



Centre for Economic Development,
Transport and the Environment

OULUN YLIOPISTO
UNIVERSITY of OULU



Yingying Huan, Lingyun Wang, Matti Muhos, and
Pekka Kess



Investment Environment of Yangtze River Delta Economic Zone



European Union
European Regional Development Fund

Leverage from
the EU
2007-2013

Working Papers in Department of
Industrial Engineering and Management 4/2011



Centre for Economic Development,
Transport and the Environment

OULUN YLIOPISTO
UNIVERSITY of OULU



Yingying Huan, Lingyun Wang, Matti Muhos, and
Pekka Kess



Investment Environment of Yangtze River Delta Economic Zone



European Union
European Regional Development Fund

Leverage from
the EU
2007-2013

Working Papers in Department of
Industrial Engineering and Management 4/2011

UNIVERSITY OF OULU

Working Papers in Department of Industrial Engineering and Management

Yingying Huan, Lingyun Wang, Matti Muhos, Pekka Kess

**Investment Environment of Yangtze River Delta
Economic Zone**

ISBN 978-951-42-9372-6
ISSN 1459-2401

| | | | |
|--|-----------------------|--------------------------------------|--|
| Authors Maaria Pennanen, Lingyun Wang, Matti Muhos, Pekka Kess | | Type of publication Working paper | |
| | | Client University of Oulu | |
| Name of the report INVESTMENT ENVIRONMENT OF YANGTZE RIVER DELTA ECONOMIC ZONE | | | |
| Abstract This study is part of the CHISU project. This paper is a report of Foreign Direct Investment (FDI) in Yangtze River Delta economic zone (YRD). The paper first gives a brief induction of the investment environment of four main cities in YRD, which are Shanghai, Hangzhou, Suzhou and Ningbo. The investment environment is presented from the perspectives of city introduction, foreign investment, operating cost, living environment and taxation. The main industries and regulations of the parks of the local high-tech parks are introduced in the paper. Then the paper analyzes the main challenges and benefits when they are planning invest in YRD economic zone. Finally, the paper ends up with the summary. Most figures presented in this paper are data in year 2007 due to the statistic figures limitation. The paper gives a basic view of the investment environment in YRD economic zone. It helps the companies planning business development in China to gain some knowledge of the business environment. | | | |
| Keywords Peoples Republic of China, Yangtze River Delta economic zone, investment environment, Foreign Direct Investment, operating cost, living environment, taxation | | | |
| Other information | | | |
| Name of the series University of Oulu Working Papers in DIEM | ISSN 1459-2401 | ISBN 978-951-42-9372-6 | |
| Number of pages ... + appendices | Language English | Confidentiality Public | |
| Distributor University of Oulu, DIEM | | Publisher | |

Table of Contents

| | |
|--|----|
| Abstract | |
| Table of Contents | |
| 1 Introduction | 6 |
| 2 The investment environment of the major cities in YRD | 8 |
| 2.1 Shanghai | 8 |
| 2.1.1 Investment environment in Shanghai | 9 |
| 2.1.2 Finnish official organizations in Shanghai | 12 |
| 2.2 Hangzhou | 12 |
| 2.3 Suzhou | 14 |
| 2.4 Ningbo | 17 |
| 2.5 Summary of investment environment in YRD economic zone | 19 |
| 3 High-tech parks in YRD economic zone..... | 20 |
| 3.1 Shanghai Zhangjiang High-tech Park..... | 20 |
| 3.2 Hangzhou High-tech zone | 22 |
| 3.3 Suzhou Hi-tech Park | 24 |
| 3.4 Ningbo High-tech Zone | 25 |
| 4 Challenges and Opportunities | 26 |
| 4.1 Business culture conflict..... | 26 |
| 4.2 Profit margin pressure..... | 26 |
| 4.3 Environmental protection | 27 |
| 4.4 A new consumption-driven economy | 27 |
| 5 Summary | 29 |
| References | 31 |

1 Introduction

This report is based on study conducted by Yingying Huan, which was made in the Department of Industrial Engineering and Management at University of Oulu in 2009-2010. The study was made as a part of CHISU (Building an internationalization process for Chinese markets) -project funded by European Regional Development Fund (ERDF). The objectives of CHISU -project is to better understand the opportunities and threats in doing business in China, understand the business decisions and actions needed to utilise some of the potential, and to help small- and medium -sized companies (SMEs) to start collaboration in China.

Foreign Direct Investment (FDI) is one of the key components of national development strategies for Chinese economy. It has been praised for introducing skills and new technology, and creating more job opportunities in China. Some existing studies about FDI in China helps to understand the factors that are important in attracting foreign investments in China point out that an attractive investment environment is one of the key tools in promoting FDI (Yeung, 2001). In this sense, Chinese government puts a lot of effort to improve the investment environment and provide preferential policies in order to attract more FDI.

On the other hand, the domestic labour force and the consumer market that constitutes one-fifth of the world's population now offer an undeniable abundance of business opportunities. Not surprisingly, major business interests from around the world are finding it increasingly difficult to ignore China in their strategy making processes (Martinsons, 1992).

Yangtze River Delta (YRD) economic zone is an attractive destination of foreign investment and takes the leading position in foreign trade of China. In terms of FDI, 34.6% of the foreign funded projects in China chose YRD economic zone as an investment location. The value of investment reaches USD 40.18 billion, which accounting for 48.6% of China's total value of utilized foreign investment in 2007 (Nie, 2008). There were already over 80,000 foreign-invested companies in YRD economic zone at the end of 2008. Foreign investment in the YRD is mainly engaged in the manufacturing sector. However, it is a new trend that more foreign high-tech industries move their investment from other Asian countries to the YRD in recent years (HKTDC, 2009b).

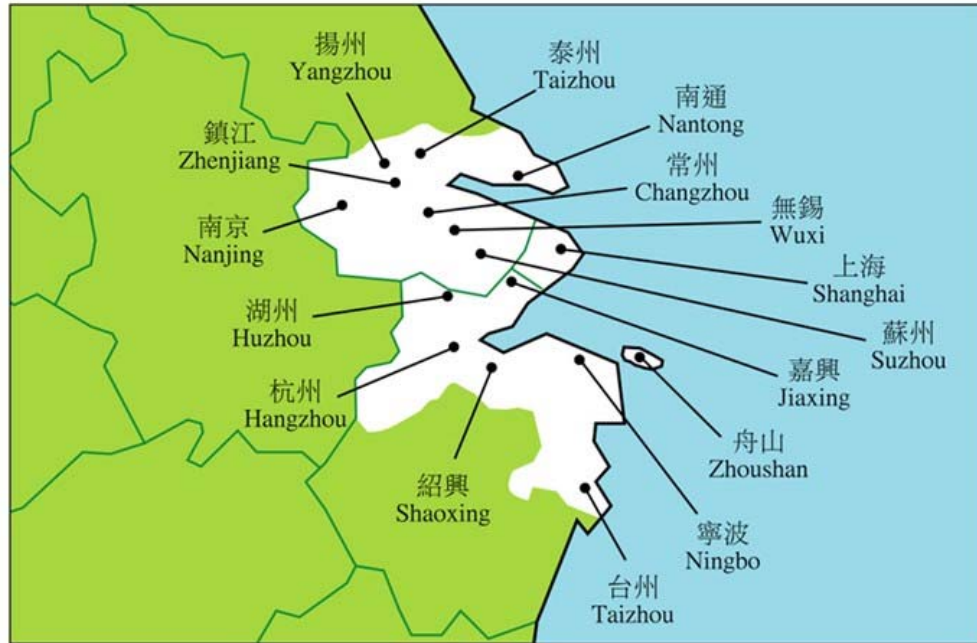


Fig. 1. The cities in Yangtze River Delta economic zone (HKTDC, 2009b)

The range of YRD economic zone is identified by a radius of three-hour drive from Shanghai. YRD economic zone comprises total sixteen cities which are led by Shanghai. It includes Shanghai, seven cities in Zhejiang province, and eight cities in Jiangsu province (HKTDC, 2009a). The seven cities in Zhejiang province are Hangzhou, Ningbo, Huzhou, Jiaxing, Zhoushan, Shaoxing, and Taizhou. The eight cities in Jiangsu province are Nanjing, Suzhou, Yangzhou, Zhenjiang, Taizhou, Wuxi, Changzhou and Nantong. Fig. 1 illustrates the location of the cities.

Gross Domestic Product (GDP) of YRD economic zone in 2007 is RMB 4,667.2 billion with 14.8% increase based on the GDP level of 2006 (National Statistic Yearbook, 2008). YRD economic zone keeps its leading position with 2.9% above the average national growth rate. With less than 2% land area of China and 6.3% population, the YRD region contributes to 22.5% of national GDP in total.

The YRD area is the fastest growing economic zone with the largest amount of exportation, most foreign investors and biggest potential development opportunities in China (Wei et al., 2001). Therefore, this study is a summary report to present the investment environment of YRD based on the existing literatures and evidences. The purpose of this paper has two folds. First is to help foreign investors, especially for those companies who are planning their business development in China, to learn the basic investment environment of YRD economic zone. Second, it helps foreign investors to be aware of the emerging business opportunities in YRD economic zone.

The paper is organized as follows. *Section 1* presents the background of this paper. *Section 2* gives a brief induction of the investment environment of main cities in Yangtze River Delta economic zone. Most figures in this section are data in year of 2007 due to the statistic figures limitation. *Section 3* looks deeper into some specific high-tech zones and industry parks in YRD economic zone. *Section 4* analyzes the main challenges and benefits for the investment in YRD economic zone. *Section 5* summarizes the main contributions of this paper and what can be done further on.

2 The investment environment of the major cities in YRD

Investment environment is one of the key features when an investor makes investment decision to a specific area. It is important to improve the investment environment and make sure the foreign investors understand the advantages of investment environment in the area. Otherwise, multinational corporations may prefer to invest in areas with better investment environment or in those areas with fewer FDI competitors (Sun, Tong and Yu, 2002).

This section illustrates the investment environment of four major cities in YRD economic zone. The four cities are Shanghai, Hangzhou, Suzhou and Ningbo. These cities were ranked as the top four cities in YRD economic zone according to their GDP levels in 2007. According to the list of China institute of city competitiveness (2009), Shanghai, Hangzhou, Suzhou, and Ningbo are listed in the top 20 most competitive cities in China. Among the cities of YRD economic zone, the four cities ranked top four for their investment environment also.

Researches illustrate that various conditions absorb foreign investments. Investment environment is a dynamic and multi-factor system. It does not only include natural resources, geographical conditions, infrastructure and other “hard” environmental or physical attributes of a region, but also includes political and economic systems, industrial structure, cultural traditions, legal system and other “soft” environmental or non-physical attributes of the region (Lin, 1986; Mun, 1987; Aboue-Enin, 1994; Shin, 1994).

In this paper, investment environment is evaluated from both ‘hard’ and ‘soft’ attributes. The investment environment of Shanghai, Hangzhou, Suzhou and Ningbo are presented from five aspects: 1) context of the city: location, basic city information, economy of the city and future plan of the city; 2) foreign investment in the city: foreign investment trends, top sector of foreign investment; 3) operating costs: land and factories, human resources, utilities, transportation; 4) living environment: travel, housing, healthcare, shopping, leisure and education; and 5) taxation (KPMG, 2007).

2.1 Shanghai

Shanghai is the centre city of YRD economic zone. It is the largest and most prosperous city in China. Shanghai is also one of the largest metropolitan areas in the world. There are over 20 million populations in Shanghai.

Shanghai is ranked the first place in China for overall investment environment and the best in labour environment, entertainment, quality of life, efficiency, and potential for future development (Fortune China Magazine, 2008). This section focuses on investigating investment environment of Shanghai from the perspective of foreign investors when making decision on the location of investment. A brief introduction is

presented about Shanghai city, the current situation of foreign investment and the local living environment. More details are focused on the operating costs to set up enterprises in Shanghai.

2.1.1 Investment environment in Shanghai



Fig. 2. Shanghai (Shanghai government, 2009)

Shanghai is located in the centre of eastern coast of China. It has geographic advantage as an economic centre because it is located on estuary of the Yangtze River conjunction to Eastern Sea. Naturally, it becomes an open port to connect the world. Shanghai is one of four municipalities directly administrated by central government of China. As the leading city of the YRD regional development, its GDP level reaches RMB 120 billion in 2007 with economy increase 13.3%, based on the GDP level in 2006. The ratios of agriculture, manufacturing and services sectors in the total GDP of Shanghai are 1%, 47.3% and 51.7% respectively (HKTDC, 2008a).

Shanghai is planned to develop as an international economic, trade, financial and shipping centre of the world. A comprehensive industrial structure has been developed in Shanghai. Currently, industrial development in Shanghai focuses on the high-tech industries and business services. High-tech industries include information technology (IT), automobiles, equipment lines, optical-electronics, bioscience and advanced materials. Business services are developed in finance, trade and real estate (People Daily, 2007).

2.1.1.1 Foreign investment in Shanghai

In 2007, FDI in Shanghai is USD 7.9 billion with 11.4% increase compared to the FDI in 2006. In 2007, the value of utilized FDI in Shanghai accounted for 9.5% of total value of utilized FDI in China. There are about 300 of the world top 500 enterprises have invested in Shanghai, such as Delph, General Electric, Mitsubishi, Tochu, Siemens and Hitachi etc. Since Shanghai has significant influence on business activity widely in China, especially in the eastern region and YRD, foreign companies usually choose Shanghai as a foothold to enter the Chinese market. Newly approved foreign investment projects in Shanghai achieved 4,206 accounting for USD 74.7 billion. It is noticeable that the service industry developed fast in FDI. Service industry attracted USD 5.3 billion foreign investment which is 67.1% of the city's FDI in 2007. High-tech manufacturing industry is the second major sector of FDI (Shanghai Statistic Yearbook, 2008).

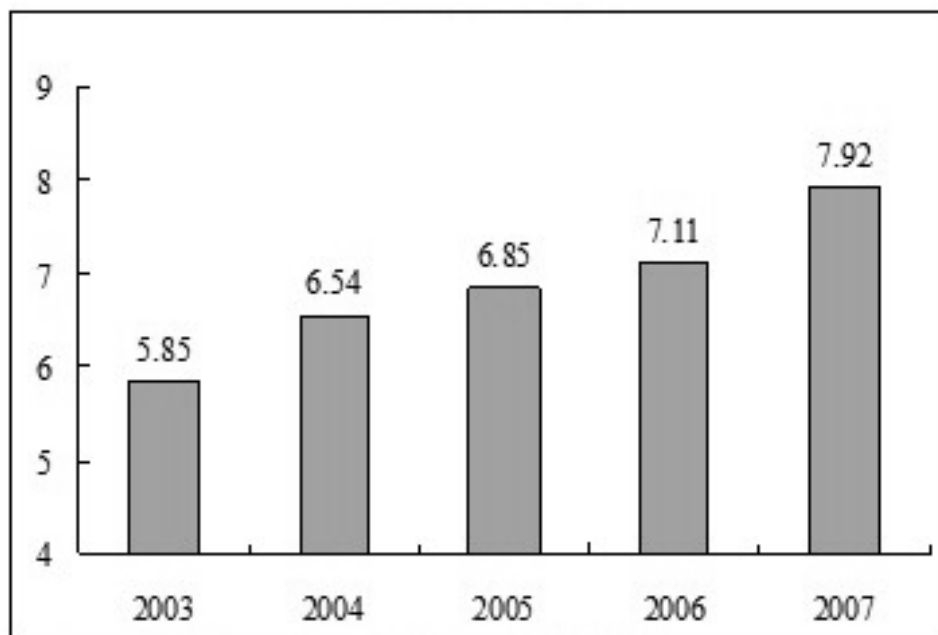


Fig. 3. Utilised FDI of Shanghai (billion \$/year) (Shanghai Statistic Yearbook 2008)

2.1.1.2 Operating Costs

Operating costs are the recurring expenses which are related to the operation of a business (Wikipedia, 2009a). Adopted from KPMG (2008), the paper classifies operating costs of FDI into four factors: 1) land and factories, 2) human resources, 3) utilities and, 4) transportation.

The total area of Shanghai is 6,340 km². Industrial areas are mainly located in the suburbs, especially in the outer suburbs. A 100 km² area in outer suburbs is still planned for industrial construction (Guo and Gu, 2007). The price of industrial land-using right in outer suburbs is much lower which costs about 1/3 price of the land use right in industrial parks nearby city centre. The rental fees of industrial factory buildings are commensurate with the land price.

Shanghai is one of the cities with richest human resources and advance talents in China. There are all together 29 universities and 39 higher level vocational schools in

Shanghai. Shanghai not only has those local trained professionals, but also attracts large quantities of outstanding talents from other parts of China and abroad. The average annual salary in Shanghai is relatively higher than that in most cities of China because of the high quality of professionals and high living cost in Shanghai. The average salary level in Shanghai is RMB 39, 502 in 2007 (Shanghai Statistic Yearbook, 2008). Usually higher salary level than the locally average salary level is applicable in FDI companies.

Shanghai has well structured utilities and very convenient transportation infrastructure. Shanghai is being constructed to be an international aviation port, information port and international shipping centre. Cargo shipment in Shanghai port ranks world No. 1 since 2005. It reached 560 million tons in 2007. Container shipment ranks the second largest in the world. It is reported as 26.15 million TEU (twenty-foot equivalent unit) in 2007. (Shanghai Statistics Yearbook, 2008). Hongqiao and Pudong international airports link Shanghai with 141 cities in 29 foreign countries and regions. (HKTDC, 2009c)

2.1.1.3 Living Environment

Currently in Shanghai about 50,000 foreigners work in social services, manufacturing, real estate, construction or in Sino-foreign joint ventures and branches of foreign businesses. (Shanghai municipal labour and social security bureau, 2009). Over 70 percent of foreigners are satisfied with living environment in Shanghai (China Daily, 2006). There are all kinds of standard housing for overseas working staffs in Shanghai, varying from high-quality villa to ordinary apartment to meet the need of different level. In central commercial area, there are plenty of completely facilitated shopping mall, all kinds of entertainment facilities and different kinds of restaurants from all over the world.

A number of international schools are set up by professionals from different countries to meet the educational needs of foreign expatriated families. There are about 4,600 healthcare institutions around Shanghai, of which 460 are general care hospitals. Quite a lot of foreign joint venture healthcare centres are available in Shanghai (Wang, 2009).

2.1.1.4 Taxation

There are 14 kinds of taxes currently applicable to the enterprises with foreign investment, foreign enterprises and foreigners, namely: Value Added Tax, Consumption Tax, Business Tax, Income Tax on Enterprises with Foreign Investment and Foreign Enterprises (FEIT), Individual Income Tax, Resource Tax, Land Appreciation Tax, Urban Real Estate Tax, Vehicle and Vessel Usage License Plate Tax, Stamp Tax, Deed Tax, Slaughter Tax, Agriculture Tax, and Customs Duties. The ratios of different taxes can be found in China tax legal literatures (Shanghai merchants, 2009). The tax regulations in other cities in YRD economic zone are the same to the regulations in Shanghai according to the laws of taxation. But different cities, even different areas of one city may offer some deductions of FEIT for the foreign investors in China (Zhangjiang High-tech Park Regulations, 2008). We highly recommend the investors to consult professionals before the real investment in order to get the best discount for their tax.

2.1.2 Finnish official organizations in Shanghai

More and more Finnish companies have expanded their business to China. Most of them are setting and have set up local office to assist their business activities in China. Some Finnish organizations are established to support those companies' business activities and subsidiaries establishment in China.

There are three Finnish official organizations in China which are Finpro, TEKES (Finnish Funding Agency for Technology and Innovation) and FBC (Finnish Business Councils). Finpro is an official organization for promoting Finnish exports. It provides help and assistance for all Finnish companies in questions related to internationalization and export. China is paid close attention by Finnish companies because it becomes the largest trade partner in Asia nowadays. One of Finpro offices is located in Shanghai (Embassy of Finland, Beijing 2009a). Tekes is the main public funding organization for research and development in Finland. Finland and China have been developing close science and technology cooperation since 1986. Tekes promotes science and technology cooperation between China and Finnish universities, research institutes, companies and officials (Tekes in China, 2009). One of the Tekes China offices is located in Shanghai (Embassy of Finland, Beijing 2009b). FBC operates in Shanghai also. The members of business councils consist of Finnish companies. The mission of FBC is to broaden the interests of Finnish companies and improve their business activities in China (Embassy of Finland, Shanghai 2009).

2.2 Hangzhou

Hangzhou is one of the most renowned and prosperous cities of China for over 1,000 years. It is well-known for its beautiful natural scenery. Since the economy of Hangzhou has been rapidly developed in the last 30 years, it becomes one of the most attractive destinations for FDI in China. Hangzhou is announced by the World Bank to be the best investment environment in China (China Daily, 2006). This section discusses the investment environment of Hangzhou from four parts: Hangzhou in context, foreign investment in Hangzhou, the operating costs and living environment.

Hangzhou is the capital city of Zhejiang province. The city is located about 175 km southwest of Shanghai. It takes two hours to Hangzhou by air from other major cities such as Beijing, Guangzhou and Hong Kong. It covers a total area of 16,596 km². By the end of 2007, population in Hangzhou is 7.9 million. It is one of the most important cities in the southern YRD. High-tech and new services industries have been developed in Hangzhou in the areas of IT, biomedicine, advanced materials and new energy.

A solid economic base has been built in Hangzhou. It is the largest economy in terms of GDP in Zhejiang province in 2007. Its GDP accounted for 21.8% of the total value of the province's GDP. The ratios of agriculture, manufacturing and services sectors in the total value of GDP of Hangzhou are 4.5%, 50.6% and 44.9% respectively (Hangzhou Statistical Yearbook, 2008). Boosted by the development of tourism and commerce industries, the service sector grows rapidly. Hangzhou promotes the development of several sub-sectors such as tourism, exhibitions, cultural shows, commerce, logistics, financial services, business services and information services. The five "pillar" manufacturing industries in Hangzhou include information technology and electronics, machinery, medicine and chemicals, textiles and garments, food and beverages. Infrastructure is further developed as a part of the city strategy in Hangzhou.



Fig. 4. Hangzhou West Lake (gotohz.com. 2009)

2.2.1.1 Foreign Investment in Hangzhou

FDI utilized in Hangzhou increased at an average rate of 44% per year from 2003 to 2007. It is outstanding over the average level of FDI utilization in China. Manufacturing and service industries are currently the major focus of FDI. Many multinational companies, such as Motorola, Siemens, Auchan, Sanofi, Japan Panasonic, Toshiba, Xizi Otis Elevator Company, have located their operations or representative offices in Hangzhou. The major areas of investment are home appliances, telecommunications, machinery, textiles, food, computer services, retail and real estate (KPMG, 2007). Finnish companies, such as Nokia, Nokia Siemens etc, chose Hangzhou to be their R&D department location.

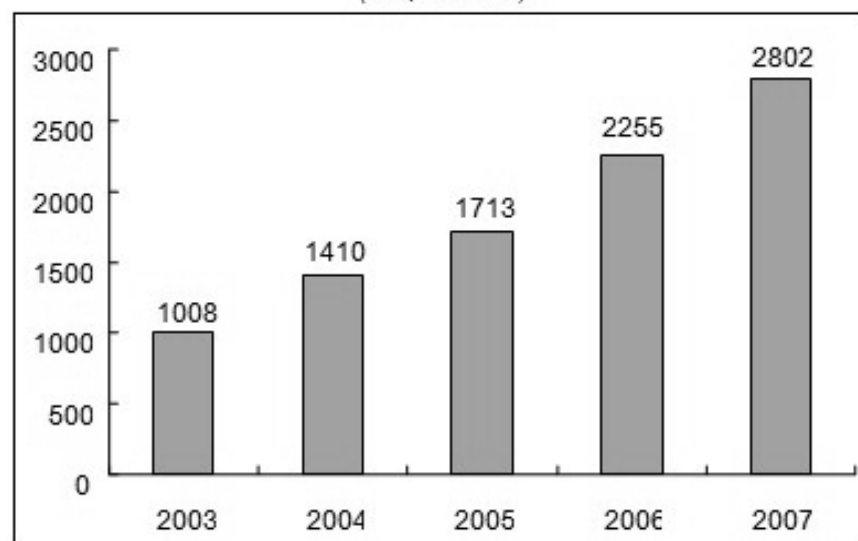


Fig. 5. Utilised FDI of Hangzhou (million \$) (Statistical Yearbook of Hangzhou 2008)

2.2.1.2 Operating Costs

Hangzhou have specialized infrastructure and human resource to cater the needs of investors. The price of land-use rights are regulated by Hangzhou city government. Purpose-built factories can be constructed in industrial zones with the investors' requirement. Pre-built factory premise is available for rent also. With regard to the human resource in Hangzhou, the average annual salary is about USD 4,500 in 2007. Moreover, the social welfare benefits should be calculated in when estimating total staff costs, as employers should pay this part of non-salary costs. The top percentage of non-salary costs can be 42.5%-50.5% of annual salary.

Like many cities in China, the rapid growth in Hangzhou puts strains on its electricity power supply during peak summer months. New generating capacity is being built to solve the power supply problems in Hangzhou. Natural gas and coal gas are the major industrial energy used in Hangzhou. Surrounded by canals, rivers and lakes, there is considerable water resource in Hangzhou. Telecommunication infrastructure is convenience in Hangzhou. Fixed line, mobile phone and internet protocol service are all available. There are three types of internet access in Hangzhou: digital data network, a local area network and ADSL (Asymmetric Digital Subscriber Line).

Transportation is convenience in Hangzhou. Goods can be delivered worldwide via nearby ports. It takes approximately two hours by car to Hangzhou from ports either in Shanghai or Ningbo.

2.2.1.3 Local living Environment

Millions of domestic and foreign tourists are attracted to Hangzhou every year. There are numerous options in Hangzhou for travel, housing, healthcare, shopping, leisure and education. Hangzhou is well connected to other major cities by air and rail. Hangzhou airport is the eighth largest airport in China in terms of passengers and cargo. A number of five star hotels and exhibition centres are available in the city. A range of shopping and entertainment facilities are located everywhere in Hangzhou. About 100 hospitals serve residents and visitors in Hangzhou. There are also foreign joint venture healthcare facilities in Hangzhou (HKTDC, 2004).

There is a strong academic community in Hangzhou. A number of higher education institutions are located here. The international schools have been operating in Hangzhou since 2003. There are classes from pre-school to Grade 11 in the international schools.

2.3 Suzhou

Suzhou is located in Jiangsu province. It is one of the most beautiful and vigorous cities in China. It is the largest economic entity and the fastest developing city in Jiangsu province. The GDP value of Suzhou is accounting for 22.3% of the GDP value of Jiangsu province in 2007 (Suzhou Statistic Yearbook, 2008). This section illustrates the reasons why Suzhou becomes the most attractive city in Jiangsu province from the perspective of foreign investment. The investment environment of Suzhou is analyzed from the following parts: the background of the city, foreign investment trends, operating costs of holding a FDI company in Suzhou and the living environment.

Suzhou is situated on the shores of Taihu Lake in Jiangsu province, which is 87km west of Shanghai (See Fig.1). It is called the "oriental Venice" as 42% area of the city is covered by water. There is an area of 8,488 km² in Suzhou and 6.24 million populations at

the end of 2007 (Suzhou Statistic Yearbook 2008). The Suzhou municipality consists of five cities that are Changshu, Zhangjiagang, Kunshan, Wujiang and Taicang.

In 2007, the GDP of Suzhou increased by 16% compare to 2006's data, up to RMB 570 billion. The GDP level of Suzhou in 2007 ranks the fifth place among all the cities in the mainland China and the first place among all the cities in Jiangsu province. Its GDP per capita hits RMB 91,360, ranking second among all the cities in mainland China. The industrial sector has generated RMB 363.1 billion value-added output. It accounts for 63.7% of the city's GDP. The GDP of 2007 is composed of agriculture, manufacturing and service industries accounting for 1.7%, 63.7% and 34.6% respectively.

After the development strategy was adjusted in the 1990s, the economy of Suzhou is speeded up to an externally oriented development. The domestic production is mainly exported to foreign market. Strategic development of Suzhou is embarked upon to build the city as the "base for new and high-tech industries". The tourism industry is another important sector to the GDP of Suzhou because of the rich tourism resources in Suzhou area (HKTDC, 2009e).



Fig. 6. Suzhou Garden (Suzhou tourism, 2009)

2.3.1.1 Foreign Investment in Suzhou

Suzhou attracts a large amount of foreign investment. There are over ten thousand foreign enterprises operating in Suzhou. 113 of the world top 500 multinational companies have subsectors in Suzhou, such as BenQ, Compal Electionics, Epson etc. Moreover, more than 30 of them have set up R&D centres in Suzhou. A recent survey (LaSalle, 2007) ranked Suzhou as the sixth best city in the world for multinational companies to do business. Although there was a decline in FDI in 2004, the FDI trend boomed steadily again during 2004 and 2007 (See Fig. 4).

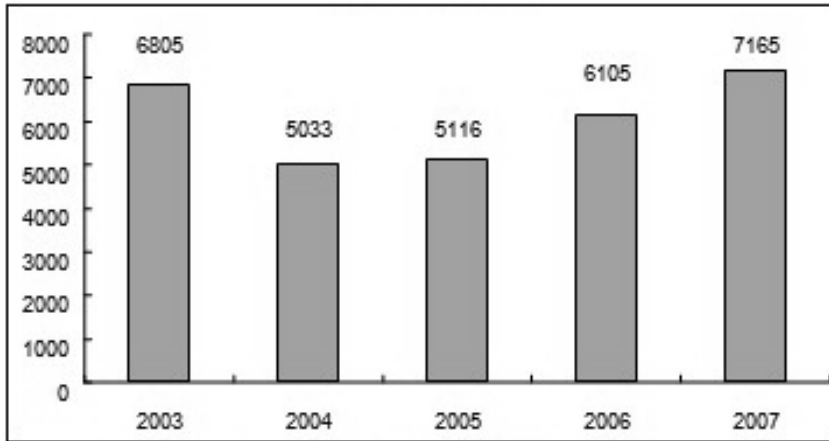


Fig. 7. Utilised FDI of Suzhou (Million \$) (Suzhou Statistical Yearbook 2005, 2008)

2.3.1.2 Operating Costs

“Proximity to Shanghai” and “low-cost” are the top advantages to attract foreign companies operating in Suzhou. The cost of land use right is much lower in Suzhou compares to the cost in Shanghai, although Suzhou is just located 87 km west of Shanghai. The price of land-use rights are regulated by Suzhou government. The payments for purpose-built factories in industrial zones and the rental fee for using space of pre-built factory are regulated by the industrial parks.

With the rapid economic growth and more than 200 multinational companies entering Suzhou area annually, human resource becomes a top problem in business. One impaction is the scarcity of human resource. The other impaction is rapid growth on the salary level in Suzhou. The annually average salary level of Suzhou in 2007 ranked the sixth place in China accounting for RMB 21,206 (Suzhou Statistic Yearbook, 2008). To solve the shortage of human resource, Suzhou government supports employers by increasing talent supply. More vocational institutes and higher educational institutions are established locally to meet the demand of human resource.

Transportation infrastructure is well developed in Suzhou. It is easily accessible by air, rail and road. Besides the Suzhou Guangfang airport, the city can also be access to by Shanghai Hongqiao Airport and Shanghai Pudong International Airport, which are only 86 km and 120 km away respectively. The Beijing-Shanghai Express Railway was constructed in 2008 and will start operations in 2010. Thus, it only takes around 20 minutes to travel from Suzhou to Shanghai. For shipment, Shanghai and Ningbo shipping ports are available to Suzhou, which are really conveniently connected with express highway.

2.3.1.3 Living Environment

Suzhou is famous as one of the most beautiful and liveable cities in China. There are lakes and mountains around the city. There are more than 100 gardens in the city, which covers about 35% area of the city by green. Accommodation can be a lot of different choices varied from luxury villas to normal flats. Plenty supermarkets, shopping centres allow foreigners who works in Suzhou feel as comfortable as in their own country. Two international schools are operated in Suzhou. Bilingual teaching is provided in both English and Chinese.

2.4 Ningbo

Ningbo, the second largest city in Zhejiang province, has the highest rank in business environment in Zhejiang province. (Chinese Cities Competitiveness Report Yearbook, 2008). Ningbo is a business oriented city in tradition. This section presents the investment environment of Ningbo from the following elements: city background, foreign investment trends, operating costs and living environment.



Fig. 8. Ningbo Tianyi square (<http://www.nipic.com/show/1/62/79cc73b5f0802c15.html>)

Ningbo, a harbour city in Zhejiang province, is abbreviated as "Yong". Lying at the shore of the East Sea, and facing south of the Yangtze River Delta and Hangzhou Bay, it locates at south of Shanghai. Ningbo covers a total area of 9,816 km².

Ningbo is one of the most important cities in YRD. In 2007, its GDP amounted to RMB 343.3 billion, up 14.8% year-on-year, ranking 12th among all the cities in the mainland China and second in Zhejiang province. Main industries in Ningbo include port-related industries, petro chemical industry, equipment manufacturing and high-tech industries. In 2007, it generated RMB 85.5 billion of industrial output from electrical machinery and equipment manufacturing sector, and RMB 58.2 billion from the manufacture of communication equipment, computers and other electronic equipment. (Ningbo Statistical Yearbook, 2008)

Ningbo is the city with independent rights on economic plans and management to Zhejiang province. It is entitled the municipal government to formulate local legislation and regulations in order to decide the strategic development of the city by itself. Ningbo is planned to establish as a crucial manufacturing base and an international logistic centre with deep-sea port in East China.

2.4.1.1 Foreign Investment in Ningbo

In 2007, utilized FDI in Ningbo reached US\$2.5 billion with an increment of 3.1% comparing to the year of 2006. The utilized FDI of Ningbo is steadily growing, from US dollar 1,727 million in 2003 to US dollar 2,505 million in 2007 (See Fig. 5). Foreign investment in Ningbo is mainly engaged in the manufacturing sector. It is about 80.8% of the utilized FDI in 2007 (HKTDC, 2009f). The main investment focuses on the industries of special equipment, electrical machinery and telecommunication equipment. Major sources of foreign investment are from U.K. and the U.S. World famous multinational corporations with significant investment in Ningbo include Esso, Xerox, Metro, LG and Samsung. The number of foreign corporations in Ningbo is still limited but with steadily growing. The local government aims to attract more overseas investment through two channels, namely encouraging entrepreneur from overseas Chinese and the expansion of existing foreign investment enterprises.

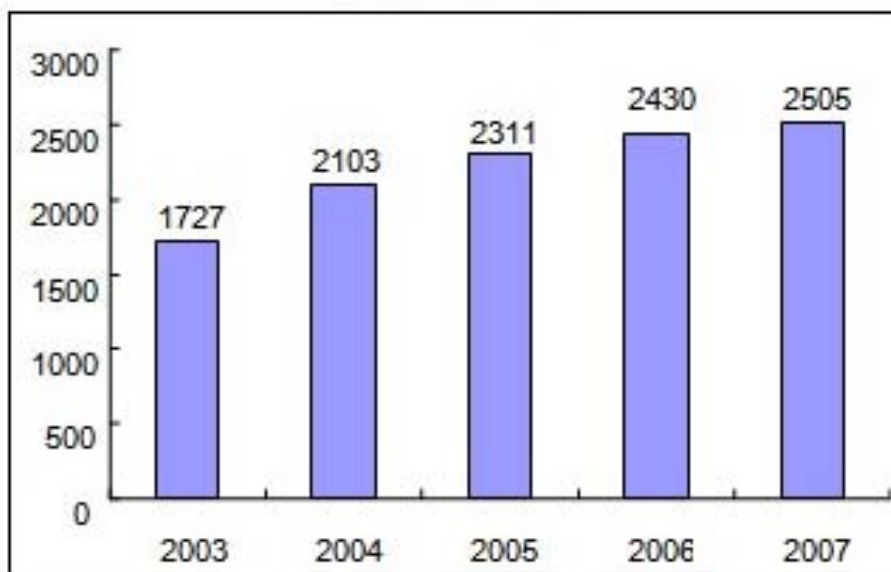


Fig. 9. Utilized FDI of Ningbo (million \$) (Ningbo Statistical Yearbook 2008)

2.4.1.2 Operating Costs

The world's longest trans-oceanic bridge - the Hangzhou Bay Bridge - connects Ningbo with Shanghai. It was in use on May 1, 2008. The bridge cuts the distance between Ningbo and Shanghai from 304 km to 179 km. The driven hours are shortened to less than 2 hours (HKTDC, 2009f). As close to Shanghai with about 1/2 of the cost related land using, more and more multinational companies seek Ningbo as their destination to set up office in China.

Human resource development is paid attention to in Ningbo. The government not only increases the intake of vocational institutes and establishes more institutions of higher education, but also gives a lot of benefits for attracting the outside talents to work in Ningbo. The annually average salary level reached RMB 22,307 in the year of 2007, ranked second highest in YRD economic zone. The higher average salary level results from the situation that major employment in Ningbo is self-employment. A lot of people work as entrepreneur to do their own business in Ningbo.

The Ningbo-Zhoushan port is one of the busiest ports in China, ranking second in China and third in the world in terms of cargo throughput in 2007 (Ningbo Statistical Yearbook, 2008). There is a specialized dock for the storage of liquidized chemical products which is the largest one in China.

2.4.1.3 Living Environment in Ningbo

The housing condition in Ningbo is quite good. In the recent years, the overall quality of housing construction has been improved. More pleasant and comfortable residence is provided. There are many multinational supermarket chains in Ningbo such as Carrefour, Metro and all kinds of shopping malls. The restaurants from all over the world can be found in Ningbo also.

Ningbo is one of the most developed cities in China for its educational system. There are complete educational system, advanced facilities and excellent teaching staff. One fifth of the academicians who serve in the Chinese Academy of Sciences and the Chinese Academy of Engineering Sciences were originally from Ningbo. The University of Nottingham Ningbo is located in Ningbo High Education Park, which is the first foreign university setting up an overseas campus in China. A fairly complete medical and healthcare service system has been basically set up in Ningbo. In addition, foreign joint venture healthcare centre is established to provide various medical services in Ningbo.

2.5 Summary of investment environment in YRD economic zone

The four cities mentioned above are the top four cities on GDP level in the YRD economic zone (YRD economic zone cities development situation yearbook, 2008). As the leading city of YRD economic zone, Shanghai is much bigger and more developed than the other three cities. However, from the perspective of foreign investment, Hangzhou, Suzhou and Ningbo also have favourable environment to attract FDI. The important reasons are the much lower operating costs in Hangzhou, Suzhou and Ningbo. Moreover, the similarity of industrial cluster in the four cities gives FDI a big range to choose the investment location.

On the other hand, the four cities vary in economic size and growth rate with their own specializations (Fig 6). Shanghai focuses mainly on modern services industries, such as finance and trade. Hangzhou focuses on lady-clothes manufacturing and software industry, as well as modern tourism and catering service. Ningbo's emphasis is on traditional industries and logistics, taking advantage of its geographical location and great port. Suzhou has a mixture of garment related industries and electronics industries. In recent years, many foreign investments focused on high-tech industry which leads high-tech industry well developed in Suzhou.

The four cities boost relatively similar resource endowment, such as natural environment, cultural and historical background. The living environments of the four cities are all favourable and comfortable. Every city also has its own distinguish features that attract different kind of investors.

3 High-tech parks in YRD economic zone

FDI has been encouraged in China since the late 1970s. Adoption advanced technology from other countries is regarded as a way to further modernization in China (Martinsons and Tesng, 1995). High-tech industry is actively promoted in China. In this situation, more and more technology and science (T&S) parks are established in China. The T&S parks are expected to promote the commercialization of technology and science. One type of the T&S parks popular around China is high-tech park. The high-tech industrial park in China creates an attractive environment for technology-based activities. It promotes and assists in technology transfer by supporting infrastructure establishment and knowledge-based companies' development. The parks have formal and close connection with a technological excellence centre such as university, corporate laboratories and research institutes (HKIR, 2001). The industries encouraged to develop in the high-tech parks are usually related to the advanced technology, such as biotechnology, computers and microprocessors, and fiber optics.

In YRD economic zone, there are several national level high-tech parks that give FIEs great support from settle down to business process. This section gives a brief introduction of the high-tech parks in the four cities introduced above. The introduction includes the basic situation of these high-tech parks and the settle down regulations of Shanghai and Hangzhou's high-tech parks. Surprisingly, there is quiet limited public information to guide settle down in high-tech parks of both Suzhou and Ningbo. This section helps the investors to be aware of where and how to invest.

3.1 Shanghai Zhangjiang High-tech Park

Shanghai Zhangjiang High-tech Park is established in July 1992. It is a national-level high-tech park, with planned area of 25 km². In August of 1999, biological medicine and IT was strategically decided as the two leading industries in the park. It is expected that an innovation role is played by the high-tech companies in the park.

There is a biological medicine industry cluster in Zhangjiang Park. It composes of 42 domestic and international first-class pharmacy plants, such as Roche, Amoxi, GlaxoSmithKline and Pioneer Medicine. Thirty-one top research and development institutions in biological medicine industry are located in the park, including the Medicine Institute of the Chinese Academy of Medical Sciences and the National Southern Research and Development Centre of Human Gene Group. More than 120 medium and small-scale scientific and technological enterprises are playing actively leading role on the innovation in the park.



Fig. 10. Shanghai Zhangjiang High-tech Park
 (http://shbbs.soufun.com/1210032936~4~1062/56599485_56599485.htm)

Two main sectors of the IT industry are integrated circuits and software industry. The other industries encouraged are computer, communication, photoelectron, and information safety and bankcard industry. There are 80 chip design companies, 3 silicon chip manufacture companies, 13 photo covering film and assembly test enterprises, 11 researching and development educational institutions, and 34 mating and equipment supply companies gathering in Zhangjiang (English Eastday, 2009).

Through the efforts within a few years, the Pudong Software Centre is formed by the IT companies in Zhangjiang High-tech Park. It becomes a “base of state software industry” with an area of 120,000 m². At present, there are 1,176 registered enterprises in the park. A lot of well-known software enterprises, such as Microsoft, Bi Bo, SONY and Kyocera Electronics, have gathered in the park (English Eastday, 2009).

3.1.1.1 The regulation to settle down in Zhangjiang High-tech Park

Zhangjiang High-tech Park is administrated by a park management office under the authority of Shanghai Municipality. The Regulations of Zhangjiang Park group the companies into two types. One type is the companies that are required an approval prior to obtaining a business license because the business area of the companies may not be included in the foreign investment industries encouraged by Chinese government. The other type of companies is not required to get such kind of approval, as they are in the industries encouraged by Chinese government. For the latter type of companies, it may simply register with the AIC (the Administration for Industry and Commerce) branch established in the Park. The AIC Branch usually completes the registration within three working days, as long as the applicant satisfies all the requirements to establish such a company. For those companies required prior approval, the AIC Branch deals with the applications based on the total value of investment. If the investment value is less than US\$30 million and in a non-restriction industry for foreign investment, the AIC Branch completes the examination and approval process within five working days with the conjunction work of SFIC (Shanghai Foreign Investment Commission) branch office. If the investment is in a restricted industry or the investment value excesses US\$30 million, the AIC Branch completes the approval and registration of the foreign investment

companies within 15 to 20 working days by coordinating with all other relevant government authorities (Zhangjiang High-tech Park Regulations, 2008).

The Zhangjiang High-tech Park allows investment in the form of intellectual property (IP). The share of the IP can be up to 35% of the registered capital of a company. A higher share of the IP is allowed if there is an agreement between the investing parties. Investors with advanced management and technological skills may also be calculated as the share of the registered capital of the company, which is up to 20%. The minimum amount of registered capital is RMB10 million according to the regulations of the Park. Within three months the company established, the investors should have minimum 10% of registered capital available in company's account for operating purpose (Zhangjiang High-tech Park Regulations, 2008).

The Zhangjiang High-tech Park makes efforts to provide simplified establishment procedures to facilitate capital investment. The potential risks are some regulations in Zhangjiang park may not coincide with some national regulations. Investors are therefore suggested to seek legal advice for minimizing the risks. More detailed regulation can also be checked through the website of Zhangjiang High-tech Park (http://www.zjpark.com/zjpark_en/zjgkjq.aspx?id=16).

3.2 Hangzhou High-tech zone

Hangzhou High-tech Industry Development Zone was set up in March 1990. The Hangzhou High-tech Zone is composed of three parts: the Zhejiang Sci-Tech Industrial Park, Xiasha Sci-Tech Industrial Park and the Zhijiang Sci-Tech Industrial Park. The Hangzhou high-tech zone intensively utilize the experts reservoir from local universities and research institutes, such as Zhejiang University which is one of the top universities in China. The companies located in the high-tech zone are entitled to have preferential investment policies in Hangzhou (Hangzhou High-tech Industry Development Zone, 2009).

The Zhejiang Sci-Tech Industrial Park is located in the northwest of Hangzhou, which is close to Zhejiang University. This is an area of culture, education and a base for the electronics industry. The Xiasha Sci-Tech Industrial Park lies on the northern bank of the Qiantang River, close to the Hangzhou Economic Development Zone. Zhijiang Sci-Tech Industrial Park lies on the southern bank of the Qiantang River. This region is ideal for developing the high-tech industry, being located only 5 kilometres from the centre of Hangzhou (Hangzhou High-tech Industry Development Zone, 2009).

The High-tech zone in Hangzhou is focused on five high-tech industries, which are micro-electronic information, biomedicine, new material, optical-mechanical-electrical integration, computer and its application. Local universities and research institutions provide human resource and experts support for the development of the high-tech zone. With local and overseas brainpower and capital, the high-tech zone is creating a new value-added centre which is based on the software products development.



Fig. 11. Hangzhou Zhijiang Sci-Tech Industrial Park (5ufc.com, 2009)

3.2.1.1 The regulation to settle down in Zhijiang Sci-Tech Industrial Park

Zhijiang Sci-Tech Industrial Park is called as the software park as it mainly focuses on the development of software industry which is a leading industry in Hangzhou. The software park encourages the companies in high-tech industries to join the park. The list of High-tech industries is available in the regulation book of Hangzhou High-tech Zone Software Park (Policy and Regulation, 2008).

The application procedure for locating in the Zhijiang Sci-Tech Industrial Park is as follows: an application and related material shall be submitted to the Hangzhou High-tech Industrial Development District Administrative Committee at first. Then the application will be evaluated by the Economic Development Bureau. Finally, it will be approved by the High-tech Industrial Development District Administrative Committee. Then, an official document of approval, a certificate of approval, and a company stamp will be issued. (Regulation for the Admin of the Hangzhou Hi-tech Industrial Zone Software Park, 2009).

High-tech enterprises in the park are re-evaluated annually after two-year establishment. The evaluation criteria include: 1) the number of employees with post-secondary education is over 80% of the total number of employees; 2) the number of employees with a post-graduate degree is over 10% of the total number of employees; 3) the annual revenue is over RMB 3 million. In the revenue, at least RMB 1 million should be generated by high-tech products of the enterprise. The revenue generated by high-tech refers to income earned by offering consultancy, design, training services, technology transfer and shareholding. In addition, the enterprise should have production facilities and operation premises; 4) the expense on R&D activities should account for 5% of the annual revenue. The R&D activities on high-tech are identified that the company possesses the intellectual property right (IPR).

A comprehensive quality assurance system for the high-tech production has been established. A panel of experts and advisors is responsible for the Hangzhou High-tech Industrial Development District. The panel of experts and advisors provide advices on the establishment of the park and development of the industries and companies. They help to review the development plan of the industries and companies in the Park. (Regulation for the Admin of the Hangzhou Hi-tech Industrial Zone Software Park 2009).

3.3 Suzhou Hi-tech Park

Suzhou high-tech Park is officially named Suzhou New & High-tech Industrial Development Zone (SND). SND was established by central government of China in 1992. Originally, it aimed to attract foreign investors from APEC (Asia-Pacific Economic Cooperation) countries. SND was the first APEC high-tech development zone that is approved by Foreign Ministry of China and Science and Technology Ministry of China. The ISO 14000 environmental management standards are applied to in the Park in order to minimize the negative impact on the environment by the operations of enterprises. National Bureau of Environmental Protection of China conferred SND the title “ISO 14000 National Demonstration Zone”. Electronic communications, biomedicine, chemistry and new material technology are the main industries of SND. Business bases in SND include Suzhou New & Hi-tech Initiative Center, Business Incubator for Returned overseas Scholars, Suzhou New & High-tech Incubator, Suzhou Science and Technology Town (Wikipedia, 2009).

The other industrial park in Suzhou is Suzhou Industrial Park (SIP) which was invested by Singapore government in 1994. It is established as a project between Singaporean and Chinese governments. As both industry parks are national level industry parks in Suzhou area, SND and SIP are each other’s main competitor at the area.

These two parks are just one piece of the puzzle in Great Suzhou. In an area of 8,500 km² Great Suzhou, it hosts five national and 11 provincial-level industrial parks. Intensive industrial parks create a competitive environment to attract more enterprises locate in the parks, especially between SND and SIP these two biggest national level industrial parks. There is a lack of public information about the SND and SIP parks and their regulations. The companies are suggested to discuss with the parks in their own cases in order to obtain the best service.



Fig. 12. Suzhou New & High-tech Industrial Development Zone (Netsuzhou, 2009)

3.4 Ningbo High-tech Zone

The Ningbo High-tech Park is a New and High-tech park area jointly created by the Chinese Academy of Sciences and the municipal government of Ningbo in 1999. The planned area of the park is 32.9 km². Nowadays, the High-Tech Park is among the top ranking list in all national level High-tech Zones. The High-Tech Park is located to easily access to local, domestic and international transportation system. After several years' development, the High-Tech Park has developed technology-based industries such as semiconductor and optoelectronic industry, electronic information industry, new energy and energy-saving industry.

Ningbo Nordic Industrial Park (NIP) is introduced as a specific industrial park newly developed. The NIP was established by a Danish company. The companies in NIP are all from Nordic countries (Finland, Sweden, Denmark and Norway). NIP offers small and medium-sized enterprises an easy entry into China on purchasing, sales, assembly, production R&D. The service provide by the Park is complete and turn-key business solutions. The advantages of NIP are to support Nordic SMEs by the investor of NIP with their previously experiences on production and sales in YRD. NIP provides professional and skilled assistance for Nordic SMEs to take advantage of the business opportunities and competitive advantages of YRD. Ningbo is expected to be an attractive location for design, R&D and engineering of those advance technological-based SMEs.

The total land area of NIP is 500,000 m². NIP is planned to be fully developed by 2010. NIP provides turn-key assembly and production facilities based on high quality standards. Companies can directly move into pre-built standard facilities and have their own special facilities. The facilities can be rented on medium to long-term contracts depending on type and size. (NIP brochure, 2008)



Fig. 13. Ningbo Nordic Industrial Park (NIP, 2009)

Since NIP is a newly developing industrial park, the regulation for settle down in NIP is still on the process of approval. For those companies which have interests to NIP can ask for advices from professional supervisors of the NIP service centre.

4 Challenges and Opportunities

It is necessary to know the challenges as well the opportunities in the investment environment when investors look for the most suitable place to develop the business. This section analyzes the challenges and the opportunities when foreign investors plan to locate their investment in YRD economic zone.

An important background should be mentioned is the global economic crisis since 2008 before further discussion on the specific situation in YRD economic zone. As a result, there is a collapsed demand from the US and European market, export of China has declined for six months. The FDI in China had declined for ten months since Nov. 2008 (Shanghai Daily, 2009a). China has been striving for an economic growth of 8% for 2009, while YRD is aiming at a GDP increase of above 9% (Shanghai Daily, 2009b). With unclear future view of the global economic crisis, China is facing the stress of economic growth from both inside and outside economic situation of the country.

This paper narrows the discussion of the challenges and the opportunities to the YRD economic zone. YRD economic zone is the most fast developing area in China. However, business culture conflict is a big stress for FDI entrants. The rapid development brings some side-effects to both parts of economy and environment, such as profit margin pressure. On the other side, the potential risks also create more opportunities for FDI.

4.1 Business culture conflict

People who speak the same language can misunderstand each other. Needless to say, there is a greater potential for Chinese and Westerners to misunderstand each other due to different culture and business practices. The different culture background may cause a great deal of frustration and distrust between the individuals attempting to work together. Foreign investment might fail in China because they do not understand Chinese business culture well.

To understand Chinese culture and Chinese business culture is the first step and one of the most important steps when investing in China. Anyway understanding is not enough, do what Chinese do when investing in China, be like a local company is the best way to make the business survive and grow in China.

4.2 Profit margin pressure

The profit margin in the YRD economic zone is shrinking as a result of several reasons: 1) raising raw material costs, 2) weakened overseas demands, 3) RMB (Ren Min Bi, Chinese currency) appreciation and, 4) rising labour costs under the new Labour Legislation. Above all, fierce competition forces the manufacturers squeeze margin to

maintain their market share. Particularly, low value-added and labour-intensive industries are affected seriously. According to the China National Textile and Apparel Council, profit margins of textile industry in China averaged 3.9% in 2007. Two-thirds of the textile companies claimed an average profit margin of only 0.62%.

On the other hand, FIEs which are normally operating in high value-added end industry with bigger margin or active in service sectors are less affected by the raising raw material costs and labour costs. Companies with high-technology and strong R&D capacity have competitive advantages in this situation. Furthermore, more opportunities are created for high-tech enterprises and service providers as Chinese companies put effort to improve the product and technology innovation.

4.3 Environmental protection

The YRD boosts the most developed economy with continuous GDP growth, but environmental problems arose because it is also a traditional manufacturing base. In recent years, joint efforts and various measures have been taken to improve current environment in YRD economic zone. The local governments in YRD region are now pay more attention to the problems of environment pollutions. For the purpose of providing a better living environment for local people, the companies in YRD are enforced to meet the regulations of environment protection. The investing projects potentially causing the problems of air pollution, water pollution or noise pollution need to aware of the specific regulations of environment protection in YRD. High-tech industries are less affected by these regulations (Min, 2009).

On the other hand, environment protection generates a market of green technology. Shanghai Environmental Bulletin (2009) released by the Shanghai Environmental Protection Bureau demonstrates that Shanghai government invested RMB 42 billion to the environmental protection of Shanghai in 2008, which accounted for 3% of the total GDP value of Shanghai in 2008. Jiangsu Environmental Protection Bureau said a fund of RMB 5.3 billion especially for environment protection was invested in 2008. The investment of environment protect also provides the business opportunities for those companies specialized in the environmental technology.

4.4 A new consumption-driven economy

A consumption-driven economy has been the goal of the Chinese government for several years. According to the National Bureau of Statistics (2007), the retail sales grew 20.6% in the first quarter of 2008, while the growth rate of Shanghai stood at 16.9%. Although it is too early to conclude the transformation, the factors such as the persistent moderate inflation, as well as the robustly-growing economy, will continue to support domestic consumption and imports from both developed and developing countries.

The weak social security system in China is obviously the biggest obstacle to promote individual consumption and lower the rate of household savings. Even though more expense by government on healthcare, education and social impartiality has been perceived in recent years, a sound social security system still need to be built up to support sustainable growth in a long term. The entire situation of economy will be changed drastically, if consumer confidence is successfully to be enhanced by all the sources of efforts on social security system.

Nevertheless, China is not a unified homogeneous market. The consuming capacity and consumption behaviours are various in the different cities of YRD region. An

emerging middle-class in Shanghai fosters the largest consumption market in China. The consumption behaviour of the middle-class is very much influenced by leading brands and luxury items. Consumption market in Jiangsu province is relatively small compared to Zhejiang province and Shanghai. Different market strategies are needed to apply to segment market according to the incomes of consumers. The high end and niche markets, where the competition is relatively less tough, place many lucrative opportunities.

The mass markets are the next frontier for many FIEs in China, which will make “Made in China” eventually for China. To tackle the mass markets, a joint venture with leading Chinese players could be an approach. By several-year development, these kinds of joint venture companies have consolidated their capacity and strengthen local business insights and clients’ base. It is regarded as a useful way to entering Chinese mass markets, if the joint venture partnership is managed properly.

5 Summary

It is recognized that the FDI positively contributes to economic growth and development process especially in the large FDI receiving developing countries such as China (Tuan and Fung-Yee, 2007). In this sense, YRD economic zone put a lot of effort to improve the investment environment for foreign investors. It strengthens the YRD region as a competitive destination to attract more foreign investment.

This study collects the existing literatures and evidences to provide readers a view of the investment environment in YRD economic zone. It presents four major cities of YRD region, which are Shanghai, Hangzhou, Suzhou and Ningbo, in terms of their investment environment and the High-tech industry parks located in those four cities. Investment challenges and opportunities are further discussed in the paper.

Shanghai, as the core city of YRD region, plays an actively leading role and spreads its economic achievement along the YRD economic zone and the rest part of China. Meanwhile, Jiangsu and Zhejiang provinces are gradually taking over manufacturing industries from Shanghai and developing high-tech industries. Each city in YRD area has own functional position and cooperates well with each other.

Given the high and rapid economic performance at 7%-10% growth during the past decades, the issue of sustainable growth in China will continue to draw much research attention while sustainable FDI inflows has been argued as a critical factor (Tuan and Fung-Yee, 2007). This study contributes to give a basic image of investment environment in YRD economic zone to foreign investors. Table 1 summarizes the key points described in the paper to shape the view of business environment.

Table 1. Foreign Investment specializations

| City | ShangHai | HangZhou | SuZhou | NingBo |
|-------------------------------|---|--|--|---|
| Investors types and sizes | <ul style="list-style-type: none"> •MNC •SME | <ul style="list-style-type: none"> •MNC •SME | <ul style="list-style-type: none"> •MNC •SME | <ul style="list-style-type: none"> •SME |
| Encouraged industries for FDI | <ul style="list-style-type: none"> •High-tech industry •Finance industry •Service industry | <ul style="list-style-type: none"> •High-tech industry •Manufacturing industry •Service industry | <ul style="list-style-type: none"> •High-tech industry •Manufacturing industry, | <ul style="list-style-type: none"> •High-tech industry •Special equipment, electrical machinery and telecommunication machinery |
| Local industry | <ul style="list-style-type: none"> •International Trade •Finance •Shipping •IT •Electronics and machinery •Biochemistry | <ul style="list-style-type: none"> •Tourism •IT •Electronics and machinery •Medicine and chemicals, •Textiles | <ul style="list-style-type: none"> •Tourism •IT •Electronics and machinery | <ul style="list-style-type: none"> •Textiles and garments •Machinery and power transmission equipment manufacturing •Petrochemical •Iron and steel industry |
| Average salary level by 2007 | RMB 39, 502 | RMB 31,704 | RMB 21,206 | RMB 22,307 |
| Taxation | There are 14 kinds of taxes currently applicable to the enterprises with foreign investment, foreign enterprises and/or foreigners | | | |
| Local High-tech Parks | <ul style="list-style-type: none"> •Shanghai Zhangjiang High-tech Park | <ul style="list-style-type: none"> •Zhejiang Sci-Tech Industrial Park •Xiasha Sci-Tech Industrial Park •Zhijiang Sci-Tech Industrial Park. | <ul style="list-style-type: none"> •Suzhou New & High-tech Industrial Development Zone | <ul style="list-style-type: none"> •Ningbo High-tech Park |
| Main industries in Parks | <ul style="list-style-type: none"> •Biological medicine •IT industry | <ul style="list-style-type: none"> •Micro-electronic information, •Biomedicine, •New material, optical-mechanical-electrical integration, •IT industry | <ul style="list-style-type: none"> •Electronic communications, •Biomedicine, •Chemistry and new material technology | <ul style="list-style-type: none"> •Semiconductor and optoelectronic industry •Electronic information industry •New energy and energy-saving industry |

References

- Alibaba.com (2009) City Introduction of Zhejiang, China: Ningbo. Available from: <http://news.alibaba.com/article/detail/business-in-china/100106629-1-city-introduction-zhejiang%252C-china%253A-ningbo.html> [cited on 11.07.2009]
- Answer.com (2009), High-technology (Geography Dictionary). Available from: <http://www.answers.com/topic/high-technology> [cited on 10.07.2009].
- China Daily (2006) Shanghai in foreigners 'eyes'. Available from: http://english.peopledaily.com.cn/200609/13/eng20060913_302357.html [cited on 15.06.2009].
- Embassy of Finland, Shanghai (2009) Finland in China Available from: <http://www.finland.cn/public/default.aspx?nodeid=35204&contentlan=2&culture=en-US> [cited on 11.07. 2009].
- Embassy of Finland, Beijing (2009b) Finland in China. Available from: <http://www.finland.cn/public/default.aspx?nodeid=35207&contentlan=2&culture=en-US> [cited on 15.06.2009]
- English.eastday.com (2009) Investment in Shanghai—Zhangjiang High-tech Park. Available from: <http://english.eastday.com/e/shi/userobject1ai4017288.html> [cited on 10.07.2009].
- Goto Hangzhou.com (2009) Hangzhou ten new tourism sites. Available from: <http://www.gotohz.com/web/guest/xhjsj> [cited on 21.03.2010]
- Guo Bailin & Gu Renxu (2007) A study on location of township industry in shanghai suburbs. Chinese Geographical Science, Volume2, Number2.
- Hangzhou High-tech Industry Development Zone (2009) Introduction of Hangzhou High-tech Industry Development Zone. Available from: http://www.hhtz.gov.cn/english/news.asp?KindID=MT_00002_100000339 [cited on 10.07.2009]
- Hangzhou Xiasha Hi-tech Park. Available from: <http://www.hhtz.gov.cn/english/index01.asp> [cited on 05.06.2009]
- Helsingin Sanomat (2006), Finnish companies experience rapid growth in China. Available from: <http://www.hs.fi/english/article/Finnish+companies+experience+rapid+growth+in+China> [cited on 10.07.2009].
- HKTDC (2004) Huge demand for medical services in YRD. Available from: <http://info.hktdc.com/alert/cba-e0403y1.htm> [cited on 15.06.2009].
- China institute of city competitiveness (2009) Available from: http://www.china-citynet.com/yjhd_t_show.asp?id=1776 [cited on 15.06.2009].
- HKTDC (2009a) YRD. Available from: <http://www.hktdc.com/info/vp/yrd/en/Yangtze-River-Delta-YRD.htm> [cited on 10.06.2009].

- HKTDC (2009b) Market Profile on Chinese Cities and Provinces: YRD Available from: <http://info.hktdc.com/mktprof/china/yrd.htm> [cited on 10.06.2009].
- HKTDC (2009c) Market Profile on Chinese Cities and Provinces: Shanghai.. Available from: <http://info.hktdc.com/mktprof/china/mpshh.htm> [cited on 10.06.2009]
- HKTDC (2009d) Market Profiles on Chinese Cities and Provinces, Hangzhou. Available from: <http://info.hktdc.com/mktprof/china/hangzhou.htm> [cited on 15.06.2009].
- HKTDC (2009e) Market Profiles on Chinese Cities and Provinces, Suzhou Available from: <http://info.hktdc.com/mktprof/china/mpshh.htm> [cited on 15.06.2009].
- Hong Kong Institute of Real Estate (2001) Hi-tech Industrial Park Development. Volume 4
- KPMG (2008) Hangzhou Investment Environment study 2007. Available from: <http://www.kpmg.com.cn/redirect.asp?id=8465> [cited on 15 June 2009].
- Maris G. Martinsons, Choo-Sin Tseng (1995) High-technology management in China: A case study of the Shanghai success stories. J. Eng. Technol. Manage. 12 , pp.111-137
- Netsuzhou (2009) The pictures of Suzhou Available from: <http://www.netsuzhou.com/picmore.asp?smallid=70> [cited on 21.03.2010]
- Nie, S. (2008) The YRD: Current Economic Situation and Opportunities for Swiss Investments. Consulate General of Switzerland in Shanghai, No.2.
- Ningbo Nordic Park. Available from: [http://www.nip.com.cn/files/upload/NIP%20Presentation,%20English%20\(10\).pdf](http://www.nip.com.cn/files/upload/NIP%20Presentation,%20English%20(10).pdf) [cited on 08.06.2009].
- People daily (2006), Hangzhou has best investment environment in China: World Bank. Available from: http://english.peopledaily.com.cn/200611/11/eng20061111_320593.html [cited on 15.06.2009].
- People Daily (2007), Shanghai FDI. Available from: <http://www.people.com.cn/GB/paper39/3139/415465.html> [cited on 15.06.2009].
- Policy and Regulation of Hangzhou high-tech park. (2008) Available from: <http://www.hzkjy.com/index&content.asp?articleid=459&bigclassname=%D5%FE%B2%DF%B7%A8%B9%E6&smallclassname=%B9%FA%BC%D2%D5%FE%B2%DF%B7%A8%B9%E6> [cited 17.03.2010]
- Regulation for the Admin of the Software Park. Available from: http://www.hhtz.gov.cn/english/info.asp?KindID=MT_00002_100000342&KindIDItem=&ID=MT_00003_100000407 [cited on 05.06.2009]
- Shanghai government website (2009) Shanghai sites seeing. Available from: <http://www.shanghai.gov.cn/shanghai/node2314/node3766/node3877/node3889/node15581/index.html> [cited on 21.03.2010]
- Shanghai merchants (2009) The main taxes of FIEs. Available from <http://www.shanghaiinvest.com/cn/viewfile.php?id=2889> [cited on 11.07.2009].
- Shanghai Statistic Available from: <http://www.stats-sh.gov.cn/2004shtj/tjnj/tjnj2007e.htm> [cited on 05.06.2009].
- The Yangtze River Delta (YRD) (2008): Current Economic Situation and Opportunities for Swiss Investments, Stella Nie, Shanghai Issue No.2 May
- Tianyi Square 2. Available from: http://english.ningbo.gov.cn/art/2009/12/22/art_100_211674.html [cited on 21.03.2010]
- Wang (2009) Foreign investors want to enter China's healthcare market. China: Shanghai international marketing magazine
- Wei, Y.D. Leung, C.K. Luo, J. (2006) Globalizing Shanghai: foreign investment and urban restructuring. Harbitat International, 30 (2006), pp 231-244.

- Wikipedia (2009a) Operating cost. Available from: http://en.wikipedia.org/wiki/Operating_costs [cited on 15.06.2009].
- Wikipedia (2009b) Su Zhou new district. Available from: http://en.wikipedia.org/wiki/Suzhou_High_&_New_Technology_Development_Zone [cited on 04.06.2009].
- Wikipedia (2009c) Shanghai Zhangjiang hi-tech park. Available from: http://en.wikipedia.org/wiki/Shanghai_Zhangjiang [cited on 05.06.2009]
- Yeung, G. (2001) Foreign Direct Investment and Investment Environment in Dongguan Municipality of Southern China. *Journal of Contemporary China*, Vol.10, No. 26, pp.125-154.



European Union
European Regional Development Fund

Leverage from
the EU
2007-2013

OULUN YLIOPISTO PAINO 2010



Centre for Economic Development,
Transport and the Environment



OULUN YLIOPISTO
UNIVERSITY OF OULU

University of Oulu
Faculty of Technology /
Department of Industrial
Engineering and Management
P.O. Box 4610
90014 University of Oulu

tel: +359 (0)8 553 2936
fax: +359 (0)8 553 2904

ISBN 978-951-42-9372-6
ISSN 1459-2401

www oulu fi



European Union
European Regional Development Fund

Leverage from
the EU
2007-2013

OULUN YLIOPISTOPAINO 2010



Centre for Economic Development,
Transport and the Environment



OULUN YLIOPISTO
UNIVERSITY of OULU

University of Oulu
Faculty of Technology /
Department of Industrial
Engineering and Management
P.O. Box 4610
90014 University of Oulu

tel: +359 (0)8 553 2936
fax: +359 (0)8 553 2904

ISBN 978-951-42-9372-6
ISSN 1459-2401

www oulu.fi