

Yangzi rising

SHANGHAI

A NEW economic region is about to change many assumptions about China's booming economy and about the countries of the Pacific in general. The Yangzi delta is equivalent in population and output to Indonesia, which is itself the world's fourth-largest country. Over the next decade the delta is likely to establish itself not only as the engine of China's economic growth, but also as the country's main source of future demand. In so doing, it will change the conventional picture of what is driving China's economy. Hitherto, much of the attention has centred on southern China and on foreign investment. The rise of the Yangzi is different. The dominant economic forces there have been indigenous enterprises.

For the first part of the 1990s, economic growth in the delta has been a third higher than in China as a whole. Between 1990 and 1993, industrial output in the delta grew, in real terms, by 67%, according to official figures. The region now accounts for one-third of all China's output, compared with under 10% for Guangdong province, whose own Pearl river delta was China's economic miracle of the 1980s. Guangdong, it is true, sends abroad a much higher proportion of its product than does the Yangzi delta: Shanghai, the delta's principal port, is nota-

ble mainly for its bulk cargoes of raw commodities, rather than exports of finished goods. Yet nearly as much foreign investment, roughly a quarter of China's total, now flows to the delta as to Guangdong. Such investment, if Guangdong's experience is any guide, will be used to make higher-grade goods and to find foreign markets for them.

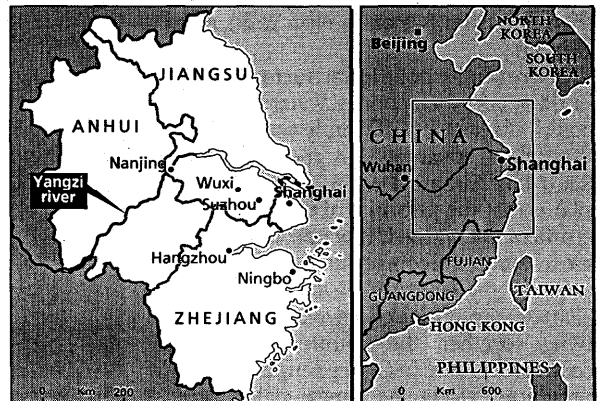
One reason, though, why many Pacific pundits have missed the changes under way in the Yangzi delta is that these have not, in the main, been driven by foreign investment. Rather, the engine has been that peculiarly Chinese phenomenon, the "township and village enterprise". Mao Zedong would write to see what has become of his beloved commune and brigade collectives, established after 1959, for they have grown into the most unabashedly capitalist businesses in China. Since they have been too lowly to qualify for state control, the township enterprises are freer to raise capital than cash-strapped state ones,

and they are unburdened by obligations to provide workers with social benefits.

With abundant labour pouring off the land, and with little regulatory oversight to speak of, township enterprises thrive by churning out all manner of lowish-tech goods. Such collectives now employ, nationwide, more Chinese than the state sector does. But it is in the Yangzi delta that they have found their calling, accounting for about half of industrial output, against 30% from state enterprises, despite the state sector's dominance around Shanghai. In Jiangsu province, township output grew by 55% in 1992, 58% in 1993 and probably not much less than that since, despite tight credit. Between 1990 and 1994, thanks to these collectives, the output of one town, Tongxiang, outside the city of Hangzhou, probably quadrupled. Even allowing for the official tendency to gild economic figures, something remarkable is going on.

The delta - comprising Jiangsu, Zhejiang and (stretching the definition a little) Anhui provinces, plus Shanghai - holds 193m people: 16% of China's population, on 3.7% of its land. At least 35 cities in the delta have populations of 1m or more. One of the region's boosters, Edward Leman of Chreod, a Canadian consultancy, argues that the urban parts of the delta are now ready to jump to higher forms of economic growth. He sees conditions of the kind that once incubated in the metropolitan sprawl along America's east coast, from Boston, through New York, to Washington; and in Japan from Tokyo, through Osaka, to Kobe.

The region's hub is Shanghai. Before 1949, when the communists condemned the city to economic oblivion as punishment for its earlier "parasitism", the city near the mouth of the Yangzi was the biggest in East Asia. These days Shanghai's residents insist that it will soon, once again, be the only one that counts. The Shanghainese have recently smooth-talked into their city nearly



as much foreign investment as the whole of Indonesia. The fruits of such investment are plain to see. The view from any tall building shows three dozen cranes pulling up brand-new skyscrapers. The water trucks splashing the streets to keep down the late-summer dust blare out, "Santa Claus is coming to town."

But Shanghai may have overdone it. This year, according to a city official, nearly 14m square metres (150m square feet) of new residential, industrial and commercial space is being created: Shanghai, pre-1949, had only 20m square metres to start with. Many of the new towers in central Shanghai, and across the Huangpu river in the vast Pudong development zone, may stand unused for a while. Shanghai's future, as the Manhattan of the east, is still some years off.

Because of this overdevelopment, and because many industries have been moved out of the city to make way for it, Shanghai's future growth is likely to be less spectacular. This will help concentrate outside attention on the whole region - the Yangzi river delta - of which Shanghai is only a part.

Mr Leman identifies two high-growth "corridors" in the delta, both anchored by Shanghai. One runs south through Hangzhou, to the port of Ningbo. The other runs west through Suzhou (where \$9 billion of Singaporean investment is planned) and Wuxi, to Nanjing. These two corridors account for two-fifths of the delta's population. Their GDP per person was \$1,140 in 1992, the latest figures available, compared with \$660 for the delta as a whole, and \$470 for all of China. The delta "megalopolis", Mr Leman contends, is already proving to be a mighty concentration of purchasing-power and production - and will prove a profitable site for foreign investment.

A corridor, though, assumes you can pass along it. A few large roads run out of Shanghai but most of the region's traffic seems to prefer the network of primitive dirt roads, which are a crush of lorries making a forlorn mockery of just-in-time delivery. Planners say a new highway linking Shanghai with Nanjing will be finished by the end of next year; another, to Ningbo, is planned for 1998. For now, for the trip from Shanghai to Hangzhou (a jaunt slightly shorter than that from Boston to New York), allow 12 hours.

Chronically poor infrastructure—roads, bridges, ports, telephones, water supplies—could, if taken insufficiently seriously, kill the delta's advantages. A member of the Shanghai Urban Design Institute complains that the priorities of the central government are warped. It is pouring its meagre resources, he complains, into linking the delta to the Yangzi's distant hinterland, Sichuan province and beyond, before first tying together the country's disparate coastal successes: in Guangdong and Fujian provinces, along the Yangzi delta, north

along the Bohai gulf, and in Manchuria.

For his part, the man in charge of Shanghai's infrastructure, He Dawei, says that Shanghai will, not be able to come close to its investment goals without heavy foreign involvement. Mr He presses foreign visitors for information on any company that might want to come and build roads.

There is little evidence yet, however, that people in the delta believe they can rise fastest together. When asked about plans to tie the delta's provinces closer together, officials say this is a matter for the central government. Others are resigned to a lack of provincial co-operation. Since the source of

Shanghai's drinking-water is the Dianshan lake, it forbids development along the shores. Township enterprises on the Jiangsu side of the lake, on the other hand, cheerfully dump untreated waste into the water.

So, for the moment, much development in the Yangzi delta will continue spontaneously, covering paddy fields with factories, and everything with dust. It was perhaps revealing that when your correspondent visited China's most prosperous county (measured by the revenues it sends to Beijing), as well as the town with China's largest car plant, the two chief planners had each to be roused from a deep afternoon slumber.

Women

More words than deeds

BEIJING

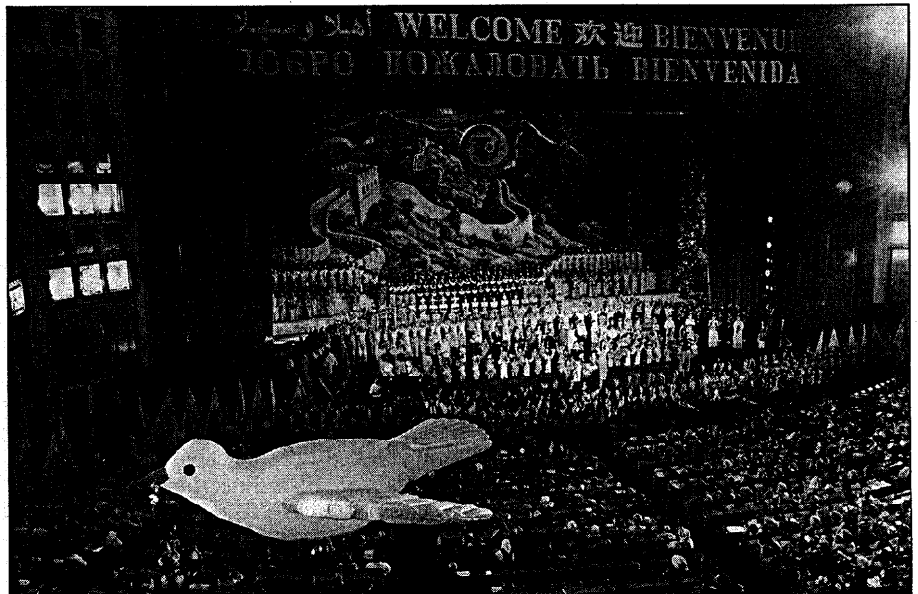
THE Chinese government has done its best to limit the domestic impact of the arrival of around 35,000 women, representing a wide range of fiercely held points of view. It was no surprise that the Chinese press did not see fit to report Hillary Clinton's comments on the evils of forced abortion and the virtues of free speech. But it was striking that state television did not even mention her arrival in Beijing, the subject of so much diplomatic kerfuffle. Most Chinese newspapers also found it easy to ignore America's first lady.

The average Chinese did see lengthy coverage of their own dignitaries at the opening ceremony of the United Nations' Fourth World Conference on Women. And doves: they saw, early and often, the doves released to mark the first day. But they heard little of the discussions of human rights, legal equality, birth control and development that

have preoccupied the conference and the associated meeting of non-governmental organisations (NGOs). Scuffles with Tibetan; and the confiscation of various controversial materials likewise vanished down the Chinese memory hole.

All this made the UN a touch defensive. A prominent UN official defended the choice of Beijing by arguing that China has done more for women than have most developing countries. Besides, the international influx would be good for China because "countries can be shamed into changing." But those Chinese who lingered at Huairou, the site of the NGO gathering, were shooed away by plainclothes police. Other security officers with video cameras deterred Chinese delegates from taking part in the more controversial discussions. In Beijing the conference site is sealed off.

Nevertheless 6,000 Chinese women, all



Floating on hot air