Technical Note B. Michinoeki pilot study in China
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1. Introduction

Michinoeki are facilities that offer drivers rest and food and a place to perform vehicle maintenance. Motorists can buy what they need at a michinoeki market. The rest function that a michinoeki offers plays an important role in the promotion of traffic safety.

Users of the market are not limited to car drivers; local residents also use a michinoeki. Local residents also are the key service providers in a michinoeki and have the chance to pursue business opportunities at the facility. This empowers local residents.

Michinoeki can offer public services as well as those offered by the private sector by providing facilities that help improve the welfare, education, and medical care of community people. When a michinoeki is newly constructed on a road along and provides public services on the premises, the impact of the road infrastructure improvement will be doubled for the community.

A michinoeki empowers local residents and provides public services; the public sector therefore should join the private sector operating businesses at a michinoeki to assist in planning, construction, and operation of michinoeki. The public–private partnership works well in successful michinoeki facilities.

China has been experiencing remarkable economic growth. However, industry is concentrated in urban coastal areas, and the economic gap between these areas and the inland regions of China is growing. The construction of a high-speed railway network serving mainly coastal areas and the rapid development of a nationwide expressway network are likely to contribute to the growing economic disparity between urban and rural areas unless countermeasures are implemented. Facilities such as michinoeki that empower local residents, thereby contributing to the vitality of local economies, can be an effective means of resolving these kinds of problems.

However, although the capitalist economy is spreading, China is a one-party state governed by the Chinese Communist Party. To implement michinoeki, it will have to answer several questions: To what extent is the implementation of empowering policies possible? Is it possible to establish a cooperative public–private system? Do local residents have the know-how to conduct business? Raising funds to construct and manage facilities is another issue that local governments, with only limited financial resources, must address.

This report presents the findings of a pilot study conducted to assess the potential for introducing michinoeki into China, targeted at those considering the introduction of michinoeki in China or other countries with similar situations.

1.1 China as the world’s factory

Economic growth accelerated when China joined the World Trade Organization (WTO) in 2001; GDP grew by 8% in 2002 and 9% in 2003. Growth rates of 8–9% are predicted for the next few years. The transition from a planned economy to a market economy has been linked with a privatization process for state-run companies. As a result, large coastal cities have received large inflows of foreign capital, promoting further development and prosperity for private entrepreneurs. China’s transition to a market economy has achieved a certain level of success.

1.2 Problems of the chinese economy

Inequality is growing in the Chinese economy. Most economic development is concentrated in the coastal cities, benefiting businesses and residents.

2. Transient population: People who leave their registered address for at least six months to live and seek employment elsewhere.
in urban areas but leaving rural inland regions with the same poverty and low standard of living as they had before economic reforms. Unemployment is also rising. The Chinese Institute of Social Sciences has estimated that 160 million rural workers out of 500 million are unemployed. According to the Chinese population census of 2000, the transient population now includes 120 million. There is an especially high rate of movement from inland provinces including Anhui, Hunan, Jiangxi, Henan, and Hubei to coastal areas such as Guangdong, Zhejiang and Shanghai.

Development of a market economy results in greater economic disparities among individuals. Successful entrepreneurs and their families monopolize capital and information and use additional business opportunities to further expand their incomes. These phenomena are sometimes seen in rural inland areas as well as in large coastal cities. It is easily imaginable that these economic disparities among individuals, or the gap between the rich and the poor, could lead to serious problems in the near future.

1.3 Impact of rapidly expanding expressway construction

China is building a network of major expressways to cover the entire country. This plan is called “Five Vertical, Seven Horizontal,” referring to five expressways running from north to south and seven expressways running from east to west, with a planned total length of 35,000 kilometers. Construction was begun in 1988, and by the end of 2002, about 25,120 kilometers had been completed (Zhongguo Jiaotong Bao [China Transport Report], November 13, 2003). The pace of construction work is being stepped up, and in the future this expressway network will cover all of China.

As transportation becomes more convenient and large cities are linked by expressways, rural areas between the cities may undergo further economic decline as traffic merely passes through.

1.4 Michinoeki for local economic self-sufficiency

As travelers pass through a region, facilities offering functions that will attract some of this traffic into the region are needed. Exchange between automotive traffic and the region will prevent economic decline and promote local self-sufficiency. Michinoeki can serve as a tool that meets these needs.

The Chinese constitution was revised in 1982 following a policy of reform and openness. China is said to be pursuing a policy of promoting democratization on the local level under the new constitution.

For example, rural communes were abolished, separating government from the rest of society. The government is responsible for the administrative organization of towns and townships, and village committees make decisions on social matters. Village committees include the village head and committee members directly elected by village residents. They are self-government organizations that decide matters closely related to the lives of village residents, such as the construction of infrastructure or maintenance of public facilities within the scope of village administration. Villagers have a high level of interest in their village committees, and voter turnout is higher in these elections than in any other type of elections.

Considering these facts, democratization appears to be advancing along with the transition to a market economy in China.

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3. In addition to subsidies from higher-level agencies, the sources of funding for the governments of towns and townships include income from tourist facilities and an agricultural tax on farmers’ incomes. These funds are used for purposes such as mandatory education, health and sanitation services, and infrastructure.
2. Pilot study

2.1 Selection of target region

On this highway network, about 500 km from Shanghai in the interior, is Huangshan Shi, in Anhui province. The income levels of Huangshan Shi’s farming households are about on average for China’s agricultural areas, but because the city has no specialized industry, in recent years it has been suffering an outflow of population as people move to the city to work.

Huangshan Shi does have strong tourism resources, however, in particular the Huangshan Scenic Area, a UNESCO Natural/Cultural World Heritage Site, which has 1 million visitors who come to see the sites (see below photo). With the highway to Shanghai scheduled for completion in 2010, it is predicted that the number of tourists will increase further as a wide range of transportation conditions improve. However, there are no concrete plans locally for taking advantage of this change in circumstances to create new business opportunities. Not knowing how to close the economic gap with the expanding cities, this Chinese region is representative in its experience.

Therefore, a pilot study in Huangshan Shi, Anhui province, was conducted to examine the effectiveness of michinoeki as a tool for supporting local economic independence, keeping in mind at all times the three functions that can be expected of michinoeki. The target area included the ancient village of Hongcun in Yixian County, Hongcun zhen is designated as a UNESCO World Cultural Heritage Site (Yixian is an administrative unit of Huangshan Shi, and Hongcun zhen is an administrative unit of Yixian).

2.2 Overview of Hongcun Zhen

Hongcun zhen is in the western part of Huangshan Shi. It has a population of about 8,800, an area of 85 km², and 11 administrative hamlets under it. The ancient village of Hongcun, which is registered as the 28th of China’s 29 UNESCO World Cultural Heritage Sites, is separated by about 20 km from the ancient village of Xidi, also a World Cultural Heritage Site. Many tourists visit the ancient village of Hongcun, with an average of 100 buses a day, 300 during the peak, in the April-to-October tourist season. The annual number of tourists reaches 400,000 (2003), making this a well-known domestic tourism spot in China.

Hongcun zhen is also famous for its edible moso (a variety of bamboo) and green tea harvested in the spring; edible wild plants and dried bamboo shoots, harvested in the fall; and craft products made of bamboo and stone. The moso, dried mushrooms and
tea, a high-quality variety called Huang Shan Mao Feng, are rated highly by tourists.

2.3 Proposal for a michinoeki in Hongcun zhen

The economy of Hongcun zhen relies on tourism. We propose, therefore, that Hongcun zhen capitalize on its ability to attract tourists to promote the sale of merchandise produced and processed by the village community, with the aim of empowering local residents.

2.3.1 Local demands

A) Context of local demands

Stated plainly, neither the government nor the people had a clear direction for developing the region. Although both the government and businesses had a vague idea that something needs to be done to prepare for the business opportunities that the completion of the expressway will bring, no concrete plan has been developed.

The context of this is probably related to China’s pricing system, which is said to have three price levels. The first is the international price, for foreign travelers. The second has been set in accordance with the urban, middle-class lifestyle that has become prominent recently. The third price level is adapted to the lifestyles of ordinary people. In other words, even if there are high numbers of unemployed or poor people in a region, it is possible for them to adopt a low-cost lifestyle. Hongcun zhen is this sort of region, and its citizens
do not demonstrate a strong desire to increase income levels. Therefore, there is little effort to implement recent agricultural technology or obtain market information. Furthermore, those who are trying to start new projects do not know how to go about it.

This is the nature of the locality, but with the construction of the expressway network, the Hongcun government, its enterprises, and its citizens understand the potential for an increase in tourists from the city using the expressway, and the potential of these tourists purchasing goods and lodging in the Hongcun area. They understand that these factors will be critical to the development of the Hongcun-area economy, which is based on tourism. It is probably accurate to assume that the demands on the local community will be for the expansion of sales opportunities for local products and the development and sale of new products.

B) Potential local demands

Local demand to stimulate the regional economy under the opportunity afforded by preparations for the expressway can be summarized in three categories: sales, product processing, and tourism support.

a) Sales Opportunity

Private suppliers (lodging providers and product sellers) have a strong interest in using Hongcun zhen products (moso bamboo, dried bamboo shoots, Huang Shan Mao Feng green tea, and edible wild plants and crafts such as bamboo ware and stone working) to expand their businesses. One manager who engages in sales was interested in original product sales and restaurant management but does not have the funds or opportunity to pursue this idea.

Hongcun zhen does not have any organizations to lead farming households in agricultural communities (such as the agricultural cooperatives of other developed nations), and so individual producers usually sell agricultural products wholesale (see below photograph). Furthermore, they often must transport their goods themselves in carts to open markets or towns and attend to the sales. If a michinoeki concept were implemented, the market function would create sales opportunities, and because it would allow for high-frequency low-volume transportation, it would be possible to increase the number of outlets.
b) Product Processing

Processing and packaging of the various special seasonal products, such as bamboo shoots, green tea, and wild plants, are performed not in Hongcun zhen, but 20 km away in Yixian, and thus do not contribute to local employment. However, enterprises in Hongcun zhen would like to process and package agricultural products themselves; if a michinoeki provided a processing facility, it is likely that it would be used, allowing even more profit to be gained through the sales of products with high added value in the michinoeki.

c) Tourism Support

About 30 km distant is the Huangshan Scenic Area, which is designated a UNESCO Natural/Cultural World Heritage Site. Throughout the year, about 1 million tourists visit the Huangshan Scenic Area, and about 400,000 seek lodging there. About 400,000 tourists visit the ancient village of Hongcun each year, but about one-fourth of these tourists (about 100,000) lodge there. Most tourists do not spend the night after sightseeing in the village, but return home. So the tourism potential of the ancient village is not being fully realized.

A michinoeki could provide information about the ancient village and lodging in the area, traditional entertainment, and handicrafts, thus supporting expansion of the tourism industry. This could lead to revitalization in a wider range of tourism businesses in Hongcun focused on the ancient village.

2.3.2 Functions and Facilities

The functions that the Hongcun zhen michinoeki should provide were considered, in the context of the goal of revitalizing the local tourism industry as a whole.

A) Increase of opportunities - preparation of a direct sales establishment

By providing direct sales establishments in the michinoeki as outlets for local specialties, an increase in local sales will be achieved. The direct sales establishment could carry the following products:

- Agricultural goods, such as bamboo shoots, green tea, and processed products made from these.
- Bamboo ware and stoneware, craft products of the Hongcun region.
- Other souvenirs.

However, the overall management of the market facility is a matter requiring separate consideration. Similarly, the matters of selecting shops and the operation support system require separate consideration.

B) Product processing - providing a processing area

A facility for processing, packaging, canning, and packing Hongcun delicacies, such as bamboo shoots, green tea, and edible wild plants, is needed. Making the processing process open to the public may help draw additional customers. The processing area should have facilities for the following:

- Green tea washing, production, packing, and packaging
- Bamboo shoot and dried bamboo shoot washing, packing, and packaging
- Edible plant washing, processing, packing, and packaging

C) Support for the tourism industry-preparation of facilities for providing information

Local information (sightseeing, access, weather) should be provided to highway users who visit the ancient city. An example informational “menu” follows:

- Lodging establishments, especially in the ancient village
- Sightseeing facilities other than the ancient village
- Roads in the surrounding area
- How to reach the Huangshan Scenic Area and central Huangshan Shi (Tunxi-qu, Wanan)
- Weather (in Huangshan mountains and surrounding area)
- Parking, seating in Huangshan cable car

D) Michinoeki layout plan

The product sales area should be central, with toilets, information booths, and processing facilities on either side. A tour could be provided for highway users who visit the processing facilities.
[Estimated Construction Cost]

- Construction costs of residences in Hongcun zhen were used as reference.
- Engineering / construction work alone—Yuan 500 per m²
- Facility scale considerations based on on-site surveys
  - Parking: 150 vehicles = 22,500 m²,
  - Market: Per shop, 5 m × 5 m = 25 m²,
  - Number of shops = 200 (there are about 100 shops in the ancient village currently)
    Total: 3,750 m²
  - Processing facilities: 2,700 m²
  - Toilets and other rest facilities (including information booths): 900 m²
    Total: 29,850 m²

Michinoeki construction costs, according to the above:
- Engineering and construction work: 29,850 m² × 500
  = CNY 14.9 million
  = US$ 1.79 million
  (Calculated at the rate of Yuan 1 = US$0.12)

[Estimated Facility Operating Costs]

- Operating costs of nearby hotels were used as reference.
  - Employee salaries
    Number of employees: 30 (This figure was based on number of employees at michinoeki of similar scale in Japan.)
    Average salary: CNY 450 per month per person—Hotel wages
    Subtotal: CNY 162,000 per year
      ( = 30 employees × Yuan 450 per month per person × 12 months per year)

- Facility maintenance and repair costs: CNY 200,000 per year (based on hotel maintenance and repair costs)

Total: CNY 360,000 per year
  = US$43,200 per year
2.4 On-site survey of Hongcun zhen: examination of michinoeki feasibility

After creating the plan outlined in 2.3 for the Hongcun zhen michinoeki, we visited Hongcun zhen to assess the feasibility of the michinoeki and issues related to construction. We held discussions on site with the Hongcun zhen government (district head and vice district head) along with higher institutions such as the Huangshan Shi government and Yixian County government. Similarly, we held discussions with private sector stakeholders—hotel managers and a representative of the residents (the Hongcun village mayor).

### 2.4.1 Site selection

Considering that the ancient Hongcun village area is a protected World Cultural Heritage Site, it would be difficult to secure a large-scale site there. However, there is a plot of level ground of roughly 18.7 ha about 1 km from the ancient village. This pilot study assumed that this land would be the michinoeki site.

### 2.4.2 Stakeholders

The presumed stakeholders in the planning, establishment, and operation of the Hongcun zhen michinoeki are as follows:
- Government organizations (Anhui, Huangshan Shi, Yixian, Hongcun zhen)
- Lodging providers
- Restaurant operators
- Stores (souvenir stores)
- Residents
- Entities involved in technical support (government)

During the on-site survey, after giving an overview of the michinoeki’s purpose and features for stakeholders and explaining our assumptions about the michinoeki’s functions within Hongcun zhen, we listened to the stakeholders’ opinions and requests. An outline of these follows.
A) Government

We obtained approval for the idea of encouraging tourism in Hongcun zhen by establishing a michinoeki from each level of the administrative structure—Anhui, Huangshan Shi, Yixian, and Hongcun zhen. One particularly highly valued facet of the michinoeki was that, unlike a highway service area, a michinoeki is not just for highway users and would improve everyday convenience for residents.

Funding is a large problem. The Hongcun zhen government, which would probably be in charge of facilities planning, already must contend with the preservation of the ancient village. People currently sell bamboo- and stoneware and operate restaurants for tourists in the village, but the Hongcun zhen government, fearing that an increase in tourists will lead to the destruction of the ancient village, is planning to move the shops and restaurants about 1 km to the 18.7 ha plot of land we identified as the logical site for a michinoeki. The Hongcun zhen government is considering having tourist buses and passenger cars park at this site. However, the Hongcun zhen government lacks adequate funds to establish this sort of facility, and so it assumes that private capital will be required to establish and operate the facility.

The Chinese central government has policies promoting the stimulation of rural communities, so by working together, Anhui province, Huangshan Shi, and Yixian county might be able to procure some funding through various national aid policies. However, according to the Hongcun zhen government, this would not provide enough funding to establish the michinoeki (total aid from 2002 to the present is Yuan 30 million, primarily for preserving the ancient village and supporting agriculture). Consequently, the Hongcun zhen government believes it inevitable that they consider using private capital, including financing from large coastal enterprises and local private businesses, and establish and administer the facility as a partnership.

B) Lodging providers, restaurant operators, and shops

Hongcun zhen’s private businesses have determined that the michinoeki would be profitable because of expanded sales opportunities and the potential for the michinoeki to attract tourists with local sightseeing information. If the michinoeki is established, they expressed the hope that the structure would be built in the traditional Anhui architectural style (black fireproofed roofs with white brick walls) out of consideration for the ancient village and surrounding environment.

One proprietor stated that if the michinoeki had processing facilities, he definitely would want to participate. He has wanted to become involved in processing the tea and edible plants produced in Hongcun zhen for a while but does not have the facilities or know-how. Furthermore, he does not have the funds for the needed facilities, nor the know-how, and therefore cannot expand his business independently. A michinoeki would be effective in giving this sort of entrepreneur the opportunity to develop.

C) Residents

We also had the chance to listen to the Hongcun village mayor (a village committee representative) as a representative of the residents. The village mayor lives in the ancient village and raises tea, rice, and mulberries on her farm a few kilometers from the ancient village. The village mayor and village committee members are chosen by direct elections by residents. The village committee is experienced in deciding matters that affect everyday life (such as maintenance of village infrastructure and the fish farm administered by the village), and has a high interest in townspeople.

According to the mayor, residents who desire village revitalization are numerous. However, because of the area's isolation, little information is available, and so even if the villagers want to try new things, they have no idea how to go about doing so. Also, even if an entrepreneur tried to start a new business, he or she would be stymied by difficulties in obtaining funding.
2.5 Obstacles to introducing the michinoeki

The on-site survey clarified the obstacles to establishing and operating the michinoeki in Hongcun zhen.

2.5.1 Procuring funding

A) Construction funds

All administrative organizations (Huangshan Shi, Yixian, Hongcun zhen) indicated that funding the michinoeki would be a problem. In 2003, Hongcun zhen’s annual expenditures amounted to 5 million yuan, less than one-third the estimated construction cost for the project (Yuan 14.9 million [US$1.79 million]). It probably would be difficult for the Hongcun zhen government alone to bear the cost of establishing the michinoeki.

The possibilities offered by aid systems to provide construction funds must be examined, such as Yixian and Huangshan Shi and the various aid systems offered by the central government (for example the three agricultural policies for a michinoeki as a facility for the promotion of rural communities and improvement of farmers’ incomes). If sufficient construction funds cannot be procured from the government, the introduction of private capital must be considered. However, the introduction of private capital raises two issues.

The first is whether private capital in fact could be secured. Among businesses in Hongcun zhen, lodging and restaurant businesses are the majority. These business operators do not have enough reserve funds to expand their businesses and probably could not bear any of the costs of establishing or operating the michinoeki. However, looking beyond Hongcun zhen, large businesses in coastal urban areas are aware of the business opportunities that will be created in the interior tourist areas by the expressway network, and they are beginning to show interest in these new investment possibilities. But large enterprises may emphasize profit and economic principles that are not necessarily compatible with the michinoeki goal of regional promotion. This leads to the second issue.

The second issue is if private funding would enable the three michinoeki functions—an incubator, a means of local community empowerment, and promoter of exchange between the highway users and local community—to be fully realized. By accepting capital from large, urban coastal enterprises, the facility could be operated with a profit-first mentality and commercialism, ending up just another roadside facility. Not only would it be difficult for this sort of facility to take into account the opinions of local people, it would not lend itself to revitalizing the local community. If capital from private enterprises is used, a framework must be created to ensure the michinoeki’s primary functions.

What is more, there is no precedent in Hongcun zhen for using private capital to establish an institution.

B) Operating costs

Sufficient operating funds must be secured so that the michinoeki in Hongcun zhen will continually develop. The existence of sightseeing resources in Hongcun zhen (the ancient village) means that each year a minimum number of tourists will visit. To encourage these tourists to visit the michinoeki, the michinoeki facility must be attractive as well as offer goods for sale. Securing stable operating funds to increase the physical attractiveness of the michinoeki will be an issue.

In the Chinese legal system, the government cannot directly perform economic activities, and so for Hongcun zhen to administer the michinoeki independently, a system by which rent is collected from storeowners would have to be implemented. Besides setting lease prices and securing enough stores to provide sufficient funds to cover facility maintenance and operating costs, the structure of defraying costs from the government’s revenue source would have to be considered.

If private capital is used, however, besides taking measures to ensure the michinoeki’s primary functions are not lost, in addition to creating a framework allowing operation of the facility by

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4. The three agricultural policies are related to agriculture, rural communities, and farmers, laid out in December 2003 in Central Committee State Affairs Administration Opinions on a Number of Policies for the Promotion of Increasing Rural Income.
private capital, a plan must be established to prevent profits from concentrating in a few enterprises, and a structure that allows operating funds to be secured efficiently must be considered.

2.5.2 Systems of government and private cooperation

The fact that the michinoeki will be established and administered by both the government and the local community, and not the government alone, is distinctive. Because the small private enterprises of Hongcun zhen conduct activities, and the residents live their lives, under the strong guidance of the Hongcun zhen government, the question of what sort of cooperative system can be established is critical. So that grass-roots voices are reflected in the planning and operation of the michinoeki, the village committee must first collect requests and opinions from the residents regarding the planning and operation of the michinoeki. Then the village committee must work towards gaining the understanding of the higher levels of government, such as Hongcun zhen, rather than the residents directly taking on the role as the establishing entity.

2.5.3 Empowerment of the residents

A) Uneven Distribution of Information

In any country, there are differences in the levels of information literacy among residents. In Huangshan Shi, these differences are particularly large. One young man in the area worked at a cellular phone company after graduating from college, then used the know-how he gained there to go independent; now he sells cellular phones in addition to operating a travel agency for tourism to the Huangshan scenic area. Yet, as the Hongcun village mayor stated, many residents do not know how to go about starting new undertakings.

Currently, there is a large gap between people who have acquired information and know-how and those who have not. This is probably true of modern China in general. Further, the percentage of people in Hongcun zhen with information and know-how is tiny. As mentioned earlier, the region has no policies in place related to the opportunities for regional economic stimulation presented by the establishment of the expressway.

For michinoeki to succeed in China, besides solving the funding problem, local residents must understand the significance of the expressway construction and share this understanding.

B) Reflecting residents’ demands

Since the revision of China’s constitution in 1982, China has moved forward with democratizing policies. One of these was the establishment of village committees, which is expanding democratization at the local level. However, China is still under single-party rule. The zhenchang (zhen government) of Hongcun zhen is also the secretary-general of the Hongcun chapter of the Communist Party. Furthermore, the village committee, which is elected directly by the residents, is obliged to act under the guidance of the zhenchang, or in other words, the Communist Party. Consequently, most government activities are carried out according to Communist Party policy, and not all activities are based on the principle of decision by majority, as in other developed nations.

Because projects in China tend to proceed in a top-down fashion, a critical issue will be how to reflect residents’ demands in establishing the michinoeki facility with respect to the deep-rooted local infrastructure. How will the village committee, which addresses and solves problems related to residents’ everyday lives, take note of the vague demands of the residents living in the vicinity of the World Cultural Heritage Site, and, together with the zhenchang and zhen government, work to fulfill them?

Fortunately, the Hongcun zhenchang once worked in a private enterprise, is well informed of trends inside and outside the region, both domestically and abroad, and is a person with excellent business sense. Private citizens also would benefit from taking the demands of residents for a michinoeki into consideration and incorporating them into preparations and plans.
C) Residents’ ability to participate in planning

Unlike a service area, a michinoeki is established by the local community, and the active participation of the local community is expected. However, in modern Hongcun zhen, sales of agricultural and crafts products are conducted in flea markets, and the local community, experienced only in operating simple stalls offering food and drink, does not have experience in planning the operation of a permanent store, product processing facility, or information center. There are three reasons for this.

One is insufficient funding. Even if someone wanted to try something new, there would be insufficient seed money. Recently, the Chinese central government has offered financial support (the three agricultural policies), and although there is a good possibility that the funding obstacle will be overcome in the future as the rural people’s ability to participate in planning improves, the appropriate systems do not currently function. Consequently, the funding issue makes it difficult for rural people to launch independent undertakings. Public support is therefore crucial.

The second is lack of information. As some of the residents themselves remarked, many of Hongcun zhen’s residents live in an isolated society. There are few opportunities for them to hear of or observe new ways of doing things. In particular, on ancestral farmlands, at the most specialized produce will be cultivated and sold to nearby traders. In other words, there are almost no opportunities to make direct contact with the needs and trends of the markets, and very little chance of making direct contact with or learning about the currency economy. At the same time, there are few means to obtain such information. Thus, if residents are to be the chief administrators, a large problem remains regarding the rapid acquisition of information and prompt response to changing market needs and user demands.

Third, residents’ cumulative knowledge about planning and operating a facility such as a michinoeki is very limited. For many years local people have focused on production activities in agricultural fields and have little know-how of marketing, facility design, or technology related to facility planning and operation needed for the market and communication support features of the michinoeki. This makes it vital that in the initial planning stages technical support be provided, such as government funding for engineers well versed in facility design and planning.
3. Next step: The state of michinoeki preparations in China

In China, a country that has achieved rapid economic growth, construction of the expressway is proceeding at an unprecedented rate. Seeing this, one has the impression that if only funding could be secured, this energy would solve all the other problems and the michinoeki would be completed almost instantly. This is probably because China has its own distinctive system that is different from those in other developed nations. China is a communist country under the single-party rule of the Chinese Communist Party. In rural regions, the government still operates under the strong guidance of the Communist Party. In a place such as this, an establishment like the michinoeki, which uses the community-driven development method, may not make immediate progress. It could easily become a facility that is established and administered from the top down.

Yet in the movement towards a global economy, such as the development of international specialization, the Chinese government carried out reforms and opening policies for economic development and international competitiveness, and it was this current that led to the revision of the Chinese constitution in 1982 that abolished the People's Communes and established the village–zhen system. As a result of policies that encourage democratization at the local level, the separation of politics and society is proceeding in rural areas, and democratization is making headway. The direct election by the residents of the village committee and village/zhen public representatives is a positive sign of citizens' empowerment.

In other words, the groundwork is in place in rural China for a michinoeki that is operated with respect for the residents, stimulates the local economy and community, and contributes to the development of China's rural areas. However, the Hongcun zhen pilot study shows that establishing a michinoeki in present-day China will not be easy. Steps necessary to find solutions are discussed in the following sections.

3.1 How to procure funding?

Finding funding, one of the largest issues in establishing the michinoeki is considered here with regard to the construction and administration phases.

3.1.1 Procuring funds for the construction phase

Construction costs are estimated at Yuan 14.9 million (US$1.79 million). The annual expenditures of Hongcun zhen are about Yuan 5 million (US$0.6 million), and annual aid from top-level organizations totals about Yuan 15 million (the majority of which is earmarked for the maintenance and repair of the ancient village). Thus, it would be difficult for the Hongcun zhen government to bear the entire cost of construction. It is necessary to again consider the possibility of procuring government funds, including the possibility of the using aid systems of higher-level organizations. However, if it proves difficult to procure funds from within the government, the following two methods can be considered.

One possibility is taking a loan from an international financial institution, such as the World Bank or JBIC, or from the Industrial and Commercial Bank of China, under the leadership of the Hongcun zhen government. If financing came from an international financial institution, the financial point of contact would be Anhui province, and Anhui province therefore would conduct the construction, and either Hongcun zhen or an administrative corporation of the michinoeki would be given a free or compensated lease.

The second possibility is using private capital. Among the large coastal enterprises are some who have launched operations along the interior expressway, and many enterprises are turning their attention to the interior for new investment opportunities. With the establishment of the expressway network, interest in the michinoeki in Hongcun zhen, a promising tourist destination, will probably be high. However, although an inflow of big business capital would create employment in Hongcun zhen, most profits probably would flow back to the big businesses and not lead to a revitalization of the local economy or help foster local businesses.
In this case, the problem would be how to guard against an outflow of profits; one way would be to form a limited partnership with the Hongcun zhen government, an investment coalition of local enterprises with a fixed ratio, and investments attracted from businesses outside the region. Managing the facility’s establishment and operation through this limited partnership would allow the local area, not just the large outside enterprises, to prosper. There is an enormous gap between small local enterprises and large coastal enterprises not just in terms of funds but also in terms of accumulated know-how and information. Therefore, it will be critical to foster new local enterprises while encouraging the further development of existing local enterprises. Providing the michinoeki site from the public side probably also would be an effective way to ensure residents’ involvement in michinoeki planning and public services.

3.1.2 System of administration and administration costs

The method of procuring funds during the operation phase will probably vary depending on the michinoeki’s system of administration. Three entities could act as the administration entity.

The first candidate is the Hongcun zhen government. If funding is procured in the form of bank loans during construction, the Hongcun zhen government will be the administration entity. The second possibility would be for the village committee to handle administration. In this case, the facilities would be established with bank loans, and the village committee would lease the facilities from the government (Hongcun zhen, or in the case of loans from international financial organizations, Anhui province).

In these situations, it would be desirable for the Hongcun zhen government, which would be the administering entity, to contract storeowners individually and collect yearly rent from them to secure a stable source of operating funds. Under this system, fixed rent would enable operation of the facility and also work as an incentive for the storeowners.

A third option would be for an administrative corporation to be established to administer the facility. In this case, a limited partnership established with investments from the Hongcun zhen government, local enterprises, and businesses from outside the region would administer the facility. If private capital is used for the construction phase, it would be desirable for the limited partnership to continue participating in the administration of the facility. Furthermore, if the facility is established with bank loans, the administrative company would lease the facilities from the government (Hongcun zhen, or in the case of loans from international financial organizations, Anhui province).

In this situation, storeowners would be contracted individually, and yearly rent collected from them, and the administrative company would handle operation of the overall facility. In this case, if the overall facility made large profits, these profits could accrue to the administrative company, but the risk of a large loss must also be anticipated, so it would be necessary to maintain a separate fund for such an eventuality.

Compared to large, urban coastal enterprises, the people and local enterprises of Hongcun zhen have an insufficient knowledge base, and the guidance and support of the Hongcun zhen government would be needed in various areas. For this reason, the first option, the operation of the facility chiefly by the Hongcun zhen government, would be desirable for the michinoeki in Hongcun zhen.

3.2 What sort of government-private cooperation is possible in the facility’s establishment and operation?

Unlike other developed countries, China is under single-party rule. All government activities are carried out under the guidance of the Chinese Communist Party, and in the rural sector too, the influence of the Communist Party is still great. However, as mentioned earlier, active democratization policies are being executed, particularly in local areas. With the foundations thus gradually put in place, the facility’s establishment and administration will not be decided in a top-down fashion, but rather as a consolidated public–private effort.
However, it cannot be said that the capability of the residents of interior rural regions, such as Hongcun zhen, are sufficient. Most residents cultivate their farmland as their forebears did. Therefore, residents’ capabilities must be raised to a sufficient level that they can emerge from the isolation and participate in planning for the michinoeki’s establishment and operation. Thus, the government, namely Hongcun zhen, must guide residents in acquiring knowledge. We next discuss ways of strengthening residents’ capability. After residents’ capabilities increase, the original goals for establishing a michinoeki in China can be achieved, and the following cooperative systems will be possible, based on management systems for avoiding creating a “drive-in” roadside station.

First, if the Hongcun zhen government is the administrating entity, it will be necessary to create an environment (rules) that will enable free, evolutionary economic activities, and put limits on unrestrained commercialism of non-local enterprises. To protect residents and local enterprises, ongoing guidance, in addition to economic support such as preferential rent pricing and partial tax reductions, is also possible. Because the Hongcun zhen government does not have tax collection authority, it would be necessary to work with higher authorities, such as Yixian county, Huangshan Shi, or Anhui province to establish preferential tax measures.

Second, if the village committee is the administrating entity, Hongcun would provide support, make rules to allow smooth operation by the village committee, and provide guidance on methods of coordinating with non-local private enterprises, in addition to providing economic support (preferential rent pricing, partial tax reductions). The village committee, under the guidance of Hongcun zhen, would have to deal with the residents and local businesses and non-local enterprise shops. However, the village committee currently does not have the know-how to administer the michinoeki, and the village committee and the villagers will have to improve their abilities under the guidance of the Hongcun zhen government.

Third, if a newly established administrative corporation is the administrating entity, the various investor entities would have monitor each another and promote the healthy operation and growth of the michinoeki in addition to participating in the michinoeki’s establishment and operation as investors.

In any case, if the three entities concerned, the Hongcun zhen government, the village committee, and local enterprises, work together, the first michinoeki’s establishment and operation should go smoothly.

3.3 Empowerment of local residents

A michinoeki is not a simple highway rest area; the concept also includes incubator and an empowerment functions for the local community. During the on-site survey, local enterprises expressed interest in processing new products using local agricultural products. By establishing processing facilities in the michinoeki and leasing these facilities at low rates, enterprises dealing in processed foods made from green tea and bamboo shoots can be incubated. And by providing a space in the michinoeki from which farmers can sell agricultural products directly to michinoeki users, the farmers will be able to learn highway users’ needs first-hand, enabling agriculture to expand. In addition to empowering local residents, it will be necessary to improve the residents’ ability to participate in planning, appropriately reflect their demands, and ensure transparency and fairness.

3.3.1 Improving residents’ ability to participate in planning

In interior agricultural localities such as Hongcun zhen, the environment is such that the people can live on annual per capita incomes of less than US$100; in other words, their lifestyles are based on self-sufficiency and bartering. The current situation prevents people from becoming destitute quickly. However, with economic expansion throughout China and the advance of the currency economy, primarily in the coastal, urban areas, the economic gap between the urban and rural regions will grow. To prevent the economic gap from widening, residents of rural regions should be empowered
through the michinoeki and assisted in entering the currency economy.

In China’s rural villages, for residents to realize independent operation of the michinoeki, education of the farmers by the zhen governments will be indispensable. As was clear in the on-site survey of Hongcun zhen, because traditionally isolated lifestyles continue in China’s rural villages, farmers continue to practice agriculture just as their forebears did and have few opportunities to learn about social trends.

How to educate the farmers? In China, as in Japan, there is a strong sense of town community in rural areas, and mutual assistance is a way of life. Perhaps Japan’s Sadamitsu Yu-Yu-Kan and Meiho could provide an example: With the establishment of these michinoeki, residents’ groups, called “lifestyle improvement groups” received guidance on planning products to be sold in the michinoeki. In turning ideas into products, government guidance and advice from specialized consultants were taken into account. In many cases, the products created thus became the flagship products for the michinoeki. In China’s rural areas too, it would probably be good to form residents’ groups around the village committees under the guidance of the zhencang, and interest residents in the michinoeki’s establishment and product sales.

3.3.2 Methods for reflecting residents’ demands

The village committee will have a critical role in how the demands of the residents are reflected in the michinoeki on the establishment and administration levels. As the representative system for democratization policies in rural China, the village committees are composed of committee members selected by the people in direct elections. In the establishment and administration of the michinoeki, the village committee must play the role of pipeline between the zhencang, which will be responsible for overall regional balance and adjustment and coordination of top-level plans, and residents.

However, it would be difficult to reflect the opinion of each and every resident in the establishment and administration of the michinoeki. As we have suggested, residents’ groups could be used to this end. The requests, gathered by the residents’ groups would be organized by the village committee, which would then discuss them with the zhencang, enabling their efficient implementation.