Stimulus package revitalizes coastal region

By Ju Chuanjiang and Zhao Ruixue

An enthusiastic Jiang Yikang, secretary of the Shandong Committee of the Communist Party of China, has only one message for those still in doubt that the Chinese economy has weathered the international financial storm: "The stimulus policies and other financial incentives launched by local and central governments have paid off!"

Jiang's remarks follow news that the Sunshell Group, a globally rated textile company based in Shandong, achieved a sales revenue of 382 million yuan and profits of 47.28 million yuan in the first quarter of this year. This, says Jiang, is but one example of the eastern coastal province's ability to buck the international downward financial trend.

Figures from the Shandong Bureau of Statistics now show that 32 of the province's 37 designated industrial sectors enjoyed substantial growth during the first quarter of 2009. The province's business climate index in the first quarter reached 111.2 points, up 5.1 points on the fourth quarter in 2008.

The province reported an industrial added value of 155.96 billion yuan for April 2009, a year-on-year increase of 14.1 percent, sending out the very positive signal that the local economy is enjoying a considerable degree of recovery.

The April figures show considerable improvement on the 7.9 percent growth in March and maintain the year's overall upward trend. The total industrial added value in the first four months of 2009 reached 532 billion yuan, an increase of some 9.5 percent year-on-year, a factor largely derived from the surprisingly buoyant performance throughout April.

Stimulus measures

In a bid to boost economic development, Shandong has also made substantial investments in building 240 key projects. These key projects cover a wide range of sectors, including agriculture, transportation, manufacturing, hi-tech products, environmental protection and infrastructure construction.

Chief among these key projects are 79 related to the manufacturing and hi-tech sectors, which, combined, involve a total investment of more than 250 billion yuan.

Local statistics show that the fixed-asset investment between January and April reached 401.35 billion yuan, an increase of 20.5 percent year-on-year. Other economic indicators, including port throughput and logistics, also showed positive signs of an economic recovery.

Total throughput of the three largest ports in Shandong – Qingdao, Rizhao and Yantai – reached 59.56 million tons in April, a year-on-year growth of 6.1 percent, marking a sharp contrast with the 0.3 percent decrease seen in January.

The province's manufacturing industries are also benefiting from the boom in infrastructure construction in the rest of the country, an important part of the nation's stimulus plan.

A prime example is the Shandong-based China National Heavy Duty Truck Group. The group, also known as Sinotruck, has secured orders for some 700 units of heavy-duty trucks every day since the beginning of March, a stark contrast to the total of just 100 ordered in January. The latest 2009 figures for the company show orders for more than 14,000 trucks.

In line with the central government's plans for restructuring and revitalizing the country's key industries, Shandong has launched its own industrial restructuring initiative. Encompassing 10 key sectors, the plan outlines ambitious objectives for the province's iron, steel, shipbuilding, automotive, equipment manufacturing and electronics industries.

Industrial restructuring

Overall, the plan is intended to see leading companies rejuvenating the domestic economy by stimulating local demand.

One of the company leading this initiative is the Qingdao-based Haier Group. The company has already brought 180 products, across 15 ranges, to market this year. This has seen the company's sales revenue, both domestically and internationally, continue to grow impressively. During the first few months of 2009, the company experienced 57 percent growth in the new markets in Africa and the Middle East.

Following its acquisition of the assets of the French-owned Moteurs Baudouin, Weichai Power in Weifang is another company that has been leading the way for local entrepreneurs. In a move to reassure fellow businesses in the area, Weichai has just invested 600 million yuan in building a new product research center, a sure sign of its faith in the future. Meanwhile, figures for March show that the company's engine production volume exceeded 35,000 units in March, an all time high for the business.

Driven by many of the region's producers, including Sinotruk, Lovol and Shifeng, the region's automobile industry has gained strong momentum, with total sales volume reaching 258,000 units, a growth of 16 percent year-on-year.

Textile producers in Shandong are also seeking new opportunities and are exploring overseas markets whilst developing new products.

In the light of considerable shrinkage in its European markets, Sunvim, one of the major textile companies in the province, switched into developing the emerging markets in Iran, Panama, Chile, South Africa and Russia.

Jiang Yikang (third from right), Party secretary of Shandong, visits the R&D center of Foton Lovol, providing encouragement for the auto company to build on its strength in innovation.

Shandong Governor Jiang Daming (second from right) visiting infastructure re-development sites: "All areas of Shandong should greatly benefit from the province's rapid growth." Ju Chuanjiang

Shandong now China's No 2 most prosperous province

By Chuanjiang and Li Anna

Last year Shandong became only the second province to achieve a GDP of more than 3 trillion yuan. With a growth of some 12.1 percent – particularly impressive against the backdrop of financial uncertainty that bedeviled many of the world's economies – the eastern coastal province posted a 2008 GDP of 3.11 trillion yuan, an achievement previously only matched by Guangdong, traditionally China's most prosperous province.

A more in-depth analysis of the figures show that its per capita GDP also passed the 30,000-yuan mark for the first time. It was also the 17th consecutive year that the province had posted double-digit growth.

The provincial government, however, is not taking the impressive figures as a mandate for relaxing their drive for economic expansion. Instead it has announced ambitious plans to bolster development throughout the province, with a particular emphasis on boosting the less economically successful areas around the south of the province and the Yellow River Delta.

At present, the province's major cities – including Jinan, Qingdao, Yantai and Weihai – contribute some 72 percent of Shandong's GDP. Under the local government's new strategy, growth in the provinces' 10 major cities will continue to be nurtured, although additional resources will be diverted into supporting the under-performing zones.

Despite their comparatively low levels of current contribution to the province's overall GDP, the local government has identified huge potential for future development among the natural resources and fine ecological balance in both the Yellow River Delta area and southern Shandong.

Rich coal reserves have already been identified in the south of the province, whilst plans are already in place to develop the Yellow River Delta as the site of the nation's second largest oilfield and home of one of the country's most expansive wetland areas.

Jiang Daming, governor of Shandong, said the new development strategy will focus on integrating the major cities surrounding Jinan, the provincial capital, into one closely-linked city group, as well as developing a high-end manufacturing industrial zone in the eastern areas. It also includes plans to build an ecologically friendly economic zone in the Yellow River Delta area and to accelerate the development of the iron and steel industry in Rizhao, a port city in southern Shandong.

Jiang said a budget of 1.6 trillion yuan had already been earmarked to initiate the scheme with the bulk of it being allocated to a program of infrastructure construction. The investment is part of a wider initiative by the provincial government and is aimed at ensuring the province maintains an annual GDP growth of at least 10 per cent, despite ongoing uncertainties in the global financial markets.

As part of the initiative, the program of urban facility construction will be accelerated in the two central cities of Jinan and Qingdao. A total of 335 key construction projects are scheduled to begin in Qingdao alone this year, representing a combined investment of 337.4 billion yuan. Another 204 projects are planned for Jinan, involving a total investment of around 166.1 billion yuan. In addition, some 53 billion yuan will be invested in improving port facilities in Qingdao, Yantai, Rizhao, Weihai and Jining.

Away from the cities, 167.3 billion yuan will be used to improve road and rail transportation facilities, with the total length of railways in Shandong expected to reach 5,500 km by 2015.

The proposed development of the Yellow River Delta ecological-friendly economic zone, part of the national development plan, will also receive about 100 billion yuan of investment this year.

Restructuring looms for top 10 sectors

By Zhang Ying

As part of its commitment to maintaining a vibrant and cohesive development strategy, the provincial government of Shandong has unveiled a far-reaching program aimed at stimulating 10 of its key industries.

Under the terms of the plan, the 10 industries – steel, automotive, shipbuilding, chemical, light industry, textiles, nonferrous metals, equipment manufacturing, electronic information and modern logistics – will undergo a major restructuring operation in order to ensure their ongoing competitiveness.

In terms of the steel industry, the local government masterplan sees a series of mergers and acquisitions culminating in the formation of one mega-company in the sector and between three and five smaller operators. The blueprint envisages that the restructuring will be completed by 2015 when production in the sector will top 50 million tones annually.

In the automotive sector, the local government envisages the development of between eight and 10 large competitive groups, supported by a substantial number of innovative auto part suppliers and manufacturers. Companies within the sector will be encouraged to enhance their research and development capacities, with a particular emphasis on producing more energy-saving and environmental-friendly products.

Chemicals

The chemical industry will switch its focus onto the production of products such as tyres, petrochemicals, coal-based chemicals, and fertilizers. Several large chemical industry parks will be established in the coastal areas of Shandong and Zibo.

In terms of light industry, local government projections predict sales revenue rising to around 230 billion yuan by 2011 with subsequent annual increases in the area of 12 percent.

Across the board the sector will be encouraged to strengthen its investment in R&D facilities, whilst the local government will also seek to establish five State-level and 30 provincial-level technology centers with the ultimate aim of creating 50 new global brands.

Within the textile industry, the cities of Qingdao, Yantai, Weihai, Zibo and Weifang are expected to become the province's most important textile and garment production bases. Local businesses will also be encouraged to cooperate with international companies and access global markets through both acquisition and joint ventures in overseas regions.

In the nonferrous metals industry the proposals see the formation of three large aluminum groups, each with a sales revenue of more than 10 billion yuan. It also envisages the establishment of three copper groups, each with an annual revenue over 6 billion yuan by the year 2011.

Equipment manufacturing

As one of Shandong's existing key sectors, the industrial output value in the equipment manufacturing industry is planned to increase by around 350 billion yuan by 2011. This will be achieved through incremental growth of 15 per cent over the next two years. Ultimately, the proposals see total sales revenues from the sector topping 1.5 trillion yuan in 2011, with an annual growth rate of 20 percent

This growth will be facilitated by the establishment of around 10 State-level and 80 provincial-level R&D centers, with the industry's innovation capacity substantially upgraded.

The equipment manufacturing industry will see the formation of at least one vastly-resourced company with an annual business revenue of around 100 billion yuan. The plans also allow for three other large companies in the sector, each with revenues of between 10 and 30 billion yuan.

In the shipbuilding sector, by 2011 the production capacity of ocean-going ships, river ships and marine engineering equipments is estimated to reach 6 million deadweight tons (dwt), 1 million dwt and 500,000 dwt respectively.

Home to well-established brands, such as Haier and Hisense, Shandong is already famous throughout the country for its electronic information industry. The local government is looking to develop the sector still further by encouraging enterprises to develop their resources in a number of fields, including intelligent household appliances, computers, integrated circuits, mobile communications, Internet, digital radio and television.

In terms of the logistics industry, the local government expects to see a flourishing sector with 100 large logistic enterprises, capable of providing international services, in place by 2011.

City clusters set to spur economic growth

By Zhang Xiaomin

A province-wide move toward greater urbanization has been one of the key by-products of rapid economic development throughout Shandong. The eastern coastal province, one of the most prosperous in China, has now embraced the process and identified it as a key part of its growth strategy.

According to Jiang Daming, governor of the province, several city clusters are cohering within the province, driven by geographic proximity and economic compatibility.

Jiang said: "The city clusters that are now emerging in Shandong are coalescing around eight different cities – Jinan, Qingdao, Yantai, Zibo, Weihai, Weifang, Dongying, and Rizhao."

Together, these cities cover an area of land of nearly 74,000 sq km and have a combined population of more than 42.4 million. They account for two thirds of the province's total gross domestic product (GDP).

Back in 2007, the provincial government released a plan aimed at accelerating the pace of urbanization in the province. The plan, covering the period up to 2020, envisaged the province achieving a 60 percent urbanization rate by 2010 and then stabilizing at 70 percent some 10 years later.

The major cities in Shandong will then be integrated into six distinct industrial zones – a petrochemical and pharmaceutical zone in Dongying and Zibo, an electronic information zone in Jinan, a home appliance industry zone in Qingdao and Rizhao, an automobile industry zone in Yantai and Weihai, a textiles zone in Weifang, and marine industry zones in Rizhao, Qingdao, Weihai, and Yantai.

Ma Chuandong, a researcher for the Shandong Academy of Social Sciences, said: "The rise of the city groups will put Shandong onto the development fast track."

Outlining the future shape of the province, Ma said that the integration of the cities would involve huge investment in infrastructure development, giving not only a considerable boost to local market demand, but also greatly facilitating commercial transactions with businesses outside of the region.

One of the early by-products of this process has been the establishment of rapid rail links between Jinan, Zibo, Weifang, and Qingdao. This now makes it possible to travel between Jinan and Qingdao in under two hours. The province's rail capability will be further enhanced within three years when an urban light-rail system, connecting Qingdao, Yantai and Weihai, comes on line.

This particular urban cluster also boasts more than 3,000 km of expressways and four international airports, as well as 17 seaports linking 360 ports around the world.

The combined city clusters will ultimately be home to 60 percent of the province's listed companies and 70 percent of the foreign-funded and export-oriented companies.

More than 120 multinationals now have operations in Qingdao, Yantai and Weihai. Largely focused on the manufacturing sector, the cities are particularly strong in the automotive, electronics, machinery, and shipbuilding fields.