

Research on the Construction of Shanghai International Trade Center Based on Post Expo Effect

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Abstract - The economic development of Shanghai has entered into a new round of development phase after the 2010 World Expo. In the 12th five-year plan period, Shanghai will encounter the critic segment in the construction of the “4 centers”, striving for the international trade center. In the meantime, Shanghai will confront the new development environment that opportunities will coexist with challenges because of the finish of the World Expo. The uncertainty of the post-expo effect makes it necessary for us to analyze the construction of international trade center with the specific factors of post-expo comprehensively, identifying the advantages and disadvantages in order to make a reasonable forecast and prospect, hereby propose some applied advice for the policies.

Keywords-Shanghai International Center; Post-Expo; Current situation; Future forecast

1. The current situation of SITC's construction after the World Expo

In the early 1990s, Shanghai was proposed to be constructed into “Comprehensive international center of Commerce、Finance、Trade、High-tech、Information” by CPC. The economic development has made a series of great achievement, and Shanghai has been the biggest industrial and commercial city since then. With the impetus of natural geographic advantages and some policies, the foreign trade also obtained immense development. According to the 12th 5-year plan for construction of SITC, Shanghai will form relatively complete core function framework of international trade center as of 2015. And as of 2020, Shanghai will become international trade center that has the resource relocation function for domestic and foreign markets and developed modern service industry as well as numerous merchants. It will serve the Yangtze River Delta Region and Yangtze River Basin, furthermore the whole China.

Currently, the status of Shanghai as a trade center can be reflected in these following aspects.

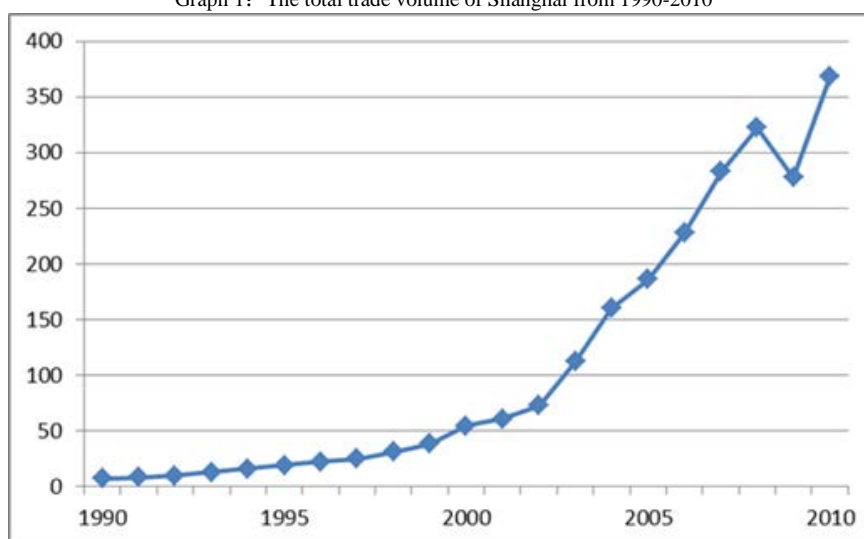
1.1 The advantage factors for Shanghai as trade center

The advantage factors for Shanghai as trade center are reflected by the following 4 aspects.

1.1.1 Trade volume huge and growth rate rapid

The total trade volume of import and export has increased to 368.869 billion dollars in 2010 from only 7.431 billion dollars in 1990, the average growth rate is up to 21.56%. The export increased to 180.784 billion dollar from 5.321 billion dollar with the average growth rate 19.28%, while import from 2.110 to 188.085 with the average growth rate 25.17%. In 2010, the total GDP of Shanghai accounted for 4.2% of the whole country as well as the foreign trade 12.4%, while it only accounts for 1.72% in population and 0.066% in land area.(See graph 1)

Graph 1: The total trade volume of Shanghai from 1990-2010



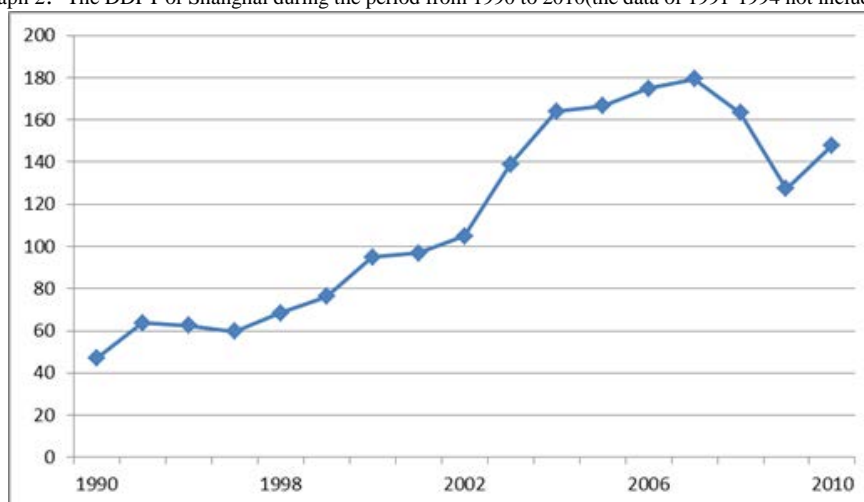
Source: The website of Bureau of Shanghai Statistics-<http://www.stats-sh.gov.cn/>

1.1.2 Openness degree increase, DDFT ascend

The DDFT (Degree of Dependence upon Foreign Trade) was 47 in 1990 (according to the exchange rate in the same period) as the total foreign trade was 7.431 billion dollar while the GDP stood at 78.166 billion

Yuan. In 2010, the DDFT stood at 148. In the whole during observation period (1990-2010), the DDFT had an overall uptrend in spite of some fluctuation in the interim, and it was much higher than the national average degree. The data indicates that the openness degree of Shanghai has been enhanced a lot. (See graph 2)

Graph 2: The DDFT of Shanghai during the period from 1990 to 2010 (the data of 1991-1994 not included)



Source: The website of Bureau of Shanghai Statistics-<http://www.stats-sh.gov.cn/>

1.1.3 Trade radiation effects enhanced, Service role strengthened

According to the data from General Administration of Customs of China, the total foreign trade volume of Shanghai in 2010 reached up to 684.645 billion dollars, while 315.776 billion dollars of that from areas outside of Shanghai, which are mainly from Yangtze River Delta

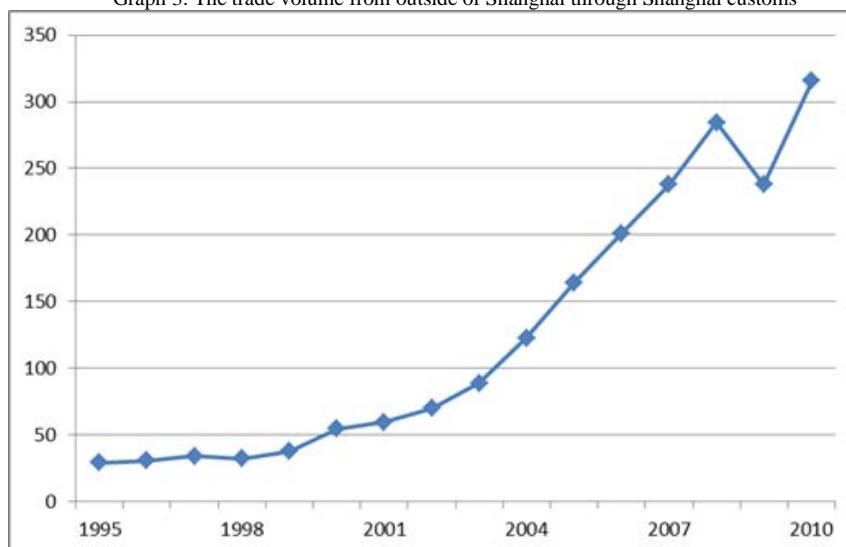
Area. It reflects the status of Shanghai as an economic and trade center in China especially in Yangtze River Delta Area. As the city with biggest openness degree, Shanghai has the condition to connect the world. And its radiation effect will be strengthened while more and more foreign trade service agencies are flocking here.

From 1995 to 2010, the trade volume from outside of Shanghai increased from 29.11 to 315.78 billion dollars,

with the annual average growth rate up to 17.23%. That indicates more and more trade companies from the inland provinces choose Shanghai as their port of loading

because of the sound trade services it offers, and this also promotes the improvement of service departments. (See graph 3)

Graph 3: The trade volume from outside of Shanghai through Shanghai customs

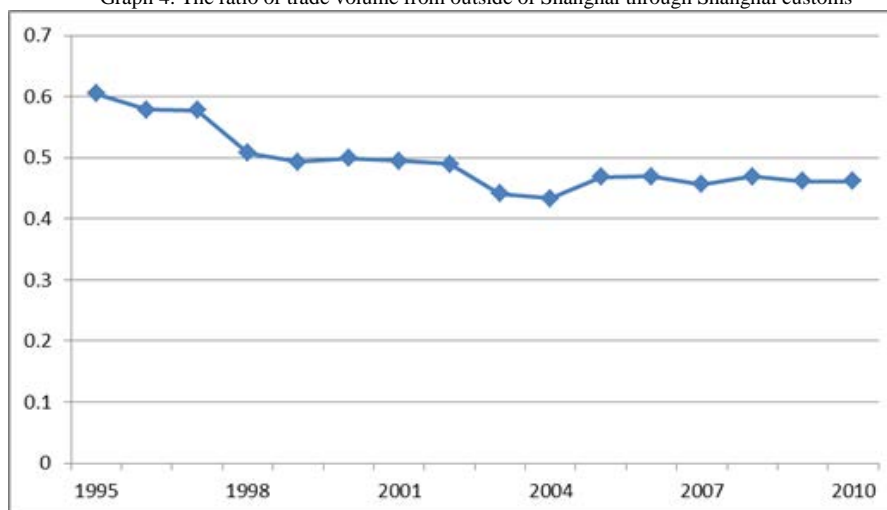


Source: The volume is calculated with the data from the website of bureau of Shanghai Statistics

However, with the absolute trade volume increasing in the period, the ratio of trade volume from outside of Shanghai through Shanghai customs saw some decrease. From 60.48% in 1995 decreased to 46.12% in 2010, that

may resulted from the fierce competition with neighboring ports, like Ningbo, Zhoushan and others. Anyway, the ratio is stable at a relative high level, and will not see big fluctuation in future. (See graph 4)

Graph 4: The ratio of trade volume from outside of Shanghai through Shanghai customs



Source: The ratio is calculated with the data from the website of bureau of Shanghai Statistics

1.2 The disadvantage factors for Shanghai as trade center

As the biggest industrial and commercial city, Shanghai owns the enormous foreign trade volume and high openness degree. It has become collecting and distributing center of domestic and foreign trade, which

entitles it to have the most potential to become a comprehensive international center adapting to China's international economic status. But currently, there is still a long way for Shanghai to go before becoming a real international trade center. It now falls behind New York and London tremendously on a lot of core indicator, even falls behind Hong Kong and Singapore in the

Asia-Pacific area. At the moment, the existing problems and disadvantages for SITC's construction are as follows.

1.2.1 Style and structure of Foreign Trade

At present, the foreign trade styles of Shanghai are mainly general trade and processing trade. In Shanghai free trade zones (include Waigaoqiao free trade zone, Pudong airport free trade zone and Yangshan port free trade zone, the same below), there are a lot of enterprises engaged in processing trade. As primary forms in foreign trade, the general trade and processing trade have relatively less trade interests. From the other side, the transit trade and off-shore trade, as advanced forms in foreign trade, accounting for very small share in Shanghai's foreign trade, are almost conducted in Waigaoqiao free trade zone. In addition to that, the system construction is still to be refined and relative infrastructures are still to be improved. From the point of trade structure, most of the current foreign trades are trades in goods, trades in service account for very small share in total.

1.2.2 Trade promotion and supervision system

The small and medium professional service agencies in Shanghai are far from being developed. And there are not enough international trade institutions. The trade investment promotion systems are imperfect. The function of some relative trade associations cannot be conducted sufficiently. Specifically, the current authority cannot manage the disordered trade business strongly. And the lack of international communication restricts the service function. With regard to building legal technical trade barrier, there is a long distance behind developed countries. In addition to that, we still lack of effective coping mechanism to all kinds of trade disputes.

1.2.3 Trade and investment environment

With the economic globalization and regional economic integration strengthening, the "trade inefficiency" has been regarded as a kind of invisible market barrier and paid attention gradually. According to OECD's research, the transaction costs generated from

multifarious border procedures almost account for 2%-15% of total transaction costs, which affect the invest interest from multinational companies to some extent, and it will bring adverse effect to the trade's future developments. At present, although the trade convenience degree of Shanghai has already been ahead of other cities on mainland China, and the trade convenience policies in free trade zones have taken effect, compared with Hong Kong and other free trade areas, Shanghai still has a long way to catch up with them.

1.2.4 High level trade institutions

In modern international trade center, whether for trade in services or trade in goods, its international market volume and trade interest are reflected by the commercial nets of big companies. The high level trade institutions, especially the multinational companies, control the core value in business. Therefore, they control the trade chains and lead to the prosperous in trade market. These institutions are considered to be the indispensable motivation for the construction of international trade center. However, the most of current foreign trades are conducted by small and medium enterprises in Shanghai right now. They don't have enough capacity to acquire interests in trade chains and furthermore, the industry dispersion make the interest resource into limited spectrum.

2. The future analysis of SITC's construction after the World Expo

As to the construction of internal center after the world exposition, It is important to analyze the connection between the post expo effect and trade center construction.

2.1 Post-Expo Effect

With respect to the post expo effect, we need to divide it into 2 aspects. It has some uncertainties as the positive effect coexists with the negative effect.

2.1.1 Positive Effect

The positive effect can be seen as the continuous affection from the preparation and conduction of the exposition.

First, accelerate the development of service industry. From the experience of previous expositions, the service industry all benefited from them, especially the tourist industry and commodity retail industry. It is favorable for the development of service industry to improve the environment and infrastructure, hereby benefit the optimization and upgrade of industry structure.

Second, improve the city function. The hosting of exposition pushes forward the infrastructure construction, city planning and old area reconstruction which improves the residents' living environment. And the reuse of the expo buildings can energize the city construction and layout. These architectures can become into the famous landmark and symbol of the city, even the country. In addition to that, they also can be used as museums or theme parks with the functions of education and propagation for science, culture and knowledge.

Third, optimize the economic development environment. The increase of international reputation is a kind of enormous invisible asset from the expo. The more countries and organizations participate, the more people will know about the hosting city. A successful exposition not only can show the political, economic and cultural feature, but also acquire the affirmation and attention from all over the world which is beneficial for the city to create better development environment.

2.1.2 Negative Effect

When the positive effect brings enormous advantage factors into the city's development, the negative effect would undermines the smooth development of the city's society and economy.

First, during the preparation period of the exposition, due to the construction of the expo pavilions and mass infrastructure, there saw a lot of growth on investment. However, with the finish of the expo, for one thing, this kind of investment demand will have the possibility to slump; for the other thing, the social demands in line with the expo investment will also have this kind of risk.

Both of these will lead to the downtrend of the total social demands.

Second, the information, finance, commercial Trade, automobile, complete equipment, and real estate, which are the six pillar industries of Shanghai, had been developing rapidly during the preparation period. After the expo finished, they also see the downward or slow growth risk, especially for the commerce and real estate. The downtrend will make the employment of these industries confront severe test.

Third, the openness degree has been increased with the ascending reputation, which means the economic development will be affected by the foreign economic condition more and more. Considering the rim effect of the global financial crisis is still going on, and dilemma of the European sovereign debt crisis, Shanghai will see a severe outside development environment and the risk of atrophic outside demands.

According to the previous world expositions, get rid of a few exceptions, the host of expo normally can promote the social economic increase. But the expo effect has different trait in different phase, especially the long-term influence after the expo finished. Above all, how to cope with the new conditions and problems after the expo, taking the full advantage of positive effect as well as avoiding the series of negative effect, have become an important topic on researching the way of economic development of Shanghai in the post-expo period.

2.2 The future initiatives for SITC's construction

On the base of post-expo effect, the main parts for the construction of SICT are concluded as follows. The parts are committed to not only maximize the positive effect but also offset the negative effect.

2.2.1 The exertion of Hongqiao hub

The Hongqiao traffic hub, built as a land portal for Shanghai, can be seen as a milestone on the traffic construction in Shanghai. As the biggest and incomparable traffic hub all over the world, it has the most comprehensive traffic facilities, including the

airport, railway station, subway station, inner city and long distance public bus station, taxi station as well as the private car parking lot, and it will shorten the trip time sharply between Shanghai and its surrounding Yangtze River Delta Area also the inland provinces, offering the convenience for the business and private trips.

And the Hongqiao business district, which is regarded as a main project after the expo, is constructed on the base of the strong radiation capacity of Hongqiao hub. The business in construction will become a comprehensive international trade center key platform equipped with every kind of core trade function.

First, inside the functional district, there will gather and distribute various trade elements, covering all round key process along the trade chain. It will contain various production services of commercial office, technical exchange, commodities R&D, exhibition service, law, accounting, finance, insurance, and logistics, as well as some relevant supporting industries like hotel accommodation, entertainment and living communities. It will decrease the business cost sharply, and realize the accumulative effect of headquarters economy inside the district. Second, it will refine the rational function layout for Shanghai's trade function platform. The different positioning with free trade zones and Lujiazui finance and trade zone will optimize the allocation of resources and realize the unique development from each other. Finally, they will integrate into a comprehensive trade platform with different functions for Shanghai.

2.2.2 The reuse of exposition area

Ever as an area of factories and shabby residential communities, the exposition area spans both shores of the Huangpu River, between the Nanpu Bridge and Lupu Bridge. It has a fabulous location, and with the huge development potential, it has been turning into a top business district for the trade center construction.

In the post-expo period, some of its functions will continue to be the original function. Such as, the China pavilion, renamed in China Art Museum, will become the base to show the Chinese culture and tradition, also demonstrate the high end technology developed by Chinese people. The expo axis will go on being a huge

commercial complex with different commercial styles. It will have facilities like pedestrian shopping street and traffic pivot, which will strengthen its role as a commercial hub. The expo center will continue its role as a international conference and activity center. In the next coming years, there will emerge many hotels, making it the first hotel flock in Shanghai. The expo culture center, also will keep its sole as a culture cluster. It will become a versatile culture theme plaza and host a lot of culture activities, making it a culture communication base.

Except the above function, the rest area will be reused as advanced service industry base, especially the headquarters economic base. According to the post-expo planning, this area will gather a series of central government SOEs, and they will offer the most high level trade entities, and will lead to the improvement of relevant supporting industries. All these will absolutely improve the construction of SITC.

2.2.3 The utilization of displayed high end technology

With respect to the high end sciences and technologies displayed during the exposition, they have huge value for future development of productivity. Shanghai has the first-mover advantage in transforming these sciences and technologies into applicable productivity. And it will promote the development of some key high-tech industries and some relevant strategic industries hereby accelerate the transition and upgrading of trade patterns. We need to grasp this opportunity to fertile several key high-tech industries, and enlarge the export of high-tech products as well as encourage and support the processing trade enterprises to strengthen the high value-added processes like independent R&D, design, supply and marketing. It will make the domestic companies grasp the high value parts of the industry value chain.

2.2.4 The support for expo-related industries

Some expo-related industries including exhibition, transportation, tourism, hotel, etc, have benefited from the host of exposition, and all these are the key industries during the economic transition of Shanghai into service economy. However, these industries will suffer some impacts after the exposition finished, especially for the

tourism industries which can be seen as one of the leading industries in a service economy.

In the post expo period, Shanghai will confront the situation that the amount of tourists would see downtrend. Considering the tourism as an key industry, we need to come up with some specific policy to keep its rapid development in future and finally make Shanghai a main tourism destination in the world. Currently, the mutual promotion between commerce and tourism can be seen as the main measure to implement. The implementation can start from strengthening the tourism resources and exploring the tourists. The more and better the tourism resources are in places, the more tourists will come. And it will expand the trade volume in commerce. From the other way around, the better services the commerce offers, the more tourists will also come, which can improve the development of tourism. The construction of Disney international resort area and the implementation of duty-free shopping area are both the important measures in improving the tourism and commerce.

2.2.5. Cope with the rim effect of global financial crisis

The post-expo period has the backdrop of post-global crisis time, and the tremendous affection that the global financial crisis brought to the global economy makes it necessary to analyze the rim effect of financial crisis to Shanghai's economic development.

One of the rim effect is the atrophy of market. The decrease of residents' income leads to the consumption depression, and then brings difficulties to trade. At present, the global economy still face the risk to touch bottom due to the rim effect, and the ambiguity of the global economic development prospect make the risk for international trade exit in the long run. Especially, the European sovereign debt crisis is still on going. As Shanghai's biggest trade partner, the European market plays an crucial role in Shanghai's foreign trade. And the austerity financial policy will make it worse for Shanghai's export to Europe.

The severe trade situation makes it necessary to integrate the domestic market and foreign market. The affected enterprises can explore domestic market when

the foreign market shrinks. This initiative needs us to make some relevant arrangement for the integration of domestic and foreign trade. And that the agglomeration and radiation functions to internal and external markets is also a key feature as an international trade center.

With respect to this initiative, first, we need to formulate domestic trading system that can integrate the foreign trading system, that makes the banks, insurance companies and other financial credit system should proactively fine-tune the transaction tools to assure the transaction can be conducted smoothly. Second, domestic manufacturers need to make themselves adapted to both foreign demands and domestic demands. This requires the trade agents should conduct comprehensive cooperation with export processing enterprises, in addition to that, the agents should be the ones have both the internal and external resources.

3. Conclusions

In the post-expo period, Shanghai will confront the opportunities and challenges due to the finish of world exposition. The uncertainty of post-expo effect which has both the positive and negative effects makes us need to recognize the current problems. Then we can implement a series of initiatives to avoid and offset the disadvantages as well as optimize the advantages.

From another side, how to find a series of quantitative indicator to measure the accomplishment degree of international trade center is still under further research.

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Vitae

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