CONSULTANCY STUDY ON SOCIAL, ECONOMIC AND POLITICAL DEVELOPMENTS IN PAN-PEARL RIVER DELTA REGION

THIRD MONTHLY REPORT

COVERING FUJIAN, JIANGXI, HUNAN AND HAINAN

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EXECUTIVE SUMMARY

1. During the first half of year 2006, the Mainland economy kept growing rapidly. The growth of investment in fixed assets has been accelerating, the increment of exports returned to a lower position from its peak, the increment of imports has been accelerating significantly, and foreign direct investment has been growing steadily. Overall speaking, the development of the Mainland economy is keeping a good pace. This is favourable to the development of investment cooperation amongst the Pan-PRD provinces/region.

2. According to statistics on openness to foreign investment, dependency ratio of foreign investment, and dependency ratio of foreign trade of the nine Pan-PRD provinces/region in 2005, the Pan-PRD provinces/region have been quite successful in attracting foreign investment and developing foreign trade. However, the ability to attract foreign investment of the four south-eastern provinces (Fujian, Jiangxi, Hunan, Hainan) was a little below the national average. There is much potential for growth.

3. Since the launching of Pan-PRD regional cooperation in June 2004, investment cooperation within the Pan-PRD Region and that between the Pan-PRD Region and its neighbouring countries or regions have never stopped. The development has been satisfactory as a whole. Looking forward, the three foci of investment cooperation involving the four south-eastern provinces are as follows: 1. How to integrate with the "China-ASEAN Free Trade Area"; 2. How to participate in the development of the Economic Zone of the West Coast of the Taiwan Strait; and 3. The flow of Taiwan capital amongst the four south-eastern provinces.

4. During the period of 11th Five-Year Plan, the major task of Fujian would be full development of the Economic Zone of the West Coast of the Taiwan Strait. Looking forward, the integration of Fujian-Taiwan industries, the ways of Fujian in competing for Taiwan capital with other Pan-PRD members, as well as the ways of further strengthened investment cooperation and related issues between Hong Kong and Fujian, would all affect the long-term development of Fujian. In recent years, Taiwan capital is experiencing the trends of "moving northwards, going westwards": the advantage of Fujian is fading. To further absorb Taiwan capital and to protect the interests of existing Taiwan businessmen, Fujian plans to thoroughly strengthen the integration of Fujian-Taiwan industries in 10 major areas during the period of the 11th Five-Year Plan, to realise five preferential policies related to Taiwan, and to promulgate four service measures.

5. Being adjacent to Fujian, and being one of the peripheral provinces of the Economic Zone of the West Coast of the Taiwan Strait, Jiangxi possesses a geographical advantage. The province has been practising wide-opening strategies, receiving industries relocating out of the coastal areas, and strengthening its efforts in attracting Taiwan capital. The competition for Taiwan capital between Jiangxi and Fujian has intensified. Being one of the members of the Pan-PRD cooperative platform, Hong Kong shall monitor the flow of Taiwan capital between Jiangxi and Fujian provinces, and the policies and measures being adopted by these two provinces in attracting Taiwan capital, so as to adjust the strategies for investment cooperation between Hong Kong and other Pan-PRD members.

6. Hunan plans to utilize 10 major industries to lead the future industrial development of the province during the period of the 11th Five-Year Plan. The 10 major industries include three major pillar industries (manufacturing of equipment; steel, iron, and other non-ferrous metals; cigarettes), three major emerging industries (electronic technology, new materials, biological pharmaceutics), and four traditional industries (food processing, petrochemicals, building materials, manufacturing of paper). While accelerating the process of new industrialization to its industries, Hunan is also migrating to the direction of investment promotion.

7. Hainan plans to basically accomplish the reform of state-owned enterprises (SOEs) during the period of 11th Five-Year Plan. The province has proposed the reform directions of "the three majorities", proposing to change the majority of large wholly-owned SOEs into joint-stock companies, to transform the majority of small SOEs into non-state-owned enterprises, as well as to let the majority of inferior SOEs that have been experiencing prolonged deficit and insolvency quit the market. Hong Kong needs to understand and learn the latest development of the reform of Hainan SOEs, examine ways by which Hong Kong enterprises can become the strategic investors of the SOEs of Hainan, participate in the process of "removing the state-own status" of SOEs, and grasp business opportunities.

8. Looking at the overall development of investment cooperation of the nine Pan-PRD provinces/region, Hong Kong is still the major source of foreign capital for the four south-eastern provinces. The cooperation between these four provinces and Hong Kong in investment areas having been keeping a good pace, and many business opportunities exist. However, Hong Kong needs to understand in depth the detailed development of the four south-eastern provinces, so as to minimise any potential threats to Hong Kong. Hong Kong enterprises that are interested in investing in the four south-eastern provinces should seize the business opportunities offered by the development of investment cooperation amongst the Pan-PRD provinces/region. These enterprises should participate in projects on investment cooperation with ASEAN, participate in the development of the Economic Zone of the West Coast of the Taiwan Strait, analyze the reasons for Taiwan capital to "move northwards, go westwards", and pay attention to the movement of high technology enterprises with Taiwan capital.

TOPICAL ANALYSIS

Investment Cooperation in the Pan-PRD: Opportunities and Challenges for Hong Kong

Investment Cooperation in the Pan-Pearl River Delta Region 2

Three Focal Issues for Investment Cooperation in the Four South-eastern Provinces of the Pan-PRD Region 8

Five Integration-related Preferential Policies for Taiwan Investors Implemented by Fujian in 10 Areas 13

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Investment Cooperation in the Pan-Pearl River Delta Region

In the first half of 2006, the Mainland witnessed a fast and steady economic growth, with accelerated growth in investments in fixed assets. Export growth slowed down from its peak, while import growth apparently gained momentum. Foreign direct investments (FDI) maintained moderate growth. Generally speaking, the Mainland economy was healthy, which was beneficial for the development of investment cooperation in the Pan-Pearl River Delta Region (the "Pan-PRD Region").

According to preliminary figures, the gross domestic product (GDP) of the Mainland in the first half of 2006 was RMB9,144.3 billion, representing a year-on-year growth of 10.2%, which was 0.9% greater than that of 2005. During the same period, total investments in fixed assets were RMB4,237.1 billion, representing a year-on-year growth of 29.8%, 4.4% greater than those of 2005. In foreign trade, total imports and exports amounted to US$795.7 billion, with a year-on-year increase of 23.4%, 0.2% greater than those of 2005. This consisted of US$428.6 billion worth of exports (growth of 25.2%, down by 7.5%) and US$367.1 billion worth of imports (21.3% growth, an increase of 7.3%).[1]

FDI in the Mainland Continued to Grow

In recent years, the Mainland has become a hotspot for foreign investments, with remarkable growth in the number, contract value and actual utilized amount of FDI projects.

During the 10 years from 1996 to 2005, there was an average of 29 363 FDI projects each year, with a total FDI contract value of US$89 billion and an actual utilized amount of US$50.2 billion (see **Table 1**). In 2005, the number of FDI projects saw a record high in 10 years, reaching 44 001 projects with a total contract value of US$189.1 billion and actual utilized amount of US$60.3 billion, representing a year-on-year increase of 0.77% and 23.19%, and a decrease of 0.51% respectively (see **Figure 1**). In the first half of 2006, the total FDI contract value was US$88.5 billion, representing a growth of 2.7% year-on-year; the actual utilized amount was US$28.4 billion, down by 0.5%.[2]

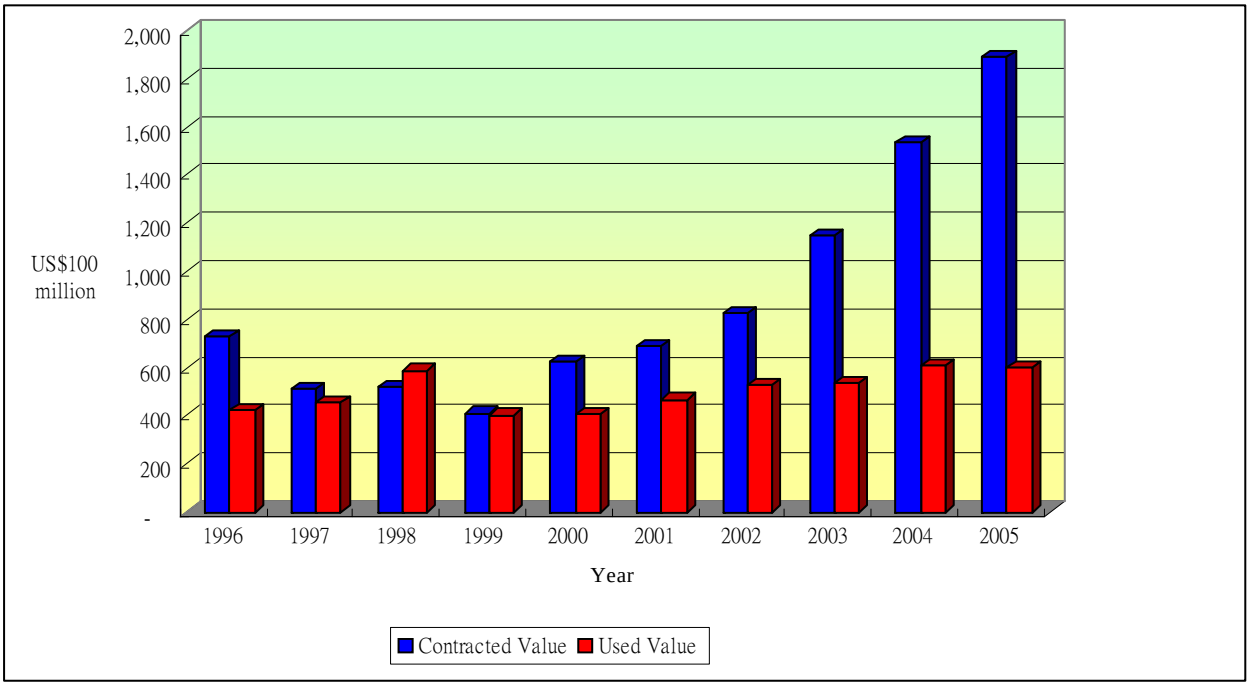
1. Source: National Bureau of Statistics of China.
2. Source: National Bureau of Statistics of China.

Table 1: FDI Trend in the Mainland (1996-2005)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Average
Number of Projects of FDI（Unit）	24,556	21,001	19,799	16,918	22,347	26,139	34,120	41,081	43,664	44,001	29,363
Contracted Value（US$ billion）	73.3	51.0	52.1	41.2	62.9	69.2	82.8	115.2	153.5	189.1	89.0
Used Value（US$ billion）	42.4	45.3	58.9	40.4	40.7	46.8	52.7	53.5	60.6	60.3	50.2

Source: Data are from National Bureau of Statistics of China published in relevant years.

Figure 1: Trends in Contract Value and Actual Utilized Amount of FDI Contracts in the



Mainland (1996-2005)

Source: Data are from National Bureau of Statistics of China published in relevant years.

Expansion Possible for Foreign Investments in the Pan-PRD Provinces/Region

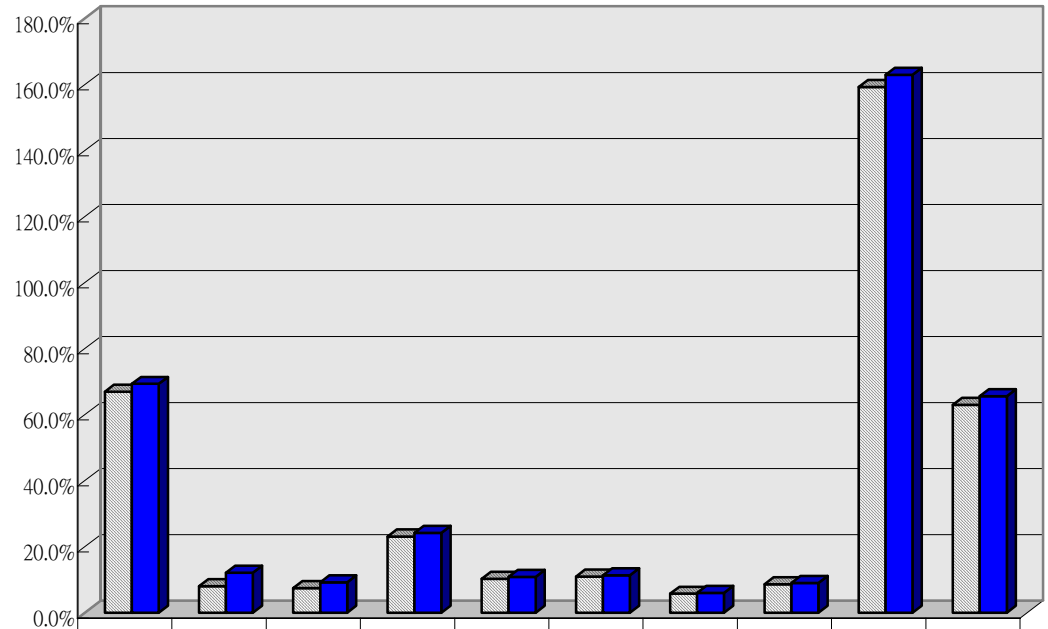
Reliance on Foreign Investments of the Pan-PRD Provinces/Region

According to the 2005 statistics on the Openness, Reliance on Foreign Investments and Reliance on Foreign Trade of the Pan-PRD Region[3], the nine Pan-PRD provinces/region were performing well in terms of openness and foreign trade. However, they were still below the national average in attracting foreign investments, such that further expansion was possible. Among the Four South-eastern Provinces (Fujian, Jiangxi, Hunan and Hainan), Jiangxi showed the highest reliance on foreign investments, followed by Fujian.

In respect of foreign trade, the reliance on foreign trade of the nine Pan-PRD provinces/region was 73.4% in 2005, which was higher than the national average of 63%, reflecting a sound development of the nine provinces in terms of import and export trade (see **Figure 2)**. According to statistics, the Four South-eastern Provinces showed a stronger performance in terms of import and export trade than the Four South-western Provinces (Guangxi, Yunnan, Guizhou and Sichuan). Among the Four South-eastern Provinces, there was better development in Fujian and Jiangxi, where reliance on foreign trade was 67% and 23.1% respectively, but Jiangxi, Hunan and Hainan were below the national average of 63%, showing that there was still room for further development.

3. "Openness" is an indicator of the degree of reliance of an economy on the international market and foreign investments. It is the sum of "Reliance on Foreign Trade" and "Reliance on Foreign Investments". "Reliance on Foreign Investments" refers to the ratio of actual utilized foreign investments of a country or region to its GDP. It is one of the indicators of the level of reliance on foreign investments of the country or region. "Reliance on Foreign Trade" refers to the ratio of the total foreign trade volume of a country or region to its GDP. It is one of the indicators of the level of reliance of the country or region on the international market. (Source: National Bureau of Statistics of China)

Figure 2: Reliance on Foreign Trade and Openness of the Nine Pan-PRD Provinces/Region

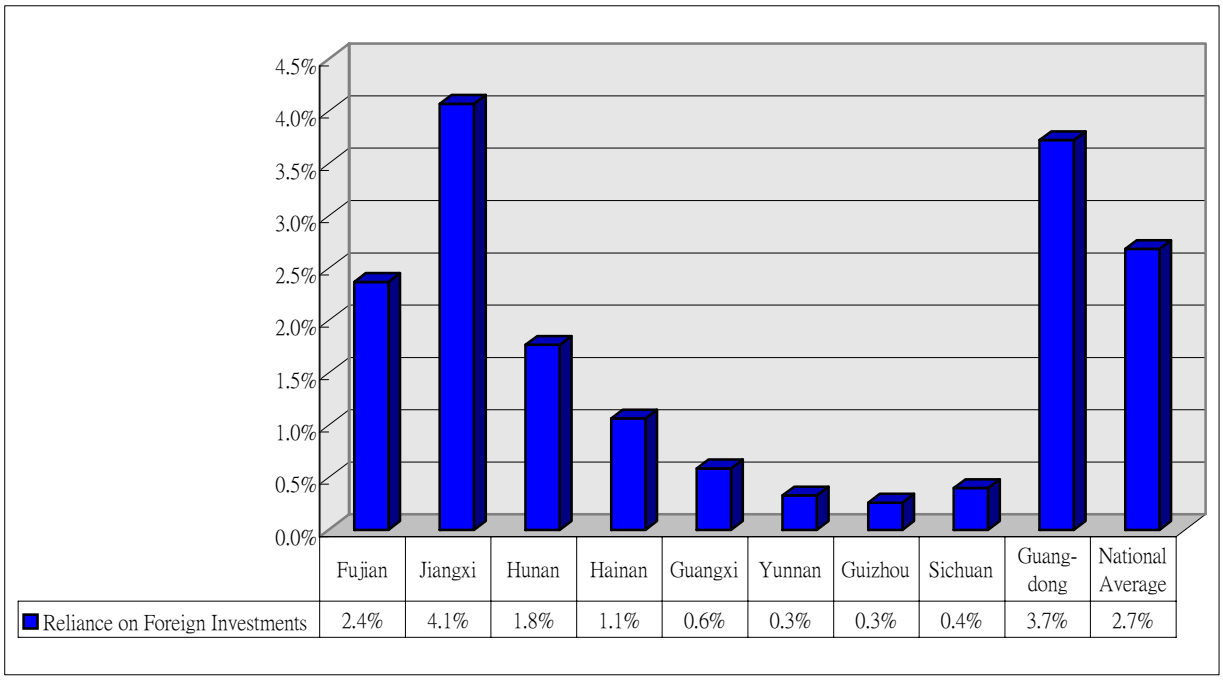


	Fujian	Jiangxi	Hunan	Hainan	Guangxi	Yunnan	Guizhou	Sichuan	Guang-dong	National Average
Reliance on Foreign Trade	67.0%	8.1%	7.5%	23.1%	10.3%	11.0%	5.8%	8.6%	159.3%	63.0%
Level of Openness	69.4%	12.2%	9.3%	24.2%	10.9%	11.4%	6.1%	9.0%	163.0%	65.7%

Sources: National Bureau of Statistics of China and China Statistical Yearbooks.

In respect of foreign investments, the actual utilized FDI in the Pan-PRD Region amounted to US$16.38 billion in 2005, which accounted for 27% of the national total of US$60.63 billion. In the same year, the reliance on foreign investments of the Pan-PRD Region was 2.3%, which was lower than the national average of 2.7% (see **Figure 3**). Among the provinces, the reliance on foreign investments of Jiangxi was 4.1%, exceeding the national average, while that of Fujian, Hunan and Hainan was 2.4%, 1.8% and 1.1% respectively, being lower than the national average. This reflected the room for further development in the utilisation of foreign investments in these three provinces. Nevertheless, the capacity of the Four South-eastern Provinces in utilising foreign capital was still far better than their counterparts in the Southwest, with an average reliance on foreign investments of 2.5%, nearly six times higher than the latter (0.4%).

Figure 3: Reliance on Foreign Investments of the Nine Pan-PRD Provinces/Region 2005



	Fujian	Jiangxi	Hunan	Hainan	Guangxi	Yunnan	Guizhou	Sichuan	Guang-dong	National Average
Reliance on Foreign Investments	2.4%	4.1%	1.8%	1.1%	0.6%	0.3%	0.3%	0.4%	3.7%	2.7%

Sources: National Bureau of Statistics of China and China Statistical Yearbooks.

FDI in the Four South-Eastern Provinces of the Pan-PRD Region

In the five years from 2001 to 2005, the total FDI contract value in the Four South-eastern Provinces reached US$108.28 billion (57.3% of the national value), with an actual utilized amount of US$76.58 billion and a fully funded ratio[4] of 70.7%. During the same period, the average FDI contract value in these four provinces was US$57.5 billion, with an average actual utilized amount of US$41.1 billion (see **Table 2**) and a fully funded ratio of 71.5%. The statistics show that among the Four South-eastern Provinces, Fujian and Hainan performed better in attracting FDI, and the amount of actual utilized foreign investments of Fujian was the highest for a number of years.

4. "Fully Funded Ratio" is the percentage of the Actual Utilized FDI Amount divided by the FDI Contract Amount.

Table 2: FDI Trend in the Four South-Eastern Provinces of the Pan-PRD Region (2001-2005)

Region	2001			2002			2003			2004			2005			Average		
	Cont-racted Value	Used Value	Fully Fund-ed Ratio	Cont-racted Value	Used Value	Fully Fund-ed Ratio	Cont-racted Value	Used Value	Fully Fund-ed Ratio	Cont-racted Value	Used Value	Fully Fund-ed Ratio	Cont-rated Value	Used Value	Fully Fund-ed Ratio	Cont-rated Value	Used Value	Fully Fund-ed Ratio
Fujian	50.1	39.2	78.3	69.4	42.5	61.2	47.7	40.8	85.4	75.4	53.2	70.5	85.6	62.3	72.8	328.2	237.9	72.5
Jiangxi	5.3	4.0	75.2	15.3	10.9	70.9	23.3	16.1	69.2	31.1	20.5	65.9	38.8	24.2	62.4	113.8	75.7	66.5
Hunan	9.5	8.1	85.0	13.1	10.3	78.6	20.8	14.9	71.8	26.1	14.2	54.4	42.4	20.7	48.9	111.9	68.2	61.0
Hainan	1.5	4.7	307.3	2.3	5.1	221.6	2.9	5.8	199.0	7.0	6.4	91.5	6.8	7.1	103.4	20.6	29.1	141.1
Four South-eastern Provinces（Total）	66.4	55.9	84.2	100.2	68.8	68.7	94.7	77.6	81.9	139.7	94.3	67.5	173.6	114.3	65.8	574.6	410.9	71.5

Notes: 1. The units of contracted value and used value are US$100 million and the unit of fully funded ratio is %.
2. Fully funded ratio (used value divided by contracted value).

Source: Data are from National Bureau of Statistics of China published in relevant years.

Three Focal Issues for Investment Cooperation in the Four South-eastern Provinces of the Pan-PRD Region

Since the beginning of the Pan-Pearl River Delta Regional Cooperation in June 2004, there has been continuous and close investment cooperation within the Pan-PRD Region and with neighbouring countries or regions, and development has been satisfactory in general. In the future, the focus of investment cooperation in the Four South-eastern Provinces will be on three issues: 1. Integration with the China-ASEAN Free Trade Area (中國—東盟自由貿易區); 2. Further participation in the establishment of the Economic Zone on the West Coast of the Taiwan Strait; and 3. The Movement of Taiwan investments in the Four South-eastern Provinces.

Integration with the China-ASEAN Free Trade Area

The China-ASEAN Free Trade Area, which is due to be established by 2010, will be the first international free trade area that China has participated in establishing, and it is hoped that it will become the third largest free trade area in the world.[5] Geographically, the nine Pan-PRD provinces/region (Guangxi, in particular) are situated at the junction between China and the ASEAN countries, so they will act as an important bridge between China and the 10 ASEAN countries in their economic dealings and cooperation.

In the future, whether the Pan-PRD Region and ASEAN can create a win-win situation depends on whether the two entities can complement each other in terms of natural resources, fully leveraging their unique stair-shaped distribution of industries and trade cooperation between different industries.[6] Although there is competition between the Pan-PRD Region and ASEAN in various aspects, such as industrial development, foreign trade development and in attracting foreign investments, etc., the two entities are also highly complementary with each other as they possess different characteristics in terms of natural resources, industry structures and industrial and agricultural products, etc., all of which means enormous potential for investment cooperation. The integration between the Four South-eastern Provinces and ASEAN is relevant not only to the long-term development of the Pan-PRD Region but also in respect of business opportunities for Hong Kong.

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5. On 4 November 2002, China and the 10 ASEAN countries signed the *Framework Agreement on Comprehensive Economic Co-operation between PRC and ASEAN* (中國與東盟全面經濟合作框架協議) and decided to set up the China-ASEAN Free Trade Area by 2010. This trade area will be the world's third largest free trade area after the North America Free Trade Area and the European Union. On 1 July 2005, the tax reduction phase of the China-ASEAN Free Trade Area officially began for more than 7 000 types of common products, most of which will be reduced to zero tariff within five years. The 10 ASEAN countries include Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.
6. *International Business Daily*, 20 June 2006.

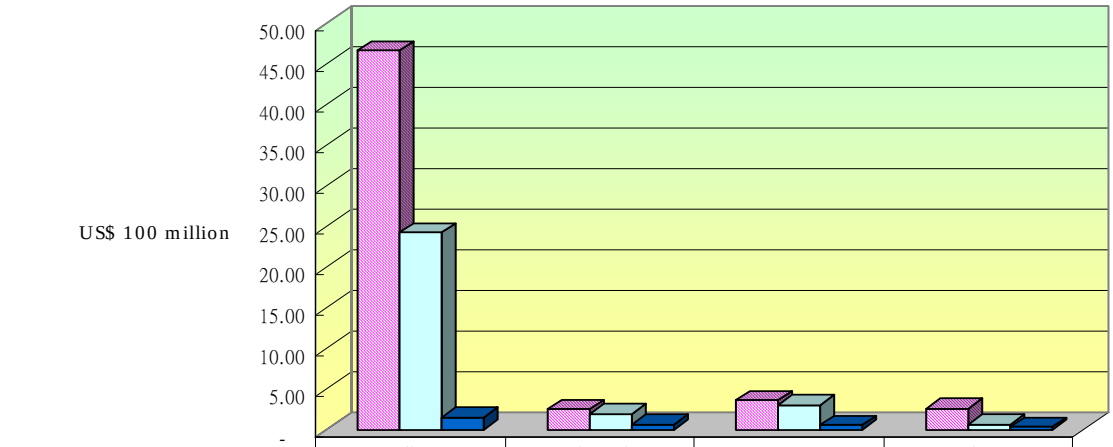
Initial estimates suggest that there will be 1.8 billion consumers in the China-ASEAN Free Trade Area, with a GDP of over US$3,000 billion and a total trade volume of over US$2,500 billion. It is expected that after the establishment of the free trade area, China's exports to ASEAN will increase by US$10.6 billion (up by 55%), while ASEAN's exports to China will increase by US$13 billion (up by 48%), creating a win-win situation.[7] According to the statistics of the Ministry of Commerce of China, bilateral trade between China and ASEAN countries reached US$105.9 billion in 2004, with ASEAN fast becoming the fourth biggest trade partner of China. In January 2006, bilateral trade reached US$8.8 billion, a year-on-year growth of 37.4%.

In respect of commerce and trade, there have been increasing interactions between the Pan-PRD Region and ASEAN countries. According to the statistics of China Customs, during the period from January to April 2006, the volume of import and export between the nine Pan-PRD provinces/region and ASEAN countries reached US$15.91 billion (up by 18.5% year-on-year), which accounted for 33.8% of the whole country's trade volume with ASEAN countries. The figure consisted of US$6.14 billion worth of exports to ASEAN (up by 28.7%) and US$9.77 billion worth of imports from ASEAN (up by 12.9%).

In 2005, the total trade volume between the Four South-eastern Provinces and ASEAN countries was US$5.532 billion, which accounted for 12.0% of that of the nine Pan-PRD provinces/region (US$46.246 billion). Among them, Fujian had the largest trade volume with ASEAN, which was US$4.655 billion, and those of Jiangxi, Hunan and Hainan were US$250 million, US$363 million and US$264 million respectively (see **Figure 4**).

7. Source: China-ASEAN Association website (URL: http://www.chinaasean.org/).

Figure 4: Trade and Investment Trends between the Four South-Eastern Provinces and ASEAN



	Fujian	Jiangxi	Hunan	Hainan
Trade Vol. with ASEAN in 2005	46.55	2.50	3.63	2.64
Exports to ASEAN in 2005	24.28	2.00	3.08	0.70
ASEAN Investments in 2005	1.55	0.68	0.56	0.31

Provinces

Source: Nine Provinces/Region and ASEAN, Cooperation Statistics Table, Pan-PRD Cooperation Website, accessed on 11 July 2006.

Further Participation in the Establishment of the Economic Zone on the West Coast of the Taiwan Strait

As far as Fujian is concerned, the 11th Five-Year Plan period is a critical period to facilitate the establishment of the Economic Zone on the West Coast of the Taiwan Strait (the "Economic Zone").[8] Fujian will play a crucial role in the establishment of the Economic Zone and will shoulder greater responsibilities than the other Pan-PRD members. The establishment of the Economic Zone is relevant for the long-term development within the region, including Taiwan, as well as that of the Pan-PRD Region. Therefore, Jiangxi, Hunan, Hainan and Hong Kong must proactively participate in the establishment of the Economic Zone and seize the opportunities for investment cooperation.

8. The Economic Zone on the West Coast of the Taiwan Strait refers to the regional economic cooperation body along the coast west of the Taiwan Strait, stretching from Fujian to peripheral areas. It connects the Pearl River Delta in the South, the Yangtze River Delta in the North, Taiwan in the East, and the vast inland area of Jiangxi in the West. With its centre in Fujian, the economic zone covers part of Zhejiang, Guangdong and Jiangxi, with a population of 60 to 80 million and an expected scale of economy of over RMB1,700 billion per year after completion. (Source: Economic Zone on the West Coast of the Taiwan Strait website: http://www.hxxa.gov.cn/)

According to the *Outline of the Establishment of the Economic Zone on the West Coast of the Taiwan Strait (Trial)* (海峽西岸經濟區建設綱要（試行）), the overall goals and missions of the Economic Zone are to "open to the outside world, coordinate development and achieve general prosperity". Major missions include the establishment of nine supporting systems[9] while optimising different industries for wider coverage and greater potential. According to the *Planning Outline for the National Economic and Social Development of Fujian during the 11th Five-Year Plan* (福建省國民經濟和社會發展第十一個五年規劃綱要), it is expected that during the coming five years, Fujian will achieve an average annual actual utilized foreign investment of over US$5 billion (on a comparable basis) and an average annual growth of 10% in gross foreign imports and exports, including an average annual growth of 12% in exports. Whether and how Fujian can achieve these targets would highly affect the development of the Economic Zone, and will have a significant impact on the other Pan-PRD members.

The Movement of Taiwan Investment in the Four South-Eastern Provinces

Statistics show that the focus of Taiwan investors in the Mainland is shifting from south-eastern Fujian, the PRD area, the Yangtze River Delta ("YRD") area and the Bohai Bay rim to the central-western regions.[10] In terms of industry types, in recent years, many Taiwan high-technology enterprises in the information industry have started moving into inland areas, which have become hotspots for Taiwan investors. Of the nine Pan-PRD provinces/region, the Four South-eastern Provinces, particularly Fujian and Jiangxi, are geographically closer to Taiwan. The two provinces are both proactively attracting investors from Taiwan, so there is a peculiar relationship between the two as they are both competitors and partners.

Despite the fact that the number of Taiwan investment projects in the Mainland has dropped slightly in recent years, the contract value has been on the rise and the average investment amount per project has continued to grow. According to statistics of the Ministry of Commerce of China, 3 907 Taiwan investment projects in the Mainland were approved in 2005, with a total Taiwan investment contract value of US$10.36 billion and an actual utilized Taiwan investment of US$2.15 billion. As at the end of 2005, there were 68 533 Taiwan investment projects in the Mainland, with a total contract value of US$90.293 billion and an actual investment of US$41.775 billion (see **Table 3**).

9. The nine supporting systems for the establishment of the Economic Zone on the West Coast of the Taiwan Strait include: a competitive industries support system; a modernised infrastructure support system; a coordinative town planning support system; a people-oriented social development support system; an external-driven opening-up support system; a mutual beneficial all-win collaboration support system; a sustainable ecology support system; a secure and reliable disaster prevention and mitigation support system, and a harmonious social management and co-ordination services support system.
10. *International Finance News*, 20 April 2006.

Table 3: Trend of Taiwan Investments in the Mainland (2000-2005)

Year	Investment Projects （Units）	Contract Value （US$ million）	Contract Value/Project （US$ million）	Actual Utilized Investment （US$ million）
2000	3,108	4,042	1.30	2,296
2001	4,214	6,914	1.64	2,980
2002	4,853	6,741	1.39	3,971
2003	4,495	8,558	1.90	3,377
2004	4,002	9,306	2.33	3,117
2005	3,907	10,358	2.65	2,152
Accumulated to Year 2005	68,533	90,293	1.32	41,775

Source: Ministry of Commerce of the People's Republic of China, website: http://www.mofcom.gov.cn.

The Shifting Focus of Taiwan Investments

Fujian used to be one of the investment hotspots for Taiwan enterprises, but it is facing a crisis of declining Taiwan investment over the recent years. The percentage of Taiwan investments in Fujian against the total Taiwan investments in China has decreased gradually from 70% at the beginning of China's reform and opening-up to about 10% at present. In the early days, Taiwan businessmen chose to invest in Fujian mainly due to its geographic and language proximity and the anticipation of the "Three Links" (i.e., the opening up of trade relations, transportation and postal communications between Taiwan and the Mainland). As Taiwan investors realised that the "Three Links" were unlikely to be implemented in the near future, they began to move their high-technology enterprises to Shanghai and Suzhou from 1995 onwards.[11]

Taiwan investors in the Mainland are undergoing another wave of "major relocation" to divert and shift their investment from the coastal areas to the inland. There are two directions for this "relocation": one to the "outer suburbs of the coastal areas", such as Qingyuan and Zhaoqing in the Guangdong Province; the other to the central-western regions or north-eastern inland areas, such as Nanchang, Zhengzhou and Wuhan, etc.[12] There are three reasons for the "relocation": 1. While more and more coastal cities are lifting their preferential policies for Taiwan investors, inland cities are offering incentives to attract foreign investors; 2. In recent years, there has been a serious shortage of electricity, labour and raw materials in the coastal areas, while resources are relatively sufficient in inland areas; and 3. Wages in inland areas are lower than those in the coastal regions.

11. *First Financial Daily*, 10 April 2006.
12. *Xinhua Daily Telegraph*, 16 November 2005.

Five Integration-related Preferential Policies for Taiwan Investors Implemented by Fujian in 10 Areas

One of the major tasks of Fujian in the 11th Five-Year Plan is to fully facilitate the establishment of the Economic Zone on the West Coast of the Taiwan Strait. In the course of its establishment, many investment opportunities will be available to Fujian and its neighbouring provinces, especially other Pan-PRD members.

Due to its geographical location, Fujian has been an investment hotspot favoured by Taiwan investors. In the future, the long-term development of Fujian will depend on how Fujian and Taiwan industries integrate with each other, how Fujian competes with other Pan-PRD members for Taiwan investments, and how Hong Kong investors will seek further investment cooperation in Fujian.

In order to attract more investors from the other side of the Strait and to protect the interests of existing Taiwan investors, the Fujian Provincial Government passed the *Dedicated Planning of Fujian Province for the Industrial Integration between Fujian and Taiwan during the 11th Five-Year Plan Period* (福建省「十一五」閩台產業對接專項規劃) in July 2006, under which integration between Fujian and Taiwan industries will be strengthened in 10 key trades and industries during the five years, further implementing the five preferential policies for Taiwan investments and introducing four service initiatives.

Foreign Investments in Fujian and their Features

In 2005, the value of foreign investment contracts in Fujian reached US$8.557 billion, and the actual paid-up foreign investment reached US$6.23 billion, a year-on-year growth of 13.4% and 17.2% respectively.[13] Generally speaking, FDI in Fujian share three common characteristics:

(a) The capital shares common sources. Hong Kong and Taiwan have provided the largest and the third largest amount of capital respectively, while investments from ASEAN are also becoming more significant. In 2005, the top five countries/regions by the value of foreign investment contracts in Fujian were Hong Kong, the British Virgin Islands, Taiwan, Southeast Asia and the United States, which accounted for 48.2%, 12.9%, 9.2%, 7.5% and 4.3% respectively, in total accounting for 82.1% of total FDI in the province. The foreign investment contract value and actual paid-up investment from ASEAN countries surged quickly by 16.8% and 35.3% respectively.

(b) Foreign investments focus mostly on the secondary industries. In 2005, the foreign investment contract value and actual paid-up investment in the secondary industries in Fujian were US$4.685 billion and US$2.034 billion respectively, accounting for 78.6% and 78% of the aggregated amount in Fujian, an increase of 9.7% and 20.5% respectively.

13. National Bureau of Statistics of China.

(c) The coastal areas in Fujian have maintained their competitive edge in attracting foreign investments and remain as the major driving force of foreign investments in Fujian. In 2005, new contracts signed by Fuzhou, Xiamen, Zhangzhou and Quanzhou involved a total foreign investment of US$4.858 billion and an actual paid-up investment of US$2.367 billion, which were higher by 5.2% and 15.9% respectively, accounting for 81.6% and 90.8% of the aggregated amount in the provinces respectively. By comparison, mountainous areas are less attractive for foreign investments, yet there is potential for development.

Primary, Secondary and Tertiary Industries

According to international practice, industries are grouped into three categories, namely, primary, secondary and tertiary. Primary industries refer to agriculture, mining, forestry, hunting and fishing, etc. Secondary industries refer to manufacturing, generation and supply of power, gas and water, and construction. Tertiary industries refer to industries other than primary and secondary industries, such as transportation, warehousing and postal service, information and communications, computer services and software, wholesale and retail, hotel and catering, finance, real estate, lease and commercial services, science research, technology services, geological survey, water conservancy, environmental and public facilities management, resident services and other service industries, education, healthcare, social security and social welfare, culture, sports and entertainment, public administration and social organisations, and international organisations. This categorisation was first introduced by A. G. B. Fischer, a British economist and professor at the University of Otago, New Zealand.

Taiwan Investments in Fujian

In 2005, the value of newly signed Taiwan investment contracts in Fujian amounted to US$546 million, which had increased by 54.4%, higher than the average growth of the whole province of 43.5%. It accounted for 9.2% of the province's total foreign investment contract value, an increase of 2.6% from 6.6% in 2004. In 2005, the actual paid-up Taiwan investment reached US$216 million, representing growth of 13.4%.[14]

14. National Bureau of Statistics of China.

In addition, the scale of Taiwan investment projects was also expanding. In 2005, the scale of Taiwan investment projects in Fujian rose from US$845,300 in the preceding year to US$1,432,100. Some 27 new projects of over US$10 million were approved, which was three projects more than the previous year, an increase of 12.5%. The total value of Taiwan investment contracts was US$226 million, an increase of 4.4%. Large-scale projects such as Shield (稀爾特實業), U Young Appliance Manufacturing (Xiamen) Co. Ltd. (尤揚電器製造（廈門）有限公司) and Kaikou Golf (凱歌高爾夫) had helped in expanding the scale of Taiwan investments and optimising industry structure.

Among the cities in Fujian, Haicang, Xinglin and Jimei, which were three Taiwan investment areas in Xiamen, had achieved good development. Xiamen even became the distribution centre of fruits from Taiwan. In 2005, there were 129 newly approved Taiwan investment projects in Xiamen, with a total Taiwan investment contract value of US$490 million (up by 33.8% year-on-year). Among these projects, 24 were worth over US$10 million. The average contract value of large-scale investment projects increased by 29% compared with the previous year. During the year, there were 67 Taiwan investment expansion projects, which was 110% of the previous year. Benefiting from preferential tax rate (zero tariff) on fruits that originated from Taiwan,[15] the transit of imported Taiwan fruits in Xiamen showed a record high, with a total of 32 shipments of imported fruits during the year, of a weight of 207 tonnes and a value of US$182,000, 70% of which were transferred to other inland cities.[16]

Strengthened Integration between Fujian and Taiwan Industries in 10 Key Sectors

During the 11th Five-Year Plan period, Fujian intends to strengthen the integration between its own industries and Taiwan industries in 10 key sectors and industries based on the characteristics of dominant industries in Taiwan, and Fujian's own direction for industrial development (see **Table 4**).

Table 4: 10 Key Sectors and Industries for Integration between Fujian and Taiwan during the 11th Five-Year Plan Period

Item	The Major Content of Sectors/Industries
1	Information technology industry: computer and network, digital video, mobile communications, automotive electronics, integrated circuit, optoelectronics
2	Machinery industry: electrical appliance, shipbuilding, automobile and parts, industrial machinery
3	Petrochemical industry: fine and special chemicals, rubber manufacturing
4	Textiles and shoe making: synthetic fibre, cotton, dyeing, shoe making

15. From 1 Aug 2005, zero tariff is imposed on 15 Taiwan fruits, including betel nut, star fruit, papaya, bell fruit, pineapple, mango, guava, shaddock, etc. From 1 May 2006, the variety of Taiwan fruits permitted to import into the Mainland has been increased to 22. (Source: Fujian Provincial Government website)
16. Fujian Provincial Bureau of Statistics.

Table 4 (cont'd)

Item	The Major Content of Sectors/Industries
5	Food industry: fruit and vegetable, aquatic products, poultry processing and tea making
6	Metallurgy industry: iron and steel, non-ferrous metal industry
7	Building materials industry: cement, ceramics, stone industry
8	High-tech industry: new materials, environmental friendly product, bio-medical and pharmaceuticals, and technology research and development platform
9	Logistics industry: modern logistics, agricultural products trading platform, professional logistics centre
10	Financial services industry: banking, insurance, securities, venture investment and currency exchange business

Five Preferential Policies for Taiwan Investors Further Implemented by Fujian

As agreed between Fujian and Taiwan industries, Fujian will further implement the existing five preferential policies and measures in connection with Taiwan trade and commerce, which can be summarised as follows:

(a) Continued income tax concession policy. Taiwan manufacturing enterprises that have been in operation for more than 10 years are entitled to tax exemption for two years from their first profit-making year and a 50% income tax concession in the following three years. High-technology enterprises will enjoy a 50% income tax concession for a further three years. In the case of Taiwan enterprises which implement a technological reform and manufacture high-technology products in accordance with the State's industrial policy, they are entitled to an income tax deduction on any equipment procured which is made in China. Newly established software enterprises, once approved, are entitled to tax exemption for the first two years from their first profit-making year.

(b) Import and export tax concessions for encouraged projects. In the case of Taiwan enterprises which export products that are manufactured and processed from raw materials procured in the Mainland, they continue to enjoy export tax rebates or exemptions according to relevant rules set out in the product catalogues. Taiwan enterprises in the Encouraged Categories, meanwhile, are entitled to a full rebate of value-added tax on equipment that is procured within the total approved tax-rebatable investment amount, provided that the equipment is made in China and comes under the import tax-free category.

(c) Support for Taiwan enterprises in expanding production scales and transferring technological results. Taiwan enterprises are supported to participate in the state-owned enterprises reform in Fujian through merger and acquisition, acquiring controlling interests, equity participation, etc. Taiwan enterprises, tertiary institutes and research institutes are encouraged to establish research and development facilities in Fujian, and they can also enjoy the Government's preferential policies for technological innovations. Integrated enterprises are also supported to implement integration initiatives for technological results and to create famous brand names. Projects for the transfer of results and the acquisition of famous names, trade names and famous brands will receive subsidies and incentives, as is the case with domestic companies.

(d) Higher priority in the provision of land for integration projects. For industry integration projects that are in line with the State's industrial policies, provincial industrial planning, overall land use planning and urban-rural development planning, and for land required for infrastructures such as water supply, electricity and roads, etc., priority is given to the land concerned to be listed in the land use year plan, and land provision is assured for the project. The land and resources authorities will assist these projects in the pre-approval and approval of land use.

(e) Strengthened financial support. Taiwan enterprises may apply for loans from commercial banks for projects in the Encouraged Categories under the State's industrial policy, and financial institutions should give priority to approving and releasing loans with appropriate interest rate concessions. Taiwan financial enterprises are encouraged to incorporate and set up subsidiaries in Fujian. Support is also provided for Taiwan financial enterprises and large syndicates to acquire equity in Fujian's financial firms, or directly or indirectly set up joint venture banks, insurance companies and securities firms. The establishment of Taiwan surety bodies in Fujian for Taiwan small- and medium-sized enterprises ("SMEs") is also encouraged in order to expand the channels for bringing Taiwan funds to Fujian.

Four Service Initiatives Provided by Fujian for Taiwan Investors

In addition to the above, Fujian also provides express customs clearance services for Taiwan enterprises. For example, enterprises can file import declarations to the customs authority in their place of domicile for clearance at the destination port. Other measures include assurance to Taiwan enterprises of utility services required for production and operation, namely, labour, water, electricity and transportation. The requirements in respect of simplified, concessionary and preferential charges on Taiwan enterprises should be strictly observed.

Jiangxi Strives for Taiwan Investors

Due to its geographical location, Fujian has been a major area for Taiwan investments in the past. However, in recent years, there has been a tendency for Taiwan investments to shift to the North and the West such that Fujian has begun losing its advantages. Jiangxi, which is adjacent to Fujian, is one of the provinces surrounding the Economic Zone on the West Coast of the Taiwan Strait. As Jiangxi is only second to Fujian in terms of geographical proximity to Taiwan, with its opening-up strategy in recent years to gradient transfer of industries in the coastal areas, Jiangxi has become more attractive to Taiwan investors. The competition between Jiangxi and Fujian for Taiwan investments has become more and more intense.

As a member of the Pan-PRD cooperation framework, Hong Kong needs to monitor the movement of Taiwan investments in Jiangxi and Fujian, and the policies introduced and measures taken by the two provinces in attracting Taiwan investments, with a view to adjusting its own strategies in investment cooperation with other Pan-PRD members.

Foreign Investments in Jiangxi

In recent years, Jiangxi has seen a surge in its utilisation of paid-up foreign funds. From January to May 2006, of the investments in fixed assets in Jiangxi, RMB3.61 billion came from foreign investments, which was a year-on-year growth of 121.2%. The amount of FDI was RMB3.396 billion, a year-on-year growth of 123.7%. There were 35 foreign investment construction projects involving over RMB100 million. Some of these even saw an investment of over RMB500 million, such as Jingyuan Phase I (晶園一期), Trilec International Finance Building (泰耐克國際金融大廈), Alpha Biosciences (阿爾法生物科技), New Era High-Tech Energy (新時代高新能源), and the copper pipes and 6 000-tonne copper foils project of Jiangtong Copper Tube (江銅銅管).[17]

In 2005, 940 new foreign investment projects were approved in Jiangxi, 79 of which were large-scale projects with a foreign investment contract value of over US$10 million, which was an increase of 23 projects, or 41%, from the previous year. The total contract value was US$3.88 billion, up by 24.5%, and the actual utilized FDI was US$2.42 billion, up by 18.0%.

17. Jiangxi Provincial Bureau of Statistics.

Hong Kong and Taiwan Investments in Jiangxi

Statistics show that Hong Kong and Taiwan have remained to be the major sources of foreign investments in Jiangxi. In 2005, the number of Hong Kong investment projects in Jiangxi was four times that of Taiwan. There were 537 new Hong Kong investment projects approved in 2005, accounting for 57.1% of all projects, with a foreign investment contract value of US$2.15 billion and an actual utilized foreign investment of US$1.44 billion, which accounted for 55.6% and 57.5% of projects in the province respectively. In 2005, the value of exports from Jiangxi to Hong Kong was over US$400 million, being 16.49% of the province's total exports.[18] By comparison, 131 Taiwan investment projects were approved in the same year, with a total foreign investment contract value of US$317 million and an actual utilized foreign investment of US$216 million, representing 8.2% and 8.6% of projects in the province respectively.

Nanchang Making Its Appeal to Taiwan Investors

Since 2004, Jiangxi has been proactively making its way onto the stage of regional cooperation with the vision of "integrating with YRD, PRD and Fujian towards globalisation" to tie in with the gradient transfer of industries in the coastal areas. It has introduced policies and measures, such as the *Nanchang Investment Environment Optimisation Regulations* (南昌市優化投資環境條例), to lure investors from Taiwan and has achieved major breakthroughs in winning Taiwan investments. Among its cities, Nanchang has the most unique geographical advantages and has the strongest appeal to Taiwan investors.

Geographically, Nanchang is the only provincial capital city which is adjacent to YRD, PRD and the South-eastern Fujian Triangular Economic Zone. It enjoys unique geographical advantages due to its close connections with Guangdong, Fujian and Zhejiang, far extension to Hong Kong, Macao and Taiwan, direct access to the Yangtze River, and proximity to Shanghai. In recent years, Nanchang's utilisation of foreign paid-up investments has been growing at a fast pace. From January to May 2006, of the investments in fixed assets in Nanchang, RMB1.436 million came from foreign investments, representing a four-fold growth.

18. *Jiangxi Daily*, 5 June 2006.

According to the Taiwan Affairs Office of the Jiangxi Provincial Government (江西省政府台灣事務辦公室), Taiwan investments in Jiangxi have experienced a surge over the recent years. As at the end of 2005, there were an accumulative 1,700 approved direct and indirect Taiwan investment projects, with a total Taiwan investment contract value of US$4.3 billion and an actual utilized Taiwan investment of US$1.7 billion. Among the registered Taiwan enterprises in Jiangxi, 39 had an investment contract value of over US$10 million, and four had over US$100 million. To cater for long-term developments and to attract more Taiwan investors, the Yingxiong Development Zone (英雄開發) in Nanchang intends to invest RMB300 million to construct a 3 000-*mu* industrial park for Taiwan investment. It is expected that Taiwan investments in Jiangxi, particularly in Nanchang, will continue to expand.

Changes in Industrial Development in Nanchang

Over recent years, Nanchang has been proactively integrating with YRD, PRD and Fujian, moving towards globalisation and optimising the investment environment. It has created the "Four Bests" (lowest investment costs, best efficiency, best reputation and fastest return) and targeted large enterprises and projects, to tie in with the gradient transfer of industries in the coastal areas and overseas. Some of the world's Top 500 and China's Top 200 companies, such as Microsoft, Shenzhen Fangda (深圳方大), etc., have established their presence in Nanchang. This "external force" has become an important driving force in Nanchang's industrial development.

In 2006, Nanchang saw a faster growth in the manufacturing industry than the past, particularly for pillar industries such as foodstuffs, pharmaceuticals and the manufacturing of transportation equipment. From January to May, the manufacturing of transportation equipment in Nanchang achieved an industrial value-added of RMB1.44 billion, doubling that of the first quarter, representing a year-on-year increase of 30.9%, and accounting for 13.2% of the city's total industrial value-added. It has driven the city's industries to grow by 4%, which are ranked among the top of all the industries, and it has become the major driving force for industrial production growth. Meanwhile, the pharmaceutical industry has also been growing at a stunning rate with an industrial value-added of RMB1.27 billion (up by 28.8%) during the first five months, accounting for 11.6% of the city's industries and driving industry growth up by 3.3%.

Furthermore, the agricultural by-products processing industry of Nanchang has also been developing fast. From January to May, industrial value-added of RMB510 million was achieved, an increase of 37%, accounting for 4.7% of the city's industries and driving its industry growth up by 1.6%.

Industries to Lead the Industrial and Economic Development in Hunan

Using "9+2" as a platform for cooperation, Hunan intends to lead its future industrial and economic development with 10 major industries. These 10 industries include three pillar industries (equipment manufacturing, iron, steel and non-ferrous metals, and cigarettes), three emerging industries (electronic information, new materials, and biotechnology and pharmaceuticals) and four traditional industries (food processing, petrochemicals, construction materials and paper-making).

The signs are that while Hunan is accelerating the process of industrialisation, it is also changing the direction of its investment promotion.

Foreign Investments in Hunan

In 2005, Pan-PRD members continued to be a strong stream of investment for Hunan. There were a total of 2 529 cooperation projects within the region during the year. The contracts brought in investment of RMB98.25, and the actual paid-up investment was RMB38.026 billion, which was a year-on-year growth of 34.3%, accounting for 54.1% of the total paid-up domestic investments in the province.[19]

In terms of FDI, in 2005, there were 729 newly approved foreign investment projects in Hunan. The contracts brought in FDI of US$4.24 billion, an increase of 62.8%. The actual utilized foreign investment totalled US$2.333 billion (up by 42.5%), of which US$2.072 billion was actual utilized FDI (up by 46.1%). As of the end of 2005, 38 of the world's Top 500 companies had invested and set up operations in Hunan. The domestic investment from other provinces was RMB70.23 billion, a rise of 37.6%.

In June 2006, the Hunan Economic and Trade Delegation signed a total of 131 project contracts during the 3rd Pan-Pearl River Delta Economic and Trade Forum (泛珠三角經貿合作洽談會), involving a total investment amount of RMB16.49 billion.[20] Among the new projects, more than 70 industrial manufacturing projects involved a total investment of over RMB8 billion, accounting for more than half of the new projects.

19. *Yunnan Daily*, 24 May 2006.
20. *Hunan Daily*, 11 June 2006.

Actual Utilized Foreign Investments Reached US$500 Million in Changsha

Among the cities in Hunan, Changsha has the strongest attraction for foreign investments. Changsha achieved more than half of its investment promotion targets in the first six months of 2006. The total foreign investment contract value amounted to US$850 million, and the actual utilized foreign investment within five months alone reached US$505 million, which was a year-on-year growth of 92.4%.[21] As of June, there were 86 newly approved foreign investment projects in Changsha, with a 21.4% year-on-year growth in terms of foreign investment contract value. The actual paid-up foreign investment even surged substantially at the rate of over an average of US$100 million each month. By that time the city had already achieved 56% of its goals for the year.

There are two characteristics of the foreign investments in Changsha this year: 1. Increasing number of large-scale projects. Among the foreign investment projects in the city, 28 involved a contract value of over US$10 million and 18 had an actual paid-up investment of over US$10 million; 2. Foreign investments have become an increasingly strong driving force in the development of Changsha. Manufacturing and service industries have become the major areas of foreign investments in Changsha. In the first five months, 37 newly approved foreign investment projects were in the secondary industries, accounting for 48.9% of the total foreign investment contracts of the city during the same period. The actual paid-up foreign investments in the manufacturing industry during the same period represented 23.8% of the city's total investments. In projects for the generation and supply of electricity, gas and water, the actual paid-up foreign investments increased by 14 times on a year-on-year basis.

Hong Kong Investments in Hunan

Since the implementation of the Closer Economic Partnership Arrangement ("CEPA"), Hong Kong investments have increased substantially in Hunan and have remained as the largest source of foreign investments in the province. In the end of 2005, there were 4,906 Hong Kong enterprises investing in Hunan, with a total amount of contracted foreign capital of US$9.76 billion; and the total amount of foreign capital actually utilized was US$6.17 billion, accounting for 51.2% of that of the province.[22] Compared to the last year, the total Hong Kong investment contract and actual utilized value in Hunan have increased 38.8% and 40.7% respectively in 2005. In the same year, Hong Kong enterprises ranked at the top amongst the five countries or regions which had the most actual utilized foreign investment in Hunan, with Hong Kong (US$1.59 billion), the Netherlands (US$338 million), Taiwan (US$191 million), the USA (US$145 million), South Korea (US$75 million) in priority along the list.[23]

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21. *Changsha Evening Newspaper*, 22 June 2006.
22. *Hunan Daily*, 4 August 2006.
23. Hunan Provincial Bureau of Statistics.

Ten Industries to Lead Industrial and Economic Development in Hunan

Each of Hunan's top 10 industries has its own distinctive features. Among the three pillar industries, the equipment manufacturing industry is the most established. For example, there is a large cluster of engineering and machinery companies formed by Chang Feng Group (長豐集團), Jiangnan Automobile (江南汽車), Zoomlion (中聯集團), Sany Heavy Industry (三一重工), Zhuzhou Times (株洲時代), XEMC (湘潭電機) and TBEA (特變電工). A large cluster of automobile makers has emerged in Hunan with Chang Feng Group and Foton (福田長汽) as the backbone.

For the three emerging industries, Changsha is home to the cartoon characters of Rainbow Cat (虹貓) and lynx, which are the characters of Hunan's first profit-making Chinese cartoons and the world's longest animation movie, and the cartoon characters are currently having the greatest number of related products available in China. Changsha has become the world's 10th largest, and China's largest, cartoon and animation production site. As the electronic information industry in Hunan intends to practise the "Rise of the Central Region", Chenzhou, which is located at the crossroads of the Pan-PRD member cities, has become an important base for industry transfer in the electronic information industry in Hunan. Hunan is the second largest province in terms of biotechnology and pharmaceutical resources in the country. As of 2005, 113 pharmaceutical preparations and ingredients companies in the province obtained the GMP certificate. The pharmaceutical industry of the province achieved a production value of RMB9 billion last year, a year-on-year increase of 21%.

The four traditional industries in Hunan - food processing, petrochemicals, construction materials and papermaking industries - have opted for the cyclic economy approach, adding life and energy to the industrial development of the province. In the coming five years, Hunan plans to build about 10 famous national brands and 20 food processing corporations with a production value of over RMB1 billion, generating over RMB90 billion from food processing and sales.

Trends in Investment Cooperation between Hunan and Hong Kong

Looking ahead, the services, tourism, finance, real estate and infrastructure industries of Hunan will be more attractive to Hong Kong investors. In respect of the services sector, there are room for development between Hunan and Hong Kong in areas such as production-based services, trading of services and modern logistics, etc. Hong Kong-based logistics companies can be expected to fully enter the logistics market of Hunan. For tourism, the short-term objectives of the two cities are to strengthen tourism and port co-operations, and to resume flights between Zhangjiajie and Hong Kong as soon as possible. As to the financial sector, the Hunan Provincial Government will commence "equity investment promotion" in seven types of industries, namely, the financial industry (such as banking, trust and credit cooperatives, etc.), natural resources, consumer goods manufacturing, the recycling industries, public utilities and infrastructure, culture and media, and other high-technology, high-growth enterprises which are qualified for overseas GEM listing or listing as A shares domestically.

In respect of real estate and infrastructure, in May 2006, Hutchison Whampoa Limited, Henderson Land Development Company Limited, New World China Land and Chinachem Group from Hong Kong met with Mr Mei Kebao, Standing Committee Member of the Committee of Hunan Province and Secretary of the Committee of Changsha City, to discuss investment projects valued at over RMB10 billion in Changsha.[24]

It was reported that Hutchison had bought 1 600-*mu* of land in Wangcheng, Changsha, in 2005 for real estate development. The group's development in Changsha would stretch from Wangcheng to the heart of the city for an overall redevelopment of the old city of Changsha. The investment required would be over RMB4 billion and involved Changsha's rail transportation system. In January 2006, Henderson invested RMB500 million in Xingsha Town in Changsha County to develop a high-end development site. Looking ahead, Henderson had its eyes on four pieces of land in Changsha, and was negotiating for the development of projects such as the Changsha Vocational Education City (長沙職教城). The group intended to launch two projects during the year and to increase its investments in Changsha by several billions of renminbi. New World also intended to build the largest modern shopping mall and a five-star hotel in Changsha.

24. *Hunan Daily*, 10 May 2006.

State-owned Enterprise Reform in Hainan – Opportunities for Foreign Investors

The Special Economic Zone (SEZ) of Hainan has been established for 20 years. Among the state-owned enterprises in Hainan, the majority are SMEs. To date, many state-owned enterprises in Hainan are underperforming, suffering long-term losses, and their reform has been stagnant. The long-term development of state-owned enterprises has become a general concern. To increase the contribution of the state-owned economy to the province's economic and social development, Hainan intends to complete a basic reform of its state-owned enterprises in its 11th Five-Year Plan on a self-funded basis supplemented with government subsidies. Through the reform, Hainan hopes to increase investments in state-owned enterprises to over RMB12 billion and drive related investment projects to over RMB60 billion, raising the state-owned equity to RMB30 billion.

In the *Opinions on the Structural Reform of the Hainan Special Economic Zone* (關於海南經濟特區體制創新的若干意見) published by the Hainan Provincial Committee, the "three majorities" direction of reform was proposed: 1. to change the majority of large state-owned enterprises to shareholding enterprises, establish a modern corporate system and standardise corporate governance; 2. to turn the majority of state-owned SMEs into non-state-owned enterprises; 3. to eliminate the majority of underperforming state-owned enterprises suffering from long-term losses, insolvency and considered beyond recovery. In the meantime, some selected state-owned enterprises will be reformed.

As a member of the Pan-PRD cooperation framework, Hong Kong investors need to know the latest developments in the state-owned enterprises reform in Hainan and how to become a strategic investor in Hainan's state-owned enterprises, and to participate in the "denationalisation" process in order to seize the opportunities available through investment cooperation with Hainan.

Foreign Investments in Hainan

In 2005, the actual utilized foreign investment in Hainan totalled US$707 million, a year-on-year increase of 5.5%, with an average growth of 2.9% each year during the 10th Five-Year Plan period. The FDI amount reached US$684 million, up by 6.3%. Some 174 new foreign investment contracts were signed, which was three more then the previous year. These newly signed contracts involved a total foreign investment of US$342 million, down by 54.0% on a year-on-year basis.[25]

Natural resources, such as minerals and ocean resources, and the advantages of late development and geographical location, are expected to benefit Hainan in attracting different types of foreign investments.

25. Statistical Bureau of Hainan Province.

Trends in Investment Cooperation between Hainan and Hong Kong

Hong Kong has always been the largest source of foreign investment and the major trade partner of Hainan. At present, 50% of foreign investment in Hainan come from Hong Kong. Hainan is the only tropical island of China, with unique and rich resources in terms of tropical agricultural products, minerals, energy sources and tourism, all of which are seen by Hong Kong enterprises as comparative advantages. In the future, there is great potential for investment cooperation between Hainan and Hong Kong, particularly in tourism, agricultural by-products trade, real estate, port and logistics services, etc.

During the Hainan Trade and Investment Cooperation Fair 2005 (海南貿易與投資合作洽談會), which was the biggest trade negotiation and investment promotion event held by Hainan in Hong Kong, 161 projects in nine sectors were promoted, such as the pharmaceutical, agriculture and real estate sectors, etc.

In tourism, New World China Land of Hong Kong won the tender for the seashore area of the Hainan Meilisha Peninsula (美麗沙半島)[26] valued at RMB1.808 billion in October 2005, making it the highest transaction amount and largest area involved in a single transaction in Hainan. New World China Land plans to invest RMB9 billion to develop Meilisha by building resort hotels, high-end residential units, a yacht club, an exhibition centre and an international sanatorium, etc., to turn Meilisha into a tourist and vacation landmark of Hainan.[27]

In the real estate market, CITIC Pacific of Hong Kong participated in the follow-up development of the special planning zone of Boao Forum For Asia with a total investment of nearly RMB10 billion. It will join forces with the Wanling municipal government of Hainan province in the construction of the Shenzhou Peninsula (神州半島) and North Bank of Taiyang River (太陽河北岸) projects.

In the area of agricultural by-products, the famous "Wenchang Chicken" of Hainan will become one of the emerging cooperation projects between Hainan and Hong Kong. Since Wenchang Chicken began on sale in Hong Kong in January 2006, some 2 000-3 000 chicken have been sold each day. The Wenchang Chicken subsidiary of the Longquan Group currently runs an eco-style chicken farm with an area of over 5 000-*mu*. It plans to expand the production scale from 30 million at present to 100 million heads of Wenchang Chicken in three to five years, which will benefit the vast number of local farmers. Looking ahead, there are plenty of opportunities for cooperation between Hainan and Hong Kong in agricultural by-products trade.

26. Meilisha Peninsula, with an area of 3 307-*mu* and connected to the Century Bridge in the east, is the only undeveloped seashore land in the core area of Binhai, Haikou.
27. *Yunnan Daily*, 27 May 2006.

Hainan to Complete Basic State-owned Enterprises Reform with the 11th Five-Year Plan

The Hainan Provincial Committee and Provincial Government have determined that the basic strategies of the state-owned enterprises reform are to "to reorganise selected state-owned enterprises and to withdraw under-performing state-owned enterprises in an orderly manner". In June 2006, Lu Yiyong, Secretary of the Party Committee and Deputy-Director of the State-owned Assets Supervision and Administration Commission of the Hainan Provincial Government, said that Hainan had the ability to speed up its state-owned enterprises reform.[28]

In 2005, Hainan pump-primed RMB106 million for the reform of provincial state-owned enterprises which was equivalent to the aggregated amount of funding provided for the state-owned enterprises reform since 1996.

Hainan intended to introduce strategic investors from within and outside China to its pillar industries, dominant industries and important infrastructures which require the strength of the state-owned economy, by way of equity participation, acquiring controlling shares and capital expansion, etc., in order to develop large-scale enterprises and corporations. Major backbone enterprises such as CNOOC (中海油), Sinopec (中石化), Sinochem (中化), Huaneng Power (華能電力), COSCO (中遠集團), BTG (首旅集團), etc. have participated in the asset restructuring of Hainan's state-owned enterprises. Some major construction projects have been launched while others are at the preparation and planning stage.

500 State-owned SMEs in Hainan to Withdraw during the 11th Five-Year Plan

During the 11th Five-Year Plan, Hainan hopes to have about 500 state-owned SMEs changing its status to non-state-owned, including 150 to retreat from the market. The Provincial Government hopes to speed up the orderly retreat of those state-owned enterprises that have little impact on national and regional economic stability. It is striving to complete the basic reform of 40% of state-owned enterprises by 2006, including 10 parent companies in the province which are to retreat entirely. Hainan aims to complete the tasks of reform, winding-up and liquidation in 80% of state-owned enterprises by 2007.[29]

While some state-owned enterprises retreat from the market, Hainan will consolidate its advantageous assets and resources to focus on some provincial enterprises and corporations which are leading pillars in areas such as transportation, energy, forestry, mining, tourism and new industries, etc., using beneficial projects to strengthen the enterprises and support the industry.

28. *China Economic Times*, 22 June 2006.
29. *Hainan Daily*, 4 June 2006.

For specific projects, Hainan will leverage province-developed shareholding companies as a government financing platform to speed up and add new elements to the development of the Yangpu Economic Development Zone (洋浦經濟開發區), to launch the East Ring Intercity Rapid Railway (東環城際快速鐵路) and complete reconstruction of the West Ring Railway (西環鐵路), as well as to speed up the launch of paper-making projects, etc. In addition, Hainan Hydropower Development Company Limited (海南水利電力發展股份有限公司) will act as the owner to ensure that the major construction works on the Daguang Dam Second Phase (大廣壩二期) will start within the year, continuing to consolidate and co-ordinate the hydropower resources development of the province. Development and use of mineral resources will speed up with the aim of launching the Hainan Steel Company (海鋼公司) project by August 2006, which involves 1.1 million tonnes of mineral resources.

With the principle of giving priority to quality assets, well-established companies were introduced to complete the restructuring of Hainan Steel. The province also strived to complete the restructuring of Hainan Automobile Transport Head Company (省汽車運輸總公司) with the help of Kowloon Motor Bus of Hong Kong before August 2006. This was aimed at expanding its scope of operation and establishing the major businesses of highway transport and modern logistics, in order to create a first-class vehicle transportation enterprise in China.

The Provincial Government was considering re-organising the state-owned tourism holding group in Hainan to speed up tourism resources development and infrastructure construction with the help of private market financing.

In order to facilitate more IPO projects, Hainan intended to complete the shareholding structure reform of Hainan Expressway (海南高速) as soon as possible to benefit from the financing effect, reposition the major business and enhance the company's efficiency. It is also actively facilitating the IPO of Hainan Strait Shipping Co. Ltd. (海峽航運股份有限公司) and the restructured Hainan Automobile Transport Head Company (省汽車運輸總公司).

Pan-PRD Investment Cooperation – Opportunities and Challenges for Hong Kong

In terms of developments in investment cooperation in the Pan-Pearl River Delta Region, Hong Kong remains one of the largest sources of investment for the Four South-eastern Provinces (Fujian, Jiangxi, Hunan and Hainan) in the Pan-PRD Region. Although Hong Kong is still maintaining good relationship with various provinces in investment cooperation and there are plenty of opportunities, it is necessary for Hong Kong to understand and analyse the specific trends and development in these provinces in order to minimise potential threats. Hong Kong should seize the opportunities in the following areas of investment cooperation:

(a) Proactively participate in the investment cooperation projects involving ASEAN. The Pan-PRD Region and ASEAN each has unique strengths in terms of resources, industry structures, industrial and agricultural products, etc. They are highly complementary to each other with huge potential for investment cooperation. With the China-ASEAN Free Trade Area expected to be established before 2010, more opportunities are yet to come. Hong Kong should know well what cooperation opportunities it has with ASEAN, and make full use of its advantages in the finance, trade, information and service industries, to proactively participate in investment cooperation projects that involve ASEAN. At the same time, Hong Kong should also seek to involve itself in the investment cooperation between other Pan-PRD members and ASEAN.

(b) Proactively participate in the construction of the Economic Zone on the West Coast of the Taiwan Strait. According to the *Outline of the Establishment of the Economic Zone on the West Coast of the Taiwan Strait (Trial)*, the primary mission of the Economic Zone is to set up nine supporting systems, which cover different industries with a wide coverage and enormous potential, including projects that allow direct participation of Hong Kong investors.

(c) Proactively analyse the reasons for the shift of Taiwan investment towards the North and the West in the Mainland, obtain the latest update and keep an eye on the movement of Taiwan high-technology companies. Facing the more intense competition between Fujian and Jiangxi for Taiwan investments, Hong Kong may need to re-consider the investment intentions of Taiwan investors in Hong Kong for three reasons: to attract more Taiwan investors to invest in Hong Kong; to explore opportunities for investment cooperation between Hong Kong and Taiwan; as well as to minimise challenges brought about by the competition between the Pan-PRD provinces/regions for Taiwan investments.

Fujian intends to strengthen industrial integration between itself and Taiwan in 10 major areas during the 11th Five-Year Plan period, further implementing the five existing preferential policies and measures for Taiwan-related trade and commerce and introducing four service measures. All these are specific efforts which are attempting to reverse the declining trend of Taiwan investments in Fujian. These are highly specific policies and measures and are not applicable to Hong Kong investments. Similarly, the initiatives of Fujian in expanding the channels for Taiwan capital into Fujian, and supporting Taiwan financial enterprises and large corporations to hold shares in Fujian's financial enterprises and to directly or indirectly establish joint-venture banks, insurance companies and securities companies, etc., are also not applicable to other foreign investments.

There is no difference in the Mainland laws governing the establishment and operation of financial institutions in the Mainland by foreign investors, Taiwan investors and Hong Kong investors. In accordance with the *Regulations for the Administration of Foreign-invested Financial Institutions of the People's Republic of China* (promulgated on 30 December 2001), there are stringent requirements for foreign-invested financial institutions in establishing financial institutions in Mainland China. Article 50 of the "Regulations" stipulates that, "These Regulations shall apply to the establishment and operation of financial institutions in Mainland China by financial institutions of the Hong Kong Special Administrative Region, the Macao Special Administrative Region and the territory of Taiwan." In order to step up financial support, Fujian's initiatives of expanding the channels for Taiwan capital into Fujian, giving priority to Taiwan financial institutions in approving and releasing loans with appropriate preferential interest rate, and supporting Taiwan financial institutions and large corporations to hold shares in Fujian's financial enterprises and to directly and indirectly establish joint-venture banks and securities companies, etc., are all in favour of Taiwan investments at the policy and operation levels. They aimed to attract further Taiwan investments and to secure the interests of existing Taiwan investors.

It is necessary for Hong Kong, as a financial centre, to examine the requirements of the financial laws and regulations of Mainland China, and to be aware of the influence of the different preferential policies and initiatives provided by different provinces/regions (particularly the Four South-eastern Provinces in the Pan-PRD Region) in order to know what actions should be taken. The preferential policies implemented by Fujian in favour of Taiwan investments represent a strong signal to Hong Kong. Due to geographical and political limitations, it will be difficult for Hong Kong to follow suit.

In the competition between Jiangxi and Fujian for Taiwan investors, the "Four Bests" (lowest investment costs, best efficiency, best reputation and fastest return) proposed by Nanchang are worthy of attention for Hong Kong. It is true that Hong Kong is still enjoying advantages over other Pan-PRD members in terms of its legal system, finance and services, etc. Nevertheless, when it comes to business, foreign investors are likely to consider those four factors in choosing the place to invest. Strategically, it is necessary for Hong Kong to look at the movement of Taiwan investments in Jiangxi and Fujian as well as the policies and measures of the two provinces in attracting Taiwan investments in order to adjust Hong Kong's own strategies.

Hunan intends to lead the industrial and economic development of the province by focusing on 10 key industries, including its pillar industries, emerging industries and traditional industries, during the 11th Five-Year Plan period. This provides enormous business opportunities for Hong Kong. From the fact that many large Hong Kong enterprises have made satisfactory progress in investment projects in real estate, transportation and hotels, etc., in Hunan, there are more opportunities than challenges for Hong Kong enterprises in Hunan.

Hainan intends to change large state-owned enterprises into shareholding companies, converting state-owned SMEs into non-state-owned enterprises during the 11th Five-Year Plan period. While the reform provides business opportunities, Hong Kong enterprises may lack a comprehensive understanding of the structure, mode of operation and funding of state-owned enterprises, and there are also a lot of uncertainties in the reform. There will be more challenges than opportunities for Hong Kong enterprises which participate in these Hainan state-owned enterprises as strategic investors.

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Fujian Actively Develops Northern Fujian Economic Development Zone

As the Economic Zone on the West Coast of the Taiwan Strait gradually develops, the economic development of Northern Fujian has become one of the major expansion plans of Fujian. Recently, the Wuyishan tourist economic development zone in Nanping City has been approved for development by the State Council, with the formal name of the Northern Fujian Economic Development Zone. Making use of the rich mountain area resources and the tourism brand of Wuyishan, Nanping City will strive to become a major economic area on the West Coast of the Taiwan Strait and a driving force for tourism within five years.

The Economic and Tourism Development of Northern Fujian

In the Economic Zone on the West Coast of the Taiwan Strait, the coastal areas of Fuzhou and Xiamen, etc. have been Fujian's major economic development regions. Northern Fujian, Western Fujian and Eastern Fujian have lagged behind in economic development due to the lack of a convenient transportation system in the past, however, as transportation develops, the advantages enjoyed by northern Fujian have gradually emerged.

The Northern Fujian Economic Development Zone is located between Wuyishan City and Jianyang City. It is the most important area for development of Nanping City - which is commonly known as "Northern Fujian" - in the future. To accelerate the development of the mountain area of northern Fujian and improve the investment environment, a succession of major transportation infrastructures has been completed. The No. 316 state highway (Nanping to Fuzhou) shortens the distance between northern Fujian and the coastal region. When the Nanping section of the Beijing-Fuzhou Expressway is constructed and put into operation, it will take only slightly more than one hour to travel from Fuzhou to Nanping. In Fujian, the second railway leading to other provinces, the Hengfeng-Nanping Railway to Jiangxi, together with the Yingtan-Xiamen and Laizhou-Fuzhou Railways, constitute the northern Fujian railway transportation network; the railway runs through seven counties (cities, regions) in northern Fujian, making Nanping the transport hub of Fujian, and links up the major cities in Fujian and the nearby Yangtze River Delta. Wuyishan Airport has started flights to the cities of Fuzhou, Xiamen, Shanghai, Hong Kong, Hangzhou, Shenzhen, Shantou, Beijing, Guangzhou, Nanjing, Wuhan and Jinjiang, etc., and become one of China's medium-scale airports. The Shuikou Hydropower Station allows 500-ton container vessels to travel from the downtown area of Nanping directly to Mawei Port.

The agriculture, forestry and industry sectors of Nanping are all the focuses of economic development in Fujian. Among Fujian's 17 commodity grain production base counties (cities), eight are in Nanping, of which six are listed as national commodity grain production base counties, supplying over 500 000 tons of commodity grains to the country every year, and as the grain production areas of the province they account for about one third of the province's commodity grain output. In forestry, Nanping is usually referred to as the "green national treasury" (綠色金庫), "southern immense forest" (南方林海) and "bamboo hometown of China" (中國竹鄉), and is one of the major forest regions in South China. The area of woodland occupies 83.8% of the city's mountain area, with forest coverage up to 70.9% and 4.6 million-*mu* of all kinds of bamboo forests, among which Jianou City and Shunchang County have been appraised as the "national bamboo hometown" respectively by the past State Forestry Administration. Nanping is also an important industrial area in Fujian. Major industries include electricity, forestry, chemical products, paper-making, food, construction materials, machinery, light textiles, etc., and typical enterprises include Fujian Nanping Paper, Nanfu Battery, Nanping Aluminium, and Nanfang Textile Co., Ltd., etc. Shuikou Hydropower Station, which is 94 km away from the downtown area of Nanping, is the largest hydropower station in Eastern China.

Furthermore, Nanping is a major tourism area in southeast China. As one of the famous tourism sites, Wuyishan, which has been listed in the directory of World Cultural and Natural Heritage by the United Nations, is a national scenic area, a national nature protection area, a national tour holiday resort as well as Fujian's tourism economic development zone, attracting RMB4.7 million domestic and foreign tourists last year. Industrial development related to Wuyishan tourism includes tea processing, tourism food processing, bamboo and wood products, and other products with high value-added, as well as the ecological industry and environmental protection industry, etc.

Actively Attracting Investment and Developing Tourism

In May 2006, the 2nd Wuyishan Tourism Festival and the 9th Wuyi International Tourism Investment Fair (第二屆中國武夷山旅遊節暨第九屆武夷國際旅遊投資洽談會) were held in Wuyishan. At the Fair, the "Two Mountains and Two Lakes" (兩山兩水) joint tourism and organisation and reception groups formally signed an agreement which connects the tour websites of Wuyishan Mountain, Alishan Mountain, Lake Sun Moon and Dajin Lake. Some new tour lines including the line of "Taiwan-Hong Kong-Xiamen-Wuyishan-Taining-Fuzhou-Hong Kong-Taiwan" were introduced at the Fair, indicating the joint tourism activities being undertaken between Fujian and Taiwan.

In addition to the extension of northern Fujian and cross-Strait tourism, the Fair also focused on strengthening economic and trade cooperation on the West Coast of the Taiwan Strait and encouraging exchanges with northern Fujian and the various regions within and outside China, with a total of 373 investment attraction projects being introduced, including 80 major ones. Hong Kong, Macao and Taiwan investments increased significantly, with 40 contracts being signed, amounting to a total investment of US$240 million, of which, foreign investment reached US$228 million, increasing by 50.16% compared with that of last year.

Furthermore, Nanping is actively developing and attracting capital from Taiwan investors. The Wuyi new area, as a stage one project of the Minbei Centralised Industry Zone, has been launched. The Nanping municipal government's preferential policy for agricultural cooperation has been formally introduced, which encourages Taiwan investors to invest in Nanping, mainly in the fields of food processing, agricultural leisure tours, and the establishment of the Taiwan Farmers Pioneer Park, etc.

Opportunities for Hong Kong

Hong Kong businessmen should grasp the investment opportunities in northern Fujian, as a way to penetrate the whole market of the West Coast of the Taiwan Strait. Hong Kong tourism can further cooperate with Fujian and Taiwan by exploring more different itineraries. Hong Kong has rich experience in international exchanges, so it can play an intermediary role in promoting the West Coast of the Taiwan Strait, northern Fujian's potential development and characteristic sightseeing tours.

Fujian: Making GDP Greener

The environmental and ecological protection levels of Fujian Province have been ranked among the highest nationwide. However, as the economy develops and resources are consumed continuously, the environment and ecology are being inevitably damaged. In addition to the resource shortage in the province, the question of how to protect the ecological environment and develop the economy at the same time has become an urgent issue. In its 11th Five-Year Plan, Fujian proposes to implement resource conservation and environmental protection, develop a recycling economy, and construct a green West Coast of the Taiwan Strait in order to make Fujian's GDP greener.

The Section in Fujian's 11th Five-Year Plan Related to Environmental Protection

There are five major areas in the content related to constructing a resource-conserving and environmentally friendly society in the 11th Five-Year Plan: giving priority to conservation, making greater efforts towards developing a recycling economy, constructing ecological and environmental protection areas, centralised treatment of waste, and strengthening resource guarantees. The goal is to maintain the ecological environment quality at national level in 2010, with sulphur dioxide emissions controlled at under 6 kilograms for each RMB10,000 of GDP, the recycle rate of water used by the industry reaching 60%, the comprehensive industrial solid waste usage rate achieving 70%, recycling of major renewable resources increased by 65%, and the proportion of the area of soil erosion to the total land area decrease to 6.4%.

In Fujian's 11th Five-Year Plan, the Fujian Provincial Government is popularising the awareness of conservation to reduce the use of energy, water, land and raw materials, and to use resources collectively. The Government will use resources of money, taxes, finance, technology, land and electricity supply, etc. to support the development of a recycling economy, reclaim and recycle waste resources, promote pilot cleaning projects in some high energy consumption and high pollution industries, such as petrochemical products, paper making, steel, beer and medicine, etc., and continue to support the Pig-Methane-Fruit ecotype; for the river source regions and wind-proof and fixed sand-dune regions, which play an important role in the maintenance of benign ecological circulation, implement compulsory protection, establish ecological demonstration regions, construct a national hygienic city, expand the green space, and establish the environmental crisis prevention system; implement the control of total emissions and waste, improve the quality of drinking water and seawater, accelerate the exploitation of resources from eco-recovery, and strictly control industrial waste discharge; strengthen land management, strengthen the planning and reasonable development of the water fronts of deep-water harbours and the resources of rear land areas, establish a perfect resource development compensation mechanism, and encourage deep resources exploitation and reasonable use of resources.

The Ecotype of the Pig-methane-fruit (猪一沼一果)

In this ecotype, the pig manure and wastewater from the cleaning of pig-stys will be drained to marsh gas pools and the methane gas so generated will be used as energy for cooking, lighting, etc. The marsh liquid and marsh sediment can be used as an organic fertilizer for orchards, to form an ecological agricultural cycle, thus solving the problem of pollution caused by livestock cultivation, as well as improving the production rate and quality of fruit and other crops.

Green West Coast of the Taiwan Strait

The Economic Zone on the West Coast of the Taiwan Strait is the focus of economic development in Fujian, which will affect the GDP growth of Fujian in the next five years. As the future major economic development area in Fujian, the development of a green West Coast of the Taiwan Strait (綠色海西) will help improve the green proportion of Fujian's GDP.

The Fujian Provincial Government will implement five major projects to construct the green West Coast of the Taiwan Strait, including the implementation of a non-commercial ecological forest protection project, with the focus on protecting non-commercial forests along the Minjiang River, Jiulongjiang River, and forests for soil and water conservation, etc.; the construction of coastal protection forests, the consolidation and construction of mangrove and farmlands and a forest network, etc., with a forest coverage goal of 60% in the coastal area by 2010; a project to create creature varieties, with the focus on strengthening the protection of endangered species, coastal wetlands and the construction of nature conservation areas; the implementation of a green channel project and unified urban-rural virescence, with focus on the green corridors along both sides of expressways, state highways and railways, and the acceleration of the construction of forest belts in urban margins, etc.

Nanchang, Jiangxi Focuses on the Development of "Airport Economy"

Statistics for 2004 indicate that Nanchang Changbei International Airport, Nanchang, Jiangxi ranks behind in the list of China's busiest airports (see **Table 5**). However, since the airport was put into operation in 1999, its air transport volume has been growing at a two-digit rate for six consecutive years, with passenger throughput reaching 2.31 million person-times in 2005. Since the passenger throughput has exceeded the designed capacity of the phase one of the airport, the authority is making every effort to implement the phase two expansion project. Against this background, the Jiangxi Provincial Government hopes that Changbei International Airport (昌北國際機場) will become the driving force for Nanchang's economic development, and further drive the economic development of the whole province.[30]

"Airport Economy": A New Economic Pattern

The so-called "Airport Economy" is a new economic pattern. It refers to the concentration of production elements such as capital, technology and manpower as a result of the direct and indirect influence of an airport to the peripheral areas. The "Airport Economy" plays an important role in Beijing, Shanghai, Guangzhou, Chongqing and other major cities. It has been estimated that a throughout of one million air passengers each year would generate US$130 million of economic benefits and 2 500 jobs.[31]

Table 5: 2004 Passenger Throughput Statistics of Major Airports in the Pan-PRD

Airport	Person-times (10 000)	Year-on-year growth (%)	Nationwide Ranking	Accounting for Nationwide (%)
Guangzhou	2,032.6	35.4	3	8.4
Shenzhen	1,425.3	31.5	5	5.9
Chengdu	1,168.6	42.6	6	4.8
Kunming	979.7	31.8	7	4.0
Haikou	747.8	24.0	8	3.1
Xiamen	557.6	29.8	11	2.3
Changsha	380.3	27.1	19	1.6
Fuzhou	312.9	23.0	20	1.3
Guiyang	272.0	37.6	23	1.1

30. According to the Eighth Chapter, "to strengthen infrastructures in order to support the acceleration of the economic and social development" contained in the *Outline of the 11th Five-Year Plan of National Economic and Social Development in Jiangxi Province* (江西省國民經濟和社會發展第十一個五年規劃綱要), one of the major tasks is to speed up the improvement of the airport infrastructure and increase airport passenger throughput in order to improve the air service system of the whole province. Changbei International Airport will become a mid-sized junction port after the expansion. It is a major project that supports the economy of Jiangxi.

31. *Jiangxi Daily* (江西日報), 3 July 2006.

Table 5 (cont'd)

Airport	Person-times (10 000)	Year-on-year growth (%)	Nationwide Ranking	Accounting for Nationwide (%)
Sanya	252.6	49.1	25	1.0
Nanning	164.6	34.6	31	0.7
Nanchang	163.4	39.4	32	0.7

Source: China Statistical Yearbook 2005.

Nanchang Changbei International Airport is developing rapidly. The Provincial Government can rely on the advantages of the huge stream of people and logistics of the airport to adjust Nanchang's economic development strategy, and create an aviation centre of Changbei International Airport. Through the integration of spatial resources in the periphery of the airport, an airport industry cluster is gradually formed around the Changbei International Airport, on development zones like the Nanchang High-Tech Industry Development Zone (南昌高新技術產業開發區), Changbei Economic and Technological Development Zone (昌北經濟技術開發區), Yingxiong Economic and Technological Development Zone (英雄經濟技術開發區), and Sanghai Economic & Technological Development Zone (桑海經濟技術開發區), The industry cluster is represented by industries like green farm products, high-tech industries, modern logistics and modern manufacturing. According to the Nanchang Urban Planning Bureau, when the phase two expansion project of Changbei International Airport is completed, the "Airport Economy" will become a new driving force for Nanchang's economic growth.

Coordination of Infrastructure Development Planning

In addition to the development of the surrounding economic areas and new industries, in order to realise an "Airport Economy", coordination of the infrastructure development and transportation planning is needed. With the Lehua-Wenjiazhen Expressway (樂溫高速公路) due to start operation and the Xiwaihuan Road (西外環路) being constructed at a quick pace, Changbei Airport has become a major connecting point between the expressways in Jiangxi, where 11 districts (cities) are connected with each other to create a transport circle of a four-hour drive within the province and six-hour drive to the surrounding provincial capital cities.

Furthermore, Nanchang Changbei International Airport, as the driving force unifying Ganzhou Huangjin Airport (贛州黃金機場), Ji'an Jinggangshan Airport (吉安井岡山機場), Jingdezhen Airport (景德鎮機場) and Jiujiang Lushan Airport (九江廬山機場), has formed the Jiangxi Airport Groups (江西省機場集團公司) which performed well in the 10th Five-Year Plan period. In the 11th Five-Year Plan, Jiangxi will expand Changbei Airport, relocate Ganzhou Huangjin Airport and construct branch airports in the east and west of Ganzhou, as well as increase international routes to broaden international exchange. By 2010, the second phase of Changbei Airport expansion will be completed. It will become the major auxiliary airport for the hub airports in Beijing, Shanghai and Guangzhou, with a passenger throughput of over four million person-times, while the total passenger throughput of the four branch airports will exceed one million person-times. They are striving to move up in the nationwide ranking of civil airports.

Investment Opportunity

Nanchang is located at the focal point of the three major economic circles of Yangtze River Delta, PRD and Southeast Fujian Delta. Its role as a bridge is irreplaceable, given the interaction between and integration of Yangtze River Delta and PRD. Thus, it has become the first beneficiary of the industry gradient transfer (產業梯度轉移) from the three major economic circles to the hinterland. The future development of the "Airport Economy" indicates that the conversion of Nanchang from an inland city to a city that is open to the outside world is underway. Today, over 20 Fortune 500 enterprises, manufacturers and more than 100 famous domestic enterprises have established subsidiaries in Nanchang. In the past three years, the total foreign investment actually absorbed by the city accounted for more than one-third of the province's total foreign investment. As a large amount of capital from Hong Kong has been invested in the hinterland, the future economic development of Nanchang will be considerable.

Jiangxi Strengthens the Development of Eco-Tourism

At the end of April 2006, Meng Jianzhu (孟建柱), Secretary of the CPC Jiangxi Provincial Committee, investigated Ganzhou and indicated that ecology and environment should be protected in addition to accelerating economic development. Meng Jianzhu believed that "the protection of blue waters and green mountains is as important as the protection of gold and silver mountains". He required every official of the province to protect the environment which is an important intangible asset and a "brand" of the province.

Excellent Ecological Conditions

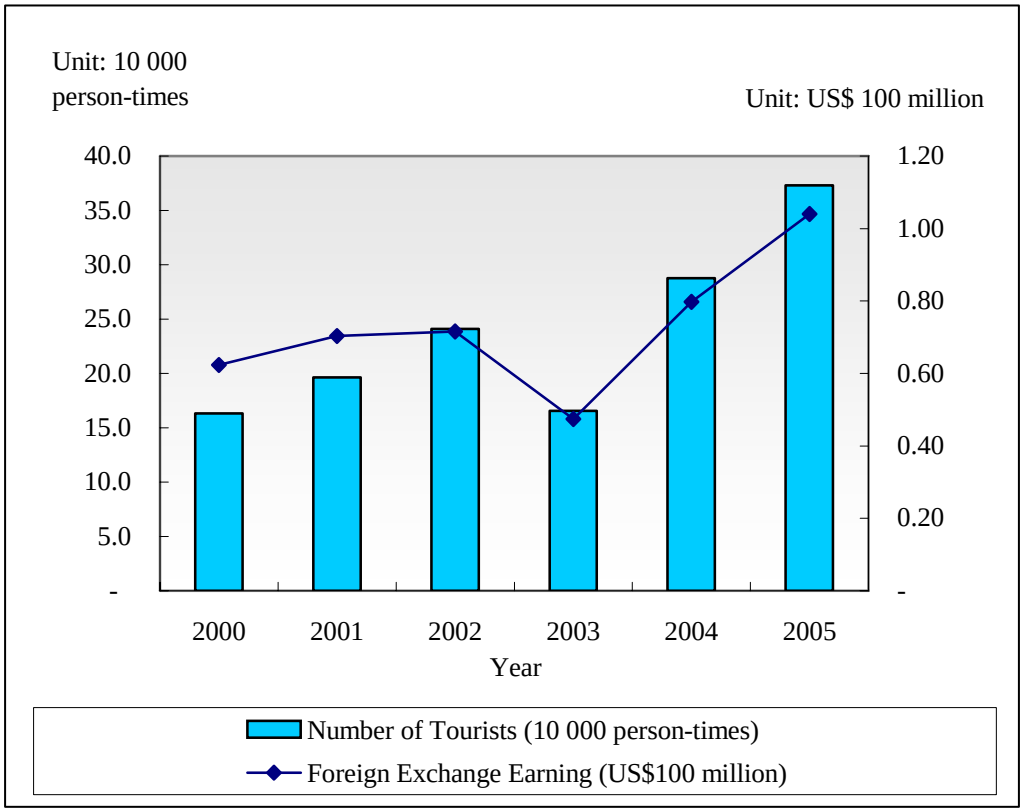
Forest coverage of Jiangxi has reached 60%, and is only second to Fujian. The water quality of the major rivers and lakes attain Class Three or above[32], and water in many districts can be drunk directly. Boyanghu (鄱陽湖) is currently recognized as China's only freshwater lake not yet tainted by pollution. A good ecological environment brings rich ecological resources. Every year, more than one thousand species and over one million migratory birds gather at Boyanghu to spend the winter season. Bird watching at Boyanghu has become Jiangxi's other famous eco-tourism activity, apart from Wuyuan cultural and ecological tourism. Jiangxi has favourable conditions for developing into an eco-tourism province.

The Development of Tourism in Recent Years

In fact, Jiangxi has recently combined its unique tours, ceramics art and Taoist culture, etc., to promote the development of tourism with pretty good results. Last year, Jiangxi's foreign exchange earnings reached the first US$100 million (see **Figure 5**), and tourism provided 300 000 jobs directly and 1.5 million jobs indirectly for the province.

32. According to the "Environmental quality standard for surface water" in the Mainland, (permitted by the State Environmental Protection Administration of China on 5 April 1988 and took effect on 1 June 1988), the quality standard of water is divided into five classes in terms of the purpose of use of surface water and protection: Class 1: National reserve, water source; Class 2: Protected water source area (class A) for the daily used water, valuable fish protected area, spawning area; Class 3: Protected water source area (class B) for the daily used water, general fish protected area, swimming area; Class 4: Water source for industry use; Class 5: Agriculture use water.

Figure 5: The Number of Tourists and Foreign Exchange Earnings from Tourism of Jiangxi (2000-2005)



Source: China Statistical Abstract 2006, Jiangxi Statistical Yearbook 2005.

However, Jiangxi's tourism lags behind the nine provinces/region of the Pan-PRD Region. In 2005, the total number of tourists visiting Jiangxi was 373 000 person-times, ranking in 24th place nationwide; foreign exchange earnings from tourism ranked 25th nationwide. Among the nine provinces/region of the Pan-PRD Region, Jiangxi performs slightly better than Guizhou (see **Table 6**).

Table 6: The Number of Tourists and Foreign Exchange Earnings from Tourism of the Nine Provinces/Region of the Pan-PRD Region in 2005

Provinces (Region)	Number of Tourists (10 000 person-times)	Nationwide Ranking	Foreign Exchange Earnings (US$100 million)	Nationwide Ranking
Guangdong	1,987.0	1	64.6	1
Fujian	197.4	6	13.1	6
Yunnan	150.3	8	5.3	9
Guangxi	147.7	9	3.6	13
Sichuan	106.3	11	3.2	16
Hunan	72.0	17	3.9	12
Hainan	43.2	22	1.3	22
Jiangxi	37.3	24	1.0	25
Guizhou	27.6	28	1.0	26
Nationwide	1,157.9		256.1	

Source: China Statistical Abstract 2006.

Business Opportunity of Eco-Tourism

As people's awareness of ecology has grown, the demand for eco-tourism has increased continuously. Jiangxi has rich eco-tourism resources offering another way of tourism development in the future. In fact, Xiaoqi Village (曉起村) in Jiangxi Wuyuan County (婺源縣) has utilized its superior local ecological resources and deep cultural foundation to develop more than 10 tourist spots, such as ancient village tour, famous tree sightseeing park, immense forest rafting, etc. In 2005, admission fees to Xiaoqi Village generated revenue of more than RMB2 million. Wuyuan County has been appraised as an "ecological and cultural tourism demonstration county" by the State. Ecological tourism has become fashionable worldwide since its emergence within as little as 20 years, with the revenue making up more than one-third of that of the global tourism market, and as such it has become an important development trend for today's global tourism. Jiangxi's eco-tourism has just emerged. It has good future prospects and unlimited business opportunities.

Hunan Makes Great Effort towards Developing its Cultural Industry

The cultural industry is one of the trends of world economic development. Hunan, as a major province in central China, has a long-standing historical culture and profound cultural foundations, and the Provincial Government has already promoted a move towards "developing the cultural economy and constructing a great cultural province" (發展文化經濟，建設文化大省) in 1989. After decades of development, the cultural industry has become the most active economic sector and shows the strongest economic growth in Hunan.

The Contribution of Hunan's Cultural Industry to the Economic Development of the Province

The contribution of Hunan's cultural industry to the economic development of the province is embodied in the following four aspects:[33]

(a) The contribution to the national economy increases continuously: during the 9th Five-Year Plan, the output value of the cultural industry (文化產業生產總值) of the province increased by an average of 12.3% annually, exceeding the growth of other industries; and its share in the GDP was 2.4% at the end of 2000. During the 10th Five-Year Plan, the value added of the cultural industry increased by 17.3% annually, and its share in the GDP of 2005 increased by 1.8% compared with that of 2000.

(b) The value added of the cultural industry ranks among the top nationwide: in 2004, the share of the nationwide value added of the cultural industry in the GDP was 2.2%; the corresponding share for Hunan was 3.8%, which was higher than the national average level of 1.6% and was only second to those developed provinces: Guangdong, Beijing, Shanghai, Zhejiang, Tianjin and Fujian. It ranks first in central China.

(c) The influence of the core regions has been enhanced: in 2005, the value added of the Changsha cultural industry reached RMB14.725 billion, making up 9.7% of the GDP and up to 54.3% of the value added of the provincial cultural industry. The Hunan section of the Beijing-Guangzhou Railway will place emphasis on famous mountains, rivers, buildings and persons and will have extensive humanity and historical content. The Xiaoxiang Basin will place emphasis on regional cultural resources and will be developed into a cultural industry zone characterized by Huxiang Culture (湖湘文化). Western Hunan will emphasise its famous mountains and folk-culture and will have a heavy natural and sentimental content. After several years of development, these three culture industry belts have reached some considerable scale.

33. "Some thoughts on realizing leap-forward development of Hunan cultural industry", Hunan Statistics Bureau, http://www.hunaninvest.gov.cn/hnimisweb/cn/zwfwshow.aspx?idh=672&sortid=135.

(d) The competitiveness of the core cultural industry has been strengthened: Hunan's broadcasting and television, publishing, newspaper and leisure industries have established the "Xiangjun series" (湘軍系列), which has strong core competitiveness in the country. For example, the total assets owned by Golden Eagle Broadcasting System as represented by Hunan TV has increased from RMB400 million 10 years ago to RMB8.64 billion currently. Hunan Publishing Investment Holding Group, which is a state-owned enterprise, has been ranked among China's top four cultural enterprises, and has been one of the Top 500 China Enterprises since 2001. Its market shares in the science books, classical literature and music books markets, etc. are the highest nationwide.

Bloc Operation Promotes Rapid Development of Cultural Industry

In the last two years, various departments of the cultural industry in Hunan have improved resource allocation to enable operations of sizeable scales and facilitate going global. They have managed to lower operating costs, expand quickly and further increase their economic strength and market competitiveness. The structural reform of separating ownership and operation, such as the division of the roles of government and business in the press and publications as well as broadcasting and television, has also enhanced the operation of cultural groups. In 2000 and 2001, six large cultural groups, including Hunan Publishing Investment Holding Group, Golden Eagle Broadcasting System, Hunan Daily Press Group, Changsha Evening Newspaper Group, Xiaoxiang Film Group (瀟湘電影集團) and Changsha Broadcasting and Television Group (長沙廣播影視集團) were established in Hunan.

Development Objectives of the Hunan Cultural Industry in the 11th Five-Year Plan

The cultural industry of Hunan has solid foundation and is ready for rapid development. During the 11th Five-Year Plan period, the following objectives have been drafted for the province's cultural industry: the value added of the cultural industry will be increased by over 10% annually; by 2010, the value added of the province's cultural industry will reach about RMB60 billion (price in that year), accounting for approximately 7% of the GDP; the number of people employed in the cultural industry will reach 1.5 million, accounting for 4% of the total number of employees. Major cultural projects during the 11th Five-Year Plan include:

1. Golden Eagle Cartoon High-Tech Industrial Park (金鷹卡通產業科技園);
2. Hunan Broadcasting Technology Building (湖南省廣播技術大樓);
3. Hunan Art Gallery (湖南省美術館);
4. The Expansion and Reconstruction of Hunan Library (湖南省圖書館擴改工程);
5. The Reconstruction of Hunan Museum (湖南省博物館改造工程);
6. The Newspaper and Periodical Centre of the Hunan Publishing Investment Holding Group (湖南出版投資控股集團報刊中心);
7. Hunan Newspaper Cultural City (湖南報業文化城);

8. Hunan Mass Art Centre (湖南省群衆藝術館);
9. Hunan Science and Technology Museum (湖南省科技館);
10. Hunan Geological Museum (湖南省地質博物館);
11. Hunan Youth and Children's Centre (湖南省青少年活動中心); and
12. Hunan Network Cultural Industry Park (南網路文化產業園).

Opportunities for Hong Kong

Hong Kong has a range of competitive advantages in the development of cultural industry including talent, technology, capital, a free market economy, as well as experience in expanding overseas markets. Hong Kong can cooperate with Hunan in cultural industry, by investing in the cultural and media industry, exploring together the cultural resources and markets of the Mainland.

Hunan Accelerates Development of the Recycling Economy

The development of a recycling economy and the building of a resource conserving and environmentally friendly society are important means to implement and realise the strategy of sustainable development. Hunan lacks four major energy resources - coal, oil, gas and electricity - which play major supportive roles in economic development. Traditional heavy industries such as chemical products manufacturing are high in materials consumption, energy consumption and contaminate the environment. The Provincial Government has conducted special studies on the fast development of the recycling economy to relieve resource constraints, reduce pollution and transform the mode of economic development.

Role model for Hunan's Recycling Economy

Hunan has formally named Zhuzhou Smeltery (株洲冶煉廠), Zhicheng Chemicals Co. Ltd. (智成化工廠) and Miluo Renewable Resources Industrial Park (汨羅再生資源工業園) as role models of Hunan's recycling economy. Zhuzhou Smeltery and Zhi Cheng Chemical Factory are typical traditional industrial enterprises. Zhuzhou Smeltery has recently completed lead and zinc fume removal engineering, reclaimed sulphur dioxide to produce sulphuric acid, and launched the "zero discharge project for industrial wastewater" (工業廢水零排放工程). It plans to realise total recycling of industrial wastewater, in order to save seven million tons of water consumption and create savings of RMB10 million annually.

After two years of technology improvement, Zhicheng Chemicals Industry Co., Ltd. has recycled carbon monoxide, hydrogen, sulphur dioxide, methanol and carbamide, etc. and created considerable economic benefits. Zhicheng Chemicals Industry Co., Ltd. has also developed a technical reconstruction program in five categories (21 projects) with total investment of over RMB300 million in the next three to five years, planning to realise recycling of sulphur dioxide fumes, hydrogen co-produced from sodium formate, etc. Some of the cleaning projects of the above two enterprises have been listed in Hunan's three-year environmental protection plan.

Miluo City (汨羅市) is developing renewable resources based on its traditional waste materials recycling industry. Presently there are more than 2 000 waste materials recycling groups and about 30 000 people are engaged in that industry. Through the efforts of local farmers over the years, 46 enterprises are engaged in the regeneration of non-ferrous waste metal, waste plastics, waste paper, etc. The output of waste copper is 50 000 tons, 60 000 tons for waste aluminium, 30 000 tons for waste stainless steel, and 100 000 tons for waste plastics. It has built the largest resource renewable market in central and southern China, with annual trading volume of RMB6 billion. In October 2005, the Miluo renewable resources market was approved as a national trial unit for recycling economy by the State Council.

The Objectives of Hunan's Recycling Economy Development

Making the Xiangjiang River (湘江流域) and Dongting Lake (洞庭湖) as the targets and the maintenance of two environmental systems, water and air, as the goal, Hunan has comprehensively introduced clean production to lower every product's energy consumption, materials consumption, water consumption and discharge of pollutant by industrial enterprises. The aim is to achieve an advanced standard domestically or internationally, and realise the transformation of environmental protection from end-of-pipe treatment to pollution prevention. By 2010, the provisional recycling economy will be developed by the initial establishment of legislation, standardisation of system, a policy to support the system, an indicator evaluation system, a technology innovation system, and an incentive control mechanism. The resource production rate will increase significantly, energy consumption per RMB10,000 of GDP will decrease significantly, the total discharge of pollutant will be controlled, the water quality will be improved, the air quality in urban areas will be improved, and agricultural pollution will be controlled effectively. A group of economic-recycling, resource-saving and environmentally friendly demonstration cities, parks and zones, enterprises, communities and villages will be established.

Business Opportunities of Recycling Economy Development

Transforming scientific and technological achievements, high-tech applications and the establishment of a technology market mechanism are the core competitive elements for developing a recycling economy. For the formation of an industrial layout compatible with the features of resource supply, energy sources, transportation allocation, market sales and environmental capacity, the support of technology cannot be neglected. Therefore, the development of a recycling economy brings new opportunities for the development of a technology market. The competition in technology directly affects the competition between enterprises, and enterprises utilize technology to improve the efficiency of resource and energy utilization, in order to save costs and increase earnings. In the industrial chain of a recycling economy, the core technology needs to be created, to form integrated technology clusters and strengthen the industrialization of the recycling economy.

The recycling economy also involves tertiary industries, including hotels, restaurants, entertainment, environmental hygiene, logistics management, information, education, etc. The industries should be planned and designed along the concept of recycling economy. In the whole service cycle, consideration should be given to reducing adverse effects of the services themselves, as well as the products and the channels in offering services, on the environment directly and indirectly. "Green Hotels", "Green Services", "Green Restaurants" and ecological tourism are good examples that have bright market prospects.

Furthermore, entering into the emerging international carbon trade market can also bring profits in the development of Hunan's energy economy. By signing the Clean Development Mechanism (CDM)[34], enterprises can adequately reduce the discharge of greenhouse gases, and can obtain considerable economic benefit, thus achieving the effect of "reducing production" while increasing revenues at the same time. Hunan owns a lot of low cost CDM resources, mainly from hydroelectricity, landfill sites, industrial energy saving, farms, etc. According to some preliminary estimates, the potential economic value of resources from CDM projects exceeds RMB5 billion. The Yuzaikou (漁仔口) small hydropower project in Hunan Rucheng County (汝城縣) is one project that has benefited (to the tune of more than RMB2 million annually). At present, Hunan has finished the preparation of concept documents for six CDM projects and the design documents for two projects, of which the Hunan Leiyang Shangbao hydropower project has applied for the CDM.

34. The Clean Development Mechanism (CDM) is one of the flexible mechanisms established in accordance with the Kyoto Protocol (京都議定書). Developed countries provide capital and technology, while developing countries assume a certain degree of responsibility to reduce the discharge of greenhouse gases. At present, a new carbon market selling carbon credits has emerged, and Certified Emission Reductions (CER) have become a hot commodity in the investment circles.

The Hainan Pearl Industry Strives to Get Rid of its "Basket Economy"

On 27 April 2006, the China Pearl Development Forum (中國珍珠發展論壇) (the "Forum") which lasted three days, ended in Sanya, Hainan. During the three-day forum, besides exhibitors from various regions, many government officials, businessmen, experts and scholars who were concerned about the future development of China's jewellery industry also attended. The development of Hainan's pearl industry was the focus of the Forum, which gave rise to extensive discussions and reports.

The "Basket Economy" of Hainan's Pearl Industry

The major pearl farms in the Mainland are located in Guangdong, Guangxi and Hainan and developed rapidly in the 1990's. In 2005, the output of pearls reached 1 500 tons nationwide, making up over 95% and ranking it in the first place worldwide. Within 10 years, the total export of pearls increased 20-fold. Although the output and export of pearls were large, the average price of and foreign exchange earnings from pearls have dropped continuously. Zhang Cai (張偲), Assistant President of the South China Sea Institute of Oceanology, Chinese Academy of Sciences (中國科學院南海海洋研究所), indicated that total exports of pearls totalled about 12 tons, with foreign exchange earnings of US$23.45 million and an average price of about US$2,000 per kilogram in 1983; whereas exports of pearls totalled 255 tons, with foreign exchange earnings of only US$29.62 million and an average price of only US$116 per kilogram in 1992.[35] Therefore, although China's output of pearls has made up over 95% of the world's output, the trade volume in pearls has only made up about 8% of the world total. China is a big country for pearl production but not a strong country for pearl trade, and the low amount of high quality pearls and low value added of pearl products fit in the so-called "Basket Economy" (蘿筐經濟) in the Mainland.

The Dilemma of the Pearl Industry in Southern Hainan

Sanya (三亞), Hainan, known as the Pearl Cliffs (珠崖) in old times, is one of the earliest regions in the culture of seawater pearls. The quality of pearls was very high in the earlier period. Lingshui (陵水), Hainan once produced China's biggest pearls. There is a saying in the international market that "western pearls are not as good as eastern pearls, and southern pearls are even better than eastern pearls". In other words, pearls produced in the South China Sea are the most precious.

35. *Private Economy News* (民營經濟報), 29 May 2006.

However, during its development in recent decades, the pearl industry of Hainan has seen a flood of bad pearls which have affected the selling price. It has been reported that "pearls have been sold at the price of potatoes" in Hainan, that the price of a bunch of pearls has been equal to the price of half a kilo of potatoes.[36] Price competition led to market chaos, which not only reduces the profit of the enterprises, but also tarnished the image of Hainan in tourism and shopping.[37] In addition, illegal jewellery businessmen have mixed the genuine with the non-genuine pearls. It was reported that in September last year, the Quality & Technology Supervision Bureau of Hainan Province (海南省質監局) undertook sudden inspections of jewellery and jade in the tourist stores of two major regions – Sanya and Qionghai (瓊海). Among the 157 samples from 15 stores, the pass rate was only 19.7%.[38] An expert indicated that the reason for this phenomenon is that the pearl farmers were eager for quick success and instant benefits coupled with the backward technology for culturing pearls, and the extremely high density of pearl culturing, the quality of pearls produced has deteriorated.

Many high quality pearls are exported to overseas markets without processed and sold at low profit margins. Low quality pearls compete at low prices in the domestic market which has caused vicious competition. Taking the situation one step further, the fact that there are no high quality products or branding has led to a dilemma for the whole pearl industry.[39]

Expert Opinions and Opportunities for Hong Kong

To solve the dilemma mentioned above, Dr Feng Fei (馮飛), Minister of the Ministry of Industrial Economy of the Development Research Centre of the State Council (國務院發展研究中心產業經濟部部長), has suggested that Hainan's pearl industry should move to the top-end, improve the industrial value chain of pearls, focus on pearl jewellery making and processing stages, and introduce the elements of culture and fashion, etc. These elements can help to increase the value of the industry, while other efforts can include concentrating on culturing first-class high quality pearls such as black pearls.

36. *China Ocean News* (中國海洋報), 30 June 2006.
37. China Economic Information Network (中經網), 30 April 2006.
38. *Private Economy News*, 23 September 2005.
39. *China Mining Post* (中國礦業報), 1 July 2006.

Zhang Shizhong (張士忠), Deputy Chairman of the Gems & Jewellery Trade Association of the China Pearl Branch (中國珠寶玉石首飾行業協會珍珠分會) and Chairman of Sanya Heren Jewellery Co. (三亞海潤珠寶公司), Ltd thinks that Hainan's pearl industry can explore ways to transform pearls from tourist commodities into fashionable jewellery items and accessories.[40] Zheng Peiqi (鄭佩琪), Deputy Mayor of Sanya City, has indicated that China's pearl enterprises should grasp the opportunities of the global pearl market and understand the demands of consumers; enterprises should continuously improve their R&D standards, place emphasis on original designs, and create international pearl brands that really belong to China.[41]

Hong Kong enjoys not only fame when it comes to the global jewellery industry, but also has experience in brand development and building. Therefore, the future development of Hainan's pearl industry will provide many opportunities for Hong Kong.

40. China Economic Information Network (中經網), 30 April 2006.
41. *Economic Information Daily* (經濟參考報), 12 May 2006.

Hainan Strengthens Ecological Environment Construction

On 17-18 April 2006, the 6th National Environmental Protection Conference (第六次全國環境保護大會) was held in Beijing. Premier Wen Jiabao (溫家寶) indicated at the conference that most of the indicator targets of national economic development in the 10th Five-Year Plan had been achieved and exceeded, but the main indicators of environmental protection had not been achieved.[42] To solve the related problems, the Ecological Province Construction and Provincial Environmental Protection Conference (生態省建設暨全省環境保護大會) was held in Haikou, Hainan on 5 July 2006. Governor Wei Liucheng (衛留成), Vice-Secretary of the CPC Committee of Hainan Province, emphasized at the conference that the Government should make full use of the various resources, encourage enterprises to increase investment in environmental protection, actively guide social capital towards participating in the construction and operation of the environmental infrastructure, form diversified investment patterns in environmental protection, and strive to build Hainan into a demonstration region for harmonious development between mankind and nature by 2010.[43]

New Environmental Protection Measures

The Hainan Provincial Government has successively issued two government documents – *Opinions of The People's Government of Hainan Province on the Implementation of the Decision of the State Council on Carrying Out the View of Scientific Development and Strengthening Environmental Protection* (海南省人民政府貫徹國務院關於落實科學發展觀加強環境保護的決定的實施意見) and *Opinions on Hainan's Ecological Province Construction 2006* (2006年度海南生態省建設工作意見) (the "Opinions") to achieve the goal of environmental protection in the next five years. The Opinions lists 29 key tasks, including the protection of forest resources and the construction of non-commercial ecological forests, the prevention and control of water pollution and drinking water safety assurance, and the construction of cultural and ecological villages, etc.[44] The focuses of the documents are as follows (see **Table 7**):

42. Xinhua News Agency (新華通訊社), 18 April 2006.
43. *Hainan Daily* (海南日報), 6 July 2006.
44. Hainan Provincial Government Documents (海南省政府文件), QF [2006] No. 30.

Table 7: 29 Key Tasks for Strengthening Environmental Protection in Hainan during the 11th Five-Year Plan

Main Project	Main Contact	Responsible Units
To strengthen the construction and management of natural protection zones	To build one or two natural protection zones in 2006 and apply for Yingge Ling (鸚哥嶺) natural protection zone to become a national natural protection zone.	Provincial Forestry Administration, Provincial Department of Marine and Fisheries
To continue to construct three-sided environmental protection (along roads, cities and coastal line)	To increase 9 000-*mu* of environmental protection along roads, 20 000-*mu* along cities, 30 000-*mu* along the sea.	Provincial Forestry Administration, Provincial Traffic Information Communication Centre and relevant city and county governments
To strengthen the management of forestry resource protection	To establish over 25 degree grade farmlands withdrawn which will be carried out in separate years	Provincial Forestry Administration, relevant city and county governments
To continue to promote the restoration of the mining environment and the recovery of land deterioration	To finish development of a 6 000-*mu* empty mining district into an agricultural district	Provincial Department of Land Environment & Resources, relevant city and county governments
	To recover 15 000-*mu* of drought land and desert of cities and counties such as Dongfang (東方), Changjiang (昌江), Ledong (樂東),	Provincial Forestry Administration, relevant city and county governments
	To finish treatment of 12 000-*mu* of soil erosion in cities and counties such as Danzhou (儋州), Wenchang (文昌), Haikou (海口)	Provincial Water Authority, relevant city and county governments

Table 7 (cont'd)

Main Project	Main Contact	Responsible Units
To implement construction plans for environmental pollution recovery in three river areas	To determine and implement water pollution recovery construction plans in Nandu River (南渡江), Wanquan River (萬泉河) and Changhua River (昌化江). To strengthen the monitoring of the major polluted sources, river basins, reservoirs and publish the water quality of river basins and reservoirs within a fixed period	Provincial Department of Land Environment & Resources, Provincial Water Authority, relevant city and county governments
	To begin the comprehensive environmental pollution recovery plan, construct a municipal wastewater pipe network in urban areas of Wuzhishan City and scenic ecological spots in Nansheng River	Provincial Water Authority, Provincial Department of Land Environment & Resources, The People's Government of Wuzhishan
To implement construction of sources of water	To plan for and cooperate in sources of drinking water in major cities	Provincial Water Authority, Provincial Department of Land Environment & Resources, relevant city, county governments
	To speed up the construction of the water pipe network in urban areas, to begin safe drinking water system construction in rural areas, to protect safe water supplies in urban and rural areas	Provincial Water Authority, relevant city, county governments
To strengthen the development of ecological agriculture	To continue to construct non-harmful agricultural bases and develop green, organic products, promote soil tests before applying the correct amount of fertilizer for 1.6 million-*mu* of fertilizer, and on newly built 0.2 million-*mu* non-harmful vegetable and fruit bases	Provincial Agricultural Department, relevant city and county governments
To actively develop the forest and flower industry through the application of ecological and economic efficiencies	To actively promote orchid expos, tropical rare plants forest construction, finish constructing 600 000-*mu* of pulp woods forests	Provincial Forestry Administration, relevant city, county governments
To implement construction of public gas-fired transport in cities	To promote and increase the number of natural gas public buses and taxis in cities such as Haikou, Sanya, Wenchang, Qionghai Natural gas to 50%	Provincial Development and Reform Department, relevant city, county governments

Source: Hainan Provincial Government Documents, QF [2006] No. 30.

The responsible units for each project are listed in the Opinions. The wastewater treatment plants and regional landfill bases are listed as the key projects. Municipal and county leaders will be penalised for any unfinished projects. Furthermore, the Opinions stresses the use of environmental protection measures and the construction of an environmental protection infrastructure as major assessments for the performance of the officials. Therefore, the officials must make some achievements in terms of environmental protection.

MEMORABILIA OF PAN-PRD REGIONAL COOPERATION

Fujian

The Economic Zone on the West Coast of the Taiwan Strait (Ningde) Investment Fair 2006

(28 June 2006) The West Coast of the Taiwan Strait (Ningde) Investment Fair 2006 (2006 海峽西岸經濟區（寧德）投資洽談會) organised jointly by the CPC Municipal Committee and the Municipal Government of Ningde, and the Taiwan Office in Fujian Province, was held in Ningde. The theme of the fair was "Strengthening the cooperation between Ningde and Taiwan, developing a sea-board industry and planning regional development together". At the fair, 314 contracts were signed, with a total investment of RMB24.229 billion, of which US$220 million of investment from Taiwan accounted for 28.31% of the total foreign investment of US$778 million. (www.fj.chinanews.com.cn (福建新聞網), 29 June 2006; *Hong Kong Commercial Daily* (香港商報), 12 July 2006)

Xiamen Investment Fair promotes investment projects in Macao

(13 July 2006) During his visit in Macao, Gu Jie (顧傑), Deputy Director of Investment Promotion Agency of the Ministry of Commerce, promoted the 10th China International Fair for Investment and Trade (第十屆中國國際投資貿易洽談會), which would be held in Xiamen, Fujian in September. He indicated that nearly 100 representatives of Macao enterprises attended the fair last year and he hoped that the number of Macao enterprises attending this year would exceed that of last year. (*Macao Daily News* (澳門日報), 14 July 2006)

The 2nd Seven Provinces Grain Production and Marketing Cooperation Fujian Fair

(16 July 2006) The 2nd Seven Provinces Grain Production and Marketing Cooperation Fujian Fair (第二屆七省糧食產銷協作福建洽談會) organised jointly by the grain bureaus of Fujian, Shandong, Jiangxi, Jilin, Anhui, Henan and Heilongjiang, was held in Quanzhou. Some 1 600 people attended the Fair including Zeng Liying (曾麗瑛), Deputy Director of the State Grain Administration, Liu Dezhang (劉德章), Member of the Standing Committee of the Fujian Provincial Committee of the CPC and Vice-Governor of Fujian, and representatives of the seven provincial governments and entrepreneurs. At the fair, a number of grain purchasing contracts were signed, involving more than 5.28 million tons of grain. (*China Trade Journal* (中國貿易報), 18 July 2006)

Fuzhou · Hong Kong Investment Project Promotion Fair 2006

(18 July 2006) The Fuzhou · Hong Kong Investment Project Promotion Fair 2006 (2006 福州・香港投資項目推介洽談會) was held in Hong Kong. Zheng Songyan (鄭松岩), Mayor of Fuzhou City, indicated that the fair was one of the two major investment promotion fairs held in Hong

Kong every year and it was an important measure and actual action for strengthening the eight cooperation platforms of Fujian and Hong Kong. At the fair, 35 projects representative of foreign-invested undertakings were signed, including 20 contracts and 12 agreements, with a total amount of US$410 million. (*Hong Kong Commercial Daily* (香港商報), 19 July 2006)

Jiangxi

The Department of Communications of Jiangxi Province Introduces Infrastructure Projects for Investment Promotion

(26-30 June 2006) During the (Jiangxi) Hong Kong Investment Promotion Week 2006 (2006年（江西）香港招商引資活動週) held by the Jiangxi Provincial Government, the Jiangxi Provincial Communications Department introduced seven infrastructure projects for investment promotion in order to attract Hong Kong enterprises. The Department assigned a delegation to Hong Kong specifically for negotiation. The total investment value of the seven projects for investment promotion exceeded RMB20.5 billion. Among them, except for the project of the Taihe-Jinggangshan Expressway which involved the transfer of operation rights or transfer of part of the shares, all six of the other projects invited project developers. (China Communications News (中國交通報), 6 July 2006)

Jiangxi (Hong Kong) Investment Promotion and Economic & Trade Co-operation Week 2006

(26-30 June 2006) The Jiangxi (Hong Kong) Investment Invitation and Economic & Trade Co-operation Week 2006 (2006 江西（香港）招商引資暨經貿合作活動週) lasted five days and closed in Hong Kong on 30 June. Jiangxi introduced more than 1 000 projects for investment promotion and 251 foreign-invested contracts and agreements were signed, involving a total foreign capital of US$3.06 billion. The projects mainly involved infrastructure and manufacturing. (*Jiangxi Daily* (江西日報), 1 July 2006)

Hunan

China (Changsha) Medical Expo 2006

(12-14 July 2006) The China Medical Expo 2006 (2006中國醫藥博覽會) was held in Changsha. More than 1 000 exhibitors took part in the expo, nearly 10 000 medical institutions, pharmaceutical manufacturers, purchasing units and investors, etc. participated in the exhibition, investigation and negotiation. The number of visitors reached 100 000 person-times, of which Lao Bai Xing Drugs Co., Ltd. (老百姓大藥房連鎖有限公司) and Changsha Double-Crane Medicine Trade Co., Ltd. (長沙雙鶴醫藥有限責任公司) both signed projects worth RMB1 billion respectively to become the largest “buyers” at the expo. (*Jian Kang Shi Bao* (健康時報), 20 July 2006)

Hainan

Boao · 21st Century Real Estate Forum 2006

(29 June – 2 July 2006) The annual meeting of Boao · 21st Century Real Estate Forum 2006 (2006 博鰲・21 世紀房地產論壇) was held in Boao, Hainan. The theme was "Game theory for real estate – consideration of efficiency and fairness of multi-party interests". The annual meeting also introduced City and Real Estate Projects Bidding (城市與地產項目招標會), Real Estate Traders and the Fund Companies Fair (地產商與基金公司洽談會). (*Jiangnan City Daily* (江南都市報), 7 July 2006)

Pan-PRD ("9+2")

The 7th Working Meeting of Hong Kong/Guangdong Co-operation

(5 July 2006) Tang Bingquan (湯炳權), Executive Vice-Governor of Guangdong, and Hui Si-yan, Chief Secretary for Administration of the Hong Kong SAR Government, jointly hosted the 7th Working Meeting of Hong Kong/Guangdong Co-operation (粵港合作第七次工作會議). The meeting reviewed the co-operative results of the past six working meetings and both parties showed their satisfaction. The meeting declared that among the 20 key projects introduced by Guangdong and Hong Kong in the first half of 2006, nine had been finished, and others had progressed significantly. (*Yangcheng Evening News* (羊城晚報), 7 July 2006)

Pan-PRD ("9+2") Regional Cooperation and Development Financial Forum

(13 July 2006) The 3rd Pan-PRD ("9+2") Regional Cooperation and Development Financial Forum (泛珠三角區域（"9+2"）合作與發展金融論壇) was held in Nanchang, Jiangxi. The Forum was jointly organised by the Finance Association of the Nine Provinces/Region of the Pan-PRD Region (泛珠三角區域 9 省（區）金融學會). More than 130 officials, experts and scholars from the various provinces/region attended the forum and discussed strengthening of fiscal capital merging in the region. The representatives of commercial banks from various provincial capital cities in the Pan-PRD Region also attended the forum and signed agreements for co-operation. (*Jiangxi Daily* (江西日報), 14 July 2006)

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Fujian

	2004	2005	2006 Jan-Jun	2006 Apr	2006 May	2006 Jun
Nominal Gross Domestic Product (Rmb100 mn)[2]	6,053	6,560	3,157	-	-	-
Real Gross Domestic Product Growth (%)[2,5]	12.1	11.3	12.8	-	-	-
Urban Per Capita Disposable Income (Rmb)[2]	11,175	12,321	7,247	1,023	1,065	1,034
Rural Per Capita Net Income (Rmb)[2,3]	4,089	4,450	2,357	-	-	-
Consumer Price Index (%)[2]	4.0	2.2	0.2	0.4	0.4	1.0
Retail Sales of Consumer Goods (Rmb100 mn)[2]	1,996	2,346	1,302	199	211	221
Year-on-year growth (%)[2,5]	14.7	13.8	14.6	13.4	14.2	14.2
Value-added of Industry (Rmb100 mn)[2,6]	1,846	2,274	1,249	205	213	244
Year-on-year growth (%)[2,5,6]	23.5	17.9	19.2	16.9	20.7	15.8
City, County and Above Investment in Fixed Assets (Rmb100 mn)[2,4]	1,601	1,986	1,092	599	793	1,092
Year-on-year growth (%)[2,4,5]	29.0	24.1	42.8	45.1	45.0	42.8
Value of Exports (US$100 mn)[7,8]	294.0	348.5	191.4	35.9	33.9	34.5
Year-on-year growth (%)[5,7,8]	39.1	18.5	15.1	-	-	-
Value of Imports (US$100 mn)[7,8]	181.5	195.9	111.2	19.8	18.6	18.8
Year-on-year growth (%)[5,7,8]	27.9	8.0	10.3	-	-	-
Foreign Direct Investment (US$100 mn)[9]	53.2	62.3	39.0	-	-	-

Notes:
1 - Values are all in nominal terms.
2 - 2004, 2005 & Jan-Jun 2006 data source: Fujian Provincial Bureau of Statistics Website.
3 - Jan-Jun 2006 data refer to cash income, normally announced only in March, June, September and December.
4 - 2006 monthly data are year-to-date data.
5 - Real growth rate.
6 - Including all state-owned enterprises and non-state-owned enterprises with annual turnover of Rmb5 million and above.
7 - Classification according to source and destination of product.
8 - 2004 & 2005 data source: Fujian Provincial Bureau of Statistics Website; Jan-Jun 2006 data source: China Customs.
9 - Actually utilised amount of foreign direct investment. 2004 data source: China Commerce Yearbook 2005;
2005 & Jan-Jun 2006 data source: Fujian Provincial Bureau of Statistics Website.

Jiangxi

	2004	2005	2006 Jan-Jun	2006 Apr	2006 May	2006 Jun
Nominal Gross Domestic Product (Rmb100 mn)[2]	3,496	4,056	1,840	-	-	-
Real Gross Domestic Product Growth (%)[2,5]	13.2	12.8	12.6	-	-	-
Urban Per Capita Disposable Income (Rmb)[2]	7,560	8,620	4,881	706	736	744
Rural Per Capita Net Income (Rmb)[2,3]	2,953	3,266	1,523	-	-	-
Consumer Price Index (%)[2,4]	3.5	1.7	0.4	0.7	0.5	0.4
Retail Sales of Consumer Goods (Rmb100 mn)[2]	1,060	1,236	678	102	115	112
Year-on-year growth (%)[2,5]	14.8	15.0	15.3	-	-	-
Value-added of Industry (Rmb100 mn)[2,6]	618	829	523	93	105	114
Year-on-year growth (%)[2,5,6]	26.1	23.6	21.9	-	-	-
City, County and Above Investment in Fixed Assets (Rmb100 mn)[2]	1,488	1,934	799	143	152	233
Year-on-year growth (%)[2,5]	36.0	30.9	37.7	-	-	-
Value of Exports (US$100 mn)[7,8]	19.9	24.4	16.3	3.0	2.9	3.3
Year-on-year growth (%)[5,7,8]	32.5	22.3	37.1	-	-	-
Value of Imports (US$100 mn)[7,8]	15.4	16.2	13.4	2.3	1.8	2.8
Year-on-year growth (%)[5,7,8]	50.3	5.4	-	-	-	-
Foreign Direct Investment (US$100 mn)[2,9]	20.5	24.2	14.3	2.1	2.6	4.4

Notes:
1 - Values are all in nominal terms.
2 - 2004, 2005 & Jan-Jun 2006 data source: Jiangxi Statistical Information Net.
3 - Jan-Jun 2006 data refer to cash income, normally announced only in March, June, September and December.
4 - 2006 data source: National Bureau of Statistics of China.
5 - Real growth rate.
6 - Including all state-owned enterprises and non-state-owned enterprises with annual turnover of Rmb5 million and above.
7 - 2004 & 2005 data source: Jiangxi Statistical Information Net; Jan-Jun 2006 data source: China Customs.
8 - Classification according to source and destination of product.
9 - Actually utilised amount of foreign direct investment.

Hunan

	2004	2005	2006 Jan-Jun	2006 Apr	2006 May	2006 Jun
Nominal Gross Domestic Product (Rmb100 mn)[2]	5,612	6,474	3,206	-	-	-
Real Gross Domestic Product Growth (%)[2,5]	12.0	11.6	12.2	-	-	-
Urban Per Capita Disposable Income (Rmb)[2]	8,618	9,524	5,487	-	-	-
Rural Per Capita Net Income (Rmb)[2,3]	2,838	3,118	1,836	-	-	-
Consumer Price Index (%)[4]	5.1	2.3	0.4	0.5	0.8	0.8
Retail Sales of Consumer Goods (Rmb100 mn)[2]	2,070	2,459	1,348	202	228	230
Year-on-year growth (%)[2,5]	14.0	14.4	14.9	14.7	15.7	15.5
Value-added of Industry (Rmb100 mn)[2,6]	1,198	1,536	925	159	165	192
Year-on-year growth (%)[2,5,6]	24.1	20.6	20.5	18.7	21.2	21.3
City, County and Above Investment in Fixed Assets (Rmb100 mn)[2]	1,690	2,194	1,083	181	219	321
Year-on-year growth (%)[2,5]	36.0	29.8	31.8	-	-	-
Value of Exports (US$100 mn)[7,8]	31.0	37.5	21.6	3.9	3.9	4.6
Year-on-year growth (%)[5,7,8]	44.3	20.9	17.6	-	-	-
Value of Imports (US$100 mn)[7,8]	23.4	22.6	13.2	2.3	2.4	2.4
Year-on-year growth (%)[5,7,8]	47.2	-3.5	-13.3	-	-	-
Foreign Direct Investment (US$100 mn)[2,9]	16.4	23.3	12.1	2.1	3.2	2.3

Notes:
1 - Values are all in nominal terms.
2 - 2004, 2005 & Jan-Jun 2006 data source: Statistical Information of Hunan Website.
3 - Jan-Jun 2006 data refer to cash income, normally announced only in March, June, September and December.
4 - 2004 data source: Statistical Information of Hunan Website; 2005 data source: China Statistical Abstract 2006; Jan-May 2006 data source: Hunan Provincial Department of Commerce; Jun 2006 data source: China Statistical Data, China.com.cn.
5 - Real growth rate.
6 - Including all state-owned enterprises and non-state-owned enterprises with annual turnover of Rmb5 million and above.
7 - 2004 & 2005 data source: Statistical Information of Hunan Website; Jan-Jun 2006 data source: China Customs.
8 - Classification according to source and destination of products.
9 - Actually utilised amount of foreign direct investment. Apr-May 2006 data source: Hunan Provincial Department of Commerce.

Hainan

	2004	2005	2006 Jan-Jun	2006 Apr	2006 May	2006 Jun
Nominal Gross Domestic Product (Rmb100 mn)[2]	790	904	492	-	-	-
Real Gross Domestic Product Growth (%)[2,4]	10.4	10.1	11.6	-	-	-
Urban Per Capita Disposable Income (Rmb)[2]	7,736	8,124	5,023	686	722	692
Rural Per Capita Net Income (Rmb)[2,3]	2,818	3,004	1,785	-	-	-
Consumer Price Index (%)[2]	4.4	1.5	1.4	1.0	1.7	1.9
Retail Sales of Consumer Goods (Rmb100 mn)[2]	219.0	269.0	148.3	23.4	25.4	24.1
Year-on-year growth (%)[2,4]	14.4	13.4	14.2	14.5	16.0	13.8
Value-added of Industry (Rmb100 mn)[2,5]	123.5	148.5	85.9	13.1	15.0	15.1
Year-on-year growth (%)[2,4,5]	18.4	18.6	18.4	8.9	17.9	15.3
City, County and Above Investment in Fixed Assets (Rmb100 mn)[2]	235.3	351.5	162.6	33.6	28.4	39.2
Year-on-year growth (%)[2,4]	16.6	20.8	16.2	-	-	-
Value of Exports (US$100 mn)[6,7]	10.9	10.2	4.4	0.9	0.8	0.7
Year-on-year growth (%)[4,6,7]	26.0	-6.4	7.9	-	-	-
Value of Imports (US$100 mn)[6,7]	23.1	15.7	8.0	1.0	0.8	2.6
Year-on-year growth (%)[4,6,7]	63.8	-32.0	45.4	-	-	-
Foreign Direct Investment (US$100 mn)[2,8]	6.7	6.8	3.1	0.4	0.3	1.1

Notes:
1 - Values are all in nominal terms.
2 - 2004, 2005 & Jan-Jun 2006 data source: Statistical Bureau of Hainan Province Website.
3 - Jan-Jun 2006 data refer to cash income, normally announced in March, June, September and December.
4 - Real growth rate.
5 - Including all state-owned enterprises and non-state-owned enterprises with annual turnover of Rmb5 million and above.
6 - Classification according to source and destination of products.
7 - 2004 & 2005 data source: Statistical Bureau of Hainan Province Website; Jan-Jun 2006 data source: China Customs.
8 - Actually utilised amount of foreign direct investment.

Major Economic Indicators of Nine Pan-PRD Provinces/Region (Jan-Jun 2006)

	Fujian	Jiangxi	Hunan	Hainan	Guangxi	Yunnan	Guizhou	Sichuan	Guangdong
Nominal Gross Domestic Product (Rmb100 mn)[3,4]	3,157	1,840	3,206	492	2,013	1,670	930	3,727	11,417
Real Gross Domestic Product Growth (%)[2,3,4]	12.8	12.6	12.2	11.6	13.6	10.6	11.8	13.3	14.4
Urban Per Capita Disposable Income (Rmb)[3,5]	7,247	4,881	5,487	5,023	5,174	5,030	4,672	4,757	8,531
Rural Per Capita Cash Income (Rmb)[3,5]	2,357	1,523	1,836	1,785	1,590	1,130	881	1,635	2,899
Consumer Price Index (%)[3,6]	0.2	0.4	0.4	1.4	0.7	2.0	-	1.8	1.7
Retail Sales of Consumer Goods (Rmb100 mn)[3,4]	1,302	678	1,348	148	775	528	339	1,590	4,434
Year-on-year growth (%)[2,3,4]	14.6	15.3	14.9	14.2	13.8	14.7	13.6	14.5	15.6
Value-added of Industry (Rmb100 mn)[3,5,7]	1,249	523	925	86	512	559	317	1,250	4,868
Year-on-year growth (%)[2,3,5,7]	19.2	21.9	20.5	18.4	21.8	14.9	17.6	24.1	18.5
Total Investment in Fixed Assets (Rmb100 mn)[3,4]	1,234	-	1,274	170	882	-	478	1,980	3,231
Year-on-year growth (%)[2,3,4]	39.9	-	31.8	16.6	37.0	-	24.3	37.7	20.5
City, County & Above Investment in Fixed Assets (Rmb100 m	1,092	799	1,083	163	766	746	419	-	1,600
Year-on-year growth (%)[2,3,4]	42.8	37.7	31.8	16.2	41.7	31.3	21.0	-	15.3
Value of Exports (US$100 mn)[8]	191.4	16.3	21.6	4.4	16.3	13.3	5.7	23.1	1,326.9
Value of Imports (US$100 mn)[8]	111.2	13.4	13.2	8.0	16.1	16.4	4.0	22.5	1,068.0
Foreign Direct Investment (US$100 mn)[3,9]	39.0	14.3	12.1	3.1	1.8	1.2	-	6.2	68.3

Notes:
1 - Values are all in nominal terms.
2 - Real growth rate.
3 - Data source: Provincial (Regional) Statistical Reports.
4 - Guizhou data source: worldbydata.com, 10 Aug, 2006.
5 - Guizhou data source: Guizhou Daily, 18 July, 2006.
6 - Yunnan data source: Private Economy News, 24 July, 2006.
7 - Including all state-owned enterprises and non-state-owned enterprises with annual turnover of Rmb5 million and above.
8 - Classification according to source and destination of products. Data source: China Customs.
9 - Actually utilised amount of foreign direct investment; Sichuan data source: Chengdu Daily, 19 July, 2006.

Nine Pan-PRD Provinces/Region: 10-year Economic Trend (1996-2005)

Nominal growth (%)	Fujian	Jiangxi	Hunan	Hainan	Guangxi	Yunnan	Guizhou	Sichuan	Guangdong	Total
Real Gross Domestic Product (%)[3]	11.5	10.7	10.1	8.6	9.4	8.6	9.4	10.1	11.4	10.0
Per Capita Nominal Gross Domestic Product (%)[4]	9.6	11.0	10.0	8.0	8.4	8.7	10.1	9.6	10.8	9.6
Above Designated-sized Value-added of Industry (%)[5,9]	26.5	28.2	29.2	25.3	28.1	34.6	28.1	30.6	23.8	28.3
City, County & Above Investment in Fixed Assets (%)	13.4	24.0	17.5	8.0	16.7	16.6	20.3	15.1	11.9	15.9
Retail Sales of Consumer Goods (%)	13.5	11.7	11.4	9.6	10.9	10.9	11.9	9.3	13.1	11.4
Value of Exports (%)[10]	17.6	14.4	11.6	11.6	7.9	9.5	10.9	11.1	15.5	12.2
Value of Imports (%)[10]	11.6	16.2	13.4	8.7	7.9	9.9	11.2	11.3	14.9	11.7
Foreign Direct Investment (US$100 mn)[6,7,8,11]	418.5	93.5	105.1	58.8	57.3	12.5	4.8	51.9	1,118.8	1,921.2
Urban Per Capita Disposable Income (%)	10.6	9.9	7.4	5.6	6.5	8.7	7.6	7.7	7.1	7.9
Rural Per Capita Net Income (%)	8.2	8.1	8.4	7.1	5.8	7.4	5.7	9.4	5.8	7.3

Notes:

1 - All data above are nominal growth (%) except foreign direct investment.
2 - 1996-2004 data source: China Statistical Yearbook; 2005 data source: Provincial/Regional Statistical Communiques.
3 - Data source: CEIC Data.
4 - Average growth in 1997-2005.
5 - Average growth in 2001-2005; 2001-2004 data source: China Statistical Yearbook; 2005 data source: Provincial/Regional Statistical Communiques.
6 - 1996-2005 is cumulative data, not nominal growth (%).
7 - 2004 and 2005 data source: Provincial/Regional Statistical Communiques.
8 - Sichuan 2004 data source: China Commerce Yearbook 2005.
9 - Including all state-owned enterprises and non-state-owned enterprises with annual turnover of Rmb5 million and above.
10 - Classification according to source and destination of products.
11 - Actually utilised amount of foreign direct investment.

Nine Pan-PRD Provinces/Region: Statistics at a Glance (2005)

	Fujian	Jiangxi	Hunan	Hainan	Guangxi	Yunnan	Guizhou	Sichuan	Guangdong	Total
Land Area (10,000 sq km)[2,4]	12.1	16.7	21.2	3.5	23.7	39.4	17.6	48.5	17.9	200.6
Population (10,000 persons)[7]	3,535	4,311	6,732	828	4,925	4,450	3,931	8,750	9,194	46,656
Natural Growth Rate (‰)[7]	6.0	7.8	5.2	8.9	8.2	8.0	7.4	2.9	7.0	6.8
Non-agricultural (%)[3,5]	30.9	26.1	21.4	37.8	18.5	16.4	15.8	22.3	48.7	26.4
Tertiary-educated (%)[3,6,11]	4.6	4.7	5.2	5.2	5.2	3.8	4.5	3.6	5.2	4.7
Illiterate and Semi-illiterate (%)[3,6,12]	15.3	9.1	7.4	7.4	8.1	16.4	17.0	11.5	6.9	11.0
Life Expectancy (Numbers of years)[1,6]	72.6	69.0	71.0	72.9	71.3	65.5	66.0	71.2	73.3	70.3
Nominal Gross Domestic Product (Rmb100 mn)[7]	6,560	4,056	6,474	904	4,063	3,472	1,942	7,385	21,701	56,557
Per Capita Gross Domestic Product (Rmb)[7]	18,557	9,408	9,617	10,918	8,250	7,802	4,940	8,440	23,603	11,282
Real Gross Domestic Product Growth (%)[7]	11.3	12.8	11.6	10.1	12.7	9.0	11.5	12.6	12.5	11.6
Industrial Structure: Primary (%)[7]	12.6	19.0	19.4	33.1	22.2	18.9	18.5	20.3	6.3	18.9
Secondary (%)[7]	49.2	47.2	40.2	25.9	37.0	41.7	42.4	41.3	49.5	41.6
Tertiary (%)[7]	38.2	33.8	40.4	41.0	40.8	39.4	39.1	38.4	44.1	39.5
Urban per Capita Annual Disposable Income (Rmb)[7]	12,321	8,620	9,524	8,124	8,917	9,266	8,147	8,386	14,770	9,786
Rural Per Capita Annual Net Income (Rmb)[7]	4,450	3,266	3,118	3,004	2,495	2,042	1,877	2,803	4,691	3,083
Average Wage (Rmb)[3,6]	15,603	11,860	13,928	12,652	13,579	14,581	12,431	14,063	22,116	14,535
Retail Sales of Consumer Goods (Rmb100 mn)[7]	2,346	1,236	2,459	269	1,397	1,034	607	2,981	7,883	20,212
Total Value-added of Industry (Rmb100 mn)[7]	2,870	1,456	2,200	167	1,263	1,200	712	2,513	9,891	22,272
Above Designated-sized Value-added of Industry (Rmb100 mn)[7,13]	2,274	829	1,536	149	833	1,018	562	2,034	8,290	17,525
Total Fixed Asset Investment (Rmb100 mn)[7]	2,345	2,293	2,540	377	1,776	1,743	1,015	3,462	6,957	22,508
City, County & Above Investment in Fixed Assets (Rmb100 mn)[7,10]	1,986	1,934	2,194	352	1,596	1,066	916	3,081	5,847	18,972
Real Estate Investment (Rmb100 mn)[7]	540	301	448	71	287	234	153	699	1,498	4,231
Total Sales of Commercial Housing (Rmb100 mn)[8]	511	183	213	45	213	143	84	327	1,382	3,101
Average price (Rmb / sqm)[8]	2,836	1,501	1,559	2,573	2,037	2,059	1,548	1,632	3,754	2,167

(continued)	Fujian	Jiangxi	Hunan	Hainan	Guangxi	Yunnan	Guizhou	Sichuan	Guangdong	Total
Total External Trade (US$100 mn)[7,14]	544.3	40.6	60.1	25.9	51.8	47.4	14.0	79.0	4,280.0	5,143.1
Value of Exports (US$100 mn)[7,14]	348.5	24.4	37.5	10.2	28.8	26.4	8.6	47.0	2,382.0	2,913.4
Value of Imports (US$100 mn)[7,14]	195.9	16.2	22.6	15.7	23.1	21.0	5.5	32.0	1,898.0	2,230.0
Trade Balance (US$100 mn)[7,14]	152.6	8.2	14.9	-5.5	5.7	5.4	3.1	15.0	483.4	682.8
Tourism Foreign Exchange Receipts (US$100 mn)[7,15]	13.1	1.0	3.9	0.8	3.2	5.3	1.0	3.2	64.0	95.5
Foreign Visitors (visitor times)[7,16]	1,974	373	720	432	1,462	3,476	276	1,063	18,970	28,746
Utilised Foreign Direct Investment (Rmb100 mn)[7,17]	62.3	24.2	23.3	6.8	3.8	1.9	1.1	11.0	123.6	258.0
Number of Foreign Bank Branches[3,9]	12	0	0	1	0	1	0	2	44	60
Bank Loans (Rmb100 mn)[7]	5,413	3,019	4,590	996	3,057	3,988	2,304	6,743	23,261	53,371
Per Capita Savings Deposits (Rmb)[2,4]	8,385	4,738	4,557	6,743	4,059	4,037	2,359	4,981	17,679	6,393
Hong Kong-listed Companies[18]	3	3	1	1	0	2	0	5	33	48

Notes:
1 - 2000 data.
2 - 2003 data.
3 - 2004 data.
4 - Data source: CEIC Data.
5 - Data source: China Population Statistical Yearbook 2005.
6 - Data source: China Statistical Yearbook 2005.
7 - Data source: Provincial/Regional Statistical Reports.
8 - Data source: China Monthly Statistics.
9 - Data source: Almanac of China's Finance and Banking 2005
10 - Yunnan data is 2004 data.
11 - Refer to proportion of 6 years old and above population.
12 - Refer to proportion of 15 years old and above population.
13 - Including all state-owned enterprises and non-state-owned enterprises with annual turnover of Rmb5 million and above.
14 - Classification according to source and destination of products.
15 - Hainan data is 2004 data.
16 - Including tourists from Hong Kong, Macao and Taiwan.
17 - Actually utilised amount of foreign direct investment.
18 - The statistics is up to 30 April 2006. The data before 15 September 2004 is based on the Twelfth Monthly Report of this series, others are based on their registered addresses.
Data source: Hong Kong Exchanges and Clearing Ltd website, securities companies websites & relevant news reportings.

ENGLISH-CHINESE GLOSSARY OF TERMS

Association of Southeast Asian Nations (ASEAN)	東盟
China-ASEAN Free Trade Area	中國－東盟自由貿易區
Contracted Foreign Direct Investment	合同外商直接投資
Domestically-lined up cooperation	內聯合作
Ecological environment	生態環境
Economic Zone on the West Coast of the Taiwan Strait	海峽西岸經濟區
Fixed asset investment	固定資產投資
Foreign direct investment (FDI)	外商直接投資
Methane	沼氣
Pillar industries	支柱產業
Secondary industry	第二產業
State-owned enterprises	國有企業
Utilized FDI	實際使用外商直接投資