

The Experimental City of Qianhai, China: the past, the present, and the future

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Introduction

- Urban and city development can be viewed as a business operation similar to the operation of companies and firms in a market economy.
- Either by contracts or by edicts, various alleged externalities of a market can often be internalized via innovative institutional designs.
- a Fourth Coase Theorem entailing either the government as an enabler, or that in many situations, a private-public institutional structure that enhances post infrastructure spontaneous economic activities.

Introduction

- The Qianhai experiment in the Pearl River Delta of China provides an ideal experiment to study the interaction of state actions and the spontaneity of the markets through strategic decision-makings, a normative managerial inquiry similar to that in examples of corporations described in many MBA case studies.
- Experimental cities have the advantage that planning in a completely new environment can learn from the constraints that other redevelopment projects, having the need to deal with the livelihood of existing inhabitants, with divergent public preferences that can be sometimes difficult to manage.

The Past

- The idea that Qianhai can be a megacity of China started as early as 1993 in China's administrative documents.
- With revisions of the early drafts completed in 1996, a document known as the *Shenzhen Municipal General System planning (1996-2010)* 《深圳市城市总体规划（1996—2010）》 was submitted and rectified by the State Council in 2000.

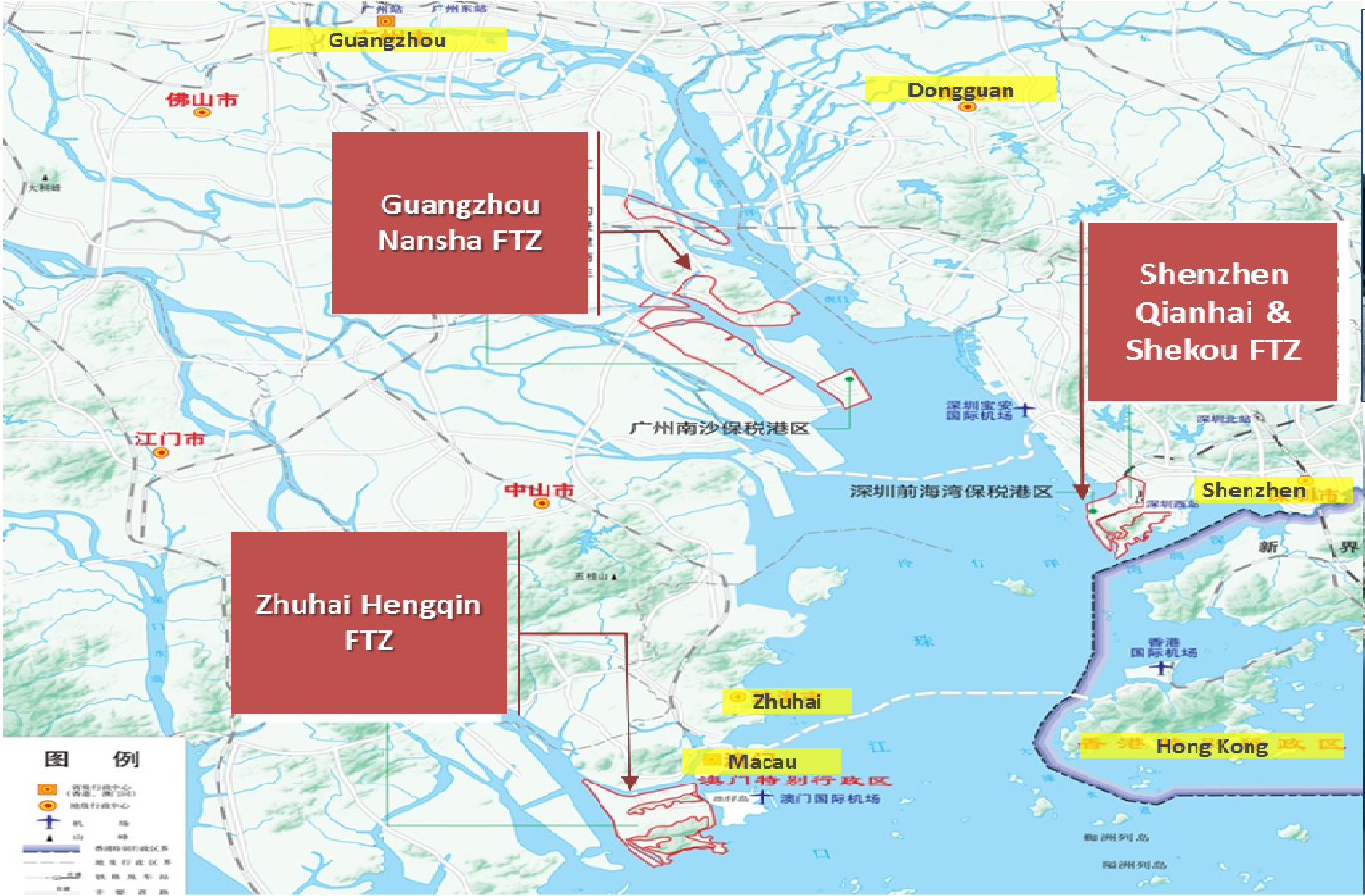
The Past

- Construction of reclaimed land for Qianhai commenced around 2001, and finally stabilize in it's current shape around 2013.
- The total reclaimed area was estimated to be 13.78 sq.km, roughly 20% of all reclaimed land area from the sea by the Shenzhen municipality as of 2013.

The Past

- On December 31, 2014, with the approval of the State Council, Qianhai & Shekou became an experimental area of the Guangdong Province Free trade zones.
- On April 27, 2015, the Shenzhen Qianhai & Shekou free trade area (FTZ) was formally established, with a subset of that area being designated as SZ-HK Modern Service Industry Cooperation Zone, having an official area of 1492 hectares (14.92 sq.km).

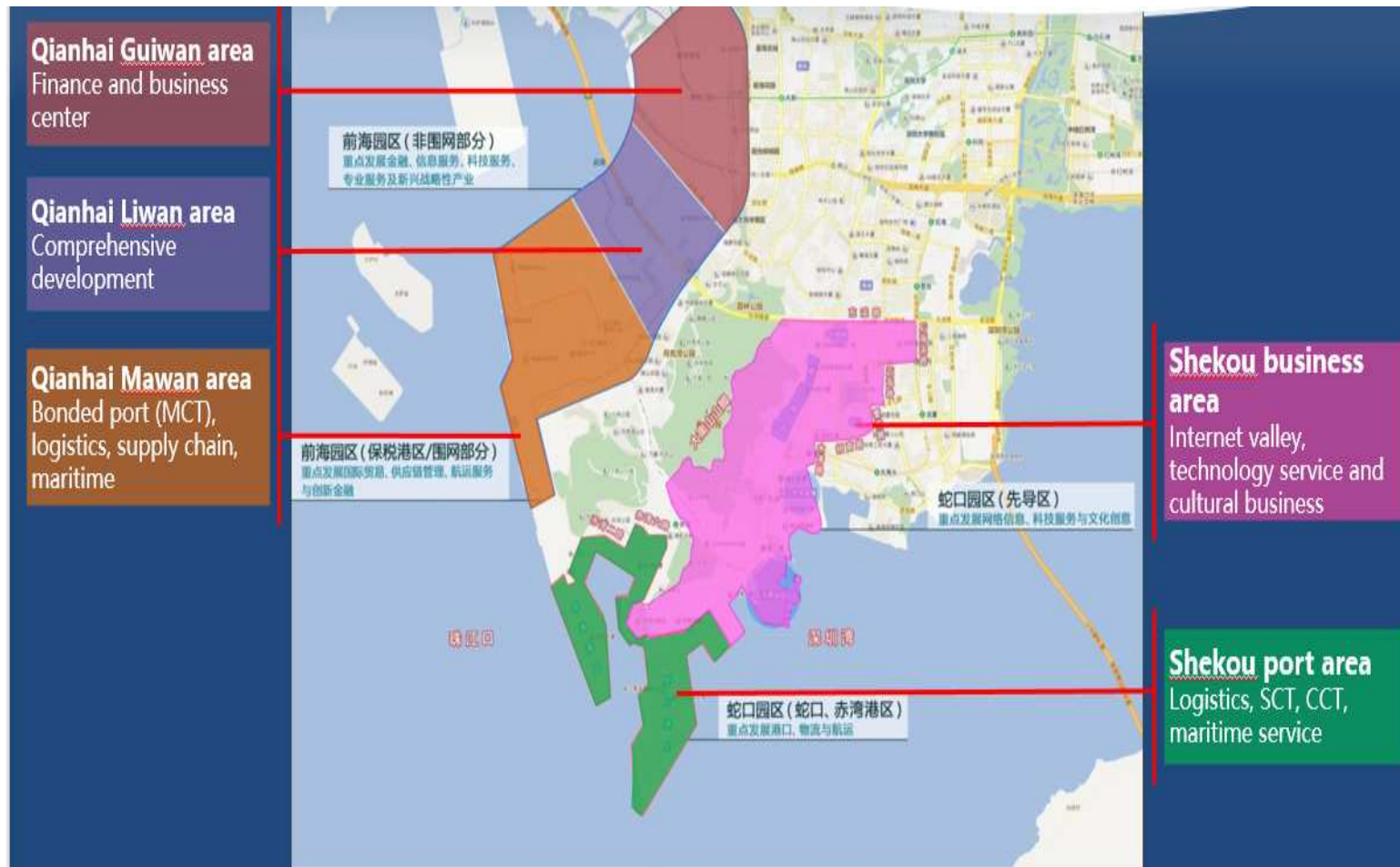
The Past



The Past

- A “Manhattan of the East” idea focused within this Cooperation Zone (92% reclaimed land) in the three areas called Guiwan, Liwan, and Maiwan.

The Past



The Past

- The principal leaders of the Shenzhen municipal government set up a FTZ Administrative Committee for the implementation of a Qianhai vision: Utilizing the successes of Hong Kong and Macao, Qianhai aims to service the mainland and to “face the world”.
- A Guangdong/Hong Kong/Macao cooperation in the forming of this demonstration zone will become an important trading hub in the 21st century, embedded into a maritime “Silk Road” concept in the strategic positioning of modern China.

The Near Present

- Official policies outlined six agendas encompassing trade and investment, finance, Shenzhen-Hong Kong cooperation, law and regulatory framework, HR personnel matters, and the system implementation mechanism.

The Near Present

- in 2015, Qianhai's free-trade zone reached an "enterprise added value" of 1,019 billion yuan according to the registration statistics, an increase of 45% over a year before.
- It achieved a tax revenue exceeding 170 billion yuan, an increase of combination; contract utilization of foreign capital amounted to \$217.78 billion, an increase of 211%, accounted for 77% of the city; the Qianhai cooperation zone actual use of foreign capital was US \$22.3 billion, accounted for the city's 34.23%.

The Near Present

- Annual investment in fixed assets 308 billion yuan, an increase of 80%, of which cooperation zone alone accounted for 208 billion yuan, compared with 2012, 18.1 billion; 2013, 84.41 billion; and 2014, 117.2 billion yuan.
- 102 reform and innovation agenda topics created; 31 of them have been incorporated into the Guangdong Free Trade area initiatives so far, and 14 of them were publicized provincial-wise.

The Near Present

- in 2015, new registered enterprises numbered 43827, an increase of 133.79%; new registered capital was 18824.74 billion yuan, achieving a year-to--year growth of 101.07%.
- Fortune 500 enterprises accumulated investment enterprises 159. In terms of development benefits, the annual revenue exceeded 17 billion yuan, an increase of 63.61%.

The Near Present

- In July 30, 2015, the Qianhai administration started a "10 campaign" initiative, relating to road transport, rail transport, water environment, landscape engineering, unit development projects, involving more than 140 items.

The Near Present

- ✓ The screening for free trade metro construction headquarters;
- ✓ Hong Kong Merchandize Center First Phase development, innovation and business center;
- ✓ GUI Wan River project;
- ✓ Dream Sea Avenue, the dismantling of obsolete rail tracks, an Integrated transportation hub, serving 15 key industrial targeted sectors, including Qianhai Nanyou International Wine Investment Trading Center, value factory and Prince Edward Bay Cruise home port.

The Near Present

- Since the opening of Hong Kong Merchandize Center in December 7, 2015, the average daily turnover of the facility averaged one thousand yuan per square meter. Over the first opening weekend, there have been steady visitors passing through since its opening.



The Future

- Located at the west of Shekou Peninsula in Shenzhen and almost entirely created by land reclamation, and covering an area of 14.92 square kilometers, it has been targeted as an important center for a megacity concept for the Pearl River Delta.
- Undoubtedly has the locational advantage of being situated close to the shore of Nanhai and adjacent to Hong Kong and Macau.

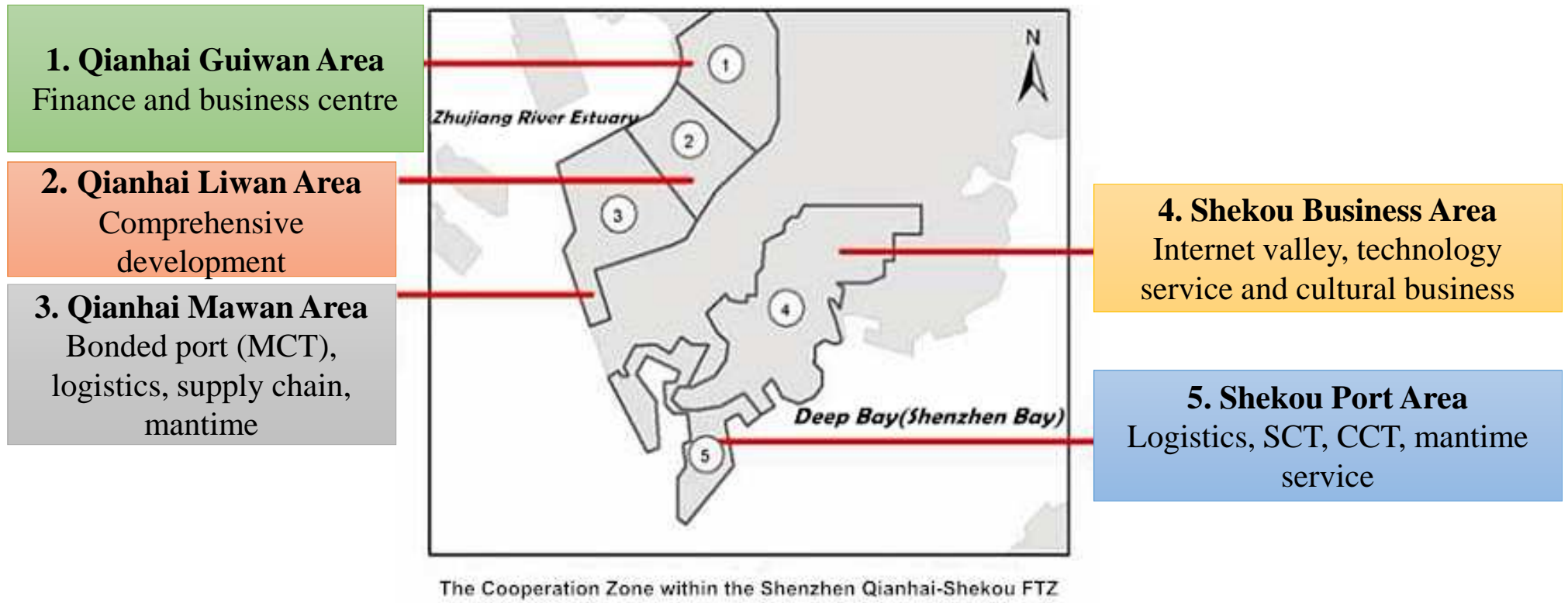
The Future



The Future

- The master plan of this urban village, consists of three zones:
 - ✓ Guiwan area, finance and business center;
 - ✓ Liwan area, comprehensive development;
 - ✓ Mawan area, Bonded port (MCT), logistics, supply chain.

The Future



The Future

- The strategic vision entails achieving the following goals by year 2020:

Building area: 26-23 million m²

Office Building area : 16 million m²

Commercial Building area:23 million m²

Residential Building area : 38 million m²

Public service and municipal Building area : 13 million m²

Working population: 650,000

Resident population: 150,000

The Future



The Future

- The vision of Qianhai is to build an innovation area for modern service industry system and an operating mechanism. It has been targeted as a pilot area for substantive cooperation between the mainland and Hong Kong.

The Future

- Industries suitable for to locate in Qianhai have been evaluated to be in the field of finance, modern logistics, information services, technology services, etc. Together, they are anticipated to produce an estimated GDP of RMB 150 billion, yielding RMB 10 billion per square kilometer, and reaching the same level of density as in London, New York and other international first-class cities of the world.

The Future

- Qianhai spirit, a reliance on the mainland, Hong Kong and Macao connections, designing it as a service-oriented modern “village” with a world view.
- With “innovation, harmony, green, open, sharing ” being the five major development concepts for the area, the Gui Wan integrated business pilot area could be particularly interesting in this respect. The “village” idea can be viewed as a prelude to a broader concept for the area.

The Future

- The development path that Qianhai will take is likely to be unique, consisting a mixture of the past, innovative institutional design of the present, and progressive actions of a large number of individuals and enterprises to shape the future.