

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

**FOURTH MONTHLY REPORT  
COVERING FUJIAN, JIANGXI, HUNAN AND HAINAN**

**AUGUST 2006**

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## Executive Summary

1. Cooperation within the Pan-Pearl River Delta (Pan-PRD) region will contribute to a robust logistics market. Even if the logistics volume is assumed to amount to 10% of GDP, the business volume for the logistics industry in the Pan-PRD region will reach RMB565.6 billion. Also, most exports of goods must pass through the ports along the coast of the Pearl River and Hong Kong. In 2005, the import and export value of the Pan-PRD region reached US\$514.28 billion, representing a marked growth of 18.6% as compared with that of 2004, and accounting for 36.2% of the national total. In the first quarter of 2006, the import and export trade of Pan-PRD reached US\$131.17 billion, which represented a 25.98% growth year-on-year and accounted for 35.3% of the national total. The value of exports was US\$59.96 billion and the value of imports was US\$49.89 billion; excluding Guangdong, the value of import and export trade of the other eight provinces/region in the Pan-PRD region was US\$22.31 billion, grew by 16.2%.
2. Transportation and other related infrastructure is not the sole bottleneck that constrains the development of logistics in the Pan-PRD region. Issues such as building up of the training systems for logistics talent, development of a public platform of logistics information, support for specific business models of logistics, opening up of the logistics industry, as well as the eradication of administrative and trade barriers currently deserve special attention and resolution for the success of logistics industry in the Pan-PRD region.
3. In May 2006, the book titled *China Talent Report 2005 - Human Resource Development in the Historical Procedure of Building Up a Society with Harmony* stated that logistics talent was one of the twelve types of talent that China lacks. By the year 2010, China needs to train up 300 000 to 400 000 logistics talent with college or above educational level. However, the current training systems for logistics profession in various types of colleges and universities only produce about 5 000 persons a year, and a distinct discrepancy exists. To highlight the importance of importing talent, and to reinforce the focus and efficiency of import, the Administration Office of the Fujian Provincial Government has specifically issued a directory to all district/municipal governments, titled *Guiding Directory of Importing Talent in Urgent Need by Fujian Province in 2005-2006*, modern logistics talent is included in the directory. The Directory proposed to bring in holders of major posts related to management and maintenance of containers, warehousing, packing, product distribution, shipping, design and application of logistics systems, and the talent demanded for should have a PhD degrees or the titles of associate professor and above, and be strong in foreign languages, computer applications, professional skills, as well as research and development abilities.
4. On 25 May 2005, the Administration Office of the Jiangxi Provincial Government restated in the *Opinions on Promoting the Development of Modern Logistics in Our Province* that Jiangxi would stick to the principles of market-oriented, enterprise-centred, information technology support, and focus on reducing costs of logistics and providing quality comprehensive services, to build up 'a system of socialized, professional, and modern logistics network, a modern logistics infrastructure, and a public platform of logistics information'. The Opinions considered that these logistics systems and platforms should target at providing

streamlined material flows that are quick and on time, economical and rational, and will satisfy the consumers.

5. On 27 July 2006, the Changsha Municipal Government proclaimed a development plan for the Jinxia logistics zone. In the coming 15 years, the zone would be built into a free-trade logistics centre, a hub of land and water transportation, and an industrial base. The layout of that plan could be summed up into a “one core district (of logistics industry), one secondary district (of logistics trade), three sub-districts (of various functions)” structure, and the construction of a free-trade logistics centre was among one of the most important issues in the plan. For this purpose, Changsha held a conference for promoting investment in modern logistics for Jinxia immediately on the following day of the proclamation of the plan. At the conference, the person in charge of the Changsha Customs formally announced that the national Customs had approved the pilot operation of the Jinxia free-trade logistics centre. The Jinxia free-trade logistics centre of Changsha would be a B-type free-trade logistics centre, which was also the first B-type free-trade logistics centre in central-southern China. As a logistics park, the Jinxia free-trade logistics centre is striving to build up its central position in the logistics development of the Hunan Province and even central China.
6. On 3 January 2006, a meeting of the joint steering group for the pilot opening up of aviation rights of Hainan was convened. The meeting summarized the effectiveness of various works on opening up the aviation rights in 2005, as well as set up and adjusted work foci for 2006. Besides propelling the adjustment to aviation routes to promote the opening of aviation rights, and speeding up the construction of infrastructure for airports and ports to support the opening up of aviation rights, the meeting proposed to try bundle sales of air tourism packages jointly offered by the aviation rights office, the tourism bureau, airports and airlines to promote the growth of air tourism in 2006. Participants of the meeting also agreed to strengthen research on the opening up of aviation rights to better serve the Hainan economy. From the opening up of aviation rights in 2003 to the end of 2004, Hainan launched twelve new international routes, including five fixed routes and seven non-fixed routes, and increased 794 sorties of international flights. In 2005, the pilot opening of aviation rights in Hainan further moved ahead, and sixteen new international routes were opened, including four fixed routes and twelve non-fixed routes. International flights reached 9 201 sorties, resulting in a year-on-year growth of 36.05%. In addition, the number of foreign airlines being newly authorized to carry international and regional flights in Hainan reached 10.
7. Hong Kong can play the following roles in the development of the logistics industry in the four south-eastern provinces (Fujian, Jiangxi, Hunan, Hainan) of Pan-PRD: utilizing its rich experience in logistics training, Hong Kong can cooperate with Fujian in launching training projects for logistics talent; promoting the DTTN (digital trading and transport network) of Hong Kong, to provide management and consulting services for the development of information technology in Jiangxi’s logistics industry; encouraging Hong Kong enterprises to invest in the Jinxia free-trade logistics centre, to assist Hong Kong capitals in participating in the development of that centre and share the achievements; and opening up the aviation rights of Hong Kong, to realize a win-win situation.

## TOPICAL ANALYSIS

### **Logistics Development in the Pan-PRD Region: Opportunities and Challenges for Hong Kong**

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## An Overview of and Trends in Logistics Development in Pan-Pearl River Delta Region

### Logistics Industry Witnesses Rapid Growth in Pan-Pearl River Delta (Pan-PRD) Region

Modern logistics in China have experienced rapid development and are playing an increasingly important role in the national economy. In year 2005, the total value of external logistics in China reached RMB48.1 trillion, up 25.2% from the previous year, and up nearly 150% from year 2001, making 2005 the year with the most rapid growth in external logistics in the last 10 years. Meanwhile, social and economic development has showed more reliance on logistics, as investments in fixed assets by the domestic logistics industry in year 2005 amounted to RMB728.3 billion, up 24.3% over the previous year, representing the fastest growth since year 2000. The domestic logistics industry realised a total value-added of RMB788 billion, representing an increase of 10.5% over the previous year.<sup>1</sup>

In the first half of year 2006, freight transportation across the country continued to grow, and registered a considerable growth both in the sectors of waterway and highway transportation. In passenger transportation, while the waterway transportation sector sustained certain growth, the highway transportation sector experienced a certain degree of decrease from January to June, which was mainly attributed to seasonal factors (such as increases in passenger flow during the Spring Festival). Overall, the traffic volume in each sector recorded steady growth over that of the beginning of the year (see **Table 1**).

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1. The total value-added of logistics mainly consists of the total value-added of five logistics sectors including transportation, warehousing and storage, wholesale, distribution, processing and packaging, and postal services. Please refer to the website of People's Posts and Telecommunications News (人民郵電報社): <http://www.cnii.com.cn/>, and the website of the National Bureau of Statistics of China (中華人民共和國國家統計局): <http://www.stats.gov.cn/>

**Table 1: Freight and Passenger Throughput of China's Major Transportation Sectors for the First Half of 2006**

	2006/6	2006/5	2006/4	2006/3	2006/2	2006/1
Waterway Freight Traffic (million ton)/ Freight Turnover Volume (million ton-km)	209/ 441 208	203/ 448 478	193/ 430 681	177/ 407 185	155/ 397 400	172/ 380 999
Highway Freight Traffic (million ton)/ Freight Turnover Volume (million ton-km)	1 178/ 79 362	1 193/ 78 980	1 166/ 76 830	1 142/ 77 190	1 034/ 68 893	1 114/ 74 008
Waterway Passenger Traffic (million passengers)/ Passenger Turnover Volume (million passenger-km)	18/ 599	19/ 613	16/ 564	16/ 553	19/ 647	17/ 501
Highway Passenger Traffic (million passengers)/ Passenger Turnover Volume (million passenger-km)	1 471/ 81 762	1 561/ 85 478	1 457/ 78 628	1 486/ 82 850	1 579/ 90 244	1 568/ 89 027

Source: The Ministry of Communications of the PRC (中華人民共和國交通部), website: <http://www.moc.gov.cn/>

Currently, the development of logistics in the Pan-PRD region accounts for a high proportion of the national figures. In 2005, the total freight volume of the nine Pan-PRD provinces/region (except for the Hong Kong SAR and Macao SAR) accounted for more than one fifth of the national total; the total number of cargo trucks accounted for more than 30% of the national total; and the total length of highways accounted for more than two-fifth of the national total. Among these, the length of expressways reached 9 449 km, representing more than 30% of the national total.<sup>2</sup>

The four provinces of Fujian, Jiangxi, Hunan, and Hainan (閩贛湘瓊) experienced rapid growth in transportation in various aspects during the first half of 2006. For waterway freight, Fujian recorded steady development at an average monthly growth rate of more than 20%, while the other three provinces registered slightly slower growth. For highway freight, the four provinces performed in parallel at a rate of about 10%, reflecting attention is generally paid to the construction of this mode of transportation by each of the provinces. When it comes to passenger transport, however, the development of waterway transport followed quite a different path that of highway transport. Except for Fujian, which recorded growth in waterway passenger transport, the other three provinces registered negative growth. Obviously passenger transport by waterway is a mode of transportation which is relatively slower and is subject to geographical constraints and has therefore not been valued and supported recently, and is no longer the focus of strategic development. On the contrary, highway passenger transport has sustained continuous and steady growth in each period and in each of the four provinces (see **Table 2** to **Table 5**).

2. National Bureau of Statistics of China, website: <http://www.stats.gov.cn/>

**Table 2: Waterway Freight in Fujian, Jiangxi, Hunan and Hainan in the First Half of 2006**

Year /Month	Waterway Freight (Unit)	Fujian	Jiangxi	Hunan	Hainan
2006/6	(Million ton-km)	10 219.00	839.84	1 903.75	1 756.16
	(Year-on-year Growth %)	121.7	106.1	105.7	110.4
2006/5	(Million ton-km)	10 199.30	721.66	1 626.30	1 714.30
	(Year-on-year Growth %)	123.1	103.4	101.5	108.8
2006/4	(Million ton-km)	10 405.28	618.89	1 535.30	1 778.89
	(Year-on-year Growth %)	129.0	101.1	103.0	111.6
2006/3	(Million ton-km)	10 214.81	585.18	1 926.88	1 568.91
	(Year-on-year Growth %)	129.5	103.8	96.8	105.3
2006/2	(Million ton-km)	10 049.83	514.72	1 830.18	1 773.89
	(Year-on-year Growth %)	124.0	97.1	76.0	125.0
2006/1	(Million ton-km)	10 651.06	492.27	1 081.22	1 774.42
	(Year-on-year Growth %)	121.9	85.7	48.8	115.6

Source: The Ministry of Communications of the PRC, website: [www.moc.gov.cn](http://www.moc.gov.cn).

**Table 3: Highway Freight in Fujian, Jiangxi, Hunan and Hainan for the First Half of 2006**

Year/Month	Highway Freight (Unit)	Fujian	Jiangxi	Hunan	Hainan
2006/6	(Million ton-km)	2 113.80	1 760.72	5 410.19	504.59
	(Year-on-year Growth %)	110.1	115.4	107.4	112.4
2006/5	(Million ton-km)	2 093.08	1 879.02	5 091.47	542.75
	(Year-on-year Growth %)	109.4	117.3	105.6	110.6
2006/4	(Million ton-km)	2 064.13	1 724.62	4 379.47	523.55
	(Year-on-year Growth %)	108.7	116.2	102.7	107.8
2006/3	(Million ton-km)	2 113.32	1 815.29	4 331.00	448.37
	(Year-on-year Growth %)	107.6	115.8	101.3	105.7
2006/2	(Million ton-km)	2 266.05	1 738.88	4 218.63	458.42
	(Year-on-year Growth %)	106.2	113.5	98.3	103.8
2006/1	(Million ton-km)	2 398.12	1 848.71	4 538.82	458.50
	(Year-on-year Growth %)	109.7	115.3	113.4	99.5

Source: The Ministry of Communications of the PRC, website: [www.moc.gov.cn](http://www.moc.gov.cn).

**Table 4: Waterway Passenger Transport in Fujian, Jiangxi, Hunan and Hainan for the First Half of 2006**

Year/Month	Waterway Passenger Transport (Unit)	Fujian	Jiangxi	Hunan	Hainan
2006/6	(Million passenger-km)	12.25	4.64	9.54	11.27
	(Year-on-year Growth %)	103.7	89.3	73.3	98.5
2006/5	(Million passenger-km)	12.39	6.15	10.50	16.67
	(Year-on-year Growth %)	103.3	89.8	73.0	99.1
2006/4	(Million passenger-km)	10.42	4.92	11.98	20.23
	(Year-on-year Growth %)	102.8	87.3	72.9	99.1
2006/3	(Million passenger-km)	11.46	5.43	12.60	14.80
	(Year-on-year Growth %)	103.9	92.3	70.9	96.8
2006/2	(Million passenger-km)	12.97	6.18	17.78	24.02
	(Year-on-year Growth %)	102.0	90.5	70.4	101.3
2006/1	(Million passenger-km)	11.61	6.42	14.89	17.06
	(Year-on-year Growth %)	111.8	91.2.0	72.7	102.0

Source: The Ministry of Communications of the PRC, website: [www.moc.gov.cn](http://www.moc.gov.cn).

**Table 5: Highway Passenger Transport in Fujian, Jiangxi, Hunan and Hainan for the First Half of 2006**

Year/Month	Highway Passenger Transport (Unit)	Fujian	Jiangxi	Hunan	Hainan
2006/6	(Million passenger-km)	2 608.60	1 651.38	4 026.84	783.40
	(Year-on-year Growth %)	105.6	104.7	110.3	114.8
2006/5	(Million passenger-km)	2 727.80	1 788.18	4 323.42	767.41
	(Year-on-year Growth %)	105.0	105.0	110.8	112.6
2006/4	(Million passenger-km)	2 635.02	1 710.81	3 993.41	799.46
	(Year-on-year Growth %)	104.6	105.1	111.5	115.5
2006/3	(Million passenger-km)	2 689.56	1 753.11	4 918.06	705.60
	(Year-on-year Growth %)	103.7	105.1	113.2	114.6
2006/2	(Million passenger-km)	3 079.70	2 190.21	5 681.36	823.11
	(Year-on-year Growth %)	102.2	106.6	111.4	117.9
2006/1	(Million passenger-km)	3 477.26	2 020.02	4 272.17	823.11
	(Year-on-year Growth %)	112.9	108.7	111.2	120.1

Source: The Ministry of Communications of the PRC, website: [www.moc.gov.cn](http://www.moc.gov.cn).

## Bright Prospects for Pan-PRD Cooperation

The Pan-PRD region serves as the transport hub linking Mainland China and Southeast Asia, and is endowed with the exceptional advantage of a unique geographical location for the development of the logistics industry. Moreover, backed by the huge China market, the Pan-PRD region faces surging demand for logistics & transportation services. Hong Kong possesses world-class logistics planning and management expertise and keen international insight, and Guangdong has rich experience in logistics development. All these provide for optimistic and positive prospects for development of the logistics industry in the Pan-PRD region. Furthermore, relatively solid fundamentals for logistics development already exist in the Pan-PRD region including, among others, a relatively complete infrastructure within the region. By year 2005, the railway network density in the region was about 1.2 times that of the national average, and the expressway network density about 1.58 times that of the national average. The nine Pan-PRD provinces/region possess more than 8 000 inland river docks and nearly 2 000 coastal port docks. Meanwhile, the port of Hong Kong has been crowned the world leader for its container-handling capacity for a number of years successfully, and the ports of Guangzhou and Shenzhen have also experienced rapid development. In addition, the Pan-PRD region hosts more than 20 airports, located respectively in Hong Kong, Guangzhou, Shenzhen, Macao, and Zhuhai, among which the Guangzhou New Baiyun International Airport and the Hong Kong International Airport are two of the largest airports in Asia.<sup>3</sup>

The Pan-PRD region covers two million square kilometres, accounting for 20.86% of the national total, and has a population of 466.56 million, accounting for 35.7% of the national total. For the year of 2005, the Gross Domestic Product (GDP) of the region reached RMB5,655.75 billion, accounting for 31% of the national total, and total retail sales of consumer goods amounted to RMB2,021.2 billion, accounting for 30% of the national total.<sup>4</sup> The Pan-PRD region is the home of a substantial number of export-oriented enterprises, all of which need to import raw materials, parts and components for production from overseas, and then ship the finished products to the international market. All of these contribute to laying down a sound foundation for developing the logistics industry. And, the implementation of CEPA will facilitate the inter-area flow of products in huge quantities (see **Table 6**).

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3. *Nanfang Daily* (南方日報), 28 July 2005, <http://www.nanfangdaily.com.cn/>

4. *tdctrade.com* (貿發網), website: <http://gbcode.tdctrade.com>, Pan-PRD Regional Cooperation Information Network (泛珠三角合作資訊網), website: <http://www.pprd.org.cn/>

**Table 6: Fact Sheet of the Pan-PRD Region in 2005**

<b>Item</b>	<b>Amount</b>	<b>Accounting for the National Total</b>
<b>Area</b>	<b>2 million sq. km</b>	<b>20.86%</b>
<b>Population</b>	<b>466.56 million</b>	<b>35.70%</b>
<b>GDP</b>	<b>RMB 5,655.75 billion</b>	<b>31.00%</b>
<b>Retail Sales of consumer Goods</b>	<b>RMB 2,021.2 billion</b>	<b>30.00%</b>

Pan-PRD regional cooperation will bring tremendous vitality to the logistics market. Assuming regional logistics amount to 10% of the GDP of the region<sup>5</sup>, then, the Pan-PRD region would have a business turnover of nearly RMB565.6 billion. Hong Kong is the most important transshipment port for the import and export of commodities in the region. During the first half of 2006, goods transshipped via Hong Kong from the Mainland Pan-PRD region totalled US\$110.88 billion, up 18.3%, and accounting for 39.6% of the total imports and exports thereof.<sup>6</sup>

In 2005, the import and export value of the Pan-PRD region reached US\$514.31 billion, representing a marked growth of 18.6% as compared with that of 2004, and accounting for 36.2% of the national total.<sup>7</sup> In the first quarter of 2006, the import and export trade of Pan-PRD reached US\$131.17 billion, which represented a 25.98% growth year-on-year and accounted for 35.3% of the national total. The value of exports was US\$58.96 billion and the value of imports was US\$49.89 billion; excluding Guangdong, the value of import and export trade of the other eight provinces/region in the Pan-PRD region was US\$22.31 billion, grew by 16.2%.<sup>8</sup> Obviously, the logistics market of the Pan-PRD region is huge. By the Guangdong Province only, it is expected that in the next 10 to 20 years, the GDP of Guangdong will grow annually by around 10%. The demand for logistics and transport will be increased accordingly. Guangdong, especially the Pearl River Delta, is well established in trade and industry and is also China's manufacturing powerhouse. Currently, Guangdong is adjusting its industrial structure, with the service sector growing rapidly. The manufacturing sector and trade supporting services sector are changing direction towards "large-scale-production and large-scale-circulation" (大生產、大流通). This has greatly boosted the development of the logistics market and facilitated the rapid growth of major

5. In some developed countries such as the US and Japan, logistics costs account for approximately 10% of the GDP. However, in the Mainland, total logistics costs as a percentage of the GDP are expected to be higher due to its lower development level and poor cost control.

6. Dayoo.com-Guangzhou Daily Press Group (大洋網-廣州日報報業集團), website: <http://www.gzdaily.com/>

7. Statistics Bureau of Guangdong Province, website: <http://www.gdstats.gov.cn/>

8. Customs Statistics.

industries that are associated with the logistics industry, such as transportation, warehousing and storage, postal services, telecommunications, as well as the wholesale and retail sectors, which has accelerated demand for freight transportation.

Currently, import and export trade in Guangdong has experienced growth of more than 20%, which, together with improved production and living standards, has made the growth in demand for logistics exceed the growth of the GDP<sup>9</sup>. It is anticipated that in the next 10 years, the logistics volume carried in the Pan-PRD region will grow at a rate of nearly 20%.<sup>10</sup>

## Challenges for Logistics Development

Currently, the development of the logistics industry in the Pan-PRD region still faces many challenges, one of which is the transportation issue - a relatively well-known bottleneck. The eastern and western parts of the Pan-PRD region share strong economic complementarities, however, an inconvenient traffic network and inefficient communications are the most critical problems that need to be solved through Pan-PRD regional cooperation. As the hub of the Pan-PRD region, the Pearl River Delta region enjoys a well-developed economy and convenient traffic network within the region, however, the traffic flow between PRD and provinces such as Fujian, Jiangxi, Hunan, and Hainan is not efficient. In addition, the Pan-PRD regional highway transport facilities are also exposed to serious challenges for further improvement. Meanwhile, the upgrading of the Pear River Delta industries and their expansion to the peripheral area will inevitably lead to huge demand for transport. Such challenges, if left unresolved, will pose a great hindrance to the development of regional logistics, and even to the regional economic development.

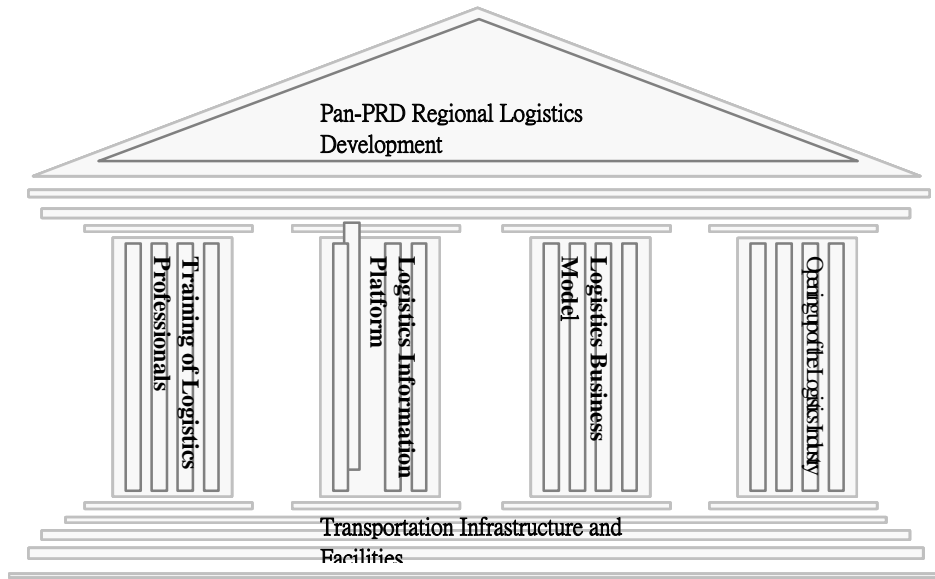
Transportation and other related infrastructure is not the sole bottleneck that constrains the development of logistics in the Pan-PRD region. Current issues such as building up a logistics talent training system, developing a public information platform in logistics, supporting specific business models of logistics, opening up the logistics industry, as well as eradicating the administrative and trade barriers deserve special attention and resolution for the success of the logistics industry in the Pan-PRD region. This report will concentrate on how Fujian, Jiangxi, Hunan and Hainan provinces are going to cope with those issues (See **Figure 1**).

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9. The Mainland logistics industry is an emerging and rapidly growing industry, whose development is mostly driven by demand. This kind of development features a synchronous growth of logistics freight volume with that of business turnover. A self-sufficient economy typically means low freight volume. However, when it turns into a market economy, where mass and specialised production prevail, the logistics industry will grow rapidly to serve the needs of freight circulation at a speed higher than that of the economy. In this case, the growth in corporate profits is mainly attributed to the growth in corporate revenue.

10. Pan-PRD Regional Cooperation Information Network, website: <http://www.pprd.org.cn/>

**Figure 1: Key Pillars in Pan-PRD Regional Logistics Development**



## **Fujian Commits to Establishing a Training System for Modern Logistics Professionals**

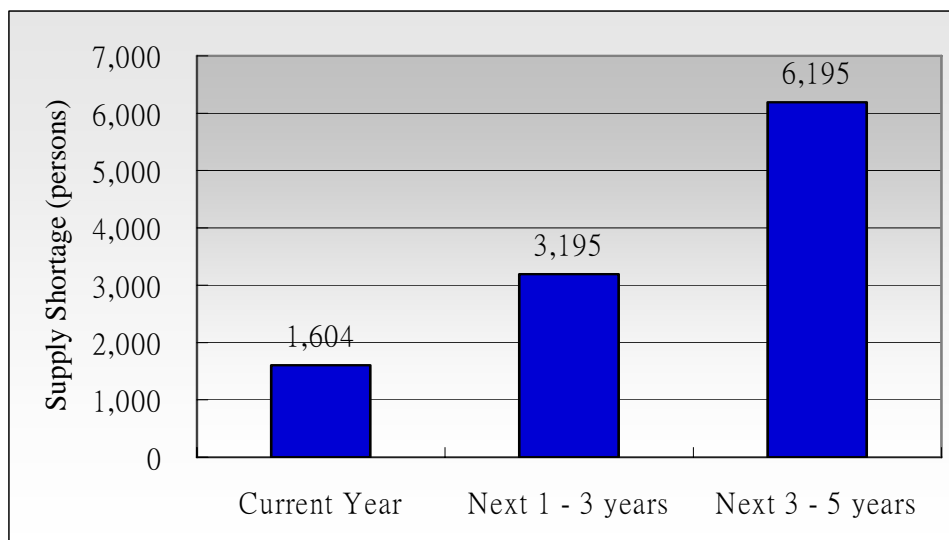
### **Recent Development of Logistics Industry in Fujian**

Though Fujian is a latecomer in the logistics industry, its logistics industry has been experiencing rapid development recently, showing a trend to become bigger and stronger. Among the Top 100 National Logistics Enterprises announced in year 2005, no less than nine were Fujian-based logistics enterprises, with two of them in the Top 50, and only one firm ranked lower than 90th. Within the last few years, Fujian has made substantial efforts towards setting up a Logistics Ring on the West Coast of the Taiwan Strait, which, together with the Bohai Logistics Ring, the YRD (Yangtze River Delta) Logistics Ring and the PRD Logistics Ring, constitutes one of the four large logistics rings of the eastern coastal region of China.

The logistics industry is playing an increasingly important role in the economy of Fujian. Taking the provincial capital of Fuzhou (福州) for instance, in year 2005, Fuzhou Port (福州港) reached a cargo-handling capacity of 74 million tons, and a container-handling capacity of 708 000 TEUs, both figures contributing to ranking it 10th among the coastal ports of China. Fuzhou has also built three expressways with an actual total length of more than 250 km, accounting for more than a quarter of the provincial total. Phase Two of the Fujian section of the Beijing-Fuzhou Expressway will connect Fujian and Jiangxi directly, and its completion will help to integrate Fujian into the national expressway network. Additionally this will significantly facilitate the flow of traffic and transportation between Fujian and Eastern China (Jiangxi, Anhui and Shandong), Central China (Hubei) and Northern China (Hebei, Beijing and Tianjin), Mid-southern China (Hunan) and the provinces of Southwestern China. Meanwhile, the construction of the Fujian section of the Wenzhou-Fuzhou railway has also started. The Fuzhou Changle International Airport (福州長樂國際機場) was designed with an annual passenger-handling capacity of 6.50 million persons. The passenger and cargo handling capacity is ranked among the national Top 20. All of the above data show that the logistics industry is getting more important in the economic development of Fujian. As such, speeding up the logistics development has become a key task for the governments at each level of Fujian. In February 2005, in the governmental report, the Fuzhou Municipal Government further initiated the plan for “speeding up the construction of seaports, airports, railway logistics parks, applying for permission to try the pilot scheme of zone-port linkage in the Fuzhou Free Trade Zone (福州保稅區區港聯動試點) and to establish the Jianguyin Type-B Logistics Park, as well as speeding up the development of bonded warehousing, international logistics distribution, value-added processing services, direct trade and transit trade”.

## Shortage of Logistics Professionals

With the rapid development of the logistics industry, however, the problem of shortage of logistics professionals becomes increasingly serious, and the constraints of finding qualified personnel have created a bottleneck in the logistics development in Fujian. Take Xiamen city (廈門市) as an example: according to Li Pili (李霹靂), Deputy Secretary-General of the Xiamen Logistics Association (廈門市物流協會), speaking on 4 March 2006 at the Fujian (Xiamen) Forum on the Development of Logistics Management Professionals, an event held jointly by the Xiamen Logistics Association, the Fujian Provincial Talent Training Centre (福建省人才培訓測評中心) and the Beijing Jiaotong University (北京交通大學), in the next five years, Xiamen is likely to suffer from a shortage of senior logistics professionals to an extent of dozens of thousands, among whom senior logistics professionals will be the most sought after. Currently, 206 Xiamen-based logistics enterprises are short of 1 604 logistics professionals, 712 of them being senior professionals. Such enterprises will require 3 195 professionals in one to three years' time, and 6 195 professionals in three to five years' time. It is learned that logistics development in Xiamen has encountered the bottleneck, that is, the shortage of logistics professionals, notwithstanding the fact that the logistics industry has amounted to approximately 8.5% of its GDP. And, in fact, most of the existing logistics personnel in Xiamen were not originally trained in logistics – they have switched to logistics from the warehousing and transport sectors. Their education level is generally not high, and those who have received systematic vocational training are quite few in number. Last year, the Xiamen Logistics Association surveyed 258 enterprises and 288 persons employed in the logistics industry and 12 organisations involved in logistics education and consultancy. According to the findings, there were 12 626 persons engaged in logistics in Xiamen, among whom 90% of the middle to senior logistics professionals had received an undergraduate and technical college education, however, only 1% of them were master's degree holders, and only two of them were doctorate degree holders, while 35 of them possessed logistics and relevant occupational qualifications or grading certificates. This indicates that there is a shortage of professionals with special logistics expertise, notwithstanding the fact that there are quite a number of professionals with a higher educational background in Xiamen (see **Figure 2**). Given there is such a shortage of logistics professionals in Xiamen, which is already the most important economic city of Fujian with a high proportion of professionals, it can be projected that the problem of shortage of logistics professionals could be very serious in the whole of Fujian, and even in the Pan-PRD region.

**Figure 2: Trend in Shortage of Logistics Professionals in Xiamen, Fujian**

Source: *Fujian Forum on the Development of Logistics Management Professionals 2006*.

At the same time, as the problem of shortage of logistics professional exists in various degrees in the other regions across the nation, it is difficult to relieve this situation through inter-regional exchanges of logistics professionals. In May 2006, the Chinese Academy of Personnel Science of Ministry of Personnel edited and published the book titled *China Talent Report 2005 - Human Resource Development in the Historical Procedure of Building Up a Harmonious Society* stated that logistics talent was one of the twelve types of talent that China lacks. By the year 2010, China needs to train up 300 000 to 400 000 logistics talent with college or above educational level. However, the current training systems for logistics profession in various types of colleges and universities only produce about 5 000 persons a year, and a distinct discrepancy exists. Among all the professionals in short supply, the professionals most in demand by the logistics industry are logistics planning and consulting professionals, international logistics professionals, and logistics researchers<sup>11</sup>.

### **Logistics Professional Training System: Status quo and Development Measures**

Currently, logistics professional training in Fujian consists of three segments: (1) higher education, (2) vocational training, and (3) training through the Higher Education Self-Study Examination Programme.

11. *China Youth Daily* (中國青年報), 24 May 2006, website: <http://www.cyol.net/>

### **Higher Education Self-Study Examination Programme**

The Higher Education Self-Study Examination Programme refers mainly to the examination used to assess the academic qualification of individuals who study on their own, and is a form of higher education combining self-study, community tutorial services, and state examination.

The purpose of the programme are to promote self-study and community tutorial activities, to give impetus to on-the-job professional education and post-college continuing education, to train and screen qualified specialised people with sound morals and talent, and to improve the ideological, ethical, scientific and cultural qualities of all people so as to meet the needs of socialist modernization construction.

All citizen of the People's Republic of China is entitled to attend the Higher Education Self-Study Examination Programme according to the Regulations, irrespective of gender, age, nationality, race, and educational background.

*Source: Ministry of Education of the PRC (中華人民共和國教育部): Guo Fa 【1988】 No. 15.*

In Fujian, there are only three higher education institutions, namely, Fuzhou University (福州大學), Xiamen University (廈門大學), and Fujian Communications Technology Institute (福建交通職業技術學院), that provide logistics education programmes to around 200 graduates each year. In Fuzhou, although Fuzhou University is the first among all higher education institutions to set up the Logistics Research Institute to nurture master's degree students in logistics engineering, so far there are only five graduates. And, up to now, no more than 500 certified logistics professionals, including logistics operators, assistant professional logisticians, and professional logisticians, have been trained by the Institute. Notwithstanding the fact that the State commenced the certificate programme for logistics professionals in 2003, Fujian did not start such a programme until the end of 2004, whereby certificates are awarded twice a year. Up to May 2005, there were only 724 logistics professionals who had obtained their respective certificates at different levels. On the whole, Fujian does not have a well-established training system for logistics management personnel, logistics operators, and software developers. Although the three higher education institutions of Fujian began to orchestrate logistics programmes in 2003, those qualified trainees will only emerge as "fresh" graduates in 2007. In addition, according to industry practices, a newcomer has to spend at least three years to acquire the necessary skills.

On the other hand, the shortage of logistics professionals has made the logistics training market flourish. To satisfy the public's demand for advanced logistics education and to promote the development of the logistics industry, many recognised institutions have emerged to provide training for students to become qualified logistics management professionals. These institutions have continuously nurtured practical and advanced management personnel for Fujian's logistics industry. The logistics training institutions in Fujian are now proactively seizing opportunities to conduct logistics certificate training programmes. Typically, they set up various logistics courses, operate short-term training, and invite domestic experts and even foreign experts to give lectures. These measures have effectively boosted the development of Fujian's logistics industry. Besides, some training institutions have invited local or overseas senior logistics specialists to provide innovative and specialised logistics consultancy services and corporate logistics project planning for logistics enterprises. In addition, to address the pressing demand for logistics professionals

from a large number of logistics enterprises, a logistics professional database was set up in Xiamen to serve as a bridge of communications between logistics enterprises and logistics professionals.

To address the shortage of logistics professionals in Fujian, the Province has speeded up the training of practical and multidisciplinary talent through various channels, at different levels and with a commitment to building its own logistics professional training system. The Province has also actively introduced high-calibre logistics professionals, to manage Fujian's logistics industry in line with international practices.

### **(1) Speed up and perfect the talent training system**

In accordance with the principles of the relevant notices from the National Self-Study Examination Committee (全國自考委) (NSEC) and the China Communications & Transport Association (中國交通運輸協會) (CCTA), from October 2005, the two bodies in Fujian have jointly held examinations for Logistics Management (technical college and independent electives for undergraduates) under the Higher Education Self-Study Examination Programme, with Jimei University (集美大學) acting as the examiner. Additionally, the National Certificate Examination Programme for Supervisory Managers in Logistics (中國物流職業經理資格證書考試) (NCEPSML) has been conducted in May and November respectively each year since November 2005. The two above-mentioned programmes are conducted in accordance with the examination scheme published by the National Self-Study Examination Committee, with all courses being subject to the national uniform examinations. NCEPSML participants who pass all of the examinations in all of the courses are awarded the National Certificate for Supervisory Managers in Logistics, issued jointly by the NSEC and CCTA. Those who participate in the examinations for Logistics Management (technical college and independent electives for undergraduates) under the Higher Education Self-Study Examination Programme, and who pass all of the examinations in all of the courses (including written examinations and practical assessment) specified by the specialty examination scheme in accordance with the ideological and ethical requirements, are awarded a technical college or undergraduate diploma. Undergraduates who satisfy the academic requirements for the bachelor's degree specified by the State may be awarded a bachelor's degree by Jimei University.

Furthermore, Xiamen University has also started the first master's degree programme in logistics management, with students coming from relevant enterprises and with substantial working experience. It is expected that this will help relieve the existing shortage of senior logistics management personnel in Fujian.

### **(2) Actively attracting logistics talent**

To highlight the importance of importing talent, and to reinforce the focus and efficiency of import, the Administration Office of the Fujian Provincial Government has specifically issued a directory to all district/municipal governments, titled *Guiding Directory of Importing Talent in Urgent Need by Fujian Province in 2005-2006*. Modern logistics talent is included in the directory. The Directory analyses the human resources of Fujian province on the basis of population, quality, structure, distribution and training ability, proposed to bring in holders of major posts related to management and maintenance of containers, warehousing, packing, product distribution, shipping, design and application of logistics systems, and the

talent demanded for should have a PhD degrees or the titles of associate professor<sup>12</sup> and above, and be strong in foreign languages, computer applications, professional skills, as well as research and development abilities.

In this respect, the Xiamen Municipal Government has also issued the *Opinions on Implementing Certain Preferential Policies for Talent*, effective from 1 July 2006.<sup>13</sup> Liu Yusheng (劉育生), the Secretary of the Party Leadership Group and the Director General of Xiamen Personnel Bureau, made a detailed interpretation of the Opinions and highlighted several key points as follows:

- (a) To provide financial subsidies to incoming talent. A certain amount of introduced talent will be selected to receive financial subsidies based on a number of factors such as urgency and the employment tenure of the talent. The financial subsidies will be paid according to three levels of categories.
- (b) To establish a talent incentive mechanism. Relevant measures include the setting up of a “Contribution Award for Outstanding Talent in Xiamen” and a green pass through professional appraisal for the required talent.
- (c) To perfect the preferential policies. It is intended to prepare and publish the *Directory of Urgently Required Talent to be Introduced into Xiamen* as a guide for employers to engage senior talent, skilled talent, and urgently required talent effectively.
- (d) To optimise governmental services. The guiding role of the government in attracting talent should be further emphasised and the active role of the employer in introducing talent should be strengthened.

It is expected that, with the strong drive and support of the government, the logistics professional training system in Fujian will be established step by step, and the logistics enterprises of Fujian will also able to attract senior modern logistics professionals from other provinces and cities to develop logistics businesses in Fujian.

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12. Associate professor is the second highest level in the occupational system of China. It is equal to the level of associate professor in university. The highest level is the professor. It is equal to the level of professor in university.

13. Xiamen Daily (廈門日報), 16 June 2006, website: <http://www.csnn.com.cn/>

## **Jiangxi Steps up Development of Public Logistics Information Platform**

### **Recent Developments in Logistics Industry in Jiangxi**

In recent years, the freight volume and turnover of Jiangxi has shown a rising trend year-on-year. According to the statistics of the National Bureau of Statistics of China, Jiangxi achieved a freight turnover of 87.4 billion ton-kilometres in 2005, representing an increase of 0.9% over that of 2004 (among them, the railway freight turnover was 60.9 billion ton-kilometres, the highway freight turnover was 18.3 billion ton-kilometres, and the waterway freight turnover was 8.2 billion ton-kilometres). By the end of 2005, the total length of highways in the Province reached 62 300 km (with a highway density of 37.37 km per 100 sq. km), among which, the length of expressways was 1 580 km, ranking 9th nationally. There are expressways linking Nanchang (南昌) with the other 10 municipalities (設區市) of Jiangxi, and linking Jiangxi with all its six neighbouring provinces. The towns and villages in Jiangxi are also linked by roads. Furthermore, in year 2005, the length of railways in operation in Jiangxi reached 2 421 km, and the railway link between Nanchang and the port of Xiamen became fully operational. There were 62 navigable rivers linking the waterway and highway transportation channels, with six inland river ports each with an annual cargo-handling capacity of more than one million tons. Jiangxi also has four civil airports for air transportation with 36 air routes. In a word, principally Jiangxi has currently achieved full transport accessibility, laying down a solid foundation for the development of a modern logistics industry in the Province.

With economic development and drive from the demand for logistics, quite a number of logistics enterprises have mushroomed in Jiangxi. According to incomplete statistics, there are presently more than 700 logistics enterprises incorporated in Jiangxi, most of which also operate logistics business in the economically developed cities located in the YRD and PRD regions. The logistics industry has become the pillar industry for many counties and cities of Jiangxi.

### **Development Strategy and Focus**

As early as year 2001, Jiangxi put forth a strategy for “realizing the rise of Jiangxi from the central part of China”. Over the recent years, Jiangxi has realized rapid economic growth and a corresponding development of its logistics industry. More recently, Jiangxi initiated a strategic mission with the aim of “promoting entrepreneurship to raise people’s incomes and rejuvenate Jiangxi” to achieve rapid economic growth from a new starting point. The general consensus in Jiangxi is that priority will be given to the development of modern logistics.

In year 2003, the General Office of the Jiangxi Provincial Government circulated the *Opinions on Stepping up the Development of Modern Logistics Industry in Jiangxi* (Gan Fu Ting Fa [2003] No. 17) to each county and city of Jiangxi. The circular sets forth the “establishment of an external and specialised modern logistics services network, a modern logistics infrastructure, and a public logistics information platform” as the objective, and encourages investors, through different types of ownership, and foreign-funded enterprises to

participate in the construction of the logistics base. For the construction of the logistics infrastructure in the interests of the good of the public, the government will offer preferential policies on land, funding, taxation, etc<sup>14</sup>.

In comparison with other developed regions, Jiangxi is a late starter in developing its logistics industry. Most of the logistics enterprises in Jiangxi are usually small in size and market share, provide few services and functions, have few high-calibre talents, and are weak in competitiveness and financial capabilities. Their businesses are typically unstable and heavily relied on certain customers. They also suffer from a fragmented network and an unsystematic operation system. Without the advantage of being a “First Mover” or enjoying any advantages in terms of capital, resources and management, the relevant authorities of the Jiangxi Provincial Government and the logistics industry communities are striving to find a development path to enhance their competitiveness through the application of information technology (IT).

In terms of policies, the government has given strong support to developing the logistics industry and enhancing the competitiveness of local logistics enterprises through IT. To accelerate the development of the logistics industry in Jiangxi, both the Provincial Committee of the CPC and the Provincial Government of Jiangxi have issued jointly a series of preferential policies to create a favourable environment for the logistics industry. On 25 May 2005, the Administration Office of the Jiangxi Provincial Government restated in the *Opinions on Promoting the Development of Modern Logistics in Our Province* (Gan Fu Ting Fa [2005] No. 7) (the Opinions for short) that Jiangxi would stick to the principles of market-oriented, enterprise-centred, information technology support, and focus on reducing costs of logistics and providing quality comprehensive services, to build up ‘a system of socialised, professional, and modern logistics network, a modern logistics infrastructure, and a public platform of logistics information’. The Opinions considered that these logistics systems and platforms should target at providing streamlined material flows that are quick and on time, economical and rational, and will satisfy the consumers. On 12 July 2005, the General Office of the Provincial Government put forward in its circular on the *Opinions on Aggressively Promoting the Development of the E-commerce in Jiangxi* (Gan Fu Ting Fa [2005] No. 39) that initiatives should be aimed at “developing a modern logistics system; perfecting the construction of logistics facilities and upgrading the logistics informationisation level based on existing logistics resources; aggressively developing third-party logistics through synergy generated by the integration of e-commerce and logistics as well as effectively supporting the extensive application of e-commerce”<sup>15</sup>. Logistics informationisation is deemed an important area for the application of e-commerce. All of these measures provide powerful policy support for the construction of a public logistics information platform.

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14. Jiangxi Economic & Trade Commission (江西省經濟貿易委員會), website: <http://www.jxetc.gov.cn/>

15. China Economic Information Network under China State Information Centre (國家資訊中心中經網), website: <http://www.cei.gov.cn/>

### Third-party Logistics

Third-party logistics principally means a specific mode and form of operation of the logistics enterprises. More of the individuals in the industry think that it refers to the service mode undertaken by logistics companies, which belongs to neither the supply nor the demand side. In fact, it refers to the situation in which a manufacturing enterprise wishing to concentrate on its core business commissions a professional logistics company to carry out the logistics activities which the manufacturing enterprise used to perform by itself. The manufacturing enterprise can keep close contact with the logistics company through information systems, so that it can still manage and take control of the whole course of the logistics operation.

Source: *People's Posts and Telecommunications News*, <http://www.cnii.com.cn/>

Later, in the Jiangxi E-commerce Working Conference held on 17 June 2006, Ling Chengxing (凌成興), Vice-Governor of Jiangxi, personally pushed the start-button for the Jiangxi E-commerce Public Services and Trade Information Platform (江西省電子商務公共服務與交易資訊平台). The online trading system of the Platform includes two major electronic systems of payment and logistics support. This indicates a new stage of construction of the public information platform for modern logistics in Jiangxi.

Subsequently, the Jiangxi Provincial Development and Reform Commission (江西省發展和改革委員會) laid down a modern logistics development strategy in the topical plan under the 11th Five-Year Plan, and on 3 August 2006, it circulated the relevant document, the *11th Five-Year Topical Plan on the Informationisation of Jiangxi National Economy and Society* (Gan Fa Gai Gao Ji Zi [2006] No. 868) to each of the county and city governments of Jiangxi. The topical plan again emphasised the importance of developing a modern logistics information platform and specifically pointed out that, during the period of the 11th Five-Year Plan, Jiangxi should actively build “Electronic Ports (e-Ports)” (電子口岸) through the “Golden Customs Project” (金關工程) and should aggressively promote “an operation process for logistics that is entirely electronic, web-based, and digitised”.<sup>16</sup>

### Initial Foundation for Development of the Logistics Information Platform has been well established

During the period of the 10th Five-Year Plan, Jiangxi made every effort to enable Internet access for governmental institutions, enterprises, and households. After further development in recent years, Jiangxi has completed much of the construction of the informationisation infrastructure facilities, and has been equipped preliminarily with the conditions for developing a modern logistics industry through the application of information technology.

16. Jiangxi Provincial Development and Reform Commission (江西省發展和改革委員會), website: <http://www.jxdpc.gov.cn/>

As of the end of May 2006, there were 1.7 million users of the Internet, and 8.27 million telephone subscribers in Jiangxi. The telecommunication broadband network has covered the 11 municipalities of Jiangxi and all the towns and villages, offering wired and wireless Internet connectivity options such as ADSL, LAN, WLAN, and dial-up. The outlet bandwidth has already reached 200G, with 5-20G for each city, capable of meeting the requirements for developing e-commerce in Jiangxi. Each and every village in the middle and western parts of Jiangxi firstly has access to telephone. The rural comprehensive information services platform that serves the agriculture industry, the rural villages and the rural residents is also in place. Jiangxi Mobile (江西移動) has also built a mobile phone network covering 100% of the cities, counties and towns and 78% of the villages, as well as a GPRS wireless Internet network that is capable of offering wireless Internet access services for two million GPRS subscribers. Mobile subscribers can also use mobile phones and notebook computers to conduct e-commerce transactions through mobile wireless Internet access services. The number of subscribers to such services has reached over 13 000.<sup>17</sup>

When it comes to the construction of an e-government, Jiangxi is the leader in China. Since the beginning of the new millennium, Jiangxi has invested RMB150 million in the construction of a unified e-government network platform across the province. By March 2004, Jiangxi had completed the construction of the internal "Information Highway" for governmental bodies at provincial, municipal, and county levels, whereby the Provincial Committee of the CPC, Provincial People's Congress, Provincial Government, Provincial CPPCC Committee, more than 200 units directly under the Provincial Government, 11 municipalities, 109 counties (including cities, districts, administrative committees) and the governmental agencies thereof have since been connected through networks and are able to share information. It has been explained that the unified construction of the e-government network platform in Jiangxi offers the three features of being secure, economical, and quick to disseminate information. It is estimated that the separate construction of an e-government network by each unit directly under the Provincial Government may have required a total investment up to RMB2 billion. Currently, all units directly under the Provincial Government and municipal governments and more than 90% of the counties (including cities and districts) have built their own portals, and more than 1 200 items relating to governmental services have been published thereon, steadily pushing forward the construction of an integrated service system.<sup>18</sup>

Furthermore, as an important partner platform of the electronic logistics information platform, Jiangxi has completed a series of effective fundamental tasks for its e-port project. The Jiangxi Provincial Finance Department has injected a designated fund of RMB15 million after the establishment of the e-port Construction Promotion Group in Jiangxi. These measures have provided an organizational and funding guarantee for e-port construction.

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17. Huaxia.com (華夏網), website: <http://www.huaxia.com/>

18. The portal of Jiangxi Provincial Government, website: <http://www.jiangxi.gov.cn/gb/jxzwgw/index.html/>

## Initial Construction of Logistics Information Platform

Currently, Jiangxi is stepping up its efforts to build the Jiangxi Public Logistics Information Platform. With the approval of relevant provincial (Fa Gai Wei Gan Fa Gai Gao Ji Zi (2005) No. 353) and municipal (Fa Gai Wei Hong Fa Gai Gui Zi (2005) No. 19) authorities, Nanchang has formally established the Nanchang Public Logistics Information Platform project.<sup>19</sup>

In essence the platform is a logistics information system integrating and connecting a number of entities such as governmental departments, corporations, as well as the community and the public. This platform plays the role of a “central nervous system” in the modern logistics industry, enabling the quick, accurate and on-time flow of information within the system, whereby enterprises can respond proactively to the market and guide their own operations activities. The platform incorporates advanced Internet-related technologies to share resources, and to exchange information and data, which effectively integrate with the relevant resources of associated down-stream and up-stream enterprises and optimise the management of the supply chain.

The platform focuses on integrating logistics information resources and external logistics resources, and provides an integrated solution from information publication and e-commerce to corporate informationisation management to enterprises. With a coverage of the whole Jiangxi Province and provision of services across China, the platform will help to upgrade the overall level of the logistics industry and promote the development of a modern logistics industry in Jiangxi through enhancement of the quality of the logistics services and a reduction in the costs of such services.

This project will be developed step by step and four major electronic systems will be built, namely, (1) the system for public logistics information services, (2) the logistics data exchange and processing system, (3) the enterprise logistics informationised system and (4) the logistics decision support system. The platform possesses nine major functions, including (1) publication and search of public logistics information, (2) logistics business and transaction services, (3) tracking of logistics transportation, (4) exchange and processing of logistics data, (5) customs services and services of relevant government departments that are in charge of logistics and transportation, (6) logistics portal website, (7) internal information management for logistics enterprises, (8) integrated wireless transmission of logistics information and (9) consultancy services for optimising the integration of logistics solutions.

The construction of the platform offers multiple advantages. Firstly, it enables small and medium-sized logistics enterprises in Jiangxi to realize corporate informationisation easily and cost-effectively. Compared with the resources consumed in building its own logistics information system, the investment required in creating the relevant application services (such as the logistics information system, the human resources management system, the business management information system, as well as the sales and inventory system) based on the logistics platform is less than one fifth that of traditional enterprise informationisation. Secondly, the platform effectively lowers the threshold for enterprise information talent and reduces the cost of human resources. Thirdly, the platform is operated in a manner similar to that of traditional software, which can be mastered easily and used by enterprises. Fourthly, the platform can facilitate the enterprises in building their

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19. Nanchang News Network (南昌新聞網), website: <http://www.ncnews.com.cn/>

own online logistics alliances, and help them to integrate the management of their firms, warehouses and fleets in different locations into their own enterprise system. In this way, the platform acts as an effective tool for enterprises to expand rapidly.

In 2006, Jiangxi Wuda Yangfan Software Park Company (江西武大揚帆軟件園公司)<sup>20</sup>, a company responsible for investing in, developing, and operating the logistics platform, entered into a cooperation agreement with China Telecom (Nanchang) to promote the application of the platform nationally through the BizNavigator (商務領航) platform of China Telecom.

### **The Role of the Logistics Information Platform**

The Jiangxi Public Logistics Information Platform plays an important role in building a modern logistics services system in Jiangxi. The platform can help the government to strengthen the unified planning for the development of a modern logistics industry. A web-based information platform can also accelerate running the businesses in line with international practices. And, by leveraging the advantages from the integration of transportation, circulation, information and ports with the information platform, Jiangxi can construct dynamically a specialised and modern logistics service network system featuring fast, punctual, smooth and cost-effective freight flow to the satisfaction of the users, and can also actively attract and nurture modern logistics enterprises that are domestically and even internationally competitive. Through the public logistics information platform, the railways, highways, navigation, ports, aviation and postal services industries, etc. can start collaborating in a better way. They can invest and operate businesses jointly, taking advantage of their competitive edge, and form a logistics transportation platform that co-ordinates and integrates various modes of transportation.

However, as Jiangxi Wuda Yangfan Software Park Company, the project manager, is a newly founded high-tech firm with a short operating history, it cannot match other domestically or internationally renowned IT companies in terms of capital and expertise in the short run. Therefore, the success of the logistics information platform depends very much on policy support from the Jiangxi Government.

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20. Company profile: A high-tech firm jointly invested in and established by Wuhan University and the Jiangxi Nuclear Industry & Geology Bureau in September 2004, principally engaging in the research and development and application of the “3S” system as well as the development and operation of an e-commerce system and platform. Presently, the company has more than 50 staff whose academic qualifications are above undergraduate level.

## Hunan Focuses on Construction of the First Logistics Free Trade Zone in the Central-southern Mainland Region

### Recent Developments in Logistics in Hunan

Since the opening up and reform of China, the logistics industry in Hunan has already been on the fast track of development. Particularly since the beginning of the 21st century, total provincial freight turnover in Hunan has registered a considerable annual growth of 9.74%.<sup>21</sup> According to some documents, it is forecasted that the total output value of the logistics industry of Hunan will reach somewhere between RMB106.1 billion and RMB178.9 billion in the next 10 years.<sup>22</sup> Notwithstanding its rapid development, the logistics industry in Hunan is still at an initial stage when compared with economically developed areas such as Guangdong and Shanghai. The Hunan logistics industry faces quite a number of challenges, such as shallow understanding of the industry, overall planning still lagging behind, uncoordinated management and operation, poor logistics tools, as well as a shortage of qualified talent and incomplete logistics network. As logistics is a newly emerging fundamental industry, Hunan must follow domestic and international development trends and grasp the rules of development to provide proactive guidance and support to the logistics industry so as to ensure sound development of the industry.

In year 2005, the total provincial freight turnover of Hunan reached 165.71 billion ton-kilometres, representing an increase of 7.3%, and the passenger turnover reached 102.345 billion person-kilometres, representing an increase of 5.3% over the previous year. Investment in transportation and logistics grew 24.4% over the previous year. In year 2005, the freight and passenger volume in Hunan grew 9.6% and 8.4% respectively over the previous year. The capacity of highway and civil aviation transportation increased comparatively faster at a double-digit percentage respectively (see **Table 7**).

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21. The annual growth rate from 2001 to 2005 was 5.4% (2001), 7.2% (2002), 11.7% (2003), 17.1% (2004) and 7.3% (2005) respectively. Source: Hunan Provincial Statistics Bureau, the Statistical Report on the Economic and Social Development of Hunan Province 2001-2005, website: <http://www.hntj.gov.cn/>
22. *Business Times* (商業時代), April 2006.

**Table 7: Major Indicators of the Transport Industry in Hunan in 2005**

Year 2005		Unit	Quantity	Growth compared to the same period last year %
Freight	Total	Million Tons	770.7750	9.6
	Railway	Million Tons	52.1810	-3.4
	Highway	Million Tons	670.3900	11.2
	Waterway	Million Tons	42.6000	6.9
	Civil Aviation	Million Tons	0.0327	20.2
	Channel	Million Tons	5.5711	-11.8
Passenger	Total	Million Passengers	1 152.3210	8.4
	Railway	Million Passengers	54.1950	1.9
	Highway	Million Passengers	1 088.0700	8.8
	Waterway	Million Passengers	7.0200	-8.9
	Civil Aviation	Million Passengers	3.0355	16.7

Source: Hunan Statistical Information Network (湖南統計資訊網), website: [www.hntj.gov.cn](http://www.hntj.gov.cn).

During the first half of 2006, Hunan's logistics industry continued to grow, with increases in freight volume and freight turnover to a certain extent over five months. This was mainly attributable to the rapid development of railway and highway transport. However, passenger transport showed slower development. From the statistical data, railways and highways are identified as the major transportation modes used in Hunan, and whether the development of the transportation industry is booming or not will mainly depend on the development pace of these two segments (see **Table 8**).

**Table 8: Major Indicators of the Transport Industry in Hunan from February to June 2006**

		2006/6	2006/5	2006/4	2006/3	2006/2
Freight Volume (10 000 tons)	Total	6 842.63	7 540.81	6 783.50	6 308.43	6 363.99
	Railway	458.60	486.70	460.30	458.70	345.30
	Highway	5 932.71	6 545.00	5 845.00	5 363.00	5 486.00
	Waterway	437.00	452.00	431.00	445.00	480.00
	Civil Aviation	0.26	0.28	0.36	0.31	0.29
	Channel	14.06	56.83	46.84	41.42	52.40
Freight Turnover (100 million ton-km)	Total	146.29	150.98	140.69	147.12	97.68
	Railway	79.49	83.71	81.44	84.44	43.21
	Highway	49.44	50.91	43.80	43.31	47.52
	Waterway	17.29	16.26	15.36	19.27	6.95
	Civil Aviation	0.03	0.03	0.04	0.03	0.03
	Channel	0.04	0.05	0.07	0.06	0.08
Passenger Volume (10 000 Passengers)	Total	10 344.35	10 626.81	10 396.12	10 178.51	12 324.05
	Railway	431.20	456.70	493.60	418.90	530.72
	Highway	9 835.00	10 095.00	9 826.00	9 685.00	11 722.00
	Waterway	49.00	43.00	44.00	49.00	43.00
	Civil Aviation	29.15	32.11	32.52	25.61	28.33
Passenger Turnover (10 000 Passenger-km)	Total	83.13	87.77	98.21	96.05	130.44
	Railway	39.87	41.09	54.74	44.09	66.14
	Highway	40.10	43.23	39.93	49.18	61.11
	Railway	0.11	0.11	0.12	0.12	0.13
	Civil Aviation	3.04	3.35	3.41	2.65	3.07

Source: Hunan Statistical Information Network, website: <http://www.hntj.gov.cn>.

So, in order to develop modern logistics further and to utilise the role of logistics better as a platform to support the operation of a modern economy, Hunan stepped up its inputs into the logistics industry from multiple aspects and in multiple ways, mainly through investment projects relating to road transport. In the *List of Major Construction Projects in Hunan for the Years 2003 to 2007(Proposed)*, there are 25 projects relating to logistics and markets with a total investment of RMB3.9 billion. Among them, there are five logistics projects with a total investment of RMB1.73 billion, and 20 market projects with a total investment of RMB2.17 billion. In some of the projects, construction of distribution centres and logistics centre are planned. For example, Changsha, the provincial capital of Hunan, which is one of the pilot cities for external logistics services for small and medium-sized enterprises across the nation, presently has four large-scale logistic distribution centres in its plan, namely, Muyun (暮雲), Laoxia (撈霞), Xingma (星馬) and Wangchengpo (望城坡). The transport authorities of Changsha plan to invest RMB480 million to build four major logistics parks in the new Xianing Port, Changsha-Zhuzhou-Xiangtan highway freight station, Xingsha highway freight station, and Wangchengpo highway freight station in the next four years.

## Development Strategy and Focus

As early as 2002, Hunan issued a *Notice of Suggestions for Accelerating the Development of Modern Logistics Industry*. According to the notice, it is planned to construct regional logistics hubs with Huaihua (懷化), Hengyang (衡陽), and Yueyang (岳陽) as the centres. The construction of a number of logistics parks is the focus of the present logistics development plan and will continue to be the focus in the next few years. In view of its economic development trends and characteristics as well as the present situation of its overall transport infrastructure facilities and future transport plans, Hunan currently strives to focus on building one to three international hub-like logistics parks and around 10 regional integrated logistics parks by means of scientific planning and reasonable arrangement. The functional positioning of these logistics parks can be different from each other. Meanwhile, following the development concept of “systematic market networks, reasonable market layouts, information-based market operations and modernized market transactions” (市場網路體系化、市場布局合理化、市場運作資訊化、市場交易現代化), Hunan will also upgrade and renovate a number of freight stations located in the transportation hubs and wholesale markets of reasonable layouts, extensive coverage and comprehensive functions, into mid- to high-end modern wholesale markets and logistics distribution centres. The objective is to build a logistics network to integrate the mid- to high-end wholesale markets and logistics distribution centres.

On 27 July 2006, to implement the above objectives, the Changsha Municipal Government proclaimed a development plan for the Jinxia (金霞) logistics zone. In the coming 15 years, the zone would be built into a free-trade logistics centre, a hub of land and water transportation, and an industrial base. The layout plan of the zone could be summed up into a structure of “one core, one sub-core, three clusters”.<sup>23</sup>

- (a) “One Core” (一主) means the core area of Jinxia Cluster. It will principally be used for third-party logistics, with comprehensive logistics services facilities.
- (b) “One Sub-core” (一次) means the Gaoling (高嶺) Commerce and Trade Logistics Centre. It will mainly be used to develop the commerce and trading segment of the logistics industry, forming a large-scale integrated trade logistics base that serves the core logistics area.
- (c) “Three Clusters” (三組團) means the Dingzi (丁字) Cluster (which will mainly be used to develop processing industries and industries with mass freight requirements), the E’xiu (鵝秀) Cluster (which will mainly be used to develop multi-functional modern services sectors integrating residential, commercial, office, and tourism functions), and the Qingzhuhu (青竹湖) Cluster (which will mainly be used to develop conference, exhibition, business negotiation, residential, tourism and hotel industries).

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23. Xinhua Net, website: <http://www.xinhuanet.com/>

The construction of a free-trade logistics centre was among one of the most important issues in the plan. For this purpose, Changsha held a conference for promoting investment in modern logistics for Jinxia immediately on the following day of the proclamation of the plan. At the conference, the person-in-charge of the Changsha Customs formally announced that the national General Administration of Customs had approved the pilot operation of the Jinxia free-trade logistics centre. The Jinxia free-trade logistics centre of Changsha would be a B-type free-trade logistics centre, which was also the first B-type free-trade logistics centre in central-southern China. As a logistics park, the Jinxia free-trade logistics centre is striving to build up its central position in the logistics development of Hunan Province and even central China.

### **Types of Bonded Logistics Centre**

Type A means a bonded logistics centre built by a company to serve its own logistics needs, such as the Shanghai Daily Pioneer Corporation Bonded Logistics Centre.

Type B means a public bonded logistics centre invested in by one or more entities and operated by two or more logistics enterprises residing therein, such as the Suzhou Industrial Park Bonded Logistics Centre, and the Changsha Jinxia Bonded Logistics Centre.

### **Development of Bonded Logistics Centres**

The Jinxia Customs Bonded Logistics Centre is a key local project endorsed by the Hunan Provincial Government and approved by the national General Administration of Customs. The project is in two phases, planned to cover 100 hectares of land, with a total investment of about RMB1 billion and a gross floor area of 350 000 sq. m. Phase I consists of a central office complex, bonded warehouses, comprehensive service facilities, etc., with a coverage of about 46.67 hectares and an investment of RMB350 million. Phase II will cover about 53.33 hectares with an investment of RMB650 million. The warehousing area will be expanded and the supporting facilities for logistics and distribution will be perfected. So far, the construction of Phase I of the project has been completed and it is expected that it will be transformed into the largest bonded logistics base and an important international logistics transit hub in the central-southern Mainland region within three to five years. By then, the logistics centre will have an annual freight flow of 40 million tons, and will have six functions: bonded warehousing, international logistics distribution, simple processing and value-added services, import, export and transit trade, ports and tax rebates, as well as logistics information processing.

Sound accessibility affords the Jinxia Bonded Logistics Centre huge development potential. On the railway side, the dual-track Beijing-Guangzhou Railway (京廣鐵路) links the north and the south, while the Shimen-Changsha Railway (長石鐵路) provides links from the east to the west, and a special rail line directly links up the centre with the port of Changsha. Recently, it has been planned that sites in the centre will be selected to build the Wuhan-Guangzhou Passenger Railway (武廣客運專線), Changsha Railway Centre and Cargo Marshalling Yard, No. 1 Line of the Changsha Subway, and Metro Light Rail Terminal. In respect of highway transportation, the 107 National Highway, 319 National Highway and Beijing-Zhuhai National Highway converge here, and the province's cities such as Zhuzhou (株洲), Xiangtan (湘潭), Changde (常德), Yiyang (益陽), Yueyang (岳陽), Loudi (婁底), etc. will be covered by the "One-hour Economic Radius". Additionally the Jinxia Bonded Logistics Centre is just next to the port of Changsha which will become the largest modern inland river port of China, with eleven 1 000-ton berths, an annual container handling capacity of 17 000 TEUs, and a cargo-handling capacity of five million tons. Moreover, Changsha Huanghua International Airport (長沙黃花國際機場) is only a 20-minute ride away. The airport conveniently connects the centre with domestic and overseas metropolises such as Beijing, Shanghai, Guangzhou, Shenzhen, Hong Kong, Bangkok, Seoul, etc.

Currently, the Customs authorities offer a series of policy measures to support the development of the bonded logistics centres, including, among others:

- (a) The bonded logistics centre is empowered to act as a port of entry, whereby enterprises can make Customs declarations directly with the Customs house which is located in the centre. In this way, the bonded logistics centre can handle freight from both the domestic and international markets.
- (b) For domestic products entering the centre, they are treated as exports and enjoy export tax rebates upon entry into the centre.
- (c) Overseas products entering the centre will be provided bonded treatment by Customs.
- (d) Where bonded products are to be sold domestically, such goods can be declared to the Customs house according to the actual way that the goods are shipped out from the bonded logistics centre.
- (e) The freight within the bonded logistics centre can be freely transferred and can also be declared and picked up at another Customs area among enterprises in the centre, between the bonded logistics centre and the free trade zone, and within the areas and premises supervised by Customs such as the export processing zone, bonded warehouses, export supervised warehouses and other bonded logistics centres.

Such preferential policies enable the bonded logistics centre to attract the entry of more and more enterprises.

## Functions of the Development of the Bonded Centres

Learning from the experience of the bonded logistics parks developed in other places such as Tianjin (天津), Dalian (大連), and Zhangjiagang (張家港), the Jinxia Bonded Logistics Centre has been established to address the development needs of modern logistics, as a major initiative of the China Customs to reform the logistics surveillance regime of the bonded warehousing. A bonded logistics centre can blend, integrate and expand the functions of the bonded warehouses and the export-supervised warehouses through breaking the old regime by which import and export goods are segregated and stored respectively in bonded warehouses and export-supervised warehouses. Furthermore, it also brings a certain number of new functions into play in view of the development needs of modern logistics.

### Functions of a Bonded Logistics Centre

(1) Bonded warehousing; (2) International logistics distribution; (3) Simple processing and value-added services; (4) Inspection and testing; (5) Import, export and transit trade; (6) Commodities exhibition; (7) Logistics information processing; (8) Port of entry; (9) Tax rebates for goods entering the centre for export.

### Major Roles of a Bonded Logistics Centre

(1) To help handle tax rebate matters for general goods entering the centre for export; (2) to help handle bonded goods treatment for general goods entering the centre for import and (3) to help solve the problem of transiting received further processed products to Hong Kong for inspection, i.e. the so-called “one-day visit to Hong Kong”.

Currently, Jinxia Bonded Logistics Centre, with an area of 100 hectares, hosts more than 140 logistics enterprises, and will become a place of strategic importance for logistics enterprises at home and abroad. In the future, products inbound to or outbound from the Jinxia Bonded Logistics Centre will enjoy the facilities of bonded treatment and tax rebates and avoid the hassles of travelling to and from places such as Guangzhou and Shanghai. This can help avoid in particular the large amount of interests paid for leaving goods in warehouse for a long period of time. It has been learned that, as an entity that integrates the warehouse, the information service, and distribution and transportation, the Jinxia Bonded Logistics Centre will be able to provide facilitated and high-quality freight services for Hunan.

Presently, the Jinxia Bonded Logistics Centre is still under construction. The land required for the Phase II construction has been approved by the Hunan Department of State Land Resources. The centre will become a key international logistics transit hub in the central part of the Mainland, and a logistics convergence point connecting the domestic and the international markets. Its operation will greatly boost the development of the export-oriented economy of Changsha. It will greatly promote the status and the strategic competitiveness of Changsha, and it also has great strategic significance for enhancing the capital operation efficiency of the enterprises, driving the rapid development of the regional economy and realising the rise of the central part of China.

## **Hainan Proactively Liberates Aviation Rights to Promote Development of Air Transportation**

### **Recent Developments in the Logistics Industry in Hainan**

Hainan has long been famous for its tourism, a pillar industry of the Province. In 2005, the revenue from tourism in Hainan amounted to RMB12.505 billion, up 12.6% from the previous year. During the period of the 10th Five-Year Plan, the revenue from tourism registered an annual growth of 9.7%. For 2005, Hainan tourism achieved a value-added total of RMB5.742 billion, up 12.3% from the previous year. In 2005, Hainan recorded 15.1647 million overnight visitor arrivals, up 8.1% from the previous year, among them, international and domestic visitors numbered 431 900 and 14.7328 million persons/times, representing an increase of 40.0% and 7.4% over the 2004 figure respectively. During the period of the 10th Five-Year Plan, visitor arrivals registered an annual growth of 8.5%.<sup>24</sup>

The rapid growth in the tourism sector has greatly boosted the development of transportation and logistics in Hainan. For the first half of 2006, the passenger turnover accumulated to 8.417 billion person-kilometres, up 26.8% over the same period in the previous year, with an average monthly growth rate of 27% for the six months. Freight turnover began to grow slower at a rate of 3.9% for the first half of 2006 after a significant increase in 2005, amounting to 8.834 billion ton-kilometres in accumulation<sup>25</sup>.

Among all of the modes of transport, air transport still has a substantial position in the island economy of Hainan. It is the mode that brings most of the visitors to Hainan. Moreover, Hainanese fruits, vegetables, melons and other local produce popular among domestic and overseas consumers are mostly distributed to different destinations via air transport, as such produce is season-sensitive and perishable. Generally speaking, Hainan's economy features a small market capacity and "two ends being outside" economic development, that is, the markets for its products and the sources of most of the raw materials used for production are outside the island. Even the market competitiveness of the high-efficiency agricultural sector and some high-tech sectors based on local resources are also much affected by the circulation costs. As a result, air transport plays a critical role in the development of the local transportation sector and even the economy as whole.

### **Pushing Forward Aviation Rights Liberalisation**

Currently, the liberalisation of aviation rights poses a bottleneck for the development of civil aviation in Hainan. Hainan has launched a series of publicity campaigns for tourism and promotional events for foreign countries over recent years, and the number of visitors from Japan, South Korea and Russia to Hainan has been increasing, however, they have to fly in by charter flights. Meanwhile, there are no direct flights to Haikou (海口) from the Southeast Asian and European countries. Visitors originating from such locations have to fly in Hainan via other places. Such inconveniences constrain the development of tourism and transportation industries of Hainan.

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24. Hainan Provincial Statistics Bureau (海南省統計局), website: <http://www.hi.stats.gov.cn/>

25. Ibid.

### **Definition of Aviation Rights**

Aviation rights means the “Freedom of the Air” for international flights. According to international practice, aviation rights are referred to as “Freedoms of the Air”. The concept of Aviation Rights originated at the Chicago Conference held in 1944, and was also referred to as the “Freedoms of the Air”. The legal basis for the “Freedoms of the Air” is the “International Air Services Transit Agreement” passed in 1944 (generally referred to as the “Two Freedoms Agreement”) and the “International Air Transport Agreement” (generally referred to as the “Five Freedoms Agreement”), whereby,

The First Freedom means the right to fly across the territory of a foreign country without landing.

The Second Freedom means the right to land in a foreign country for technical reasons.

The Third Freedom means the right to deplane traffic at a destination country.

The Fourth Freedom means the right to enplane traffic at a destination country.

The Fifth Freedom means the right to enplane traffic at one foreign point and deplane it in another foreign point.

Therefore, the Hainan Provincial Government and the Civil Aviation Administration of China (CAAC) have strived to promote the pilot initiative for the liberalisation of aviation rights in Hainan.

#### **(1) Announcement of the “Aviation Rights Liberalisation” Pilot Initiative**

On 24 March 2003, the CAAC held the first press conference on aviation rights liberalisation in Hainan, and officially agreed that Hainan would be the pilot province for the liberalisation of aviation rights to undertake the pilot liberalisation of the third, fourth and fifth aviation rights.

Hainan’s internationally unique geographic location is one of the key reasons why it was chosen as the pilot province for the liberalisation of aviation rights. At that time, cities in other countries or regions near China’s coastal area like Tokyo, Hong Kong, Bangkok, Seoul and Taipei endeavoured to build themselves into an international air transit hub. In order to realise the strategic development of China’s civil aviation industry, it was necessary for China to build its own air hub in Southeast Asia, and Hainan is located just in the centre of this region. Mr Chen Feng, Chairman of Hainan Airlines Company Limited then, said that, in 2003, the number of aircraft and airports in China was limited and the international passenger turnover only accounted for 1.68% of the world total, which was lower than that of Thailand and Malaysia. The cargo transportation capacity of domestic airlines could only satisfy one third of the market demand. With such a background, the move to choose Hainan Island as the pilot testing ground for liberalising the aviation rights was sensible and

prudent for the country. It also presented the greatest opportunity of development for Hainan after the establishment of its status as a province and a Special Economic Zone.

### **Detailed Interpretation of Relevant Aviation Rights**

The Third Freedom refers to the right of an airline from one country to land in a different country and deplane passengers and/or cargo coming from the airline's own country.

The Fourth Freedom refers to the right of an airline from one country to land in a different country and enplane passengers and/or cargo travelling to the airline's own country.

The Fifth Freedom refers to the right of an airline from one country to land in a second country, to then pick up passengers and fly on to a third country where the passengers and/or cargo then deplane.

## **(2) Establishment of the Objectives, Structure and Approaches of the Pilot Initiative**

The first conference of the Joint Steering Group for the Pilot Initiative on the liberalisation of Aviation Rights (the "Joint Steering Group") was held on 1 July 2003 in Haikou. At the conference, it was decided that the objective of the pilot initiative in 2003 was to open two short-haul and two long-haul international air routes. For 2004-2005, the aim was to step up efforts in opening air routes with the Southeast Asian countries as well as Australian and other Pacific island countries, to spread influence to the European and American markets and to expand the international air routes and flight markets. The conference also reviewed the *Proposal on Pilot Liberalisation of Partial Aviation Rights in Hainan* (海南開放部分航權試點工作方案), which marked the official commencement of the pilot initiative of the liberalisation of partial aviation rights in Hainan. Hainan hence became the first pilot province for the liberalisation of partial aviation rights in Mainland China.

## **(3) Drafting of the Pilot Policies**

On 26 December 2003, the Joint Steering Group convened the second conference and decided on the pilot policies on the liberalisation of aviation rights. Based on the principles of initial testing, international practice, risk sharing and fair competition, the *Preferential Policies on the Liberalisation of Partial Aviation Rights in Hainan* (海南開放部分航權優惠政策) were drafted and submitted to the CAAC and the State Council or the relevant central authorities for approval<sup>26</sup>.

26. *Hainan Daily* (海南日報), 29 December 2003.

#### **(4) Endorsement of the Pilot Policies**

In February 2004, a press conference on the preferential policies for the liberalisation of aviation rights was held in Haikou, where the *Reply on the Expansion of Operating Rights of Foreign Airlines on the Air Routes of Hainan* (關於對營運海南航線的外國航空公司擴大經營權問題的覆函) made by the CAAC and the *Provisions on Certain Policies on the Liberalisation of Partial Aviation Rights in Hainan* (海南省關於開放部分航權若干政策的規定) were released<sup>27</sup>. The CAAC approved the preferential policies on the liberalisation of partial aviation rights in Hainan, including allowing foreign airlines to extend their international air routes from Sanya and Haikou to all Mainland cities opened to international flights (except Beijing, Shanghai and Guangzhou), and granting the freedoms to stopover for international flights that are extended to the above-mentioned Mainland cities from Haikou and Sanya and vice versa, provided that the flight frequency between Sanya or Haikou and each of the above-mentioned cities was not to exceed 7 flights each week.

#### **(5) Promoting the Pilot Initiative**

On 7 June 2005, the Joint Steering Group held the third session of the conference, whereby the results of the liberalisation of aviation rights were summarized and the focus of the implementation of the pilot initiative for 2005 was put forward.<sup>28</sup> It was explicitly indicated at the conference that the focus of the implementation of the pilot initiative for 2005 was to adjust the air routes, to promote the preferential policies actively, to perfect further the construction of the ancillary airport facilities, and to strengthen the construction and management of the port, etc. The Group at the meeting also emphatically instructed the governmental international division to conduct careful research on how to include Hainan's liberalisation of aviation rights in the conceptual document of the ASEAN-China ("10+1") cooperation on air transport, how to position Hainan's liberalisation of aviation rights in the consolidation process of the aviation resources of the Pan-PRD region, and how to operate Hainan as a pilot testing ground for attracting low-cost airlines.

#### **(6) Deepening and reviewing of pilot project**

On 3 January 2006, a meeting of the joint steering group for the pilot opening up of aviation rights of Hainan was convened. The meeting summarized the effectiveness of various works on opening up the aviation rights in 2005, as well as set up and adjusted work foci for 2006.<sup>29</sup> Besides propelling the adjustment to aviation routes to promote the opening of aviation rights, and speeding up the construction of infrastructure for airports and ports to support the opening up of aviation rights, the meeting proposed to try bundle sales of air tourism packages jointly offered by the aviation rights office, the tourism bureau, airports and airlines to promote the growth of air tourism in 2006. Participants of the meeting also agreed to strengthen research on the opening up of aviation rights to better serve the Hainan economy.

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27. *China Civil Aviation Daily* (中國民航報), 23 February 2004.

28. People's Government of Hainan Province, website: <http://www.hainan.gov.cn/>

29. Ibid.

## Results of Aviation Rights Liberalisation

From the opening up of aviation rights in 2003 to the end of 2004, Hainan launched twelve new international routes, including five fixed routes (Haikou-Bangkok, Haikou-Osaka, Haikou-Kuala Lumpur, Haikou-Nanning-Kuala Lumpur, Haikou-Guangzhou-Fukuoka) and seven non-fixed routes (Haikou-Busan, Haikou-Seoul, Sanya-Busan, Sanya-Khabarovsk, Sanya-Almaty, Sanya-Moscow, Sanya-Vladivostok), and increased 794 sorties of international flights. By the end of 2005, nine foreign airlines (Korean Air, ASIANA Airlines, Phuket Air, Malaysia Airlines, Kazakhstan Airlines, Russian Far Eastern Air, KrassAir, Vladivostok Air and PB Air) were attracted to fly to Hainan. Together with Hainan Airlines, China Southern Airlines, Dragonair and Macao Airlines, there are now 13 airline companies in Hainan, operating 50 international and regional air routes (see **Table 9**).

**Table 9: International and Regional Air Routes Opened by the End of 2004 in Hainan**

Route Category	Route	Sub-total
Regular Routes	Haikou - Hong Kong, Macao, Bangkok, Singapore, Osaka, Kuala Lumpur, Nanning - Kuala Lumpur, Guangzhou - Fukuoka Sanya - Seoul, Hong Kong, Kuala Lumpur, Macao	12
Irregular Routes (Charter flights)	Haikou - Busan, Seoul, Tokyo, Sapporo, Nagoya Sanya - Bangkok, Singapore, Busan, Alma-Ata, Khabarovsk, Osaka, Tokyo, Aomori, Nagoya, Niigata, Sapporo, Takamatsu, Fukushima, Sendai, Okayama, Fukuoka, Tokushima, Yamagata, Kansai, Okinawa, Hakodate, Koestler, Narita, Shonai, Takamatsu, Toyama, Hanoi, Laoag, Phnom Penh, Sabah, Hanamaki, Moscow, Vladivostok	38
Corporate Flights	Haikou - New York, Phnom Penh, Vientiane, Manila, Moscow Sanya - New Siberia, Irkutsk, Bali	8
<b>Total:</b>		<b>58</b>

Source: People's Government of Hainan Province, website: <http://www.hainan.gov.cn>.

In 2005, the pilot opening of aviation rights in Hainan further moved ahead, and sixteen new international routes<sup>30</sup> were opened, including four fixed routes and twelve non-fixed routes. International flights reached 9 201 sorties, resulting in a year-on-year growth of 36.05%. In addition, the number of foreign airlines being newly authorised to carry international and regional flights in Hainan reached 10, including Valuair, Kazakhstan's BGB Air, Far Eastern Air Transport, Russian's KrassAir, and Hong Kong Airlines. At the same time, the number of passengers, both inbound and outbound, increased steadily. In 2005, there were in total 4 041 international and regional flights to and from Hainan, up 35.70% over the previous year (up 8% nationally), 374 700 inbound and outbound passengers, up 31.4% over the previous year, and 534.6 tons inbound and outbound air cargo, up 42.4% over the previous year.

30. The detailed information about the new opened air routes is currently not available in Internet. The People's Government of Hainan Province, website: <http://www.hainan.gov.cn/>

## Social Benefit and Impact of Aviation Rights Liberalisation

The liberalisation of aviation rights has brought significant direct benefits to Hainan Province.

Firstly, the liberalisation of aviation rights has greatly enhanced the development of the Hainan tourism industry. Upon liberalisation, visa procedures for entry into Hainan for foreign visitors have been significantly simplified. During the year of 2004, the number of international and regional flights operated by air carriers increased by 36.4% over the previous year, and the number of passengers both inbound and outbound grew by 49.1% over the previous year while inbound and outbound air cargo grew by 53.1% over the previous year. This has greatly benefited its tourism industry, the pillar industry. In 2005, Hainan's tourism industry realised a total value-added of RMB5.742 billion, up 12.3% over the previous year. The province received 15.1647 million overnight visitors with a total of tourism revenue of RMB12.505 billion, up 12.6% over the previous year<sup>31</sup>.

Secondly, the liberalisation of aviation rights has greatly facilitated the construction and development of airports in Hainan. Currently, there are two airports in Hainan: Haikou Meilan International Airport (海口美蘭國際機場) and Sanya Phoenix International Airport (三亞鳳凰國際機場). The liberalisation of aviation rights has also helped both airports to increase their business volumes by attracting more foreign airlines to open direct and transit routes to Hainan. It will also help expand the capacity of the airports and improve their air traffic control capabilities. The liberalisation also generates development opportunities for segments such as aviation information, fuel supply, aircraft repair and maintenance.

Since the liberalisation of aviation rights, the passenger handling capacity of Sanya Phoenix International Airport has been growing year on year. The passenger handling capacity was 1.49 million person-times in 2002, and 1.69 million person-times in 2003. In 2004, the first year of implementation of the liberalisation of aviation rights, the Airport registered a passenger handling capacity of 2.51 million person-times, achieving a historical breakthrough. This made 2004 the first profitable year for Sanya Phoenix International Airport since its opening 10 years ago, which is very important to the Airport. Additionally, in 2005, the Airport registered a further record-high number of 3.08 million person-times.

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31. National Bureau of Statistics of China, website: <http://www.stats.gov.cn/>

Haikou Meilan International Airport also showed the momentum of rapid development with an annual average growth rate of approximately 12% in respect of passenger handling capacity. The Airport recorded 7.0274 million person-times in 2005<sup>32</sup>, ranking in the Top 10 civil airports of China. The number of international flights served by the Airport increased 34.2% over that of 2004, and the international passenger handling capacity also grew by 30.2%. At the beginning of January 2006, the Airport served 95 air routes, of which 84 were domestic routes, two were regional routes and nine were international air routes, connecting to 56 cities<sup>33</sup> (see **Table 10**).

**Table 10: Statistics of Passenger, Cargo and Mail Traffic of Hainan's Airports from 2003 to 2005**

	Year	Haikou Meilan International Airport		Sanya Phoenix International Airport	
		Volume	Change %	Volume	Change %
Passenger Traffic (persons)	2005	7 027 397	-6.03	3 087 045	22.22
	2004	7 478 210	24.03	2 525 851	49.08
	2003	6 029 249	7.66	1 694 298	13.59
Cargo and Mail Traffic (tons)	2005	60 590	-9.00	21 378	25.35
	2004	66 583	16.87	17 055	54.57
	2003	56 970	5.83	11 034	0.84
Aircraft Movements	2005	68 879	0.87	26 351	24.49
	2004	68 282	6.46	21 167	35.59
	2003	64 136	2.62	15 611	-14.31

Source: National Bureau of Statistics of China, website: [www.stats.gov.cn](http://www.stats.gov.cn).

Moreover, the liberalisation of aviation rights is a key element for the development of modern logistics industry and also a prerequisite for Hainan to grow into a regional air transport hub. Air transport is not simply one of the modern transport modes, it can facilitate the development of a multi-modal transportation system integrating water, land and air modes. The geographical environment of Hainan makes air transport an important way to interact with the outside world. Therefore, the liberalisation of aviation rights plays an essential role in the development of the air transportation of Hainan.

32. Both the passenger and freight volumes handled by Haikou Meilan International Airport in 2005 decreased due to various factors, including (1) the tourism structural adjustment started from 2005, when the domestic tourism sector began actively promoting short tours and self-guided driving tours, causing a significant change to the tourism structure and having a direct impact on Hainan Island, especially long tours with a destination of Haikou City; and (2) the effect of the division of passengers; Sanya Phoenix International Airport had drawn a significant volume of passengers from Meilan International Airport; (3) the strategic adjustment made by the domestic airlines to put their capacity into profitable air routes which reduced the air transport capacities allocated to Haikou.

33. *China Civil Aviation Daily*, website: <http://www.caacnews.com.cn/>

## **Future Role, Opportunities and Challenges for Hong Kong**

No matter how powerful production capacity a region has, if the logistics industry is not well developed to distribute the products produced in the region to the global market, all the production activities are meaningless. In order to realise economic integration and to take full advantage of the competitive edge of the integrated economy for a region as big as the Pan-PRD region, the primary prerequisite is a highly efficient circulation system for the goods. In the Pan-PRD region, since the natural conditions, policy environment, and economic development are not balanced, the development and integration of the regional economy can only be realised if resources can flow freely and smoothly and can be allocated in a rational way by means of logistics. Hong Kong's logistics enterprises are well equipped with advanced operation philosophy, rich management experience, familiarity with international practices and an extensive network, and they also excel in the latest IT applications. So, they can cooperate with Mainland logistics enterprises for division of labour, each party leveraging on its own strengths and complementing the counterparts to build an efficient Pan-PRD regional logistics system. They would be able to get more opportunities through the cooperation. Summing up the above, Hong Kong can play the following roles:

### **Opportunities in Training Logistics Professionals**

#### **Utilizing Its Rich Experience in Logistics Training, Hong Kong Can Cooperate with Fujian in Launching Training Projects for Logistics Talent**

The logistics industry in China started late, so was the specialised logistics education. Logistics education in colleges or schools typically focuses on theories and is deficient in the training of practical operating skills. Furthermore, enterprises do not pay adequate attention to the training of logistics personnel and most of them are reluctant to pay for staff training. Meanwhile, there are no authoritative and responsible logistics training institutions. All these factors mean that logistics personnel have only limited knowledge of logistics.

Hong Kong possesses rich experience and a strong international network in the shipping and logistics industries. Hong Kong enterprises can apply such advantages to help upgrade the logistics industry in the Pan-PRD region (including Fujian) to create an "all-win" situation. As one of the economic development centres in Asia, the logistics industry of Hong Kong leads Asia in respect of industrial standards. Hong Kong also has many years of experience in the practical market operation and logistics training systems. Therefore, through implementation of the CEPA, Hong Kong can grasp this chance to find its own opportunities in the huge logistics training market by using its strengths in logistics theories and practices.

In Hong Kong there are many logistics training programmes provided by public institutions, colleges, trade associations or individual companies, such as the professional examination and training provided by The Chartered Institute of Logistics and Transport in Hong Kong. These training programmes not only give new impetus to the logistics industry of Hong Kong, they also help to enhance the quality of logistics personnel, which can turn logistics personnel and supply chain management specialists into professionals equivalent in status to accountants and lawyers. With its rich experience and expertise, Hong Kong can try to co-operate with the colleges and schools of the Mainland (e.g. Fujian) in providing

training programmes to nurture logistics professionals jointly. Hong Kong can provide state-of-the-art and world-class logistics management knowledge to trainees and can also co-operate with some well-established enterprises to provide customised training services for them.

## **Opportunities from Jointly Building a Logistics Information Platform**

### **Promoting the DTTN of Hong Kong, to Provide Management and Consulting Services for the Development of Information Technology in Jiangxi's Logistics Industry**

As a global financial and trading centre, Hong Kong initiated the concept of building the Hong Kong Digital Trade and Transportation Network (DTTN) as early as year 2000. In year 2005 it successfully turned the concept into reality when the first electronic logistics platform in the world was made, connecting all parties in the supply chain such as governmental departments, banks, insurers, customs authorities, suppliers, transportation operators, freight forwarders, and buyers. Through the DTTN, Hong Kong provides a low-cost communication infrastructure framework for global enterprises to improve their operating efficiency. The implementation of the DTTN has helped to upgrade the overall competitiveness of the trading and logistics industries of Hong Kong.

In the process of logistics informationisation of Jiangxi, Hong Kong enterprises can have their share of this too. With the implementation of the CEPA, Hong Kong can expand its co-operation with Jiangxi, introduce to Jiangxi enterprises and governmental bodies the concept of building a modern logistics industry with IT, and share the experience of building electronic logistics platforms such as the DTTN. It can even provide expertise and management consultancy services to Jiangxi in respect of the construction of such a platform.

## **Opportunities in Bonded Logistics**

### **Encouraging Hong Kong Enterprises to Invest in the Jinxia Free-Trade Logistics Centre, to Assist Hong Kong Capitals in Participating in the Development of that Centre and Share the Achievements**

The operation of the Jinxia Bonded Logistics Centre helps to solve the problem that products for further processing in the Mainland in the processing trade need to go to Hong Kong for inspection, i.e. the so-called "one-day visit to Hong Kong". In accordance with the policies of the Jinxia Bonded Logistics Centre, the Centre intends to attract strategic investment partners and large logistics enterprises to the Centre through a number of mutually beneficial methods of co-operation, such as land assignment, warehouse leases, capital investment, investment co-operation, etc. In this regard, Hong Kong has a number of well-established and experienced firms specialising in infrastructure, that can participate in the construction of infrastructure projects such as the Jinxia Bonded Logistics Centre and provide quality infrastructure services as well as bringing in efficient operating models.

Hong Kong's manufacturing sector may accelerate its pace in respect of the "Northward Relocation". Compared with the PRD region, labour costs in Hunan are much lower. With equal taxation policies, Hong Kong's manufacturing sector may consider moving further into the central-southern Mainland region for development. Hong Kong may also consider the options of investing through capital investment schemes and cooperation in the construction of bonded logistics centres. In order to enter into the Mainland logistics market, Hong Kong logistics enterprises may take the Jinxia Bonded Logistics Centre as a starting point to expand their business into the central-southern and north-western regions of the Mainland.

## **Challenges Brought by the Liberalisation of Aviation Rights**

### **Opening Up the Aviation Rights of Hong Kong, to Realize a Win-Win Situation**

The liberalisation of aviation rights has brought huge challenges to the air transport industry of Hong Kong as the transit privilege enjoyed by Hong Kong will be reduced gradually and may even diminish. This is because many flights (including passenger and freight flights) to and from Hainan that used to transit via Hong Kong will no longer stop over at the new airport of Hong Kong, thus reducing transit links. With the continued liberalisation of aviation rights of Hainan and other Mainland cities, Hong Kong's status as an international air hub will be shaken. According to statistics of the CAAC, Hong Kong's air traffic volume has shown no significant increase over recent years, mainly because of a surge in international direct routes connecting the Mainland with the outside world, making it unnecessary for Mainlanders to travel out of China via Hong Kong. So Hong Kong would need the Mainland market to achieve further development in its air traffic. Given the Mainland liberalises its aviation rights to Hong Kong, Hong Kong should also open its air routes to the Mainland air carriers for mutual benefits, while its air transport industry strives to enjoy a bigger slice of the cake.

## **Assess the Risks Prudently**

Notwithstanding the substantial opportunities that may arise in logistics development in the above four provinces, it should be noted that lots of challenges exist in the process of development. For those Hong Kong-based enterprises that venture into these places to pursue opportunities, particular attention should be paid to the following issues:

Currently, the logistics systems of the above-mentioned four provinces are still not efficient and stable, and they lack large-scale transportation companies and a unified pricing system. These factors constrain the integration of the Hong Kong logistics industry with the Mainland logistics industry. Apart from the Jinxia Bonded Logistics Centre, Customs declaration procedures in other jurisdictions are not standardised. As a result, many goods manufactured in the Mainland are found not conforming to the relevant Customs procedures upon arrival in Guangdong for export, and have to be shipped back to the province of origin for re-declaration with the Customs, hence unnecessarily prolonging the transportation time. Furthermore, the concept of logistics system in the Pan-PRD region (including the four provinces) is still relatively backward. Local protectionism and regional segregation pose obstacles and severely hamper the expansion of logistics enterprises.

## **TRENDS AND UPDATES ON THE FOUR-EASTERN PROVINCES**

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## Fujian Actively Promotes Brand Development

In the last five years, Fujian has been ranked fifth nationwide in respect of the number of trademark applications. Although the number of enterprises having famous trademarks in Fujian only accounts for 0.6% of the total number of enterprises in the province, the output value of the former shares 21.8% of the gross output value of agriculture and industry,<sup>34</sup> which indicates the importance of successful trademarks and brands to the local economy. However, only a few enterprises with local trademarks have entered the international market, and most of them are located in the coastal cities of the province. As a result, the development of local trademarks has become one of the major projects that the Fujian Provincial Government will promote in the next five years.

### Making Great Efforts to Promote Trademark and Brand

The strategy of “Making great efforts to promote trademarks and brands” has been clearly stated in Fujian’s 11th Five-Year Plan. Accordingly, the Provincial Government has also promulgated the *Notification of the Opinions about Promoting the Implementation of Trademark and Brand by the Industrial and Commercial Bureau of Fujian Province* (省工商局關於推進實施商標品牌戰略工作意見的通知), which aimed at supporting the development of well-known trademarks and enterprises with famous brands. The main content is six-fold:

- (a) To evaluate and promote commercial brands;
- (b) To instruct enterprises to register domestic or international trademarks, support large-scale specialized agricultural operators to create well-known brands, and promote the business mode of “company + trademark + farmer”;
- (c) To guide and encourage enterprises in the creation of well-known trademarks, encourage the enterprises with famous trademarks to set up R&D centres, and support well-known companies to establish enterprise groups. All well-known trademark companies can apply for the establishment of an enterprise group as long as the parent company has a registered capital of not less than RMB20 million and at least three controlled subsidiaries, or the total registered capital of the parent company and the subsidiaries is not less than RMB40 million. If the parent company has a well-known brand in agricultural industries, the aforesaid minimum registered capital can be reduced to RMB15 million and RMB30 million respectively. Famous trademarks owned by companies can be used as a non-monetary investment equivalent to no more than 40% of the registered capital. Well-known trademarks and enterprises will be distantly supervised and inspected every two years. In the first year, the enterprises are only required to submit an annual inspection report and need not be inspected;

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34. *Notification of the Opinions about Promoting the Implementation of Trademark and Brand by the Industrial and Commercial Bureau of Fujian Province* (省工商局關於推進實施商標品牌戰略工作意見的通知) issued by the General Office of the People’s Government of Fujian Province on 23 July 2006.

- (d) To encourage well-known trademarks to play a leading role in the industrial chain, acting as a role model for small and medium-sized enterprises (SMEs) and driving the regional economy;
- (e) To monitor and crack down trademark infringement and counterfeiting behaviour; and
- (f) To increase the awareness of brands among the public.

## **Evaluating and Confirming Traditional Brands**

In addition to encouraging the establishment of new brands, the Fujian Provincial Government also actively promotes and protects the development of traditional brands in the province. A few months earlier, *Suggestions on Protecting and Developing Traditional Brands in Fujian* (關於保護發展福建省「老字號」的若干意見) was promulgated, and the Suggestions stated that the Provincial Government would support the industries with traditional brands by providing capital, land, and top priority in participating in exhibitions. It would, furthermore, encourage them to get their brands registered, to timely investigate illegal cases of trademark infringement and to establish a special street where traditional-brand companies are gathered together, etc. All of these measures aim to protect and promote the development of traditional brands in Fujian.

To protect the real traditional brands, enterprises within the territory of Fujian that want to apply for the title of “Fujian Traditional Brand” need to meet seven criteria, including having the ownership or right to use the trademark; the brand being created in or before 1966; being the heritage of unique products, technique or services; having a corporate culture that inherits the excellent tradition of the Chinese people; having the features of the Chinese people and distinct regional cultural characteristics; having historical and cultural value; having a good reputation, widely accepted and praised; owned mainly by capital coming from the Mainland as well as from the Hong Kong, Macao and Taiwan regions, operating well and having strong capability for sustainable development.

The Fujian Traditional Brands Association was established on May 27 2006. It was regarded as a good start for a long-term development of traditional brands. On the inaugural meeting, promoting the development of traditional brands in Fujian was recognized as the major task of the association. A letter of proposal on reviving and developing the traditional brands was also presented.

Additionally, a Brand Promotion Campaign along the eastern coast that lasted for six days was held in July. Enterprises with famous brands participated in the activity and toured Fuzhou, Quanzhou, Xiamen, etc. to disseminate their image and culture, at the same time promoted the development of the Economic Zone on the West Coast of the Taiwan Strait.

## **The Role of Hong Kong**

Hong Kong can act as a financing platform and help Fujian enterprises raise funds for the creation of brands. Hong Kong enterprises can also invest in the traditional brands of Fujian or create new brands in cooperation with the enterprises in Fujian. The professionals and consulting companies in Hong Kong can provide professional advice and assist in brand design, packaging, production technology, and in the improvement of product quality. Having strong connections to international market, Hong Kong enterprises can assist the Fujian enterprises to explore the international market.

## Fujian Promotes Cross-Strait Cooperation in Development of the IT Industry

In the first half of this year, the IT product manufacturing industry of Fujian performed well, with an output value of 85.1 billion or 29% increase over the same period last year, accounting for 18% of the gross output value of industry. The increase in the accumulative output value was 10.7%, higher than the same period last year, and was higher than the average growth rate of 6.4% of the industries of the province, showing that the industry has recovered from the low growth last year. The export of electronics and IT products has also experienced higher growth, amounting to US\$5.86 billion in the first half of the year, which accounted for 31% of the total export of the province, and grew by 14.8% compared with the same period last year. Electronics and IT products exports from the three cities of Fuzhou, Xiamen and Zhangzhou accounted for 96% of the total export of the industry.<sup>35</sup>

### “3618” Project

According to the *11th Five-Year Plan of IT Industry of Fujian*, the province will focus on the development of the so-called “3618” project in the next five years. The name refers to three leading industrial chains (computers and network products, digital AV products, and mobile communication products), six industrial projects (software, IC, new components, IT product public accessories, technical facilities for radio management, and information application in enterprises), one IT supportive service system, and eight featured industrial parks and zones (Mawei Display Device, Fuqing Display, Xiamen Semiconductor Lighting, Quanzhou Microwave Communication, Putian LCD, Zhangzhou Small Smart Household Appliance, Fuzhou Software Park, and Xiamen Software Park). The goal is that, by 2010, the total revenue of the provincial IT industry will exceed RMB600 billion, with a value-added of RMB160 billion that will account for over 16% of the gross domestic product of the province.

### Linkage with IT Industry in Taiwan

According to Mr. Li Chuan (李川), Vice Provincial Governor of Fujian Province, the total scale of IT product manufacturing, software development, IC design, and information service industries in the region of Fujian and Taiwan has exceeded US\$120 billion, which makes it one of the major IT economic zones in the Asia Pacific region.<sup>36</sup> The cooperation between Fujian and Taiwan in the IT industry will be strengthened increasingly. Following the 1st Cross-Strait IT Industry Technical Standard Forum (海峽兩岸資訊產業技術標準論壇) held in Beijing last year, the 2nd Forum was successfully held in Taiwan in May this year, with more than 200 experts, scholars and businessmen from both sides of the Strait attending. At the Forum, agreements on cooperation in developing TD-SCDMA terminals, and researching and establishing parts of the AVS standards were signed, and the promotion of technology on both sides of the Strait and the cooperation modes of industrial chains were discussed.

35. Information Bulletin (信息簡報), the Information Industry Department of Fujian Province, 19 June 2006.

36. Website: <http://www.chinataiwan.org/> 23 February 2006.

According to the *11th Five-Year Plan on Industrial Linkages between Fujian and Taiwan* (「十一五」閩台產業對接專項規劃), linkages will be strengthened in the following five aspects:

- (a) To continue the further research on IT enterprises in Taiwan, understand the current situation of these enterprises and the future direction of the industry, and strengthen the pertinence of IT industrial linkages between Fujian and Taiwan;
- (b) To formulate an 11th Five-Year action plan on IT industrial linkage between Fujian and Taiwan, with the focus on IT product manufacturing, software industry, IC design, and information application in enterprises, and to link the IT industry between Fujian and Taiwan by means of internet, specific projects, etc. under the assistance of industrial associates and enterprises;
- (c) To make full use of the existing resources of Taiwan investors in Fujian to attract more Taiwan investors in the future;
- (d) To strengthen the investigation of some Taiwan investment zones in the Yangtze River Delta region and the Pearl River Delta region besides Taiwan's economic and trade development, and through face-to-face contact with Taiwan investors in the Mainland to introduce the strategy of the Economic Zone on the West Coast of the Taiwan Strait as well as to attract more Taiwan IT enterprises to settle in Fujian;
- (e) Based on the current nearly 600 projects of the IT industrial chain for cooperation with Taiwan, to continue adjusting the projects to attract investment from Taiwan.

While Fujian is actively promoting the industrial cooperation between Fujian and Taiwan, some cooperative projects are postponed due to geographical or political reasons. It is reported that Fuzhou has already reserved land for Taiwan investors to build eight-inch-chip-plants. However, the plan is progressing slowly due to continuous obstruction by the Taiwan Government. On the other hand, driven by the development of the Economic Zone on the West Coast of the Taiwan Straits, the manufacturing industry in Fuzhou developed rapidly. At the end of July, Mr. Zheng Songyan (鄭松巖), Mayor of Fuzhou City, welcomed China Resources (Holdings) Co., Ltd to invest in the chip industry in Fuzhou during his visit to Hong Kong.<sup>37</sup> Fuzhou will develop rapidly in the future; therefore Hong Kong should grasp the opportunities that may arise.

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37. *Tai Kung Pao* (大公報), 21 July 2006.

## **Jiangxi Establishes Special Funds to Support Enterprises in Developing Recycling Economy**

With the rapid economic development in recent years, the dependence of Jiangxi on external resources is increasing quickly. At present, the self supply rate of coal of the province is lower than 50%, 80% of the iron ore consumption needs to be imported from outside the province and foreign countries, and all petroleum and natural gas are purchased outside the province. To resolve this situation, the Jiangxi Provincial Government requires all the regions of the province to make great efforts in developing a recycling economy.

The so-called recycling economy advocates an economic development mode stressing harmony with the environment. It requires the organization of economic activities into a circular process of “resource, product, and renewable resource” (資源、產品、再生資源). Recycling economy focuses on the effective usage and re-usage of resources, in order to achieve the goal of “low consumption, low emission, and high utilization”. In 2004, the Central Economic Working Conference (中央經濟工作會議) proposed to make great efforts in the development of recycling economy. It has been included in the major economic concept, and will have a large impact on the future economic development in China.

### **Preliminary Achievements of the Recycling Economy**

At the beginning of the new century, the Jiangxi Provincial Government presented the new development concept with the slogan of “we want not only mountains of gold and silver, but also blue water and green mountains”. In 2005, the energy consumption per RMB10,000 of output value of the province was reduced to 1.06 tons of standard coals, lower than the national level by 13.1%; the quantity of productive metal scraps reclaimed was 1.86 million tons, and the number of discarded cars reclaimed and dissembled was more than 15 000. Jiangxi was among the top nationwide in the comprehensive use of non-ferrous metal, in which, Jiangxi Copper Group has independently developed a “comprehensive technology of super large low grade porphyry copper ore bed mining and dressing” to effectively use 150 million tons of waste ores, equivalent of an increase of 20% of the copper ore resources.

Among 93 development zones in the province, over 70% of the lands are barren mountains, barren slopes, as well as desolate sands and hills. According to an estimate of the Development and Reform Commission of Jiangxi Province, the usage of development zones for developing industry could save nearly 4 000 hectares of lands compared with the previous mode of building factories dispersedly. Xinghuo Economic Development Zone, Yichun Economic Development Zone, Wuyuan Industrial Park, and Nanchang Private Technical Zone, etc. have established a relatively complete industrial ecology system on the basis of industrial clustering.

Furthermore, the peasants of Jiangxi have also created a new mode for rural areas to develop a recycling economy of “pig-methane-fruit”. It has been determined as the “southern ecotype” by the Ministry of Agriculture and popularized all around the country. By “cultivating forests on mountain tops, planting fruits at mountain sides, breeding pigs at the mountain base, farming fish in ponds, cooking with methane, and fertilizing with liquid methane”, the “pig-methane-fruit” mode can effectively control the agricultural non-point source pollution and realize a more circular usage of resources.

## **Special Funds to Support Development of Recycling Economy**

To further encourage enterprises to develop towards a recycling economy, from this year onwards, the Development and Reform Commission of Jiangxi Province (hereafter “the Commission”) will arrange special funds for supporting 30 industrial enterprises engaged in the development of the recycling economy and a more comprehensive use of resources. At present, the Commission has arranged RMB5 million from the investment in infrastructure construction for the establishment of a special fund for resource-saving and the development of the recycling economy. The Commission indicated that it would gradually increase its investment in special funds, focusing on supporting enterprises to develop a recycling economy. The Commission stated it plans to introduce measures in guiding various financing institutions to offer financing support to major projects involved in the development of recycling economy as soon as possible.

Furthermore, beginning in this year, Jiangxi will set up experimental units of recycling economy in industrial parks throughout the province, and support projects involving the characteristics of recycling economy with preferential policies and capital. In July this year, the Commission and the Department of Land and Resources of Jiangxi Province jointly introduced regulations which proclaim that projects being part of the development of recycling economy will be given priority in the use of premises in the industrial parks within the territory of the province; enterprises that enter the parks must meet the general standards in the aspects of land usage, energy and water resources, and waste-discharge; with the guidance of plans and support by policies, the industrial parks will lay the foundation of a complementary industrial cluster of a “resource-product-waste-renewable resource” recycling economy chain.

## **Basic Considerations and Overall Objectives of Jiangxi for the Development of the Recycling Economy**

The basic concept of Jiangxi’s development of recycling economy is to focus on the five segments of resource exploitation, resource utilization, waste generation, renewable resource generation, and consumption, the five areas of industry, energy, transportation, mountains, rivers and lakes, as well as circulation and consumption, and the three major regions of medium to large cities, towns and rural areas, and development zones and industrial parks. It is said to promote the adjustment, optimization and upgrading of the industrial structure, energy saving, comprehensive utilization of resources, reduction of emissions, technical advancement, and energy savings in governmental agencies, etc.

In this and the coming year, the foci and tasks of Jiangxi in developing the recycling economy are to pay attention to the “Ten Batches” project, promote 100 recycling-economy-pilot-projects, accelerate the construction of major projects, including the re-use of copper reclaimed from waste residues of electric furnaces of Jiangxi Copper, electric generation with coke dry quenching of Xinyu Iron & Steel, electricity generation with coal-bed gas in Fengcheng Bureau of Mines, re-use of waste residues from casting in Quannan Jianghuan, etc. Another major focus will be to reduce energy consumption per RMB10,000 of GDP from 1.06 tons to 1.01 tons of standard coals, and the water consumption per RMB10,000 of industrial value added from 352 m<sup>3</sup> to 334 m<sup>3</sup>.

By year 2010, the province plans to have established full-fledged laws and policies, technical innovations, a promotion service system, and an incentive and restraint mechanism for a recycling economy. The development of the recycling economy will pay off, and the economic structure and growth pattern will be more reasonable. By year 2020, the province will be effectively relieved from resource and environmental constraints, and a coordinated and harmonious development of economy and environment will be basically established. The province is striving to become a national model region for the development of recycling economy and the development of ecological environment.

## **Jiangxi Dedicates to Create Brands of Green Food**

In recent years, the green (organic) food industry of Jiangxi has been developing rapidly. Its variety, quantity, and scale of products all rank among the top nationwide. Jiangxi therefore becomes a centre of green food production. However, Jiangxi is not yet a major player in terms of green food brands. In terms of brands, the status of the province, which was characterized as “large variety, but few brands”, has put the green food enterprises of Jiangxi in a disadvantageous position. Therefore, Jiangxi proposes to make great efforts to improve brand recognition of domestic green food products and promote the creation of self-owned brands, thereby enabling more Jiangxi green food brands to become famous brands in China and abroad.

### **Green Food Industry Lacks Famous Brands**

By the end of year 2005, the province had 503 green food products, ranking sixth place nationwide; and 242 organic food products, continuing to rank top nationwide. Regarding quantity, the green food industry in Jiangxi does not lack brands. However, the province has few well-known green food brands, and there are only a few products that enjoy nationwide brand recognition. Furthermore, many popular green (organic) food products of Jiangxi enter the market with the labels of enterprises from other regions, or appear in the agricultural markets as mass commodities. At present, Jiangxi is home to only 14 of China’s well-known trademarks, which translates into a national share of merely 1.9%. The number is 10 less than the neighbouring Hunan Province, and ranks fourth among the six provinces in Central China. Jiangxi is home to only 10 of China’s popular brand products, while Henan Province, also located in Central China, has 35. Among these well-known trademarks and renowned brand products, include only Wang’s Bee and Saint Liquor from the green food market.

On 24 July of this year, at the Jiangxi green food brand development symposium of the “Brand Promotion Campaign - Central China” Jiangxi station held by the Ministry of Commerce, Li Qinghua, Director of the Domestic Trade Office of Jiangxi Province, and Tang Anlai, Director of the Green Food Office, stressed that although the green (organic) food industry had developed rapidly, there were few well-known brands. According to relevant officials, a shortage of capital, lack of advertisement, inadequate training, lack of talent, and inadequate policy support are to be blamed for the lack of renowned brands in the Jiangxi green food industry. The consumers in the medium to large cities are the target market of green food produced in Jiangxi. However, the advertisement expenses in such cities are high. Therefore, a lack of capital restricts the capacity of Jiangxi enterprises to promote their products adequately. Furthermore, most of these enterprises are small producers, and do not have many further processed products, limiting their determination to create self-owned brands. In addition, the current sales are good; therefore, many green food enterprises deem it unnecessary to create brands as long as their products sell well. Hence, the enterprises’ lack of awareness is another important reason for the shortage of established green food brands in Jiangxi.

In the value chains of products in the international markets, the value-added of production accounts for about 30%, while the value-added of brand-related R&D and marketing efforts could account for about 70% of the profits. Behind a well-known trademark or a famous brand product, there is usually an industry cluster and a huge consumer base, which plays a non-substitutable role in the development of the local economy

and industrial development. Though both production and marketing of green food enterprises in Jiangxi is developing well, the status of “large variety, but few brands” continues to put these enterprises in a disadvantageous position. This will make it hard for them to significantly increase profits in the long run. The lack of self-owned brands also has an impact on the upgrading and development of the green food industry in Jiangxi as a whole.

### **Government Boosts Development of Green Food Brands**

The Jiangxi Provincial Government and the relevant departments have realized the importance of brands for the development of the green food industry. The Government has decided to choose a batch of green food products favourable for stimulating consumption and optimizing the export structure and recommend them to the Ministry of Commerce for assessment. It is striving to let more green food brands become Best-Selling Brands of China. Jiangxi will furthermore actively study supportive operating policies that suit the actual situation and meet the requirements of WTO regulations. It will try to gradually establish brand-commodity consumption and export monitoring system to instruct enterprises how to properly manage and protect brands.

Furthermore, the Jiangxi Provincial Government has arranged an Export Brands Development Fund from the Foreign Trade Promotion Fund for Central China allocated by the Ministry of Commerce particularly for supporting enterprises to develop self-owned brands and export brands. The Government provides support for branded products and enterprises in the aspects of finance, insurance, export rebates, custom clearance, inspection and quarantine, trade policies, as well as advertising and reporting. It is obvious that Jiangxi is trying hard to create a favourable environment for cultivation, publication, and development of brands to support the development of outstanding brand enterprises.

### **Opportunities for Hong Kong**

Brand creation is a systemic engineering process and needs cooperation with relevant parties and coordinated planning. In the beginning stage of the creation of green food brands, Hong Kong enterprises can utilise their competitive advantage in product design, processing, packaging, and marketing to improve product competitiveness and brand awareness of green food of Jiangxi. Hong Kong companies can utilise the marketing network in Hong Kong as well as the huge international marketing network accessible from Hong Kong to assist Jiangxi in the exploration of a wider market of green food and create well-known green food brands at home and abroad.

With the advantages of an excellent natural environment and rich natural resources, Jiangxi has a huge potential for developing the green food industry. Hong Kong enterprises should make full use of their strength in creating brands to grasp this opportunity and strengthen the cooperation with the green (organic) food enterprises in Jiangxi to attain a win-win situation.

## **Hunan's Construction of Power Grid Enters New Stage**

Electric power is an important industry to the national economy and the people's livelihood. Power grid, as the infrastructural support of power supply, is sometimes called "blood supply system" for economic and social development. At present, the construction of power grid in Hunan relatively lags behind, with the levels of electric power development and electrification still low, supply of and demand for electric power out of balance, and the existence of seasonal lack of electric power. During the period of the 10th Five-Year Plan, the power consumption in Hunan increased at an average annual rate of 10.67%. It is estimated that, during the period of the 11th Five-Year Plan, the economic and social development, especially the advancement of new-type industrialization, will still generate more demand for electric power in a rapid way. Therefore, the State Grid Corporation of China (SGCC) will strive to accelerate the construction of Hunan's power grid to serve the economic and social development of the province.

### **Investing RMB35 Billion in Constructing Power Grid**

During the period of the 11th Five-Year Plan, SGCC will make greater efforts to invest in Hunan's power grid, with the planned investment of RMB35 billion for building or expanding eleven 500 kV transformer substations with a capacity of 12.5 million kVA and lines of 2 909 km long, eighty-two 220 kV transformer substations with a capacity of 13.47 million kVA and lines of 5 042 km long, and 253 110 kV transformer substations with a capacity of 10.05 million kVA and lines of 5 049 km long, as well as 500 kV and 220 kV frames basically covering the whole province, which forms a supply frame structure reasonably divided into layers according to the levels of voltage and areas according to loading. SGCC will also launch the reconstruction of power grid III. By the end of the period of the 11th Five-Year Plan, Hunan's power grid will have fifteen 500 kV transformer substations with a capacity of 18 million kVA and lines of 4 000 km long, and 131 220 kV transformer substations with a capacity of 28.5 million kVA and lines of 13 000 km long.

### **Extra High Voltage Power Grid Supplies Power to Hunan**

According to the overall progress of the plan of extra high voltage power grid, SGCC will introduce external electricity utilizing the advantage of cross-region networking of national power grid and accelerate the progress of the extra high voltage power grid entering Hunan in the next five years. In the Western China hydropower project, there are four extra high voltage direct current (DC) transmission projects passing through Hunan. Electricity from Jinshajiang Phase I Power Station will be transmitted from Xiluodu Power Station and Xiangjiaba Power Station, through Yunnan and Guizhou, to Zhuzhou of Hunan. At that time, there will be about 2 000 km of extra high voltage transmission lines within the territory of Hunan which can directly increase 6.4 million kV of power supply, equivalent to the addition of five new 1.2 million kV thermal power plants.

## **Basically Realizing “Each Household Has Power Supply” in Rural Areas at Year End**

At present, power coverage for households in Hunan reaches 99.89%, and there still 16 726 households without power supply. To complete the project of “Each Household Has Power Supply” in rural areas, Hunan needs to construct 529 low voltage distribution transformers with a capacity of 16 420 kVA and 5 602 km of lines of 10 kV or below in voltage, and needs an investment of RMB412.22 million. To support the acceleration of the project, SGCC pays closer attention to the project in internal financing, allotment of corporate bonds, and so on. SGCC also organizes the raising of 50% of the capital for the project. The People’s Government of Hunan Province actively seeks the support of national policies, combining the reconstruction of power grid III, and raises 50% of the capital for the project. Departments at the various levels of the province try all best to coordinate, ensuring that, by the end of this year, about 16 700 households without power supply can say goodbye to “oil lamps” and realize “Each Household Has Power Supply”.

## **Investment of RMB6.17 billion in Enhancing Capacity of Urban Power Grid in Changsha**

Changsha is listed by SGCC as one of the 31 key cities needing urban power grid construction and reconstruction. SGCC will invest RMB6.17 billion in constructing and reconstructing the urban power grid in Changsha to ensure the safety of power supply of the province. The urban power grid in Changsha plans to build two 500 kV transformer substations with a power transformation capacity of 3.5 million kVA and lines of 22 km long, 12 220 kV transformer substations with a power transformation capacity of 3.3 million kVA and lines of 587 km long, and 40 110 kV transformer substations with a power transformation capacity of 2.77 million kVA and overhead transmission lines of 568 km long and cables of 103 km long, with a total investment of RMB6.17 billion. After reconstruction, the transmission capacity of the urban power grid in Changsha will be greatly enhanced.

During the period of the 11th Five-Year Plan, the national economy of Hunan will keep a growth rate of about 10%, and the electric power consumption and load will be greatly increased. It is estimated that, by year 2010, electric power consumption will reach 104 billion kWh and the maximum load will be 20.5 million kW. To meet the demand for electric power, hydropower projects, including Sanbanxi Hydropower Station, Guazhi Hydro Station, Zaoshi Hydropower Station, and Heimifeng Pumping and Energy Storage Power Station, etc., will be started in succession; and thermal power generation projects, including Shimen Power Plant II, Xiangtan Power Plant II, Expansion of Jinzhushan Power Plant, and Huaneng Yueyang Power Plant II, etc., have been placed on the agenda. It is anticipated that Hunan will build new sources of power supply with a total power capacity of over 2.05 million kW by the year 2010. The added electric power and the construction of “strong power grid” will provide guarantee for the stable economic and social development of Hunan.

## Hunan Makes Great Efforts to Construct Aviation Ports

With the implementation of the strategy of “Rising of Central Region”, the economy and society of Hunan face new development opportunities, which bring about new requirements for the development of civil aviation in the province. In recent years, the volume of passenger and cargo transport of Huanghua Airport, Changsha and Hehua Airport, Zhangjiajie have been increasing rapidly. In year 2005, the capacity of major facilities nearly equaled to or exceeded the originally planned scale. At present, the General Administration of Civil Aviation of China and the Hunan Provincial Government have signed the *Summary of Discussion on Accelerating the Development of Civil Aviation in Hunan* (關於加快湖南民航發展會談紀要) which determines the basic policy framework for both parties to jointly support the development of civil aviation in Hunan during the period of the 11th Five-Year Plan. The airport industry of Hunan will strive to turn Changsha Airport into a central hub, strengthen the transshipment business of Changsha Airport, consolidate the tourism business of Zhangjiajie Airport, promote the benign development of Changde Airport, and drive and support the development of Yongzhou Airport and Zhijiang Airport.

### Stressing Creation of Huanghua International Airport

The airport industry of Hunan will focus on creating the central hub position of Changsha Airport and strengthening its transshipment business. Since the formal opening of Huanghua International Airport of Changsha as a major aviation port of Hunan in 1989, the annual passenger throughput and cargo and mail throughput have increased at an average rate of 40% and 30% respectively. In year 2004, the passenger throughput was 3.8 million person-times (ranking among China’s top 20 airports) and the cargo and mail throughput was 43 133 tons. In 2005, the passenger throughput was 5.3 million person-times (increased by 39.4%), and the cargo and mail throughput was 52 360 tons (increased by 21.4%).

At present, the extension project of Huanghua International Airport has been approved, and will commence soon. The new international hall is expected to formally open in the second half of next year. The extension project will extend 36 meters to the west and 63 meters to the south on the basis of the existing international hall of the terminal, at the same lengthways axis as the existing airport lounge, and people will enter and exit through different gates depending on the functions. The total construction area of the reconstructed and expanded international hall will be 13 242 m<sup>2</sup>. When the project is finished, the new international hall can relieve the current stress in waiting and check-in, and basically meet the requirements of accommodating on average 900 persons per hour during the peak time and at maximum 2 000 persons in one time.

## **Consolidating Tourism Branch of Zhangjiajie Airport and Expanding Hehua Airport**

With the rapid development of tourism in Zhangjiajie, in view of the growing air travel market and the relatively lagged behind hardware facilities, Hehua Airport will also be expanded. According to the preliminary plan, the airport is targeted to become a Class 4E airport by year 2015, with an airport lounge of 45 000 m<sup>2</sup> large, ability to handle aircraft movements of all current models of civil planes, and an annual passenger throughput of five million person-times. The expansion of Hehua Airport will break the aviation bottleneck that has long been restricting the development of tourism of the city, and the estimated passenger throughput will reach 1.8 million person-times by year 2010. At present, Hehua Airport has more than 40 domestic air routes, and flights to Hong Kong and Macao, while international air routes are being actively planned.

## **Construction of Civil Airports Being Promoted**

Hunan has five civil airports, and the aviation network is basically balance at the south and north. In addition to the efforts to expand Huanghua International Airport and Hehua Airport, other civil airports have also obtained support for further development. In year 1996, Taohuayuan Airport of Changde, designed and constructed according to Class 4C civil airport standard, reopened after expansion. In April 2001, Yongzhou Lingling Airport for civil and military services opened. In year 2005, Zhijiang Airport reopened after expansion and reconstruction, reducing the travel time between Huaihua and Guangzhou from 20 hours to two hours.

Through the various reconstruction and expansion projects, the airport infrastructure of Hunan will be improved; the operational level of airports will be promoted; and the history of not being able to handle aircraft movements of air coaches will also be changed. The extension of Huanghua International Airport and Hehua Airport will effectively reduce the incongruity between the major facilities and the increasing volume of passenger and cargo transport.

Hunan, as an important node connecting the provinces in Northwest China with the YRD region in Eastern China, is imperative to develop aviation ports. CAAC will provide capital for the expansion of Huanghua International Airport and Hehua Airport. Hunan will research on and establish the relevant policies to accelerate the construction of airports and support the development of civil aviation, and create an external environment for the construction and development. The development of civil aviation will play a positive role in promoting the economic and social development of Hunan. In addition to driving the development of regional tourism, flourishing aviation ports will also help Hunan undertake the task of industrial transfer of the PRD region, and enhance Hunan's capacity of economic influence and interaction with other regions. Furthermore, Hunan encourages foreign investors to invest in constructing civil airports. According to the *Stipulation Regarding Foreign Investment in the China Civil Aviation Industry* (外商投資民用航空業規定), foreign investors who invest in constructing civil airports can have the priority to invest in and operate projects in relation to air transportation.

## Hainan Government Issues Notice on Regulation of Land Development

The Outline of the 11th Five-Year Plan ascertains further strengthening of land control, and requests that various regions and departments actively carry out the policies and measures of the State about strengthening land administration and control.<sup>38</sup> Therefore, the Hainan Provincial Government issued the *Notice on the Regulation of Enterprises' Participation in the Development of Whole Plots of Land* (關於規範企業參與土地成片開發的通知) to the various counties, cities, and units directly subordinate to them on 19 July to regulate the matters related to the participation of enterprises in the development of whole plots of land and promote the coordination and sustainable development between industrial development and land resources,. The Notice includes the following 10 key points:

- (a) Various municipal and county governments and the relevant departments should pay high attention to enterprises' participation in the development of whole plots of land.
- (b) Regulate the mode of enterprises' participation in the development of whole plots of land.
- (c) Strengthen the planning and administration of the development of whole plots of land.
- (d) Select main developers on the basis of openness, fairness, and justice.
- (e) Reasonably determine the scale of whole plots of land for development, and strengthen intensive and economization use of lands.
- (f) Reasonably determine the period of development, establish the withdrawal mechanism, and assure the effective implementation of the development projects of whole plots of land.
- (g) Reasonably determine the share ratio of revenue from land sales.
- (h) Protect the lawful rights and interests of main developers in accordance with law.
- (i) Collectively expropriate rural lands in accordance with law, and protect the lawful rights and interests of peasants whose lands are expropriated.
- (j) Strictly manage land supply.

### Enterprises' Participation in Development of Whole Plot of Land

“Enterprises' participation in the development of whole plots of land” refers to the government's drawing out a plot of land of a certain size in a newly planned area which is outside the urban construction area and does not meet the conditions for constructing specific projects, for enterprises that participate in the development of whole plots of land to invest according to the plan, conduct infrastructure construction, construction of own projects, and investment invitation all by its own efforts, and obtain a certain percentage of revenue from land sales in accordance with law.

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38. *People's Daily* (人民日報), 28 July 2006.

For the selection of main developers after the decision on the development of whole plots of land is made, Item Four of the Notice is “select main developers on the basis of openness, fairness, and justice”, that is, the municipal and county governments, according to the general planning and regulatory detailed planning on the development of whole plots of land, determine the scale, sequence and period of development, total amount of investment, annual scale of investment, plan of compensation and arrangement for peasants whose lands are expropriated, forms of return of investment for the main developers, and liability for breach of contract, etc., prepare the program for the development of that whole plot of land, and publicize it after approval by the Provincial Government.

### **Period of Development of Whole Plots of Land**

Furthermore, to ensure the effective implementation of the development project of whole plots of land, Item Six of the Notice - “Reasonably determine the period of development, establish the withdrawal mechanism, and assure the effective implementation of the development projects of whole plots of land” – stipulates that the period of infrastructural construction within the land for development should not exceed two years in general, and four years at most. The period for completing the construction of all the developers’ own projects and carrying out all the investment invitation should not exceed eight years in general, and 10 years at most. The application for extending the period for development in special cases shall be submitted to the Provincial Government for approval.

To protect the lawful rights and interests of peasants whose lands are expropriated, Item nine of the Notice specifically requires “collectively expropriate rural lands in accordance with law, and protect the lawful rights and interests of peasants whose lands are expropriated”, and stipulates that the programs on collectively expropriating rural lands within the area for the development of whole plots of land prepared by the municipal and county governments shall indicate the measures in employment, medicine, education, welfare for the aged and residence for peasants whose lands are expropriated, and programs failing to meet the requirements should not be submitted for approval. At the same time, the governments should establish and improve the employment mechanism and social security system for peasants whose lands are expropriated, and strengthen the employment training of such peasants. The main developers should arrange employment for those peasants who are qualified for the posts. The governments should cover the peasants whose lands are expropriated under the urban social insurance system in welfare for the aged, medicine and unemployment to provide them basic living guarantee.<sup>39</sup>

To carry out the requirements of the Notice, various municipal and county governments of Hainan should audit the current situation of enterprises’ participation in the development of whole plots of land and, by the end of September 2006, submit the findings to the Department of Land Environment & Resources of Hainan Province which will report them to the Provincial Government.

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39. *Hainan Daily* (海南日報), 30 July 2006.

## Hainan Accelerates Development of High-Value Tropical Agriculture

In mid-July, the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (hereafter “AQSIQ”) and the Hainan Provincial Government signed the *Memorandum on Establishing the Mechanism of Jointly Promoting the Expanded Export of High-Value Tropical Agriculture Products of Hainan* (關於建立共同促進海南熱帶高效農產品擴大出口機制備忘錄). According to the “Memorandum”, AQSIQ will support Hainan’s expanded export of high-value tropical agriculture products in the following six aspects:

- (a) Supporting Hainan to build a production and export base of high-value tropical agricultural products;
- (b) Instructing export-oriented manufacturers in Hainan to assure product quality and safety for expanded export;
- (c) Supporting Hainan to promote advancement of agricultural technology;
- (d) Improving quality of supervision and speed of inspection of Hainan’s agricultural products for export;
- (e) Supporting Hainan to participate in international and domestic regional economic cooperation; and
- (f) Supporting Hainan to conduct quality investigation activities in the expansion of export of agricultural products.

According to the “Memorandum”, AQSIQ will take the lead to form a leading group to be composed of members including the Certification and Accreditation Administration of the PRC, the Standardization Administration of the PRC, etc., with one deputy director of AQSIQ as the group leader, to research on and handle important matters in the cooperation with Hainan, keep contact and negotiation with the Hainan Provincial Government, and instruct and coordinate the work in relation to the cooperation. The Hainan Provincial Government will also form a group, with one vice governor as the group leader, to actively assist AQSIQ and its leading group to conduct work.<sup>40</sup>

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40. China Economic Information Network (中經網), 11 July 2006.

## High-Value Tropical Agricultural Base

Ten years ago, Hainan had decided to build itself a high-value tropical agricultural base, and determined the high-value tropical agriculture as the main development direction of the industry. In the past 10 years, remarkable achievements have been seen in the relevant development. Now the annual average growth rate of value added in agriculture of Hainan is two times that of the national growth rate, and the output of major agricultural products has doubled. At present, the high-value tropical agriculture of Hainan is developed towards the goal of having four features, namely efficiency, orders, technology, and ecology, as follows:

**Effectiveness:** Before comprehensively realizing the goals of well-off society, to effectively increase the revenue of peasants.

**Orders:** To develop industrialized agriculture, develop the market system of opening both the places of origin and the places of sales, and improve the processing rate of agricultural products.

**Technology:** With provincial agricultural scientific research institutes as the backbone, to improve and strengthen the R&D of innovative agricultural technology, new species cultivation, plant diseases and insect pests prevention and cure, animal epidemic prevention, ecological environment construction, efficient use of resources, etc.

**Ecology:** To make great efforts to develop recycle agricultural economy, further expand the forest coverage of the whole island, and maintain the quality of air and water, etc.

In the past several years, a number of villages in Hainan have achieved remarkable results through developing high-effective tropical agriculture. It is reported that the development of the rural economy of Shiyuetian Town of Changjiang County on the west of Hainan was obstructed by the single agricultural structure of relying on sugar cane and rice cultivation. In recent years, the township government has adjusted its industrial structure by introducing bananas as a major product and actively developing it into a supporting industry of the town. A lot of peasants have cooperated with companies or other peasants, formed into equity joint ventures, and invested in featured banana planting. In year 2005, the gross output value of agriculture was RMB56.17 million; the income per capita was RMB1,690; and the planting area of bananas doubled from 1 120 hectares in the previous year to 2 355 hectares.

Furthermore, to accelerate the development of high-value agriculture and improve the income of peasants, the CPC Changjiang County Committee, the county government and the relevant units visited the major counties of banana planting of Hainan such as Ledong County a few months ago and held a series of banana planting training courses, with the purpose to expand and increase the villagers' horizon or knowledge and adjust the agricultural structure of the county, progressively achieving economies of scale effect in banana planting.

In year 1999, Hainan was the first to construct itself as an ecological province, that is, a province that relies on ecological environment to develop the ecological industry, and advance towards a "green well-off society". Hainan strives to create featured industries, and has cultivated high-value tropical agriculture depending on the advantages of resources and environment. In year 2005, the export volume of aquatic products of Hainan exceeded 50 000 tons, and the direct export of featured agriculture products such as litchi, longan, banana, cayenne, etc. achieved zero breakthrough<sup>41</sup>. In addition, in year 2005, Hainan repealed the agriculture tax one year earlier than the national action; Hainan was the first to exempt incidental expenses for compulsory education and it exempted textbook fees for rural students receiving compulsory education earlier this year. In the new round of economic cycle, the overall economy of Hainan presents a continuous and healthy trend.

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41. Guangming Daily (光明日報), 2 August 2006.

## **Memorabilia of Pan-PRD Regional Cooperation**

### **Fujian**

#### **Longyan “10+3” Industrial Investment Project Description Meeting**

(11 August 2006) The municipal government of Longyan, Fujian held the “10+3” Project Description Meeting on Industrial Investment (「10+3」產業投資項目說明會) at Wuzhou Guest House, Shenzhen. The key points of industry and investment projects in the overall planning of industrial development and preferential policies to more than 300 merchants from Shenzhen, Dongguan, etc were introduced. This was the third time for Longyan to hold such meeting in Shenzhen in recent years. (Shenzhen Special Zone Daily (深圳特區報), 12 August 2006)

#### **The Second Conference on Cooperation in Food Production and Sales in Seven Provinces**

(27 July 2006) The Second Conference on Cooperation in Food Production and Sales in Seven Provinces (第2屆7省糧食產銷協作洽談會) was held in Quanzhou, Fujian. Seven provinces, including Fujian, Jiangxi, Shandong, Jilin, etc., further strengthened the relationship of cooperation in food production and sales through actively discussing and introducing the existing cooperation projects in the food industry. During the conference 17 project-contracts with an intended volume of food purchase and sales of 1.08 million tons had been signed. (Jiangxi Daily (江西日報), 27 July 2006)

#### **The 5th Northern Fujian Grape Industry Activity Week and the 4th Jianyang Grape Festival**

(21 July 2006) The CPC Nanping Municipal Committee, Jianyang City and the Association of Agricultural Sciences of Fujian Province jointly held the 5th Northern Fujian Grape Industry Activity Week and the 4th Jianyang Grape Festival (閩北第5屆葡萄產業活動周暨建陽市第四屆葡萄節活動) in Jianyang. At present, the planting area for grapes stands at 2 921 hectares, with an annual output of over 53 000 tons and a gross output value of over RMB150 million. (Fujian Daily (福建日報), 26 July 2006)

### **Jiangxi**

#### **Jiangxi Scholar Forum Summer 2006**

(4 August 2006) The Jiangxi Scholar Forum Summer 2006 (2006年夏季江西學者論壇) jointly sponsored by the Academy of Social Sciences of Jiangxi Province and the Jiangxi Provincial Association of Social Sciences was held in Nanchang. About 200 scientists, scholars, and relevant persons of the province attended the Forum. The theme of the Forum

was “Modernisation and the Great-Leap-Forward Development of Jiangxi”. Mr. Liu Shangyang, Standing Member of CPC Jiangxi Provincial Committee and Director-general, Department of Publicity, CPC Jiangxi Provincial Committee, indicated at the Forum that the main strategy of wide opening under the slogan of “Three bases and one rear garden” suited the actual situation of Jiangxi; it was necessary to correctly deal with the relationship between “mountains of gold and silver and blue water and green mountains”. Furthermore, Jiangxi should promote economic and social development with cultural construction. (Information Daily (資訊日報), 5 August 2006)

## **Hunan**

### **Hunan Holds Finance Cooperation Fair in Hong Kong**

(17 August 2006) The Hunan-Hong Kong Finance Cooperation and Exchange Fair Project Presentation (湖南－香港金融交流合作洽談會項目推介會) was held at the International Finance Centre, Central, Hong Kong, with 33 investments and share transfer projects involving medicine, building materials, energy, high technology, etc. Mr. Huang Weidong, Vice Director of the Local Finance and Securities Office of Hunan Province, and other persons attended the Project Presentation. (Hong Kong Commercial Daily (香港商報), 18 August 2006)

### **Hunan Representatives Visit Industrial Association of Macao**

(12 August 2006) Hunan representatives, led by Sun Tong, Vice-Minister of the Department of Taiwan, Hong Kong and Macao Affairs, Ministry of Commerce of the PRC, four persons in total, visited the Industrial Association of Macao, and were received by Chairman Ho Yee Shing and vice chairman, etc. Sun indicated that the purpose of the visit was to invite the Association to take part in the 1st Central China Trade and Investment Expo (首屆中國中部貿易投資博覽會) to be held next month which would include goods trade, tourism promotion and a series of forums, hoping to attract foreign investors. (Macao Daily (澳門日報), 13 August 2006)

### **Hunan-Kaifu Modern Logistics Economic and Trade Fair 2006**

(27 July 2006) The Hunan-Kaifu Modern Logistics Economic and Trade Fair 2006 (2006 湖南·開福現代物流經貿洽談會) was held, and Zhao Xiaoming, Standing Member of CPC Hunan Provincial Committee and First Deputy Mayor, attended the Fair. It is known that Jinxia Logistics Park, Kaifu District would become a core logistics park of Changsha, as well as the transportation hub for logistics of Hunan and the central region. Xianing New Harbor within the Park has eleven thousand tons in berths, and an annual throughput of five million tons. When the construction of Changsha Freight Railway Station is completed, the annual cargo throughput is estimated at 20 million tons. (Changsha Evening Newspaper (長沙晚報), 28 July 2006)

### **Changsha-Quanzhou Chamber of Commerce Founded**

(24 July 2006) In order to strengthen the economic and trade exchange between Changsha, Hunan and Quanzhou, Fujian, and promote the economic and social development in both cities, the Changsha-Quanzhou Chamber of Commerce was founded today in Changsha. There are currently more than 30 000 merchants from Quanzhou in Hunan, involving over 10 industries, such as ceramics, stone, tea, electronics and communication, etc., with a total investment of over RMB10 billion. (Hunan Daily (湖南日報), 24 July 2006)

## **Hainan**

### **The Largest Chinese Organization from Thailand Visited Hainan**

(17 August 2006) The representatives led by Lee Kuong Long, Chairman of the Thailand-China Kau Shuk Association (泰華九屬會館) of Thailand, arrived in Hainan a few days ago and began the seven days visit in the province. When interviewing the representatives, Mr. Chen Cheng, Vice Governor of Hainan, indicated that Hainan and the Kau Shuk Association wanted to further strengthen communication, enhance understanding, and jointly promote the cooperation between Hainan and Thailand. The Kau Shuk Association, which is composed of nine Chinese associations, including the Hainan Association of Thailand, the Taiwan Association of Thailand, the Fukien Chinese Association of Thailand, the Kung Jek Association of Thailand, etc., is the largest and most influential Chinese organization in Thailand. (China News Service (中國新聞社), 18 August 2006)

## **Pan-PRD (9+2)**

### **The 1st China Labour Forum and the 3rd Pan-PRD Regional Labour Cooperation and Communication Conference**

(6 August 2006) The 1st China Labour Forum and the 3rd Pan-PRD Regional Labour Cooperation and Communication Conference (首屆中國勞動論壇暨第三屆泛珠區域勞務合作聯繫會議) jointly sponsored by the China Academy of Labour and Social Security, the Ministry of Labour and Social Security, the Department of Labour & Social Security of Yunnan Province, and the municipal government of Kunming was held in Kunming. The main topic was Promoting Employment and Economic Development in Western China and the Pan-PRD region. Nearly 300 persons, including domestic and foreign experts and scholars, as well as personnel from international organizations and institutions attended this two-day forum focusing on the issue of off-farm workers in Western China and the Pan-PRD region. The China Labour Forum will be held annually in the future. (Yunnan Daily (雲南日報), 7 August 2006)

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## Fujian

	2004	2005	2006 Jan-Jun	2006 Apr	2006 May	2006 Jun
Nominal Gross Domestic Product (Rmb100 mn) <sup>2</sup>	6,053	6,560	3,157	-	-	-
Real Gross Domestic Product Growth (%) <sup>2,5</sup>	12.1	11.3	12.8	-	-	-
Urban Per Capita Disposable Income (Rmb) <sup>2</sup>	11,175	12,321	7,247	1,023	1,065	1,034
Rural Per Capita Net Income (Rmb) <sup>2,3</sup>	4,089	4,450	2,357	-	-	-
Consumer Price Index (%) <sup>2</sup>	4.0	2.2	0.2	0.4	0.4	1.0
Retail Sales of Consumer Goods (Rmb100 mn) <sup>2</sup>	1,996	2,346	1,302	199	211	221
Year-on-year growth (%) <sup>2,5</sup>	14.7	13.8	14.6	13.4	14.2	14.2
Value-added of Industry (Rmb100 mn) <sup>2,6</sup>	1,846	2,274	1,249	205	213	244
Year-on-year growth (%) <sup>2,5,6</sup>	23.5	17.9	19.2	16.9	20.7	15.8
City, County and Above Investment in Fixed Assets (Rmb100 mn) <sup>2,4</sup>	1,601	1,986	1,092	599	793	1,092
Year-on-year growth (%) <sup>2,4,5</sup>	29.0	24.1	42.8	45.1	45.0	42.8
Value of Exports (US\$100 mn) <sup>7,8</sup>	294.0	348.5	191.4	35.9	33.9	34.5
Year-on-year growth (%) <sup>5,7,8</sup>	39.1	18.5	15.1	-	-	-
Value of Imports (US\$100 mn) <sup>7,8</sup>	181.5	195.9	111.2	19.8	18.6	18.8
Year-on-year growth (%) <sup>5,7,8</sup>	27.9	8.0	10.3	-	-	-
Foreign Direct Investment (US\$100 mn) <sup>9</sup>	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) <sup>2</sup>	3,496	4,056	1,840	-	-	-
Real Gross Domestic Product Growth (%) <sup>2,5</sup>	13.2	12.8	12.6	-	-	-
Urban Per Capita Disposable Income (Rmb) <sup>2</sup>	7,560	8,620	4,881	706	736	744
Rural Per Capita Net Income (Rmb) <sup>2,3</sup>	2,953	3,266	1,523	-	-	-
Consumer Price Index (%) <sup>2,4</sup>	3.5	1.7	0.4	0.7	0.5	0.4
Retail Sales of Consumer Goods (Rmb100 mn) <sup>2</sup>	1,060	1,236	678	102	115	112
Year-on-year growth (%) <sup>2,5</sup>	14.8	15.0	15.3	-	-	-
Value-added of Industry (Rmb100 mn) <sup>2,6</sup>	618	829	523	93	105	114
Year-on-year growth (%) <sup>2,5,6</sup>	26.1	23.6	21.9	-	-	-
City, County and Above Investment in Fixed Assets (Rmb100 mn) <sup>2</sup>	1,488	1,934	799	143	152	233
Year-on-year growth (%) <sup>2,5</sup>	36.0	30.9	37.7	-	-	-
Value of Exports (US\$100 mn) <sup>7,8</sup>	19.9	24.4	16.3	3.0	2.9	3.3
Year-on-year growth (%) <sup>5,7,8</sup>	32.5	22.3	37.1	-	-	-
Value of Imports (US\$100 mn) <sup>7,8</sup>	15.4	16.2	13.4	2.3	1.8	2.8
Year-on-year growth (%) <sup>5,7,8</sup>	50.3	5.4	-	-	-	-
Foreign Direct Investment (US\$100 mn) <sup>2,9</sup>	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) <sup>2</sup>	5,612	6,474	3,206	-	-	-
Real Gross Domestic Product Growth (%) <sup>2,5</sup>	12.0	11.6	12.2	-	-	-
Urban Per Capita Disposable Income (Rmb) <sup>2</sup>	8,618	9,524	5,487	-	-	-
Rural Per Capita Net Income (Rmb) <sup>2,3</sup>	2,838	3,118	1,836	-	-	-
Consumer Price Index (%) <sup>4</sup>	5.1	2.3	0.4	0.5	0.8	0.8
Retail Sales of Consumer Goods (Rmb100 mn) <sup>2</sup>	2,070	2,459	1,348	202	228	230
Year-on-year growth (%) <sup>2,5</sup>	14.0	14.4	14.9	14.7	15.7	15.5
Value-added of Industry (Rmb100 mn) <sup>2,6</sup>	1,198	1,536	925	159	165	192
Year-on-year growth (%) <sup>2,5,6</sup>	24.1	20.6	20.5	18.7	21.2	21.3
City, County and Above Investment in Fixed Assets (Rmb100 mn) <sup>2</sup>	1,690	2,194	1,083	181	219	321
Year-on-year growth (%) <sup>2,5</sup>	36.0	29.8	31.8	-	-	-
Value of Exports (US\$100 mn) <sup>7,8</sup>	31.0	37.5	21.6	3.9	3.9	4.6
Year-on-year growth (%) <sup>5,7,8</sup>	44.3	20.9	17.6	-	-	-
Value of Imports (US\$100 mn) <sup>7,8</sup>	23.4	22.6	13.2	2.3	2.4	2.4
Year-on-year growth (%) <sup>5,7,8</sup>	47.2	-3.5	-13.3	-	-	-
Foreign Direct Investment (US\$100 mn) <sup>2,9</sup>	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) <sup>2</sup>	790	904	492	-	-	-
Real Gross Domestic Product Growth (%) <sup>2,4</sup>	10.4	10.1	11.6	-	-	-
Urban Per Capita Disposable Income (Rmb) <sup>2</sup>	7,736	8,124	5,023	686	722	692
Rural Per Capita Net Income (Rmb) <sup>2,3</sup>	2,818	3,004	1,785	-	-	-
Consumer Price Index (%) <sup>2</sup>	4.4	1.5	1.4	1.0	1.7	1.9
Retail Sales of Consumer Goods (Rmb100 mn) <sup>2</sup>	219.0	269.0	148.3	23.4	25.4	24.1
Year-on-year growth (%) <sup>2,4</sup>	14.4	13.4	14.2	14.5	16.0	13.8
Value-added of Industry (Rmb100 mn) <sup>2,5</sup>	123.5	148.5	85.9	13.1	15.0	15.1
Year-on-year growth (%) <sup>2,4,5</sup>	18.4	18.6	18.4	8.9	17.9	15.3
City, County and Above Investment in Fixed Assets (Rmb100 mn) <sup>2</sup>	235.3	351.5	162.6	33.6	28.4	39.2
Year-on-year growth (%) <sup>2,4</sup>	16.6	20.8	16.2	-	-	-
Value of Exports (US\$100 mn) <sup>6,7</sup>	10.9	10.2	4.4	0.9	0.8	0.7
Year-on-year growth (%) <sup>4,6,7</sup>	26.0	-6.4	7.9	-	-	-
Value of Imports (US\$100 mn) <sup>6,7</sup>	23.1	15.7	8.0	1.0	0.8	2.6
Year-on-year growth (%) <sup>4,6,7</sup>	63.8	-32.0	45.4	-	-	-
Foreign Direct Investment (US\$100 mn) <sup>2,8</sup>	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) <sup>3,4</sup>	3,157	1,840	3,206	492	2,013	1,670	930	3,727	11,417
Real Gross Domestic Product Growth (%) <sup>2,3,4</sup>	12.8	12.6	12.2	11.6	13.6	10.6	11.8	13.3	14.4
Urban Per Capita Disposable Income (Rmb) <sup>3,5</sup>	7,247	4,881	5,487	5,023	5,174	5,030	4,672	4,757	8,531
Rural Per Capita Cash Income (Rmb) <sup>3,5</sup>	2,357	1,523	1,836	1,785	1,590	1,130	881	1,635	2,899
Consumer Price Index (%) <sup>3,6</sup>	0.2	0.4	0.4	1.4	0.7	2.0	-	1.8	1.7
Retail Sales of Consumer Goods (Rmb100 mn) <sup>3,4</sup>	1,302	678	1,348	148	775	528	339	1,590	4,434
Year-on-year growth (%) <sup>2,3,4</sup>	14.6	15.3	14.9	14.2	13.8	14.7	13.6	14.5	15.6
Value-added of Industry (Rmb100 mn) <sup>3,5,7</sup>	1,249	523	925	86	512	559	317	1,250	4,868
Year-on-year growth (%) <sup>2,3,5,7</sup>	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) <sup>3,4</sup>	1,234	-	1,274	170	882	-	478	1,980	3,231
Year-on-year growth (%) <sup>2,3,4</sup>	39.9	-	31.8	16.6	37.0	-	24.3	37.7	20.5
City, County & Above Investment in Fixed Assets (Rmb100 mn)	1,092	799	1,083	163	766	746	419	-	1,600
Year-on-year growth (%) <sup>2,3,4</sup>	42.8	37.7	31.8	16.2	41.7	31.3	21.0	-	15.3
Value of Exports (US\$100 mn) <sup>8</sup>	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) <sup>8</sup>	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) <sup>3,9</sup>	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 (%) <sup>3</sup>	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 (%) <sup>4</sup>	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 (%) <sup>5,9</sup>	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 (%) <sup>10</sup>	17.6	14.4	11.6	11.6	7.9	9.5	10.9	11.1	15.5	12.2
Value of Imports (%) <sup>10</sup>	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) <sup>6,7,8,11</sup>	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) <sup>2,4</sup>	12.1	16.7	21.2	3.5	23.7	39.4	17.6	48.5	17.9	200.6
Population (10,000 persons) <sup>7</sup>	3,535	4,311	6,732	828	4,925	4,450	3,931	8,750	9,194	46,656
Natural Growth Rate (%) <sup>7</sup>	6.0	7.8	5.2	8.9	8.2	8.0	7.4	2.9	7.0	6.8
Non-agricultural (%) <sup>3,5</sup>	30.9	26.1	21.4	37.8	18.5	16.4	15.8	22.3	48.7	26.4
Tertiary-educated (%) <sup>3,6,11</sup>	4.6	4.7	5.2	5.2	5.2	3.8	4.5	3.6	5.2	4.7
Illiterate and Semi-illiterate (%) <sup>3,6,12</sup>	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) <sup>1,6</sup>	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) <sup>7</sup>	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) <sup>7</sup>	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 (%) <sup>7</sup>	11.3	12.8	11.6	10.1	12.7	9.0	11.5	12.6	12.5	11.6
Industrial Structure: Primary (%) <sup>7</sup>	12.6	19.0	19.4	33.1	22.2	18.9	18.5	20.3	6.3	18.9
Secondary (%) <sup>7</sup>	49.2	47.2	40.2	25.9	37.0	41.7	42.4	41.3	49.5	41.6
Tertiary (%) <sup>7</sup>	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) <sup>7</sup>	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) <sup>7</sup>	4,450	3,266	3,118	3,004	2,495	2,042	1,877	2,803	4,691	3,083
Average Wage (Rmb) <sup>3,6</sup>	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) <sup>7</sup>	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) <sup>7</sup>	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) <sup>7,13</sup>	2,274	829	1,536	149	833	1,018	562	2,034	8,290	17,525
Total Fixed Asset Investment (Rmb100 mn) <sup>7</sup>	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) <sup>7,10</sup>	1,986	1,934	2,194	352	1,596	1,066	916	3,081	5,847	18,972
Real Estate Investment (Rmb100 mn) <sup>7</sup>	540	301	448	71	287	234	153	699	1,498	4,231
Total Sales of Commercial Housing (Rmb100 mn) <sup>8</sup>	511	183	213	45	213	143	84	327	1,382	3,101
Average price (Rmb / sqm) <sup>8</sup>	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) <sup>7,14</sup>	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) <sup>7,14</sup>	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) <sup>7,14</sup>	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) <sup>7,14</sup>	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) <sup>7,15</sup>	13.1	1.0	3.9	0.8	3.2	5.3	1.0	3.2	64.0	95.5
Foreign Visitors (visitor times) <sup>7,16</sup>	1,974	373	720	432	1,462	3,476	276	1,063	18,970	28,746
Utilised Foreign Direct Investment (Rmb100 mn) <sup>7,17</sup>	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 <sup>3,9</sup>	12	0	0	1	0	1	0	2	44	60
Bank Loans (Rmb100 mn) <sup>7</sup>	5,413	3,019	4,590	996	3,057	3,988	2,304	6,743	23,261	53,371
Per Capita Savings Deposits (Rmb) <sup>2,4</sup>	8,385	4,738	4,557	6,743	4,059	4,037	2,359	4,981	17,679	6,393
Hong Kong-listed Companies <sup>18</sup>	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

Beijing-Guangzhou Railway	京廣鐵路
Changsha Huanghua International Airport	長沙黃花國際機場
Chinese Academy of Personnel Science	中國人事科學研究院
Container throughput	集裝箱吞吐量
Digital Trade and Transportation Network (DTTN)	數碼貿易運輸網絡
Electronic port	電子口岸
Fifth Freedom Rights	第五航權
Five Verticals and Seven Horizontals	五縱七橫
Freight traffic	貨物運輸量
Haikou Meilan International Airport	海口美蘭國際機場
International logistics distribution	國際物流配送
Jinxia Customs Bonded Logistics Centre	金霞保稅物流中心
Ministry of Communications of the People's Republic of China	中華人民共和國交通部
Ministry of Personnel of the People's Republic of China	中華人民共和國人事部
Re-export Trade	轉口貿易
Supply chain management	供應鏈管理
Turnover volume of freight traffic	貨物周轉量
Value-added services	增值服務