

# Delegation trip to Guizhou

## Business Opportunities for German SMEs

### Basic Information

- **Goal:** To put one of the fastest growing and most heavily subsidized Chinese provinces, that follows an alternative energy-efficient path for growth, on the map of German companies with suitable products and technologies.
- **Participants:** 10-20 qualified German SMEs
- **Covered Industries:** Automation & Robotics, Big Data, BioTech, GreenTech, High-End Manufacturing, MedTech, New Materials
- **Costs:** All costs in China are funded by Guizhou Province
- **Program:** General view of local conditions and infrastructure; contact to the local government as well as potential Chinese and international business partners; information about investment opportunities and incentive programs
- **Date:** End of September  
(exact date will be determined in dialogue with participants)



### Guizhou Province

- Guizhou is an important traffic hub in Central China. Contiguous to Hunan, Chongqing and Guangxi, it covers an area of 176,200 square kilometers, with a population of 35 to 40 million.
- Guizhou has embarked on a path of rapid development, balancing economic growth with resource utilization and environmental protection to avoid the pollution and resource depletion that burden the more advanced coastal provinces.
- The Chinese government has stepped up support to the province and incorporated it in several growth initiatives to foster its development.
- Guizhou's 2012-2014 GDP growth has been 10% to 15% versus the national average of 8% to 10%. At a growth rate of 10.7% in 2015, Guizhou was among the fastest growing regions in China.
- In the 12th Five-Year Plan period, Guizhou brought in 76 of the global top 500 enterprises, demonstrating its international attractiveness.

### Guian New Area

- Guian New Area is an economic development zone, set up in 2014 under China's Western Development Program to foster development in inland China to catch up and exceed other regions.
- Guian New Area is one of five new areas and only the eighth national-level new area in China and shall become an exemplary open and ecological development zone, covering an area of 1,795 square kilometers.
- More than 400 enterprises had registered in Guian New Area by the end of 2015, including China Telecom, China Unicom, Foxconn, Huawei, IBM, Microsoft, Qualcomm, Ragentek, Samsung, Sany and Unisplendour.
- The zone aims to attract 800 big data companies by the end of 2020 with a big data-related output value of RMB 150 billion.

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### Why Guizhou

- **Beneficial overall political environment and huge market potential:** After decades of rapid growth, the Chinese economy is currently shifting from quantitative to qualitative growth, bringing about important changes to China's economic structure. Initiatives towards energy efficiency, digitalization and high-end manufacturing significantly increase demand and open up market opportunities for German companies.
- **Governmental support and protection:** In order to achieve its goals, the local government supports companies in several ways such as tax benefits, initial business contacts and land use rights. In addition, good government contacts are essential for foreign SMEs to launch (new) products, to understand and accelerate the certification process and to protect the underlying intellectual property.
- **Reliable business partners and potential customers:** To be successful on the Chinese market on economic terms, German SMEs need reliable business partners to understand the demand for their technology, adapt their products to the specific Chinese requirements, build own production sites, find the best employees and suppliers, attract (new) customers and distribute their products. In Guian New Area, German companies find potential partners of all different kinds, including global leaders such as Foxconn, IBM, Microsoft, Qualcomm or Samsung.
- **Big Data Hub:** Guian New Area is particularly focusing on Big Data – the first Chinese Big Data pilot zone is located there – but also makes efforts to promote the use of big data to deepen its integration with industrialization. Industry 4.0 thus also plays an important role with regard to the environmental sector. Topics such as automation and process engineering but also software and monitoring gain importance.
- **Resource-rich and clean environment:** Guizhou is particularly rich in natural resources and diverse ecological landscapes. The province is one of the rare places in China that isn't routinely affected by the nation's ongoing air-pollution problems. The mostly cool weather is also good for saving energy costs which are some 30% lower than in the more advanced coastal provinces.
- **Infrastructure as growth driver:** Guizhou's 2012-2015 fixed asset investment growth has been 22% to 37% versus the national average of 10% to 21%, emphasizing the region's focus on infrastructure. Guizhou already is equipped with five railway lines, six regional airports and several traffic circles which connect Guizhou with cities like Chengdu, Chongqing, Wuhan, Guangzhou, Shanghai or Beijing. Until 2020, Guizhou plans to invest more than USD 100 billion in the further expansion of its transport network.
- **Access to talented workforce:** The province is sparing no efforts to offer preferable working conditions for talented professionals who are willing to relocate to Guizhou. A special „education zone“ is home to 19 vocational colleges with nearly 60,000 students and teachers. Real wages in Guizhou still are some 30% lower than in the more advanced coastal provinces in the East.

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### Industrial Focus

- **Big Data:** The big data industry has been designated as one of the three strategic sectors in the 13th Five-Year Plan (2016-20) in Guizhou province. The local government promises to offer all-around services to big data projects and create a favorable business environment attracting key enterprises to invest. The first national big data pilot zone opened in Guizhou in 2016. It is expected to attract talent from home and abroad for the cutting-edge industry and offers infrastructure, hardware facilities, talent support and help to find potential clients. Guizhou also pioneered in setting up regulation for big data. The regulation lays out a framework for a wide range of big data related issues such as how to collect and store data, what types of data can be commercialized and how to protect users' privacy. In 2015, enterprises from the big data sector registered in Guian New Area generated a total output value of USD 2.2 billion (+160% yoy).
- **GreenTech:** China in general and Guizhou in particular are massively investing in renewable energies to reduce reliance on coal. According to a recent study of Frankfurt School of Finance & Management, China invested USD 103 billion in renewable energies in 2015, excluding hydropower projects. This was not only an increase of 17% compared to 2014, but also more than one third of total global investments and more than what USA, Japan and UK spent combined. Guian New Area also plans to introduce big data into the new energy automobile industry and build a high-end and intelligent industrial cluster. Big data will be employed in management, battery charging systems and logistics. A special new energy automobile industrial park covers an area of 86.7 hectares. In May 2016, the FDG EVEHICLES Group agreed to establish a pure EV production base with an annual design production capacity of 150,000 units. The annual output value of the finished cars is expected to exceed RMB 30 billion.
- **High-End Manufacturing:** At an output value of more than RMB 20 trillion, China's equipment manufacturing industry accounts for one third of the global market volume. High-tech production activity currently only accounts for 11.8% of the country's total industrial value added but the long-term goal is to have Chinese local made machine tools to replace the imported ones and the Chinese manufacturing infrastructure will be adapted to meet the need of high-accuracy, high-speed, high-efficiency, high-flexibility & high-reliability. In January 2016, Qualcomm Incorporated signed a strategic cooperation agreement to invest USD 280 million into a joint venture with the Guizhou provincial government's investment arm. The joint venture will focus on the design, development and sale of advanced server chipset technology in China. The National Development and Reform Commission supports cooperative projects like the one between Qualcomm and Guizhou and welcomes companies across the world to invest in China, especially in the vast western region.
- **MedTech/BioTech:** China's pharmaceutical market has grown at a rapid 21% compound annual rate in recent years and is likely to become the second-largest pharmaceutical market by 2020. The industry has great development potential in Guizhou as the local government has offered support policies such as boosting product research and development, lowering the access threshold and encouraging financial institutions to make more loans to the industry. In addition, Guizhou possesses competitive advantages such as a well-preserved ecological environment, abundant resources, well-developed industrial foundation and favorable policies. The area for planting Chinese medical herbs in Guizhou reached 351,300 hectares in 2015 and the province's total herb output approached 2.2 million tons. Expenditure for medical and health care in Guizhou increased from in RMB 4.9 billion in 2007 to RMB 30.3 billion in 2014. In 2015, the number of big health enterprises in the province stood at about 170 and by the end of 2020, the value of Guizhou's health and pharmaceutical industry is set to reach RMB 200 billion.

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