

Economic Impacts of Shanghai World Exposition on Yangtze River Delta Region of China

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Abstract: In 2010, the 41st World Exposition was held in Shanghai. It started on 1st of May and ended on 31st of October, lasting 184 days. 190 countries and 56 international organizations attended this event. As a mega event, Shanghai World Exposition has a lot of economic impacts on the Yangtze River Delta region which is the largest city group in China, and these impacts will affect the development of this region for decades. This paper argues that the Shanghai World Expo will have a profound impact on the investment, urbanization, tourism and industrial structure of the Yangtze River Delta Region.

Keywords: World Exposition; Yangtze River Delta Region; Economic impacts

1. Introduction

Yangtze River Delta region is one of the most developed regions in China, especially after the Shanghai World Expo, the region's economy and popularity have risen dramatically. As a mega event, the World Expo usually has a lot of impacts on regional development.

Some points of view thought that a World Expo enabled neighbors of the host city to gain common and rapid development opportunities, which greatly drove the development of the regional GDP and tourism industry. Not only did the host cities benefit from the World Expo, but also the neighbors and even the whole country obtained some benefits from it, they insisted. Besides the direct incomes of ticket and tourism, massive construction of exhibition halls and traffic infrastructure amid a World Expo, and the utilization of venues after the Expo would create decades of development opportunities for the host city and even the whole country. Ritchie and Smith attached importance to the impact of tourism. They assumed that this increased awareness and enhanced image would, over the long term, provide a stronger competitive position and greater benefits from tourism. Their study and investigation demonstrated that World Expo did dramatically increased levels of awareness and substantially modified the image of the city. Brandt et al. thought cost-benefit analysis, especially the input-output model, was a conventional model in assessing the Expo's economic effect. They analyzed several World Expos by this approach and concluded that some Expos were profitable, while some Expo's fiscal situation stayed in deficit. As a result, from the profitability perspective, some Expos were not so successful.

2. Economic Impact of Shanghai World Exposition on Yangtze River Delta Region

Shanghai World Exposition has a lot of economic impacts on Yangtze River Delta region. For instance, 73 million tickets were sold during the event, which was tremendous revenue to the local government. As for the broadcast rights, it is worth 2880 million dollars. In the following text, we are going to elaborate the main effects of Shanghai World Exposition.

2.1 Impact of the 2010 Shanghai World Exposition on investment

From the preparation of Shanghai World Exposition to the hosting of the World Exposition, the investment was around 53.2 billion dollars. From the perspective of economics, the investment could be divided into two parts which were direct investment and indirect investment. The direct investment was about 9.5 billion dollars including: the operation expenditure (2.3 billion dollars), the construction of exhibition halls and relevant facilities (7.2 billion dollars). The direct investment to Shanghai was 5 billion dollars, and the direct investment to the other cities within Yangtze River Delta region was 4.5 billion dollars. In addition, the indirect investment includes the environment reconstruction and infrastructure construction which was approximately 43.7 billion dollars. All these investments have reached the highest level of the historic investment in Yangtze River Delta region. The enormous investment has

obviously driven the economic development. The following bar chart (figure 14) demonstrates the comparison of investment of different mega events.

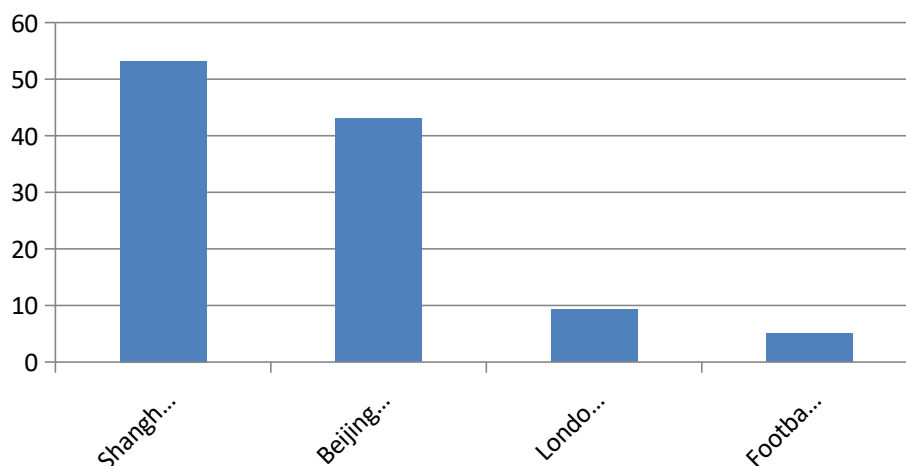


Figure 1 Investment of different mega events (in billions, USD)

Source: Own construction based on National Audit Bureau, FIFA, National Bureau of Statistics of PRC

2.2 Shanghai World Exposition accelerating the urbanization

Agricultural modernization is an important part of Yangtze River Delta region's urbanization. The hosting of the World Exposition will bring powerful and lasting impetus to the economic and social development of Yangtze River Delta region's suburbs. It will speed up the process of suburban economic modernization and vigorously promote Yangtze River Delta region's agricultural modernization and suburban urbanization. The impact of the World Expo on the suburban economy and the modernization of agriculture is reflected in the investment and the consumption generated by the hosting of the World Expo which will directly drive the development of suburban modern green agriculture, building materials industry, and tourism industries. It will effectively promote the strategic adjustment of the suburban economic structure and promote the rapid development of the environmental protection industry and green ecological agriculture. From 2001 to 2009, the average annual GDP of Yangtze River Delta region's villages were 393,244,400 yuan, and the average annual increase was 461,911 Million. From 2010-2013, after Shanghai World Expo, the average GDP of villages were 82,111,300 yuan, and the average annual increase was 1,549,210,000 yuan. This kind of leap-forward development affirmed the great role of the World Exposition in suburban economy. With the opportunity of the World Expo venues and infrastructure construction, and the adjustment of urban industrial structure, the pace of urbanization speeds up, which further improves the level of village facilities and the quality of the environment. Throughout the Shanghai World Exposition economic cycle, the permanent population of Yangtze River Delta region has increased by 5.1 million. After 2010, the level of urbanization in Yangtze River Delta region increased from 68.2% to more than 77%.

2.3 Shanghai World Expo promoting the optimization and upgrading of industrial structure

There are more than 50 industries directly or indirectly related to the World Expo, and the World Expo factors directly drive the accelerating growth of these industries, which also have a greater driving effect on related industries. Due to the investment of the Shanghai World Expo, from 2008 to 2013, Shanghai's tertiary industry accounted for more than 71% of GDP which was 61.3% before, and the proportion of modern service industries and high-tech industries have increased significantly in GDP. World Expo's investment is mainly reflected in the increase of demand for secondary industry products. Tourism and Expo marketing reflects the increase of demand for the tertiary industry. From 2008 to 2012, the average annual growth of the primary industry was 2.4%, that of the secondary industry was 10.8%, and that of the tertiary industry was 12.5%. The Shanghai World Expo economy has promoted the accelerated development of key industries and fields.

In order to build a resource-saving and environment-friendly society, China's "Eleventh Five-Year Plan" proposes a constraint index to reduce energy consumption per unit of GDP. In 2010, the energy consumption per unit of GDP in Yangtze River Delta region fell by 5.25%, which was the only region in the country that has completed the "Eleventh Five-Year Plan" mission. In 2011, energy consumption per unit of GDP in this area dropped by 6.04%, making it the best region to complete energy saving task throughout the country. One of the important reasons for this is the utilization of the chance of preparing the World Expo to speed up the adjustment of the industrial structure, and actively to promote energy conservation and emission reduction, such as the limit of the development of high-energy-consuming and highly-polluting industries, the relocation steel and chemical companies, and shutting down small coal mines in the mountains. In addition, Yangtze River Delta region also vigorously develops a recycling economy, accelerates

technological progress, and promotes the realization of energy-saving and emission reduction targets. Making full use of the impact of the Shanghai World Expo on different industries, increasing the pace of industrial restructuring, and thus promoting the transformation of economic development patterns, are major contributions of the Shanghai World Expo to Yangtze River Delta region.

2.4 Shanghai World Expo promoting the development of tourism

During and after Shanghai World Exposition, the World Expo brings unlimited business opportunities and huge economic benefits to Shanghai's tourism industry. Figure 18 reveals the total tourists who visited Shanghai from May to August of 2008, 2009, 2010, 2011 and 2012. By this way, we can compare the tourism situation of before, during and after the World Exposition of Shanghai.

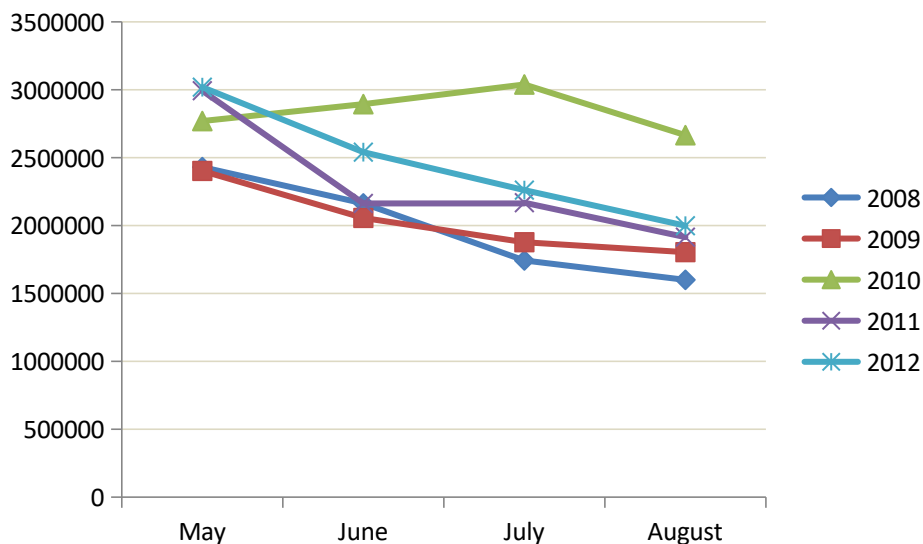


Figure 2 Total tourists from May to August of each year, 2008-2012

Source: Own construction based on Shanghai Municipal Tourism Administration, 2008-2012

From the above line chart, we can see that Shanghai World Exposition brought the most tourists in 2010. Particularly, in July of 2010, the number of tourists reached the peak which was 3,038,935. According to an official investigation, the massive tourists drove a consumption of 100 million yuan one day during the hosting of the World Exposition. The World Expo promoted the development of Shanghai's tourism and increased the number of tourists coming to Shanghai and the average consumption expenditure. In addition, it also increased foreign exchange reserve from tourism. The number of tourist attractions has increased in recent years as well.

3. Conclusion

According to the above analyses, we are able to get the following experience. Firstly, when a city is making a decision about whether it should go to apply for the hosting of the World Expo or not, it is necessary to weigh the advantages and disadvantages of hosting such an event primarily. If the cost is greater than the benefit, it is abundantly clear that to host the World Exposition is not a good choice. Secondly, there are both long-term impacts and short-term impacts of hosting the World Exposition on the host city's economy. The long-term impacts are basically regarding macro economy. For example, hosting the World Expo has a dramatically incentive to the growth rate of economy, and it will promote employment and investment as well. In addition, it is able to accelerate the steps of urbanization. The short-term impacts are mainly concentrated on some concrete sectors. For instance, the hosting of Expo is expected to promote the development of tourism, stimulate transportation industry and incent the stock market. Last but not the least, hosting the World Expo could improve the competitiveness of the host city and increase the social welfare by enhancing the awareness and optimizing the industrial structure. This is the most attractive point to host the World Exposition.

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