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Companies

Foreign manufacturers shifting business to less developed Chinese regions

(Xinhua)
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HEFEI - Unilever, the world's second-largest consumer goods maker, plans to significantly increase its investment in Hefei, a medium-sized city in east China's Anhui province.

"We will invest 700 million yuan ($103 million) in our production base in Hefei to boost output value to 10 billion yuan in five years," said Zeng Xiwen, vice president of Unilever's Greater China region,last week.

Zeng said the company has relocated seven factories from Shanghai and Guangdong, among China's first-tier cities in terms of their overall economic power, to the second-tier Hefei, taking into consideration of lower production costs and availability of land use for business expansion.

The Unilever Industrial Zone, located in the Economic and Technological Development Zone of Hefei, capital of Anhui, has become one of Unilever's four major global production bases. It reported an output value of 1 billion yuan in March alone, according to Zeng.

The company's former Shanghai factories used to register a production cost higher than other plants in Indonesia, Japan, Australia and Vietnam. But Hefei with cheap labor and land prices, and power supply and geographical advantages, has helped the base there record the company's lowest average production cost.

Hefei has attracted 25 of the world's top 500 companies, such as ABB and HITACHI, by the end of last year. The city saw an influx of $1.3 billion in 2009, up 8.35 percent from that of 2008, said Lan Tian, director with the Commerce Bureau of Hefei.

According to an annual business climate survey released by the American Chamber of Commerce in China (AmCham-China) early this month, nearly 80 percent of interviewed American companies were planning to increase investment in China this year, with many focusing on the second- and third-tier cities.

About 28 percent of the 253 respondents said they were likely to set up sales of manufacturing operations in cities they were not already in such as Tianjin, Wuhan and Dalian. Another 11 percent were working on feasibility studies but were unlikely to invest in new cities this year.

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Last year, US-based Coca-Cola Company opened two bottling plants in east China's Jiangxi province and northwest China's Xinjiang Uygur autonomous region.

The 210 million yuan investment in the two regions reflects the beverage maker's strategy of increasing geographic presence and enhancing its competitive edge in China's market.

GETRAG (Jiangxi) Transmission Co Ltd, a Sino-German Joint Venture in Nanchang, capital of Jiangxi, has a 2-billion-yuan investment plan to push its output of transmissions for vehicles to 1 million by 2013, doubling the current 500,000.

The GETRAG Corporate Group (Germany) set up the firm with China's Jiangling Motor Group in 2006, after finding out that the Jiangxi government offered preferential policies in project examination and approval, financial assistance and logistic services, said Wu Kai, vice president of the joint venture.

In northern China's less developed Inner Mongolia autonomous region, 53 foreign companies started business in 2009, bringing in 2.97 billion yuan in investment, up 12.1 percent as against the previous year, said Lu Erxi, director of the Commerce Administration of Inner Mongolia.

The cities of Hohhot, the regional capital, Baotou and Erdos, attract foreign manufacturers and power suppliers of electricity, gas and water, said Lu.

While many foreign investors are optimistic about business prospects in China, the first task for many second- and third-tier inland Chinese cities was to improve the industrial layout through good planning, said Cheng Biding, vice chairman of the Institute of Regional Economy.

Focus should not only be placed on the investment amount, said Zeng. What is more important is to maintain balanced development of various sectors in an effort to ensure sound economic growth, he stressed.