

## **Briefing notes on Guangxi**

Guangxi, officially the Guangxi Zhuang Autonomous Region, located in South China and bordering Vietnam and the Gulf of Tonkin (or the Beibu Gulf). Formerly a province, Guangxi became an autonomous region in 1958. Its capital city is Nanning. Guangxi has a population of about 56 million in 2020, including over 20 million ethnic minorities. It tops in Chinese provincial-level regions in terms of minority population.

### **1. Key information about the economy**

#### **GDP**

According to the latest data released in January 2021, Guangxi's GDP in 2020 was 2.2 trillion yuan (321.23 billion US dollars) with an annual growth of 3.7%. It accounted for 2.18% of the nation's total GDP and ranked 19 out of China's 31 mainland provinces.

The primary sector accounted for about 16% of the GDP in 2020. While the coast of the Beibu Gulf is a leading fishery and fish farming area, sugarcane plantation is also an important industry in Guangxi.

The secondary sector accounted for 32.1% of the GDP last year. A marked share of Guangxi's industrial production is related to the region's rich mineral deposits and agri- and aqua-cultural outputs, such as sugarcane and food processing, nonferrous metal, etc. Machinery industry is another major sector including automobiles, heavy mining machinery, electrical & electronics, instruments & apparatus, standard parts and component. Given its coastal location, the region has also developed a strong chemical and oil refinery sector.

For services industry (which accounted for more than half of the GDP), the wholesale/retail trade sector and hotel/catering services accounted for 19.8% of the added value of all the tertiary sectors while transportation, storage & postal services accounted for 8.4%. Guangxi is determined to capitalize on its geographic advantage to develop into a trade and logistic center especially serving the China-ASEAN Free Trade Area (CAFTA).

#### **Foreign trade**

Major exports of Guangxi included mechanical and electrical products, garments and clothing, rolled steel, porcelain and pottery wares, rolled steel and spin yarn, fabrics and the products. Vietnam was the leading export market in 2019, accounting for 46% of Guangxi's total exports. Hong Kong was the second largest export market after Vietnam, accounting for 19% of the total. Major import goods included mechanical and electrical products, soybean, iron ores and coal. In 2019, imports mainly came from Vietnam, Thailand, Australia and Taiwan.

The China-ASEAN Expo is a major annual event and Guangxi is aiming to leverage on its geographic location in bridging trade and investment flows between China and ASEAN under the CAFTA framework.

### **Foreign Investment**

In 2019, Guangxi's utilized FDI reached USD 1.1 billion, representing a 119% increase from the amount a year before, and it was the second largest amount since 2010 (the largest amount was US\$ 1.7 billion in 2015). The industrial sector accounted for 75% of the total FDI. Guangxi encourages foreign investment in primary industry, new high technology, construction materials, agricultural development and technology upgrading for existing production enterprises.

Hong Kong was the largest source of foreign investment in Guangxi. In 2019, utilized foreign capital from Hong Kong accounted for 34% of Guangxi's total FDI. Other major sources of investment included British Virgin Islands, Taiwan and Singapore.

### **Poverty alleviation**

Guangxi is a mountainous region and has long been plagued by poverty. It has been a major front in China's anti-poverty campaign that aims to eradicate absolute poverty by 2020. Government data shows that more than 9.32 million people and 46 poor counties in Guangxi have been lifted out of poverty in 2012-2019, cutting the poverty rate from 18% in 2011 to 0.6% at the end of 2019. As a result of the region's continued efforts in implementing "high-precision" poverty alleviation by offering tailored policies and special poverty alleviation funds to support the development of the remaining eight poor counties, Guangxi government announced in November 2020 that all 54 poor counties in Guangxi have been lifted out of poverty.

### **Top enterprises**

Below are the 2020 top 20 enterprises in Guangxi ranking by the revenue in 2019.

- 1) Guangxi Investment Group (广西投资集团有限公司)
- 2) Guangxi Construction Group (广西建工集团)
- 3) Guangxi Liuzhou Iron and Steel Group (广西柳州钢铁集团)
- 4) SAIC-GM-Wuling Automobile Co., Ltd. (上汽通用五菱汽车股份有限公司)
- 5) Guangxi Beibu Gulf International Port Group Ltd. (广西北部湾国际港务集团)
- 6) Guangxi Power Grid Corporation (广西电网)
- 7) Guangxi Communications Investment Group Corporation Ltd. (广西交通投资集团)
- 8) Guangxi Beibu Gulf Investment Group Co., Ltd. (广西北部湾投资集团)
- 9) Guangxi Rural Credit Union (广西壮族自治区农村信用社联合社)
- 10) Nanning Fugui Precision Industry Co., Ltd. (南宁富桂精密工业有限公司)
- 11) China Tobacco Guangxi Co., Ltd. (中国烟草总公司广西壮族自治区公司)

- 12) Guangxi Yuchai Machinery Group (广西玉柴机器集团有限公司)
- 13) Guangxi Shenglong Metallurgical Co., Ltd. (广西盛隆冶金有限公司)
- 14) Mutian Technology Co., Ltd. (沐甜科技股份有限公司)
- 15) China Tobacco Guangxi Industrial Co., Ltd. (广西中烟工业有限责任公司)
- 16) Guangxi Modern Logistics Group Co., Ltd. (广西物资集团有限责任公司)
- 17) Guangxi LiuGong Group Co., Ltd. (广西柳工集团有限公司)
- 18) Guangxi Automobile Group Co., Ltd. (广西汽车集团有限公司)
- 19) Dongfeng Liuzhou Motor Co., Ltd. (东风柳州汽车有限公司)
- 20) Guangxi Jinchuan Nonferrous Metals Co., Ltd. (广西金川有色金属有限公司)

## **2. Key goals/tasks in the 14th FYP relevant to business**

On 10 May 2021, *The 14th Five-Year Plan for National Economic and Social Development of Guangxi Zhuang Autonomous Region and the Outline of Long-term Goals for 2035 (the "Plan")* was issued in Nanning. The Plan sets a target of an average annual GDP growth of more than 6.5% for the Autonomous Region during the 14<sup>th</sup> FYP period, above the national average and the average of Western China.

The Plan also identifies **six** major strategic development priorities/tasks:

### **1) Promote all-round opening up**

- Build the new western land-sea corridor as a leading project;
- Take the Beibu Gulf Port as a key land-sea gateway, focusing on southward and eastward development, and coordinating northward and westward development;
- Connect with the development of the Great Bay Area in an all-round way;
- Turn the unique geographical superiorities into advantages to promote all-round opening up by partnering with the southwest, northwest and central south regions to deepen cooperation with ASEAN countries, RCEP countries and the countries along the Belt and Road.

### **2) Focus on Innovation-driven development**

- Focus on innovation to support high quality industrial development;
- Integrate innovation resources, incubate innovation entities, and stimulate innovation vitality;
- Strive to break through the technical bottlenecks constraining industrial transformation and upgrading; Integrate all innovation resources from government agencies, enterprises, research institutes, colleges to create the science and technology cooperation platform;

Commercialize the technological innovation achievements to support high-quality development in the region.

### **3) Adhere to green development**

- Place priority on developing an eco-friendly economy by implementing sustainable strategies;
- Adhere to President Xi's green development philosophy of "clear waters and green mountains are as good as mountains of gold and silver" (绿水青山就是金山银山) ;
- Build a sustainable and green development with Guangxi's characteristics which leads to a region with well-developed industrial system, beautiful landscapes, clean air and water, and wealthier and happier people.

### **4) Promote industrial revitalization**

- Focus on the development of real economy and deepen supply-side structural reform;
- Cultivate and support leading enterprises, make up for the shortcomings of the industrial chains, build industrial clusters, promote innovation, improve brand awareness, and expand market shares;
- Promote high-end, intelligent and green industries, accelerate the development of the high-end manufacturing, ocean engineering, modern agriculture, ecological economy, culture and tourism, modern logistics and digital transformation, as well as a financial center for trade and investment cooperation with ASEAN countries.

### **5) Push forward rural vitalization**

- Prioritize the development of agriculture and rural areas by taking solid steps to deepen agricultural and rural reform;
- Advance the new-type urbanization and rural infrastructure construction, and strengthen urban-rural integrated development;
- Promote rural tourism with beautiful landscapes in rural areas;
- Consolidate and extend the achievements of poverty alleviation.

### **6) Implement the strategy of national rejuvenation through science, technology and education**

- Substantially increase investment to accelerate the development of science, technology and modern education;
- Leverage education, talents and scientific technology to support the development of real industry, economy and overall strengths in the region.

## **3. Key areas of future investment and any local policies/initiatives to encourage this investment**

### **1) Infrastructure**

As a key crossroads providing Western China with full access to global markets, Guangxi will help

expand the Belt and Road Initiative and support China's opening-up in the 14th FYP period. According to the Plan, Guangxi will promote the construction of a number of major transportation and energy infrastructure projects, including:

- Construction of the **Beibu Gulf International Gateway Port** 北部湾国际门户港
  - Construction of container terminals, large-scale bulk port, cargo terminals, roll on roll off ship terminals, deep waterways, sea-rail transport networks, river-sea transport networks, industrial clusters at the port, and international industrial cooperation parks with focus on the port cooperation with Malaysia and Brunei, etc;
- Construction of the **New Western Land-Sea Corridor** 西部陆海新通道 which connects major inland cities in southwestern China with coastal and border cities in Guangxi through which cargo from inland China can be transported to the border and then shipped to ASEAN countries and then on to other parts of the world
  - Construction of a number of main line railways and expansion of existing railways, expressways connecting port and industrial parks, UHV electricity transmission lines, and power infrastructure connectivity with Vietnam, etc;
- Construction of Nanning Airport Economic Demonstration Zone 南宁临空经济示范区
  - Expansion and upgrading of Nanning Wuxu International Airport; improving air transport capacity particularly the cargo transport capacity between China and ASEAN countries as well as other countries along the Belt and Road; building an airport eco-system supported by aviation logistics, aircraft manufacturing and maintenance, aviation-related high-tech business and international trade, etc.

### **Incentive policies**

In April earlier this year, Guangxi government issued *The Three-Year Action Plan for Guangxi to Expand Investment (2021-2023)* (《广西扩大有效投资三年攻坚行动方案 (2021—2023 年)》) and *The Notice on Three-Year Action Plan for the Construction of Major Projects in Guangxi (2021-2023)* (《广西重大项目建设三年行动计划 (2021—2023 年)》). According to these two three-year action plans, Guangxi will invest a total of 3.84 trillion yuan in major projects with an average annual investment growth of more than 15% during 2021-2023.

Guangxi will expand infrastructure investment focusing on transportation and energy. In 2021 to 2023, the total investment in transportation infrastructure in the region will exceed 900 billion yuan, including 180 billion yuan for railways, 670 billion yuan for highways, 50 billion yuan for water transportation and 8 billion yuan for civil aviation. A total investment of more than 220 billion yuan in energy infrastructure will be made, majorly to support the construction of smart grids, nuclear power plants, onshore and offshore wind power plants, photovoltaic power plants, natural gas projects, LNG receiving terminals, etc.

Guangxi government will improve service quality, increase efficiency and strengthen coordination to support these major projects in terms of project approval, land use, forest use, financing, labor and raw materials and others involved in the whole lifecycle of major projects, from planning, preparation, construction to completion and commissioning.

## **2) Digitalization and new infrastructure**

Guangxi aims to build “Digital Guangxi” by implementing big data strategy, promoting integration of digital economy and real economy, strengthening data integration and sharing, promoting digital government services to improve efficiency and quality of public services and social governance. Below areas are expected to attract most investment:

- Advanced technologies such as 5G, block chain, geographic information, remote sensing, Beidou navigation satellite system, high-end software, artificial intelligence, etc;
- Industry digitalization including e-commerce, smart logistics, smart tourism, smart finance, remote patient monitoring and telemedicine, smart farming, etc;
- Digital government services aiming to improve the efficiency and quality of public services, involving cloud services, public data sharing platform, etc;
- Construction of smart cities and smart villages by promoting digital transformation of schools, hospitals, eldercare houses, stadiums, museums, libraries, residential communities. Construction of digital platforms for rural e-commerce of agricultural products and rural tourism.

### **Incentive policies**

In July 2020, Guangxi government issued the *Data Center Development Plan of Guangxi Zhuang Autonomous Region (2020-2025)* (《广西壮族自治区数据中心发展规划（2020—2025年）》). According to the development plan, Guangxi government will provide a series of policy support to the construction and operation of data centers in the region, involving land use, electricity use, construction of municipal supporting facilities, infrastructure construction of network, talents attraction, fiscal special funds, etc.

## **3) Advanced manufacturing**

Guangxi aims to build a number of high-end industrial clusters with edge-cutting digital technologies to enhance the core competitiveness of its manufacturing industry. These clusters cover below sectors:

- Electronic and information technology, new energy vehicles and smart vehicles, advanced machinery manufacturing, new metal materials, new chemical materials, fine ground

- calcium carbonate, etc;
- Leverage digital technologies including 5G, Internet of Things, big data, AI and Cloud to support the development of advanced manufacturing clusters.

#### **Incentive policies**

According to its 14<sup>th</sup> FYP, Guangxi will expand the scale of medium and long-term loans and credit loans for high-end manufacturing enterprises, increase the amount of loans for technological innovation, and encourage equity and debt investment in manufacturing industry. Guangxi government will also improve its public services to support the key manufacturing projects during the whole project lifecycle.

### **4) Energy**

Guangxi will make all efforts to guarantee energy security and promote the infrastructure construction of smart and clean energy. The region will kick off a few key projects, including:

- Construction of new energy projects including nuclear power plants, hydropower plants, onshore and offshore wind farms, solar power plants, biomass power plants, etc;
- Infrastructure construction of energy storage & transport and power transmission, including large-scale LNG receiving terminals, UHV transmission networks, smart grids, renewable energy storage solutions, NEV charging facilities, etc.

#### **Incentive policies**

*The Three-Year Action Plan for Guangxi to Expand Investment (2021-2023)* issued by Guangxi government stipulates that the allocation of the special fiscal funds managed by the relevant departments of Guangxi government should give priority to support the major projects in the region. More than 400 million yuan of special funds provided by autonomous region government will be allocated for the preparatory work of the major projects, including major energy projects.

### **5) Modern services**

Guangxi will push forward the integration of producer services and advanced manufacturing, and increase the provision and improve quality of consumer services. Below sectors will benefit from the boost of modern services in the region:

- Producer services: R&D and design, modern logistics, legal services, software development, science and technology services, inspection testing and certification, port and shipping services, human resources services, exhibition services, etc;
- Consumer services: healthcare, household management services, education, training, culture and art, sports, and property management, etc.

### **Incentive policies**

Earlier this year, the Department of Finance of Guangxi announced a budget of 174.94 million yuan as the first batch of special funds to support the development of the service industry in 2021. Among them, 162.64 million yuan is allocated to support the key projects in modern service industry including sectors such as modern logistics, tourism, digital economy and other emerging service industries.

## **6) Medical and healthcare**

Guangxi aims to foster international exchanges and cooperation in the healthcare sector by building a medical pilot zone in the city of Fangchenggang (防城港国际医学开放试验区).

- Actively cooperate with the Belt and Road countries in healthcare and infectious disease prevention and control ;
- Promote international development of traditional medicine cooperation and support Chinese traditional medicine to “go global”;
- Strengthen international cooperation in food nutrition by building an innovative cooperation platform for food & nutrition with ASEAN countries, and promoting the development and utilization of new food raw materials and substances of “medicine and food homology”;
- Develop the medical laboratory service industry, promote international medical technology research and development, clinical trials and transformation of medical innovation achievements; Strengthen the supply of medicines and medical devices that are in urgent need at home and abroad which relate to people's key livelihood issues.

### **Incentive policies**

The Fangchenggang medical pilot zone was first proposed by Shanghai Cooperation Organization (SCO). According to the SCO statement, the facilitating policies will allow new technologies and new products that conform to international standards to enter the medical pilot zone, to be produced, applied and transported, as well as obtain preferential financial, customs, taxation and personnel policies. The pilot zone is expected to provide a new platform for medical innovation and cooperation in the region.

## **7) Financial services**

Guangxi aims to promote renminbi application in cross-border transactions between China and ASEAN countries, deepening the reform of the financial system and mechanism, strengthening



financial cooperation between China and ASEAN countries, and facilitating the construction of the newly established New International Land-Sea Trade Corridor. Relevant initiatives include:

- Accelerate the construction of RMB cross-border settlement, currency transaction, cross-border investment and financing service system for China's trade and investment with ASEAN countries;
- Strengthen financial product cooperation with ASEAN countries in securities, bonds, futures and derivatives;
- Promote logistics financial services, fintech, insurance, equity financing, settlement services of city commercial banks, and policy-oriented financial services;
- Build financial reform demonstration zones, and vigorously bring in financial talents. Attract large domestic financial institutions to set up regional headquarters, functional headquarters, business operation teams in Guangxi.

#### **Incentive policies**

In March 2021, the Finance Office of Nanning issued *Nanning's Several Policies for Promoting High-quality Development of the Financial Industry* (《南宁市促进金融业高质量发展若干政策》). The policies clearly state that a bonus will be given to financial institutions for setting up headquarters, regional headquarters, primary branches, etc in Nanning. For example, a one-time settlement award of 5 million yuan will be given to the licensed financial institutions settled in Nanning with paid in capital of 1 billion yuan and above.

#### **4. Advantages including relative to other locations in China**

- **Geographical strengths:** Guangxi located in both coastal and border areas, adjacent to the Great Bay Area and ASEAN countries. The Guangxi Beibu Gulf is a deep-water port with rich mineral, oceanic energy, and biological resources. It is the most convenient access to the sea and the only coastal area in Western China. The construction of the port has now become a national strategic project.
- **Policy superiorities:** while Guangxi owns the geographical advantages with access to the sea that other western provinces do not have, it benefits from China's Western Development Strategy with special fund support and preferential policies in relation to tax, financing, land using, R&D, talent attraction and others. In addition, China's decision to choose Nanning City as the permanent host site of China-ASEAN Expo has made Guangxi the forefront and core area between China and ASEAN countries in terms of trade and investment.
- **Benefit from South China Economic Circle:** close to Guangdong, Hong Kong, Macao and Taiwan, Guangxi is well-positioned to be one of the main destinations for the relocation of enterprises in

the Pearl River Delta. Hong Kong enterprises has placed Guangxi as a focus for their investment in the mainland, and Taiwan enterprises also invested a significant amount of capital in Guangxi.

- **Cost advantage:** lower labor and material cost than those in the eastern coastal regions.
- **Rich natural resources:** Guangxi is rich in natural resources. Among the 97 kinds of proved mineral reserves found in the Region, the deposits of tin, manganese, antimony and lime are the largest in China. Mining resources are relatively less polluted in Guangxi than other provinces. Guangxi is also rich in timber and forestry resources. Besides, Guangxi has rich hydropower resources with great potential to develop clean energy.
- **Beautiful natural environment:** Guangxi has the subtropical climate with abundant rainfalls throughout the year. The region is green and clean, and the air quality is one of the best in the country. Guilin, together with Beijing, Shanghai and Xi'an, is one of China's four major tourism cities.

#### **5. MNCs already present in Guangxi or which have announced plans to invest there – description of business etc**

In recent years, Guangxi has rolled out a series of policies to improve the region's business environment to attract more foreign investment. The local government departments have formulated relevant supporting policies to create favorable conditions for foreign companies to invest and operate in Guangxi. These policies cover areas including infrastructure construction, water and electricity supply, financial support, and talent support.

According to the statistics of Department of Commerce of Guangxi, 501 foreign invested companies set up in Guangxi in 2020 and utilized FDI throughout the year was about US\$1.3 billion. Hong Kong (42.95%) and Taiwan (27.52%) are two main sources of foreign capital.

Below are a few names of MNCs operating/investing in Guangxi that are captured by searching news.

- **Siemens Energy** – In Nov 2020, Qinzhou Municipal government, China Huaneng Group and Siemens' Energy signed the cooperation framework agreement to build a large base for offshore wind power generation in Beibu Gulf. The total investment of the project is about 110 billion yuan.
- **ZF Friedrichshafen AG** – In 2018, Guangxi Liugong Machinery and ZF Friedrichshafen AG formed a joint venture, Liuzhou ZF Machinery Co., Ltd, to manufacture driveline and spare parts of driveline for construction machinery.
- **MTU Friedrichshafen AG** – MTU Friedrichshafen (a subsidiary of Rolls-Royce Power Systems) and Guangxi Yuchai Machinery set up a 50/50 joint venture in 2017 to manufacture MTU diesel

engines in China. The engines are primarily for the Chinese off-highway market, in particular for power generation and oil & gas applications.

- **Caterpillar Inc** – Caterpillar and Guangxi Yuchai Machinery formed a joint venture in 2009 to provide remanufacturing services for Yuchai diesel engines and components and certain Caterpillar diesel engines and components. By leveraging remanufacturing technology through Caterpillar's Remanufacturing and Sustainable Solutions Division (Cat Reman), the partnership promoted China's sustainability and environmental preservation initiatives.
- **Temasek/ Pacific International Lines (PIL) Group** – PIL developed the Singapore-Guangxi Integrated Logistics Park in Nanning city, which consolidated supply and provide logistics solutions such as central warehousing, cold chain management and multimodal transportation across air, land and sea. The Logistics Park, construction commenced in 2017, positioned Guangxi as a logistic base to distribute commodities and products to South East Asia. The deal was backed by Temasek Holdings.
- **Temasek/ PSA International** – PSA, PIL and Beibu Gulf Port Group (BPG) established a joint venture in 2018 to build a container terminal, Beibu Gulf-PSA International Container Terminal Co., Ltd (BPCT), at Guangxi's Qinzhou port. PSA is the world leading global port groups with its headquarter situated in Singapore and own by Temasek Holdings.
- **IKEA** – IKEA is currently building an IKEA mall with a total construction area of more than 120k square meters in Nanning. The construction will be completed by May this year and it is expected to open in August.
- **Yum** – it is reported in January that Yum China would establish a smart supply chain support center in Nanning city. The center will combine integrated supply chain services, Internet of Things (IoT) technology, big data platforms and high-quality cold chain logistics facilities.