

SW China briefing:

What is SW China?

SW China covers the municipality of Chongqing, where the consulate is based and the provinces of Sichuan, Guizhou and Yunnan. Chongqing is China's fifth largest city economy. Sichuan is China's sixth largest provincial economy. It's GDP equivalent to Saudi Arabia. Yunnan and Guizhou's GDPs are equivalent to UAE and Colombia respectively.

What British businesses are already in the region?

Numerous UK companies both large and small are in region, including BP, Renishaw, Croda, Logan-KSEC, Oxford and Leicester University, Savilles, Aedas, Halma, Unilever, Diageo and Ineos. Many have been here for decades.

The SW is still largely unknown amongst UK companies, giving new businesses an advantage. The UK has a reputation for high quality, innovation and reliable businesses practices. We are regularly approached by mature and fast-growing cities who want to attract UK business and investment.

Why is this region important?

The SW China is playing an ever more important role in China's future growth plans demonstrated by a number of key policies and initiatives:

1. China – Europe freight rail service

Chongqing and Chengdu continue to position themselves as strategic freight hubs into China and are becoming Western gateways with highly developed logistics infrastructure.

- The main route connects Duisburg in Germany to Chongqing.
- It opened March 2011 and has operated for over a decade, with 2017 seeing the first China-UK shipment.
- The main shipments include automotive, consumer, retail and fashion, industrial manufacturing and electronics.
- The route has seen an average annual growth rate of 108%, with 40,000 freight journeys to date.
- It is 4-8x cheaper than air with an average shipment time of 16 days compared to 30-45 days by sea.
- In 2021 418,600 containers were shipped on the link.

2. The New Land Sea corridor (LSC)

- The LSC is a joint project between the Singaporean and Chinese western provinces with Chongqing playing a key role. The route originally was established between China-Singapore and has now expanded to more Asian countries.
- The central hub is in Chongqing connecting to other links such as the Myanmar Economic Corridor and Laos China Economic corridor.
- In 2021, around 112,400 containers were shipped on the new land Sea Corridor, y-o-y increase of 54.2%

3. The Yangtze River Special Economic Zone

- Yangtze River Delta Special Economic Zone (SEZ) includes 16 cities in Shanghai, Zhejiang and Jiangsu, Chongqing and Sichuan.
- The SEZ, connects Yangtze-river cities and incorporates almost half of China's population (600 million) and 41% of its GDP.
- Regional R&D spend of 1.06 trillion yuan or 2.23% of regional GDP.
- 2.9 billion metric tons were shipped in 2019 which represents a y-o-y 4.4% increase.
- The area received \$67.71bn of FDI (Excluding banking securities and stock market)

4. Chengdu and Chongqing economic circle

- The Economic Circle aims for regional integration to transform the area into a centre of economic development, science and innovation, industrial reform and healthy living.
- The Chengdu - Chongqing is an economic powerhouse with total GDP of over RMB 7 trillion in 2020 (£772 billion), according to official statistics, roughly equal to the Netherlands.
- Recently the two cities are expanding and growing their R&D capabilities by spending 2.5% of total GDP in 2021 and constructing 142 new R&D faculties at the Western Science City. .

5. Western Financial Centre

- In December 2021, PBoC issued the Chengdu-Chongqing Western Financial Centre Joint-Establishment Plan together with 6 national ministries, including NDRC and MoF. It confirmed that the centre will be in Chongqing. There are four financial centres. Beijing is the national policy centre; Shanghai is positioned as the international financial centre; Shenzhen has the function of coordinating with HK; while Chongqing will focus on western China, BRI and SE Asia. The 3rd financial court will also be established in Chongqing (other two are Beijing and Shanghai). Chongqing Finance Bureau keen to speak with the City of London.

What are the opportunities?

In Chongqing **digital transformation** offers a growing number of opportunities. In short, this region has a traditional industrial base which remains relevant requires modernising, making them smarter, greener and more efficient. A Welsh company recently won a big commission with a CQ cable manufacturer to improve testing and QA procedures using a digital approach. We believe there is more opportunity in this area. We are looking to establish an Industry Liaison Group with support from the CQ government. We would welcome expressions of interest from UK business. Specific sectors include,

- Battery electric vehicles (including commercial), including but not limited to manufacturing, R&D and battery chemistry.
- Industrial internet
- Smart manufacturing
- Electronic devices such as LCD screens etc.
- Industrial design

If you are in China and not yet represented in the SW then this region offers significant potential. If you're not yet in China, then SW China is an increasingly attractive area to make first steps with a welcoming and less competitive business environment compared to the coastal cities.

What can the British Consulate offer?

The Consulate has over 30 permanent staff including 12 dedicated trade officers. We cover 12 sectors including Advance Manufacturing, Chemicals, Technology and Automotive. The Consulate regularly run trade missions or bespoke activity getting companies in front of senior management and government representatives to pitch to the key decision makers.