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``Doing Business in China``

Chongqing Municipality
General Economic Review of Chongqing Municipality
Infrastructure
Investment Climate
Development Zones
FDI in Chongqing and Investment Policy Incentives

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Chongqing Municipality



General Economic Review

Economic Indicators of 2008	Value	Growth (y-o-y)
GDP	509.67 billion RMB (\$74.62bn)	14.3%
Per Capita GDP	18025 RMB(\$2639)	13.7%
Added Value Output		
- Primary industry	57.54 billion RMB(\$8.42bn)	6.8%
- Secondary industry	243.33 billion RMB(\$35.62bn)	18.0%
- Tertiary industry	208.80 billion RMB(\$30.57bn)	12.4%
Value-added Industrial Output	203.64 billion RMB(\$29.82bn)	19.8%
Fixed-assets Investment	404.53 billion RMB(\$59.23bn)	28.0%
Retail Sales	206.41 billion RMB(\$30.22bn)	24.3%
Inflation (CPI)	-	5.6%
Exports	\$5722 mn	26.9%
Imports	\$3799 mn	29.6%
Utilized Foreign Direct Investment	\$2729 mn	152.0%

Chongqing plays an important strategic supporting role in China Government's economic strategies such as "Western China Development" and "Yangtze River Economic Band Revival". Chongqing is a typical city with coexistence of metropolitan and big rural area; it has a huge space for economic and social development. Also Chongqing is the biggest industrial and

commercial city in Western China and it has great influence to surrounding provinces and cities, it has influenced about 250 million populations and the market for trade and investment is magnificent. It will try to become the important growth pole, economic center to the upper reaches of the Yangtze River, municipality with balanced development between rural and urban areas.



Since Chongqing became a municipality directly under the Central Government in 1997, it experienced rapid economic growth. For successive 11 years, the GDP has been growing over 10%. In 2008, the total import and export trade volume is \$9.52billion, among this, the total export from Chongqing to Turkey is \$57million and import from Turkey to Chongqing is \$4.94million.

In Jan. 2009, China State Council issued No.3 document, which gave a lot of unique preferential policies to support the development of Chongqing. In Nov. 2008, China State Council approved the establishment of Chongqing Free Trade Zone, which is the only inland free trade zone in China integrated with airport and harbor. Moreover, Chongqing is applying to found the New Two Rivers Zone, which will be third state Development Zone after Pudong in Shanghai and Binhai in Tianjing. It will play a very important role and bring more opportunities for Chongqing. From 2008 to 2010, RMB 150billion (about \$22 billion) will be invested in several sectors, such as industry, transportation, upgrading of old houses, and construction of residential building.

Chongqing is one of the most important industry bases in China with all categories and strong matching capacity of industry. Chongqing's industry focuses on heavy industry. Chongqing's mechanical industry focuses on automobiles and motorcycles and the chemical industry emphasizes on gas chemical sector and medical engineering. Chongqing also has various competitive industries including metallurgy, electromechanical equipment, electronic information, instruments, food processing, architecture, building materials as well as glass and porcelain of everyday use. There are 5 pillar industries in Chongqing, and they are auto and motorcycles, equipment

manufacturing, petrol and natural gas Chemicals, materials industry, and ICT.

Infrastructure

Depending on the Yangtze River, Chongqing has long been the important junction of Southwest China, and now Chongqing has formed the comprehensive transportation network which integrates the railway, expressway, aviation, navigation and pipeline transportation. It becomes the biggest transportation hub of water-land-sky in the upper reaches of Yangtze River and in the Southwest China area.

There are three civil airports in Chongqing. The largest airport in southwest Chongqing is Jiangbei Airport which is being extended and improved according to the standard of international airport.

There are 25 navigation rivers; the total length is more than 1,600 kilometers, which connects with cities along the river and with the ocean transport line. The water carriage relays on the Yangtze River, with more than 10 ports and passenger/cargo wharfs built and the hovercraft fast channels opened. The combined land & sea transportation system connecting Chongqing and Shanghai with foreign countries has been developed.

Investment Climate

Chongqing adopted powerful measures in the field of finance, market, logistics and environment innovation in order to build a sound investment soft environment. At present, Chongqing has introduced several foreign financial and insurance institutions and established Chongqing FET Financing Surety Co., Ltd, which has greatly improve the financing channel and financial services as well as the convenience for financing for foreign investment enterprises, especially the medium and small-sized investment enterprises.



Chongqing has focused on construction of the three technology innovation platforms in order to create a good environment for R&D and innovation via system and mechanism innovation since 2004. According to direction and fields having been designed for innovation platform construction, Chongqing has launched three platform construction projects, namely, the R&D platform represented by the key labs of the city and the engineering technology research centre, the achievement transformation platform which focuses on productivity promoting centre, enterprise incubator and university science parks and the resource sharing platform which depends mainly on technical resource sharing, including large scientific instruments and science archives.

Development Zones

- High-Tech Industrial Development Zone:

Chongqing High-Tech Industrial Development Zone is a national High-Tech Industrial Development Zone approved by the State Council in March 1991, as well as one of the 5 pilot development zones in China, covering 73 square kilometers which include the Shiqiaopu High-Tech Development Park, Erlang Science & Technology City and the High-Tech Park in New North Zone. As Chongqing's high-tech development base, there have been so far nearly 4,000 technology development enterprises being set up within the high-tech zone. Among them, there are 200 certified high-tech enterprises and 300 foreign invested enterprises from countries and regions such as Japan, US, Germany, France, Italy, Singapore, Hong Kong, Taiwan. A large number of high-tech product with intellectual property have been incubated, so far some special technical campuses have been established, such as Chongqing Biological Pharmacy Development Campus, Software Campus, Electro mechanicals Campus and the

Industrial Campus for Students back from Overseas Study. Up to date 4 leading industries have been formed, which include electronics and information, bioengineering and new medicines, new materials and electro mechanicals.

- Economic & Technical Development Zone:

Chongqing Economic & Technical Development Zone was established with the approval of the State Council in 1993, which is divided to a northern part and southern part, being an earliest national economic & technical development zone in West China. So far 11 Fortune 500 have been present within the Zone, including Ford Motor, Metro, Ericsson and Honda, there have been 46 projects with an investment of above USD 10 million being set up within the Zone. All economic indicators of the Zone have been growing significantly over the past decades, having attracted lots of foreign investors, thanks to its superior investment environment and quality services. The Zone has formed its 6 pillar industries, which are electronic information, biomedicine, auto & motorcycle, fine chemicals & new materials, green natural food and garment.

- Chongqing New North Zone (CNNZ):

Chongqing municipality established Chongqing New North Area on April 25, 2001, in order to implement China's Go West Strategy, accelerate the construction of the economic centre of the upper Yangtze River, build the core driving force of the Urban Economic Circle and create a new industry in Chongqing. CNNZ is like the "Pudong New Area in Shanghai". According to the development strategy of "the three steps", by 2010, the framework of the comprehensive development of modern service industry will be basically formed, which takes new and high-tech industry as the guidance, modern manufacturing



industry as support. And then it will cooperate with Chongqing Economic and Technological Development Zone (CETZ) and Chongqing New and High-tech Development Area to create a new industry and realize the total industrial output of 150 billion Yuan. The New North Zone focuses on high-tech industries such as information technology, optoelectronics, bioengineering, new medicine, pollution control equipment, automobile and parts, as well as export oriented manufacturing. There have been various parks being set up within the Zone, including Auto Industrial Park, Optoelectronic Park, Software Park, Pollution Control Production Park, Medical Equipment Park and Export Processing Zone.

FDI in Chongqing

About 4436 foreign enterprises have settled there by Jan of 2008, within which 102 World Fortune 500 companies have been set up in Chongqing by the end of 2008, including Ford, Kumings, Ericsson, ABB, Honda, Isuzu, BP in manufacturing industry; Wal-Mart, Carrefour, Metro in retail industry; Scotiabank, Po Sang Bank, HSBC, East Asia, Sumitomo Mitsui Banking Corporation, Allied Commercial Bank, etc. in banking industry; Metlife, Yasuda Mutual Life Insurance, Liberty Mutual Insurance, Everbright Life Insurance in insurance industry have established their branches here in Chongqing.

FDI policies in Chongqing

Chongqing may enjoy coastal area policies and Western China development policies; furthermore, it enjoys dedicated policies for Three Gorges Reservoir area development. Based on all supporting policies granted by Central Government to Western China and Chongqing, integrated with its own practice, Chongqing Government has reissued "Policies and

stipulations encouraging foreign investment" and "Beneficial policies on Western China Development in Chongqing" based on policies in the past. Major content of which are:

1. Except for those prohibited by the National law and regulations, the foreign investors and the domestic investors can invest freely in Chongqing area without limitation of field, investment ratio, investment mode, business type and business duration. Both the industry list of foreign investment encouraged by China and the privileged industry list in western region are applicable in Chongqing. The infrastructure, agricultural industrialization and newly industrialized high technology and modern service industry are encouraged in Chongqing.
2. The total foreign investment less than 100 million US Dollars on the encouraged projects and the total investment less than 50 million US Dollars on limited projects are approved by Chongqing Municipal government, and the projects with the total investment which exceeds above limitation should be approval by the central government. On the condition that the investment is conducted by undertaking, renting and sharing or the foreign invested enterprises invest on a new enterprise, if the foreign investment rate exceeds 25%, the enterprises can enjoy the privileges of the foreign funded enterprise. If the foreign investors contribute with advanced technology and the corporation between each party are contracted and reviewed by the technological authorities, the total amount of converting the technology into the capital can exceed 35% of the registered capital. The RMB earned by the foreign invested enterprises are treated as foreign investment when



conducting the reinvestment. The RMB gained from the liquidation, share transfer and other means are also treated as foreign investment when conducting reinvestment.

3. Income Tax:

the production enterprises with foreign investment whose business duration is over 10 years enjoy the Preferential policy of “2 year exemption, 3 year reduction” concerning the income tax, and the national encouraged enterprises pay the income tax at the rate of 15% after reduction by 2010; the high-tech and export enterprises (the export value account for the 70% of the output value, of which the enterprises set up in the North New District, Chongqing Economic Technological Development District, Chongqing University Technological Park and Chongqing Modern Agricultural Development District and the enterprises which the output value of the high-tech products and technological income or the export value exceeds 60% of the gross annual output value) pay the income tax at the rate of 10% after reduction. The foreign investors on advanced technology enjoy the preferential policy of paying the income tax at the rate of 10% within three years after enjoying the “2 year exemption, 3 year reduction” policy on the income tax in accordance with the regulations of China.

How to establish a foreign investment enterprise in Chongqing

- Get the permission by local Industry and Commerce Bureau for the name of the company ahead.

- Approved by the correspondent organization

1 The encouraged and approved Projects with the total investment of below USD100 million located in New North Zone is approved by the local management commission of the Zone.

2 Located in the non-Development Zone, with the total investment of below USD3million, the encouraged and permitted projects is approved by the Foreign Economic and Trade Bureau of Districts and Towns.

3 The encouraged and permitted projects, located in the non-Development Zone, with the total investment of above \$3million, below \$100million, and the restricted projects with total investment of below \$500million are approved by the Foreign Economic and Trade Bureau of Chongqing Municipality.

4 The encouraged and permitted projects with the total investment of above \$100million, and the restricted projects with the total investment of below \$500million are approved by Ministry of Commerce of China.

- To get the Certificate of Organization Code at Quality and Technology Supervision Bureau of Chongqing with the approved document.
- To get the Certificate of Approve at the correspondent organization
- Register at Industry and Commerce Bureau.



TURKISH INDUSTRY AND BUSINESS ASSOCIATION

Resources:

CCPIT Chongqing Sub Council:

<http://www.ccpitcq.org/index.asp>

Chongqing Foreign Trade & Economic Relation Commission

<http://www.ft.cq.cn/>

2008 GDP and Growth Rate of Chinese Provinces

Region	GDP (RMB 1billion)	Growth (%)
Total	30067.00	9.0
North		
Beijing	1048.80	9.0
Tianjin	635.44	16.5
Hebei	1618.86	10.1
Shanxi	700.00	10.0
Inner Mongolia	760.00	17.5
North East		
Liaoning	1102.17	14.5
Jilin	642.40	16.0
Heilongjiang	831.00	11.8
East		
Shanghai	1369.82	9.7
Jiangsu	3002.40	12.5
Zhejiang	2148.69	10.1
Anhui	887.42	12.7
Fujian	1086.30	13.0
Jiangxi	648.03	12.6
Shandong	3107.21	12.1
South East		
Henan	1505.81	14.4
Hubei	1133.00	13.4
Hunan	1115.66	12.8
Guangdong	3569.60	10.1
Guangxi	717.16	12.8
Hainan	146.60	9.8
South West		
Chongqing	509.67	14.3
Sichuan	1250.63	9.5
Guizhou	335.00	10.0
Yunnan	570.01	11.0
Tibet	39.20	10.1
North West		
Shaanxi	685.13	15.6
Gansu	269.92	12.1
Qinghai	96.00	12.5
Ningxia	107.00	12.0
Xinjiang	420.34	11.0

http://cn.chinagate.cn/economics/2009-02/04/content_17225298.htm