, etc. as basic investment sources for the development of Western China. In addition, the “external economic benefits” to be enjoyed by enterprises and residents outside Western China should, in principle, be taxed.

8. Utilize Nature and Protect the Environment

The basic strategy regarding the natural environment in Western China is the coexistence of utilisation and conservation. As natural resources constitute a relative advantage of Western China over other regions, they should be fully utilised for the economic development of Western China. At the same time, the protection and conservation of the excellent natural environment are also necessary. The basic principle should be a clear distinction between the elements of the natural environment to be developed and utilised and those to be protected and conserved.

From the viewpoint of the environment, the existing systems and policies face such problems as the wasteful use of resources, inappropriate disposal of waster after the use of resources, a low resources recycling rate, environmental measures lacking economic rationality, insufficient cooperation between city governments and insufficient development of environment-related industries. The strategy aims at achieving the integrated use of natural resources and environmental conservation and has the following components.

- Change from Production Consuming Much Resources to High Efficiency Production

Small pulp mills and metallurgical works of which the scale cannot be described as appropriate should be closed down or integrated and production technologies should be improved to facilitate a change from production consuming much resources to high efficiency production to prevent the wasteful use of resources and to reduce the environmental load.

- Creation of Recycling Society

The appropriate treatment rate as well as recycling rate of waste should be improved to save resources, to lower the production cost and to reduce the environmental load causing pollution. In regard to solid waste in particular, each city must strictly enforce the appropriate treatment of harmful waste and harmless waste, followed by the gradual progress of a system to turn waste into harmless substances or usable resources for recycling.

- Enhanced Awareness of Natural Environment Among Urban Dwellers

The participation of city dwellers in various educational activities and projects concerning the environment should be encouraged to enhance awareness of the importance of the integrated use of natural resources and environmental conservation. Environmental education should be provided for primary and secondary school pupils who will become responsible for the running of civil society in the future.

- Pursuit of Economic Rationality

It is important for any measure to deal with the natural environment to pursue “economic rationality”. PPP (the polluter pays principle) should be strictly enforced so that charges for sewerage, waste collection and other services can be set at an appropriate level.

- Promotion of Wide Area Environment Administration

The construction and operation of waste treatment and disposal facilities by individual cities increase the financial burden on each city. The joint construction and operation of such facilities by governments of neighbouring cities can achieve “economy of scale”, reducing the financial burden on individual cities. In addition, the administrative efficiency should be improved through the operation and management of various services over a wide area.

- Fostering of Environment-Related Industries

Western China enjoys such advantages as a mild climate, low labour cost, rich water supply, etc. Using these advantages, such new businesses as “the organic farming of vegetables” and “eco-farming” should be developed. As part of such efforts, composting using household waste should also be conducted. At the same time, recycling industries to make new products from waste should be fostered.

Volume 2 Development Strategies for Five Case Cities

1. Development Strategy for Dujiangyan

1.1 General Conditions of the City

Dujiangyan is located at the boundary between Sichuan Basin and Qingcang Plateau and is a county-level city belonging to Chengdu. It is located some 60 km northwest of Chengdu and can be reached by car from central Chengdu via expressway (Chengguan Expressway) in 40 minutes. The municipal area is 1,208 km² (9.4% of the entire area of Chengdu), of which mountainous areas covered by forests account for 70%. Dujiangyan was promoted to a county-level city from Guan County in 1982.

The city is famous throughout China for the Dujiang Dam after which the city is named. There is also Mt. Qingcheng which is famous as a holy site of Taoism. Both sites have been designated as 4A tourist sites by the National Bureau of Tourism and were jointly inscribed as a World Heritage Site in 2000. Because of the existence of such famous tourist sites, Dujiangyan has been designated as “an excellent tourist city in China”, “a beauty spot of national priority” and “a national historic and cultural site”. The city’s rich nature has also prompted its designation as “a culturally advanced city of China”, “an ecological model area of China” and “a hygienic city by national standards”. Furthermore, Dujiangyan is the first city in China to be granted the status of “a recommended model for the living environment”.

1.2 Outline of Development Strategy

The development theme for Dujiangyan is “*the creation of an attractive hinterland*”, i.e., *flower garden in Chengdu’s backyard*.

1.2.1 Strategic Component 1: Urban Development Strategy

Land use which is capable of continually protecting the natural environment, which is an important resource for the city, will be sought. In regard to the central part of the urbanised area, the administrative function will be moved to a new district in the long term so that the central area will perform the commercial and tourism functions. Following the relocation of the administrative function to a suburban area, the city centre will be redeveloped to create a place where urban dwellers of the greater Chengdu area and tourists can enjoy shopping, etc. while walking leisurely. The main policies, systems and projects to achieve this strategy are listed below.

- (1) Completion of general plans (land use plan and city plan)
- (2) Formulation of a forest conservation plan through the collaboration of the Forestry Bureau, Environmental Protection Bureau and Tourism Bureau and monitoring based on this plan
- (3) Formulation of building regulations for the city centre
- (4) Preparation of industrial sites outside the urbanised area in line with the expansion of residential areas
- (5) Relocation of the administrative function to a new district

- (6) Use of the former sites of administrative buildings for tourism (reproduction of an old street and the provision of land for use by the private sector)
- (7) Designation of roads along Yangliu River as pedestrian-only zones on weekends with a view to making this a permanent arrangement in the future
- (8) Development of infrastructure, including water supply and sewer systems and waste treatment facilities, in line with the development of residential areas and population increase
- (9) Construction of car parks around the urbanised area
- (10) Development of public transport to the city centre

1.2.2 Strategic Component 2: Urban Industry Strategy

Tourism will be given the status of a main industry of the city and the overnight stay of tourists in the city and the extension of tourism-related industries will be aimed at. In addition to tourism, promotion of the food processing and beverage industries and the bio-pharmaceutical industry will be aimed at in the short term while promotion of the machine processing industry (particularly the precision machining industry) and the information industry will be aimed at in the long term. A policy to promote SMEs will be emphasised as SMEs will form the development basis for the tourism, machine processing and information industries. The main policies, systems and projects to achieve this strategy are listed below.

- (1) Construction of a cultural museum of water and a cultural museum of Taoism near Dujiang Dam and a scenic site of Mt. Qingcheng
- (2) Intensified publicity of Lake Long together with the completion of Zipingpu Dam and an access road
- (3) Expansion of the range of souvenirs and service facilities for day trippers (hiking, picnic, camping and fruit picking facilities)
- (4) Intensified activities to attract MICE (Meeting, Incentive, Conference and Exhibition) tourism
- (5) Support for collaboration between hotels in Dujiangyan and hotels in Chengdu to improve the service level of local hotels
- (6) Construction of tourist facilities using the former sites of administrative buildings in the city centre
- (7) Introduction of bus routes to visit tourism locations and the city centre and a one-day bus pass for unlimited travel
- (8) Invitation of inward investment by food processing, beverage and bio-pharmaceutical enterprises
- (9) Strengthening of large-scale farming (advancement of suburban agriculture in Chengdu)
- (10) Strengthening of enterprises to supply parts to the machine processing industry

1.2.3 Strategic Component 3: Urban Environment Strategy

As the rich natural environment is an important asset of Dujiangyan, the protection of this natural environment should be emphasised. The city government should continue its dialogue with residents of Dujiangyan and the Chengdu city government on the necessary projects to protect the environment and their cost and should make the necessary financial contribution. In addition to the natural environment, local history, cultural and human resources should be considered important resources forming the characteristics of Dujiangyan and special

attention should be paid to strengthening them and also to handing them over to the next generation. The main policies, systems and projects to achieve this strategy are listed below.

- (1) Establishment of appropriate water and sewerage service charges (aiming at achieving sustainable environmental conservation)
- (2) Commencement of a project to protect water sources on the Chengdu Plain
- (3) Construction of sewage treatment plants
- (4) Introduction of a waste collection charge
- (5) Promotion of wide area environmental administration (joint construction and operation of water supply, sewerage and waste management facilities)
- (6) Establishment of waste water standards for individual enterprises to commence monitoring
- (7) Establishment of standards for the use of fertiliser to commence monitoring
- (8) Construction of infrastructure facilities in line with the relocation of the administrative function
- (9) Strengthening of the link between educational institutions and industrial circles (provision of opportunities for recruitment and exchange)
- (10) Construction of the Dujiangyan city museum

1.2.4 Strategic Component 4: City Management Strategy

It must be remembered that all of the urban development strategies ultimately aim at maximising the happiness of the citizens of Dujiangyan. The city government should endeavour to achieve efficient city management by means of pointing out the structural problems of finance to the Chengdu city government, provincial government and central government while utilising private funds, volunteers, NGOs, etc. The main policies, systems and projects to achieve this strategy are listed below.

- (1) Pointing out of problems originating from the fragile financial structure to the Chengdu city government and provincial government
- (2) Elimination of wasteful expenditure
- (3) Implementation of administrative services utilising the private sector (utilisation of private funds, enterprises, NGOs and volunteers)

2. Development Strategy for Deyang

2.1 General Conditions of the City

Deyang is referred to as “the granary of Tianfu” and has been acting as an excellent food supply base in the hinterland of Chengdu, the capital of Sichuan Province. The area boasts the production of rice wine, meat and vegetables which are essential ingredients of famous Sichuan dishes. The Shengyang District, which has played a central role in the development of the city, has rapidly developed due to the relocation of the No. 2 Heavy Machinery Corporation and the East Group as a result of the Three Line Development Policy and the clustering of city government offices following the upgrading of Deyang to city status.

The city actually consists of one district, three county-level cities and two counties. These are the Shengyang District; Mianzhu City, which is famous for phosphorous processing and rice

wine making; Shifang City, which is famous for tobacco, phosphorous processing and chemical industries and a beer company with a 70% market share in Sichuan Province; Guanghan City, of which the pharmaceutical industry and Sanxingdui, an archaeological tourist attraction, are drawing much attention; Zhongjiang County and Luojiang County. The total area and population are some 6,000 km² and some 3.8 million respectively. The district and three county-level cities form a diamond shape of some 20 km in length on each side. Some 30% of the city area is flat, suggesting huge tracts of farmland.

The main local manufacturing industries are the heavy machinery industry, food processing industry which makes the best of the local characteristic of being an excellent food supply base and the chemical industry which includes phosphorous processing. In recent years, however, a rise of the pharmaceutical, electronic, new material, apparel and natural gas-based chemical industries has been witnessed and these are called new elite industries in comparison with the three more conventional main industries. In addition, Deyang is considered to be a cluster site for the fashion industry in Sichuan Province.

The Shenyang District is located some 60 km from central Chengdu while Guanghan is within a 40 km radius of central Chengdu and is adjacent to the Qingbaijiang District of Chengdu. This corridor is called the Chengdu-Deyang-Mianyang Belt where construction projects of national priority have been implemented. The double-tracking work of the Baocheng Railway line and the construction of the Chengmian Expressway were completed in 1998 and 1999 respectively. The city area also has branch lines of the Baocheng Railway line which runs from Guanghan to Shifang and from Shenyang to Mianzhu.

Together with the development of wide area transport infrastructure, urban development is making progress. There are seven development zones where the construction of roads and bridges is taking place. Shengyang in particular gives the impression that huge usable land is available. Shengyang also gives the impression of being a rising industrial city although the development of urban functions is lagging behind. Efforts are being made to enhance the insufficient cultural environment, including the development of the Wenmiao Plaza featuring a shrine to Confucius and a stone art park using the roadside walls created by road construction work.

2.2 Outline of Development Strategy

The development theme of the city is “*the creation of an attractive industrial city*”.

2.2.1 Advancement and Diversification of Key Machine Industry

In order for each enterprise to differentiate itself from other enterprises to beat the competition, a company value chain with wide coverage, from the finding of user needs and product planning to design, production, marketing and after-service, should be established. Meanwhile, the product line of the machine industry should be diversified to create new markets centering on Western China. Candidate products include oil refining/petrochemical equipment, organic/non-organic chemical equipment, food processing equipment, ceramic/building material equipment, pulp/paper-making equipment and pollution control/recycling equipment. The main policies, systems and projects to achieve this strategy are listed below.

- (1) Establishment of a joint study group with enterprises
- (2) Establishment of company value chains and policy to support product diversification and other business efforts
- (3) Fact-finding study on related supporting industries and measures to promote and assist the clustering of metal processing enterprises which support the machine industry

2.2.2 Creation of Group of New Industries and Comprehensive Support for New Businesses

The creation of a group of new industries should be aimed at by promoting knowledge-intensive type industries producing products using state of the art technologies, creative products and products based on unique technologies. In such industrial fields as IT, pharmaceuticals, fashion and new building materials, enterprises producing these products should be promoted. A comprehensive system to support new businesses, including an innovation centre, venture capital and a preferential system for R&D activities, should be developed to encourage spinning out from large enterprises and researchers of universities and research institutes who want to establish their own independent businesses as such businesses are important harbingers of new industries. The main policies, systems and projects to achieve this strategy are listed below.

- (1) Policies to establish a coordinating body for industrial activities and to consolidate an incubation centre
- (2) Incorporation of the promotion of the relocation of research institutes, universities, etc. in a greater urban area plan
- (3) Establishment of a headquarters to promote the inward investment of large enterprises
- (4) Policies to attract and support knowledge-intensive industries and to assist the creation of a group of new industries

2.2.3 Support for SMEs

Active efforts should be made to create a network of industrial associations, to establish a credit guarantee system and to establish a SME service centre of which the functions include business diagnosis, business guidance, consultation, training of executives and workers and the dispatch/introduction of various BDSs (business development services). The establishment of a viable system of collaboration with the private sector will be particularly important. The main policies, systems and projects to achieve this strategy are listed below.

- (1) Establishment of a SME service centre
- (2) Development of national and provincial government subsidy/grant systems

2.2.4 Development of Sanxingdui and Attraction of Tourists Over Wide Area

It appears that a plan to develop various facilities is already being considered for Sanxingdui. Efforts to turn the entire area (12 km²) of this historic spot into a park, including an excavated site, should proceed with the cooperation of the Sichuan provincial government and the central government. In addition, the construction of a new national road between Mianzhu and Jiusaigou would incorporate Sanxingdui in a round trip of Chengdu, Jiusaigou and Huanglong. Furthermore, the Japanese concept of “roadside stations” (rest facilities

providing meals, special local products and an information service for road users) should be introduced with a view to the construction of rest facilities along with the construction of roads.

- (1) Development of Sanxingdui area and its inscription as a World Heritage Site
- (2) Establishment, publicity and promotion of a film commission office
- (3) Development of a national road between Mianzhu and Jiusaigou and of “roadside stations”.

2.2.5 Historical Sites of Ancient Shu and Tales of Three Countries and Formation of Network of One Town - One Product for Tourism

Historical sites relating to the ancient Shu and the Tales of Three Countries are scattered in the area. The route linking these sites should be developed by the relevant local public bodies and should be publicised as “the Ancient Shu and Tales of Three Countries Highway”. The local tourism association and other bodies for the promotion of tourism should be consolidated and one town - one product tourism should be promoted through the networking of tourism sites. As the development of facilities related to tourism, such as hotels, restaurants, souvenir shops and workshops to produce souvenirs, is important to increase the number of visiting tourists, technical, financial and managerial assistance should be provided from the viewpoint of promoting SMEs as in the case of manufacturing industries.

- (1) Development of a database on the ancient Shu and Tales of Three Countries and improvement of the tourist routes (information boards, site museums, etc.)
- (2) Formation of a one town – one product tourism network
- (3) Policies to strengthen the local tourism association and to support SMEs involved in tourism industries

2.2.6 Consolidation of Central Commercial District and Service Industries

The commercial district in the city centre should be consolidated, including the formation of streets lined with shops specialising in fashion, etc. and restaurants. At the same time, an information service using a town magazine, etc. should be actively provided together with marketing surveys to create a busy city centre with rich culture.

- (1) Formulation of a plan to consolidate the commercial district in the city centre and implementation of measures to attract and support shops
- (2) Implementation of measures related to the formation of urban axes along Changjiang and Lake Sheng
- (3) Provision of an information service through a town magazine, etc. and the preparation and publicity of a sightseeing map for the city

2.2.7 Fostering of Suburban Agriculture

With the progress of urbanisation, people increasingly begin to prefer healthy food. The types of agricultural products in the market should be examined and the market for organic, green and unpolluted food in Chengdu should be analysed. Healthy local pigs can be made into a brand. Feasible measures to support suburban agriculture include the provision of

education for farmers, nurturing of leaders, formulation of local standards for agricultural products, provision of group loans to secure a means of transportation, opening of an antenna shop in Chengdu and the launch of a home page.

- (1) Analysis of the potential market for organic and unpolluted food
- (2) Measures to nurture leaders of farmers, to implement quality control and to create local brands
- (3) Measures to support the establishment of a distribution system

2.2.8 Encouragement of U-Turn by Excellent Persons and Promotion of Industries Utilising Local Resources

A bio high-tech enterprise in Zhongjiang County is run by a local person who used to have an important position outside the province but who has made a U-turn to return to his home town. This enterprise employs local people and has contracts with local farmers to cultivate crops for the enterprise. Using this example as a model, industries which utilise local natural resources should be promoted and the U-turn of local people should be encouraged to lead these industries.

- (1) Measures to encourage investment in industries which utilising natural resources
- (2) Measures to support U-turns
- (3) Measures to support networking

2.2.9 Promotion of Division of Functions in Greater Chengdu Area and Cheng-De-Mian Belt

Based on the division of functions in the greater Chengdu area, the housing, industrial, educational, R&D, tourism and other functions should be selectively assigned to different areas and should then be further consolidated. In view of the rapidly increasing enrolment rate of universities in particular, universities and research institutions should be actively developed or attracted in an anticipatory manner.

- (1) Formulation of a wide area development plan for the greater Chengdu area and others jointly with other organizations concerned
- (2) Establishment and attraction of universities and research institutions
- (3) Attraction of high-tech industries and information industries
- (4) Promotion of the city's development as a city for research and educational activities
- (5) Formulation of a plan to supply suburban type housing for a large city and the development of residential areas with diverse characters as well as the related environment

2.2.10 Anticipatory Development of Public Transport System

The section of the Baocheng railway line between Chengdu and Deyang should be transformed to a modern suburban railway line. Using this line as the trunk axis with the South Station acting as the key passenger station, the bus service in the suburban Shengyang area should be expanded. An integrated transport plan for the suburban Shengyang area

should be formulated, including the road transport network, and the development of the transport system in line with this plan should be promoted.

- (1) Formulation of an integrated transport plan
- (2) Request for the modernisation of the Baocheng railway line to an urban railway line and conversion of the South Station to a passenger station to the bodies concerned
- (3) Development of public transport bases

3. Development Strategy for Dali

3.1 General Conditions of the City

Dali is situated some 400 km west of Kunmin, the capital of Yunnan Province, in the western part of Yunnan Province and is a county-level city providing the seat for the capital of the autonomous Dali Prefecture (one city and 11 counties). The total population in 2003 was 584,000, of which the Bai ethnic group accounted for 64.0%. In the Tang period and the Song period, it was the main city of the country of Nanzhao (738 – 937) and Dali (937 – 1253) respectively. Until the relocation of the administrative centre to Kunmin during the Yuan period, the city was prosperous for 500 years as the centre of the Yunnan area. The city is located in a mountainous area and the elevation of the city centre is as high as 1,976 m. Owing to this high altitude, the climate is mild throughout the year and agriculture is the main local industry. The city enjoys beautiful scenery with Lake Erhai located at the centre of the city and the Cangshan Mountains running north-south for 40 km at the western edge of the city. As such, the city is one of the most well-known tourist sites in China. The city also occupies a strategic position in the transport network in Western China and is served by expressways (Kunmin-Dali and Dali-Lijiang), a railway line (Guangzhou-Kunmin-Dali) and Dali Airport.

The development strategy for Dali should utilise such local resources as the history of Nanzhao and Dali, the ethnic culture of the Bao, the abundant nature and gentle climate and sites of scenic beauty.

3.2 Outline of Development Strategy

The development theme for Dali is “*the creation of Dali as a utopia of the 21st century based on lessons from the past*”. The development strategy has the following six components to achieve the basic theme.

3.2.1 Strategic Component 1: Coordinated Development of Urban and Rural Areas Around Lake Erhai

The aim here is to enlarge Dali as a medium-sized city with a current population of 200,000 to a large city with a population of more than 500,000 by 2020. In order to achieve this target, ecological land use should be strictly observed while following the principles governing urban space in Dali which has historically developed from a fort city to a city of beauty and further to a city of the Bao people to make Dali a unique city.

To facilitate the coordinated development of urban and rural areas around Lake Erhai, the three main policies of “zoning”, “urban planning” and “rural planning” should be promoted. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Zoning (zoned development): realisation of a one lake, two lines, two zones initiative
 - (i) Distribution of multiple core type urban functions around Lake Erhai, (ii) formulation of land use regulations based on ecological zoning, (iii) establishment of multi-layer living zones and the systematic distribution of public facilities, (iv) promotion of the development of a road network linking various parts of the city
- (2) Urban planning (urban development): construction of a compact, high density city
 - (i) Early review of the existing master plan for Dali, (ii) introduction of development and other areas of an appropriate size and (iii) participatory implementation of an urban development plan
- (3) Rural planning (rural development): restructuring of the relationship between urban and rural areas
 - (i) Integral development of agriculture, villages and the environment to create pleasant rural living zones, (ii) promotion of the development of such social infrastructure as transport and lifelines in rural areas and (iii) promotion of agriculture, forestry and rural industries and the development of various industries utilising local resources

3.2.2 Strategic Component 2: Upgrading of Dali to Major International City

In addition to being the main city of the autonomous Dali Prefecture, Dali enjoys geographical advantages as a major city in the huge Western China area as well as an international city in the Yunmian area. By making the best use of these advantages, conscious efforts should be made to realise the three city statuses included in the Outline and indicated below.

In order to upgrade Dali to an international city serving a wide area in Western China, three main policies featuring a “municipal plan”, “regional plan” and “internationalisation plan” should be promoted. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Municipal plan (Zone 1): upgrading of Dali to a prefecture-level city
 - (i) Promotion of mergers and incorporation to make the catchment area of Lake Erhai an environmental administration block, (ii) establishment of the core city of Dali Prefecture (strengthening of the functions of the prefectural capital) and (iii) realisation of the “one hour transport zone initiative” where the travelling time by road to Dali from all towns which are the seat of the county government is within one hour through the development of the local trunk road network linked to National Routes 214 and 320
- (2) Regional plan (Zone 2): formation of Dali as a city serving a wide area in Western China
 - (i) Formulation of a plan to develop a large administrative region in Western China, (ii) promotion of the accumulation and attraction of administrative, economic, financial, educational, scientific and cultural functions to enhance the core city functions and (iii)

development of wide area transport and telecommunication networks linking Dali to the seven neighbouring areas

- (3) Internationalisation plan (Zone 3): formation of an international city in the Yunmian area
 - (i) Promotion of international contribution as a host city for international exchanges with countries in the Indo-China Region which borders Yunnan Province, (ii) attraction and accumulation of international gateway functions (development of urban infrastructure as the southern base of China for international exchanges to create a city of international exchanges of the 21st century and (iii) establishment of international transport and information networks involving roads, railways, water channels and air routes

3.2.3 Strategic Component 3: inheritance of history to create a Dali culture of high quality

As a historic and cultural city, Dali should be further advanced utilising both the historical uniqueness of the country of Nanzhao and the country of Dali and the diverse cultures of ethnic minorities centering of the Bao for the purpose of creating a representative advanced cultural city of high grade and quality in China.

The two principal policies of “the preservation of history” and “the formation of culture” should be promoted to properly inherit the history and to create a Dali culture of high quality. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Preservation of history: preservation of the history of Dali and learning of lessons from the past
 - (i) Promotion of interdisciplinary and scientific historical surveys incorporating archaeology, history, folklore, municipality studies, architecture, cultural anthropology, sociology, etc., (ii) promotion of the protection of cultural assets in Dali and conservation of the historic environment based on knowledge obtained by the historical studies and archaeological surveys mentioned above and (iii) promotion of inscription to the World Heritage List, creation of a scenic park at the former fort site and development of the ancient Dali fort, the old Xizhou fort, etc. to actively utilise the findings of historical studies and archaeological surveys and the historical heritage of Dali, including cultural assets and the historical environment
- (2) Formation of culture: creation of a new Dali culture making the most of the local character
 - (i) Preservation of the identity of local ethnic groups (preservation and inheritance of tradition), creation of “Dalilogy (the Study of Dali)” as a prime mover for the creation of a new Dali culture and (iii) creation of “Dali University” to educate subsequent generations to develop Dali

3.2.4 Strategic Component 4: Permanent Preservation of Natural Features and Heritage of “Precious Lake and Shining Mt. Cang”

Dali is blessed with excellent natural, historical and cultural environments and beautiful scenery. Accordingly, it has a national class nature reserve and places of scenic beauty and is designated as an important historic and cultural city. Conscious efforts should be made to

make Dali become an eco-city to ensure its sustainable development while preserving these advantages in the years to come.

The two main policies of “environmental conservation” and “the creation of a beautiful landscape” should be promoted to permanently preserve the local heritage of “Precious Lake and Shining Mt. Cang”. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Environmental conservation: leaving Lake Erhai and Mt. Cang of which Dali is proud to posterity
 - (i) Promotion of the environmental conservation administration representing advanced cultural beliefs worthy of Dali’s claim to be an international city for cultural exchange,
 - (ii) promotion of the protection of Lake Erhai and conservation of the natural environment and (iii) promotion of waste and pollution control measures and environmental education for the purpose of creating a recycling society, introduction of clean energies and support for the development of environmental industries
- (2) Creation of a beautiful landscape: preservation of the beautiful scenery provided by the lake, Mt. Cang and ancient forts
 - (i) Strict management of national class beauty spots, (ii) promotion of conservation projects for the beautiful landscape and (iii) creation of an individualistic and attractive urban landscape worthy of Dali’s status as an international cultural city

3.2.5 Strategic Component 5: Multi-Layer Industries Utilising Local Characteristics

Utilising “the geographical advantages” and “the unique climate and history” of Dali, the early realisation of a well-off society and a further leap to an affluent society should be aimed at through the rapid acceleration and increase of the production value while readjusting the industrial structure and strengthening the industrial linkage.

Four categories of industries, i.e., “local industries”, “manufacturing industries”, “commerce and distribution” and “urban industries”, should be promoted for Dali to grow as “a multi-layered industrial city”. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Promotion of local industries (agriculture)
 - (i) Review of the diverse local resources and conservation/advanced use of plant genes,
 - (ii) promotion of the establishment of “the Dali brand” for organic/green/unpolluted agricultural products and their processed products and (iii) establishment of a marketing network involving producers and urban dwellers
- (2) Promotion of manufacturing industries
 - (i) Promotion of existing manufacturing industries by means of the development of a food processing base centering on beverages, (ii) fostering of new industries and development of their markets and (iii) introduction and promotion of an industrial development zone

- (3) Promotion of commerce and distribution
 - (i) Creation of a distribution centre linking production bases for agricultural and processed food products in Dali to markets covering a wide area, (ii) establishment of a strategic distribution network targeting the Indo-China market and (iii) promotion of the establishment of commercial areas, expansion of the commercial zone and development of commerce
- (4) Promotion of urban industries

Creation of industries specialising in urban development and urban services to meet the future demand for the construction of urban infrastructure and urban services for citizens while aiming at forming a large city with a population of 500,000 plus

3.2.6 Strategic Component 6: Development of Dali as City of International Tourism and Cultural Exchange

As a tourism city utilising the diversity of its natural, historical and cultural resources and its beautiful scenery, Dali should be further advanced and developed through the creation of a representative high quality tourist industry in China to play a part in the city's key industries. A new cultural industry to be referred to as "the Dali brand culture" should be developed along side the tourism industry to form a national as well as international base for information and cultural exchange. Two industries, i.e., the "tourism industry" and the "culture industry", should be promoted to develop Dali as a city for international tourism and cultural exchange. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Tourism industry: formation of an international tourism and resort city
 - (i) Strengthening of the tourism administration and promotion of measures and projects to extend the economic knock-on effects as well as employment effects of the tourism industry to the maximum, (ii) market surveys to increase the number of tourists from other parts of China and from abroad, strengthening of the publicity system and promotion of new measures and projects to form an international tourism and resort city, (iii) diversification of tourist attractions through the reorganization of tourism resources and the creation of new sightseeing routes, promotion of efforts to double the length of stay following the diversification of tourist attractions, formation of an international network to boost tourism in Dali and (iv) promotion of the construction of a provincial class tourism resort at the foot of Mt. Cang and diversification of the types of accommodation (guest houses, resort hotels, etc.)
- (2) Culture industry: formation of "the Dali culture brand" as an information base
 - (i) Promotion of the development of "an intellectual exchange industry" of the 21st century in the fields of education and science using the geographical advantage of proximity to countries in the Indo-China region, (ii) promotion of "the sports industry" using the sub-tropical highland climate and based on such past sporting events as the Qixing International Cross-Country Meeting (1998) and the Beijing Hualian Cup Triathlon Meeting (2002) and (iii) promotion of "the culture information industry" involving films, publications and media using the nationally well-known status of the city as the stage for the film "Wu Cai Jin Hua" (1959) and the novel and television programme "Tianlong Ba Bu" (1994)

4. Development Strategy for Yuxi

4.1 General Conditions of the City

Yuxi consists of eight counties and one district with a total area of 15,285 km² and a total population of 2.07 million. Hongdong District covers an area of 1,004 km² with a population of 388,000 (2002). The size of the population and the urbanisation rate (ratio of the non-agricultural population) in Hongdong District have both been increasing since 1990. The GDP per capita of this district is nine times higher than that of the average GDP per capita for Yunnan Province. Within the district itself, the annual income per capita in urban areas is three times higher than that in rural areas and eight times higher than that in such rural counties as Xinping and Yuanjiang, indicating a large income gap between urban and rural areas. The local nature and life are diverse and rich as a result of the large rise in the elevation by 1,630 m in Hongdong District and more than 3,000 m in the city. Three lakes constitute important tourism resources.

Yuxi has an extensive road network, including National Route 213 and the Kunyu Expressway between Kunming and Yuxi, boasting the highest road density (92 km/100 km²) in Yunnan Province with high quality expressways and roads of higher grades.

The GDP of Hongdong District in 2002 was RMB 18.2 billion. The tobacco industry accounted for 69% of the city's GDP in 1996 and 50% in 2002, indicating the mono-culture of tobacco in the city's industrial structure. The city's total revenue is RMB 2.2 billion, of which 80% comes from the tobacco industry. There are 42 small ironworks in the city and the local metallurgical works and cement factories are also mainly small. The local horticultural industry produces lilies, roses and orchids, more than 70% of which are exported to Japan, Hong Kong, the USA, etc. Yuxi annually exports some US\$ 120 million worth of yellow phosphorous, flowers and processed agricultural products. In 2003, Myanmar was the largest importing country, followed by Japan.

Yuxi has a total of 931 schools in primary, lower secondary and higher secondary education with a total of some 400,000 pupils. At present, the upper secondary education enrolment rate is 40% but the city aims at increasing this rate to 80%. Hongdong District has some 10 private hospitals together with many small clinics.

4.2 Outline of Development Strategy

The development theme for Yuxi is "*a model green city*". It is proposed that the future image of the city should be that of a city with balanced development "between the economy and the environment", "between urban areas and rural areas" and "between different areas of the city", taking the development potential, pending tasks and existing plan of the city into consideration. With balanced development in these three aspects, Yuxi should be referred to as "a model green city" and the development strategy for Yuxi should aim at "creating this model green city". Here, "green" implies pioneering status in "environmental conservation, ecological care and recycling" while "model" implies that Yuxi will become a model, pioneer and centre for "ideal socioeconomic development" in Yunnan Province.

This strategy of creating a model green city aims at achieving “coexistence between urban areas and rural areas and coexistence with nature”, “the development of new key industries”, “coexistence of the economy and the environment” and “a gateway to the ASEAN region”.

The sequence to achieve this strategy of creating a model green city consists of three stages of extension: from Hongdong District to the three lakes area, then to the western part of the city and finally to neighbouring cities and villages in Yunnan Province. The initial balanced development of Hongdong District will be extended to the three lakes area and further to the western part of the city to achieve the balanced development of urban areas and rural areas of the city. This three-pronged balanced development throughout the city will then be extended to neighbouring cities and villages in Yunnan Province, stimulating their development.

From the spatial point of view, this development strategy envisages the realisation of “coexistence between urban areas and rural areas”, “a gateway to the ASEAN region” in Hongdong District and its surrounding area, “coexistence between the economy and the environment” near the three lakes and “coexistence with nature” in Yuanjiang and Xinping counties.

As a result of such development, Hongdong District of Yuxi will become “a busy town” as the centre of a garden city while the three lakes area will form an eco-city. Meanwhile, Yuanjiang and Xinping Counties will form sub-centres coexisting with nature. In this manner, the city of Yuxi will be developed on the basis of three pillars. The following strategic components are proposed to achieve this “model green city”.

4.2.1 Coexistence Between Urban Areas and Rural Areas and Coexistence with Nature

Strategic Component 1: Creation of Garden City Consisting of Urban Areas of Hongdong District

The proposed development image for Yuxi is not that of a large city full of concrete buildings but that of “a garden city” where rural areas exist within the city boundaries or where urban areas exist with rural surroundings. This coexistence between urban areas and rural areas should firstly be realised in Hongdong District. As the central part of Hongdong District is formed by a basin with little scope to accommodate a larger population, a larger urban centre consisting of Gaocang, Yanhe, Chunhe and Jiqi Towns should be created in Hongdong District to form a garden city where areas of concrete buildings and rural areas coexist. The creation of this “garden city” in terms of its landscaping, cultural development and urban planning should be jointly conducted by the administration, shop owners and citizens. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Conceptualisation of a garden city with the participation of citizens
- (2) Formulation of a master plan based on the garden city concept

Strategic Component 2: Development of Western Part of the City (Yuanjiang and Xinping Counties)

Caojiang Town of Yuanjiang County should be given the function of acting as a sub-centre for the development of Yuxi to stimulate the development of the two western counties of

Yuxi. In this sub-centre, the functions to develop tourism and transport currently performed by the county government should be strengthened as a matter of priority. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Development of tourism areas using the ethnic culture
- (2) Development of the necessary conditions for eco-tourism
- (3) Establishment of public service facilities, including tourist information centres, local hospitals and schools

4.2.2 Development of New Key Industries

Strategic Component 3: Mining Industry, Power Industry and Creation of Green Cluster

Using the accumulated technical expertise of the tobacco industry, existing industries and new industries should be developed to create key industries to support the tobacco industry. The first priority should be the development of the mining and power industries, followed by the creation of a green cluster consisting of metal processing enterprises and others in Tonghai County. Through the creation of this cluster, a business environment in which SMEs form cooperatives or associations to improve their product quality through the exchange of information and competition should be developed. A green cluster here means a cluster of various industries to develop “eco-products” through the implementation of “eco-processes” in addition to the development of joint businesses. In the case of tobacco-related industries, their growth as supporting industries for the Hongdong Group, which is now exposed to international competition following China’s participation in the WTO, should be encouraged. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Development of the mining industry centering on iron, nickel, copper and phosphorous while taking the environment into careful consideration, construction of hydropower generation plants and expansion of the transmission network with due care of the local ecosystem
- (2) Formulation of Yuxi municipal standards for eco-products, eco-processes and eco-industries and preparation of an action plan for each type of industry for the staged enforcement of these standards by 2010 and then 2020.

Strategic Component 4: Promotion of Tourism

The basic concepts for the development of tourism should be “coexistence with nature” (Yuanjiang and Xiping Counties), “coexistence of different ethnic groups” (throughout Yuxi), “coexistence with history” (areas around the three lakes) and “coexistence with religion” (Mt. Zhong). Lake Fuxian should be appealed as “the Green Blue Lake”. Hongdong District and areas around the three lakes should be considered the axes for mass tourism, targeting residents of Yuxi, Kunmin, etc. Areas which are inhabited by minority groups in Yunjiang and Xiping Counties should undergo the high quality development of tourism, including the display of unique ethnic traditions and culture for tourists with special interests, i.e., special interest tourism (SIT), avoiding vulgarisation due to mass tourism. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Consultation and agreement on the desirable course for the development of tourism among tour operators, hotels, restaurants, the administration and other stakeholders
- (2) Construction of such facilities as a convention hall, exhibition hall, golf course, amusement park, resort homes, etc. in areas around the three lakes and construction of accommodation facilities for visitors with a special interest in ethnic minorities (promotion of SIT)

Strategic Component 5: Creation of Unique Shopping Streets

As a policy to promote commerce as well as to improve the living standard of citizens, the upgrading of commerce should be attempted in response to the bipolarised trend of local consumption by high income and low income groups. Concrete measures are the creation of unique shopping streets which are differentiated from those in Kunmin and the introduction of GMS (general merchandise store) to meet diverse consumer needs. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Creation of a town building study team by the city government and establishment of a shop owners' association for each shopping street to discuss the relevant issues
- (2) Establishment of associations of commercial businesses in Yuxi to discuss the desirable future for commerce in the city
- (3) Study visits to other cities

Strategic Component 6: Added Value for Agriculture

There is a possibility that farmers can substantially increase the level of their income if they are involved in not only production but also processing, transportation and retailing to achieve high added value. Such involvement will also create employment opportunities in rural areas. Agricultural product processing and marketing projects should, therefore, be actively promoted. Moreover, businesses involving green agricultural products should be developed at home and abroad. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Development of environment-friendly businesses to produce agricultural products
- (2) Implementation of the Yuxi green foods project (formulation of criteria for the launch of the "Yuxi green foods" project, establishment of a system to implement the "Yuxi green foods project" and requests to department stores, supermarkets and retail stores to sell "Yuxi green foods")

4.2.3 Coexistence Between Economy and Environment

Strategic Component 7: Environmental Conservation of the Three Lakes

A group of eco-cities should be created around the three lakes. The development of Lake Fuxian should ensure the prevention of environmental contamination to achieve the coexistence of tourism and the environment. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Implementation of contamination control measures for the three lakes and monitoring of the water quality
- (2) Greening
- (3) Development of tourism

Strategic Component 8: Establishment of Recycling Society in the City

Yuxi aims at becoming “a national model city for environmental protection” by 2005 and at establishing “an eco-city system” by 2020. These aims represent an attempt to realise a future city with an excellent environment away from a mass production, mass consumption and mass disposal society. Effective concrete measures should involve (i) the saving of resources, reduction of the production cost and alleviation of the environmental load through improvement of the appropriate waste treatment/disposal rate and recycling rate and (ii) gradual advancement of efforts to make waste harmless or to turn it into resources and to recycle reusable waste. The main policies, systems and projects to achieve this strategic component are listed below in addition to “cleaner production”, “zero emission”, “use of waste” and “fostering of recycling industries” in the industrial sector.

- (1) Green consumption in urban areas
- (2) Separation and recycling of household waste
- (3) Composting of organic waste through cooperation between urban areas and rural areas

4.2.4 Gateway to ASEAN Region

Strategic Component: Strengthening of Export and Distribution Functions of Yuxi South Station

The distribution centre (Yuxi South Station) currently planned by the city government should aim at establishing itself as a hub linking railway and road transportation, acting as a gateway to the ASEAN region. In order to achieve this objective, the centre should have the dual functions of a railway freight transfer station and a distribution centre for road transportation. Moreover, this centre should be developed not only as a hard distribution base but also as an information hub where market information is accumulated. The main policies, systems and projects to achieve this strategic component are listed below. In regard to the three tasks listed below, the central government should provide assistance for the Yuxi city government in terms of permission for foreign exchange banking, introduction of a customs office, permission for inland customs clearance and coordination with the Ministry of Railways.

- (1) Strengthening of the financial function (remittance, settlement and foreign exchange services)
- (2) Strengthening of the inland customs clearance function
- (3) Examination of the possibility of setting up a transfer yard between railway and road freight services

5. Development Strategy for Huaihua

5.1 General Conditions of the City

Huaihua is a second-class administrative area (prefecture-level city) located in the western part of Hunan Province and is composed of two districts, one city and 10 counties with a total area of 27,624 km² and a total population of 4,898,300 (2002). The local climate ranges from sub-tropical to temperature and the mean annual rainfall is 1,650 mm.

Huaihua was originally born following the extension of railway lines and the Xiankin Line running east to west and the Jiaoliu Line running north to south cross each other in the central part (Hechong District) of Huaihua. In addition, the Yuhuai Line, the third 600 km-long railway line linking Chongqing and Huaihua, is expected to commence service. Three expressways, including one currently being constructed, are planned and the completion of the airport which is currently being constructed (test flights were scheduled to take place towards the end of 2004) will certainly strengthen the character of Huaihua as a strategic point of the transport network. Traditional transportation by water using rivers is also still conducted. The share of each mode of transportation in the total transportation volume of goods is 81% for roads, 15% for railways and 4% for rivers (2002).

Huaihua's GDP in 2002 was RMB 23.5 billion and the GDP per capita was RMB 4,798. By type of industry, the shares of primary, secondary and tertiary industries are almost even at 33%, 32% and 35% respectively. Farmland only accounts for less than 10% of the total land area with an average farming area per household of a mere 0.23 ha. Forests cover 65% of the municipal area of Huaihua and the forestry/forest product industry is one of the four major local industries. Local industrial activities are led by the electricity and energy industry primarily consisting of hydropower generation, followed by non-metal mining, refining of non-ferrous metals, pharmaceuticals, synthetic fibres and wood/bamboo processing.

The principle economic development target of the city in the Tenth Five-Year Development Plan is the promotion of secondary industries, especially manufacturing industries, and the relevant strategy assumes bold reform of the industrial structure to realise a shift of labour from primary industries. To be more precise, the production share of primary industries is expected to be reduced from 35.6% (1995) to 18% (2005) while the corresponding share of secondary industries is expected to increase from 29.8% (1995) to 42% (2005). The annual growth rate of industrial production in the plan period is set as high as 13.8%. Industrial development is considered to be the most important theme for economic development and the pharmaceutical industry, forestry, the fibre industry (including the pulp and paper industry) and the development of electric power are given priority status. Meanwhile, agriculture is expected to grow at an annual rate of 4%, indicating the planners' intention of maintaining agricultural production with a reasonable growth rate while proceeding with structural reform. The GDP per capita is expected to grow at 8.6% a year. The target urbanisation rate is 28%.

In the social, public welfare and environmental aspects, the growth rate of the disposal income per capita is set at 5.7% for urban dwellers and 8.0% for farmers. However, the income level is RMB 6,800 for the former and RMB 2,600 for the latter, indicating an income gap of 2.6 times between these two groups. In regard to urban development, the urban

greening rate is expected to increase from 12% to 16% while the target rates for waste water treatment and solid waste treatment are 30% and 50% respectively.

5.2 Outline of Development Strategy

The development theme for Huaihua is “*a model city for the intensive use of sustainable resources*”.

5.2.1 Basic Concept of Development Strategy

Located at the centre of the Xianxi area and originally established with the construction of a railway terminal, Huaihua is the central city in the inter-provincial outlying area stretching over five provinces. The basic concept of the development strategy for Huaihua is the formation of an affluent and fair civil society in the economic zone composed of the above-mentioned area through the utilisation of its unique history and culture and the development of sustainable industries which are in harmony with the natural environment while adopting the basic goal of achieving the stable lives and sustainable progress of all local residents, including many minority ethnic groups.

5.2.2 Economic Development Strategy: Huaihua, the City of Forestry

The economic development of Huaihua based on unique local industries should be sought in a radical manner with a view to spreading and establishing a clear image of Huaihua nationwide. With the four sub-sectors (pharmaceuticals, forest-based industries, power/energy and fibres) primarily promoted by Huaihua as four key industries in the Tenth Five-Year Development Plan in mind, forest-based industries are proposed as the strategic industries with the highest priority.

- Promotion of forest-based industries as the principal industries of Huaihua (strategic component with the highest priority)

The targets of this strategic component should be (i) the development of the pharmaceutical industry using bio-materials produced by the diverse vegetation and unique ecosystem fostered by the rich forests in the area, (ii) industries utilising wood produced by sound forest management, (iii) power generation/energy industries using the water resources maintained by forests and wood produced by forests as fuel and (iv) pulp, paper and fibre industries using forest resources as raw materials. Given the diversity of forest-based industries, the following projects and issues should be prioritised.

- (1) Systematic creation of manmade forests and establishment of an integrated management system
- (2) Establishment of a botanical laboratory and a seed centre to study suitable tree species
- (3) Formulation of a wood-based bio-energy development plan
- (4) Introduction of foreign capitals to planting projects through the application of CDM (Clean Development Mechanism)
- (5) Establishment of transportation infrastructure and system for wood and wood products
- (6) Manufacture of new wood products for export
- (7) Construction of large pulp and paper factories which use the latest technologies

- (8) Culture of materials for Chinese herb medicines
- (9) R & D on other forest-related products

- Plan to integrate small-scale hydropower energy development and bio-energy (related strategic component)

Focusing on the rich water resources and biomass, small-scale hydropower generation and biomass power generation by private enterprises should be encouraged.

- Expansion of the market through the construction of a distribution centre and optimisation of the distribution system (priority strategic component)

In line with the expansion of the expressway network, a modern distribution centre should be constructed to further enhance the special feature of Huaihua as the central city for distribution and commerce in the inter-provincial outlying area. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Creation of a distribution centre
- (2) Study on the potential to develop an extended sphere of commerce and desirable distribution system with a view to expanding remote markets
- (3) Modernisation of the commercial district in Hechong District

- Increase of the added value of agricultural products (strategic component to promote agriculture and the processing of agricultural products)

The local food processing industry should be expanded to improve the processing rate of easily perishable crops and fruits while establishing a marketing system to promote the sale of processed products and developing the transportation infrastructure. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Study on the food processing industry in the city to find products with marketing potential and to establish a system to supply information on such products
- (2) Study on the transportation system and packaging methods for agricultural products and processed agricultural products
- (3) Introduction of international standards for the quality control of food processing (HACCP: Hazard Analysis and Critical Control Point)

- Development of cultural resources of ethnic minorities to promote tourism (strategic component relating to the development of tourism and culture)

Tourism should be promoted utilising the cultural resources of ethnic minorities and the historical remains in the city. A network incorporating well-known tourism sites in the neighbouring area should be developed to boost tourism. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Establishment of a tourism network with Zhangjiajie, Guilin and Guiyang
- (2) Conservation of the traditional culture and cultural heritage through activities to develop tourism

(3) Restoration of the ancient Hongjiang fort and the development of tourism featuring the fort

- Development of improved access to domestic and foreign markets (strategic component to promote external trade)

The marketing of local products to domestic and foreign products should be promoted to develop local industries in Huaihua, particularly marketing industries. The main policies, systems and projects to achieve this strategic component are listed below.

- (1) Study on the marketability of traditional products and their marketing
- (2) Development of new products for sale in domestic and foreign markets (re-assessment of local resources and study on their application to produce new products)
- (3) Establishment of an access method for market information and development of a market information database

5.2.3 Social Development Strategy: Urban Development and Citizens' Movements Aimed at Making Huaihua a Pivotal City in Central West

- Image of urban development and landscape design (urban development strategy)

The image of Huaihua as “a city with forests and rivers” should be realised. The main policies, systems and projects to achieve this strategy are listed below.

- (1) Restoration of clean rivers (by means of river bank repair, river bed dredging, development of the sewerage system, etc.)
 - (2) Development of a pleasant landscape through the creation of footpaths along river banks
 - (3) Development of a waste treatment system and separation of waste for collection
 - (4) Greening movement
- Citizen's movements to assist urban development (civil society formation strategy)

The participation of citizens in city management and urban planning should be promoted. Various citizens' movements should be organized to prompt the formation of a civil society. The main policies, systems and projects to achieve this strategy are listed below.

- (1) Change of the city's image to “a clean and green town” through organized cleaning throughout the city
- (2) Development of citizens' movements to plant trees and flowers
- (3) Strict enforcement of citizens' education through participation and establishment of the awareness of civil society

6. Conclusions: Key Points of Development Strategies for Medium-Sized Cities in Western China

Here, the development strategies for the five case cities are generalised. This generalisation is done in terms of both “the strategy formulation method” and “the strategy components”.

The following conclusions are made not to serve individual city governments but to serve the Government of China and, more specifically, the Department of Regional Economy of the National Development and Reform Commission which is the counterpart for this Study. It must be noted that these conclusions have been compiled with the intention of providing guidelines for those organizations responsible for administrative guidance for city governments when providing advice and guidance on the planning method and concept of development strategies for individual cities.

6.1 Generalisation of Strategy Formulation Method

For generalisation of the strategy formulation method, the following four points must firstly be noted.

(1) Strategy and Practice of “Selection and Concentration”

A strategy is unnecessary if everything is attempted. A strategy is required when the concentration of limited resources is necessary to achieve something which has been selected. A strategy means what should be selected and how resources should be input in a concentrated manner to achieve the selected task. This selection and concentration are the basics of a business strategy.

(2) “Wisdom and Action” as True Prime Movers of Urban Development

Urban development is led by economic activities. In the context that economic activities are led and controlled by people, the true prime movers of urban development are “human wisdom” and “action” to practice such wisdom. The ideas of how to develop a city should come from people living in the city (city government, residents and enterprises). These ideas only have true value when they are put into practice. Therefore, “wisdom” should be translated into “action” without worrying about failure.

(3) Pursuit of True “Wholesome Development”

Many city governments still have a strong tendency to pursue “a city with quantitative development”. However, attention must be paid to the qualitative aspect of urban development. The strategy to be formulated should be one which places equal emphasis on “qualitative development” and “quantitative development” to achieve true “wholesome development”.

(4) Reform of City’s Administrative and Financial Systems as a Precondition

When formulating a development strategy for a medium-sized city, this strategy cannot override the existing frameworks of the administrative and financial systems of the city in question. However, these systems themselves have many shortcomings and problematic points and a city government cannot reform these systems by itself. The reform of a city’s administrative and financial systems must be conducted by the central government as a precondition for the formulation of a development strategy for all medium-sized cities.

The main targets for reform which are considered to be particularly important for the formulation of a development strategy for medium-sized cities in Western China are listed below.

- 1) Simplification of the hierarchy of the local administration
- 2) Provision of sufficient funds to carry out duties designated to the local government
- 3) Improvement of the mechanism for financial transfer to provincial, city and county governments (including reform of the tax revenue sharing system)
- 4) Strengthening of the system where superior governments partially pay for social service expenditure, including that for education, health care and social insurance
- 5) Rationalisation of the land use system, especially the land expropriation system
- 6) Increased transparency and accountability of finance outside the budget
- 7) Authorisation of the issue of local government bonds
- 8) Establishment of a system where the head of the local government is accountable for residents

6.2 Generalisation of Strategy Components

(1) Pursuit of “Value of Medium-Sized City”

It is unnecessary for all medium-sized cities to rush to become a large city. Medium-sized cities have their own advantage of enjoying natural environment and urban convenience at the same time. They should treasure this value and try to maintain it. Meanwhile, some medium-sized cities will inevitably grow to become large cities as a result of steady development. However, becoming a large city should not be the paramount objective. Each medium-sized city should seek a development path which suits its own characteristics and individuality. Required are those types of development which allow pursuit of the values associated with a medium-sized city if they are judged worth maintaining.

(2) Establishment of “City Brand”

Efforts should be made to discover “the selling points” to make a city well-known nationwide. A city brand strategy which aims at creating such selling points and using them as the core for city development should prove to be effective. The city brands indicated by the development strategies for the five case cities are listed below.

Dujiangyan	: “flower garden in Chengdu’s backyard”; an excellent natural environment coupled with unique history
Deyang	: city of the machine industry
Dali	: “wind, flowers, snow and moon”; a utopia of the 21 st century
Yuxi	: model green city
Huaihua	: forest city; key distribution city

As indicated above, it is unnecessary for all cities to uniformly develop the manufacturing and other industries. The strategic course for city development is for each city to discover and nurture its own selling points so that these selling points can become nationally well-known together with the name of the city.

(3) Involvement of Enterprises

Enterprises are, in fact, the most powerful prime movers for city development. One critical point of a city development strategy under a market economy is how to involve enterprises, regardless of them being state-owned enterprises or private enterprises, in the strategy. To start with, the close involvement of existing enterprises in a city in the development strategy formulation process should be sought. It is particularly important for the strategy to reflect the viewpoint of private enterprises. This should be followed by collaboration between enterprises and the city government in all aspects of city development.

(4) Measures to Attract Inward Investment

One major task of a city development strategy is determination of how to attract inward investment. Various incentives are commonly applied. However, it is true that ordinary incentives have been losing their power and new ideas are required.

(5) Emphasis on Public Transport

Under the current situation where the harmful aspects of an increased number of automobiles are becoming apparent, a city development strategy in which public transport is a key component should be considered. Motorisation is progressing in the five case cities and the scale of traffic congestion in city centres is gradually increasing. In addition to traffic congestion, the harmful effects of a motorised society are clear based on the experience of developed countries. Even though urban development facilitated by the development of transport is a universal phenomenon, it is necessary to aim at the creation of a society which is not excessively dependent on automobiles even at the present stage of development so that the problems caused by an increased number of automobiles can be prevented. For this reason, the development of the public transport system should be a matter of priority.

(6) Utilisation of Available Human Resources

Human resources constitute the key factor for the successful application of a development strategy. The human resources required here are not necessarily “super stars”. The “utilisation of the available human resources” in medium-sized cities in Western China is the key. The participation of residents and enterprises at the formulation stage of a development strategy should be promoted to incorporate their voices and preferences in the strategy. When the projects proposed under a strategy are implemented, residents’ organizations, enterprises and industrial associations should be mobilised under a collaborative system with the city government. The same is true for rural areas. Through the work under this collaborative system, excellent leaders will certainly emerge from the ranks of ordinary residents. It is no exaggeration to say that the future prosperity of a city depends on how many such community leaders emerge.

(7) Hand-in-Hand Development with Rural Areas

One important point which must not be forgotten when formulating a development strategy for a medium-sized city is that development together with that of neighbouring rural areas is ensured. One mission of medium-sized cities in Western China is to ensure joint

development with rural areas. Medium-sized cities commonly have huge rural areas and the lagging development of these rural areas symbolises the regional gap between Eastern China and Western China. The governments of medium-sized cities should not simply concentrate on the development of urbanised city centres but should consider how to extend the development of city centres to outlying rural areas at the same time. “Joint development to affluence” is an important target for each medium-sized city. A development strategy which turns its attention to the existing economic gap within the city boundaries and consciously seeks to rectify such a gap through collaboration with rural areas is universally required.