

A Provincial Push

—The Liaoning Linkage

■ Text and photos by Lowell Bennett

About 340 nautical miles from Seoul, South Korea, and about 420 nautical miles from Japan's largest port in Yokohama, China's fifth largest island, Changxing, is surrounded by the sheltered waters of Bohai Bay. Nestled along the nation's northeast coastal shores, at the nearest point the island's edge is 358 meters off the mainland. Just 130 kilometers north of Liaoning Province's beautiful and cosmopolitan city of Dalian, Changxing comprises more than 250 square kilometers of Earth edged by a coastline of 91 kilometers.

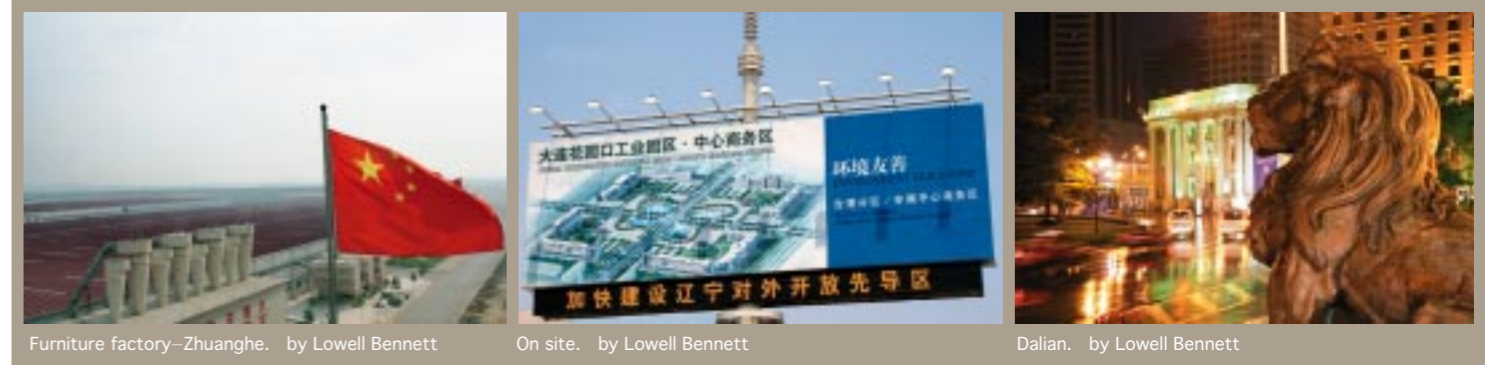
Benefiting from deep water, a close proximity to both the Shenyang-Dalian Expressway and the Harbin-Dalian rail line, and with startup financing provided by the National Development Bank, if all goes as planned Changxing Island will represent one of the most ambitious joining of commercial development and port operations ever to be undertaken by the province.

But the Changxing Port Industrial Zone is just one component of a much greater scope of serial development planned for the long curving coast of Liaoning.

From the local to regional level, the official directors of China's northeastern province of Liaoning, once the nation's primary region for industrial production, are out to reverse past rustbelt misfortunes with the "5 points in one line" project, a near mind-boggling plan for the concurrent development of transporta-

tion links, industrial centers, business parks and port operations along the province's 2,187-kilometer coastline.

Backed by the Central Government and a 30 billion yuan (\$3.7b) injection from the National Development Bank, the regional-scale project will be linked by the "1 line," a 1,443-kilometer-long world-class Audubon-



Furniture factory—Zhuanghe. by Lowell Bennett

On site. by Lowell Bennett

Dalian. by Lowell Bennett



The northernmost of the "5 points," on the Yalu River, a booming Dandong faces the riverine shore of North Korea. by Lowell Bennett

style expressway. The linkage entails new and expanding port and industrial centers at the “5 points.” These are: Changxing Island, and the cities of Huludao, Yingkou, Huayuandao/Zhuanghe and Dandong, the booming frontier city on the Yalu River (a one-minute boat ride from the not-so-booming riverine coast of North Korea).

Rail networks and major roadways—like the recently completed and pristine 7.2-billion-yuan (\$901m), 348-kilometer-long, eight-lane Shenyang-Dalian Expressway—will feed into the eventual “1 line” artery. From the five coastal points, up to and beyond the commercial transit frontier towns along the Inner Mongolian border, virtually the entire inland region will be readily accessed by truck and train. Central to these

ambitious regional expansion plans is China’s strong and expanding trade volume with South Korea and Japan.

Provincial Promotion

In this bid by the Central Government and Liaoning leaders to revitalize the nation’s former industrial base, in June 2005 China’s State Council offered up an aggressive array of incentive programs; including financial backing, land use expansions and tax breaks. A big part of the plan is attracting offshore investors to Liaoning, and a lot of those foreign money suppliers are expected to be Japanese.



Resorts, condos and parasails by Bouhai Bay—Dalian. by Lowell Bennett



Feeding the “1 line,” the \$901-million Shenyang-Dalian Expressway. by China Foto Press



Groundwork—Changxing Island. by Lowell Bennett

At a recent promotional seminar held in the provincial capital, Shenyang, 300 Japanese industrialists showed up to get the latest info on the “5 points” development sites, financial programs and plans for the multi-port expansions. The event’s governmental managers were a bit taken aback by the turnout, as they had originally anticipated and planned for only 100 attendees.

According to officials and the primary managers of the development projects, investors and foreign development firms are lining up to ink contracts. They are drawn by incentives that include tax exemptions, credit services, financial support for export-oriented enterprises, business administration charge exemptions and tax refunds on reinvested profits.

Localized Leverage

Toshiba, Philips and other foreign firms primarily from Japan, South Korea and Europe have already established manufacturing bases in Jinzhou. Meanwhile, Huludao’s shipyard is at work fulfilling what will be a full slate of production until 2010. The yard primarily manufactures oil tankers, and, running at normal capacity, the operation can assemble one of those enormous steel leviathans within 20 months.

Not surprisingly, provincial officials explain that expanding operations at Huludao and Jinzhou will lead the “5 points in 1 line” coastline development project, with both cities already in play with plans to accelerate overall capacity in a 5-10-year phase. Together the two geographic neighbors on Jinzhou Bay accommodate 6 million people, including the rural residents residing within their respective jurisdictions.

To lessen the potential for inter-province

competition between Huludao, Jinzhou and the other port cities, each of those “5 points” is being further developed based on the manufacture, import and export of varied and particular industries.

And besides the heavy manufacturing now underway in the region, centering on the port development zones the province hopes to draw in a substantial level of clean industries. Particularly—and not surprisingly—provincial managers are pushing hard to draw new corporate blood in the form of more high tech firms.

Deliberate Development

And the creation of new enterprise infrastructure can be accomplished at extraordinarily competitive rates, according to province managers. By western standards [indeed, by the standards of the global commercial real estate market], projected groundbreaking development expense along the five points is astonishingly low. Acquisition cost per square meter of ground can run as low as 60 yuan (\$7.50). The low inceptive overhead comes in large part with the classification of the land. Most of the ground is considered to be “wasteland” by the province—meaning land with no agricultural application and, for all practical purposes, no scenic beauty and no at-risk water resources or wildlife. And much of the land was already zoned for industrial use.

And the impact on the region’s humans will be minimal, according to Liaoning’s Vice Governor Li Wancai. “Most of the land to be developed is totally state owned. This allows us to develop our area without forcing farmers off their land.” The bottom line, he explains, is that no relocation or rezoning expenses come into play in the course of development.

At these five chosen locations, plans call for existing ports to be expanded, new ports to be built, rails to be laid, bridges erected, roads paved, pipelines installed, and whatever else it takes to support what will essentially be the development of self-sufficient sub-cities. Possibly excepting Dandong, with its city center in close proximity to port operations, planned infrastructure installations will include office buildings, water treatment plants, homes, apartment buildings, schools, clinics, entertainment centers, public spaces, shopping facilities, and everything else it takes to accommodate thousands of

workers, managers and their families.

Labor Link

Surprisingly, in some regions of this 1.3 billion-person nation, recruiting skilled workers can be a problem. But labor is not an issue in Liaoning. According to Vice Governor Li, 1.87 million workers were laid off when the state-owned enterprises shut down or restructured. Now those workers form a ready source of skilled talent. To further get them up to speed in the ways of new industry, the province operates a robust lineup of vocational colleges, Li says.

Faithful Forecasting

An obvious question: Will the ports and the industrial centers of the “5 points” eventually be in competition? No, says Li Wancai. “At a glance, the five points do seem similar, and indeed there are congruities. But they also complement each other. Each point has its own strength, for instance shipbuilding in Huludao/Jinzhou, refineries and petrochemicals in Yingkou ... so they are also very different. In any case, competition will be healthy for the area. It will not be malicious.”


If that holds true, and if primary milestones fall into place and the scenario unfolds as hoped, development will accelerate as

Liaoning’s inland industries strengthen and remaining state-owned enterprises modernize, while the booming trade between China and its neighbors of South Korea and Japan continues to roar ahead.

This while some believe that inter-Sino trade will also expand. Vice Governor Li says, “I believe that by implementing this strategy, all five points in the line will be effectively used, at which stage we’ll explore further opportunities along the eastern coast.”

Both the Central Government and the province have a lot riding on the plan. The pressure is on. But players from the local to provincial level are expressing confidence and determination.

All officials and civilian directors personally encountered during the course of researching this story—including five mayors, three vice mayors, numerous middle managers, several project managers and a regional team of public affairs reps—did not hesitate. They all expressed complete faith.

“The ‘5 points in 1 line’ project is just the starting point of Liaoning’s rejuvenation. It will be the driving force behind development and common prosperity for the rest of the province,” says Vice Governor Li Wancai. 

Digging for crabs—Zhuanghe. by Lowell Bennett

