



China

Provincial Update



Confederation of
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Anhui Province



Source: Fiducia Management Consultants

Introduction

Anhui is one of the major agricultural provinces of China and because of its agricultural status it is considered to be very poor. The province produces a large, varied output depending on the climate. In the north of the province above the Huai River, the main crops are sweet potatoes and wheat. In the south, below the river, the staple crops are wheat and rice.

Geographically, Anhui is squeezed in between Jiangsu on the east, Zhejiang and Jiangxi on the

south, Hubei and Henan on the west and northwest and Shandong on the north.

Anhui's geography is equally diverse. The northern part of the province is flat as it is part of the North China Plain. The north-central part of the province is considered part of Huai River watershed, while the southern section of the province has more hills. The Dabie Mountains and the Huangshan Mountain ranges occupy the South-eastern part of the province with the Yangtze River cutting its way in between them.

Culturally, the geography has had an affect on the province. The northern part of Anhui has much more in common with Henan and Shandong than with its southern part. The same can be said of the southern section of the province, which is more akin to the provinces of Zhejiang or Jiangxi.

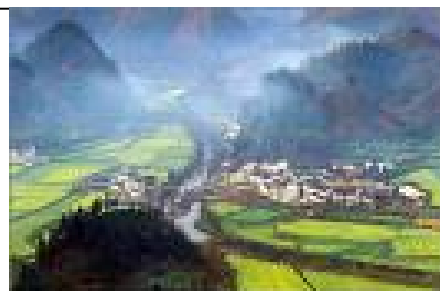
The name Anhui comes from the cities of Anqing and Huizhou (today's Huangshan City) that are located in the province. The province was created during the Qing Dynasty in the 17th century when Anhui and Jiangsu province were split apart.

Major Industries

Agriculture/Natural Resources

The major agricultural output of Anhui province includes:

- Rice



- Sweet potatoes
- Wheat

The province is also known for a large number of natural resources. Currently there are 138 different types of minerals. Thirty-eight of these are considered major minerals in China. These include coal, iron, copper and sulphur.

Iron is found in the city of Ma'anshan, coal in Huainan and copper in Tongling. Related industries have been developed in these cities to take advantage of the resources. For example Ma'anshan has developed a strong steel industry around its iron deposits.

Anhui is also a leading area for the central government to experiment national agricultural policies. In the late 1970s, Anhui was the first province that put an end to collective farming when in Xiaogong village plots were given to the villagers. In 2008, Xiaogong village was the first village in China to start experimenting with allowing farmers to lease their land to other farmers or to companies. In this village, farmers have leased their land to a pig farming company and a vineyard. Farmers can receive RMB 500 per mu of land (a mu is approximately 666.67m²) for leasing to the companies. At the same time, these farmers are employed either by the company who leases the land or they go to work in a nearby city. Five hundred renminbi is about how much farmers can earn if they plant crops on the land.

Automobiles

Anhui has a strong automobile industry. One of the most well known companies of Anhui is Chery Automobile, founded in 1997 and owned by the government of the city of Wuhu. It began manufacturing cars in 1999. In 2007, it sold 381,000 vehicles around the globe – making it one of the leading car companies of China.

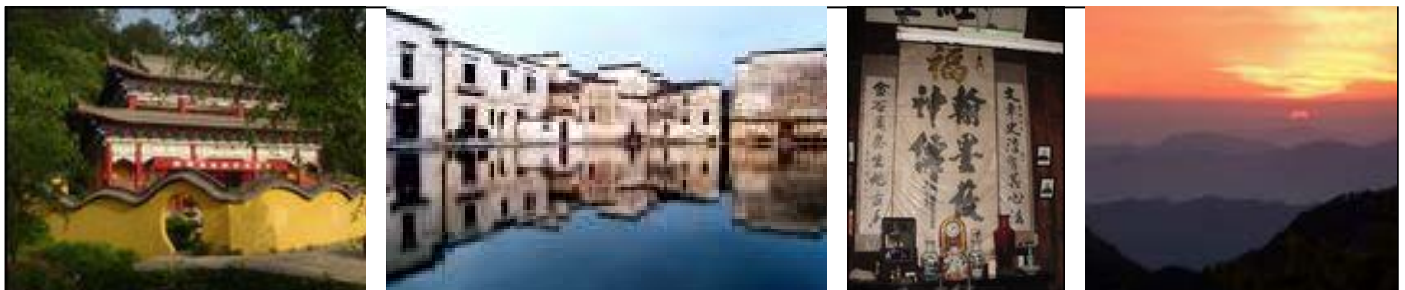
Currently in China, the company has two plants for automotive manufacturing and assembly, a transmission production factory, an engineering research institute and a design centre. Chery employs over 23,000 people and produces up to 650,000 completed vehicles, 400,000 engines and 300,000 transmissions annually. Chery also has manufacturing sites in Russia, Ukraine, Uruguay, Egypt, Iran and Indonesia. The company even has distributors through out Africa, Europe, the Middle East, and Latin America. It exports products to 60 countries. It is making large strides in emerging markets where its small low-priced vehicles are becoming a hit with first-time drivers. To help spur Chinese consumers to become car buyers, Chery has also set up an auto finance bank with Huishang Bank based in Anhui province. The venture is China's 10th auto finance company but the first completely domestic venture.

Steel

The steel industry is one of the important industries of Anhui. The major steel company in the province is Ma'anshan Steel (Group) Holding Co. Ltd. or Masteel as it is commonly known. The company has 70,000 employees making it as a major employer in Ma'anshan and one of the largest industrial companies in Anhui. It is listed on the Hong Kong and Shanghai stock exchanges. Masteel turns out approximately 15 million tonnes of steel annually. Its production facilities are equipped with hot and cold rolling thin stripped production lines, high-speed wire production lines and a hot rolling big H-beam production line.

Masteel manufactures the following items:

- Wire products
- Train wheels and tires
- Hot-rolled H sections



- Steel plates
- Hot-rolled steel sheets
- Cold-rolled steel sheets
- Colour-coated and hot-dipped galvanised sheets
- Steel bars
- Iron oxide
- Pig iron

Masteel also has a research institute that works to create new products and improve manufacturing processes with the aim of giving the company's clients optimal quality products. One of the areas that the company is looking into improving is Masteel's environmental protection policy. In order to do this the company has signed a contract with Siemens Metals Technologies to install the first Meros plant outside Europe (Meros stands for Maximised Emission Reduction Of Sintering).

Infrastructure



Source: Fiducia Management Consultants

The cities of Hefei and Huangshan have flights to 50 domestic cities as well as Hong Kong and Macao. Charter flights are available for Singapore, Malaysia, Thailand and South Korea. Smaller local airports can be found in the cities of Anqing, Wuhu, Bengbu and Fuyang.

Two of China's major rail lines - the Beijing-Shanghai and the Beijing-Kowloon railway lines - pass through the province. Local lines also run from Hefei to Nanjing in Jiangsu province and Tongling to Jiujiang. A line from Hefei to Wuhan is set to be launched in 2009.

Anhui has a series of inter-provincial and provincial highways that link the province's cities to the rest of China. These include:

- Hefei-Nanjing Expressway
- Hefei-Jieshou Expressway
- Hefei-Wuhu Expressway
- Hefei-Xuzhou Expressway
- Huangshan-Hangzhou Expressway
- Lujiang-Tongling Expressway
- Wuhu-Ma'anshan Expressway
- Bengbu-Mingguang Expressway

The province has nine ports. All these ports are open to foreign freight. Fuyang and Bengbu are land ports while the ports at Wuhu, Tongling, Anqing, Ma'anshan and Chizhou are waterway ports. The Wuhu port is specially equipped to berth 10,000-tonne freight ships and the rest of ports have 5,000-tonne deepwater wharfs. The Yangtze, Hai River and the Xin'an River link Anhui province with the international shipping routes.



Areas for Improvement

Anhui is in a good position at the moment. It is close enough to China's developed east coast but still has not been able to fully utilise the low cost labour. Many Chinese and foreign enterprises are showing interest in Anhui and are planning to set up operations here. The skilled workers in the province tend to be specialised in industrial and agricultural occupations. This will hamper the growth of Anhui's service sector as more domestic and foreign service-oriented companies move into the region. Companies should be prepared to put strong training programmes in place to train their staff in Anhui to meet the service standards. For those in the manufacturing sector this includes being prepared to train staff on manufacturing equipment.

One added advantage Anhui provides is that its citizens often migrate to work in the more developed provinces of Jiangsu and Zhejiang and Shanghai. With the incentive of being able to work in or closer to their home towns for similar wages, it may be possible to encourage these migrant workers to return home.

Conclusion

Anhui has huge potential of development and growth. Traditionally considered a poor province, today it is on the way up and starting to develop strong brands such as Chery. Due to the movement of companies to Central and Western China there is a strong opportunity for Anhui to continue to develop itself into a strong player in the region.



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