

## ECONOMIC ANALYSIS

# China | Xiongan New Area Announced

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## China's latest Special Economic Zone (SEZ)

On April 2, China announced the establishment of a new economic zone 100km south of the capital, Beijing. The Xiongan New Area will encompass three counties, including Xiongxian, Rongcheng and Anxin. The area will sit at the center of a triangle formed by the capital, Beijing; one of North China's busiest port cities, Tianjin; and the capital of Hebei province, Shijiazhuang. While the SEZ has been capped at 100 km<sup>2</sup> for now, the plan is to extend this to 2000 km<sup>2</sup>, connecting all major urban clusters in a new mega-city. All property-related transactions in the three counties were halted on Saturday in order to avoid speculative pressures.

## Politically motivated decision with economic benefits

The new area is of national significance, and will form part of the consortia of SEZs like Shenzhen and Pudong New Zone. Shenzhen was established by Deng Xiaoping in the 1980s to experiment with capitalist models of business, while Pudong was created in the 1990s by Jiang Zemin. Rather than marking a strategic shift in China's urbanization plan, the move constitutes a commitment towards China's long-term urbanization goals. Xi Jinping pledged that 60% of China's population would live in cities by 2020. It would therefore be more appropriate to compare the initiative to other urban clusters such as the Pearl River Delta and the Yangtze River Delta. While Beijing will remain central in terms of its political and cultural significance, the objective is to, with time, build the area into North China's economic hub, housing manufacturing and corporate facilities as well as non-government facilities such as universities, hospitals and research institutions.

Figure 1  
Map of China's SEZs



Source: BBVA Research

While the outcomes of the move will only be fully apparent in the long-term, the initiative offers clear short-term economic gains, i.e. facilitating the revamp of Northern China's economy. Urban planning at this scale requires significant infrastructure spending. Light rail, high-speed rail and a bridge have already been completed. More is expected to follow. Limiting the growth of Beijing's population will also help to alleviate some of the existing pressures, including overcrowding, pollution and inadequate water supplies. Finally, it's part of a strategic plan to promote innovation in areas related to technology (Beijing) and manufacturing research (Tianjin).

In sum, the announcement of the establishment of a new SEZ in Xiongan has important implications as it would, on the international front, facilitate a shift up global value chains, while domestically, it prevents the North from lagging too far behind other powerhouses in the South, reducing regional disparities.

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