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China's Western Policies

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New preference policies for foreign investments in the West

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Overview on the China's Western Provinces

In China's western policy, China's Western Development Program is the most important national strategy for Chinese government. The objective of this program is to enhance the economy and social development level, and consolidating national defence of western regions by using the best economic development capabilities of eastern regions. In January 2000, the State Council established the Western Development Program management team. The chief of this team was the former premier Zhu Rongji, and Vice chief was former Vice-premier Wen Jiabao (Premier now). Through passing the deliberation of National People's Congress, the Western Development Department of the State Council started to operate this program in April 2000.

In the west of China, there are 12 regions included in the Western Development Program. They are Chong Qing, Si Chuan, Gui Zhou, Yun Nan, Tibet, Shan Xi, Gan Su, Qing Hai, Ning Xia, Xin Jiang, Inner Mongolia, and Guang Xi (see the map below). which covers 70% land of China. Although there are plenty of natural resources and wide potential markets in these regions, the development of these places are slower than the rest of cities in China.



The Main Product of the West regions

● Agriculture Products and Industries

- Regional grain production bases in Sichuan and Inner Mongolia.
- High quality cotton base in Xinjiang and the plant area and production volume are 22.9% and 32.8% of the total national production.
- Milk, Lamb and Cashmere productions in Inner Mongolia ranked the first in the past 5 years.
- Sucrose total output in Guangxi and Yunnan is 90% of national output.
- Apple growing area and production in Shanxi is 1/4 of total apple growing in China.

● Advantage Resources in the Development and Utilization

Energy and chemical industry, important mineral resources exploitation and processing industry in the country; moreover, they built a number of natural gas, coal, potash, phosphate, non-ferrous metals and other mineral resources development and utilization of bases.

- Guangxi Alumina Base: 1/4 of national production
- Gansu Jinchang Nickel: 90% of national production
- Xinjiang Lop Nur and Qinghai Qaidam: potash fertilizer mineral producing:

1.2million tons in Xinjiang and 1million tons Qinhai

- Main Oil and Gas production bases: Xinjiang, Qinghai, Shanxi, Gansu, Ningxia, Sichuan, Chengdu.

● The Manufacturers

- Major equipment and UHV power transmission equipment manufacturing bases in Chongqing and Deyang (Sichuan), Chengdu, Xian, and Urumqi (Xinjiang).
- Heavy construction machinery and equipment and large production base of Casting and Forging process in Xian, Chongqing (Sichuan), Baotou (Inner Mongolia), Liuzhou (Guangxi), and Tianshui (Gansu).

● High-Technology

With the advantages of major army factories, colleges, and research institutes, they develop Aerospace, New Energy, New Materials, Biotechnology, Electronic Information and other High-Tech industries.

- Aerospace industry base: Yanliang in Xian
- National Biotechnology industry base: Chongqing, Kunming (Yunnan), and Nanning (Guangxi).
- Civil Aviation Production base: Chengdu (Sichuan), and Anshun (Guizhou).
- New Materials industry base: Jingchang (Gansu) and Baoji (Shanxi)
- Software industry base: Xian, Chengdu (Sichuan)

Achievements of the West through the Western Development Program

● Statistics

	Land	Population	GDP
Total percentage	71.4%	28.6%	17.1% (In Year 2000)
Total in West	6.85Million k ²	¥ 356Million (75% are Minority)	

● Main Economic Data

	GDP	Industrial Value Added	International Trade
2000	¥ 1665.5Billion 17.1% in Total GDP	¥ 594.6Billion	\$ 17.2Billion
2008	¥ 5825.7Billion 19.4% in Total GDP	¥ 2400Billion	\$ 106.8Billion
Average Growth	11.7%		25.6%

● Financial Support by Government

The financial support is based on building the infrastructure. From 2000 to September 2009, support from the central bank totalled RMB 550.7billion, and is still increasing its subsidy especially on capital construction project funds and debt funds for infrastructure. At the end of 2008, the advanced interest rate covered 43% western regions, and the 70% western farm road was benefited by debt from National Development Bank.

● Infrastructure Investments

In the west, China built the largest quantities of projects in the investment history – transferring west electric to the east in three passageways, completing the highest railway in the world and the longest highland railway in China, the Qinghai-Tibet Railway.

2000-2008, There are 102 new main projects which total investment is RMB 17 Trillion.

There are 133 large-scale irrigation projects which continually supporting water saving reform projects. In 2008, west regions were influenced by serious natural disasters and global financial crisis. Government expands its investments on domestic demand, and more than 43% were invested to the west.

Policies on Three Main Areas

In the past 10 years, the western regions of Chengdu-Chongqing, Shaanxi – Tianshui (Gansu), Beibu Gulf Economic Zone of Guangxi has gradually formed the three major economic areas.

● **Chengdu-Chongqing Area Program**

Chengdu-Chongqing is the strongest area on composite strengths. The most important industries accumulated in the area and become the national modern agriculture base.

Eight main industries: major equipment manufacturing, Automobile and Motorcycle parts industry, Electronic Information industry, Civil Aerospace R & D Manufacturing.

● **Guanzhong – Tianshui (Shanxi – Gansu) Economic Area Program**

- Main areas covering:
Shanxi: south and north area
Gansu
- Planning Period: 2009 – 2020
- Main content: Industrial layout, major projects and preferential policies

- Core industries:
New and High-Technology
Equipment manufactories
Aerospace, Modern Agriculture and characteristics tourism
- Target: leading the open up regions in the west and north main land;
Factories concentrate on Hi-Tech industry.
Mainly concentrating the tourism, logistics, financial, cultural, and modern service industries
Making the modern science as the support of innovative regions
National comprehensive reform region
- Agriculture: Become the influential industries of fruit and livestock around the world; build the agriculture model base and space grain growing base.
- Economy: Average growing on 12% year-by-year In 2020, farmer's net income will be 11500RMB.

● **Beibu Gulf Economic Zone of Guangxi Area Program**

The Fangcheng Port is one of China's main ports and the important hub in comprehensive transporting system.

The Qinzhou Port is important for the regional port-side industries and free-trade supply chain services.

The North-sea Port is focus on the trade businesses, tourism and port-side industries.

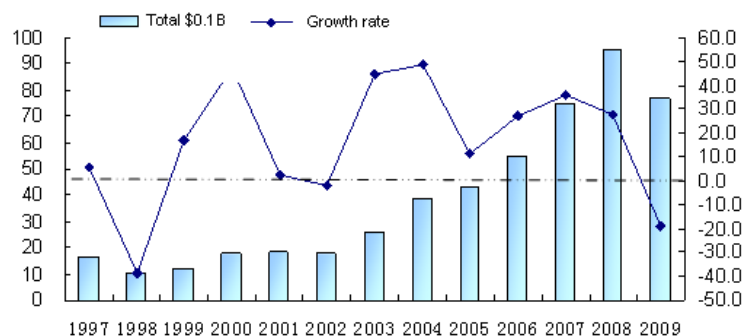
The Primary Data in main regions of China's West Program

- **Chongqing – Chengdu-Chongqing Area**
- **Gansu – Guanzhong-Tianshui Area**
- **Guangxi – Beibu Gulf Economic Zone of Guangxi Area**

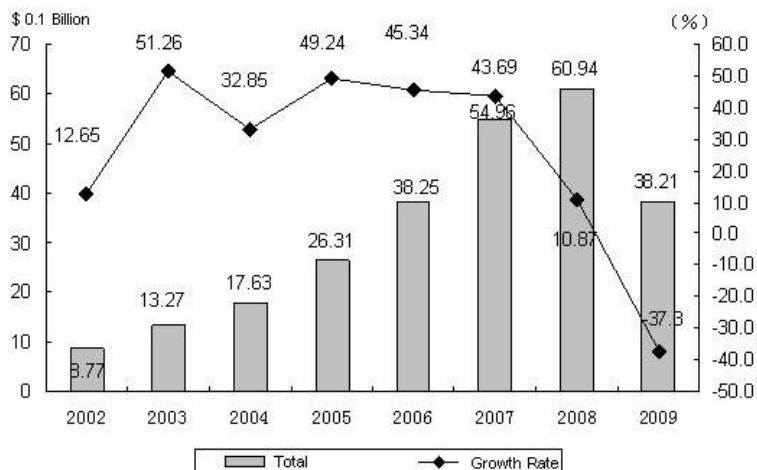
In 2009

	Chongqing	Gansu	Guangxi
GDP (¥ Billion)	652.872, +14.9%	338.235, +10.1%	770.036, +13.9%
CPI	-1.6%	1.3%	-2.1%
International Trade \$B	7.709, -19%	3.821, -37.3%	14.206, 7.3%
Export \$B	4.28, -25.2%	0.735, -54.1%	8.371, 13.9%
Import \$B	3.429, -9.8%	3.086, -31.3%	5.835, -0.9%
FDI \$B	4.016, 47.2%	0.134, 4.21%	1.035, 6.6%

Chongqing International Trade 1997-2009



Gansu International Trade 2002-2009



The 50 years plan for China's Western Development Program

Step 1: Basis period 2001-2010

Focusing on the instruction reform, infrastructure development, biology environment, and technology education; continuously build and complete the market system, improving the investment environment and natural environment, going through the positive economic circle, and catching the national average growth level.

Step 2: Growing period 2010-2030

Through the instruction strategic reform and infrastructure development, consolidating and promoting the foundations and training characteristics industries, implement the economy industrialize, market-oriented and

ecological, and professional distributions with a comprehensive upgrade.

Step 3: Overall Modernization 2031-2050

Strengthen the leading developing regions and making them into the national and international modernization economic system. Through the west improvement, mainly develop the remote mountainous areas and behind the development of agricultural and pastoral areas, generally improve the western production and living level, and fully narrow the gap.

The Preferential Policies for Foreign Investments

(10/08/2010 by MOFCOM)

1. ``Dominant Industries List of Foreign Investments in the Middle and West Region``, project which is included in the dominant industries list will enjoy the policies of encouragement category items in the ``Foreign Investment and Industries Guideline``, and giving the tax incentives for its own equipments, technology, fittings and spare parts importing.

2. Widen the setting policies for foreign investments companies, and widen the foreign company stock holding percentage in the foreign companies in the middle-west region.

3. For the foreign investment companies with the national preferential policies, the company income tax rate will be 15% after three years executive pay of current preferential tax.

4. For the foreign company which is making the re-investment project and the foreign investment is over 25%, it can enjoy relevant foreign investment preferential.

5. Opening fields and pilot projects which are allowed by the government should be performed in the middle-west and east region in principle. By approved by the state, municipalities, provincial and regional capital cities can run the commercial, leisure, and banks trial opening. Allowing the foreign bank doing

the Chinese currency business, and allowing the foreign companies doing the electronic information, insurance and tourism business belong with the relevant policies; setting up the joint venture accounting firms, engineering companies, railway and road freight companies, municipal corporations and other business which is committed to open up.

6. Every province in the middle-west chooses a completed development zone to apply to be a national economic and technological development zone.

7. Foreign Companies investing in the energy and transportation infrastructure project can get the 15% preferential tax payment for company income tax after the approval of State Administration of Taxation.

8. For the special production income from protecting biology environment, and returning farmland to forest ecology and grassland, the special agriculture product tax will be free.

9. The soil and mineral resources preferential policies. Barren mountains, forestation and farmland to forest or grassland, is implemented for people who abandoned farm will be responsible to grow forest or grass, for people who are engage in this business will have the right to use the land and forest and grass. Every

commercial institutes and individuals can apply the right to use the national barren mountains and wasteland to reapply vegetation and biological environment protection; they can gain the use right of state-owned land by selling processing for free lease, and gain the using right for 50 years; after 50 years, they also can re-apply for continuous contract; which can also be Inherited and compensation transferable.

The state supports the mineral resources investigation, assessment, exploration, development, protection and rational utilization.

10. Encourages foreign companies to invest in the west on agriculture, water conservation, transport, energy, municipal administration, environment protection, mineral production, tourism etc. in the infrastructure and resources development, and technological research centre establishment, the state will also add

support on appropriate and relevant policies.

11. Encouraging the national industries to attract foreign investors by franchise transferring, shares transferring, mergers and acquisitions.

In conclusion, the China's West Development Program is the core of China's western policy. Through the development of the past 10 years with the financial and policies support from government and organizational investments, the economy and social life in the west have a remarkable increase, especially in three main areas, Chengdu-Chongqing, Shaanxi – Tianshui (Gansu), and Beibu Gulf Economic Zone of Guangxi.

In the future, the policy will build more open structure for foreign investment, will guide the foreign investment in the positive and effective way and complete the state policies support system.

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