

# **SOUTH CHINA: A REGION AT A CROSSROADS**

**EUROPEAN CHAMBER SOUTH CHINA POSITION PAPER  
AND BUSINESS CONFIDENCE SURVEY LAUNCH 2015/2016**

**South China  
Position Paper  
中国欧盟商会  
华南地区建议书  
2015/2016**

**Launch Event and  
Press Conference  
建议书发布  
与记者招待会**

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**Mandarin Oriental, Guangzhou  
July 2<sup>nd</sup>, 2015**

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# The Importance of Guangdong in China's Overall Economy

## 广东在中国经济的重要性



European Chamber  
中国欧盟商会

# Guangdong Fast Facts 广东数据

- **2014 GDP: CNY 6,779 billion (EUR 954 billion)**

45% of Italy's (2013) ; 33% of France's (2013) ; 25% of Germany's (2013).

**2014年广东省生产总值: 6.779万亿人民币, 约9540亿欧元**

相当于意大利的45%, 法国的33%和德国的25%

- **Population: 105.9 million**

1.3 times the size of Germany's; 1.6 times the size of France's,

1.7 times the size of Italy's.

**人口: 1.059亿**

相当于德国的1.3倍, 法国的1.6倍和意大利的1.7倍

- **Size: 179,800 km<sup>2</sup>**

60% of the size of Italy; 50% of the size of Germany;

28% of the size of France.

**面积: 179,800平方公里**

相当于意大利的60%, 德国的50%和法国的28%



# South China—The Frontier of Development 华南地区—发展的前沿 ...以及面临的挑战

...at a crossroad



YRD and SEA competition  
与长三角和东南亚的竞争

**China's Economic Powerhouse**  
中国经济发动机

**The Manufacturing Engine of China**  
中国制造业引擎

**GUANGDONG**  
**广东**

**The Largest Importer and Exporter of Goods**  
最大的货物进口商和出口商

**A Testing Ground for the Central Government**  
中央政府试验区

Inter-city competition  
城市间竞争

Social tensions  
社会矛盾

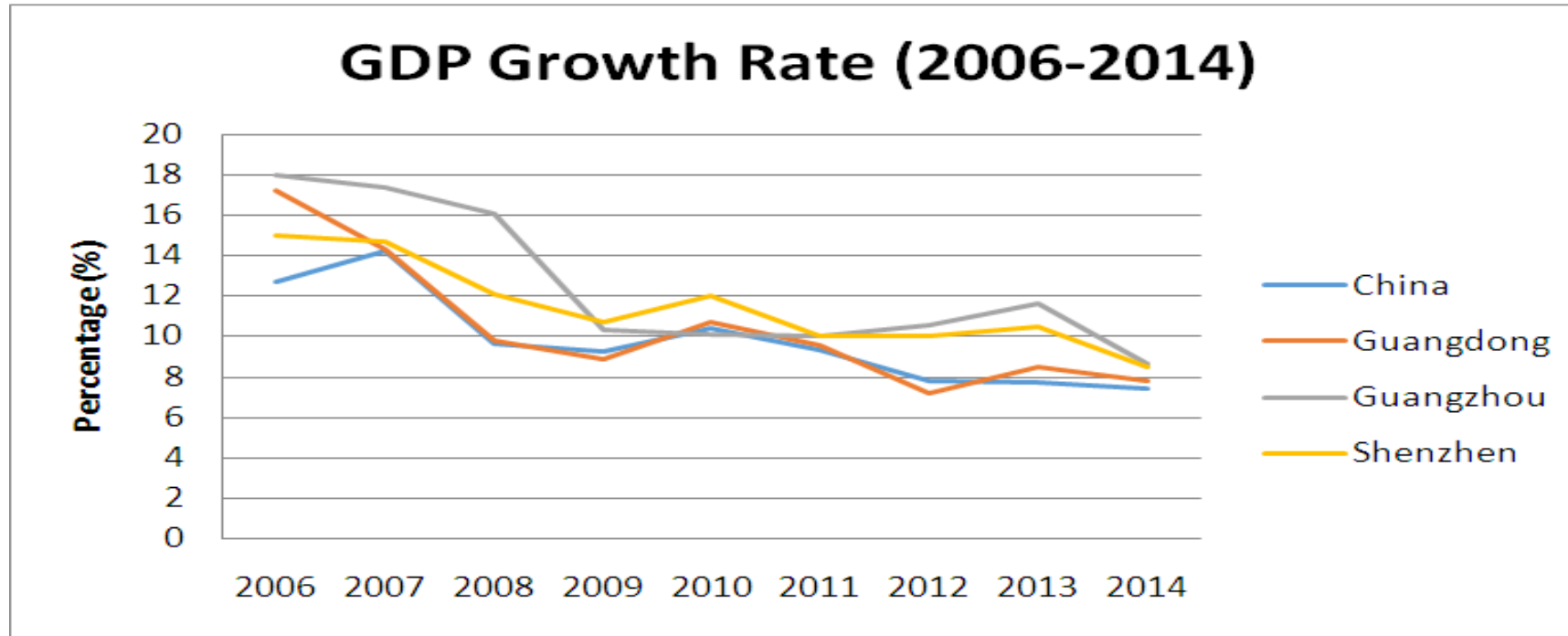
Reputation  
声誉

Pollution  
环境污染

Lower productivity  
生产力降低

Uneven development  
发展不均

# The South China Region (华南地区GDP增长率)



**South China is equipped for success due to three main reasons:  
华南地区实现经济增长的三大主要原因:**

- **Guangdong's Strategic Location with Proximity to Hong Kong and Asia**  
具有战略意义的地理位置：与香港接壤
- **Most Dynamic City-Clusters in China/World and Business Environment**  
中国最具活力的城市群和商业环境
- **Home to the GFTZ (Nansha, Qianhai-Shekou and Hengqin)**  
中国广东自由贸易试验区



# Guangdong's 2020 Goals 广东2020年目标



European Chamber  
中国欧盟商会

# The Goal: from ‘World’s Factory’ to ‘High-Tech Hub’ by 2020

## 2020年目标：从“世界工厂”走向“高科技中心”

Promote Environmental Sustainability  
保持环境可持续性



Encourage Balanced Growth  
Between Guangdong’s Urban  
and Rural Areas  
鼓励城乡平衡发展



Be a Globally-renowned  
and Competitive Area for  
High-tech Industries  
建立全球知名且有竞争力的高科技产业



Develop Modern Economic Models  
发展现代经济模式





# The Way Forward for South China: Improving the ‘Three Flows’

## 华南地区的前进之路：改进“三种流动”

- **The Flow of People (人员流动):**  
lower the barriers and improve overall labor market conditions;  
降低外来务工者和外国人进入华南地区的壁垒，改进整体劳工市场条件
- **The Flow of Goods and Services (商品与服务流动):**  
Improve communication with and coordination by customs;  
改进与海关的交流与协调
- **The Flow of Information (信息流动):**  
increase Internet speed and guarantee a free flow of  
commercially relevant information  
提高网速，确保商业信息的自由流通



# Guangdong Free Trade Zones

## 广东自由贸易试验区



European Chamber  
中国欧盟商会

# Guangdong Free Trade Zones 中国广东自由贸易试验区

**GFTZ established on 4/21/2015, it covers an area of 120 km<sup>2</sup> and includes parts of Guangzhou's Nansha New Area, Qianhai-Shekou in Shenzhen, as well as Hengqin in Zhuhai.**

广东自由贸易试验区建立于2015年4月21日，占地120平方公里，包括广州南沙自贸区、深圳前海自贸区和珠海横琴自贸区。

## The Guangdong FTZ

Covering 116.2 square kilometers, it will comprise:



# A Closer Look at GFTZ

## 近距离看广东自由贸易试验区

- ❖ **Nansha: Manufacturing + Modern Service Sectors**  
(e.g. shipping, logistics, high-tech innovation and manufacturing, trading, etc.)  
南沙新区：将致力于发展制造业和现代服务业，包括船运物流、高科技创新和休闲旅游。
- ❖ **Qianhai-Shekou: Reform Measures** in modern logistics, finance, tax and legal services, medical treatment, IT, etc.  
前海蛇口：将采取在经济、税收、法律制度、教育、医疗和远程通信等改革措施。
- ❖ **Hengqin: A Pilot Programme** for regional economic integration in education, leisure, health and high tech  
横琴：将担任提高地区经济一体化政策的试点新区。



# 2015 Business Confidence Survey Findings

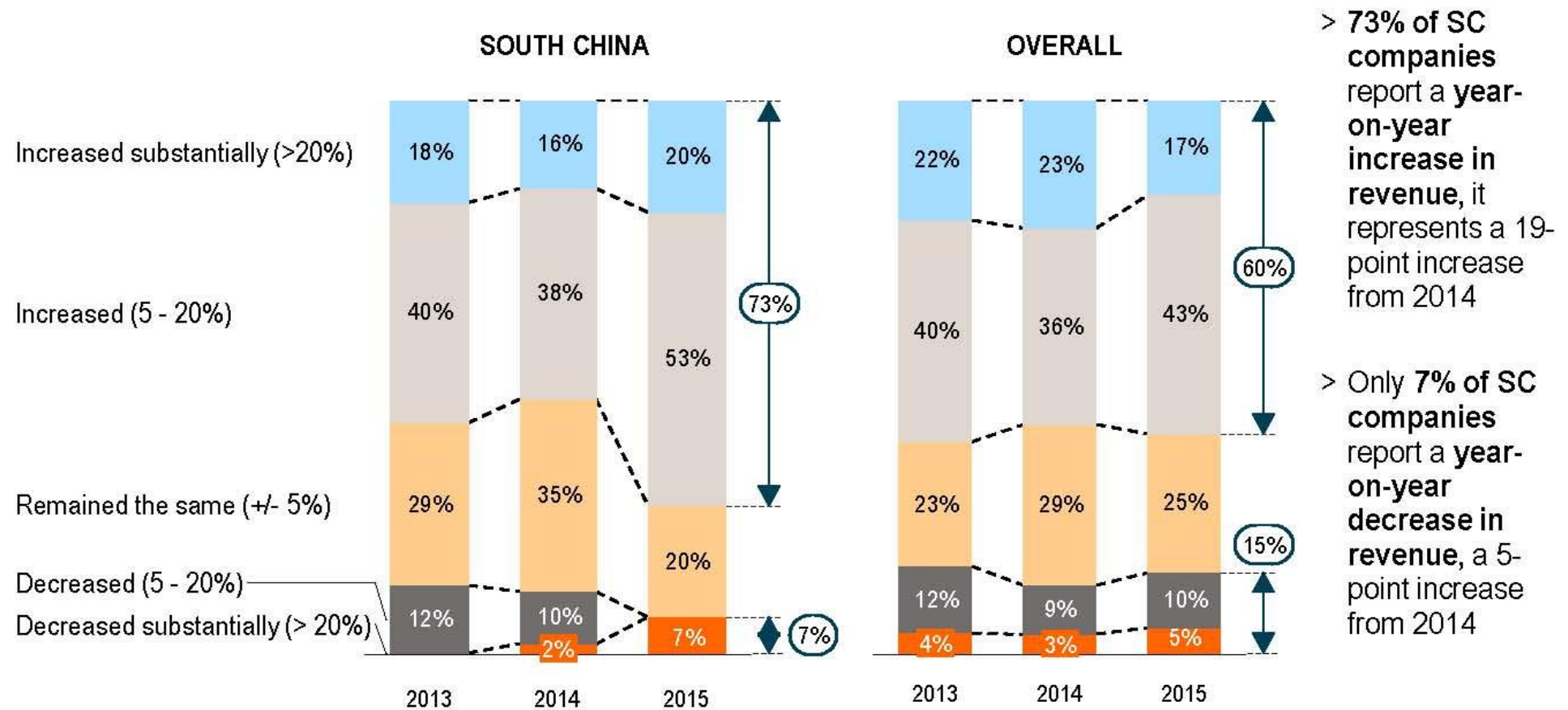
## 2015商业信心调查结果



European Chamber  
中国欧盟商会

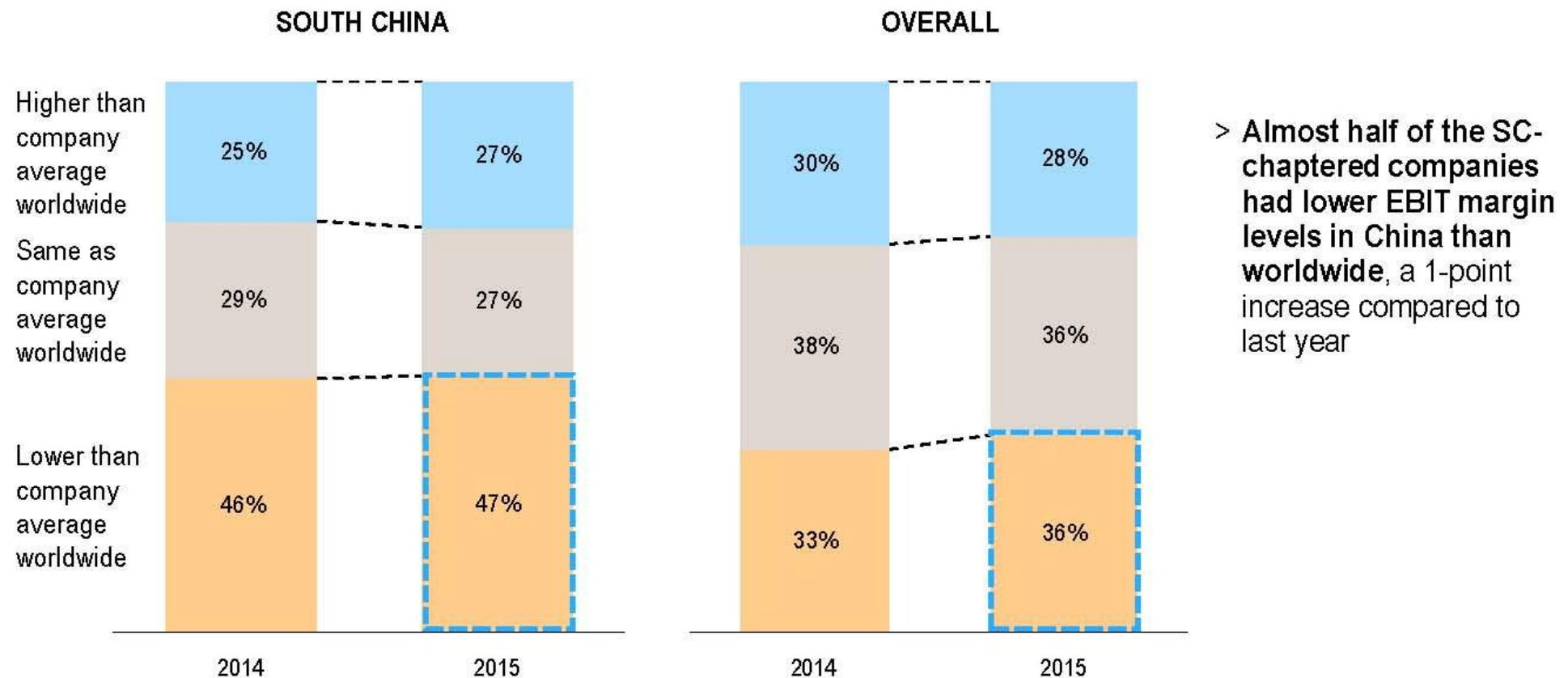
# Financial performance presents a better picture in SC than in overall China

Evolution of company revenue in Mainland China year-on-year (2013-2015)



# Compared to the overall average, a higher percentage of SC-chaptered companies underperform their global EBIT margin levels

Comparison of China EBIT margins with worldwide margins (2014-2015)

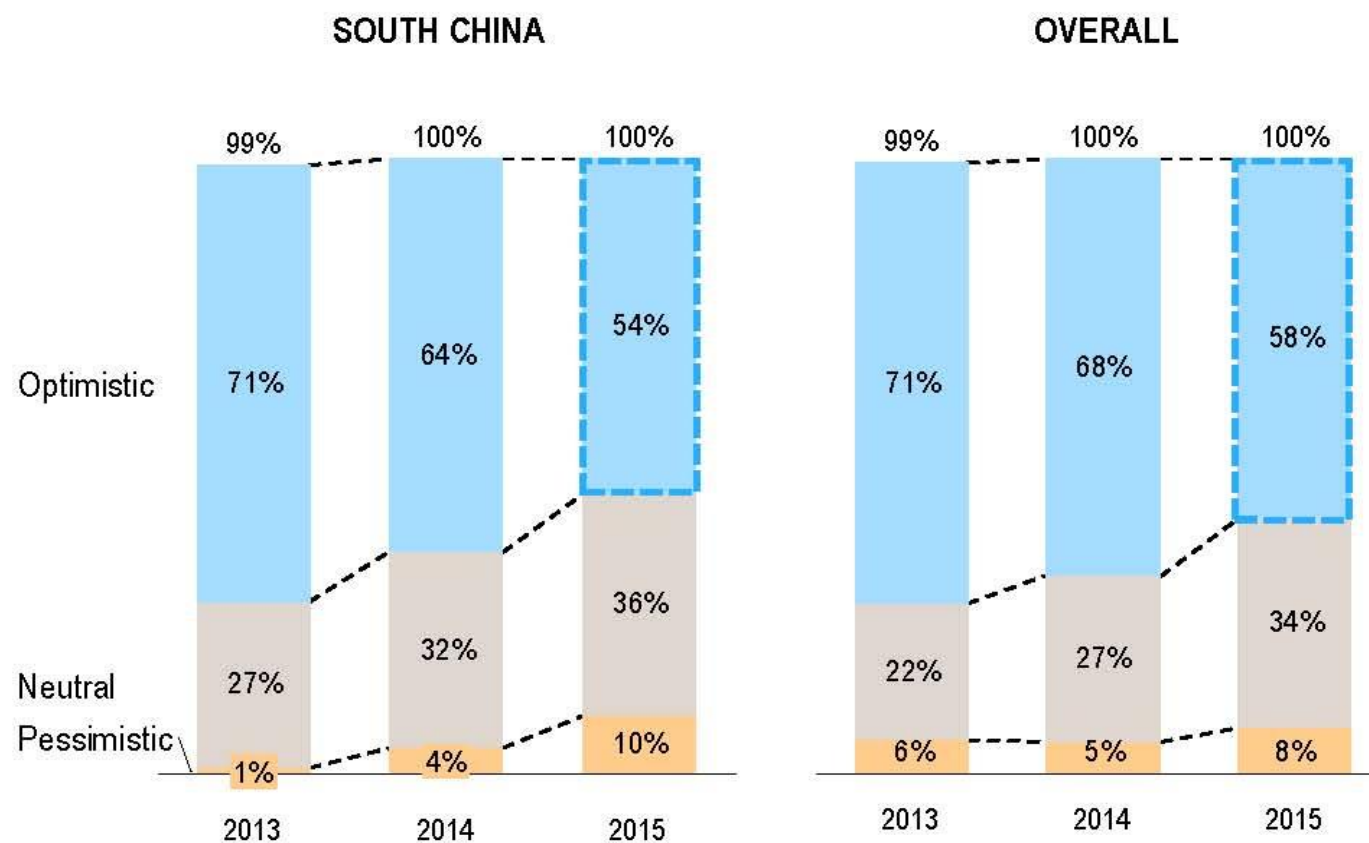


Note: In 2015, individuals responding on behalf of a representative office were not asked this question

Source: BCS 2015, Roland Berger analysis

# SC companies follow the overall trend of declining optimism about growth in China

Business outlook on growth in China (2013-2015)



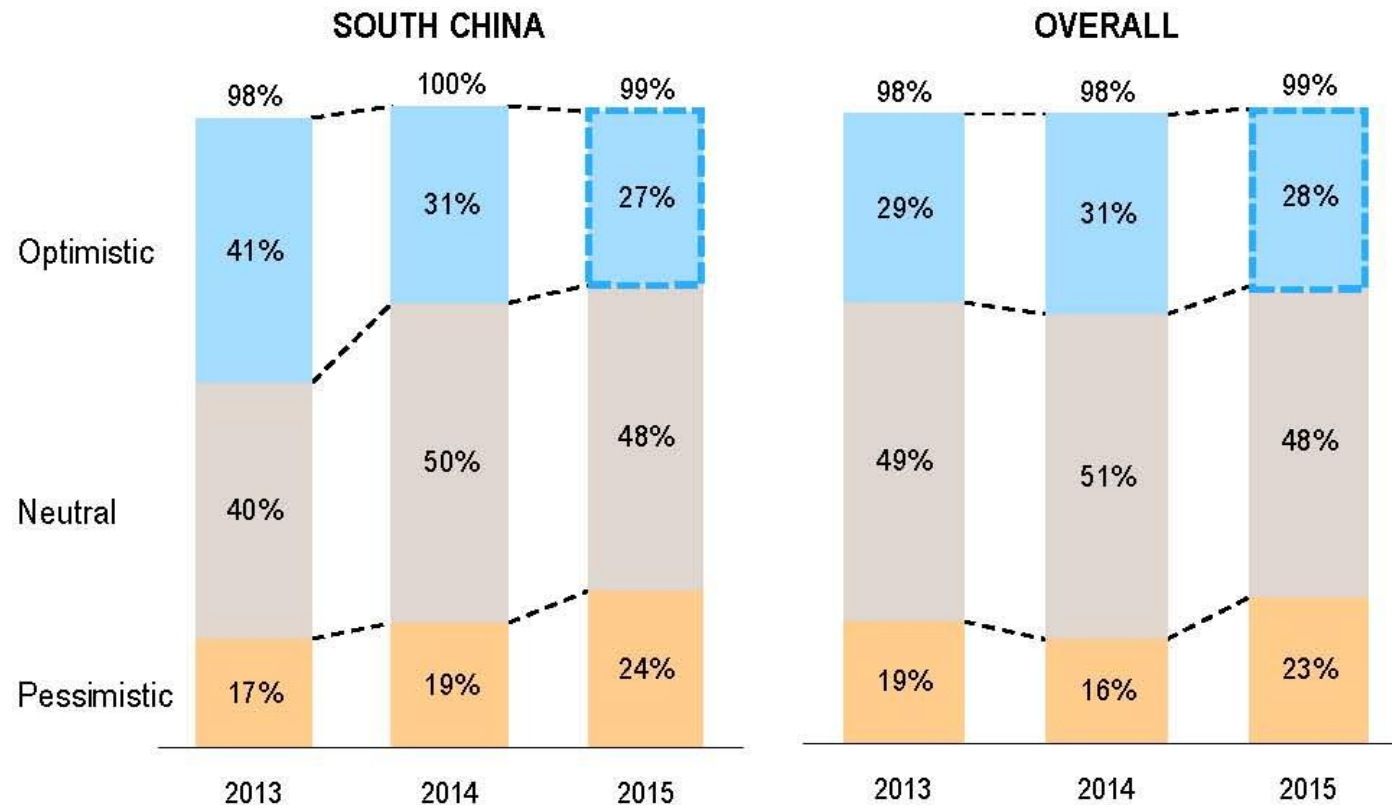
> **Optimism about growth** among SC companies has **declined by 17 points** since 2013 to reach **54%**

> **Less SC companies** state that they are **optimistic** about growth (54%) compared to the overall average (58%)



# SC companies stand at a similar level of optimism than overall average when outlook on profitability in China is concerned

Business outlook on profitability in China (2013-2015)

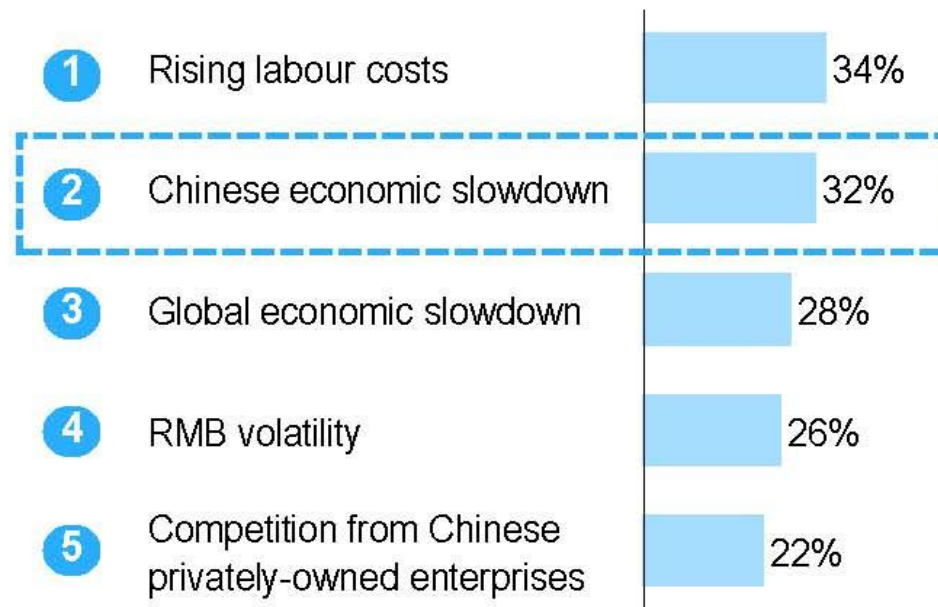


> The trend of declining optimism on profitability is even clearer for SC-chaptered companies with a **14-point decrease since 2013** compared to only 1-point decrease for the overall average

# SC companies are sensitive to a protracting Chinese economic slowdown that they rank among the main business challenges

Challenges for future business in China the most frequently reported among the top 3 (2015)

**SOUTH CHINA - TOP 10 CHALLENGES**



**OVERALL - TOP 10 CHALLENGES**



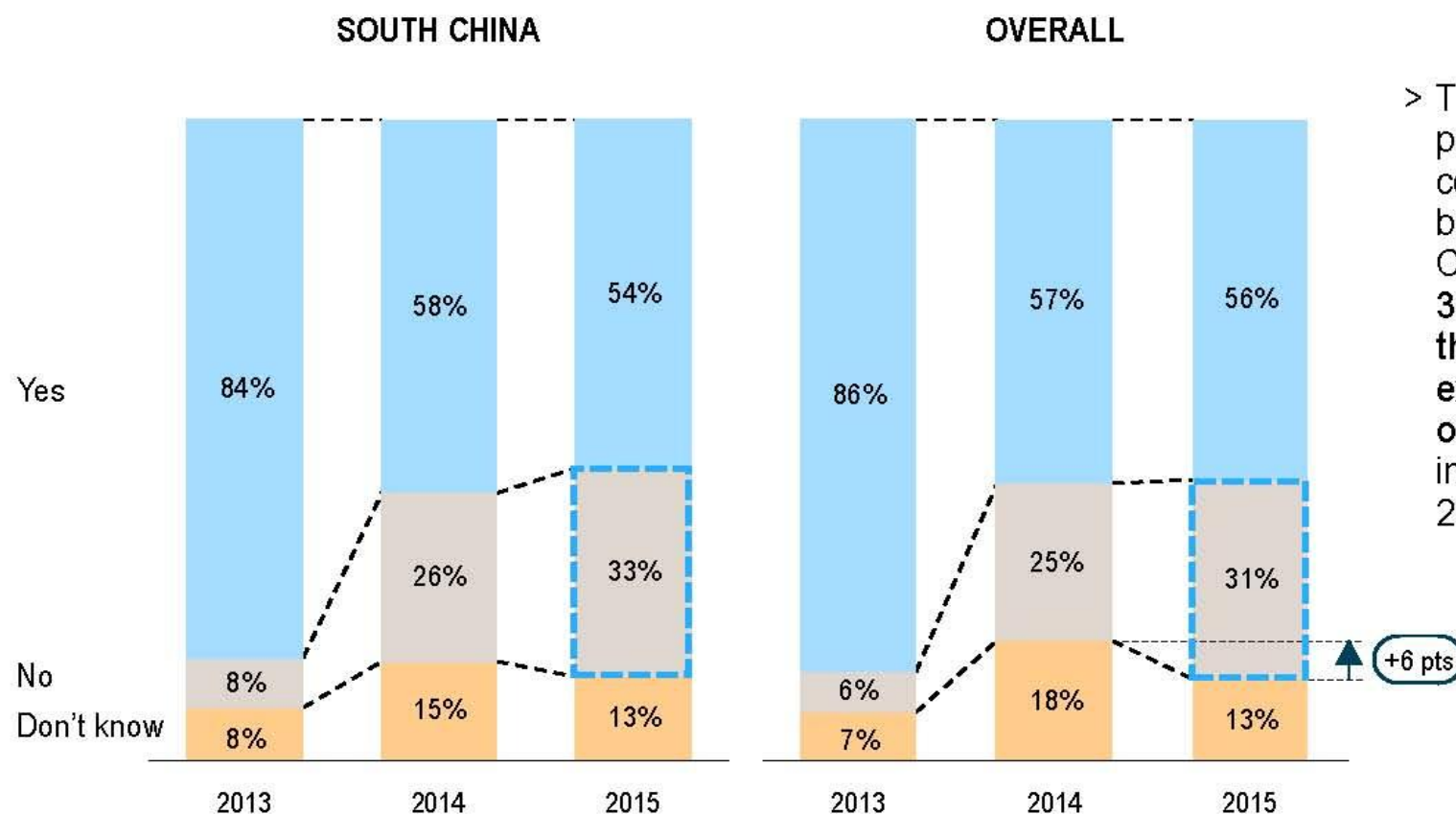
> The **Chinese economic slowdown** is the challenge for future business in China **the second most frequently ranked among the top three by SC companies at 32%** this year

Note: The percentages shown are the cumulated percentages of top 1, 2 and 3 challenges.

Source: BCS 2015, Roland Berger analysis

# One third of SC companies puts investment on hold in China, which is similar to the overall level

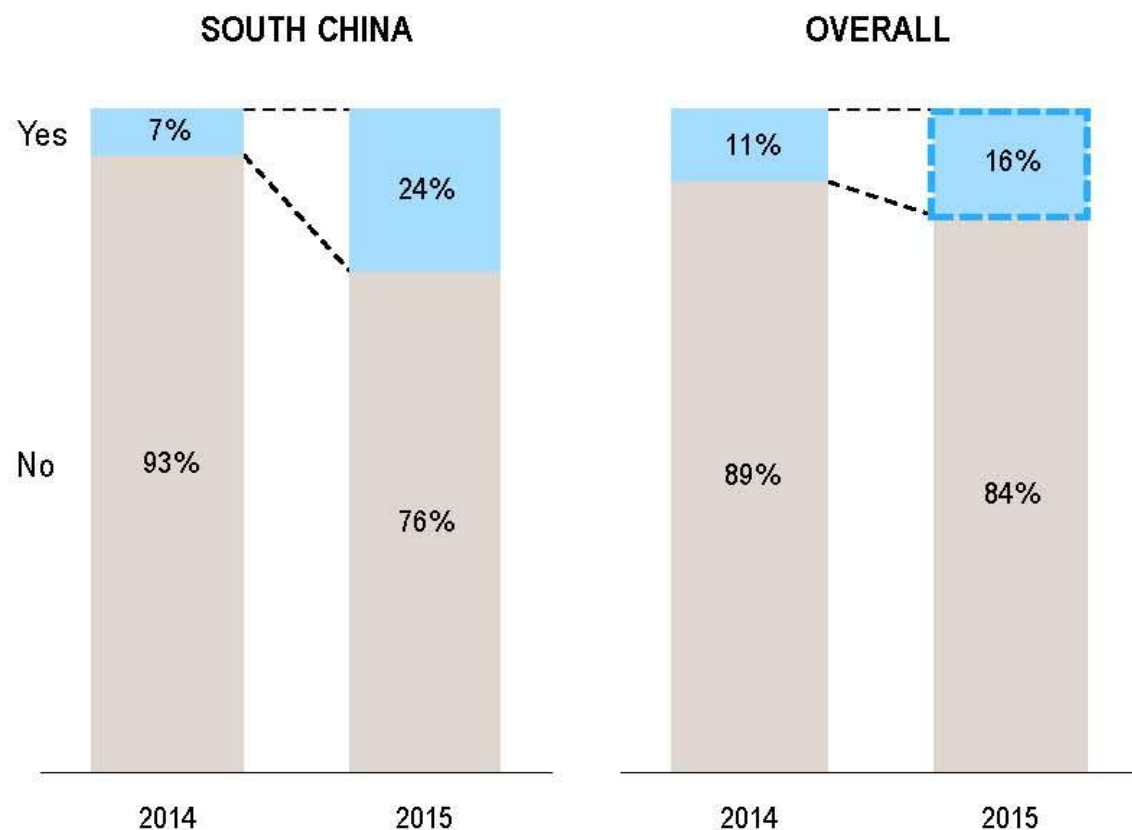
Expansion plans of China operations (2013-2015)



> This year marks a further polarisation between companies that are bullish or bearish on their China operations with **33% of SC companies that do not plan to expand their current operations**, a 7-point increase compared to 26% in 2014

# SC companies are more tempted to shift their investments to other markets as compared to the overall average

Investment shift to other markets (2014-2015)



- > The number of SC companies shifting investments from China to other markets has increased by 17 points from last year to **24%** in 2015
- > This represents an **8-point difference** compared to the overall average of 16%.

# Key Recommendations

## 主要建议



European Chamber  
中国欧盟商会



**European investors overlook South China in favor of Beijing and especially Shanghai.**

欧洲投资者通常会忽视华南地区的城市，更青睐北京、香港和上海。



**Brand South China as a Fully Integrated Region**  
促进华南地区一体化整合

❖ A targeted development strategy  
制定目标明确的发展战略

❖ Up-to-date information in English on the websites of the administrative bodies.  
在政府机构的网站上提供最新的英文版信息



**Ineffective Enforcement of IPR laws and not Regularly Publishing IPR Enforcement Decisions**

知识产权法律执行力度不足，未能定期向社会公布知识产权案件的裁决

**Prosecute IPR Offences & Improve Transparency of IPR Enforcement Decisions**

打击知识产权侵权行为，提高知识产权法的透明度

- ❖ Reinforce court authority against IPR counterfeiters  
加强法院针对知识产权方面的权威
- ❖ Make IPR enforcement decisions available to public  
确保行政与司法部门的知识产权执法决策的公开性



**Frequent Disputes and  
A Shortage of Talent with  
Engineering and Technical  
Skills in Labour Market**

劳动力市场面临劳动纠纷和技术型人才的短缺

**Develop a More Transparent and  
Talent-Oriented Labour Market**  
建立更加透明的人才导向型劳动市场

- ❖ Ensure transparency  
提高劳资纠纷仲裁透明性
- ❖ Provide funding for technical training and invest in vocational schools  
为技术培训提供资金支持





## Language Barriers and Cultural Differences

语言障碍和文化差异导致外国投资者难以有效地交流和开展业务



## Establish More Professional Contact Points for Foreign Investors in South China

为华南地区的外国投资者建立更加专业的联系点

- ❖ Hire qualified foreigners  
聘请更多符合资质的外籍人士
- ❖ Create an extensive information infrastructure  
创建覆盖范围广泛的信息平台



**Visa processing time**

签证受理时间



**Simplify the Application Procedures for Foreign Employees' Visas and Work Permits**  
简化外籍员工签证与工作许可的申请流程

- ❖ Reduce processing time  
缩短受理时间
- ❖ Improve the formal interview process  
优化正式面试流程
- ❖ Respect the right of all companies  
尊重各公司选择应聘外国人才的权利



## Inconsistent Implementation of Policies across Different Cities

各地法规政策得不到统一实施



## Improve Regulatory Transparency and Ensure Consistent Implementation of Policies

提高监管透明度，确保法规政策在华南地区所有城市得到统一执行

- ❖ Advanced notice on the implementation and collection of social contribution fees  
提供税收标准和执行的预期通知
- ❖ Publish draft regulations at the provincial and municipal level  
公布省市级法规草案



**European SMEs operating in South China face market access challenges.**

在华南地区运营的欧洲中小型企业面临市场准入的挑战

**Provide a Better Environment for the SMEs and Facilitate Wider Market Access**

为中小型企业的创办与发展提供更好的环境和更多的市场准入机会

- ❖ Centralise information for European SMEs  
集中为欧洲中小型企业提供有关地区及本地投资鼓励政策的信息
- ❖ Provide more platforms for European SMEs  
为欧洲中小型企业提供更多接触潜在客户的平台



**Basic services including education and medical care have not yet reached international standards.**

包括教育和医疗在内的基础服务没有达到国际标准

**Improve Overall Quality of Life  
Across the Region  
提高华南地区生活质量**

- ❖ Encourage the establishment of nationally- accredited international schools in South China.  
鼓励在华南地区建立全国认可的国际学校
- ❖ Establish more international hospitals  
建立更多国际医院



## The Efficiency of Customs Verification

海关认证效率依然是从事跨境物流业务的欧洲企业关注的重点

## Improve Custom Regulations in South China 改进华南地区海关监管

- ❖ Speed up the establishment of an Internet application and inquiry platform.  
加快建立互联网海关申请和查询平台
- ❖ Upgrade the customs clearance system  
升级海关清关体系
- ❖ Optimise the customs officer rotation system  
优化海关官员轮岗系统



## Slow Internet Speeds and Internet Censorship in South China

华南地区较低的网速和网络审查对欧洲企业的发展与运营带来了不便

## Increase Internet Speed and Ease Internet Censorship 提高网速，放宽互联网审查

- ❖ Upgrade network devices and the cabling system  
将网络设备与电缆系统升级为光纤技术
- ❖ Allow free flow of commercially relevant information  
允许商业相关信息的自由流通



**Thank You**  
**谢谢**