



Chongqing's Investment Environment & Opportunities

1. Chongqing's Important Strategic Position in China's Economic Development

An Important Sustain to China's West Development Strategy

Chongqing is located at the west-to-east joining part, with a locational advantage connecting west and east China which is regarded as a driving engine at the frontline to lead the West China Development Program.

China's Important T-Type Development Focus

Chongqing is the economic center in upper reaches of the Yangtze River, as well as a key city in the coastal development and riverside development.

The Exclusive Municipality in West China

Chongqing has the most authorized local administrative power which possesses a very flexible policy-making system; the 2-stage administration structure ensures higher administrative efficiency supported by efficient civil servant team, resulting in lower administration cost (the civil servant ratio of Chongqing is 1:50 while that of the whole China is 1:30 and that of West China is 1:20).

2. Chongqing is the Largest Commercial and Industrial City in Southwest China.

Broad Market

Chongqing has a land area of 82,400 square km under its jurisdiction, the population amounts to 30 million including urban population of 12 million, which provide a large local market and in the meantime spread over to an ambient market of 250 million people in its neighboring provinces.

The Dual Economic Structure

Chongqing is of a dual economic structure, which is composed of a large city and a large countryside, where modern industries and resourceful agricultures co-exist, offering a broad business range for cooperation. The largest whole-sale market in West China is also located in Chongqing.

Fast Growing Economy

Chongqing has maintained a fast economic growth. From 1997 – 2004 Chongqing's annual average GDP grew at above 9%; annual average investment in fixed assets grew at above 20%. Chongqing's GDP in 2004 reached 266.5 billion Yuan, which is 12.2% up; the total investment in fixed assets reached 160.9 billion Yuan, which is 26.8% up; the total social retail reached 95 billion Yuan, which is 10% up; total import & export volume was about US\$3.86 billion; which is 48.7% up, among them, export volume was about US\$2.1 billion which is 31.9% up while import volume was US\$1.8 billion; foreign investment actually received is US\$680 million, including foreign direct investment of US\$400 million, which is 30% up on a year to year basis.

3. Chongqing is the Traffic Hub of West China

The Best Distribution Location in West China

Chongqing is located at central West China, connecting west to east China, which is easy for distribution. Chongqing is the largest port in upper reaches of the Yangtze River, where airway, waterway, railway and land transport are arranged in a stereoscopic way.

Developed Land Transport

Chongqing's Expressway will include 3 ring expressways, 10 spreading expressways and 3 regional expressways linking neighboring provinces by 2020. Currently some 700 km long expressways have been completed, which is made up by the Cheng-Yu Expressway, Yu-Sui Expressway, Yu-Lin Expressway, Yu-He Expressway and Yu-Qian Expressway. Other 700 km long expressways are being built at the moment and 2000 km long expressways will be completed by 2010. By that time all districts of the city will be linked with expressways or high grade highway; it will take only half an hour to drive to the down town Chongqing from any major districts and 4 hours to the down town Chongqing from most far away counties.

Perfect Railway System

There are currently 4 railways in Chongqing – the Cheng-Yu Railway to Sichuan Province; the Xiang-Yu Railway to Hubei Province; the Yu-Qian Railway to Yunnan and Guizhou Provinces and the Wanzhou-Ankang Railway

to Shanxi Province. There are other 4 railways which are being built at the moment – the Yu-Huai Railway to Hunan Province; the Sui-Yu Railway to Chengdu which is a fast railway with hourly speed at 200 km; the Wan-Yi Railway and the Chongqing to Lanzhou Railway which is being programmed.

Easy Waterway

Chongqing is the only location in West China which has a so-called Golden Waterway along the Yangtze, currently 1,600 berths are available. Its annual throughput reaches above 10 million tons and single 1000-ton ship can sail direct to Chongqing. After completion of the Three-Gorge Dam, single 3000-ton ship and 18,000-ton fleet can sail direct to Chongqing, which generate an annual throughput of above 20 million tons. By 2010 there will be a container handling capacity of 1.2 million TEU per year, 700,000 TEU at Chongqing Cuntan Port, 300,000 TEU at Jiulongpo Port, 10 TEU at Wanzhou Port and 10 TEU at Fuling Port; and cost of transportation will drop by 36%.

Fast Airway

Chongqing has 1 primary airport and 2 small airports, the primary one is the Jiangbei International Airport which is a state main airport with runway being 3,200 meters long, which can serve any types of aircrafts. Its airport building is of 100,000 square km, annual capacity is 15 million person times per year. Chongqing has also 2 secondary airports which are Wanzhou Airport and Qianjiang Airport.

At present there are more than 60 domestic services, including 14 cross-border services to Vancouver, LA, Paris, Sydney (everyday), Melbourne, New Delhi, Mumbai (3 flights per week) Nagoya, Tokyo, Seoul, Düsseldorf, Hong Kong, Macao, Bangkok, Singapore and Kuala Lumpur.

Chongqing has 6 China's Industrial Bases

China's Famous Automobile Town

Chongqing's automobile output ranks at No.3 in China, its output in 2004 amounted to 600,000 units of various automobiles which include all kinds of automobiles such as heavy duty truck (Hongyan Truck), pickup (Qingling), car (Chang'an Ford and Chang'an Suzuki), bus (Chongqing Bus) and minicar (Chang'an).

China's Motorcycle Town

Its motorcycle output is 600 units per year, ranking at No.1 in China. Famous brands include Jialing, Jianshe, Loncin, Zongshen and Lifan; export volume account for 1/3 of China's total motorcycle export volume.

China's Chemical Town

Chemicals mainly include natural gas and salinizing industries, famous enterprises include the Yangtze Aceto Works launched between Sichuan Vinyl Works and BP UK, Changshou General Chemical Works, Nonghua Group and Jianfeng Chemical Works. The main salinizing manufacturer is Wanzhou Sote Group.

Asia's Aluminum Production Base

The Southwest Aluminum Factory is Asia's largest aluminum manufacturer, producing 400,000 tons of various section bars per year.

Complete Industrial Sectors

Building Materials: Chongqing's building materials are mainly cement and glass fiber. Its cement output is about 30 million tons per year; major manufacturers include Tenghui Group, and Lafarge Cement. Chongqing International Composite Materials Ltd produces 100,000 tons of glass fiber per year, which ranks at No.3 in Asia.

Chongqing's instrumentation and machinery play a very important part in China.

Pharmaceuticals: Chongqing's pharmaceuticals mainly include pharmaceutical intermediates and traditional Chinese medicine. Main manufacturers are Taiji Group and the Southwest Pharmaceuticals Ltd.

High-Tech: biological medicine (Hematoporphyrin), medical appliances (Hifu) and IT (UTstarcom)

4. Chongqing's Rich Resources

Large Variety of Resources

Chongqing has a broad area with distinct stereoscopic climate, which results in rich animal and plant resources up to some 4,000 categories. Chongqing is China's production base of pig, silkworm, orange and tobacco.

Unique Natural Resource

An explored natural gas reserve reaches 370 billion cubic meters, which is 1/4 of China's total natural gas reserve; the yearly exploited and used gas reaches 5 – 6 billion cubic meters.

Resourceful Fresh Water

Upon completion of the Three-Gorge Dam, there will be a fresh water reservoir of 39.3 billion cubic meters, which will be the world largest fresh water reservoir.

Featured Mineral Resources

Chongqing's strontium ranks at No.3 in the world, and has rich manganese ore and bauxite reserves, as well as sufficient coal for its own use.

Strong Technical Force

Chongqing has 53 universities and some 600,000 technical people.

5. Chongqing is an Opened City

The Earliest Opened City in West China

Chongqing has established business relationship with 174 countries or regions. UK, Canada, Japan, Denmark and Kampuchea have set up consulates here; Austria and Germany have set up offices for their Chamber of Commerce. Banks and insurance companies including Japanese Sumitomo Bank, Hongkong Shanghai Bank, Po Sang Bank, Canadian Scotia Bank, Philippine Allied Commercial Bank, American Mutual Liberty, MetLife, Japanese Yasuda and Canadian Sun Life have set up their branches or offices in Chongqing.

Fast Growing Import & Export

In 2004 Chongqing's import & export volume totaled to US\$3.8 billion, including US\$2.1 billion from export and US\$1.7 billion from import. The territory of trade of export is mainly US, Japan, Hong Kong, EU and Iran.

Pouring of Foreign Investment

Chongqing has approved an accumulated number of 3,748 foreign invested enterprises, where contracted amount of investment reaches US\$6.84 billion while actually received foreign investment totaled to US\$3.69 billion. 36 enterprises from the Fortune 500 have given their presence in Chongqing, including Ford Motor, BP, Ericsson, ABB, Lafarge, Carrefour, Metro, Isuzu and Suzuki.

6. Chongqing is a City with Most Business Opportunities in China in the 21st Century

Future Planning

As planned, Chongqing is going to achieve the following goals by 2010: Total GDP to reach 490 billion Yuan, which is US\$60 billion. The per capita GDP will be US\$2,100 per year; urbanization ratio to reach 52%.

By 2020 total GDP to reach 1.1 trillion Yuan. The per capita GDP will be US\$4,600 per year; urbanization ratio to reach 65%.

Basically completion of an economic center in upper reaches of Yangtze

The economic center will include what is called "3 Centers, 1 Hub and 1 Base", which refer to the Commercial Center, Financial Center, Science & Technology Center, as well as the Traffic & Communication Hub and the High-Tech Production Base.

Future Investment Requirement

In order to achieve the target to build Chongqing into an economic center in upper reaches of Yangtze, development needs to be accelerated. To this end, by 2010 Chongqing's fixed assets oriented investment will reach US\$190 billion which is 1.5 trillion Yuan. The main areas requiring investment include the following:

- Construction of 1,400 km long expressway and high grade highway, which requires an investment of US\$10 billion which is 79.7 billion Yuan.
- Construction of power generation capacity of 6,000 Megawatt, resulting in a total installed capacity of 10 thousand Megawatt, which requires an investment of US\$8.0 billion.
- Construction of a large number of gymnasiums, museums, hospitals and schools which requires an investment of at least US\$2.0 billion.
- Investment in industrial development will be at around \$50 billion, to be spent both on set up of new industries and renovation of old industries. The main sectors will include:

Automobile and Motorcycle

Roughly US\$6.0 billion, to be used for development of product with our own intellectual property, extension to car production, improvement to parts productions and establishment of automotive and motorcycle technology disclosure platform.

Electromechanical

Roughly US\$7.0 billion, to be used for the 4 major state-level R & D and production bases covering gas engine, instrumentation, pollution control and military industry; investment will also be made in the 4 priorities. One is the power distribution equipment; second is the numerical control machine tool; the third is the military electronics, audio, video devices, 3G system; the fourth is the ships of large tonnage.

Processing of Resources

Roughly US\$12 billion, to be used for natural gas based chemical crude, fine chemicals, new materials and clean energy; electric power supported minerals including aluminum, steel, iron materials as well as strontium and barium derivatives.

High-Tech Industries

Roughly US\$5.0 billion, to be used for development of 7 industrial chains including IC, software & information technology, telecom product, digital medical treatment, smart instrumentation, digital home appliances and automotive electronics.

"City Industry"

Roughly US\$10 billion

Real Estate

Roughly US\$10 billion

Huge investment will surely bring in huge business opportunities, which offer a great space for investors, also involves large amount of import and export.

Our Philosophy of Work

To enlarge investment; promote trade; complement each other with respective advantages; and co-operate on a win-win basis.

7. Chongqing's Continued Effort to Improving Investment Environment

Through many years' effort, Chongqing's software and hardware environment for investment are becoming better and better, which offer better conveniences for foreign investors.

Efficient Administrative Structure

The past "examination and approval" procedure for foreign investment project is changed to "verification and filing system".

A "One-stop" service is provided for foreign investment; administrative services are available in all districts or counties.

Sound Legal System

China's administration is governed by law, a legal country is gradually established.

Chongqing has cleared and abolished more than 1,000 local law or regulations which are found to be in contradiction with WTO rules; legal system for foreign investment has been formulated in a good shape.

Law safeguards all legal interest of foreign investors; disputes which arise from foreign investment can be settled in many manners such as discussion, mediation, compliant, arbitration and lawsuit.

Nice Living Environment

Chongqing has nice mountains, clear water and the 4 evident seasons, free of typhoon, cyclone and earthquake, which is a good place for human to live.

Chongqing food has more than 400 varieties, which is very well-known all over the world. Meanwhile western food, Japanese or Korean food are readily available.

Wal-mart, Carrefour and Metro have opened their shopping mall or supermarket in Chongqing, which offer you the convenience of shopping.

Chongqing has many star hotels and residential quarters suitable to foreigners at your option.

Chongqing has very good hospitals such as the First-aid Center, Southwest Hospital, Chongqing Medical University Hospital; the first-aid telephone is served in English and Japanese for 24 hours.

Chongqing has a foreign language school and the Yuezhong International School which serve the children of foreigners in Chongqing.

Chongqing has plenty of entertainment and sports facilities, including golf, spring water resort and climbing

Fast & Easy Customs

Chongqing is regarded as a State Class 1 Port, where Customs, Border Inspection, Commodity Inspection and Quarantine Departments have set up their offices.

Chongqing Customs has set up its branches respectively in the Development Zone, Airport, Port, Railway and Wanzhou.

Chongqing Border Inspection Department can issue an entry visa for visitors upon arrival at Chongqing Jiangbei Airport.

Chongqing Commodity Inspection & Quarantine Department takes up a prior appointment for inspection work for both exported goods and imported goods.

Chongqing Customs can take up the inspection and clearance of import or exported goods on site.

8. Foreign Investment Encouragement

Nowadays is the period when largest number of intensive policies are available, including both policies applicable to coastal regions of China and the west regions of China in support of the West Development Strategy plus exclusive policies applicable to Chongqing for its Three-Gorge Reservoir Area related projects. These policies mainly include the following:

Relaxed Market Entry

All business sectors of Chongqing are open to foreign investment except for those which are explicitly prohibited by the state law. The industrial catalogue encouraged by the state for foreign investment is applicable to Chongqing; West China's advantageous industrial catalogue is also applicable to Chongqing; thus Chongqing has total 12 categories of industries enjoying the state encouragement for foreign investment including natural gas based chemicals, automobile and motorcycle, these latter encouragements are not available in rest of provinces of China.

Incentives for Foreign Investment

Duty

For a foreign invested project which is covered by the state encouraged industries and the West China's advantageous industrial catalogue, import duty and import linkage tax can be exempted in case of equipment being imported for its own use within its total investment. For investment in the Three-Gorge Reservoir Area, the tax incentives applicable to the Three-Gorge Area may also be granted dependent on if the project meets the needs of Chongqing's development.

Taxation

For a foreign invested enterprise of production nature in Chongqing, the corporate income tax shall be paid at only 15%; For a technically advanced foreign invested enterprise, the corporate income tax can be paid at 10% for another 3 years after the 2-year exemption and the 3-year reduction period (this incentive is not available in central and east regions China).

Land

Chongqing ensures the availability of land to foreign invested enterprises with production nature; Chongqing also ensures the availability of land to foreign invested industrial project which is invited by Chongqing, in which case the use of land may not be subjected to the bidding procedure but can be made available on a negotiable basis.

Conveniences for Investment

All districts or counties of Chongqing welcome foreign investment, and have prepared a large number of industrial parks for investors, which give you more complete supportive conditions, more thoughtful services and better environment.

The Chongqing Economic & Technical Development Park and the High-Tech Development Park within Chongqing's New North Zone take a land area of 137 square km and are developed and managed respectively by a

state-level economic & technical development administration and a state-level high-tech development administration, where individual industrial parks have been established covering automobile, optoelectronics, IT, medical appliance, pollution control, software and modern logistics. There are also 30 featured industrial campuses in Chongqing, 10 located in central district, 10 in the so-called "West Chongqing Corridor" and 10 in the Three-Gorge Reservoir Area, each of these campuses offers land of about 2 square km for your choice.

9. Production Elements with Good Quality and Low Tariff

- The price of industrial service water is US\$0.32 / M³ (inclusive of sewage discharge fee)
- The price of industrial service electricity is US\$0.06 / KW (there is currently a total installed capacity of 4,860 Megawatt)
- The price of industrial service gas is US\$0.12 / M³ (370 billion M³)
- The per capita annual salary of Chongqing in 2004 was about 10,000 Yuan, which reveals a very noticeable labour advantage.

Chongqing is the most vibrant city in West China and is a city full of business opportunities, which provide you with great potentials for future development. Hope that you will find opportunities of cooperation from your attentions to Chongqing City.

Wish you every success.

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