



Weiqiao Textiles based in Shandong province is China's leading exporter of textile products. JU CHUANJIANG / CHINA DAILY

# Opportunity in G20 investment

The world's leading economies see great value in doing major deals with Shandong

By JU CHUANJIANG

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Because of the complementary nature of modern industrial structures, investment between Shandong province and G20 members became more active during the first half of this year.

Shandong's investment in G20 members grew rapidly in that period, while businesses from those economies continued to invest in Shandong, with several major new projects landing in the province.

Statistics from the Shandong Commerce Bureau show that in the first half of this year, businesses from Shandong invested more than \$8.4 billion overseas, with 70 percent going to G20 members.

As the global business community is generally optimistic about the investment environment in Shandong, 19 Fortune Global 500 enterprises in G20 members invested in 31 projects in the province in the first half of this year.

"Shandong has many advantages in cooperating with G20 members," said Guo Shuqing, governor of Shandong. "Expanding two-way investment between Shandong and the G20 members has become a win-win measure for both."

According to the bureau's statistics, Shandong's enterprises have invested in more than 4,000 projects overseas in more than 140 countries and regions, and the G20 members have become important destinations for investment from Shandong.

In the first half of this year, Shandong businesses invested in 12 large overseas projects, with investment totaling \$6.39 billion yuan (\$1.04 billion).

On April 1, for instance, the Shandong Ruyi Group announced the acquisition of the SMCP Group in France. The deal cost Ruyi \$1.47 billion.

SMCP mainly operates in the luxury fashion market, owning the Sandro, Maje and Claudie Pierlot brands.

Yanzhou Mining Group, which began investing in Australia 12 years ago, has invested \$4 billion there and obtained 5.3 billion tons of coal resources, with an annual output of high-quality coal of more than 4 million tons. It is now Australia's largest independent coal company.

More manufacturing enterprises have begun to invest overseas, spending \$3.28 billion on overseas projects during the first half of this year. The projects are in energy, mineral products, home appliances, equipment manufacturing, textiles and garments, rubber and chemicals.



“Expanding two-way investment between Shandong and the G20 members has become a win-win measure for both.”

Guo Shuqing, governor of Shandong

70 percent of Shandong's overseas investment went to G20 members in the first half of this year

In May, a \$1 billion alumina project built and partly funded by China Hongqiao Co went into production in Indonesia. The project is designed to have an annual output of 2 million tons.

Yuhuang Chemical Group invested \$1.5 billion in building a methanol project in Louisiana, in the United States. With annual production capacity of 1.8 million tons, it is expected to begin production in 2017. About 70 percent of the products will be exported to China.

More companies are optimistic about the overseas service industry. In the first half of this year, investment from Shandong enterprises in the foreign service sector reached \$2.89 billion, 3.9 times more than in the same period last year, according to the bureau of commerce.

Yantai Nanshan Group bought \$170 million worth of shares in Virgin Australia Holdings Ltd, a low-cost air carrier.

Meanwhile, more enterprises from G20 members have increased their investments in Shandong.

In the first half of this year, Shandong attracted \$9.38 billion in actual foreign investment, an increase of 8.1 percent year-on-year. Investment from European Union countries totaled \$1.04 billion, twice

the amount in the same period of last year. Of that amount, German companies pledged and actual investments in the province increased by 5.7 times and 8.1 times.

According to the commerce bureau, by the end of 2015, 203 Fortune Global 500 enterprises had invested in 642 projects in Shandong, with \$15.3 billion worth of agreed investments. Of these projects, 80 percent are from G20 members. Last year, sales revenue generated from these projects totaled \$33 billion.

"Projects from Fortune Global 500 enterprises help promote industrial upgrading and economic restructuring in Shandong," said Li Guangjie, director of the Shandong Academy of Social Sciences Institute of International Economy.

Shandong has become a hot investment destination for South Korean enterprises. Nearly 5,000 South Korean companies — including Samsung, SK, LG, Lotte, Doosan and Hyundai Heavy Industries — have invested in the province.

Samsung's printer production base in Weihai produces 10 million printers every year, and is now the company's largest overseas production facility. Doosan has invested in a project in Yantai that has made that city China's largest excavator production base.

## Trade specialists a boon to local enterprises

By ZHAO RUIXUE

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714

billion yuan the value of Shangdong's foreign trade in the first half of 2016

2.4

percent the year-on-year growth of foreign trade for the same period

Despite a global economic slowdown, Shandong province's new trade facilitation measures have led to a 2.4 percent year-on-year increase in foreign trade in the first half of this year.

"Among the top 10 provinces in foreign trade, Shandong is the only one that had growth in the three areas of trade volume, exports and imports," said Lyu Wei, deputy chief of the Shandong Commerce Bureau.

Statistics from the bureau show the province's foreign trade totaled 714 billion yuan (\$107 billion) in the first half of this year. Exports amounted to 417.79 billion yuan, a year-on-year increase of 2.7 percent and imports reached 296 billion yuan, up 2 percent.

The growth can be partly attributed to the cultivation of specialized companies which help manufacturers conduct foreign trade business.

Zhang Yi, general manager of Shandong Wanlin Package Co Ltd, had never expected to have such a big market out of China. The company was already a major provider of packages for many Chinese brands, including dairy giant Yili.

Last year, the company assigned its foreign trade business to Jinan Qingong International Trade Co Ltd, a provider of comprehensive foreign trade services.

"Qingong is like a manager for us," Zhang said. "It not only brings us more orders from new markets, but saves us a lot of costs in conducting foreign trade."

Qingong is one of 21 leading enterprises in Shandong that provide foreign trade services.

During the fourth session of the 12th National People's Congress in March, Premier Li Keqiang called for the development of enterprises that provide comprehensive foreign trade services.

Since then, the local government launched measures to encourage comprehensive foreign trade companies to provide import and export services for manufacturing enterprises so that they can focus more on production than trade.

"As a new business model, the foreign trade companies have greatly helped the small and medium-sized enterprises in tapping overseas markets," said Cai Peian, an official at Shandong Commerce Bureau.

During the first half of this year, the 21 foreign trade companies' export business reached 8.55 billion yuan.

Shandong has also launched a series of measures to promote cross-border e-commerce. A total of 26.74 billion yuan worth of trade was conducted through cross-border e-commerce platforms during the first half of this year, an increase of 27.3 percent year on year.

Another government measure to facilitate trade has been giving more autonomy to oil refining companies in importing crude oil.

As more local oil refineries have been given approval to import crude oil, those imports reached 22.23 million tons during the first half of this year, generating 38.86 billion yuan in revenue, 2.4 times more than the same period in 2015.

Promoting trade with countries along the Belt and Road routes also helped Shandong's foreign trade grow.

Exports to countries along the routes reached 116.5 billion yuan during the first half of this year, an increase of 11.5 percent year-on-year. Of that, exports to the Association of Southeast Asian Nations increased 8.2 percent and those to Russia increased 64 percent.

Huang Shuren, vice-president of Yantai International Container Terminals Co Ltd, said the number of containers sent to South Korea from the company's terminals saw a year-on-year increase of 10 percent during the first half of this year, thanks to the China-ROK Free Trade Agreement.

Cashing in on the FTA, Shandong has developed China-ROK industrial and demonstration parks in Yantai and Weihai to promote cooperation. Distribution centers for commodities from the countries along the Belt and Road routes have been built in Qingdao, Yantai, Weifang, Weihai, Rizhao and Linyi to boost foreign trade.

## Innovation drives Shandong's economic growth

By ZHAO RUIXUE

A privately owned plant that was on the verge of bankruptcy 35 years ago has now developed into a renowned bio-engineering company thanks to its commitment to innovation.

Pointing at piles of corncobs at the company's headquarters, Tang Yilin, chairman of Jinan Shengquan Group, said they were the source of the company's wealth, but if there had been no innovation and technological improvements, the source would have dried up.

"Innovation, research and development are the soul and lifeblood of our company," Tang said, adding that the company spent 150 million yuan (\$22.5 million) on innovation each year in a bid to develop new value from corncobs. Currently, elements extracted from corncobs, such as furfural and fibers have been used to produce more than 100 kinds of products.

Shengquan is among thousands of enterprises, both privately owned and State-owned, in Shandong province that are seeking development through innovation, as the local government encourages enterprises to explore supply-sided reforms.

Statistics from the Shandong provincial government show that 4,156 innovation projects were implemented last year, creating 740 new products and 517 new technologies.



Workers assemble a Foton car at the company's plant in Weifang. Production at the facility is projected to reach 2 million units by 2020. WANG QIAN / CHINA DAILY

Thanks to their efforts, 135 enterprises in Shandong saw their revenues exceed 10 billion yuan (\$1.5 billion) last year, of which nine exceeded 100 billion yuan. Fifty-one Shandong-based enterprises have been listed in the top 500 enterprises in China in terms of revenue.

A major part of Shandong's economy, State-owned enterprises are carrying out innovation-driven reforms to better fit into markets.

"Whether an SOE makes a successful

reform depends on whether it can meet the demands of the market and society," said Zhang Xinwen, director of the Shandong State-owned Assets Supervision and Administration Commission.

Since May, the Shandong branch of China National Petroleum Corp has presented a new energy-efficient fuel to users in 12 cities across Shandong. Jointly developed by the Shandong branch and BASF China, the fuel oil is said to be more environmentally friendly.

"In addition to developing new products to meet customers' demands, we are exploring new marketing methods," said Gao Jianping, an executive at the Shandong branch of China National Petroleum. "Innovation is carried out in every area of our work."

Gao said the company is also promoting the fuel online, where sales reached 6 million yuan in May.

In March, Shandong received approval from the State Council to build a national innovation demonstration zone. The zone is designed to cover six high-tech industrial parks in Jinan, Qingdao, Zibo, Weifang, Yantai and Weihai.

In the zone, government intervention will be further reduced to create a more amicable environment for innovation and entrepreneurship, according to local officials.

To attract talent for innovation, the province released a series of measures including financial support, as well as a package of support policies covering children's education, household registration, spouse's work and social security for professionals who work in the province.

Shandong has about 360 postdoctoral research centers for professionals to do R&D in a variety of fields, including new energy, environmental protection, machinery, electronics, petrochemicals, biopharmaceuticals and healthcare.



Construction machines produced by Shandong Lingong Construction Machinery Co are exhibited at a bauma show in Germany. JU CHUANJIANG / CHINA DAILY



Samsung's printer production base in Weihai is the company's largest overseas production facility. PROVIDED TO CHINA DAILY