

# Coastal city opens wider to the world

► Olympics expected to raise Qingdao's international profile

By Zhao Ruixue

Qingdao, the charming coastal city in east China's Shandong province, will grasp the opportunity of hosting the sailing events of the 2008 Olympic Games to open wider to the world and further integrate itself into the international community.

"Qingdao has seen an accelerated pace of opening up in the past five years. This year, the Olympic Games will not only raise the city's international profile but also bring along overseas investment and foreign trade projects," noted Xia Geng, mayor of Qingdao.

Statistics from the Qingdao Bureau of Foreign Trade and Economic Cooperation (BOFTEC) show that 9,666 foreign-invested projects have been approved in the city over the past five years, involving \$17 billion in utilized capital, equal to 55 percent of the total

value of such projects in the past 30 years.

Among these, 17 projects have an investment of over \$100 million each, 61 projects each have investments of over \$50 million and 56 are invested by Fortune 500 companies.

The amount of utilized foreign capital has increased by 15 percent in the manufacturing sector and 16 percent in the modern service sector over the past five years.

Moreover, foreign investment utilized in the service sector accounted for 52.1 percent of Qingdao's total foreign investment in 2007.

The city approved 298 foreign-invested projects in the service sector last year, mainly in the fields of infrastructure, logistics and ports. These projects involve \$1.25 billion in pledged investment, a year-on-year increase of 60.8 percent.

Further, 8,200 domestic firms have invested in Qingdao in the last five years, including such

big names as China National Offshore Oil Corporation and China Shipbuilding Industry Corporation, involving 120 billion yuan in utilized investment.

Foreign-invested businesses have provided a strong boost to the city's economic and social development and have so far created jobs for 780,000 people, about 40 percent of the city's total work force.

Such firms generated about 7 billion yuan in revenue last year, which is 35.4 percent of that generated by domestic enterprises in Qingdao.

Foreign-invested firms also account for 60 percent of the city's total export volume.

"Qingdao will open wider to the outside world and improve its foreign-oriented economic system to forge new advantages in international competition," Xia said.

Qingdao plans to introduce more foreign investment to backbone industries such as manufacturing, modern service, eco-friendly and energy-saving industries, and hi-tech research, and also attract multinationals to set up production bases, research centers



A technician from Pilotelli (Xiamen) Textile Machinery Co Ltd introduces the company's machines showed at the 9th China (Qingdao) International Textile Machinery Fair.  
Ju Chuanjiang

ers and regional headquarters in the city.

Qingdao is applying for a tariff-free zone at Qianwan Bay and plans to build a free trade zone.

The city has taken many

measures to create a sound environment for attracting foreign investment, such as helping foreign-funded firms reduce operational costs and offering better living, education and healthcare conditions

for investors.

In addition to its bid to attract increased foreign investment, the city is also pressing ahead with the strategy of "going global", with some 40 enterprises from Qingdao having opened

branches in more than 20 countries and regions.

Buoyed by the success of Qingdao-based companies such as Haier, the city's businesses have made investments in 54 countries and regions.



Haier air-conditioners are produced in Thailand. These products are sold on the local market and the neighboring countries like Malaysia and Indonesia.  
Haier

## Seeking to develop the overseas market

By Wei Zhihui

The city of Qingdao is now implementing a "going global" strategy to encourage a number of eligible and competent local enterprises to set up production bases and sales and service networks outside China, and to develop industrial projects in areas ranging from mining and ore processing, to agriculture and forestry.

"We expect our enterprises to go abroad to develop into multinational businesses," said Wu Jingjian, vice-mayor of Qingdao.

Wu said the city government proposed a detailed development plan for going global in 2005, including the establishment of production bases for textiles and clothing, machinery, household electrical appliances, and the chemical and light industries.

The government expects the strategy will help local enterprises improve their competitiveness in the international market.

The government also encourages local farming enterprises to purchase or rent land in neighboring countries and Africa to set up farms, and develop agricultural production as well as agricultural products processing trade.

Local enterprises are expected to cooperate with overseas partners on technology and production in resource-related sectors such as mining, lumbering, natural rubber production and deep-sea fishing.

Local enterprises are also encouraged to construct industrial parks and foreign trade processing zones in foreign countries.

"Investors from Qingdao have already invested in building the Mulungushi (Qingdao) Industrial Park in Zambia," Vice-Mayor Wu said, adding that the government is now encouraging other local enterprises to invest in setting up production and service facilities in the park.

It also expects local firms to build production bases in neighboring areas with easy access to energy and resources.

According to the Qingdao Foreign Trade and Economic Cooperation Bureau, local companies launched 265 projects abroad in the past five years, with a combined investment of \$210 million and operations ranging from household electrical appliances, textiles, food and beverages, to engineering.

These enterprises have established their own brand names and sales channels overseas.

For instance, the Haier Group, which established a complete global network of design, purchasing, manufacturing, marketing and service, is the fastest-growing Qingdao enterprise overseas.

By January 2008, Haier had established three industrial parks, 30 manufacturing bases and factories, 18 design centers and 58,800 marketing outlets outside China.

President Hu Jintao participated in the founding ceremony of the Haier-Ruba Economic Zone in Pakistan when he visited the country. The economic zone was built with Chinese grants, and is the first such zone abroad to be inaugurated by a Chinese enterprise.

The Qingdao Construction Group Corporation earned revenues worth \$1.32 billion last year by contracting construction projects and offering labor services in the Middle East, Africa, Oceania and Southeast Asia.

The group now has more than 5,000 employees and 22 branches in 19 foreign countries.

A number of new projects with a total investment over \$200 million, launched by companies such as the Haier Group, Hisense Group, Tsingtao Beer and Jinwang Group, were established in overseas regions this year.

## A favored destination for S. Korean investors

By Xue Xiaoying

Kim Jong Ho, president of South Korea's Ka Ju Jewellery Mfy Ltd, did not expect the company's investment in Qingdao to be such a big success.

It has taken only four years for the firm to be able to export its top-grade jewelry to over 10 countries and regions, including the United States and the Middle East, with annual export volume reaching \$9 million.

"We are not just an exception among the 100,000 Koreans who currently live in Qingdao," Kim said.

The debut of South Korean investment in Qingdao was marked by the establishment of Qingdao Toptone Electronics Co Ltd in 1989, with an investment of \$450,000. South Korea has continued to take the lead among countries and regions investing in the city, according to the Qingdao Bureau of Foreign Trade and Economic Cooperation (BOFTEC).

At present, Qingdao is one of the major investment destinations in China for South Korean enterprises.

By the end of 2007, the city government had approved

9,932 South Korean-invested projects. Their actual investment surpassed \$10 billion, accounting for 50 percent of total overseas investment throughout the years.

In 2007 alone, 609 South Korean-funded projects were approved, involving a total contractual investment of \$929 million.

Also in 2007, South Korean-funded enterprises realized total sales revenues worth more than 56 billion yuan, paid about 1.7 billion yuan in taxes and created nearly 448,000 jobs.

An increasing amount of South Korean money has come into the hi-tech field during recent years.

"More and more South Korean enterprises are now investing in Qingdao, which has become a model and epitome of economic and trade cooperation between China and South Korea," said Wu Jingjian, vice-mayor of Qingdao.

South Korean investment has developed rapidly in Qingdao in the past 20 years, with the amount invested increasing from \$450,000 to more than \$10 billion at present.

According to BOFTEC, South Korean-funded enterprises

have developed their operations from labor-intensive industries such as food and clothing, to the capital and technology-intensive sectors.

A number of large hi-tech enterprises and famous research institutions in South Korea have invested in Qingdao since 2001, including Pohang Iron&Steel, Kiswire Ltd and LG Communications.

South Korean investors launched 1,412 projects in the

city during the past two years, with an actual investment of more than \$3.4 billion. These include 52 large projects, each with an investment of more than \$10 million.

Qingdao expects to continue to attract South Korean investment, especially in the field of hi-tech and modern services. And the city will strive to create a better living and business environment for investors, Vice-Mayor Wu pledged.



Workers operate a production line in Qingdao Ka Yu Jewellery Mfy Ltd. Some of the souvenirs for the 2008 Olympic Games sailing events are produced by the company.  
Ju Chuanjiang

## Foreign trade achieves rapid growth

By Du Shu

In keeping with an average annual foreign trade growth of 25 percent, Qingdao's total import and export value between 2002 and 2007 hit \$152.81 billion.

Qingdao Vice-Mayor Wu Jingjian said: "The city's import and export value in 2007 rose to \$43.61 billion, an increase of more than three times compared with 2002 and the largest amount in Shandong province."

Qingdao has received more than 10 national awards, such as being named one of the top

10 cities in China with the most dynamic economies and one of the 10 best commercial cities in China.

The export value of mechanical and electrical products, Qingdao's major exports, reached \$10.86 billion in 2007 and accounted for 40.6 percent of the city's total.

Its favorable business environment has led to a steady increase in the number of foreign trade enterprises in the city. In 2007, Qingdao had 9,000 enterprises involved in import and export business, of which 8,000 are specialized exporting companies. There are 50 enterprises realizing

an import and export value of over \$100 million each and 28 with more than \$100 million in export value each.

Tsingtao Beer, which began its export business at the beginning of the last century, was one of the pioneers of the city's foreign trade. The company's beer is now exported to more than 50 countries and regions with an export volume accounting for over 50 percent of China total beer export.

As an engine driving the city's exports, foreign-funded enterprises in Qingdao created \$15.61 billion in export value last year.

Overseas trade in hi-tech products has maintained rapid growth. According to Qingdao Customs statistics, the city exported and imported hi-tech products worth \$4.46 billion in 2007, a 21.6-percent increase compared with the previous year. Of this, export value constituted \$2.27 billion, a 31 percent growth year-on-year.

Foreign-funded enterprises, the leaders in hi-tech product exports, generated an export value of \$1.89 billion in 2007, accounting for 69.5 percent of the total export volume of hi-tech products.

Trade with the Republic of Korea (ROK) plays an important role in Qingdao's foreign trade. In 2007, its foreign trade value with ROK rose to nearly \$8 billion, accounting for 22%

of the city's total.

Qingdao is also witnessing growing trade with emerging markets such as the Middle East, Africa and East Europe. The export volume to these destinations increased more than 30 percent last year, compared with 2006.

The city has intensified its efforts to promote the export of local famous-brand products. Nine exporting brands like Haier, Hisense and Tsingtao Beer were given the award of Chinese famous exporting commodities by the Ministry of Commerce in 2006. The city recommended 18 brands to compete for the Chinese famous exporting brands in 2007.

The household electrical appliances brand Haier has won recognition among customers in more than 100 countries. Qingdao Kingking Group, the biggest Chinese producer and supplier of wax products, exported to more than 110 countries and regions last year, with export value exceeding \$150 million.

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Timothy Mallory, vice-president of Night Owl Optics, introduces products at the China International Consumer Electronics Show in Qingdao.  
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