

The Development and Opening of Pudong Shanghai: An Economic Cooperation of North Asian Countries

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I. Pudong Development's Objective and its Status in China's Development Strategy

In the 1980's, China put the stress on South China's cooperative area, especially on the Zhujiang River Delta in its opening to the outside world, thus forming an economic cooperative area with Hong Kong-Shenzhen-Guangzhou as its axis and bringing along the rapid development of the outward economy of Guangdong and some other provinces. In the 1990's, China has entered the new stage of omnibearing opening and accelerating the realization of socialist market economy system. China must establish and form, on the

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mainland, new international centers of economy, finance and trade, as the locomotive for China to extend its economic opening to the world in the 1990's and even in the 21st century, while valuing Hongkong's significance as the bridge and bond of China and abroad, As a result, the Central Committee of the Chinese Communist Party and the State Council of China made a strategic decision of special of a significance in 1990 : " Make the development of opening of Pudong Shanghai as the locomotive, and let Pudong take the lead of a new economic leap in the district of Changjiang River Delta and the whole Changjiang River Valley. Construct Shanghai an international center of economy, finance and trade as soon as possible". Thus China's opening has been made possible to form a whole strategic situation with two wings in the north and the south respectively, and a break through in the middle, so as to realize the new omnibearing opening pattern.

Why does China choose Pudong Shanghai as the development opening breach? First, it is because of Shanghai's excellent geographic strategic situation. Shanghai is a hinterland on the west Pacific coast, and is in the middle of China's north-south coastline. It is the point of intersection of "the Gold Coastline" and "the Gold Waterway". It is a hub of marine transportation and air transportation in communication with other countries in Asia, America and Europe. Shanghai Harbour has services with more than 600 ports and harbours of over 160 countries or areas around the world and can handle up to 130, 000, 000 tons of cargo a year. Shanghai's international air service extends to, almost every big city of Asia, America and Europe, Shanghai has a land area of 6, 341 km with a population of 13.45 million. It is the biggest city in China, and one of biggest

in the world. Secondly, Shanghai has a profound base in history. The Qing Dynasty declared it a trading port in 1843. It had become the largest industrial and commercial city in China and the Far East as early as in the 1930's. In 1936, its total export volume amounted to 55% of that of the whole country and 1% of that of the world, which surpassed that of Hongkong and Yokohama. It had more than 100,000 foreign residents, and so was referred to as "New York City of the East" and "No. 1 Metropolis of the Far East". Its economic scale and the internationalization level surpassed those of Hongkong, Tokyo and Singapore. Thirdly, Shanghai has powerful composite economic strength. Its gross social output value, gross value of industrial output, gross national product and national income and some other indexes occupy the first place among the ten largest cities of China. In 1991, the gross national product of Shanghai accounts to 857 hundred million yuan (RMB), 1.5 times that of Beijing, 2.5 times that of Tianjin and 2.2 times that of Guangzhou. Its technology level and economic gains are also in the first place of China.

For forty years, Shanghai has developed in the pattern of a purely industrial city because it is restricted by the closed-door policy and the planned economy. The function of international trade and finance was on the wane and the tertiary industry and the city function was also on the decline. In addition, a greater share of its financial revenue was sent to the central government, and so its ability of self-development was weakened and the projects for basic facilities and public utilities were not very well developed. As a result, it has been gradually surpassed by such areas as Hongkong, Tokyo and Singapore.

The Huang River passed the city of Shanghai from the north

to the south, dividing the city into the Puxi and the Pudong districts ("Xi" means west and "Dong", east in Chinese.) The old city proper of Shanghai lies in Puxi, with developed industry, dense population, crowded transportation, and a polluted environment. While Puxi has little space left for further development, Pudong, on the whole, remains a vast undeveloped countryland. Thus, in order to vitalize the Shanghai economy, strengthen the city's function, the Shanghai citizens must enlarge the city's space, develop the Pudong district and construct a modernized east Shanghai. This conception had undergone deliberation and planning for many years till the end of 1980's, when the city government made the final decision on the magnificent blueprint of Pudong development.

The New District of Pudong plan to develop an area of 350 square kilometers. The population in the district now is 1, 380, 000. It is separated from the Puxi City Proper by only a river. There have already been iron and steel, shipbuilding, engineering and glass industries along the riverside, but there is a vast piece of land to be developed from Pudong to the mouth of Changjiang. The two cross-river bridges and under-river tunnel, which are built lately, can connect Pudong to Puxi, Pudong will be subdivided into four distinctive regions which have different focal points respectively. With its industry, commerce, finance, science, education and manpower base, Shanghai will greatly increase its city function, develop its export oriented economy and take the lead in the economic development of the economically and culturally developed Changjiang Delta and the hinterland of the Changjiang River Valley, which runs through the east, middle and west sides of China and has a population of 300 million.

According to the strategic idea - "Rejuvenate Shanghai, develop Pudong, serve the whole country, be geared to the needs of the world", the development objective of Pudong New District is to build Pudong into a modernized new district with reasonable industrial structure, advanced transportation network, perfect facilities, convenient and quick communications system and fine natural environment. So we must persist the domestic and international policy of omnibearing opening opening. We must absorb foreign capital actively. We must make connection with the international economic orbit. We will rely on Puxi, let Pudong lead Puxi, have Pong and Xi act jointly, lay equal stress on both the economic development and the transformation of the city. We will let the three industries : infrastructure, financial trade, and the advanced and new technology go ahead of the rest. We will develop the tertiary industry energetically.

The Pudong development project is a transcentury one and will be carried out in three periods : the starting period goes from 1991 to 1995; the key development period is from 1996 to 2000; the overall construction period is the early period of the next century. By 2000, the urban area of Pudong will have come to 100Km²; the duty-free area and the new harbour area of Waigaoqiao, the financial trade area of Lujiazhu, export goods processing area of Jiqiao, and the high-tech area will have been built. Thus Pudong will have been turned into a highly advanced center of international trade, finance and business with a number of fund-concentrated and technology-concentrated new industries. With the reconstruction of the old Puxi district and the construction of the new Pudong, Shanghai will have developed into a new center of international economy, finance and trade in the West Pacific

and become a modernized international vigour-radiating big metropolis. With the increase of China's position in the world economy, Shanghai will become a new joint that links Asia, America and Europe in economy. China's economy of the 21st century will be soaring up with Shanghai as its locomotive, with the Changjiang River Vally with its body and with the coastal cities of the south and the the north as its wings.

II. The Development of Pudong Has Accelerated Shanghai's Rejuvenation

On April 18, 1980, Premier Lipeng of the State Council declared in Shanghai that the Central Committee of the Chinese Communist Party and the State Council of China had decided to enhance the develoment of Pudong district and to carry out, in this district, the policies for economic and technological districts and some policies for special economic zone. The State Council has agreed to carry out ten big preferential policies. In order to put these policies into effect, the city government of SH, the People's Bank of China, the Ministry of Finance, Customs, Head Office promulgated "Certain Measures to SH", "The Regulatory Regime of Waigaoqiao Bonded Area of SH; the land management in the new district of Pudong, plan and construction management, the guide to production, the guide to investigate and regulatory regime of foreign capital institutions and joint ventures in Shanghai. In order to encourage foreign investment, its regulations, which abate and exempt the income tax of enterprises and the industrial and commercial consolidated tax, help improve the soft envirenment of investment in Shanghai.

During the more than three years in the past, the development and opening have been advancing at a miraculous pace in Pudong. 1) The ten infrastructure projects progress quickly. By the end of 1981, the Nanpu Bridge over the south Huangpu River was completed and opened to traffic ahead of line. Another bridge will be completed this year. The main thoroughfare, Yanggao Road, which runs through Pudong from the north to the south was opened to traffic in 1992. Waigaoqiao Bonded Area has been closed and begun to be in motion. The construction of Lujiazui Finance and Trade District, Zhangjiang Science and Technology Area and Jinqiao Process Area have all begun and absorbed a large number of projects. All the ten infrastructure projects, except for Waigaoqiao Power Plant, can be finished ahead of time by the end of this year. 2) Under the policy "Let Finance go ahead and trade rejuvenate the city, more than 30 Chinese and foreign finance organizations have been set up along the two sides of the Huangpu River, among which are 14 foreign capital banks who invest \$ 500 million US dollars, 2 billion Renminbi as the foundation capital. The new district's environment to circulate necessary funds gets greatly improved. In the respect of establishing new mechanism for market economy, resuming and reinforcing domestic and foreign trade exchange, more than 100 foreign trade companies have entered and are stationed in Pudong, and are establishing branch companies. There are more than 160 international trade companies that are allowed to be founded in the Waigaoqiao Bonded Area. In Lujiazui District, 600 thousand square meters of modernized commercial institutions are being built or will be built, more than 100 skyscraper will be constructed one after another. 3) The new district's continuing improvement of the investment

environment, successfully absorbs a great many domestic and foreign investment projects. There is an upsurge of investment of domestic and foreign merchants. By the end of 1992, the new district of Pudong has authorized 737 foreign-invested companies. The gross invested capital by agreement is 4 billion US dollar; the capital that can be used directly inside is 1.56 billion US dollars. The branches of the Central Government and other brother cities and provinces found 1410 enterprises and will invest 9.3 billion Reminbi. The characteristics of these investment projects are : the scale is large, the starting point is high, many of the enterprises are tertiary and enterprises with density distributed capital and technology. 4)After the readjustment of the administrative division of Pudong, the Pudong Administrative Committe was established the New Year's Day of 1993. The Pudong Administrative Committe administers the administrative and constructive work in the New Districk unitarily, under the direct leadership of the city government of Shanhai.

With the development of Pudong, the whole city of Shanhai is deepening its reform, extending its opening, and now has entered a new phase of fast and development. In the 80' Shanhai's investment in the infrastructure of energy resource, transportation and public utilities is 23.34 billion RMB, 10 billion RMB was invested in 1992 and 12 million will be invested this year. The investment of the two years equals the total of the past ten years. In the 1980's the average gross national product increase rate of Shanhai was 7.4%, lower than the average increase rate of the country. In 1990 and 1991 it began to catch up with the increase rate of the country. In 1990, 105, 4 billion RMB was fulfilled. The increase rate is 14, 8%, two percent higher than the country's average increase

rate. The industrial structure is regulated so that it can become more reasonable and qualified. A fast development impetus has appeared in the tertiary industry which had been withered for a long period of time. The proportion of tertiary industry output value in SH's gross national product has raised from 21.1% at the beginning of 1980's to 33.1% in 1992. In the recent years, Shanghai takes fostering modernized market as the focal point of the reform. With the production factor market as the beach, the first batch of option markets for metal and coal have been established and set in motion. Their scope of service covers the whole country, and they are creating conditions to connect with the international orbit. With Pudong's successful development and opening, Shanghai will further develop into an economic, financial and trading center in the east Asia in the world, and will promote the economic rejuvenation of the Changjiang River Valley and China.

III. The Foreground of Economic Cooperation between Shanghai and Other North Asian Countries

1. Shanghai has been China's largest foreign trade port, since it opened its port 150 years ago. The substantial content of the port is domestic transit trade. The port also has some international transit trade. For example, in the late 18th century before Japan opened its port, its import and export goods with Europe and America were transited by Shanghai. Of course, the days has forever gone. But Shanghai is close to Japan's Kobe and Yokohama and to ROK's Pusan and in navigation, and is not far from the ports of the Far East Russia; goods to DPRK and Mongolia can be directly

transported through railways. Moreover, Shanghai has more to complement mutually with the countries mentioned above. In the future, Shanghai will become the main port of trade the southeast and the mideast of China and other countries in Northeast Asia. The railway between Wulumuqi and Galamutu is now open to traffic. From now on, goods from Japan and ROK to Europe or the Middle East can be railwayed through Shanghai port or Lianyungang Port. In this way, the distance and time of transportation will be shortened greatly, and the transit trade through Shanghai will be increased.

2. The investment environment is very fine. The success rate of foreign funded enterprises set up during the last 14 years is higher than 95%. In 1992, the profit scale of the "three-capital" enterprises is 86.4%. These two ratios are all higher than those of other places. The Shanghai Waigaoqiao Bonded Area and the New District of Pudong will provide much better investment environment and conditions for entrepreneurs of East Asian countries who invest and make transit trade in Pudong, after preferential policies similar to the policies of free ports are practised. This is why the Japanese entrepreneurs who are famous for their prudence in investment come to Pudong like a flock of ducks.

3. Although the stock market and the real estate market have not been initiated for a long time, their impetus to develop is very vigorous and strong. They should be standardized according to the international practice and linked up with the stock market in HongKong and other places. So besides investing and setting up enterprises directly in Shanghai, investors from East Asian countries can also invest in

stock, real estate and monetary markets. And the channels will vast and various.

4. The development of Science and technology cooperation and labour service cooperation, Shanghai is a base with the greatest science and technology strength. It has a galaxy of the talented people with more than 400 thousand scientific achievement in 1992 alone, among which 8, 492 come up to the advanced world standards, 230 come up to the first place or are of initiative importance in the world. So from now on, Shanghai will not only be capable of importing a lot of advanced technology from abroad, but also be capable of exporting quite some. We hope that the Northeast Asian Countries and we can learn from each and reinforce the scientific and technical exchange, cooperation and transference, with equality and mutual benefit as the basis. We can also exchange personel to make inspection or get trained, so that we can both improve ourselves. Shanghai has great capabilities to cooperate with the north Asian countries, especially in the software of computer projects, the designing for architectures and light textile industry project, and the export of advanced labour power, etc.

In brief, the rejuvenation and the rise of Shanghai will benefic not only the economic development of China but also the economic and technological cooperation of the north Asian countries. Let us cooperate hand in hand and welcome and create the Asian Pacific time of the 21 century.