

# China's latest municipality provides a hub that serves western regions

### One reason for its success in getting more investment is a five-day promotion event it sponsored this past February in Hong Kong

By ZHAO XIE

An economic development zone in the mega-city of Chongqing is attracting greater attention from investors in China and abroad because of its position as an economic hub for the western parts of China and competitiveness in many sectors.

The Chongqing Economic and Technological Development Zone opened in 1993 as a State-level development zone, just four years before Chongqing became the latest of China's four municipalities.

The zone is becoming an important area for manufacturing, trade, services, transportation, and logistics, and has a pivotal role in promoting urban growth by providing a base for overseas and domestic investment.

One reason for the zone's success, in getting more investment, is surely the five-day promotion event it sponsored this past February in Hong Kong.

That lead to talks with more than a hundred business leaders there, accompanied by an exhibition to introduce investment projects and the Chongqing business environment.

It also leads to about 15 billion yuan worth of cooperative agreements on 15 large projects in the automobile, warehousing, logistics, information technology, finance, and infrastructure sectors.

According to the zone's administrative committee, more than 40 Fortune 500 companies — including Hutchison Whampoa, Honda, Suzuki, Ford, Ericsson and Coca Cola — have plants or offices there, along with a

large number of other multinationals and Chinese businesses.

#### Why Chongqing zone?

Well, for one thing, there is its advantageous location and convenient transport. Then there is the infrastructure and industrial base, all of which help. And Chongqing is a hub with connections to China's western and central parts.

The zone's products can easily be moved down the Yangtze River to cities like Yichang, Wuhan and Shanghai and on to other parts of the country or the world.

It also has a number of highways, expressways and railways, as well as Jiangbei Airport, only 15 minutes away.

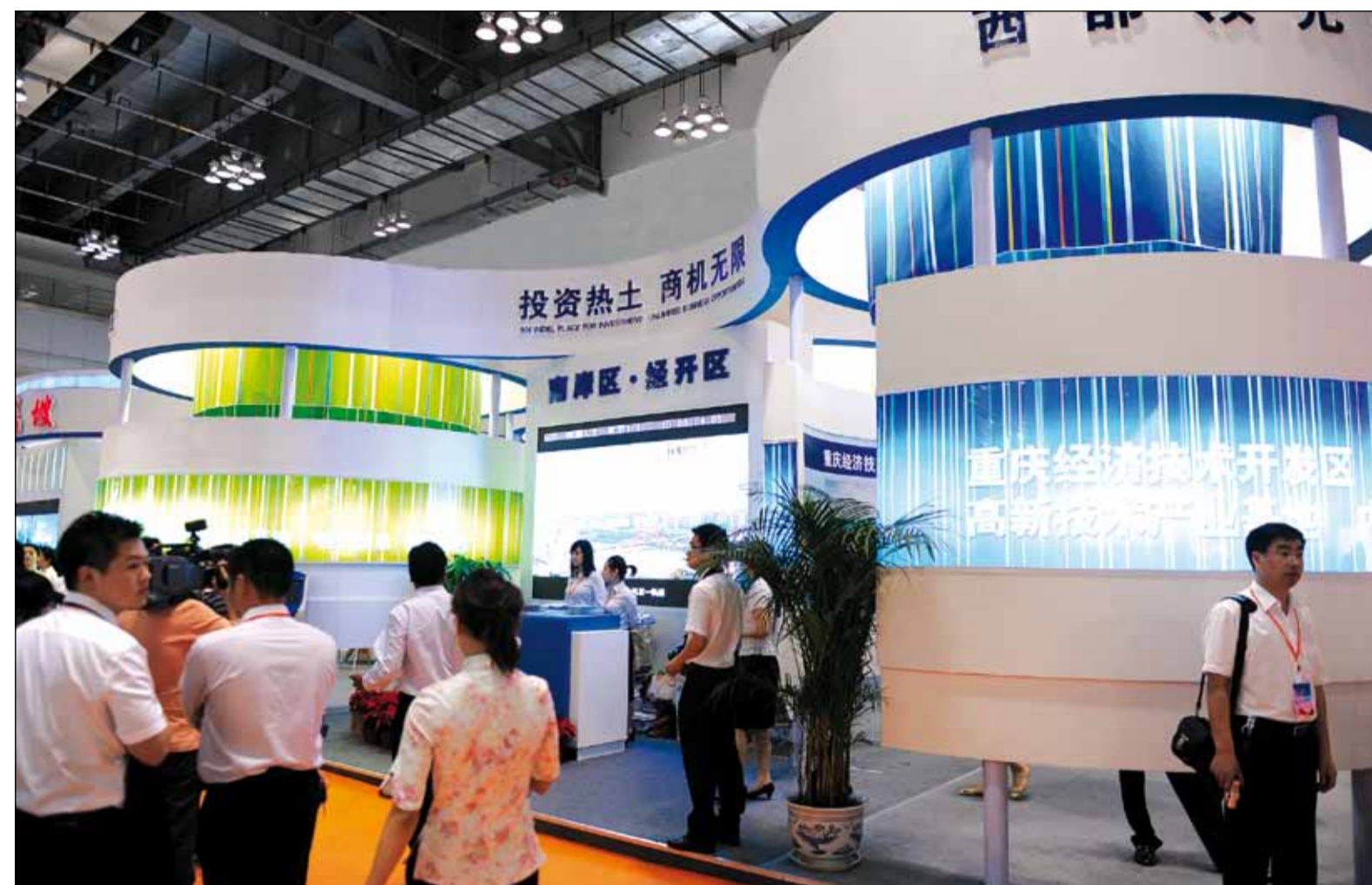
Inside the city, the zone is accessible through a number of roads and two subway lines. There are also bridges across the Yangtze to other parts of Chongqing, and a new one in the works.

It also has adequate water, power, gas, telecommunications, and sewage treatment facilities.

In two decades, the zone has developed an industrial system covering automobiles, motorcycles, electronic information, biomedicines, fine chemicals, new materials, food processing, and garments.

Its emerging industries in recent years include shipbuilding, numerically controlled machine tools, the Internet-of-things, logistics, and new energy.

Other attractions are the zone's amenities for living and services such as education, from kindergarten to



The development zone is promoted at the 14th China Chongqing International Investment Fair.

university; health care, from community to top-level hospitals; shopping, entertainment, recreation, and sports.

#### Expansion plans

Expansion plan in recent years involve greater opportunities to investors, such as a new area in Chayuan, to the south of the Yangtze River. This 59-square-kilometer area is an example of the need for investment in both infrastructure and industrial development.

Local authorities expect the economic and technological develop-

ment zone to be an important force in the municipality's growth.

The administrative committee has predicted that projects over the next four years will need 200 billion yuan in backing and will have an output worth 100 billion yuan by 2015.

The goal is to turn the zone into a high-level industrial base for advanced manufacturing, modern services, logistics, and high-tech R&D.

The committee has said they expect the zone to have more than 80 high-tech R&D companies by 2015, with annual revenues above 20 billion

yuan.

They have also estimated that they will have around 50 multinationals, including 20 Fortune 500 companies, by the same year.

And protecting the environment and improving the standard of living are major concerns. Their plan calls for 60 percent of the zone to be covered by trees and grass, and a per capita green space of 22 square meters, by 2015.

The local government is getting involved by trying to improve air quality in the hope that they can have

more than 320 days a year meeting national healthy-level standards.

In addition, it plans to improve public security, social welfare, and health care to make certain that its people live better, happier lives.

The Chongqing Economic and Technological Development Zone now covers a 90-sq-km area. In 2010, it reported total revenues of 96 billion yuan, an increase of 23 percent over 2009.

Its foreign trade volume was worth \$2 billion the same year, a growth of 31 percent from the previous year.



Automobiles are a traditional focus of the zone.



The Yangtze River port allows containers of locally made products such as these, to be delivered easily to the rest of the country and abroad.

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China's Academy of Telecommunication Technology established its western institute in October of last year to provide stronger support for IT industries.

## Zone's industries getting a restructuring

By ZHUAN TI

In the midst of its expansion project, the Chongqing Economic and Technological Development Zone is trying to restructure its industries, giving priority to advanced manufacturing, high technology and modern services, according to the administrative committee.

Advanced manufacturing includes shipbuilding, ship repairs, numerically controlled machine tools, general machinery, refrigeration equipment, and electrical equipment.

Related companies in the zone include the Shanghai International Port Industry Group, Chongqing Machine Tools Group, Chongqing General Machinery Industry Group, Midea Refrigeration Equipment Co, and Boseng Electronic Co.

Information technology (IT), the development zone is a key R&D, testing and production base for IT equipment in mobile communications, the Internet of things, and 3G technology, with the support of the western institute of Ministry of Industry and Information Technology's academy

of telecommunication technologies.

Modern services covers logistics, warehousing, shopping, real estate, and agricultural products.

The zone is also expected to develop into a regional financial hub with emphasis on import and export settlements and e-business.

The administrative committee has predicted a gross domestic product of 100 billion yuan by 2015.

#### Six areas

Going hand-in-hand with the industrial restructuring process is a re-zoning of the area to split it into six industrial sectors.

The core area, in Chayuan, in the south of the city, will be for research and development. It houses prominent research institutes such as the Academy of Telecommunication Technology' western institute and the Chongqing University of Telecommunications and is in a good position to be an IT base. This would cover mobile communications, the Internet of things, and communication equipment manufacturing.

The Donggang Port area concen-



The delegation from the development zone visited Hong Kong in February, securing 15 billion yuan of investment.

trates on logistics, shipbuilding, and port-related industries.

Guangyang Island, known for its pleasant environment, is where residential communities, hotels, and

conference, sports and entertainment facilities are located.

The Yinglong area will focus on both the IT and environmental protection business.

The zone's headquarters are expected to be situated on the southern bank of the Yangtze River, to house the head offices of many domestic and multinational companies.

## Encouragement galore for companies settling here

By TE KAN

It is not only the good location, transportation, industrial base, and adequate energy that make the Chongqing zone a good place for investors — when its preferential investment policies and services are factored in, it is a great place.

First of all, there are national preferential policies for State-level development zones, and for the western development program that Chongqing Economic and Technological Development Zone qualifies for, according to the administrative committee.

Then there are the zone's own tax incentives for any and all enterprises. For example, companies get a favorable rate — 15 percent — on their income tax, compared with the standard 25-percent rate elsewhere.

And certain industrial enterprises, such as those in manufacturing and IT, get land incentives, which includes a subsidy for land purchases or for land, plant, and office rentals.

These companies also qualify for a reward when they increase their investment. If the investment added amounts to more than 5 million yuan, they get 50 percent more taken off their income tax.

To encourage them to raise funds for expansion, the local government offers a subsidy equal to 25 percent of

the annual interest on any bank loan.

High-tech enterprises have even more incentives. First of all, their income tax can be cut to 10 percent. And if they are a State-level high-tech enterprise or State-level innovative enterprise, they qualify for a 100,000-yuan local government reimbursement.

In the case of high-tech R&D companies, there are awards of from 100,000 yuan to 300,000 yuan if the laboratory or technology centers is a State-level or municipal-level one.

In addition, after a year of operation, the State-level entities can qualify for a further grant of up to 3 million yuan.

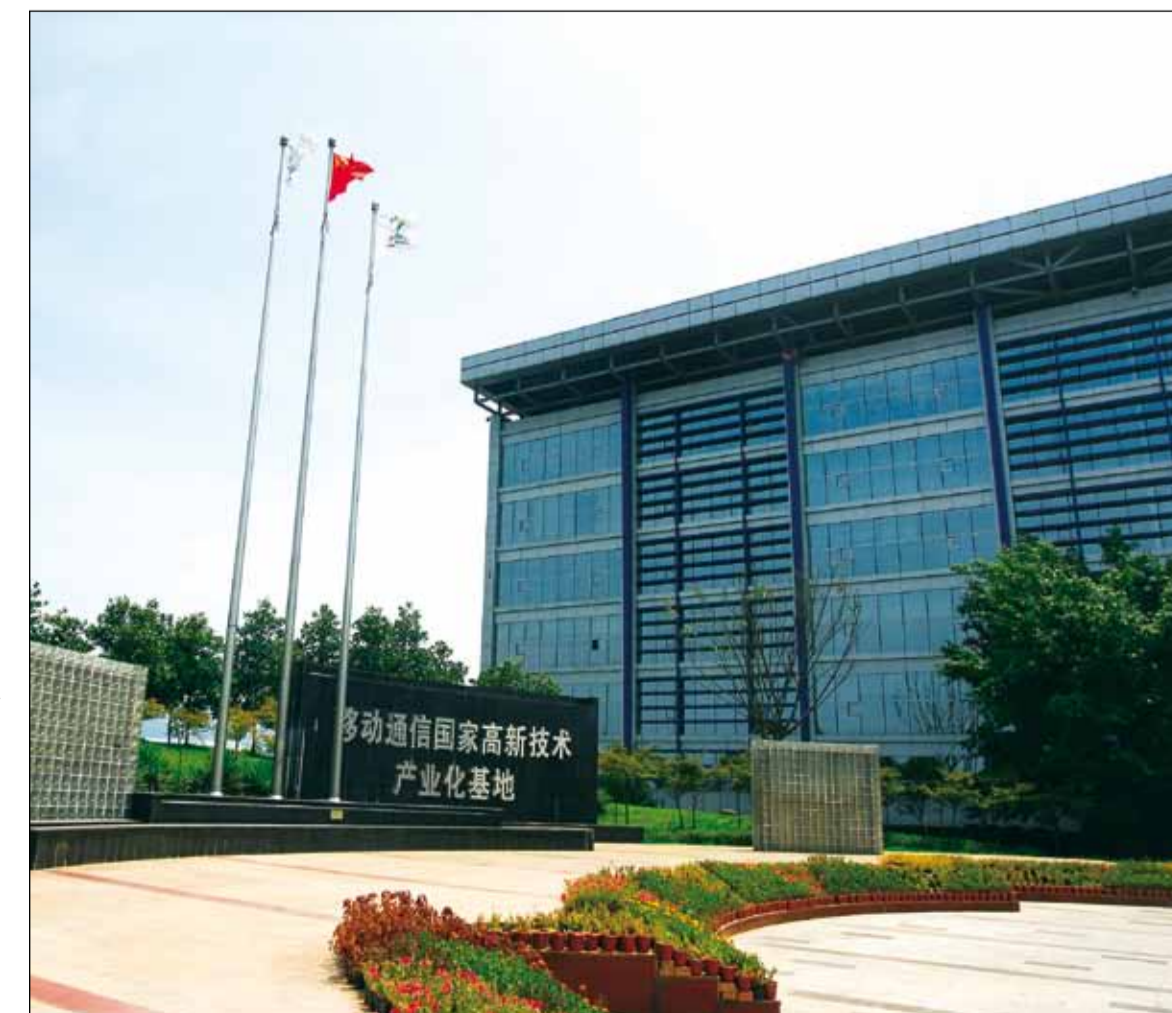
For those in modern logistics, their own land-use incentives are similar to those of manufacturing companies.

If they are 2A, 3A, 4A, or 5A logistics entities, they can get a grant of from 50,000 yuan to 200,000 yuan.

And, if their warehouse space is as much as 10,000 to 40,000 square meters or more, the grant can go from 50,000 to 200,000 yuan.

There are even more subsidies to cover transportation equipment and the container businesses.

And, finally, the local government provides efficient services for these companies with its one-stop solutions and simplified, more transparent processing.



High-tech companies, especially those in the IT sector, are the biggest beneficiaries of the development zone's and the nation's preferential policies.