

China

Provincial Update



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Guangxi Zhuang Autonomous Region

Introduction:

The Guangxi Zhuang Autonomous Region is a provincial-level autonomous region that covers approximately 236,700 km². It shares border with Vietnam, Cambodia, Thailand and Laos on the southwest. It also has a coastline on its southern border – the only province in Western China with such features. It is also just west of the southern Chinese manufacturing hub of Guangdong province.



Even though Guangxi has not gone through Guangdong's large manufacturing boom, it has still experienced strong growth. The annual average growth rate is about 10.7%, higher than the national

rate for 2005. The economic aggregate of Guangxi ranks 17th among the provinces, municipalities directly under the Central Government and autonomous regions in China, and the second among 12 provinces and autonomous regions in western China. In 2005, Guangxi's GDP reached RBM 406.33 billion.

Workers and Wages:

Guangxi had about 2 million people employed in state-owned enterprises and 493,000 people in private enterprises in 2004, according to the China Statistical Yearbook. The average annual wage for workers in Guangxi in 2004 was RMB 13,579. That is significantly lower than the wages in first tier regions. It is less than half of average annual wages in Shanghai or Beijing and about 60% of the average annual wage in Guangdong province.

Major Industries:

Sugar

In terms of development, Guangxi has formed a complete industrial system, housing a group of competitive industries such as sugar refinery, fruit, non-ferrous metal refinery, metallurgy, electric power, automobiles, machinery, construction materials, food and a traditional Chinese medicine industry.



The province's sugar production industry is half of the domestic total. Since sugar production is RMB 100 to RMB 200 less than in other areas of the country, it is also one of the most competitive regions. Guangxi's sugar refining industry also meets international standards. Refiners in the province are able to make paper and fiberboard from bagasse; amino acid, single-cell protein and alcohol from molasses, and extract organic compounds such as acetone as well as produce compound fertilizer from sludge.

Electric Power Industry:

Guangxi's dominant power source is hydropower. It is currently developing hydropower projects in Qiaogong, Datengxia and Wacun. The province is also investing in thermal power projects in Nanning, Baise and Guidong. Currently, the total installed capacity is over 10 million kilowatts. By 2010, the total installed capacity throughout Guangxi will reach 25.6 million kilowatts. By 2020, Guangxi is expected to become an important base for the Central government's plan of east-to-west power transmission.

Raw Materials:

Aluminum:

The province is in the process of building up Guangxi's industry into China's aluminum production hub. An example of this is the Aluminum Corporation of China's Guangxi subsidiary that is in the process of building up a plant with an annual capacity of 80,000-ton of alumina. By 2010 Guangxi expects that its total output will be 5 million tons of aluminum oxide, 1.5 million tons of electrophoresis aluminum and 1.2 million tons of processed aluminum.

Forestry, Pulp and Paper:

Guangxi is one of the important forestry areas in

southern China. The current forest area of Guangxi is 9.82 million hectares and the forest coverage is 41.3% of the total area. Main forest species include commercial forest, such as eucalyptus, pine, fir and bamboo, and economic forest, such as anise, chestnut, cassia, Tung and Kuding Teas. Currently, the province is integrating the construction of quick-growing forest base with the industries of forest pulp paper and wood board production. The goal of this process is to meet the annual demand for production of 5-6 million tons of paper pulp.

Ferrous Metals:

Guangxi currently has annual production capacity of 2.5 million tons of steel, 0.6 million tons of iron alloy and 0.8 million tons of manganese ore. With the construction of 200,000-tons deep-water berths along the province's coast, Guangxi hopes to export its steel and iron supplies to the broad markets in both southwest China and the Southeast Asia.

Construction Materials:

Construction materials include cement, glass, talcum, stone and barite. The province's total reserves of limestone have reached 2.37 billion tons. In 2003, the cement production volume reached 26.65 million tons. The arenaceous quartz is ideal for high-quality glass production. The known reserves have reached 25 million tons, the second largest known reserve in the country. Natural stones in the area include mainly three series of granite, marble and dolerite, of which, the leading product "Cenxi red" granite ranks second among the 39 varieties in China, making this industry a very competitive one for investment.

Manufacturing:

Guangxi is the home to many tools and machinery production companies. When it comes to pre-



stressing machines and tools, Liuzhou Construction Equipment Manufactory is one of the largest producers in China. There are also large bases for the production of loading machinery, air compressors, lathes and agricultural machinery.

Automobile and auto parts manufacturing also has a large presence in the province. Yuchai Machinery Co. Ltd. is the largest manufacturer of combustion engines in the country. China's three major domestic automobile producers, First Automotive Works (FAW), Shanghai Automotive Industry Corporation (SAIC) and Dongfeng Motors are present in the province. General Motors from the US, Renault from France and Daewoo from South Korea also have production facilities there. Auto parts manufacturers have set up shops in cities such as Liuzhou, Yulin, Nanning and Guilin. In fact, the 90 km² Liuzhou Yanghe Industrial New Zone was created as a base for the auto spare parts industry.

Medicines:

Guangxi is one of the major sources of Traditional Chinese Medicine. Companies in Guangxi produce approximately 410 varieties of Chinese medicines. The province has a number of good brands such as Watermelon Frost Compound, Sanjin Tablet and Gutong Plaster. Yunxianjing, Jigucuo Capsule and Huahong Granule are also popular brands from the province. The production and sale volume of some of these products stand first in China. Pharmaceutical companies in the region have completed GMP improvement and are now beginning to develop GAP plantation research and production bases.

Foodstuffs:

Numerous varieties of tropical and subtropical fruits, vegetables, aquatic products and featured economic crops provide rich raw materials for the

foodstuff industry of Guangxi. Havle Foodstuffs, Wuzhou Bingquan Foodstuffs and Liuzhou Golden Throat Candy are all well known domestic brands and are beginning to be known abroad. The production volume of canned products of Guangxi ranks third in China.

Plans for Future Development:

Southwestern China is a huge market with a population of 200 million people and abundant aboveground and underground resources. The Chinese government has adopted a strategy that gives priority to the economic development of central and western China, including the Guangxi autonomous region. This is projected to raise the total domestic output value 10% annually from 1998 to 2010, while the region continues to bolster its comprehensive economic strength. To achieve these goals, Guangxi has examined local, regional, and global conditions and established its "Three Strategies" policy.

The Three Strategies:

1) Regional Economy Strategy:

The region has set up five economic zones with different focuses based on their region locations. They are: the Southern Guangxi Coastal Economic Zone, focusing on port economy, marine industry and high-tech industry; the Central Guangxi Economic Zone, centering on industry; the Northern Guangxi Economic zone focusing on tourism, farming and forestry; the Eastern Guangxi Economic Zone focusing on modern agriculture, township enterprises and the export industry; and the Western Guangxi Economic Zone, targeting agriculture and the mining industry.

2) Opening up Promotion Strategy:

The goals of this strategy are to make full use of the geographical advantages of the coastal and



border areas; further develop the export-oriented economy; and absorb more foreign investment, technology, personnel and management techniques, in order to speed up the economic development of the autonomous region as a whole.

3) Major Breakthrough Strategy:

To give priority to the key issues that are of vital importance to the region's overall reform and development, the government wants to optimize the economic structure, transform the economic system, open further to the outside world, integrate science and technology with economic development, and train personnel.

Guangxi's designated coastal economic zones of Nanning, Beihai, Qinzhou and Fangchenggang will act as new industrial bases in southwestern China. They will also serve as important centers for China to open up Southeast Asian markets. The Guangxi regional government has adopted preferential policies for these areas and given priority to the development of the power industry, coastal industries and port trade. Now the region is working to establish the Beihai Bonded Area and the Nanning Economic and Technological Development Zone. It is also working to improve the traffic conditions from Beihai to Yulin and Wuzhou; and open expressways to Guangdong Province, Hong Kong and Macao.

In 2007, officials from the government of Guangxi as well as the Central government have really begun to move in this direction with a project to merge the cities of Nanning, Beihai, Qinzhou, Fangchenggang, Chongzuo and Yulin into a single economic zone. The zone would focus on export industries and also become a major bridge to ASEAN (Association of Southeast Asian Nations) countries. Industries expected to be allowed in this area include petrochemicals, pulp-paper

manufacturing, energy, iron and steel production, aluminum processing, foodstuff processing, shipbuilding, information technology, ocean-related business, tourism and logistics.

Li Jinzao, vice-chairman of the province said that logistics, commerce and trade as well as tourism would be important factors that will help linking the region to ASEAN countries, but gambling will not be used to attract people to the region.

Preferred Areas of Foreign Investment:

Guangxi has made the following areas preferred regions for foreign investment:

Raw Materials and Forestry:

- 1) Comprehensive development and utilization of cassava
- 2) Processing of cane sugar and comprehensive utilization of its by-products.
- 3) Development and production of animal and plant materials for medicinal purposes
- 4) Cultivation of forests and grasslands

Minerals:

- 5) Down-stream processing and utilization of indium, lead and zinc
- 6) Down-stream processing of manganese
- 7) Excavation, dressing and down-stream processing of barite and talcum
- 8) Down-stream processing of gum resin

Chemicals:

- 9) Plantation and refinery of natural perfume
- 10) Production of sodium fluoride

Infrastructure Projects:

- 11) Development of energy-saving irrigation equipment
- 12) Construction and operation of urban networks



for gas, heat, water supply and drainage (share held by Chinese party in the large-scale and middle-scale cities)

- 13) Development of tourist sightseeing areas (or scenic spots) and construction, protection and operation of the relevant auxiliary facilities
- 14) Long-haul passenger transportation companies

Key Industrial Parks:

With the move to expand and develop Guangxi's industrial and tertiary sectors, a number of industrial parks have been established. One of the key parks in the region is the Guilin High-Tech Park.

The Park was first established in 1988 and merged in 1997 with the Seven Stars district of the city of Guilin to reach its current size of 83 km². It focuses on industries such as electronics, information technology, bio-pharmaceuticals and environmental protection technologies. As of 2002, there were 900 enterprises in the park, of which 280 are foreign-invested. These companies mainly come from the United States, United Kingdom, Finland, Japan and Korea and include the operations of NEC, Pepsi, Marconi, Nokia and Ingersoll Rand.

However, the park is not all about high-tech manufacturing. It is also a major tourism sight – some of Guilin's major tourism sites are located in the park's boundary areas such as Seven Star Rock, Moon Crescent Mountain and Yinzhen Rock.

Other major industrial parks in the region include the Nanning High-tech Park, and Nanning Technological and Development Zone. Both of these zones focus on areas such as IT, biotechnology and auto parts. The other economic development zones that are of interest in the region are the Dongxing and Pingxiang Border Economic Cooperation Zones. These zones are export processing and trading zones that are developed for Chinese and foreign-invested enterprises to export their products to the ASEAN countries like Vietnam, Cambodia, Thailand and Laos that are neighbours of Guangxi provinces. Foreign-invested enterprises setting up operations in these two parks get access to both the large Chinese and ASEAN markets while at the same time are allowed to centralize their Asian manufacturing operations.

Investment Environment:

Infrastructure:

Guangxi has very convenient telecommunications services. Mobile phones can be used in every county in the province and every town is connected by fiber optic cable. The region has an integrated system that combines harbours, rivers, roads and air transport. The province also has expressways that link Guilin and Liuhou, and Qinzhou and Fangcheng. Three major railways link Guangxi to the rest of western China. The most important of these is the line from Nanning to Kunming, capital of Yunnan province. This line is important because it allows transport of raw materials from the southwestern part of the country to the ports of Guangxi where it can easily be shipped to other parts of China or to ASEAN countries.



Guangxi's ports are one of the keys to its industrialization and to China's success in its trade with ASEAN. There is a network of deep-water ports through out the province. The province's three major ports have a total of 15 berths for 10,000-ton ships. Moreover, these ports have regular routes to Hong Kong, Macao, Southeast Asia and the Indo-Chinese Peninsula. Shipping routes to Europe and the Middle East run through the province.

The region has 106 inland river ports including Wuzhou, Guigang, Nanning, Liuzhou, Baise, and Guiping. The Xijiang River, running through Wuzhou, Guigang, Liuzhou, Nanning, Guilin and Baise, is regarded as a golden waterway linking the inland areas of southwest China with Guangdong, Hong Kong, Macao and Southeast Asia. After the

realignment of the Xijiang Waterway, 1,000-ton vessels can now sail directly from Nanning to Hong Kong and Macao.

Guangxi has airports at Guilin, Nanning, Beihai, Liuzhou and Wuzhou. The region has also opened 93 domestic and 3 international air routes. A network of routes has come into being with Nanning and Guilin as the core airports, and provides links with major cities of China. The province has also opened up direct flights between Nanning and Hong Kong, Hanoi, and Bangkok, and from Guilin to Hong Kong, Macao, Fukuoka Japan, and Seoul South Korea.

Improvement of the Soft Investment Environment:

The provincial government of Guangxi has set forward guidelines to encourage foreign investment in the region. They include:

- ◆ Regular meetings between foreign business people and government in order to understand how the government can improve conditions for foreign investment in the province
- ◆ Protection of foreign investors' IP rights within the regulations set forward
- ◆ Annual inspections of foreign invested

enterprises

- ◆ Foreign-invested enterprises, which use domestic raw materials, whose components in production and the final products are shipped to overseas markets and whose annual product export value is at least US\$5 million (for foreign-invested enterprises, which are set up in poverty zones and whose annual product export value reaches at least US\$2 million), are given priority to arrange import and export quotas or permits. They are also to receive assistance from the government to participate in the quota bidding process.

Conclusion: Guangxi is a province in the state of growth. Thanks to the government's "Go West" plan funding for the necessary transportation and industrial park/development zone infrastructure, the province will be able to act as the key link between southwestern China and the ASEAN nations.

This bridge has had the effect of building up the industrial base in the province as both Chinese and foreign companies move into this region to take advantage of this effect. As more infrastructure facilities are put in place, the number of such companies in the region is sure to grow.



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