



Turkish Industry & Business Association

2009/007

CHINA BUSINESS INSIGHT

November, 2009

`` Investment Environment in Hebei & Shijiazhuang ``

The Investment Environment in Hebei

- Resource advantage
- Main industries
- Uplift of the coastal economic zones
- Becoming increasingly active in opening up

The Investment Environment in Shijiazhuang, the capital city of Hebei

- Basic condition of Shijiazhuang
- Economic strength and foundation
- Project construction cost and prices in Shijiazhuang
- Urban development orientation
- Project construction policies of Shijiazhuang
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The Trade and Investment Relation between Shijiazhuang and Turkey

Monthly Bulletin, prepared by TÜSİAD Beijing Office

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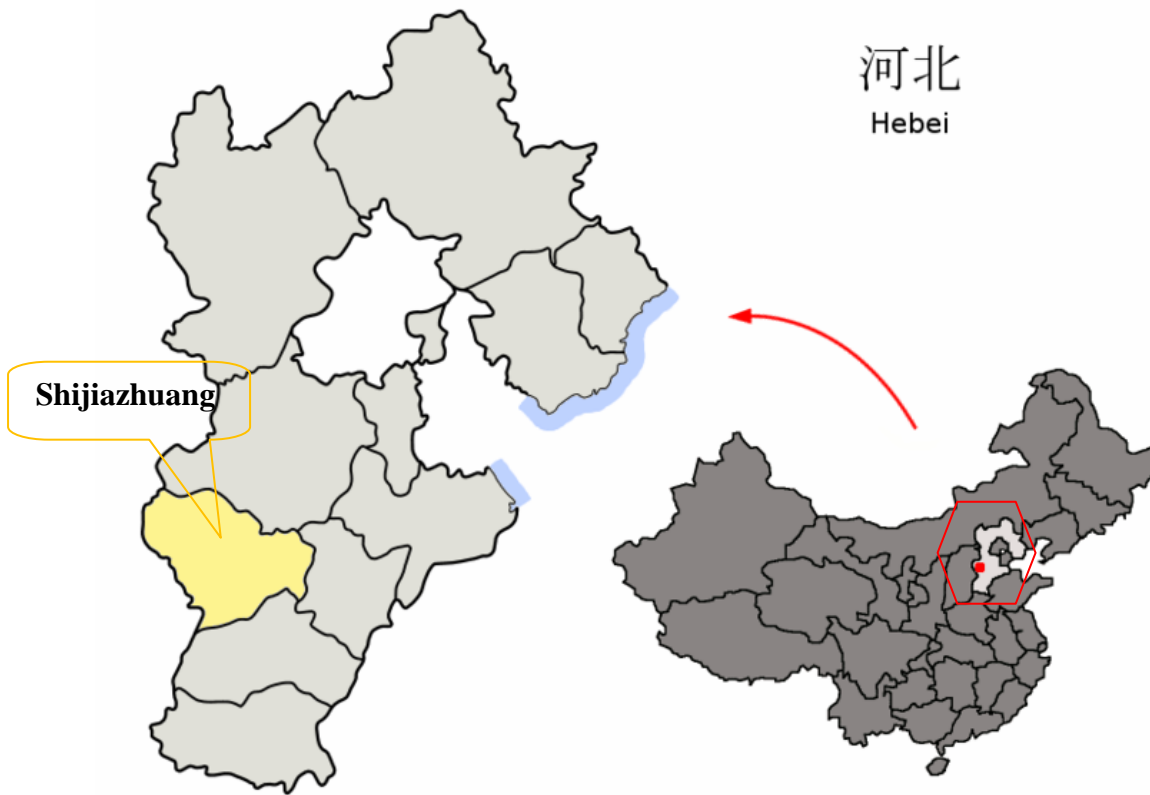
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The economic aggregate of Hebei Province ranks sixth in mainland China including 31 provinces and municipalities. More than 70 Fortune 500 enterprises invest in Hebei Province and has economic and trade contacts with more than 180 countries. Recently, Hebei Province and Shijiazhuang, its capital city have been doing their best to improve the investment environment to attract more investment. At the same time, they are implementing the policy of opening and going overseas to seek more business opportunities.



Hebei Province has total area of 188,000 square kilometers and total population of 69.432 million with capital city Shijiazhuang.

Investment Environment in Hebei

1. Resources advantage

1.1 Location and transportation

Hebei, Beijing and Tianjin formed the famous "Golden Triangle" zone together. The market capacity here accounts for more than 10% of the total capacity in

China with 120 million consumers. At the same time, the Bohai Rim Region is the third economic pole following the Pearl River Delta and Yangtze River Delta.



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Hebei Province is of great potential with the location in Bohai Sea Region.

The port and railway system is developed in Hebei Province. The designed through capacity of the ports in Hebei Province ranks third in the 11 coastal provinces and cities with the bulk cargo throughput of Qinhuangdao Port. Besides, railway and road cargo turnover ranks top in mainland China. Shijiazhuang City is country's one of the major rail hub which is approximately 280km southwest of Beijing, 1130km northwest of Shanghai and 1800 km north of Guangzhou.

1.2 Natural Resources and Energy

Hebei Province has sufficient strategic resources which mainly include mineral resources, land resources, marine resources, biological resources, new energy, electricity, water and other resources. The reserves of more than 40 kinds of minerals rank top six in China Its advantageous resources are coal, iron, oil, gold and a variety of limestone and other ores. Among them, coke ranks first in the country. These abundant, well-concentrated and low-cost reserves allow Hebei Province the effective condition to be a large iron and steel producing, equipment manufacturing, building materials, chemical and other comprehensive industrial base. In addition, Hebei Province has potential to exploit and take advantage of new energy sources with Zhangjiakou and Chengde City being built China's largest wind power base.

2. Main industries

2.1 Traditional industry

Food, building materials, medicine, textile and clothing industries are traditional strengths in Hebei Province. In food industry, production of instant

noodles, wine, wheat flour, monosodium glutamate and biscuits ranks top 5 in China; in building material industry, production of cement, glass and sanitary ceramics comes out first in China, especially the plate glass production ranks first in China; in pharmaceutical industry , the production of chemical raw material as well as penicillin, vitamin C and other products ranks first in China; in textile and clothes industry, production of yarn and cloth ranks No. 6 in China. Besides, the production and export volume of cashmere rank first in China. Hebei Province is a major agricultural province with fruit and vegetables output ranking No.2 and animal husbandry No.3 which are the three pillar industries in Hebei Province.

2.2 Optimization and upgrading of modern industry

Hebei's modern industry includes equipment manufacturing industry, steel industry, petrochemical industry, high-tech industry, electronic information industry and services industry.

Equipment Manufacturing Industry: The electrical equipment and automobile manufacturing has begun to take shape and shipbuilding project has started recently. In addition, large transformers and light truck manufacturing are among the best in China.

Iron and Steel Industry: the steel output takes up 1 / 5 of the country's total steel production capacity and has been ranking first in China for 7 years. In 2008, Hebei Tangshan and Handan Iron and Steel Co. restructured together forming China's largest steel group ---- Hebei Iron and Steel Group, which strives to build China's largest high-quality building materials base, the country's largest vanadium-titanium base and the national largest fine materials base.



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Petroleum and Chemical Industry: Hebei formed a relatively complete Petroleum and Chemical Industry system with a large number of companies. Taking advantage of unique combination of material resources, Hebei Province is China's largest production base of TDI (toluene diisocyanate)

High-tech industry: The industry is mainly concentrated in the electronic information, biotechnology, new materials, new energy and other areas. "China Electricity Valley(中国电谷)" which is located in Baoding is one of the two state-recognized new energy industry bases and has initially formed solar photovoltaic industry, wind power industry, energy-efficient industries, new energy storage industry, power transmission and electric power automation industries system. In addition, Shijiazhuang City is one of the state-identified 36 national medical innovation bases.

Electronic information industry: The industry has been developing rapidly and is expected to be a new strategy industry in Hebei Province. A large number of backbone enterprises spring up in the area of solar photovoltaic cells, solar silicon, telecommunications, flat panel display, electronics and other areas.

Service Sector: Local government is working on speeding up the development of service sector. It is an important strategic measure for the adjustment of economic structure in Hebei Province. Urban areas will be used for service industry in priority.

3. Uplift of the coastal economic zones

Hebei Province is establishing the economic uplift of the coastal belt including Caofeidian Scientific Development Zone, Cangzhou- Bohai Sea New Area and Qinhuangdao coastal economic zones in order to provide a

huge development space for large enterprises. The main industries of Caofeidian Scientific Development Zone are port logistics, steel, petrochemicals and equipment manufacturing and will be the first economic growth pole in Hebei province; Cangzhou- Bohai Sea New District focuses on petroleum chemical industry, equipment manufacturing and logistics industry and to be the second economic growth pole; Qinhuangdao is moving to be an integrated port.

4. Opening up

Development Zones are important window and core platform for opening up. Hebei Province has established more than 50 provincial-level economic and technological development zones, hi-tech development zones, export processing zones and industrial parks. At present, more than 50 projects from more than 40 Fortune 500 companies and hundreds of projects with the value of more than 10 million USD each have settled in these zones.

In 2008, foreign investment in Hebei Province reached up to 3.63 billion USD. Hebei is one of China's top ten provinces in foreign trade and has established economic and trade relations with more than 180 countries and regions. United States, Japan and Hong Kong are the most important trade partners. At present, more than 60 non-trade enterprises have invested and built factories in nearly from 30 countries and regions,

Investment Environment in Shijiazhuang

The provincial capital of Hebei Province, Shijiazhuang is the centre of economy, political, science, finance, culture and information. Shijiazhuang, located in the mid south of Hebei



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Province and surrounded the Bohai economic region, is southwest of Capital Beijing. Hebei Province focuses the development of Shijiazhuang. To attract domestic and foreign investors, Shijiazhuang has held “Shijiazhuang investment conference” for four consecutive years.

kilometres with permanent residents of 9.66 million. The city proper is 456 square kilometres with 2.37 million residents.

1. Basic condition of Shijiazhuang

Geographic Environment:

Shijiazhuang is located in the middle south of North China Plain, With Beijing and Tianjin on the north, Bohai Sea on the east, the Taihang Mountain and Shanxi Province (the coal base in China) on the west

Topography: Shijiazhuang covers two geomorphic units: the Taihang Mountain and the North China Plain. The western region is situated in the middle part of the Taihang Mountain above sea level of about 1000 meters. The high mountainous region takes up 50% of the total urban area. The eastern region is on the alluvial plain of the Hutuo River, level ranging from 30 to 100 meters above sea level.

Climate: the climate in Shijiazhuang is of temperate continental type, with distinct division of four seasons. The annual average temperate is 14.2°C. In terms of monthly average temperature, the lowest is in January, -2.9°C, and the highest is in July about 26.5 °C . the average rainfall in a normal year is 570mm. the sunshine duration is about 2,200 hours a year, and the frost-free period is 240 days.

Area and population: Shijiazhuang covers a total land area of 15,848 square

Natural resources: Shijiazhuang has abundant natural resources. The high quality mineral resources include over 20 kinds, such as coal, petroleum, natural gas, limestone, dolomite, silicon sand, and muscovite.

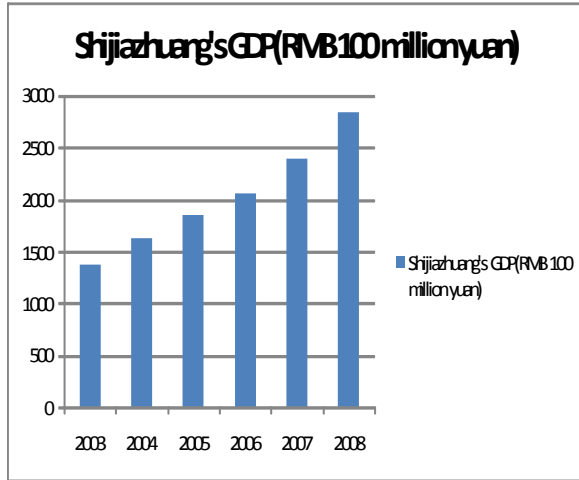
Transportation and Infrastructure

Facilities: Road transport, highways, state and provincial roads extend in all directions. The total length of inter-city roads is 891 km. As one of the major hub of railway transportation in China, the annual transportation volume is 16.7 million passengers and 4.59 million tons of cargos. Shijiazhuang has a domestic airport capable of accommodating various large and medium-sized passenger planes. In 2008, it received and sent 1 million passengers. Power resources in Shijiazhuang can fully meet industrial, agricultural and residential demands. There are 8 water plants with a water production capacity of 800 thousand cubic meters a day. The city has 357 thousand natural gas household consumers. The total length of heat supply pipe is 661 km and the area of central heating is 61.7 million square meters.

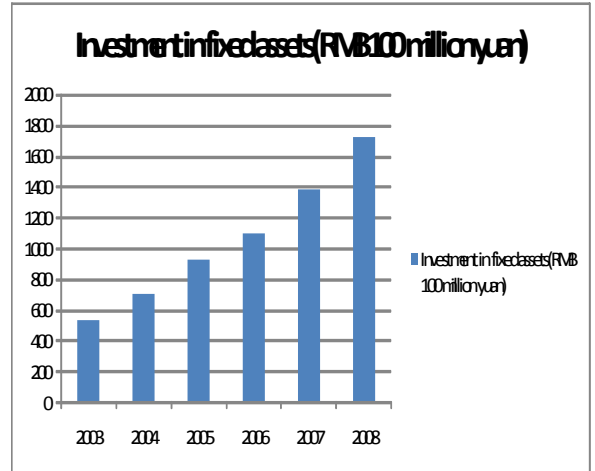
2. Economic Indicators

2.1 Economic Growth Trend

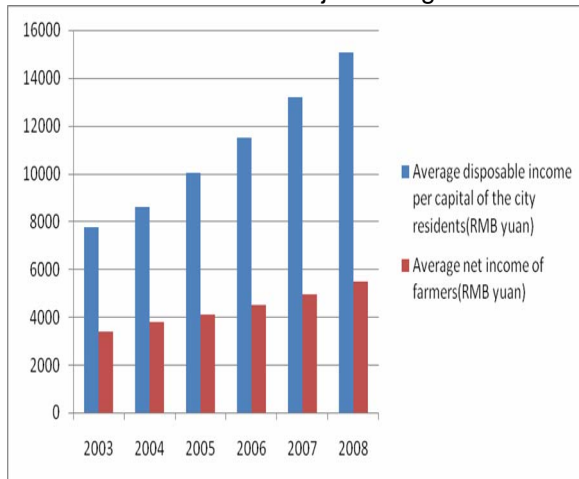
In 2008, the city reached the total output value of RMB 283.84 billion, an increase of 11% over the previous year.



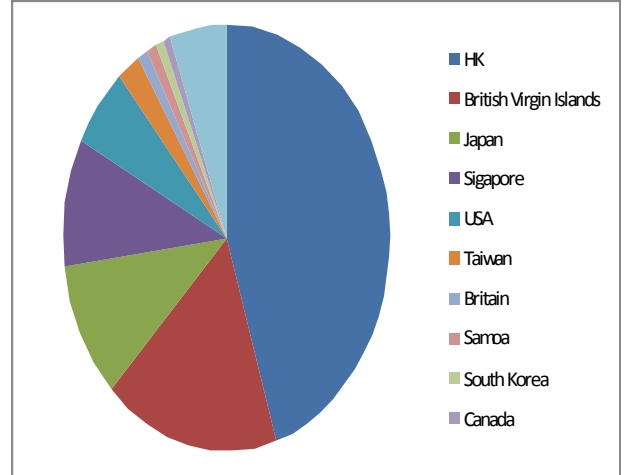
Picture1. Growth of Shijiazhuang's GDP



Picture4: growth of investment in fixed assets

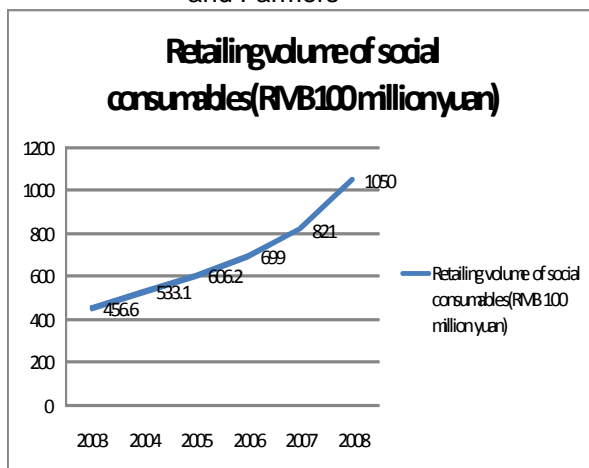


Picture2: growth of Income in Urban Residents and Farmers

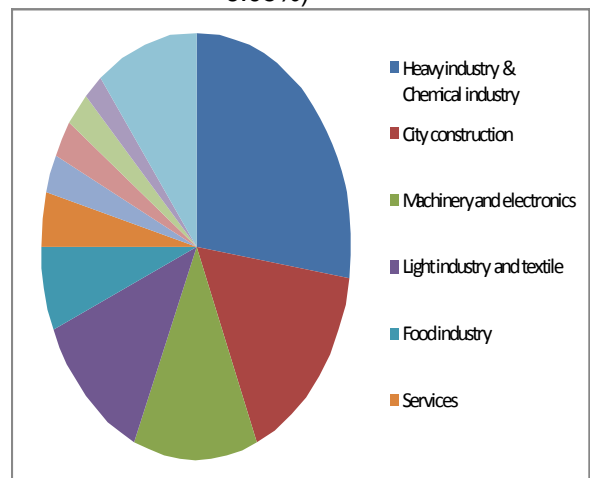


Picture5: Structure of FDI source in Shijiazhuang

(Note/Unit: 100 million USD: HK 19.32、44.96%, Virgin 7.49、17.44%, Japan 4.44、10.35%, Singapore 4.19、9.76%, USA 2.59、6.05%)



Picture3: growth of retailing volume of social consumable



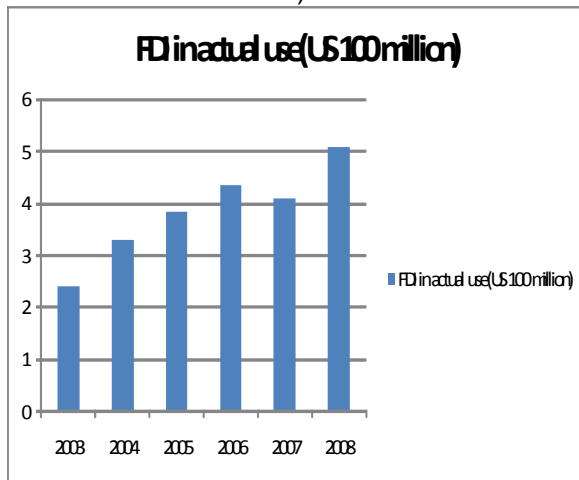
Picture6: distribution of industries by FDI in Shijiazhuang

(Note/Unit: 100 million USD: Heavy industry 11.74、27.33%, City construction 6.96、16.21%, Machinery and electronics 5.59、13.01%, Light industry and textile 5.16、12.02%)



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, Food industry 2.72, 6.35%, Service 1.75, 4.09%)



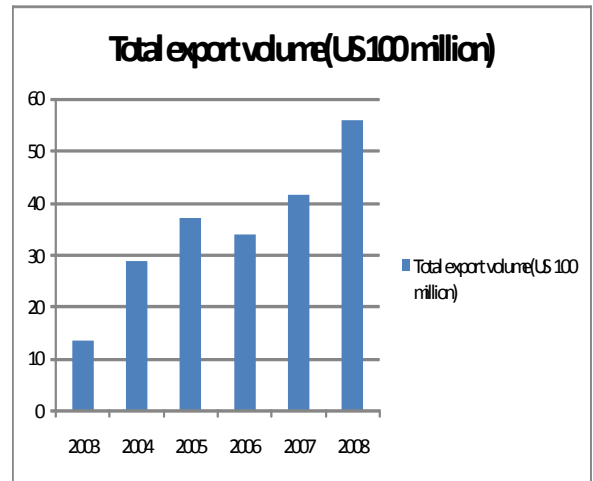
Picture 7: growth of FDI in actual use

2.2 Industry Development

Agriculture: Known as the “North Granary” Shijiazhuang is an important food production zone in this country. The total production value in agriculture, forestry, animal husbandry and fishery in 2008 was 54.3 billion Yuan, including 27.5 billion Yuan from agricultural, 23.4 billion Yuan from animal husbandry. The total grain production was 5.07 million tons with yield of 447 kg per mu.

Industry: The added value made by industry enterprises in the city reached RMB 109.6 billion.

Shijiazhuang is a renowned pharmaceutical production base in China and the largest producer of penicillin, theobromine and Terramycin in the world. Shijiazhuang is also a the key textile base, engaged in cotton spinning and weaving as well as printing and dyeing, wool spinning, knitting, garment and textile machinery. Shijiazhuang enjoys a solid foundation in equipment manufacturing industry. The industrial pumps takes up the first place in China while the production capacity of liquid crystal materials rank among the top five. Petrochemical industry is the major supportive industry for the development of industry economy.



Picture 8: growth of total export volume

Commerce and logistic:

Shijiazhuang is the essential commercial port approved by the State Council in North China and one of the major distribution and logistics center of commodities. In 2008, the retailing volume of social consumables in the city reached RMB 100.5 billion. The city has 723 commodity markets, reaching an annual volume of RMB 147.6 billion.

2.3 International Communication and Utilization of Foreign Investment

Shijiazhuang has 11 cities in 9 countries as its partner: Japan, Canada, Italy, United States, Britain, South Korea, Mexico, Sweden and Vietnam. By the end of 2008, Shijiazhuang has used an accumulated total of US 5.442 billion foreign funds, including direct foreign investment of US 4.200 billion. Currently there are 556 foreign-fund enterprises which come from more than 50 countries and regions. The volume of export and import reaches US 6.990 billion, including export volume of US 5.596 billion.

2.4 Shijiazhuang High-tech Development Zone

Founded in March, 1991, Shijiazhuang Hi-Tech Industry Development Zone is one of the first state-level high and new technology industrial development zones. In 2009,



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the development zone reaches the total output value of RMB 19.9 billion and financial revenue of RMB 1.83 billion. The Development zone focuses on electronic

communication, pharmacy and chemical, optical-electro-mechanical integration, and new materials.

3. Project construction cost and prices in Shijiazhuang

Power Price of the Southern Power Network in Hebei Province(Unit: yuan/KWh)

Price Category	Under 1Kv	1~10Kv	35~110Kv	110Kv	Above 220Kv
For residential use	0.5200	0.4700	0.4700		
For general industrial and commercial enterprises as well as other purposes	0.7695	0.7595	0.7495		
For major industrial enterprises		0.5521	0.5371	0.5271	0.5171
For agricultural	0.4350	0.4250	0.4150		

Class and Standard Price List of Urban Land (Unit: yuan/m²)

	Class1	Class2	Class3	Class4	Class5	Class6	Class7	Class8
commerce	4748	3736	2886	2208	1669	1223	886	643
residence	2802	2175	1613	1089	826	628		
industry	1062	886	746	628	536			

Current Water Price(Unit: yuan/m³)

For citizen's life	3.30
For public utilities	4.00

Average Income of Employees (Unit: yuan)

The annual average of the city on-the job staffs and workers	23153
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Price of natural Gas, coal gas, liquefied gas and heating (Unit: yuan)

Category	unit	For whom	price
Natural gas	Yuan/m ³	citizen	2.2
		others	2.0~2.1
Coal gas	Yuan/m ³	citizen	0.9
		others	1.0
Liquefied gas	Yuan/15kg	citizen	67
Heating	Yuan/m ²	citizen	4.0



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4. Urban development orientation

Shijiazhuang, with its special advantages and characteristics are now focusing to build five key industry bases including the “Bio-pharmaceutical Industry Base”, the “National Key Textile and Garment Base”, the “Circulating Economic Demonstration Base”, the “Equipment Manufacturing Base” and the “Information Industry Base”.

Guided by the *“Catalogue for The Guidance of Foreign Investment Industries”* Shijiazhuang City encourages the foreign investment in the following projects of the key industries and areas.

1. High and new technology industrial projects, including electronic information, biological engineering, electro-mechanical integration, new materials new energy resources, as well as research and development centers for the new products and new technologies.

2. Technological innovation to the city’s traditional industries: pharmacy, textile, machinery, chemical, light industry and construction materials, so as to promote the optimization of industrial and product structure.

3. Comprehensive agricultural development and agricultural industrialization together with development of mountainous areas.

4. Infrastructure facilities construction, such as environmental protection, transportation, energy resources, water conservation, and urban public facilities.

5. Commerce, modern logistics, tourism, education, intermediary service, information consultation, etc.

6. Construction of high-tech parks and featured industrial parks

7. Merger and acquisition of the city’s enterprises or involvement in the reorganization an innovation of the city’s state-owned enterprises by foreign investors.

8. Rebuilding and comprehensive development of the old urban area.

9. Other projects encouraged by the state laws and regulations.

5. Project Construction Policies of Shijiazhuang City

In order to promote domestic and foreign investors to invest in the City, Shijiazhuang government office has issued a series of policies. These documents provided a lot of incentives to encourage investment, aiming at stimulating the enthusiasm of investors and creating a good environment.

6. Shijiazhuang business invitation projects

The main industries of Shijiazhuang is medicine, chemical industry, electronics, equipment manufacturing, textile, building materials, light industry, agriculture, services, infrastructure and industrial parks. Each one has a number of specific investment projects.

Medicine: Research, Development and Industrialization Project of Genetic Engineering Therapeutic Antibody and other 5 projects.

Chemical industry: Project of Production of 6,000 tons of Light Magnesium Carbonate per Year and other 9 projects.

Electronics: Project of LCD Glass Substrate Complete Sets of Equipment Production Line and other 9 projects.

Equipment manufacturing: Project with Annual Production Capacity of 250 Sets of Wind Power Generation Equipments\ Steel Pipe Project with Annual Production Capacity of 500 Thousand Tons and other 5 projects.

Textile: Developing and Construction Project of Jinzhou Textile Industrial Park and other 3 projects.



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Building materials: Project for Production Line with Annual Production of 1.74 million Weight Boxes of Coated Functional Glass/ Clinker Plant with daily output of 8,000 Tons\ Project with Annual Making Capacity of 4 million pieces of Clothes and other 6 projects.

Services: Project for Xinji China Leather City and other 24 projects.

Infrastructure: Project of Jinzhou Textile Industrial Park Infrastructure Construction and other 12 projects.

Industrial parks: Project of Biological Medicine Innovation Element Aggregating Zone\ Business Invitation of Shijiazhuang Textile Costume Base and other 10 projects.¹

According to the data from Shijiazhuang Commercial Bureau, there is only one Turkish firm invested in Shijiazhuang, the 石家庄威仕发皮业有限公司 (Shijiazhuang WeiShiFa Leather Co., Ltd.)

The export from Shijiazhuang to Turkey is 17.11million USD, import amounted 4.46 million USD in 2008, accounting for such little part of the total volume of 21.57 million USD.

- *Shijiazhuang, Hebei is a developing province which is booming up with quite a number of potential investment opportunities. When TUSIAD BJ office visited Shijiazhuang, noticed that Hebei, local government is working hard to improve investment environment Hebei and Turkey share similar industrial structure. The two sides can cooperate in many sectors such as cement, steel, glass and so on.. Shijiazhuang opens its door to all Turkish companies and investment. And because of its strategic location, Shijiazhuang is a good choice for investors together with other cities in Hebei Province.*

¹ For detailed info on the project please contact
TUSIAD Beijing Office



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Meeting summary with Mr. Zhang Qinghua, Vice Chairman of CCPIT, Hebei Sub-Council