A new economic wave looks certain to sweep across the second largest economy in the world over the next decade or so. Known as the Binhai wave, it is poised to change the economic landscape of Asia’s awakening economic giant and to bring its already unstoppable economy to a new high tide.

The Special Economic Zones

Long overshadowed by the sizzling capital city of Beijing, the northern port city of Tianjin has finally gotten the government go-ahead for the evolution of Binhai New Area as China’s next big thing after the phenomenal rise and development of Shenzhen Special Economic Zone in the late 1970s and Shanghai’s Pudong in the 1990s as China’s hottest investment destinations.

With an area of 2,270 square kilometers and a population of 1.4 million, the Binhai New Area is composed of Tianjin Port, Tianjin Development Zone, a duty-free zone and the three administrative districts of Tanggu, Hangu and Dagang, and is situated on the eastern seashore of Tianjin, a municipality approximately 120 kilometres southeast of Beijing by the side of Bohai Sea. Due to its geographical bearings, it will be transformed into a modern and open gateway to China’s northern region.

A string of far-reaching and all-embracing programmes will be introduced to make Binhai more receptive to foreign investors and international business development. In addition, under the blueprint for the Binhai New Area put together by China’s cabinet, it will be empowered to undertake pilot reforms in financial services and capital markets sectors.

Hub in North China

The ultimate goal is to shape Binhai into one of China’s bedrocks for “modern manufacturing, research and development” and “an international shipping hub and a modern international logistics hub in north China”. A series of support measures, preferential tax policies, comprehensive reform initiatives and experimental schemes will also be formulated and launched in China’s next boomtown to accomplish the mission. Tianjin Dongjiang Bonded Area, covering an area of 10 square kilometers, will be set up to handle matters relating to export processing, international distribution and global procurement.
The Binhai skyline will soon catch the eyes of the world in the not-too-distant-future when skyscrapers start to sprout up on China’s latest growth engine.

As the old saying goes “swaying the head of dragon, leading the rest of the other parts”. The development of Binhai will propel and facilitate economic growth in the Bohai Bay-rim region, which is made up of Beijing, Tianjin, Hebei, Shandong and Liaoning. The area, covering 518,000 square kilometers, with a population of more than 230 million, generates gross product of 3.8 trillion yuan, 28.2 per cent of China’s total. Therefore, the acceleration of the development of Binhai is unquestionably of strategic significance to China’s overall economic growth, as it will provide fresh impetus to spur Chinese miraculous economy to greater heights by further oiling the wheels of economic growth in the northern region.

According to government statistics, more than 70 of the world’s Fortune Global 500 companies have set up their operation one way or another in Binhai New Area. Motorola (China) Electronics has set up a major manufacturing base in the area for mobile telephones, wireless communications equipment and two-way radios. Airbus has selected the area to locate its A320 jets assembly line, the first outside the aircraft maker’s European base. Samsung Group has 11 joint-venture projects with Tianjin Zhonghuan Electronic Information Group Co. in the pipeline worth a total of US$1.16 billion. Fixed assets investment in the area is expected to hit 500 billion yuan (US$62.5 billion) by 2010, with a production value of 320 billion yuan (US$40 billion), twice as much as that of 2005. It is only a matter of time before more multinationals and foreign investors begin to flock to Binhai to seize and to cash in on both the direct and consequential opportunities created by Tianjin’s rising economic status.

Now that the Binhai New Area has been officially identified as the new experimental zone for cutting-edge financial reforms, it remains to be seen whether it would be comparable to and be in the same league as the vibrant and prosperous economic regions of the Pearl River Delta in the South and of the Yangtze River Delta in the East. One thing for sure, it will need strong support and firm commitment from Beijing
to succeed in China’s increasingly open, market-oriented and decentralized economy.

Robin Teow
e: rteow@lehmanlaw.com
Foreign Counselor
LEHMAN, LEE & XU