

Coming in from the cold

There has been a remarkable change in the fortunes of Xiamen in Southeast China. Hostility with nearby Taiwan and poor communications hindered access to its nearest neighbours for many years. Recent changes have reduced those barriers, presenting exciting prospects for Xiamen's economy and those wanting to do business in the city, writes Sally Zhang.

The thaw in relations across the Taiwan Straits, and the desire of both mainland China and Taiwan to recover from the economic downturn have boosted their economic cooperation; the new focus of interest is the Western Strait Economic Zone. The zone was raised to a national-level strategy in May 2009, with an official announcement by the State Council.

China is now the world's third largest economy but it still has huge potential for further growth, and as it grows, the economic centre of gravity is shifting. China is adjusting its development strategy to reduce regional disparity and achieve a rapid and balanced growth; this policy is directly aimed at developing new regions like Fujian.

Xiamen, also known as Amoy, with a population of 2.4 million, was one of the first

four Special Economic Zones in China 30 years ago. And it is now designated as the lead city of the Western Strait Economic Zone. With this in mind, UKTI organised a visit to the southeastern coastal cities of Fujian province, Xiamen and Quanzhou, led by Brian Davidson, British consul general in Guangzhou. The participating companies included Aedas, Benoy, Metamode, China Water Corporation, Ernst & Young, HSBC and Standard Chartered.

In Xiamen, we found a city with much potential. We met the vice-mayor of Xiamen, were briefed by the Xiamen Investment Promotion Agency, and took a visit to a local company in the Wuyuan Bay Area, which is planned to be the city's new business district by the sea.

Infrastructure boost

With its warm climate, clear air, sparkling water and picturesque scenery, Xiamen has many natural advantages. Nestling in a huge bay on the coast of southeast China, the city of Xiamen is located on an island linked to the mainland by bridges. There is a large and successful deep water port, one of the ten largest in China. Transport by sea has always been easy.

But try to travel there from the neighbouring provinces of Zhejiang or Guangdong by anything but an aeroplane, and until very recently you would be looking at a journey by slow train of up to 24 hours. Now high-speed rail is opening Xiamen to the rest of China, reducing travelling time to Shenzhen from 11

hours to a mere two hours by the end of this year.

In September 2009, Fujian vice-governor Zhang Zhiyan announced that more than 60 ministries, state-owned enterprises and other organisations had agreed to support the province's accelerated construction of the Western Strait Economic Zone. They will give support to planning, policies and projects. Take infrastructure construction as an urgent case: with help from the Ministry of Railways, 4,400 km of additional lines will be built by 2015, bringing the total to 6,000 km. With the aid of the Ministry of Transport, a Western Strait expressway network will be completed, and the total length will exceed 5,000 km in 2015, compared with 2,000 km in 2009.

Economy

Xiamen's main industries include electronics, machinery, chemicals, financial services and property development. Financial services will be a key part of the Western Strait Economic Zone's development [for more about this, please see interview with Hong Benzhu p13]. Xiamen's vice-mayor describes financial services as a core industry that will account for 10 per cent of GDP in two years' time. There are already more than 600 financial institutions in operation in Xiamen, including HSBC and Standard Chartered.

A Taiwanese businessman I met is an example of how financial services are bringing in investment. Several months ago Mr Liu was anxious about the lack of cash for his mainland project, but now he can enjoy his coffee and afternoon sunshine in a roadside bar. Thanks to cooperation between mainland and Taiwan banks, Taiwanese on the mainland are able to obtain non-local mortgages in Xiamen, which means he can use his fixed assets in Taiwan as collateral to borrow money from Xiamen Commercial Bank.

Foreign investment

With a clean environment and well-functioning infrastructure, Xiamen has become a hot destination for foreign investment. The leading investors are of Chinese origin – from Taiwan, Hong Kong and Macao. Other international companies include Boeing, Linde, and ABB – the latter with four factories in the Xiamen area.

Xiamen's International Airport is the regional hub airport in east China, and has a significant demand for aircraft repair and maintenance service. UK companies like Swire's TAECO, Meggitt and Premium play a leading role in this industrial cluster.

Other British investors include Tesco, Pricewaterhouse Coopers and Burberry. Smaller scale British companies have found their way here too, including a medical research company from Oban.

Xiamen is also the location of the China International Fair for Investment and Trade, held annually in early September to attract foreign direct investment into China.



Brian Davidson
interviewed in Fujian

'First mover advantage'

The UK and Fujian already share strong commercial ties going back to the 19th century. According to the local authorities, trade between the UK and Fujian increased by 35 per cent in 2008. The UK is the largest European investor in Fujian, and the province's second largest EU trading partner. UK exports to Fujian amounted to US\$412m in 2008 (an increase of 42 per cent over 2007).

The construction and development of the

Western Strait Economic Zone will bring many opportunities for international suppliers of goods, equipment and expertise, including those from the UK. Fujian province is finally getting its long-awaited historical opportunity, which it should not lose over the coming 30 years. Neither should UK companies lose this opportunity for business.

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Living in Xiamen

Xiamen is one of the most livable cities in China, and was recently voted as the cleanest in China.

Scot Ken McLeod is deputy warden attached to the British Consulate General in Guangzhou, a contact person for British citizens in an emergency. He has lived in Xiamen for eight years, and loves it.

He sees the skyline changing every day as more buildings go up, but points out that the government is capping the height of buildings in the centre of Xiamen to 3-5 storeys – where outside the centre they are up to 36 storeys. Local government is conscious of the need to keep the city looking good, he says. All heavy industry, steelworks and foundries have been moved out of the city to the surrounding countryside.

Ken McLeod says, “Xiamen is much less polluted than other cities. You can see the stars more often than not, even the moons around Jupiter. There are lots of parks, and a good choice of accommodation.” The local government has halted the building of villas on the island, though it is still permissible to build them on the mainland. Flower displays are changed every two to three months, the roads are washed four times a day – cooling the air and clearing paper and rubbish to the side of the road for collection.

Jimei District



Yuandang Lake



In 1992 a Taiwanese company, Tenglong Aromatic was given permission for a huge chemicals factory in one of the suburbs, but did not build it. The area grew up around with apartments and small businesses, and when Tenglong finally decided to build the factory, in June 2007, there was a well-supported peaceful demonstration against it at the government offices. The factory has not been built, and is now likely to be built elsewhere, if at all.

The weather can be uncomfortably hot in summer – around 35° - and humid, but for the rest of the year the climate is warm (frost-free) and on the whole sunny. Although, in the winter especially, Xiamen could do with more rain, water supply is fine from the mainland. There have been no power cuts in eight years, says Ken McLeod.

Educational facilities are excellent, with Xiamen University and Jimei University both highly regarded in China, and an international school.

Kevin Wu, a young consultant from Xiamen, says the best thing about living in Xiamen is that everything is relaxed and peaceful. “The city is not as large as Shanghai or Beijing but still functions well. People are close to each other and can enjoy a very high quality of life.”

One of the best areas for local Xiamen food, he says, is Zhongshan Road, in the old business district. People also love to have fresh seafood along the coast. Meanwhile, the

Tong'an District



best place to eat international food is the cafes and restaurants along Yuandang Lake.

Kevin Wu names the best local dishes as “Satay noodle, duck porridge, fried oyster, sea worm jelly, fried rice-noodles, rice dumplings, spring rolls and all kinds of seafood.”

As well as attractive coastal scenery and long beaches, Xiamen's many tourist attractions include Gulangyu, also known as Piano Island, a traffic-free island covered with European villas of the 1930s. Piano ownership is the highest in China, and the sound of piano playing can be heard all over the island.

A modest selection of four-star hotels in Xiamen include the Marco Polo, Millennium and Best Western, with a single 5-star option, the Mandarin.