

Pearl River Delta Local Focus Position Paper 2012/2013



Guangzhou, 12th September, 2012
Shenzhen, 13th September, 2012
Zhuhai, 14th September, 2012

PRD Focus



- ▶ Introduction to the PRD Local Focus Position Paper
- ▶ Guangdong Province – in eyes of European Business
- ▶ Key Recommendations of PRD Chapter to Guangdong Government
- ▶ Looking Forward



Pearl River Delta – Introduction

Position Paper 2012/2013



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PRD Chapter



- ▶ Pearl River Delta (PRD) - 4rd Edition of the Position Paper with PRD local focus
- ▶ PRD Chapter Coverage - 9 Working Groups - 25 Recommendations
- ▶ Live presentations in 3 cities in PRD – Guangzhou, Shenzhen and Zhuhai



Growing number of Working Groups & Forums



2012: 9 WG and Forums

- ▶ Legal and Taxation
- ▶ Human Resources
- ▶ Environment
- ▶ IPR
- ▶ Logistics
- ▶ Sourcing
- ▶ SME
- ▶ Electronics
- ▶ Standards and Conformity



Guangdong Macroeconomic Overview

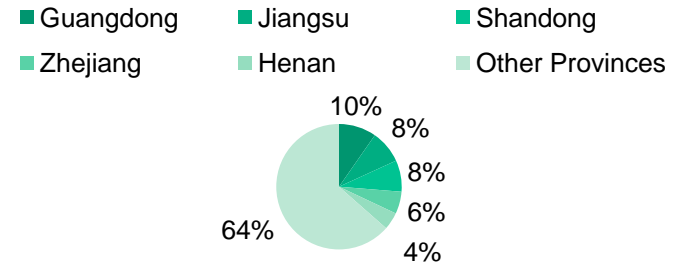


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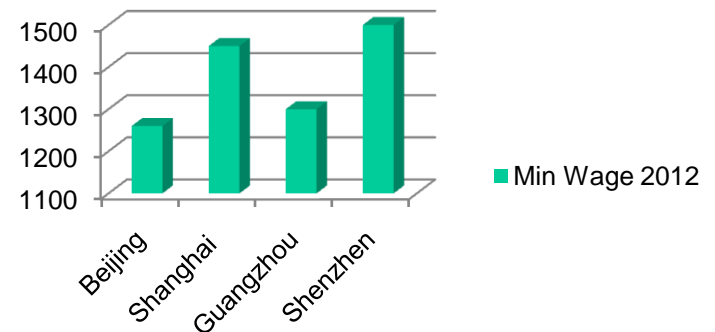
Guangdong - Macroeconomic Overview

- ▶ Guangdong tops China's GDP list with RMB5.3 trillion in 2011.
- ▶ 2011 Guangdong GDP grow rate is up to 10%, overtook Hongkong & Taiwan.
- ▶ Guangdong key cities (Shenzhen, Guangzhou, Dongguan, Zhuhai, Foshan) GDP ranged from 8% to 12%
- ▶ Per capita annual disposable income increase of 12.6% (2011)

GDP Share of China Provinces (%)



Min Wage 2012



Open Horizons within Guangdong 12th Five Year Plan



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Happy Guangdong

GDP 8% (<10%)

2015 GDP per Capita = 4xGDP 2000

Boosting Domestic Demand

Innovation & Workforce Development

Green Development

Economic Restructuring

Service Sector Increase to 48% (now 44.6%)



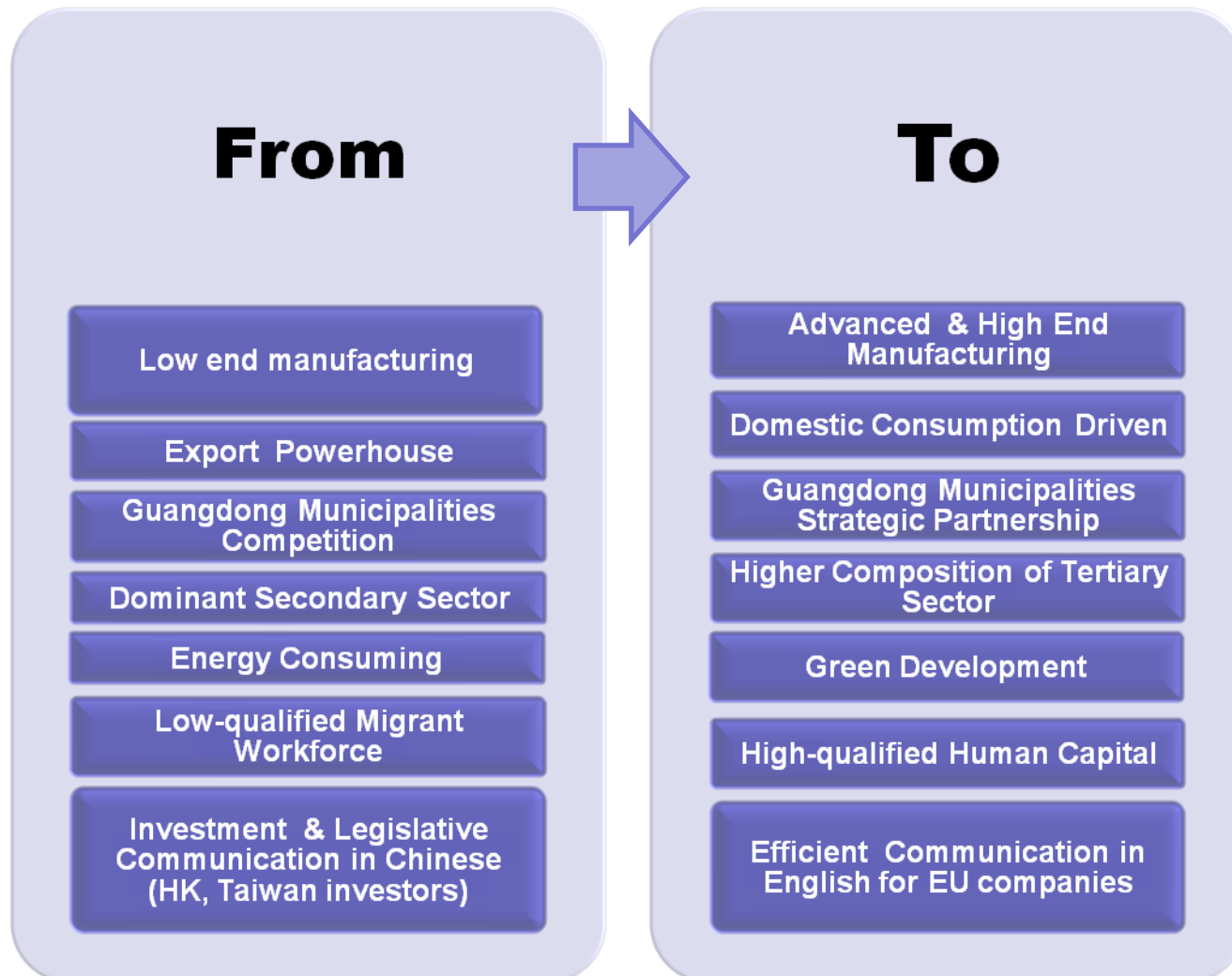
PRD Focus Key Recommendations to Guangdong Government



Brand PRD Image as a fully integrated region with transformed economic growth



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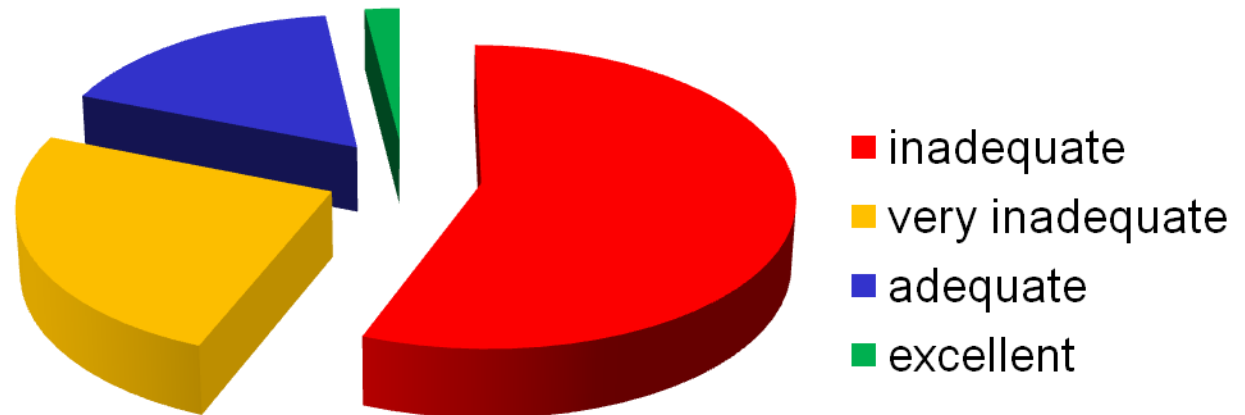
IPR protection is regarded by European companies as one of the most significant obstacle when doing business in China



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Transparency is an important element in creating a consistent law enforcement regime.

Effectiveness of China's enforcement of IPR laws and regulations :



Develop transparent and talent-oriented labour market



Labour disputes cases are becoming a daily challenge for many European companies in PRD.

Recommendation

Ensure Transparency on Labour Dispute Cases

Develop Incentive Regulations to Companies Offering Training

Ensure Equal Rights for Migrant Workers and Employees

Improve Transparency on Wage Adjustments

Develop Countrywide Competitive High Education Centres

Develop Incentive Policies to Attract High-Talents



Integrate various logistic functions in the PRD and optimise Customs operations and procedures



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Customs operations and procedures are not optimised according to international best practices and do not take into account the needs of companies importing and exporting through PRD ports and Free Trade Zones (FTZs).

Recommendation

Improve coordination and make the best use of various means of transportation (including roads and related fees) within the PRD.

Ensure fair treatment for all players in the industry as well as a uniform enforcement of standards throughout Guangdong province.

Improve the efficiency of the FTZs by simplifying the import/export operations from China to FTZs and vice versa.

Optimise the customs operations and procedures involved in logistics functions.

Improve access to information, documentation about import/export procedures and feedback from government.



Communicate clearly and efficiently the newly implemented rules on the control of foreign employees residing in PRD



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The Guangdong Provincial People's Government has adopted the "Interim Provisions of Guangdong Province on Management of and Service for Foreigners", which entered into force on 1st May, 2011. It reinforces the control on foreigners working in Guangdong province.

Recommendation

Ensure that policies, regulations and incentives in general are enforced in a consistent manner by administrative and police enforcement agencies.

Clarify the penalties in accordance with the seriousness of visa violations.

Suppress the role and responsibilities of individuals and parties that are neither directly concerned nor qualified to check foreigners' residence certificates.

Simplify the procedure of providing a work history of two years for foreign staff working in China and the visa procedures and terms.



Ensure that central and provincial policies are similarly implemented in different cities in PRD in order to stimulate and improve the business environment



Central and provincial policies are not similarly implemented in different cities and with a short implementation and adjustment period for enterprises.

Recommendation

Extend Value-Added Tax (VAT) reform to all of China, PRD specifically the VAT Reform Pilot Program (e.g. transition of Business Tax payer into VAT payer for selected industries)

Announce in advance the implementation and collection of Social Contribution Fees in different cities of Guangdong Province.

Improve predictability of the implementation of new regulations.

Simplify the procedures and unify the documents with the same procedures in different cities.



Improve PRD living environment in term of services for foreigners



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Although PRD is positioning itself as a region with an international image there is a lack of multilingual helpdesks at hospitals, schools and public service places.



Provide better environment for the establishment and development of SMEs in the region and facilitate wider market access to them



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European Small and Medium Enterprises (SMEs) operating in the Pearl River Delta face difficulties and challenges in access to Chinese market.

Recommendation

Provide more platforms for foreign SMEs to meet potential Chinese clients, both firms and individuals.

Implement specific benefits for SMEs and start-ups to attract them to set up in the region: incubators, tax exemptions, lower rate rentals.



European business in China...



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European companies consider transparent policy – making and implementation to be a more important driver for China's economic performance in coming years than increased domestic consumption.



Top 5 Regulatory Obstacles when doing business in China, 2012



Discretionary enforcement of broadly drafted laws and regulation (44%)

Lack of coordination of different regulators (38%)

Local implementation of Chinese standards (36%)

Registration processes for companies/products (34%)

IPR Protection (36%)

Looking Forward



Looking Forward



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As Guangdong looks to restructure its economy, more competitive incentive policies are needed to support this industrial transformation

The goals perceived in Guangdong 12th FYP open new horizons and investment opportunities for European companies

Strategic & consistent dialogue between Guangdong provincial & municipal governments and business is crucial to achieve the set goals of the Guangdong 12th FYP

A level playing field for SMEs, both domestic & foreign, is needed to realize the economic development of “Happy Guangdong”

Development of Human Capital in Guangdong Province will play key role in realizing the industrial shift to high-end production with R&D headquarters and advanced service economy



**European Business in China
Position Paper
2012/2013**



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