

the other being the tribe of Li that later became the Han Chinese ethnic group.

Hubei has large mineral resources such as borax, garnet, copper, gypsum, rutile, rock salt, gold amalgam, iron and coal. The province's recoverable coal reserves currently stands at 548 million tons.

With the commissioning of the Three Gorges Dam project, power generation has become a large part of the province's economy.

Industries

Agriculture

Hubei is an agricultural based province with main staple crops as cotton, rice, wheat and tea. It is known as the "land of rice and fish". Region wise crop pattern is follows:

Northern part:

- Wheat
- Corn
- Soybeans
- Potatoes
- Cotton

Southern part:

- Rice
- Tea
- Silk- worm cocoons
- Medicinal materials
- Sub-tropical fruits

Hubei is also known for its aquatic foods such as river crabs, tortoises, soft-shelled turtles and freshwater shrimp. Unfortunately, frequent natural disasters that hit the province can shift the agriculture output considerably.

Automotive Industry

Hubei has quickly become a major source of automobiles and automotive parts. China's second largest car manufacturer, Dongfeng Motor Corporation is based in Wuhan, which has been producing vehicles since 1968. It is the key automotive manufacturer in Hubei and in central China. Approximately 7.5% of China's total motor vehicle output comes from Hubei. With such a strong vehicle producer in the region, a number of domestic and foreign auto components suppliers have set up shops in Wuhan to provide parts to Dongfeng Motor Corporation. Dongfeng assembles buses, trucks, cars as well as produces some of its own parts. It also has a number of joint ventures with major foreign players such as PSA Peugeot Citroen, Nissan, Honda, Kia and Cummins.

The company has the following four major production facilities that are engaged in producing different products:

Shiyan: produces mostly medium- and heavy-duty commercial vehicles, parts and equipment as well as manufacturing machinery

Xiangfan: handles light-duty commercial vehicles and passenger cars

Wuhan: handles passenger vehicles

Guangzhou: produces passenger vehicles

Automotive manufacturing is one of the growing industries in China. However, foreign investors who want to set up their operations in China need to establish a joint venture with one of the domestic automakers.

Business Process Outsourcing (BPO)

Wuhan is becoming a business process outsourcing (BPO) center of the province. The city has about 530 companies operating in the BPO industry with about 30,000 employees. In



2007, their total combined revenue was RMB 12.5 billion. The Wuhan government expects this to reach RMB 45 billion by 2010. The growth areas include back office financial services. Wuhan has the following advantages for BPO firms:

It is located along the Beijing-Guangzhou railway and the Yangtze River, which provide convenient transportation for foreign clients to visit their BPO firms in the region.

Wuhan is the largest fiber-optic communication center in central China, which provides a strong technological base to work from.

The city has been named by the central government as one of the 10 cities with BPO production hubs. The other centers are Beijing, Dalian, Suzhou, Xi'an, Shenzhen, Chengdu, Nanjing, Shanghai, Tianjin and Ji'nan.

Wuhan is home to the international operations of many international companies such as Electronic Data Solutions (EDS) Corp., IBM and Microsoft. This means Wuhan has a strong base of skilled technicians to draw from.

Wuhan has about 60 universities that turn out over 40,000 computer science and software engineering graduates. There are also about 100 research institutions in the city, which help to increase the number of services that the city's BPO industry can offer.

China as a whole had an IT outsourcing revenue about a sixth of India's approximately US\$ 3 billion. An EDS 2007 white paper predicted that China as a whole could earn about US\$ 18 billion by 2010 and US\$ 56 billion by 2015.

China's BPO service industry is growing and Wuhan is going to be an important regional hub. The only unknown factor at this time is the English or other foreign language level of the Wuhan computer science engineers. Foreign

language ability and cultural misunderstanding have been barriers for Chinese BPO companies in earning more businesses from foreign companies. That is an area where foreign BPO companies can build a niche for themselves in the Chinese market and raise the bar for the Chinese industry as a whole.

Power Generation

The Three Gorges Dam crosses the Yangtze River at Sandouping in the city of Yichang. This dam has a total power generating capacity of 22,500 megawatts. The dam is only partially complete. Some power generators are still need to be added, as does a complex ship lift. The project is expected to be fully online by 2011. Originally the fully operational dam was expected to support about 10% of China's power needs but as the country is modernizing the demand for electricity has increased. Today it is predicted that the dam will only provide about 3% of China's electricity demand. The power from the dam is currently sent to nine Chinese provinces including Shanghai.

Besides power generation, the Three Gorges Dam is expected to help control flood and reduce China's dependence on coal. The idea of a dam across the three gorges of the Yangtze has been a vision of Chinese leaders since the beginning of the 20th century. It is a grand project – the amount of steel used in the dams for example is enough to build 63 Eiffel Towers and about 102.6 million cubic meters of earth was moved to construct the dam. One of the most controversial aspects of this project was the resettlement of over 1 million people as the dam submerged many towns. Some were resettled in Hubei while others were sent to other central and eastern provinces. There is also criticism that the dam would destroy the habitat of the Siberian Crane, which is already critically endangered. The loss of the slit downstream may make the riverbanks



downstream weaker and more prone to crumbling. This could also be a problem for the city of Shanghai, which is built on the sediment foundation. Loss of many aspects of the local rural culture that was tied to the land is also another fear that the local residents have.

Steel

Steel industry of Hubei is well known in China because steel companies here were able to develop a comprehensive manufacturing chain. This chain covers various steps from raw materials prospecting to smelting and rolling of steel. Wuhan Iron and Steel (Group) Corp or WISCO is one of the largest steel companies of Hubei. It is China's third largest steel works and has been operating since 1958. WISCO is making headlines in China at the moment not for its output but for its attempt to follow a more environmental friendly manufacturing process. The company started the process in 2001 and has invested about RMB 3.25 billion till date to make the area around the factory a better place.

A waste treatment and recycling plant has been built next to Beihu Lake where WISCO traditionally had been dumping the waste from the production process. The factory can handle 192,000 tons of wastewater per day. According to WISCO officials the company hopes to have no wastewater discharged in its production process by 2009. WISCO has also planted 60,000 trees by the lakeside.

A large portion of WISCO's industrial waste, such as steel residue and coal ash, is used in the manufacturing of building materials such as concrete and bricks. The company is also cooperating with General Electric, a US company, to develop a power plant that uses the gas emissions from WISCO's blast furnaces as its main source of energy. It is expected to begin operations in 2009.

The recycling of industrial waste is an area that the central government is attempting to enforce many local companies to clean up their environmental records. Their high polluting manufacturing processes have taken toll on the land around their factories. The earlier manufacturing process of WISCO had created a 1.5m to 2m layer of industrial waste and heavy metals at the bottom of Beihu Lake.

Environmental clean up and the development of environment manufacturing processes are two areas that the foreign companies can help Chinese steel manufacturers to take advantage of. Many smaller steel and industrial plants in China do not have the expertise or resources to handle such a clean up. Foreign companies who have records of advising companies in their own countries can bring that expertise to the China market.

Another trend in China's iron and steel industry is consolidation. With the rise in the prices of raw materials, many small mills are closing down or being bought by larger players. In March of 2008, it was announced that WISCO was in talks to purchase Panzhihua Iron & Steel Corp in Sichuan province. In late July it was announced that Shanghai's Baosteel was also attempting to purchase the company.

Textiles and Garments

Textile is considered as one of the pillar industries of Hubei. For many years, Hubei and other provinces in central China have been China's main source of domestic textile production. This has changed in recent years as other regions also have built up and diversified their textile offerings. Hubei has many companies that are capable of making textiles from cotton, linen, silk, wool and chemical Fibres. The Wuhan No. 1 Textile Group, a state-owned textile company set up in 1952, is a well known



company of Hubei. The current revenue of this company is more than RMB 3 billion per year and it has more than 22,000 employees. Wuhan No. 1 can manufacture both raw cloth as well as finished garments. Its products include pure cotton, polyester cotton and cotton yarn, knitted fabric, garments and socks. It has a production capacity of 30,000 tons of cotton yarn and more than 60 million meters of cotton fabric annually.

Transportation



Source: Fiducia Management Consultants

Air: Hubei has five civilian airports, the largest being in the capital city of Wuhan. They offer access to over 57 Chinese cities as well as foreign countries. It is the fourth busiest airport in China. Other airports in the province are in Yichang, Sanxia, Xiangfan and Shashi cities.

Rail: The Beijing-Guangzhou Railway passes through Eastern Hubei. This is a major area for transporting of goods such as coal, iron, steel, grain, timber and building materials. There are

two railways that pass through Western Hubei: the Jiazhou-Zhicheng Railway (which travels from Henan to Hubei) and the Zhicheng-Liuzhou Railway (which goes from Hubei to Guizhou). Xiangfan-Chongqing railway that travels from Hubei to Chongqing cuts through the province's mountainous northwest, completes the railway network.

Road: The majority of cities in Hubei are linked by road. There are also 10 bridges crossing the Yangtze and Hanjiang rivers in the province, which makes traveling by motor vehicle very convenient.

Water: Since Hubei is located along the Yangtze River, water transport has been an important means of travel for centuries. Wuhan Port is one of the most important ports on the Yangtze River and it remains open for foreign ships through out the year. The port also has shipping lines to Southeast Asia, Japan and Hong Kong. Other important ports are Xiangfan and Laohekou on the Hanjiang River. The Hanjiang River links Northwestern Hubei with the Jiangnan Plain.

Industrial Parks

If a company is looking to set up in Hubei, Wuhan Economic and Technological Development Zone (WEDZ) is one of the best locations. The Zone was founded in 1991. There is an export development zone in WEDZ since 2000. WEDZ focuses on attracting companies from the automotive, biotechnology, building materials, electronics, food-processing and high-technology industries. Dongfeng Motors has two joint ventures in the zone with Nissan and PSA Peugeot Citroen. Dow Chemical and Kimberly Clark are also there.

An area of 40km² of the zone's total area of 192.7km² has been developed. One of the greatest advantages of WEDZ is its location. This zone is located on the north bank of the Yangtze



River near Wuhan Harbour – one of the largest harbours in central China. It is also next to national highways – No. 318 (Shanghai-Lhasa) from east to west and the Beijing-Zhujiang highway from north to south. The Beijing-Guangzhou and Beijing-Kowloon Railway lines also pass close to the zone. For expatriates who wish to live near the zone, there is a large scenic area with seven lakes such as the Sanjiao Lake and the Houguan Lake to enjoy.

Areas for Improvement

The Three Gorges Dam project is not a perfect project. While it brings a lot of benefits to China in terms of power generation, a lot of criticism has also appeared about the project. One of those criticisms is that the Three Gorges Dam may increase the risk of earthquakes in the region as it is close to two fault lines. Other critics contend that the dam will fill with garbage that people and businesses near the dam dump into the river. An additional 4 million people need to be relocated in the city of Chongqing at the other end of the Gorges due to erosion of the land around the dam site. The Chinese government, however, has recognized this problem and is trying to address it. But the question ‘should the dam have been built in the first place or at least planned better’ still remains unanswered.

The Three Gorges Dam has been a project envisioned for China since early 20th century. The government should not let this project continue without proper measures in place to make sure that the dam helps the people of Hubei and not harms them.

Conclusion

Hubei is located in a region which is most suitable for the next wave of investment in China. It is a major transportation hub with a strong industrial base and a growing service sector. The Three Gorges Dam will provide large amount of power to the region, but it could also cause a lot of problems. The project needs to have a better monitoring system in place to ensure that Hubei can take full advantage of its situation and progress.



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