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Industrial Restructuring and the Selection of Pillar Industries in Qinghai Province, China

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Abstract Based on the data from the *Qinghai Statistical Yearbook 2009*, the evolution course of industrial structure and the developmental status of pillar industries is analyzed. The pillar industries in Qinghai Province are analyzed and reevaluated from four aspects, which cover demand and income elasticity, location quotient, contribution rate and interrelationship between industries. Through analyzing the problems and causes of the industrial structure of Qinghai Province, we know that the output structure of the three main industries has seriously departed from the employment structure; the pillar industries mainly concentrated on the fields of resource exploitation and primary processing; the interrelationship between the industries is low; and the development between the light and heavy industries are imbalanced. With the globalization and the further implementation of national preferential policies on western development, Qinghai Province follows the following principles in the restructuring of industrial structure in order to carry out the scientific thought of development and the "Ecological province" strategy. Firstly, the restructuring of industrial structure should be guided by market and scientific and technological progress. Secondly, it should fully display the regional advantages. Thirdly, it should attach importance to the developmental status and prospect of relevant accessory industries. Fourthly, the restructuring should be helpful to the labor transfer and reemployment of rural surplus labor forces. Suggestions on the selection of pillar industries and optimization of industrial structure are put forward. Qinghai Province should accelerate the restructuring of industrial structure, strengthen the support on pillar industries and lay stress on the introduction of the capitals, technologies and talents.

Key words Industrial restructuring, Pillar industry, Qinghai Province, China

Qinghai Province, with rich natural resources and small population, is located in the northwestern Qinghai – Tibet Plateau. Due to the inland location, long distance from the markets, blocked information and inconvenient transportation, the social economic development in Qinghai Province is poor. The target of restructuring industry is to achieve the rationalization and intensity of industrial structure. The rationalization should take intensity as the goal and the intensity should be based on rationalization. The two terms are interactive^[1]. With the continuous enhancement of Chinese economy, the industrial restructuring and the selection of pillar industries are attached great importance to by governments at various levels. As an economically underdeveloped province, Qinghai Province should stand on its own advantages, integrate the traditional industries with the high-tech industries, optimize the industrial structure and strengthen the support and direction on pillar industries, at the same time of accepting the transferred industries from the eastern China. Relying on the data from the *Qinghai Statistical Yearbook 2009*^[2], the status quo of the industrial structure and the pillar industries in Qinghai Province are analyzed. The problems in the industrial structure and pillar industries are analyzed as well. After the analyses, the background and principles for the industrial restructuring in Qinghai Province are concluded. Besides, the countermeasures and relevant sugges-

tions are put forward.

1 The status quo of the industrial structure and pillar industries in Qinghai Province

In recent years, the economic development of Qinghai Province keeps the stable and rapid growth. In 2008, the GDP of the whole province was 96.152 billion yuan, and the average GDP per capita was 17 389 yuan. The secondary and tertiary industries also have experienced rapid development. For example, in 2008, the added value of the secondary industry has achieved 52.9 billion yuan, which has become the pillar for the economic development of Qinghai Province. Based on the resource advantages, Qinghai Province has formed an industrial system, including the metallurgy, non-ferrous metal industry, electric power, coal, petrol, chemical industry, building materials, light industry, textile industry, and food industry and so on. The finished added value of the tertiary industry is 32.655 billion yuan, which is of great importance to the economic development of Qinghai Province. The emerging service industries, including financial sector, real estate sector, information transmission, computer services and the software industry, are not only the new highlight of the economic growth of Qinghai Province, but also provide much more job opportunities.

1.1 Evolution of the industrial structure of the three main industries According to the data from the yearbook, the changes of the evolution of industrial structure of the three main industries in the main years of Qinghai Province from 1990 to 2008 are listed as follows (Table 1).

Table 1 The evolution of industrial structure of the three main industries in the main years of Qinghai Province from 1990 to 2008

Year	The proportion of the added value of the three main industries to GDP // $\times 10^3$ yuan			The proportion of employment of the three main industries // %			
	Total	The primary industry	The secondary industry	The tertiary industry	The primary industry	The secondary industry	The tertiary industry
1990	69.94	25.3	38.4	36.3	60.0	18.8	21.2
1995	167.80	23.6	38.5	37.9	56.1	16.9	27.0
2000	263.68	15.2	41.3	43.5	55.8	12.6	31.6
2005	543.32	12.0	48.7	39.3	49.5	17.4	33.1
2008	961.52	11.0	55.0	34.0	44.5	21.3	34.2

It can be known from Table 1 that, from 1990 to 2008, economy of Qinghai Province has got rapid growth and the three main industries all have improved in varying degrees. The proportion of the added value of the three main industries of Qinghai Province to GDP is 11:55:34 respectively and the industrial structure shows the characteristic of "two, three, one". From 1990 to 2008, the overall number of people employed in the primary industry shows the downward trend, but the drop range is small, so the proportion of employees in the primary industry is still large. Although the employees in the secondary industry has increased slightly, the growth range was small, so the proportion of them is small. The proportion of employees in the tertiary industry has increased, but the increase rate is

slight. In 2008, the proportion of employees in the three main industries is 44.5%:21.3%:34.2%, and the pattern of "one, three, two" is obvious.

1.2 The status quo of the pillar industries in Qinghai Province Pillar industries refer to the industries which take leading role in the regional economy. The industry adopts advanced technology and has the high growth rate and strong industrial connections, which plays an important role in stimulating other industries and the regional economic development. In Table 2, the major economic indicators of four pillar industries and four advantageous industrial enterprises of Qinghai Province in 2008 are listed.

Table 2 The major economic indicators of four pillar industries and four advantageous industrial enterprises of Qinghai Province in 2008
 $\times 10^4$ yuan

Industries	Gross industrial output value	Industrial added value	Major business income	Total profits	Total taxes and profits
Four pillar industries					
Oil and natural gas	1 738 264	1 167 056	1 357 661	601 635	775 883
Electric power industry	1 226 107	422 316	1 226 701	4 884	126 369
Non-ferrous metals industry	2 917 807	975 171	3 140 889	167 399	279 438
Salt chemicals industry	1 584 783	840 641	1 316 892	619 930	751 150
Four advantaged industries					
Metallurgy	1 558 706	510 693	1 352 020	74 030	138 342
Manufacture of medical and pharmaceutical products	128 081	65 705	102 688	3 308	9 535
Animal products industry	77 547	29 073	76 962	-300	279
Building materials industry	342 854	126 939	408 168	36 168	66 246

It can be seen from Table 2 that Qinghai Province mainly relies on its rich natural endowments and advantages to develop its pillar industries. It can be seen from the gross industrial output value and the added value in 2008 has great contribution to the GDP, the total profits and the total tax and profits. In the economically developed areas of China, the major industries are electronics and telecommunications equipment manufacturing, transportation equipment manufacturing, chemical industry, electric equipment and machinery manufacturing, smelting and pressing of metals and so on. While in the western areas, the pillar industries mainly concentrated on the traditional industries, including mining, metal smelting, medical sector, building materials sector, energy sector, and chemical sector and so on. Therefore, Comparing with other provinces in north-western China, the pillar industries in Qinghai Province are similar to that in the other western provinces, but they still have long way to go in catching up with that of the whole country.

1.2.1 Analysis on the basis of the demand and income elasticity. Income elasticity is one of the vital foundations for selecting pillar industries, proposed by the Shinohara Miyoehei, a

Japanese economist. The theory holds that every industry with the income elasticity bigger than 1, its growth rate is higher than the growth rate of per capital national income^[3]. Therefore, with the increase of the income per capita, the proportion of the products with high income elasticity to the industrial structure will increase gradually. Selecting these industries as the key industries meets the direction of industrial structure. Table 3 has listed the industries whose demand and income elasticity ranks the first ten places.

It can be seen from Table 3 that the industries with large income elasticity of demand are mainly concentrated on the labor-intensive industries, including garments and other fiber products manufacturing and machinery equipment manufacturing. So in the future, these industries can be selected as the pillar industries and the employment problems can be smoothed as well.

1.2.2 Analysis on the basis of location quotient. Location quotient is the indicator used for analyzing the advantages of regional industries in modern economics and it mainly reflects the regional labor division degree of industries. If the location

quotient of an industry is bigger than 1, it shows that the degree of specialization and the specialization ratio of the industry are relatively high. Meanwhile, it means the production of the industry in relatively intensive and the industry possesses com-

parative scale advantage and rapid development. Besides, it has certain comparative advantage in the whole region^[3]. Table 4 lists the ten industries in Qinghai Province with location quotient bigger than 1.

Table 3 Income elasticity of demand of the major industries in Qinghai Province

Industries	Demand and income elasticity	Ranking
Garments and other fiber products manufacturing	3.25	1
Ordinary machinery manufacturing	3.09	2
Electric equipment and machinery manufacturing	2.75	3
Manufacturing of leather, fur, feather and their products	2.2	4
Coal mining and refining	2.00	5
Petroleum and natural gas extraction	1.98	6
Pharmaceutical manufacturing	1.72	7
Smelting and processing of ferrous metals	1.72	8
Mining and dressing of nonmetal minerals	1.43	9
Mining and dressing of ferrous metals	1.34	10

Table 4 The location quotient of the main industries in Qinghai Province

Industries	The employees in Qinghai Province	The employees in the nation // $\times 10^4$	Location quotient	Ranking
Smelting and pressing of nonferrous metals	17 996	90.3	8.71	1
Mining and dressing of nonmetal minerals	3 808	21.5	5.73	2
Manufacturing of Raw chemical materials and chemical products	15 350	210.1	3.19	3
Mining and dressing of nonferrous metals	2 727	30.3	2.91	4
Smelting and pressing of ferrous metals	11 399	187.4	2.66	5
Metal product industry	3 627	103.8	1.53	6
Printing and record medium reproduction	1 090	39.6	1.20	7
Beverage manufacturing	1 992	74.3	1.17	8
Petroleum and natural gas extraction	3 404	96.5	1.14	9
Pharmaceutical manufacturing	2 345	93.5	1.10	10

It can be seen from Table 4 that, from the perspective of location quotient, few industries have the advantages of labor division in Qinghai Province and the industries are mainly concentrated in fields of resource exploitation and primary processing of resources.

1.2.3 Analysis of the benchmark of contribution rate. As a comprehensive indicator, the industrial contribution rate reflects

the comparative advantages of an industry in a special region and the economic status and contribution of the study area. Generally speaking, the greater the contribution of the pillar industries to economic development, the greater the role played by the industry in developing the region's economy^[3]. In Table 5, the industrial contribution rate of the first ten main industries in Qinghai Province is listed.

Table 5 Industrial contribution rate of main industries in Qinghai Province

Industries	Percentage of output value // %	Industrial contribution // %	Ranking
Smelting and pressing of nonferrous metal	21.34	185.87	1
Petroleum and natural gas extraction	150.88	172.00	2
Production and supply of power and heat	40.56	43.40	3
Mining and dressing of nonferrous metals	10.70	31.14	4
Smelting and pressing of ferrous metals	8.16	21.71	5
Raw chemical materials and chemical products	1.83	5.83	6
Mining and dressing of nonmetal minerals	0.69	3.97	7
Medicine and pharmaceutical products manufacturing	1.32	1.45	8
Beverage manufacturing	1.16	1.36	9
Electronic and telecommunication equipment manufacturing	1.49	1.21	10

It can be seen from Table 5 that the industries in Qinghai Province with the contribution rate greater than 20% mainly concentrated on resource-based industries. Meanwhile, the high-tech and high-processing industries including medicine and pharmaceutical products manufacturing and communication equipment manufacturing are developing gradually.

1.2.4 Analysis based on the interrelations among industries.

Industrial correlation degree refers to the stimulation and correlation degree of an industry to other industries, and it is the important standard for measuring whether the industry can bear the responsibility as a pillar industry. The industrial correlation degree is usually presented by industrial correlation coefficient. The industrial correlation coefficient includes the influence coefficient and sensitivity coefficient. Among them, the influence ef-

efficient means the degree of the impact of the industry on other industries. If the coefficient is bigger than 1, it shows that the influence of this industry on other industries is greater than that of the social average level. The sensitivity coefficient shows influences on the industry affected by other industries. If the coefficient is bigger than 1, it shows that the sensitivity of this in-

dustry is higher than that of the social average level^[4]. The industries with high correlation degree will influence other industries strongly in multi-directions, so choosing these industries as pillar industries will push forward the whole economic growth. Table 6 shows the influence coefficient and sensitivity coefficient of the front ten industries in Qinghai Province.

Table 6 Influence coefficient and sensitivity coefficient of main industries in Qinghai Province

Industry	Influence coefficient	Sensitivity coefficient	Correlation coefficient	Ranking
Natural gas extraction	2.215	0.276	1.245 5	1
Petroleum extraction	1.516	0.723	1.119 5	2
Smelting and pressing of nonferrous metals	1.701	0.304	1.002 5	3
Smelting of nonferrous metals	1.262	0.493	0.877 5	4
Production and supply of electric power	0.856	0.848	0.852 0	5
Smelting industry if ferrous metals	1.159	0.358	0.758 5	6
Mining and dressing of nonferrous metals	0.956	0.553	0.754 5	7
Manufacturing of basic raw chemical materials	1.043	0.371	0.707 0	8
Coal mining and refining	0.925	0.450	0.687 5	9
Slaughtering and meat and egg processing industry	0.990	0.349	0.669 5	10

Through Table 6, it can be seen that the current pillar industries and advantageous industries in Qinghai Province including petroleum and natural gas extraction, nonferrous metal industry, raw chemical materials and chemical products, medical and pharmaceutical products manufacturing, animal products industry and metallurgy, basically meet the demands of pillar industries.

2 The problems in the industrial structure of Qinghai Province

2.1 The grave deviation of the output structure of the three main industries and the employment structure The proportion of the added value of the three main industries in Qinghai Province in 2009 to GDP is 11:55:34, but the proportion of the personnel involved is 44.5:21.3:33.2 (Table 1). Among them the percentage of the value added by the primary industry is 11%, but the percentage of its personnel involved has achieved 44.5%. Although the laborers involved in the primary industry are dwindling year by year, the aggregate number is still huge. The increase of the added value of the secondary industry has not increase the relevant employment. In contrast, the employees in the secondary industry are dropping gradually, which is determined by the heavy industry-based industrial structure of Qinghai Province. Besides, the tertiary industry is limited in attracting laborers, for it has not formed the complete mechanism of absorbing the surplus laborers, so its output percentage is obviously bigger than its employment percentage. The roles in absorbing the laborers played by the secondary and tertiary industries are not so strong and the industrialization of output structure goes far ahead of the non-agricultural employment structure.

2.2 The pillar industries are concentrated mainly on the fields of resource exploitation and resource primary processing As a backward and remote province, the industrial development in Qinghai Province strongly relies on resources. For example, the current pillar industries, including petroleum

and natural gas extraction, hydro-power, smelting and dressing of nonferrous metals, salt chemicals and some other industries all belong to the resource-based heavy industry. The resource-based industrial structure has fully displayed the regional resource advantages and has made great contribution to the economic growth of Qinghai Province, but it also unveiled many problems. From the perspective of market share, the market capacity and the specialization of analyzing the location quotient are low. From the perspective of whole western areas, the industrial structure is seriously repeated, technology input is insufficient in the industrial development, the industrial chain is short and the sustainable development capability is limited.

2.3 The industrial correlation degree is low and the development of light and heavy industries is imbalanced Relying on the industrial correlation coefficient, the industries with large sensitivity coefficient and influence coefficient play an important role in economic development, so usually they are selected as the pillar industries in national economic development. It can be seen from Table 6 that, the correlation degree of pillar industries in Qinghai Province is low and the pillar industries are mainly concentrated in resource-based industries with short industry chain. The proportion of heavy industry lifts continuously, in 2008, the proportion of the light and heavy industry is 6.2:93.8. The development of light and heavy industries are imbalanced seriously and the employment correlation of the pillar industries is weak, thus the economic development of the whole region is choked.

3 The background and principles for restructuring the industrial structure of Qinghai Province

3.1 The background for restructuring industrial structure The first one is economic globalization and the implementation of western development strategy. With the increasing improved international trade and the continuously accelerated trend of economic globalization, accepting the industrial trans-

ference of nationwide manufacturing and economically developed areas has become one of the main ways for restructuring the industrial structure of Qinghai Province. In addition, Qinghai Province is endowed with rich natural resources and the opportunities of western China development strategy, which are beneficial for speeding up the upgrade and improvement of industrial structure. The second background for the restructuring of industrial structure is the demand of carrying out the scientific thought of development and need of practicing "establishing province by ecological way". Qinghai Province is located in the source of Yangtze River, Yellow River and Lantsang River, so the ecological and environmental protection is extremely important. Qinghai Province can realize scientific and harmonious development and the win-win situation, only by improving its industrial structure and taking the new industrialization road.

3.2 The principles for the industrial restructuring In order to fully display the advantages of Qinghai Province and boost the sustainable, rapid and healthy development of social economy, the following principles for restructuring industrial structure should be followed.

3.2.1 Taking the market as guidance and technological progress as driving force. The market demand and its changes should be carefully analyzed, so as to choose the pillar industries from the industries with the tendency of expansion. The technological development has become the determinant for the evolution and upgrade of industrial structure. As for Qinghai Province, relying on the technological innovation, technological progress, improving the technical level and overall quality of the pillar industries, and prolonging the life span are the necessary road for realizing industrial restructuring and upgrading pillar industries. The transformation and progress of traditional industries should be supported. In addition, Qinghai Province should stipulate and practice the industrial development of key industries (especially the four major pillar industries); strengthen the technical support for the distinctive agriculture and pastoral industry of Qinghai – Tibet Plateau, and improve the quality and competitiveness of the products.

3.2.2 The regional advantages should be fully displayed. The resource endowment is the situation and platform for the formation and development of pillar industries, and it determines the developmental space for pillar industries. Qinghai Province is a major province with huge potential for its vast territory and rich resources. The hydroelectric power reserves of the whole province ranks fifth of the nation, furthermore, it is rich in minerals, solar energy, wind energy and other resources. These unique resources are the material basis for the development of pillar industries of Qinghai Province. Therefore, the current development of pillar industries, including petroleum and natural gas extraction, hydropower industry, nonferrous metals mining and dressing, salt chemical industry and so on should be further strengthened. In addition, the deep processing should be laid stress on, as well as the prolong of the industrial chain and the improvement of industrial technology.

3.2.3 The development and prospects of related accessory industries should be laid emphasis on. The well development of regional pillar industries can not be realized by strengthening the functions of a single industry and a section but by the coop-

eration and connection of each industrial section, including various kinds of related industries and basic industries. The experiences show that, the future pillar industries mainly come from the current related industry and basic industry, so the basic industry should be regarded as the "strategic industry" to plan and invest.

3.2.4 The industrial restructuring should be helpful to rural surplus labor forces, transfer and reemployment. The deviation degree of the three industries in Qinghai Province is high, and the employment problem of rural surplus labors are always the governments and masses' concern, so Qinghai Province should accelerate the development of the industries, with not only the features of pillar industry but also the labor-intensity. For example, the government should push forward the industrialization of agriculture and animal husbandry with the distinct of Qinghai – Tibet Plateau, which can not only effectively solve the transfer of rural surplus labor and reemployment, but also be helpful for speeding up the industrialization and urbanization of Qinghai Province.

4 Countermeasures and suggestions

4.1 Speeding up the industrial restructuring The restructuring of the primary industry is to coordinate the urban and rural development; positively transform the development of agricultural and animal husbandry; transform traditional agriculture and animal husbandry to modern agriculture and animal husbandry and accelerate the development of agriculture and animal husbandry with the distinct of Qinghai – Tibet Plateau. The government should shore up pillar industries; expand production and operation scope, cultivate famous brand and strengthen their functions in driving other industries. The adjustment direction of the secondary industry is to profoundly promote the intensively development of resources and guide the development of newly-emerged industries, such as new energy, new materials, biological medicine, energy-saving and environment-protection, equipment manufacturing and so on. The government should prolong the industrial chain, increase competitiveness and cultivate strategic emerging industries through comprehensive use of resources. In addition, the government should improve the industrial technology and equipment level and explore products with its own independent intellectual property rights. The government should speed up the integration of informatization and industrialization, and motivate industrialization by using informatization. The adjustment of the tertiary industry is to fully develop the emerging service industry with small input and large elasticity, such as modern logistics, information service, business intermediary service, community service, tourism, real estate and so on. The tourism should be attached much importance to, so as to cultivate it into the pillar industry of Qinghai Province^[5].

4.2 Strengthening the support on pillar industry The government should intensify the support on advantageous enterprises and key projects according to the scale economy principle to improve the industrial concentration. Besides, the government should give guidance to the internal products of pillar industries; fully know key products and key technology of pillar

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3 Conclusion and suggestion

At present, tourists in eco-tourism sites have the characteristics of high education degree, high requirement and diversified occupation. Thus, the direction of innovation eco-tourism sites is to find out the demand characteristics of tourists and to offer tourism products meeting the needs of market.

(1) Requirement of eco-tourists for tourism experience is mainly concentrated in the four aspects of the ecological leisure experience, the ecological tourism experience, the ecological experience in scenic spot, and the self-realization experience. Among them, the ecological experience in scenic spot is mostly concerned by the interviewees. The ecological leisure experience and the ecological tourism experience are the projects that tourists can feel and participate in. Their construction should firstly protect the beautiful natural scenery and ecological environment in eco-tourism sites. Besides, projects of "boosting the self-esteem" and "taking adventures" have smaller market demand than the projects of leisure and sightseeing tourism. Therefore, scale of corresponding tourism projects should be controlled properly.

(2) Analysis on the expectation for eco-tourism experience in different segment markets indicates that tourists' requirement for eco-tourism shows significant differences among the tourists with different income levels, tourism frequencies, education degrees, and tourism organization forms. Therefore, eco-tourism sites should pay particular attention to the change law of tourist market and the change of tourists' requirement for tourism products. They should also target on a particular segment market to

offer the eco-tourism products and to obtain relative competitive advantage based on their own advantages.

(3) Under the era of experience economy, eco-tourists pursue the quantity and quality satisfaction of tourism products, as well as the emotional satisfaction. Therefore, eco-tourism sites should do well in experience marketing. Generally speaking, the pursuit of consumers is mainly the actual effect and psychological value of product or service. The psychological value of tourism products is related to the experience; and the tourism experience comes from the touch on the inner thoughts by tourism activities. Its sensory, emotional and cultural values constitute the value of tourism together with the tourism product and service. During the marketing of eco-tourism sites, we should pay attention to the overall coordination of the whole tourism products, and make use of the "critical moment" before, during and after the tourism in order to create a better experience for tourists.

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industry and provide support to them to form the products with competitiveness and cultivate the key enterprises and competitive products. Recycling economy should be developed to realize sustainable development. The pillar industry of Qinghai Province has large scale, but the technology content is low and the self-innovation capability is relatively weak, especially the core technology with independent intellectual property rights, so the technology innovation system of enterprises should be established to improve its technology innovation capability and level. in the process of accepting the industrial transfer of eastern areas, Qinghai Province should establish its own industrial cluster and establish the perfect industrial chain to form the strong auxiliary capability, which is help ful to improving the industrial competitiveness. The government should create favorable environment for developing pillar industries; accelerate the construction of infrastructure covering railway, public road and civil aviation and further improve the comprehensive transportation network and enhance the transportation security capability^[6].

4.3 Attaching importance to the introduction of capital, technology and talents Qinghai Province should fully make use of the favorable opportunity of national western China' development strategy and the foreign-capital attracting policies, and speed up the application of foreign capital and introduce advanced and key equipments, so as to promote the industrial restructuring, upgrade of products and the upgrade of indus-

tries. The government should strengthen the construction of the public service platform, which aimed at technical innovation. In view of the innovation demand of medium and small enterprises, the government should establish and perfect the technical service system; establish perfect technical sharing mechanism and perfect the resources of large-size scientific instruments, scientific information and scientific literature. Talents are the fundamental of developmental strategy of modernization, so accelerate the exploration and development of talents is an important task for the economic development of Qinghai Province. The excellent overseas talents should be introduced, and the favorable environment for talents should be optimized.

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