

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

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

November 2006

EXECUTIVE SUMMARY

1. The Mainland retail sector has been booming quickly since complete opening to foreign investors in December 2004. The retail markets in the four south-eastern provinces of Pan-PRD (Fujian, Jiangxi, Hunan and Hainan) have been expanding further. A number of successful enterprises in Fujian, Jiangxi, and Hunan provinces were included on the list of Top 100 Retail Enterprises issued by the China General Chamber of Commerce in 2005. In the past years, large domestic-funded retail enterprises have grown significantly and achieved a dominant role in the country. Many large-scale foreign retail enterprises, whose operations are mostly confined to big cities, have also accelerated their pace of expansion into the second- and third-tier cities in the Mainland.
2. In order to regulate the development of retail sector, the National Ministry of Commerce has issued a number of commercial rules and regulations, which included “Initiating the Pilot Work on the Grading of Retail Enterprises”, “Evaluating Method of Damage to Retail Competitors” (asking for public comments), and “Administrative Measures for Fair Transactions between Retailers and Suppliers”. Hong Kong retail companies that are interested in developing their business in the Mainland should keep an eye on recently adopted rules and regulations.
3. Fujian Provincial Government promulgated a “Plan on Boosting Circulation Industry in the Economic Zone on the West Coast of Taiwan Strait during the Period of the 11th Five-Year Plan”. It is proposed that Fujian should play an important role as a regional transportation hub; promote cooperation in the circulation industry between Fujian and Taiwan; and set up a large-scale distribution centre with strong radiating capability across regions.
4. The “Market Project of Thousands of Villages and Townships” was initiated in Jiangxi Province in August 2005. It was planned to set up 3 000 supermarkets in 23 towns within 3 years mainly through attracting large- and medium-sized enterprises to develop chain operations in these towns. Jiangxi has also put much effort on building a modern system of circulation services in the rural areas, and accelerating the construction of the circulation services network.
5. Competition in the retail market of Hunan Province is intense. In order to compete with foreign retail enterprises, the province has been working on strengthening the domestic-funded retail enterprises. At present, Hunan retail enterprises have reached a certain scale and covered a wide range of retail outlets including supermarkets, electrical appliance shops, fair-price drug stores, and TV shopping channels.

6. The retail industry in Hainan Province is still underdeveloped. The current retail market is comparatively small but has a huge potential for development. To regulate the layout of city commercial network, the municipal governments of Haikou and Sanya have formulated strategic plans for the future commercial development of the two cities.
7. The retail industry in Mainland China is expected to continue prospering in the next five years. With increasing competition among retail enterprises, the second- and third-tier cities will be the major potential markets for Hong Kong retail enterprises. To enhance their competitiveness, Hong Kong retail enterprises should focus on brand management and cooperate with other industries in exploring new markets.
8. The retail industry of Hong Kong is mature and well established. Hong Kong retail enterprises should adopt an international approach in exploring the Mainland retail markets. To nurture more design professionals, different sectors could join force in establishing design centres of international standards.