

The Causes and Consequences of Rapid Urbanisation in an Ethnically Diverse Region:

Case study of a county town in Yunnan

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ABSTRACT: In contrast with China's coastal regions, where rural urbanisation has largely been a result of industrialisation, urbanisation in the once predominantly rural towns of the interior is sometimes driven by local government policies. This article focuses on a case study of Zhongdian (Shangri-la), where urbanisation has mainly been driven by tourism. It shows that while the problem of land seizures has been generally less violent in this sparsely populated area of the interior, the urbanisation of this ethnically diverse area of northern Yunnan has generated a distinct set of problems. While local officials have strong incentives to pursue policies that promote urbanisation, they have few incentives to pursue policies that promote equal access to the new economic opportunities that accompany urbanisation.

KEYWORDS: rural China, urbanisation, ethnic minorities, Tibet, employment, education, inequality.

In contrast with China's coastal regions, where rural urbanisation has largely been a result of industrialisation, urbanisation in the once predominantly rural towns of the interior is sometimes driven by local government policies. This article examines the motivations behind these policies, and the consequences of rapid rural urbanisation for an ethnically complex part of China.

Zhongdian is the urban centre and seat of government of Shangri-la County, in northwest Yunnan Province.⁽¹⁾ It is a largely rural county with a population of 176,000, of whom approximately 60,000 today live in Zhongdian.⁽²⁾ Its transformation from a rural town into a small city has occurred over the past two decades. Before the 1990s, Zhongdian was an economic backwater. The journey to the provincial capital – a distance of 750 kilometres – took more than two days, and the first day was spent on a single-lane dirt road. There was almost no industry or off-farm employment available to the local population. When I first visited the region in 1999, the dusty town consisted of one paved street, along which stood dilapidated buildings housing government offices, a state-owned bank, the post office, and the county and prefecture's small official department stores. A handful of shops sold hardware, clothes, and domestic goods. There was no supermarket. Outside the post office was a rail for tying horses – the main means of transport for most locals.

Until the 1990s, agriculture, animal husbandry, and forestry were the mainstays of the local economy. The county government depended on state-controlled commercial forestry for most of its locally generated revenue. Stimulated by rising demand for raw materials in the booming eastern provinces, commercial forestry triggered the first stage of urbanisation in Zhongdian in the 1990s when a handful of urban services sprung up to sup-

port centrally located timber mills, but the logging operations were too widely dispersed for forestry to trigger urbanisation on a larger scale. In 1998, the central government suddenly banned logging, which had an immediate and deleterious impact on local government coffers.⁽³⁾ In response, a cabal of forward-thinking county leaders devised a new economic development strategy based on tourism.⁽⁴⁾ They were encouraged by the economic success of tourism in many other parts of the province and believed that they could attract large numbers of tourists due to the attractiveness of the nearby countryside and the allure of an area inhabited by Tibetans and other ethnic peoples.⁽⁵⁾ The key problem was the inadequacy of infra-

1. In 2002 Zhongdian County changed its name to "Shangri-la" County in an effort to promote tourism. Because locals continue to call the county town "Zhongdian," I will do the same in this article to avoid confusion.
2. While accurate population statistics are unavailable, ethnic minorities are widely believed to account for more than two-thirds of the town's population. Tibetans are the largest ethnic minority group in Zhongdian, followed by Naxi.
3. The ban was instituted after scientific assessments suggested that disastrous flooding of the Yangtze River and the prolonged flow stoppage of the Yellow River were caused by deforestation. The logging ban applied to 75 million acres of forest across 17 provinces. More than a million forestry workers lost their jobs as a result of the ban. See Yang Yuexian, "Impacts and effectiveness of logging bans in natural forests: People's Republic of China," in Patrick B. Durst, Thomas R. Waggener, Thomas Enters, and Tan Lay Cheng (eds.), *Forests Out of Bounds: Impacts and Effectiveness of Logging Bans in Natural Forests in Asia-Pacific*, Bangkok, Food and Agricultural Organization of the United Nations, Regional Office for Asia and the Pacific, 2001, pp. 81-102.
4. The county head and one of the deputy county heads were at the heart of the pro-tourism cabal. They received strong support from the county Party secretary and the Governor of Diqing, who at the time was writing a Master's thesis on economic development in China's ethnic minority regions.
5. Zhongdian was home, for example, to one of the region's most significant Tibetan Buddhist monasteries. On relations between local government and monastic leaders during a period of rapid economic development and urbanisation that engulfed the monastery, see Ben Hillman, "Monasticism and the Local State: Autonomy and Authority in a Tibetan Prefecture," *The China Journal*, No. 54, 2005, pp. 22-52.



Photo 1 – Zhongdian's main street in 2003.



Photo 2 – Zhongdian's main street in 2013.

structure and services. The nearest airport was six hours away by car from Zhongdian, and the road network was rough and dangerous. Accommodation was basic and limited. Entrepreneurial county authorities responded to the challenge by securing special-purpose grants from the provincial government to improve roads. Construction began on a new airport, and resources were invested in expanding the urban centre. The timing of the county's efforts was serendipitous. The central government had begun to dramatically increase investments in China's underdeveloped and ethnically diverse western regions, and large fiscal transfers were available for such development projects.

At the same time, domestic tourism was starting to boom in China. Increasingly wealthy urbanites from the eastern seaboard were holidaying in ever greater numbers and travelling to ever more exotic locales. Tourism numbers received a major boost in 2000 when the central government increased the number of China's public holidays in order to stimulate the leisure economy. A record number of 1.24 million people visited Zhongdian in 2001, up from 43,000 visits in 1995. While this figure included all arrivals, including business travel and locals returning home, the numbers still represented an enormous increase. The social and economic impact of tourism was profound and immediate. As new hotels, restaurants, and other facilities mushroomed, the surrounding rural population as well as economic migrants from other regions flocked to the county capital in search of employment and business opportunities. Zhongdian began to urbanise at breakneck speed.⁽⁶⁾

From the end of the 1990s to the mid-2000s, more than 200 hotels and guesthouses sprang up in and around the town, accompanied by an explosion in the number of retail and food outlets and dozens of new residential housing projects.⁽⁷⁾ More than a hundred kilometres of paved town roads were constructed, including a new ring road. Thousands of new cars were registered within the space of a few years, leading to traffic chaos, since the locals were unaccustomed to urban traffic rules. Rural villages that were once peripheral to Zhongdian became swallowed up in the new urban sprawl. Cows and pigs began competing with cars for right of way on the streets. The county commissioned Shanghai-based architects, including one American, to develop a new plan for the town centre, completed in 2008, that included a large paved square reminiscent of China's grand cities flanked by a new theatre and an upmarket shopping district (see photos 1 and 2).

A colourful example of Zhongdian's transformation was the local government's effort to breathe new life into the "Old Town," known locally as Dukezong. In the pre-PRC era and during the early decades of the PRC, Dukezong was the centre of Zhongdian – a trading hub along the main trade route between Lhasa and lowland China. Dukezong was essentially a compact village of rammed-earth Tibetan houses surrounded by residents' crops and grazing land. Even though many of Dukezong's residents had worked as traders, each family had maintained its own fields. At the centre of Dukezong was an open ground that was used as a periodic market, to which farmers from surrounding districts would gravitate every ten days. Following the introduction of brick housing during the 1960s and 1970s, residents had gradually abandoned the old town. When I first visited Zhongdian in 1999, the old town was derelict. A few houses on the periphery were occupied by elderly farmers, but the young people had gone.

In the early 2000s, Dukezong was discovered by international backpackers seeking exotic destinations in Yunnan Province. In 2002, an Englishman rented an abandoned farmhouse in Dukezong and converted it into a bar. For the first two years of its existence the bar remained a lonely enterprise on a muddy street with no water, sewage, or electricity. But the bar and a couple of other similar enterprises run by foreigners caught the attention of local authorities, who began to see the tourism potential of Dukezong Old Town, similar to the renovated old towns of Dali and Lijiang, popular tourist spots at lower elevations on the same old China-Tibet caravan route as Zhongdian. Seeking investments from higher levels, county leaders took visiting officials from the provincial and central government, including one member of the Standing Committee of the Politburo, to the bar as an example of what could be done with the old houses.⁽⁸⁾

6. See Ashild Kolas, *Tourism and Tibetan Culture in Transition: A Place Called Shangrila*, London, Routledge, 2008, and Ben Hillman, "China's Many Tibets: Diqing as a model for 'development with Tibetan Characteristics'," *Asian Ethnicity*, Vol. 11, No. 2, 2010, pp. 269-277.

7. Rapid tourism-led growth has been a feature of development in many parts of China's western provinces, particularly in Yunnan, Guizhou, and Sichuan Provinces. For another case study of the effects of tourism on the pace of urbanisation in China's ethnic minority regions see, Liu Xiaoying and Yang Jiancui, "Xibu minzudiqu nongcun chengzhenhua fazhan moshi yanjiu – yi zangqu diqu Jiuzhaigou xian welle" (Development models of rural urbanisation in the western ethnic regions – the example of Jiuzhaigou County), *Heilongjiang Minzukan*, No. 3, August 2007, pp. 1-10.

8. For a discussion of the politics of ethnic tourism development in China's Tibetan areas, see Ben Hillman, "Ethnic Tourism and Ethnic Politics in Tibetan China," *Harvard Asia Pacific Review*, Spring, 2009, pp. 1-6.

Within two years, Dukezong was transformed. The streets were paved with old-looking cobblestones, and old-fashioned street lamps were erected on street corners. Sewage pipes, running water, and electricity were installed. The owners of the abandoned houses began putting “for lease” signs in doorways. Before long, nearly every property in Dukezong had been rented by small businesspeople from other parts of China and overseas. In the early years, locals mostly sat by and watched, puzzled that outsiders were willing to pay money for houses that were falling apart, but they have now joined in the scramble to attract tourist money, opening their own businesses. They also flock there for their own recreational purposes. At the Old Town’s refurbished market square, the neighbourhood committee organises community dances each evening. Locals also benefited from the influx of products and services as the town expanded. The new restaurants, bars, and supermarkets were especially popular.

In short, although rapid urbanisation has created problems such as pollution and unsightly construction, Zhongdian’s transformation into a small city has been mostly a boon for the locals. Many of them have been able thus far to enjoy a lifestyle that is neither expressly rural nor expressly urban. Many families have continued to live in large Tibetan-style houses with courtyards, while benefitting from all the urban services that were newly available. Many families that owned property in or around the Old Town became rich. While their old houses were rented for only a small sum in the early years, by the time those leases expired, rents were worth many times more. By 2012, the annual rent for the original bar, leased for 2,000 *yuan* per year in 2002, was 40,000 *yuan*.

The local government’s land-sales boom

As Zhongdian’s land values skyrocketed between 2003 and 2013, the county government was a primary beneficiary. The county government possessed several centrally located tracts of land that it had acquired from farmers in the 1980s at very low prices for the future construction of administrative buildings, public facilities, and housing for government employees. Enormous revenues could be generated by making this land available for urban development, and the revenues from the sale of this land could be used at local government discretion.

The county government has generated a huge amount of land revenue in three main ways. First, officials could sell to private developers the use rights (*shiyong quan*) to tracts of land the county controlled.⁽⁹⁾ These land-use rights could be sold for several hundred times the price at which the county had originally acquired the land from local farmers. As an indication of the profits involved, in a 2004 auction in a new shopping precinct in Zhongdian, a piece of land less than half the size of a standard American suburban house lot sold for 480,000 *yuan* (US\$60,000). The county had acquired the land from a farmer many years earlier by providing only 200 *yuan* (US\$25) in compensation. A 2011 survey of similar land transactions across 17 provinces showed that the average price per acre paid by local governments for farmland was \$17,850 and that when local authorities resold the land to commercial property developers and other buyers the average sale price was \$740,000 per acre.⁽¹⁰⁾

The other means of generating revenue from land has been through fees charged for land title conversions. Rural land in China is generally classified as either (i) farmland, (ii) land for house construction/commercial development, or (iii) wasteland.⁽¹¹⁾ As in other parts of the world, these zoning categories determine the legally permitted use of the land. Land classified as

farmland, for example, may only be used for farming and not for residential, commercial, or industrial purposes. Before farmland can be used for these purposes, it must undergo a title conversion – a process administered by the county government’s Land and Resources Bureau, which charges a handsome fee for this service, up to 80,000 *yuan* (US\$12,500) per *mu* (one sixth of an acre/one fifteenth of a hectare). While this type of fee has become a major source of local government revenue across China, in Zhongdian the importance of such revenues is magnified by the narrowness of the local tax base.

The conversion of farmland for urban residential and commercial use also presented local officials with unprecedented opportunities for self-enrichment. Local powerbrokers could use their influence to arrange the transfer of land to a private enterprise at much below the market value of the land in return for an informal fee. This was especially easy to arrange if the beneficiary was designated a “strategic” local enterprise, which entitled it to preferential treatment. Local officials could also make large profits by speculating on land. Officials with access to government urban development plans, especially the construction of new roads, could easily predict which tracts of land would likely increase in value in the future – a common feature of local political corruption in many parts of the world. Setting up front companies, often registered under the name of a relative, local officials first privately acquired the land and then sold it at a profit when the infrastructure was completed. In the early 2000s, Shangri-la County constructed two new wide avenues for government offices, residential complexes, and shopping malls. Between 2002 and 2005, the commercial lots along these avenues sold for previously unimaginable sums. Several officials who had possessed insider information about the city’s construction plans became rich.

Indeed, during the 13 years that I have been visiting Zhongdian County it has been clear that many local officials have become rich despite receiving only modest official salaries. Their houses have grown larger – many officials now own several properties – and their consumption has grown increasingly conspicuous. Local officials are now accustomed to taking overseas holidays, sending their children to study abroad, buying expensive toys, and spending thousands of dollars on food and entertainment. The new wealth of local officials is frequently on display in local hotels and restaurants. According to local restaurateurs in Zhongdian, it has become common for local officials to spend 10,000 *yuan* (US\$1,300) or more per table, which is more than double the total monthly take-home pay, including allowances, of a county bureau chief. Most enjoy lifestyles commensurate with their counterparts in the eastern provinces. Many officials enjoy lifestyles of great luxury in comparison with ordinary citizens.

The third way local officials could generate revenue from land development was through increased taxation. Under the current tax-sharing system, county governments are entitled to keep up to 95% of taxes on commerce, residential housing, and construction. Not surprisingly, the county government actively promoted development projects that featured retail and office space as well as residential housing. The increase in housing stock became especially important when Zhongdian officials decided, in the mid-

9. There is no private ownership of land in China. Land is either owned by the state or, in the countryside, by the collective (village/hamlet community). However, long-term use rights serve as a form of effective ownership.

10. Landesa Rural Development Institute, *Landesa 6th 17-Province China Survey* (conducted in partnership with Michigan State University and Renmin University), Seattle, Landesa Rural Development Institute, 2012.

11. Forests and pastures are technically counted as farmland.

Table 1 – Minimum criteria for county-level cities in China (2002)

		>400	100-400	<100
Degree of Industrialisation	Industrial output (billion yuan)	1.5	1.2	0.8
	Industrial output as % of county GDP	80	70	60
Degree of Urbanisation	Size of non-farm population (thousands)	150	120	100
	% urban population	30	25	20
Size of fiscal revenue	Fiscal revenue (million yuan)	60	50	40
	Fiscal revenue per capita (yuan)	100	80	60

Source: ?

2000s, to seek the elevation of Zhongdian's administrative status from rural county to county-level city (*shi*).⁽¹²⁾ To do this, county officials would need to increase the size of the town's population.

The officials sought city status for their county for a number of reasons. Cities typically enjoy a higher administrative status than rural counties, and county-level city leaders enjoy greater access to higher political levels. The Party secretary of a county-level city, for example, will usually become a member of the prefecture Party Standing Committee, giving him or her influence over key decisions in the next-higher level of government. In some provinces, county-level cities report directly to the province, circumventing the intermediate level of administration. City governments also acquire greater control than their rural-county counterparts over foreign investment, trade, and foreign exchange. City officials also have greater control over the local police force, including over recruitment, than their rural county counterparts. City officials also have the authority to approve large investment projects without referring them to higher levels. City governments can also establish new departments for the purpose of urban administration and expand existing departments such as transport and urban construction. This enables county bosses to hire more officials, which is an important source of patronage in rural China.⁽¹³⁾ Cities also gain discretion over larger portfolios of loans from the largest state-owned banks, providing better access to cheap credit for local enterprises, many of which are controlled by local officials, and to local government financing vehicles (LGFVs), which can circumvent central government restrictions on direct borrowing by local governments. City governments can also administer new taxes and charge higher taxes on construction (7% instead of 5%) and on local businesses.

City-status would also allow Zhongdian officials to apply for additional fiscal transfers for urban infrastructure development. Infrastructure projects are attractive because many of the families of officials have stakes in local construction companies. Even when an official cannot secure a contract for a family company, he can enjoy the generous kickbacks that typically accompany public works projects.⁽¹⁴⁾ City-status also enables officials to increase the quotas of farmland to be converted to nonfarm use and enables Zhongdian officials to increase the fee for land title conversions, as different standards apply for cities.⁽¹⁵⁾

Approximately 15% of China's counties were upgraded to city status between 1983 and 1997. Since then, there have been fewer upgrades. The practice has been discouraged since 1997 following recognition that the criteria for upgrading had been too loosely applied, and the central government tightened and clarified the standards that needed to be met. The cri-

teria now specify minimum levels of industrialisation, urbanisation, and county government revenue (see Table 1). However, the fact that the criteria vary according to population density suggests that conferral of city status has as much to do with dispensing political rewards as it does with recognising the urban transformation of rural areas.⁽¹⁶⁾

In 2002, the non-farm population of Zhongdian town was approximately 24,000, and it would have been impossible to increase this number to 100,000 within a decade. However, according to county officials, the criteria referred not to the official urban population – i.e., the number of residents with urban household registration status (*hukou*) – but rather to the total number of residents engaged in non-farm labour. This meant that officials could include in their population statistics the thousands of migrant workers who had come to Zhongdian to work in tourism and related industries. Even though this would still not have lifted the total number of town residents to 100,000 (in 2012, officials privately guessed the town's permanent population to be somewhere between 60,000 and 70,000), Zhongdian officials argued that on any given day there were thousands of tourists staying in Zhongdian for whom urban services had to be provided.

As outlined in Table 1, a second criterion that Shangri-la County needed to meet to be elevated to city status was that at least 20% of the official county population had to be registered as residents of Zhongdian Town. So to boost the registered urban population, the officials encouraged government employees from across the county and prefecture (Zhongdian also served as the prefecture's seat of government) who were registered elsewhere to buy real estate in the county town, making them eligible to be registered there. The county government sponsored a number of housing development projects, and provided subsidised housing purchases to permanent staff of government departments.

12. Cities in China are accorded different administrative status. Four cities – Beijing, Shanghai, Chongqing, and Tianjin – have provincial status, which essentially means that the mayors of these cities have the same rank as provincial governors. In China today there are 284 prefecture-level cities and 369 county-level cities. Many prefecture and county-level cities are not cities in the strict sense, but are large administrative zones built around an urban core that often includes rural villages and farmland.
13. On the use of civil service positions as patronage, see Ben Hillman, "Factions and Spoils: Examining Local State Behavior in China," *The China Journal*, No. 62, 2010, pp. 1-18.
14. On kickbacks and official corruption in public works projects, see Gong Ting, "Corruption and Local Governance: The double identity of Chinese local governments in market reform," *Pacific Review*, Vol. 19, No. 1, 2006, pp. 85-102.
15. Interview, former Zhongdian County official, 30 September 2012.
16. This is the conclusion of a study by a PRC researcher, who found that city status has generally been awarded to counties whose officials have achieved high levels of economic growth and successfully aligned county government priorities with the centre's. See Li Lixing, *The Incentive Role of Creating 'Cities' in China*, China Centre for Economic Research, Peking University, 2008.

These and other housing projects that the government promoted increased the pace of rural land expropriation around the county town. The farmers whose land was expropriated in entirety also automatically became eligible for urban residency status (*chengshi hukou*). This was a win-win situation for the county government and the peri-urban farmers. It allowed county officials to quickly boost the number of urban residents while reducing the potential for the farmers' resistance so long as the land-purchase price offered by the government seemed acceptable to them. Urban household registrations were very attractive because these provided access to urban services such as better healthcare and education, and to better welfare entitlements such as pensions.

Another policy that helped to increase the population of Zhongdian was the decision in 2007 to relocate all of the county's secondary schools to the county seat. While the official explanation for doing so was to reduce costs and increase education quality by concentrating resources in a central location, officials privately acknowledged that a key motivation was the boost it would give to the urban population. The new schools brought in not only relocated staff and their families, but also communities of service providers.

Through these and other means, by 2011 the percentage of urban-registered residents in the county had increased to 25%, thereby meeting a key criterion for county-city status. Zhongdian duly presented a formal application to the Yunnan provincial government to be officially recognised as a city.⁽¹⁷⁾ Satellite imagery in plates 3 and 4 below highlight the urban expansion of Zhongdian between 2003 and 2012.

The consequences of rapid urbanisation

The vast changes underway in Zhongdian have had two negative social consequences. The first has been an increase in conflicts over urban expansion, which is a common consequence of urbanisation throughout rural China. The second is a stratification of local labour markets, which favour Han Chinese immigrants at the expense of local ethnic minorities, and is an emerging problem in many parts of China's ethnically complex western regions.⁽¹⁸⁾

Land expropriations and conflict

Land expropriations have become one of the most controversial issues in China. Every year local governments expropriate land from an average of four million people.⁽¹⁹⁾ Every year tens of thousands of protests are triggered by farmers' grievances over the compensation paid as part of compulsory acquisitions. Approximately 65% of all reported rural conflicts are caused by disputes over land requisitions,⁽²⁰⁾ and only a handful of such disputes attract national and international media attention.

As has been noted, in Zhongdian the local government, as elsewhere in China, first acquires land from farmers before it is leased to developers. Not surprisingly, farmers dissatisfied with the compensation for their land have blamed the local state for their misfortune. Over the past decade I have seen a number of protests by farmers. Most of these have been non-violent, but some have involved roadblocks and burning tires. Village households have also retrospectively demanded additional compensation for land expropriated from them in the 1980s that was ostensibly set aside for state administrative purposes, but that was later leased for commercial development at many hundreds of times the price paid to farmers.

The nature of land-related conflicts in Zhongdian has varied from village to village. In 2010, one village at a slight distance from the county seat agreed to sell a well-located tract of collective land to a local property-development company for the price of 18,000 *yuan* (US\$3,000) per *mu*. The company was controlled by a local official. What the villagers did not know at the time was that the company was acquiring the land in order to resell it to the People's Armed Police, which was looking for a site to build a new training facility. The land deal had been negotiated through an informal network that included officers in the People's Armed Police, other local officials, the property developer, and the head of the village. When villagers learned the following year that the land-use rights were being on-sold for 80,000 *yuan* (US\$18,500) per *mu*, a rival of the village leader, who is a member of another kinship group, seized the opportunity to accuse the village leader and the property developer of cheating the villagers. He led a delegation of the farmers to the county head's office to protest the inadequacy of their initial compensation. At the county government the villagers met with sympathetic ears, not because they had a legitimate grievance in the eyes of local officials, but because the land deal had been executed by the county head's political rivals. Unlike many other such protests in rural China, however, the villagers' land had not been forcibly expropriated. Villagers had agreed to the deal and were satisfied with the price until they learned a year later how much their land was worth. According to a private conversation with an astute official who observed the process, if allies of the county head had been involved in the land deal he would have told the villagers to go home. Encouraged by their sympathetic reception at the county executive, however, the villagers hired a lawyer, who found an error in the paperwork related to the transaction and advised them that they might raise a lawsuit on these grounds. The county executive sent word to the company advising it that if the villagers made trouble (*naoshi*) the company would be held responsible. Under pressure, the company negotiated to pay an additional 2,000,000 *yuan* (US\$350,000) to the village, which represented a large share of the developer's profits.⁽²¹⁾

In Zhongdian, conflicts over land have not been as intense as in many other parts of rural China. This is largely a result of low population density. Unlike in many other parts of China, where land expropriations have forced farmers off the land, a number of villages in Zhongdian have been able to part with some acres of collective land, while retaining their most productive land and their rural lifestyles. And while forcible expropriations have been the main source of conflict, the county government's assertions of eminent domain are decreasing. Farmland is mostly now converted for commercial use through a process of negotiation between a developer and the farmers. When an agreement has been reached, the developer applies to the Land and Resources Bureau for the necessary paperwork to be com-

17. For another study of the role of local government in leading urban expansion, see Hsing You-Tien, *The Great Urban Transformation: Politics of Land and Property in China*, Oxford, Oxford University Press, 2010.

18. For another case study on the social impacts of urbanisation on a Tibetan county town, see Jiang Bin, "Sichuan Zangqu chenzhenhua jincheng yu shehuiwenhua bianqian – yi Degexian gengqing wei ge'an" (Research on urbanisation and socio-cultural change in Sichuan's Tibetan areas – the case of Gengqing in Dege County), Boshi Lunwen (PhD Dissertation) Sichuan Daxue, 2003.

19. See Landesa Rural Development Institute, *Landesa 6th 17-Province China Survey*, 2012.

20. See Hsing You-Tien, *The Great Urban Transformation*, *op. cit.*; and Yu Jianrong, "Tudi wenti yicheng-wei nongmin weiquan kangzhengde jiaodian" (Land has become the focus of peasants' rights protests), *Guangming guan*, 9 November 2006, www.snzg.cn/article/show.php/itemid-1429/page-1.html (accessed on 25 August 2012).

21. According to a senior manager at the local property developer involved in the transaction, if it were not for the agitation by the village chief's political rival, and his promise to villagers that he could win them more money, there would not have been a dispute. Interview, 13 July 2012.

pleted. Many peri-urban farmers have profited handsomely from giving up their land, especially land that was not agriculturally productive. Those who held on to their land through the decade-long boom have made much more profit than those farmers who sold early.

Urbanisation and the stratification of labour markets

A much bigger problem for Zhongdian has been the impact of the tourist-based urbanisation on employment and on economic opportunities for the rural population. Until the 1990s, most economic opportunities in Shangri-la could be found in rural endeavours such as animal husbandry, forestry, and the harvesting of non-timber forest products. As the county town expanded into a regional hub for tourism, the economy restructured away from primary industry toward construction and services.

But even though this created thousands of new jobs, many among the county's predominantly rural population struggled to take advantage of the new economic opportunities. This is because locals lacked the skills needed in many of the new occupations. When I first began conducting fieldwork in Zhongdian in 2002 (during the early phase of the tourism boom), it was apparent that many of the new jobs were being filled by non-locals. A survey I did of the four largest hotels revealed that 85% of the new jobs were being filled by non-locals, even in low-skilled jobs such as housekeeping.⁽²²⁾ Hotel managers were paying a premium to attract workers from the provincial capital and other regions, many of whom were Han Chinese and not local Tibetans or other ethnic minorities who were part of the tourist appeal. From a business perspective, the reasons were obvious. The skills were unavailable locally even for cleaning rooms. As a local Tibetan entrepreneur put it, "I'd like to hire locals, but I can't run my business if I do. Locals don't know how to do this type of work."⁽²³⁾ The demand for skills has led to a rapid increase in the numbers of non-local Han Chinese arriving to fill positions.

During the urban expansion of the past decade, the ethnic composition of the labour force in Zhongdian has become increasingly unrepresentative of the ethnic composition of the local population. While tourism has generated employment for local ethnic minorities, many of the better-paid jobs are taken by economic migrants from other parts of China. Interviews with employers and with officials from the prefecture and county office of industry and commerce revealed there were higher concentrations of Han Chinese in higher-paid middle and senior management and in specialist positions.⁽²⁴⁾ The common explanation for this was that Han Chinese had higher levels of formal education and skills and more experience. Many of the workers recruited from outside the region are Han Chinese from different parts of the province and country and Naxi from Lijiang City, to the immediate south of Zhongdian, which created a major tourism industry more than a decade before Zhongdian. Both traditionally and today, the local populace of Lijiang is much better educated than the people of Zhongdian.

Employers, officials, and educators are generally agreed that the underrepresentation of local ethnic minorities in higher-paid technical and managerial positions is largely a problem of skills and education. While in very small enterprises it is commonplace for employers to prefer to hire people from their home village or township, which usually meant they belonged to the same ethnic group, in the larger businesses where personnel management is more institutionalised, employers have wanted the best people they can find to do the job. In more than a decade of conducting research in Zhongdian, I found no evidence to suggest there is widespread discrimi-

nation on ethnic grounds, and I have not heard of a situation in which a suitably skilled applicant has been rejected on the basis of his or her ethnicity. Instead, local employers frequently bemoan the lack of skills among local ethnic minority youths and indicate a willingness to hire anyone who can do the job. This view is supported by the experience of a local NGO that prepares unemployed ethnic minority youth for jobs in tourism. By equipping young people with the right skills, the NGO was able to achieve a 95% employment success rate for its graduates.⁽²⁵⁾

The rate of urbanisation in Zhongdian over the past ten years has been so rapid that the education system has been unable to adapt. Until the 1990s, the education system had served to provide basic numeracy and literacy skills to a largely rural population. Most people did not complete basic schooling, and even now compulsory education is not strictly enforced. Even though local governments regularly report school attendance rates above 90%, these statistics are misleading because they are based on registration at the start of term and not on actual attendance. Rural township governments are often complicit in issuing fake diplomas because this helps to increase their graduation statistics.⁽²⁶⁾ Many junior high school graduates and dropouts simply return to their villages to eke a humble living from the land their parents and grandparents farmed, even though the lure of the consumer economy and the rising costs of services such as healthcare make urban jobs much more desirable for rural youth. There is a clear difference in the standard of living between families who have a member working in town for a wage and those who do not. The difference can be seen in the food people eat, the clothes they wear, the modern conveniences they have access to, and the amount of leisure time they enjoy. Across China urban residents earn, on average, approximately 3.3 times more than rural residents.⁽²⁷⁾ In the south-western and western provinces, several studies suggest the ratio is much higher and increasing at a faster rate than in the central and coastal provinces.⁽²⁸⁾

The large gap between the demands of the rapidly expanding urban economy and the skills of the rural labour force remains a serious threat to inclusive development. While central government education policies have placed increasing emphasis on vocational training in recent years, there are many problems when it comes to execution at the local level.⁽²⁹⁾ The first problem is a general lack of understanding within local government of the principles and practices of vocational training. In Zhongdian, vocational training is, formally, a responsibility of local schools and government departments. However, during a decade of interviews with officials and educators I have not met anyone who appears to appreciate that vocational training is a separate area of pedagogical expertise. Instead, vocational train-

22. See Ben Hillman, "Paradise under Construction: Minorities, Myths and Modernity in Northwest Yunnan," *Asian Ethnicity*, Vol. 4, No. 2, 2003, pp. 177-190.

23. Interview, 15 December 2011.

24. Several interviews with local employers and officials representing the interests of local employers were conducted during 2011 and 2012.

25. See Sally-Anne Henfry, "Vocational Education and Training in Western China: Lessons learned for improving rural livelihoods," unpublished manuscript, University of Melbourne, 2012.

26. Attendance rates have improved in recent years as the government is now providing cash incentives to families to keep children in school.

27. See, for example, "China's urban, rural income gap widens despite economic recovery," Xinhua News, 21 January 2010, http://news.xinhuanet.com/english2010/china/2010-01/21/c_13145748.htm (accessed on 9 September 2012).

28. Dylan Sutherland and Yao Shujie, "Income Inequality in China over Thirty Years of Reforms," *Cambridge Journal of Regions, Economy and Society*, Vol. 4, No. 1, March 2011, pp. 91-105.

29. See Sally-Anne Henfry, "Vocational Education and Training in Western China: Lessons learned for improving rural livelihoods," *op. cit.*

ing continues to be treated as second-class general education that is offered parallel to regular high schools, but with less academic rigor.⁽³⁰⁾ Like other rural areas in western China, Zhongdian's vocational training school is a three-year senior high school equivalency program. Teachers are frequently rotated by the county education department between academic high schools and the vocational school, highlighting a common failure to distinguish between the teaching skill sets required. Vocational teachers typically have no practical experience of the subjects they are teaching. Many teachers of tourism management, for example, have never worked in tourism. They teach to textbooks that are out-dated and not related to the work that graduates might be expected to do. Teaching is classroom based. Zhongdian's Vocational Training School offers classes in automotive repair, but students do not get to see under the hood of a motor vehicle during their training. The system is also highly inflexible. Alternative approaches, including short courses, on-the-job training, and flexible learning, are unavailable, and are anyhow seen as less legitimate forms of education.

The weakness of the vocational education system is not just a problem of policy implementation at the local level. It is also a problem of conflicting policies at the central level. The performance of leading local officials is evaluated against only a handful of indicators, the most important of which is the pace of economic growth. In their endless pursuit of higher regional GDP growth, local officials have a tendency to channel education funds into school construction. This tendency is further reinforced by opportunities for kickbacks in construction projects. Over the past decade, I have seen dozens of schools in Zhongdian built and rebuilt, and each year the physical infrastructure is more and more impressive. Indeed, there was an orgy of construction following the Global Financial Crisis-induced fiscal stimulus of 2009 and 2010. Schools are sometimes built even though there are no teachers and students to fill them.

In China's major cities vocational training has made stronger advances in recent years. In many cases the private sector has filled the demand. Thousands of private vocational training schools have opened, offering courses in a variety of technical trades.⁽³¹⁾ Such schools, however, are profit-driven so there is little incentive for them to set up operations in rural regions such as Zhongdian where few local people can afford to pay for training. Because of this lack of training facilities, large employers in Zhongdian conduct their own in-house training. However, employers acknowledge that this training is focused on intermediate and advanced skills. They do not provide training to rural youth with little or no skills. According to the owner of four local hotels, speaking in 2011, "It simply takes too long to train rural youth to the level we need in our work. We would have to teach them how to shower every day and how to dress. They lack too much basic knowledge. It works out cheaper for us to hire workers from other places even though we have to offer higher salaries to attract them."

Concluding comments

Rural urbanisation in Zhongdian began in the mid-1990s as a consequence of the decision to promote tourism as the cornerstone of the local economy. Within the space of a few years, however, economic, fiscal, and administrative incentives ensured that urbanisation became not just a by-product of economic change, but an end in itself for local authorities. The county government was motivated to promote urban development because of the lucrative fees generated by land transactions and the taxes it could impose on urban businesses in construction, retail, and residential housing. Zhong-

dian officials were also motivated to pursue urbanisation as a means to attain a high GDP, a key criterion in the performance assessment of county leaders. A third motivation was the desire by county level leaders to elevate the county to "city" status, which would bring additional revenues to county government coffers and a higher status and rank for county officials.

Urbanisation in Zhongdian created winners and losers. Many local officials and land developers made handsome profits. Many local residents profited, too, especially those with properties located close to the urban centre, who benefitted from high land values. Some have invested the profits in their own businesses. Even some of the rural households located near Zhongdian have been entrepreneurial and have started guesthouses and restaurants. Some other local residents became networked to the local government, which provided their families with new employment opportunities.

Although land expropriations sometimes resulted in conflicts as in other parts of rural China, especially when farmers believed they were not adequately compensated for land, in the villages surrounding Zhongdian a low population density meant land could be ceded without destroying rural livelihoods, which minimised the potential for serious conflict. In many cases peri-urban farmers were able to access the advantages of urbanisation without sacrificing the benefits of rural living, a phenomenon Andrew Kipnis similarly notes in his article on the changing lives of villagers on the other side of the country in rapidly urbanising Zouping County.⁽³²⁾ Other winners include urban-based locals who have been able to establish small businesses such as hostels and restaurants.

The biggest losers of rural urbanisation in Zhongdian are the current generation of rural ethnic minority youths who aspire to an urban life, but who are ill-equipped to take advantage of Zhongdian's economic boom. Many of the young people find themselves stuck, seeing no future in subsistence farming, but without the skills and knowledge needed to access alternative careers. As economic migrants flood into the region there is increased risk of Tibetans and other local ethnic minorities becoming marginalised in their own local economy. Even though many of them are finding employment, they are concentrated in low-skilled and low-paid positions, while better-paid jobs are being taken by outsiders, many of whom are Han Chinese.

Central and local government policies are to blame for the stratification of labour markets. While fiscal arrangements and the cadre evaluation system have created incentives for local officials to promote the urbanisation of rural areas, they have not created incentives for local officials to promote inclusiveness in the new urban-based economy. This is the case even though a majority of the prefecture's and county's leaders are themselves members of ethnic minority groups.⁽³³⁾ The Shangri-la county government has made some effort to promote local businesses, but it has not been able to effectively respond to skill shortages. This has led to large-scale in-migration of Han and the marginalisation of their own local minority groups. While Shangri-la is only one county in southwest China, there is evidence to sug-

30. This, of course, is how vocational education was delivered in the not-too-distant past in many advanced industrialised countries, including Australia and the United States of America.

31. Ben Hillman, "Rethinking China's Tibet Policy," *The Asia-Pacific Journal: Japan Focus*, 2008, <http://japanfocus.org/-Ben-Hillman/2773> (accessed on 15 July 2013).

32. See the article by Andrew Kipnis in this same issue, "Urbanisation in Between: Rural traces in a rapidly growing and industrialising County City."

33. There are a large number of non-Han employees in local government. Although highest authority – the Party Secretary – is usually Han Chinese, the head of government and of most government departments in Zhongdian are non-Han. While international scholars generally agree that China's system of ethnic regional autonomy does not provide meaningful autonomy to local ethnic groups, ethnic minorities are generally well represented in government in regions that are officially designated as "ethnic autonomous regions" (*minzu zizhiqu*).

gest that urbanisation of other rural areas in western China has had similar negative consequences, contributing to an increase in violent conflict.³⁴

A key challenge lies in reforming education policies. The education system is failing many ethnic minority youth because it does not provide them with the skills they need to find employment as towns expand and rural communities shrink. Local governments lack the awareness and capacity needed to provide effective vocational training. Even when local government leaders recognise the challenge, there are insufficient incentives for them to invest in new approaches to education. Investments are instead concentrated in school construction because GDP-boosting measures are a more certain

route to career advancement. Unless the central government intervenes to ensure that a larger percentage of education funds are invested in vocational training and alternative education, urbanisation will likely continue to be associated with the economic marginalisation of ethnic minorities.

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34. See, for example, Andrew Fischer, *State Growth and Social Exclusion in Tibet: Challenges of Recent Economic Growth*, Oslo, NIAS Press, 2005; and Matthew D. Moneyhon, "China's Great Western Development Project in Xinjiang: Economic Palliative, or Political Trojan Horse?", *Denver Journal of International Law & Policy*, Vol. 31, No. 3, 2003, pp. 491-520.