Shanghi- Transformation and Moderingation Under China's Open Policy, The Chinese University Press, Hongkong 1996 P529-549

Shanghai as a Regional Hub

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Under the reform and open policies. the development of Shanghai has depended upon changes in its internal factors and on its relationships with not only its neighbors but also with an even larger environment. Prior to 1949, Shanghai was the center of China and the Far East in economics, trade and banking. Since then, it had been reconstructed as the leading industrial base and one of the centres of education, science and technology in China. After 1978, Deng Xiaoping's reform and open policies were first experimented with in Guangdong province, which brought to it rapid economic development and significant political and social changes, greatly stimulating modernization construction in southern China. Compared with Guangdong, Shanghai lagged behind. Nevertheless in the 1990s Shanghai has been emerging as the hub of a key region for open economic development in China. This strategic transfer has greatly affected Shanghai and its economic hinterland. In this chapter, the analysis and projection of Shanghai's development are mainly based on its relationships with other regions. especially its hinterland and foreign countries.

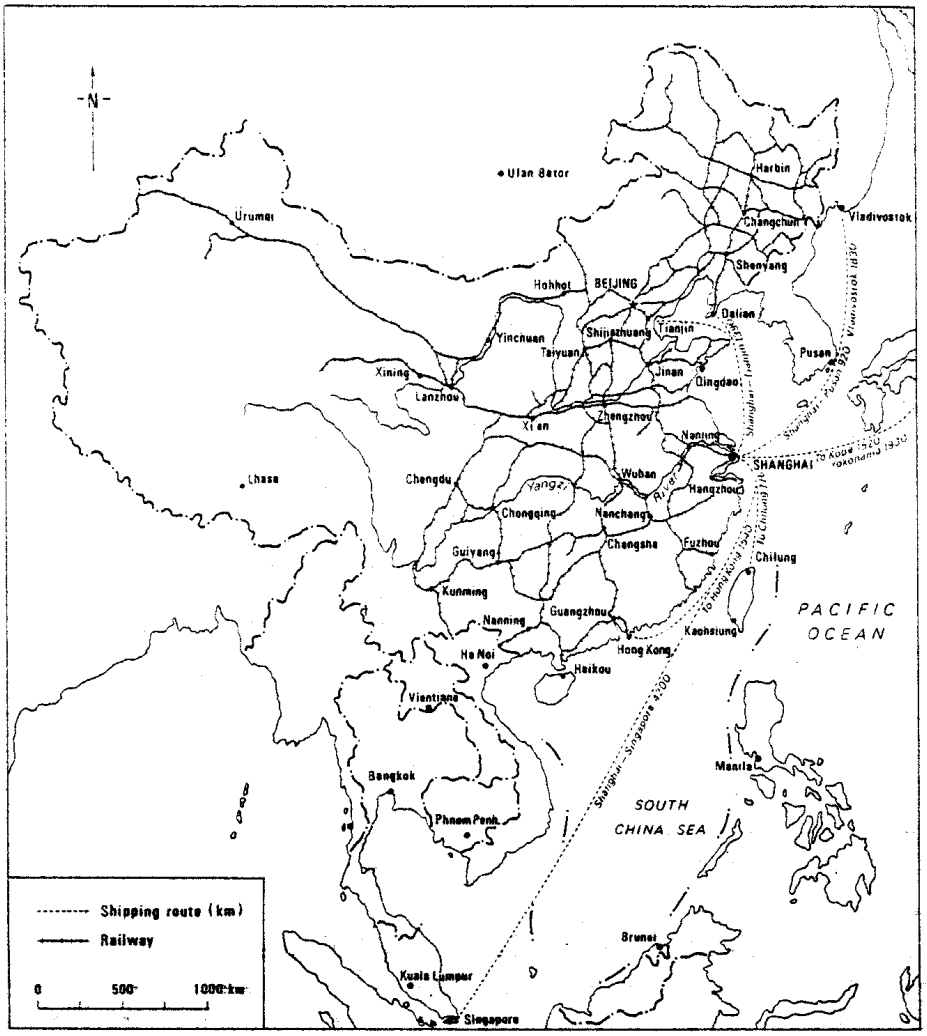
Generally speaking, the geographic location of a city or a region constitutes one of the foundations for its economic existence and evolution. This chapter will first analyze the geographical importance of Shanghai. Then, the regional factors in the development of Pudong will be discussed. Such development not only will be key to the transformation and modernization of Shanghai, but also will generate an extensive influence on the Yangzi River delta, the basin and beyond. These factors come from the demands of those regions on various functions of Shanghai. Third, this chapter examines the changes and consequences that will be brought by the transport connections between Shanghai and other regions (i.e., water transportation, railways, highways, air, etc.). Finally, future developments in Shanghai will be speculated on.

Geographic Location and Its Importance

Regionalism has been a major issue in world trade since the end of the Cold War in the late 1980s. A well-accepted view is that world trade is dominated by three major regions: the North America Free Trade Area, the European Union and a non-treaty association of most countries along the Western Pacific Rim. The first two groups are based on the integration of their trade systems, while the third has its basis on economic comparative advantages. In the meantime, Pacitic Rim countries and regions are seeking co-operation on a larger scale through the Asia Pacific Economic Cooperation (APEC) and the Pacific Economic Cooperation Council (PECC), so as to form an Asia-Pacific economic unit. Shanghai, having long been the gateway to the outside world for China, is located on the western side of the Pacific Ocean and at the centre of China's "gold coast" (i.e., the southeastern coastal region) and the "golden waterway" (i.e.. Yangzi River). It is the bridgehead of China to the world. Through water transport, Shanghai enjoys geographic advantages in trade with Japan (820 n.m. to Kobe and 1040 n.m. to Yokohama), South Korea (500 n.m. to Pusan), HOng Kong (960 n.m.), Taiwan (420 n.m. to Keelung), Vladivostok (990 n.m.) and Southeast Asia, such as Singapore (2500 n.m.). Shanghai is also close to major shipping lanes (see Figure 20. 1).

Located at the middle point on China's coast, Shanghai is connected by coastal transport to other developed regions in China, such as the Greater Bohai Region , the Pearl River Delta Region and the southern Fujian province. At the vantage point of the Yangzi River mouth, Shanghai commands a direct hinterland that covers the developed delta region and the watershed of the

Figure 20.1 The Geographical Position of Shanghai



Yangzi River. The Beijing-Shanghai Railway is Shanghai's important channel to northern China. With Shanghai as the core, the Yangzi River Delta Region has been linked together by the Shanghai-Hangzhou Railway , the Shanghai-Nanjing Railway , the Shanghai-Hangzhou Highway and the Shanghai-Naning Highway . Shanghai is also connected with central and southwestern China through the Zhejiang-Jiangxi Railway , which stretches to Kunming through Zhuzhou and Guiyang .

The Yangti River is a transport artery in China with great potential. It runs through nine provinces, autonomous regions and the Shanghai municipality in the eastern, central and western parts of China. Being 6,380 km long, the Yangzi river is the world's thrid longest river, only after the Amazon in the Latin America and the Nile in Africa. Its watershed covers 1.8 million sq km, about one-sixth of the Chinese land area. There are over 530 navigable rivers in this watershed, totalling more than 70,000 km, carrying about 56% of inland water transport in China. In particular, 16,000 km of the water routes (or 53% of this system) are suitable for steamship navigation.2 At the mouth of the Yangzi River, Shanghai, therefore, possesses a strategic position linking central China and the outside.

As mentioned above, there are three highly developed regions in China: the Greater Bohai Region, the Yangzi River Delta Region and the Pearl River Delta Region. Of these, the first region is close to the Korean Peninsula. Historically, there were frequent contacts between the Northeast,

Shandong , Beijing/Tianjin of China and Japan. Therefore. it is not unreasonable to expect the formation, from a geographical point of view, of a Northeast Asia Economic Region, because the establishment of the European Union and the North America Free Trade Area will likely stimulate similar developments in eastem Asia.

Table 20.1 The Investment Environment in Selected Regions in China

(Total 30 units, including all provinces , autonomous regions and municipalities directly under the Central Government , with 1 representing the highest score and 30 the lowest)

Region	Overal l rank	Politic al base	Openn ess	Resour ce endow ments	Econo mic power	Fiscal and trade base	Industr ial ability	Fixed capital	Marke t scale
Beijing	1	5	1	26	2	2	3	2	1
Liaoning	2	15	3	5	4	3	1	6	3
Shanghai	3	11	2	28	1	1	2	1	2
Shandong	4	1	4	11	9	12	7	7	4
Hebei	5	8	8	9	12	7	5	5	10
Tianjin	6	14	5	27	2	4	8	4	6
Shanxi	7	9	16	1	10	6	6	3	22
Helongjiang	8	25	7	7	19	11	4	13	8
Jiangsu	9	6	9	24	3	8	9	8	9
guangdong	10	7	6	19	11	5	17	11	5

Source: see note 3.

Table 20. 1 presents an assessment of the investment environment in several cities and provinces of China by the Japan Association of International Trade Development. It is obvious that Japanese businessmen favour the Bohai Rim Area. South Korea. inspired by a perspective of national unification. has also indicated its interest in this region. These factors are advantageous for forming a Northeast Asia Economic Region. It should be noted that the opening up of the Pearl River Delta was largely motivated by an effort to attract business from Hong Kong and Macau. Similarly, Xiamen's opening was prompted by Taiwan. As a matter of fact. southern China, which includes Taiwan. Hong Kong and Macau, are geographically related to ASEAN. As Vietnam has joined ASEAN, ASEAN and China will have closer ties. Then, there will be an irresistible urge to form a South China Sea Economic Region. In this region, Japan, Taiwan and Hong Kong can have more scope for their economic activities--although this argument is only based on geographical accessibility considerations. The Yangzi River Delta Region, with Shanghai as its hub, will then have the advantage of accessing both the South China Sea Economic Region and the Northeast Asia Economic Region. In fact, the accessibility Shanghai will enjoy will be much better than other coastal regions in China. More importantly, since Shanghai has the biggest economic hinter-land of China, the development of Shanghai inevitably will promote the development of the Yangzi River Delta Region, the Yangzi River Basin and, indeed, entire China. TherefOre, Shanghai is so important that no other place in China can substitute for its functions. The economic evolution of the Yangzi River Basin led by Shanghai signifies the economic evolution of China. Shanghai obviously should open to the whole world. The geographical location of Shanghai has laid the foundation for it to become the economic, trading and financial centre of China.

The Emergence of Pudong and the Developmpnt of the Yangzi River Basin

Shanghai has an excellent geographic location to use fully domestic and foreign resources and to

expand domestic and foreign markets. It evolved from a small fishing village to a modern industrial city, with a complete range of capabilities in manufacturing, high quality equipment, a strong base in science and technology, excellent technical facilities, developed trading and financial mechanisms and large consumer markets.

Shanghai was forced to open to foreign countries after 1843, and was forced to lease parts of its land to foreigners after 1845. It became a trading centre soon thereafter. In 1870. Shanghai was the premier port in China for import-export trade. Its importance in trading continued to grow after World War I. By the 1920s, Shanghai accounted for 40% of the total import-export trade of China, and this share grew to 55% by 1936. Meanwhile, trade stimulated the finance industry in Shanghai. The gold market in Shanghai was referred to as "the only gold market in the Far East" before World War II. Because Shanghai was the trading centre for domestic and foreign gold and silver. its volume of trade was higher than that of Japan, India and France, and was next only to that of London and New York. In the 1940s, many domestic and foreign banks, insurance companies, trust companies and other financial businesses moved into Shanghai. By the end of the Sino-Japanese War, 441 financial companies were located there. One-third of China's banks had their headquarters in Shanghai. and almost all insurance companies at that time were also headquartered there. In a word, Shanghai was able to accumulate more than 40% of China's liquid capital. These financial companies had more than 600 branches and several thousand offices in over 20 provinces all over China. The Shanghai Stock Market was being prepared in May 1946 and opened for trading in September of the same year. More than 230 brokers were employed. It was China's only stock market, and the only one of import in the Far East. However, before 1949 Shanghai's manufacturing industry was weak and ill-structured. Most of the manufacturing business was in textile, flour, cigarettes, paper, rubber, leather, soap, matches, etc. In 1949, Shanghai's gross value of industrial output was RMB3 billion, where 88.2% was from light industry, with only 11.8% from heavy industry. Moreover, the so-called heavy industries consisted of small-scale metallurgy, chemical materials, processing and mechanical manufacturing and repair shops. Since 1949, Shanghai has been rebuilt reformed and redeveloped. The taditional manufacturing industries were strengthened, which included metallurgical, mechanical, chemical, shipbuilding. instruments, textile and other light industries. New industries were developed, including micro electronics, computer, fiber cable communication, laser, bio-engineering, molecular synthetic materials, precision instruments, etc. Shanghai also hosted large-scale electricity generators, special engineering facilities, ships, aircraft, automobiles, communication satellites and space shuttles that represented the most advanced technology in China. However, because of the Cold War after World War II, and because of the limitations of China's planned economy, Shanghai's role as China's international city was eroded. In particular, trade and financial industries

declined. In 1992. Shanghai's GDP was RMB 106.59 billion, where 33.1 % was from the tertiary industry, and 66.9% from the primary and secondary industries. The development of industry had some major problems, such as too much consumption of energy and raw materials, conflicts in raw material and energy supplies. out-of-date equipment and technology by international standards, and shortages of capital and land. These are some of the reasons that Pudong has emerged in the redevelopment of Shanghai.

The Yangzi River Delta Region is one of the most developed areas in China. It includes Nanjing, Suzhou, Changzhou, Zhenjiang , Nantong , Yangzhou and Wuxi of Jiangsu province, and

Hangzhou , Jiaxing , Huzhou , Ningbo , Shaoxing and Zhoushan of Zhejiang province, with a total of 14 cities including Shanghai and an area of 100,000 sq km. In 1992, the region had a population of 72.722,200, representing 6.2% of China's population, and a GDP of RMB893.9 billion, or 19.37% of the total GDP in China. The GDP per capita in the delta region was RMB 12,291, 3.12 times that of the country. Historically, the Yangzi River Delta Region had a close internal relationship. Shanghai, as the trading and financial center of China and the Far East, had played an important role in the development of this region. However, because of the regional discontinuities of China's planned economy, and because of the erosion of Shanghai's role in finance and trade, the economic development of the delta region gradually became fragmentary. In the 1950s, the East China Bureau, as the representative of the central govemment, barely maintained the economic integrity of the Yangzi River Delta Region under its administrative authority. In the 1980s, when the central government decided to form the Shanghai Economic Region, conflicts in the existing distribution of interests and the lack of a leading development focal point aborted the whole project, except for its title. The Planning Office for the Shanghai Economic Region under the State Council also disappeared a few years later. The advantages of this most developed region in China as a whole were not fully utilized.

The Yangzi River Basin has a population of about 360 million, approximately one-third of China's total population. Traditionally, this basin has a relatively high level in science, technology, education and culture. There are several major cities along the Yangzi River, including Shanghai, Nanjing, Wuhan and Chongqing . There are also 47 large and middle-sized cities, hundreds of small cities and many towns. It possesses very rich tourist and recreational resources. many famous historical sites, beautiful natural scenic areas, and several popular scenic tourist spots, such as the Yellow Mountain , the Lushan Mountain , the Three Gorges and the Tai Lake . Countless domestic and foreign tourists have visited these sites.

The Yangzi River Basin is well known in China for its rich water resources. The water surface area in the basin accounts for 40% of China's total. There are four major fresh water lakes--Boyang Lake , Dongting Lake , Tai Lake and Chao Lake . The estimated hydro-electric potential is 197 billion watts, or 53.4% of China's total. There are also rich mineral resources in the basin. with 109 of the 139 on China's list of mining minerals. Thirteen have 60% of the total minable volume within the basin. Some rank high worldwide.

The Yangzi River Basin has a well-developed river-based transport system. There are 26 ports and more than 500 berths in the basin, some of which are open to the world, including Shanghai, Nantong, Zhangjiagang , Zhenjiang, Jiangyin , Wuhu , JiuJiang , Wuhan, Yichang , Wanxian , Fuling and Chongqing. Some of the international ports along the Yangzi River have over 500 scheduled ships to and from Hong Kong, JaPan, Singapore and the United States. Ships at the level of 1,500 dwt can reach Chongqing from Yichang while 1,500--3,000 dwt vessels can go to Hankou from Yichang, and 5,000 dwt vessels can go to Nanjing from Hankou. During high tide, 25,000 dwt vessels can sail to Nanjing from the mouth of the Yangzi River. The clear height under the Wuhan Yangzi River Bridge is 18 m at the highest of the river water level, while the clear height under the Nanjing Yangzi River Bridge is 70 m. Year round, ships smaller than 5,000 dwt can pass through the Wuhan Yangzi River Bridge and 10,000 dwt vessels can pass through the Nanjing Yangzi River Bridge. The number 1 and 2 shiplocks of Gezhouba Dam were designed for fleets of 10,000 dwt with the capability of 50 million tonnes per year The capability of the shiplocks of the Three-Gorges Dam will be about the same as that of the Gezhouba Darn.

The Yangzi River Basin has a relatively developed economy, with a GNP accounting for 40% of the total in China. Both the per capita GNP and the per capita income are higher in the basin than the average in China. There are 370 million mu of farm land in the basin, a quarter of the country's total. Two-fifths of China's total grain production and one-third of its cotton production come from the Yangzi River Basin.[5] There are also many kinds of economic crops produced in the basin. China's metallurgical industrial bases (Wuhan, Baoshan , Panzhihua), colour metal industrial bases (Dexing of Jiangxi province, Tongling of Anhui province), mechanical industry, light textile industry and petroleum chemical industrial bases can all be found in this basin.

However, compared with world class industries, the Yangzi River Basin suffers from major problems, such as backward equipment and technology, and the lack of capital and international connections. Within the basin, there are isolated economic blocks, without co-ordination or a leading development focus. Hong Kong and Macau played a very important role in the development experience of Guangdong province. For example, 80% of the total export goods from the Pearl River Delta went out through Hong Kong and Macau, and 70% of the import goods came in, through the two regions. Some 80% of the total foreign investment capital in the Pearl River Delta came from Hong Kong and Macau, reflecting their importance as sources of capital investment. Hong Kong served as the "front line shops" for the "base line factories" in the Pearl River Delta; such a relationship closely tied the two regions' economies together. In Guangdong province, there are 3 million employees working in Hong Kong-invested factories, four times as many as there are workers in Hong Kong. Most of these employees live in the Pearl River Delta, In reference to its contribution to the development of Guangdong, the Yangzi River Basin badly needs a "Hong Kong" of its own, and the best candidate is Shanghai. However, Shanghai does not have financial and international trading capabilities as strong as those of Hong Kong. Thus, the development of Pudong must begin with attracting investments and expanding foreign trade. After accepting and absorbing advanced technology, efforts should be directed at reforming. Puxi (the western pat of Shanghai), and extending reform towards the entire delta and the Yangzi River Basin. Therefore the development of Pudong should attach priority to finance and foreign investment high-tech industries and basic industries. In this way Shanghai may gradually become an international metropolis, and be transformed from an industrial, science and technology, and education city to one which features finance trade, industry, science and technology, and education. For this reason, it is necessary to readjust the industrial structure in china. This is to be accomplished mainly by moving some industries that consume too much energy and materials and that produce low technical products out of Shanghai to the Yangzi River Basin. The key to the development lies in the provision by Shanghai of high-tech products and rational co-operation among the cities in the Yangzi River Delta and the Yangzi River Basin, such as Nanjing and Wuhan.

Recent Progress in Transport

One of the important advantages of Shanghai is its location; but this advantage must be realized through its transport connections with other places. The geographical advantages of Shanghai can either be enhanced or weakened by the amount of its advancement in transport technology. which, in turn, can change the economic role of Shanghai in the nation.

The Port and the Channels

The port of Shanghai, along with other ground transportation facilities around the port, have played a key role in the transport connections between Shanghai and other places. The port, which

includes the south channel of the Yangzi River, Huangpu River , an auxiliary port at Luhuashan and its inland hinterland, is the largest seaport in China. It handles one-third of the total cargo tonnage of all major seaports in China and nearly one-fourth of the total international trade of China. In 1991, the port of Shanghai handled 147-million tonnes of cargo, among which 19.7% was related to international trade. This made the port of Shanghai one of the top ten ports in the world which have the capability of handing more than 10-million tonnes of cargo annually. One major change in the port of Shanghai during 1980s was, the rapid growth of container ships. The number of containers handled at the port skyrocketed from about 2,000 in 1978 to 456,000 in 1990, which accounted for 29% of the container traffic in the nation.[6]

Two major problems associated with the port of Shanghai are the number of available berths and the shallow water channel due to the deposition of silt near the mouth of the Yangzi River. The current depth of the main channel is 7 m, which can only accommodate vessels smaller than 25,000 dwt. However, modern container ships, which make up the majority of the international container fleets, normally require at least 11.5 m of channl depth. The is an important reason why the port of Shanghai has been replaced by Hong Kong and Kobe in Japan as a major transfer point between European and the Mediterranean traffic and that from the United States and Canada.

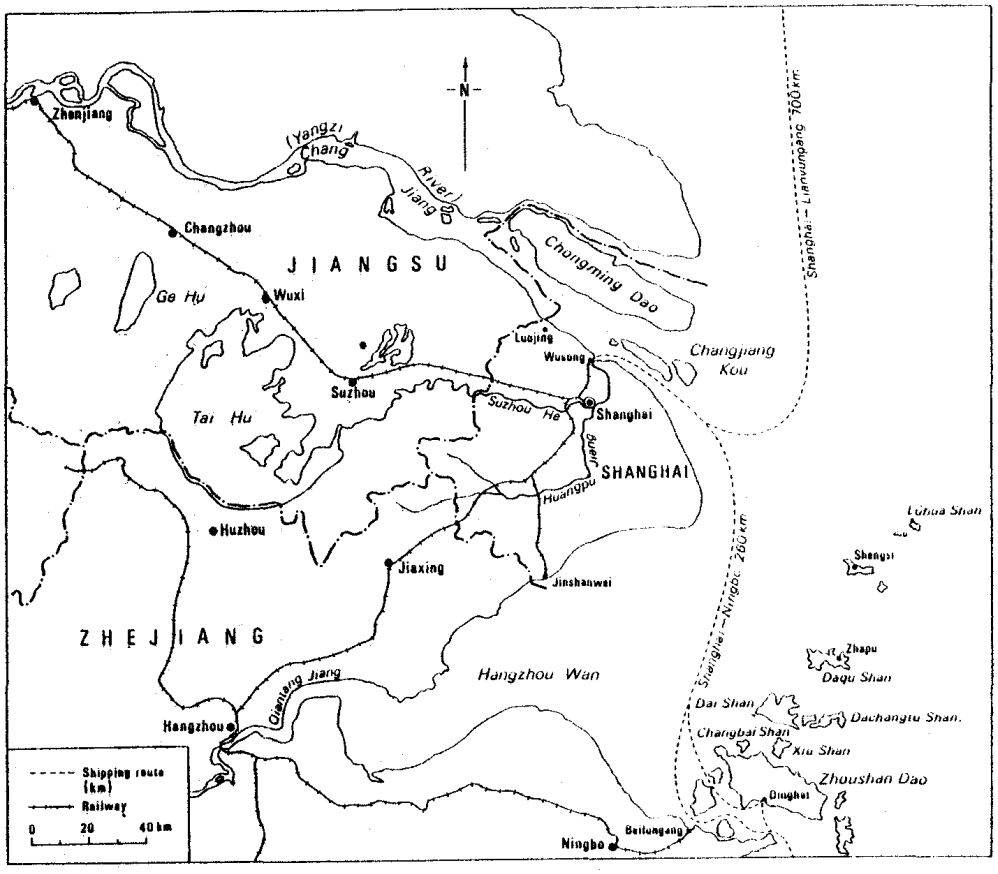
Construction of the auxiliary port at Luhuashan was completed in 1979. The depth of its channel is 11 m to l2 m. Larger ships are docked at this auxiliary port to unload some cargo in order to bring their loads below the level of 25,000 tonnes. These partially unloaded ships then sail to the port of Shanghai during high tide. However, only six ships can be handled in each direction during each high tide, which makes the port of Shanghai less competitive than other major seaports in Asia, such as the port in Singapore, which can accommodate large ships around the clock. This major drawback of the port of Shanghai results in bottlenecks in meeting the developmental needs of Shanghai, Pudong, and the Yangzi River Delta and its hinterland. In order to overcome this disadvantage, the Chinese government has announced a plan to invest over RMB 10 billion to dredge the main channel to 11--l2 m deep and to construct an additional 40 berths at Waigaoqiao , Luojin and Jinshan to accommodate both container and regular cargo ships. After the completion of these projects, it is expected that the port of Shanghai will be able to handle 200 million tonnes of cargo per year.

Another project related to the future growth of the port of Shanghai is the construction of more berths and the dredging of the channel along the Huangpu River. In 1990, there were 37 berths for ships smaller than 10,000 dwt along a 36 km segment of the Huangpu River. With the completion of this project, the channel depth will be dredged to 7.5--8 m deep to allow for the navigation of 58,000 dwt container ships directly to this segment of the HuangPu River.[7]

Some experts predict that, even with the channel dredged to 11--12 m deep, the port will still not be able to accommodate modem third- and fourth-generation container ships. So, it is necessary to develop a long-term plan of building other good ports around the mouth of the Yangzi River.[8] Several ports around the Zhoushan Islands are good candidates for such projects. Some potential sites include Beilun Harbour (10-20 m deep), Chengsi (20-60 m deeP), Dajishan and Zhoushan island. These sites can form a group of ports to accommodate various sizes of ships. Together they can serve as the nuclei for the southeastern part of China and lead to further development of the region. Since Beilun Harbour is under the jurisdiction of Zhejiang province, some scholars in that province suggest that it may be more appropriate to shift the jurisdiction of Beilun Harbour to the port of Shanghai.[9] These scholars further suggest that it would be an even better plan to include

the Lianyun Port to the north of Shanghai and Wenzhou Port to the south of Shanghai in the project. In this case, they could be connected by the second Euro-Asia Continental Bridge to create a much larger hinterland for the port of Shanghai. This proposal is still at the discussion stage at present. However, given the historical and economic ties and the geogxaphical proximity between these ports, it seems to be a logical proposal to form a system of ports for the future development of the southeastern region of China. Such a project will definitely expand the field of influence of Shanghai (see Figure 20.2).

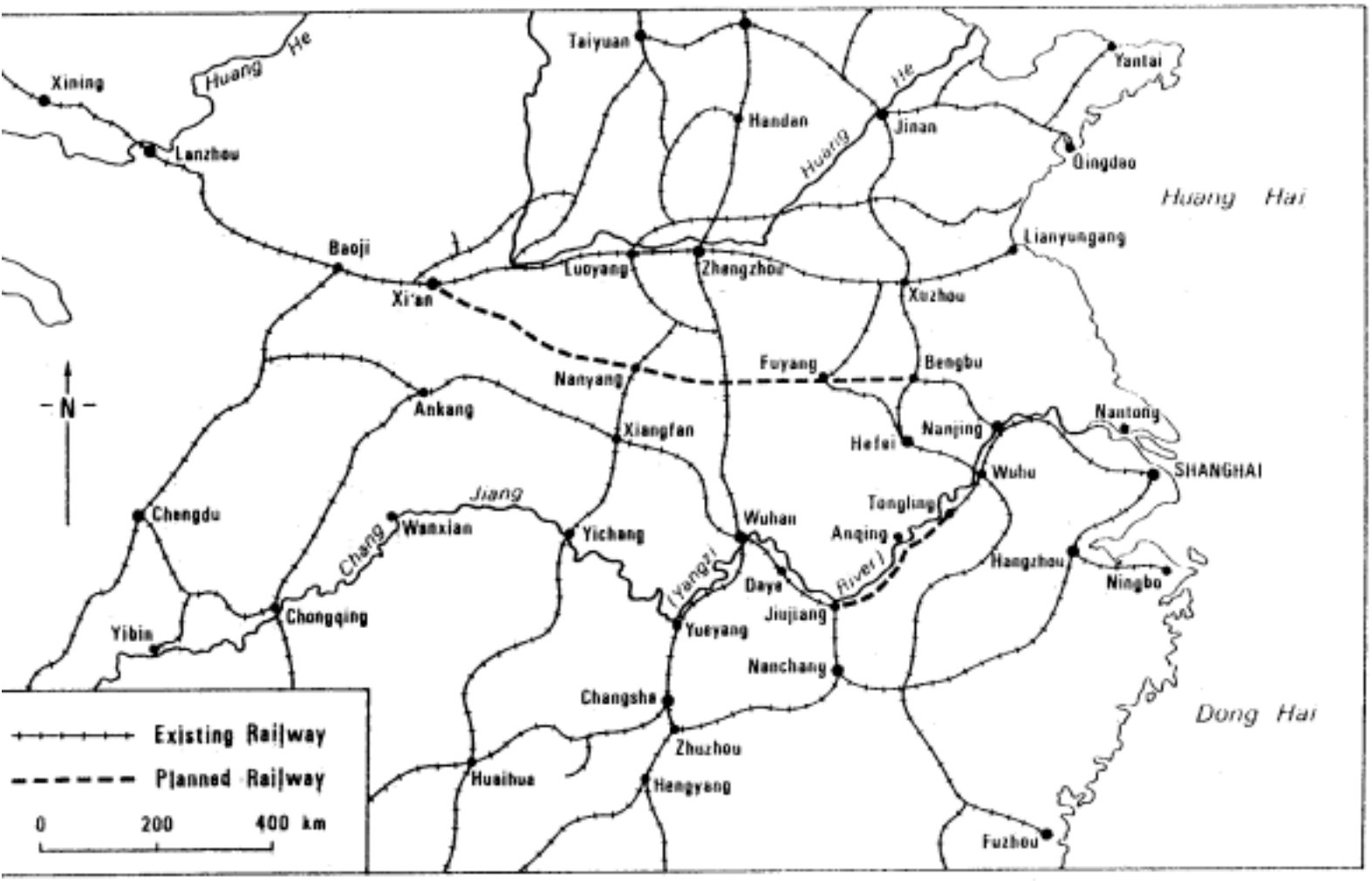
Figure 20.2 The Transport Setting of Shanghai and Northern Zhejiang



The Railways between Shanghai and Wuhan along the Yangzi River

Two recent important policy decisions taken by the Chinese government will greatly improve the transport of Shanghai and the area along the Yangzi River. One of them is to build a railway between Shanghai and Wuhan along the Yangzi River, and the other is the construction of the Three-Gorges Dam. The existing railways between Shanghai and Wuhan have a missing section between Tongling and Jiujiang. Since air transport is too expensive for most people, railway transport remains the major means for long-distance travel in China today. Inland water transport is a more comfortable alternative for travelling between Wuhan and Shanghai. However, travelling by water normally takes 45 hours downstream and 60 hours upstream between the two cities. On the other hand, current railway travel requires about 30 hours between the two cities due to the missing link between Tongling and Jiujiang. Once this missing link is completed, railway travel time will be reduced to about l2 hours, thus greatly enhancing the transportation capability between Shanghai and other major cities along Yangzi River (see Figure 20.3). [10]

gure 20.3 Xi'an–Nanjing Railway and Wuhan–Shanghai Railway along the Yangzi River



The Three-Gorges Dam

After nearly 40 years of investigation, research, analysis and discussion, the Chinese govenunent finally decided to construct the Three-Gorges Dam. This dam will have a height of 185 m, with a normal water level of 175 m in the reservoir. The water level will be kept at 156 m during the initial operational stage. The goal of this major construction project is to have "first-class development, single-phase construction and multiplephase population migration." It is estimated that this project, when completed, will improve the inland navigational conditions for an approximately 600 km long water channel starting from JiulongPo in Chongqing, which is a major transfer point between water and railway transport. At the normal water level of 175 m, the channel will be deep enough for navigation of vessels up to 10,000 dwt. This will be a substantial improvement over current conditions which merely accommodate vessels up to 3,000 dwt. In addition, the water level can be kept at a higher level during the dry season for several segments along this 600 km water channel. This will provide a guarantee for 10.000 dwt ships to have a 45--50% chance of sailing through the channel without problems, which means a reduction of travel costs by 35--37%.11 Such improvements will in turn introduce more efficient turn-around times of vessels and encourage the further development of ports and transport along the waterway. It, therefore, can be expected that water transport between Shanghai and Sichuan province will be enhanced.

Hongqiao Airport

Hongqiao AirPort in Shanghai is one of the three largest airports in China .This airport, located about 13 km from downtown Shanghai, occupies 437 sq km. Its runway extends 3,200 m, with a width of 57.6 m. The total floor space in the termtinal is 49,000 sq m. The airport is equipped with advanced flight control systems and runway lights for handling the largest civil jet aircraft during both day and night hours. It currently operates over 70 flight routes, connecting more than 40 domestic cities and 15 international destinations in countries such as Japan, the U.S., Canada, Peris, Singapore and Hong Kong. Due to overcrowding at this airport, however, a second airport proposed for the Pudong area is expected to off-load some traffic from Hongqiao. Furthermore, this second airport will be connected with the port of Shanghai in order to strengthen the role of the port as a major transfer centre.

Beijing-Kowloon Railway

A second major north-south railway connecting Bejing, Tianin ,Hengshui , Shangqiu , Fuyang , Maheng , Jiujiang, Xiangtang , Ji'an , Ganzhou , Longchuan , Shenzhen and Kowloort in Hong Kong was completed in 1995. This Beijing-Kowloon railway is expected to improve north-south traffic as well as to help the future development of the central-eastern regions of China. Jiujiang is likely to become a major transportation centre due to the construction of this railway. Shanghai, through its water and railway connections with Jiujiang, will have better transportation links with the central-eastern regions (see Figure 20.4).

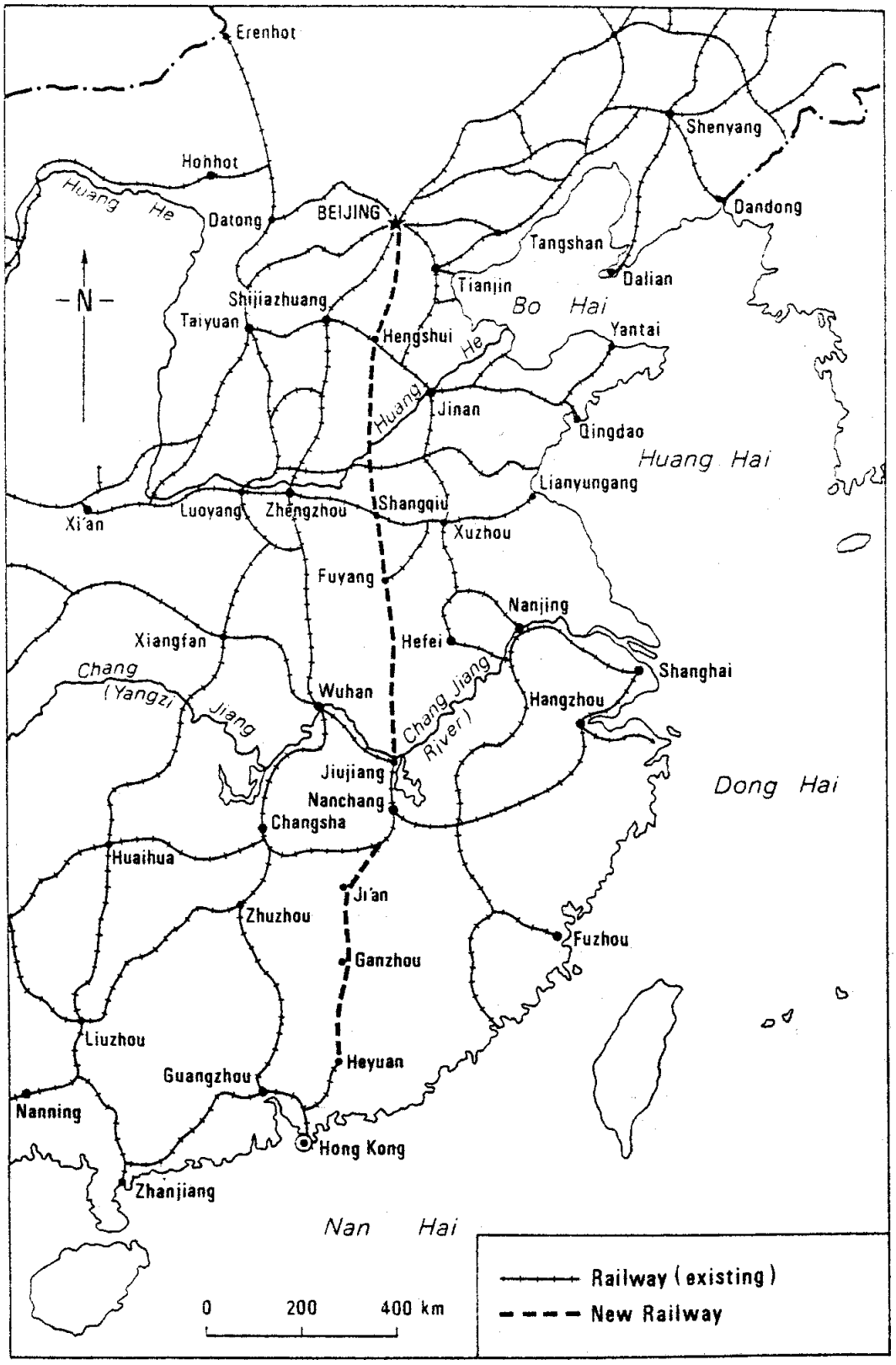
East-West Railway

The Ministry of Railways also plans to begin construction of a major eastwest railway connecting Nanjing and Xi'an sometime between 1995 and 2000. This project will provide direct railway connections between Shanghai and the five provinces in northwestern China (see Figure20.3).

Coastal Highway

In the meantime, the Ministry of Communications plans to complete a coastal highway by the year of 2000 to connect Yantai , through Qingdao , Lianyun Port, Huaiyin , Shanghai, Hangzhou,

Figure 20.4 The New and Existing Beijing–Kowloon Railways



Ningbo, Fuzhou , Shenzhen, Guangzhou to Zhaniang . This highway proect will greatly improve Shanghai's connections with other major coastal cities. Another highway project from Shanghai through Nanjing, Hefei , Wuhan to Chengdu will enhance the connections between Shanghai and the central parts of China (see Figure 20.5).

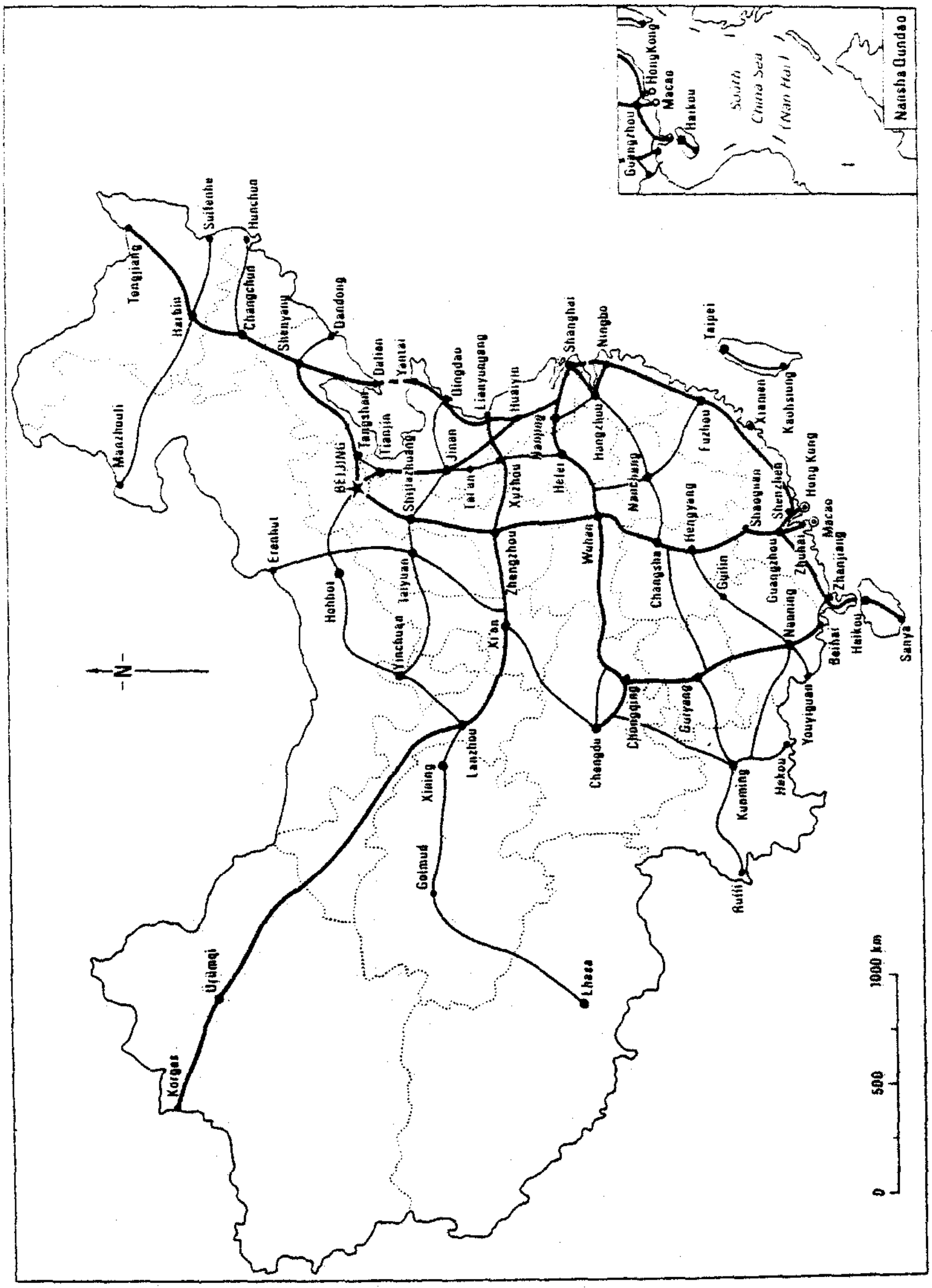


Figure 20.5 Major Highway Networks in China

High-speed Railway and Express Highways

Furthermore, a high-speed railway Project connecting Beijing and Shanghai is at its planning stage. Along with the completed Shanghai-Hangzhou-Ningbo Express Highway and soon-to-be-completed Shanghai-Nanjing Express Highway , Shanghai is building much better ground transport systems to its hinterland.

Prospects

New development policies in China have created opportunities for Shanghai to become a major player in the Western Pacific Rim. Due to its excellent location and extensive hinterland including the most important regions in China, such as the Yangzi River Delta and the Yangzi River Basin. Shangbo needs to further its international trade, finnancial operations, as well as its industrial technology, and to diffuse these achievements into its hinterland. The development of Pudong is an important strategy to speed up Shanghai's economic transfer. In the meantime, distinct improvements on important transport lines and facilities in Shanghai have enhanced wider and deeper connections with the hinterland. However, because of the constraints imposed by the planned economic system, provinces and cities in China tend to protect their own economic systems. This impedes the integration of Shanghai's economic system into that of its hinterland. Furthermore, the financial and international trade policies and management styles of the ports and other systems, which are part of the planned economic system in China, have negative impacts on the transformation of Shanghai. The construction of a system of harbours along the East China coast will have a great impact on Shanghai's external trade. If the problem of the sand bar at the mouth of Yangzi River cannot be resolved, it will limit modern container ships' access to Shanghai harbour. The main parts of the system of deepwater ports might be located at Beilun Harbour as the outport of Shanghai. Then the relation between Shanghai and Ningbo would be similar to that between Tokyo and Yokohama or that between Osaka and Kobe. This could weaken Shanghai's external relations. This kind of situation might be changed and improved upon if a huge amount of funds is used to dredge the mouth of the Yangzi River. However, it will be a long way before the Chinese govemment will make such a decision because of its complex decision-making system.

Shanghai has been one of the main doors to the outside world since China started its open policy. Changes in international relationships, especially in the relationships with Japan, the U.S., western and eastem Europe, and Taiwan, will certainly have major influences on the future of Shanghai. In other words, a successful transformation of Shanghai is also closely related to the progress of China's economic reform and its international relationships.

Notes

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