If all the growth targets in the master plan for Pudong are achieved, this new development area of Shanghai will become an international financial, foreign trade and service center by the year 2010.

It will also validate Deng Xiaoping's vision to make Pudong a shining example of economic development for the rest of China.

These are rather big expectations for a region that with a land area of 842 sq. km. (523 sq. mi.) is smaller than Hong Kong (1100 sq. km., 684 sq. mi.).

What has Pudong got going for it that makes it so bankable for both the government and potential investors? In a word, location.

Pudong is located on the east bank of the Huangpu River that runs through the urban part of Shanghai, 1,228 km.(765 miles) north of Hong Kong. This is midpoint along China's coastline at the estuary of the Yangtze River. Facing the Pacific Ocean, Pudong provides a window on China to the rest of the world and the gateway of foreign investors to the China market.

And passengers and cargo can get there from here, or from anywhere. Shanghai has an excellent harbor and convenient railway and highway networks. At the new international airport in Pudong and Shanghai Hongqiao International Airport travelers can get direct flights to scores of major cities around the world.

Largest construction site

Since 1990, the government has been grooming Pudong for that day in 2010 when it can ascend to the level of other world-class financial centers. The master plan identifies four key development zones: The Lujiazui Finance & Trade Zone for international financial institutions; the Jinqiao Export Processing Zone, for new and high-tech businesses; the Waigaoqiao Free Trade Zone and the harbor area, for integrated services related to trade, warehousing, export processing, etc. and the Zhangjiang Hi-Tech Park, for the development of hi-tech industries.

In the first five years alone, the government poured RMB25 billion into ten major infrastructure projects: two bridges; a gas works, sewage treatment and water plant facilities; a harbor; a telecommunications project, and an inner ring road. It's no wonder that Pudong has been dubbed the largest construction site in the world.

It is estimated that another RMB100 billion will be necessary to finance a new round of major infrastructure construction that began in 1996: the Pudong International Airport, which will eventually have four runways and an annual handling capacity of 70 million passengers; a deep water harbor; a metro line and light railway transit system; an outer ring road; a river crossing project; phase two of the power plant project; a natural gas project; a water supply and drainage project; and an international info-port.

Plans for future infrastructure projects include another bridge and three more tunnels across the Huangpu River, as well as a magnetic levitation train line.
Pudong new area: Big plans for a small region

Yao Xi-Tang

To date, 150 of Pudong's 523 square miles have been developed, including 54 million square feet of commercial real estate which either have been built or are slated to be built. "The real estate currently under construction is not a large amount," said Yao Xi-Tang, adding that the region has felt the fallout from the Asian financial crisis. Things are now improving. In 1997, the real estate sales and leasing rate was 50 percent; in 1999 it was back up to about 70 percent.

Preferential policies

An investor-friendly climate has helped woo money to Pudong New Area. For overseas investors, preferential policies are in place, along with lower land prices and other incentives if priority industries are involved. Xi-Tang cites the government's hands-off policy and assistance with business partnerships as additional motivating factors for investors.

Recent foreign investments have centered around the service sector rather than manufacturing which previously got investors' attention. After China's ascension into the World Trade Organization, it is anticipated that additional markets will open to foreign investments, including telecommunications, banking, insurance, retail, tourism and finance.

Q & A

Yao Xi-Tang answered questions from participants in the Global Executive Forum.

_How do you deal with state owned businesses if they aren't competitive with the market place?_

Our state owned businesses have become stronger with this wave of competition. One way has been through downsizing; they have laid off a significant number of workers. But this hasn't severely impacted our region because the service industry has been growing rapidly and absorbing workers as it tries to reach its target to become 20 percent of the GDP. Pudong's unemployment rate is 4 percent or 5 percent of the GDP.

The technology and management expertise possessed by foreign business people has had a favorable impact on government owned businesses; we have learned from them and incorporated some of their practices.

Government is mostly involved in military and infrastructure operations. We try to leave business operations to business people and stay out of business decisions as much as possible. Of course, civil service previously had a habit of interference and this custom is not easily changed. With WTO, we anticipate that operations will become increasingly market based, transparent, and based on the rule of law.

_Do you anticipate a decrease in the amount of red tape?_

Yes, government has already achieved significant movement of business decisions to the business sector, and we anticipate this to continue and to increase.

_Will China's companies adopt public company accounting requirements for reporting?_

We hope to draw on the experience of particularly American companies to provide advanced and fair methods of accounting, bringing China's practices more in line with those of the world for both accounting and auditing.
Pudong new area: Big plans for a small region

Yao Xi-Tang

How much would a "Class A" business complex sell for?

It would sell for about RMB 10,000 per square meter ($125 per square foot), 10 percent of the lease rate in Hong Kong. Real estate is a bargain in Pudong because of the availability and the room for future growth. Of Pudong's 523 sq. miles, only 150 are developed. We can still build at a cost less than buying an existing building because labor and materials are inexpensive.

Do you believe China's ascension into the WTO is holding up consumerism?

People do not necessarily understand the impact of belonging to the WTO and when benefits might accrue. However, Chinese people also look at items on the Internet and compare prices in America versus China. The cost of the same GM Buick Centura is significantly higher if purchased in Shanghai rather than in the United States.

What is the size of China's stock market?

If you combine the Shanghai and Shenzhen stock exchanges, there are a total of 1,400 stocks, bonds and funds listed. Market capitalization is RMB4 trillion ($500 billion), which is about 50 percent of China’s GDP. There are about 40 million Chinese investors.

What is Pudong's plan for the next 5-10 years?

We are planning to become an international financial center, international trade center and advanced technology center by the year 2010.